



Canadian Economic Accounts Quarterly Review



First quarter 2007

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
X	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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System of National Accounts

Canadian Economic Accounts Quarterly Review

First quarter 2007

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GDP by income and by expenditure

CANSIM tables	380-0001 to 380-0017, 380-0019 to 380-0035, 380-0037, 380-0056 to 380-0060, 382-0006, 384-0001, 384-0002, 384-0004 to 384-0013, and 384-0036
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National Income and Expenditure Accounts	13-001-XIB
Tables and Analytical Document:	
National Income and Expenditure Accounts	13-001-PPB
Estimates of Labour Income	13F0016XPB
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GDP by industry

CANSIM tables	379-0017 to 379-0022
Publication:	
Gross Domestic Product by Industry	15-001-XIE

Balance of international payments

CANSIM tables	376-0001 to 376-0036 and 376-0060 to 376-0061
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Financial flow accounts

CANSIM tables	378-0001, 378-0002
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International investment position

CANSIM tables	376-0037 to 376-0042 and 376-0051 to 376-0059
Publication:	
Canada's International Investment Position	67-202-XIE

National balance sheet accounts

CANSIM tables	378-0003 to 378-0010
Publication:	
National Balance Sheet Accounts	13-214-XIE
Spreadsheets	13-214-DDB, 13-214-XDB

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 2003.

GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2006.

Labour productivity, hourly compensation and unit labour cost:

With this release revisions have been made back to the first quarter of 2002 at the aggregate level and to the first quarter of 2006 at the industry level.

Section A Overview

First quarter 2007 and March 2007

The economy picked up steam in the first quarter of 2007 as real Gross Domestic Product (GDP) advanced 0.9%, more than twice the pace of last quarter. A slight pick up in consumer spending and an inventory build-up on strong production fuelled the advance. Investment in fixed capital slowed and exports eased.

In March, economic output was up 0.3%, after increasing 0.4% in February and 0.1% in January. Service-producing industries surged ahead in March while output of goods-producing industries fell.

Table A.1

Real gross domestic product, chained (2002) dollars^[1]

	Change	Annualized	Year-over-
		change	year
		%	
First quarter 2006	0.8	3.4	3.6
Second quarter 2006	0.4	1.5	3.1
Third quarter 2006	0.3	1.3	2.4
Fourth quarter 2006	0.4	1.5	1.9
First quarter 2007	0.9	3.7	2.0

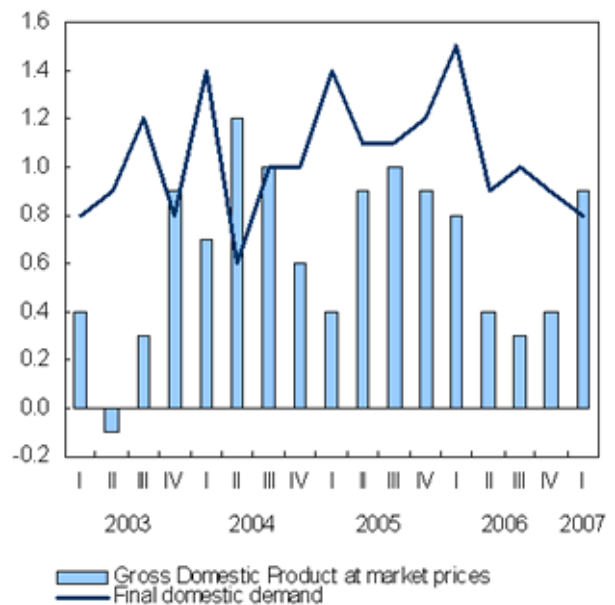
1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

While final domestic demand continues to provide substantial support to the economy (+0.8%) it was overtaken by growth in GDP for the first time in 10 quarters. An easing in domestic spending activity resulted from reduced investment in non-residential structures and equipment. This was partly offset by an acceleration in housing investment and by increased consumer spending, in particular on clothing, household furnishings and leisure items.

Chart A.1

Chart. GDP outpaces final domestic demand

Quarterly % change, chained (2002) dollars



Note to readers

Percentage changes for expenditure-based and industry-based statistics (such as consumer expenditures, investment, exports, imports, production and output) are calculated using volume measures, that is, adjusted for inflation. Percentage changes for income-based statistics (such as labour income, corporate profits and farm income) are calculated using nominal values, that is, not adjusted for inflation.

With the first quarter 2007 release of the Income and Expenditure Accounts, the data are revised back to the first quarter of 2003. For more information, consult the article *The 2003 to 2006 revisions of the Income and Expenditure Accounts*.

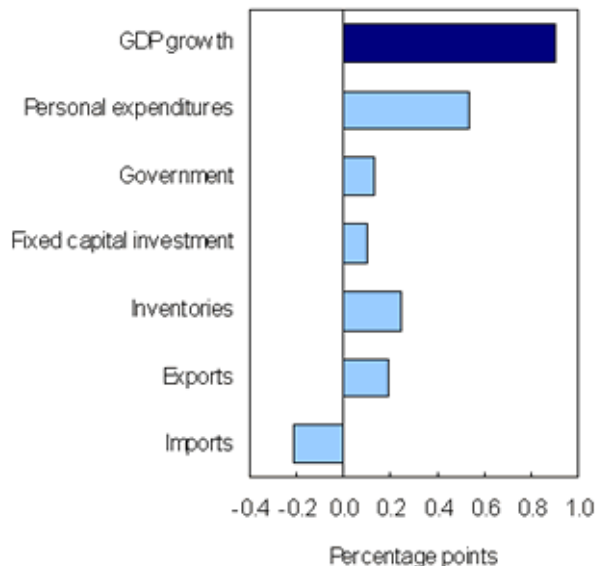
Effective with the first quarter 2007 Income and Expenditure Accounts release, the expenditure-based gross domestic product (GDP) and associated components are converted from a 1997 reference year to a 2002 reference year for its volume and price estimates. Please see the *Canadian Economic Accounts re-referencing* note for information on the GDP re-referencing exercise that is published on May 31st, 2007.

For more information please contact an Information Officer in the Income and Expenditure Accounts Division at 613-951-3640 or lead-info-dcird@statcan.ca. More information on chain Fisher methodology is available at [Chain Fisher volume index - Methodology](#) (catalogue 13-605-XIE).

Table A.2

Monthly gross domestic product by industry at basic prices in chained (1997) dollars

	October 2006 ^r	November 2006 ^r	December 2006 ^r	January 2007 ^r	February 2007 ^r	March 2007 ^p
Seasonally adjusted, chained (1997) dollars, month-to-month % change						
All industries	0.1	0.3	0.4	0.1	0.4	0.3
Goods-producing industries	0.2	0.1	0.1	0.2	1.0	-0.2
Services-producing industries	0.1	0.4	0.6	0.1	0.2	0.5
Industrial production	0.2	-0.0	-0.2	0.1	1.2	-0.2
Manufacturing	-0.6	1.2	0.6	-1.1	0.2	0.8
Retail trade	-0.4	-0.4	2.0	-0.1	-0.7	1.4
Energy sector	0.9	-2.3	-1.7	2.4	3.1	-1.7

^r Revised figures^p Preliminary figures**Chart A.2****Contributions to percent change in GDP, first quarter 2007**

Export growth moderated, largely constrained by declines in forestry products and industrial goods and materials. With production up, and both foreign demand and domestic spending easing in the quarter, inventories accumulated.

Both the service sector (+1.0%) and goods production (+0.9%) increased in the first quarter. The growth in the production of goods followed three quarters of decline. Growth came mainly from the energy sector, wholesale and retail trade, the financial sector and construction. Agriculture, forestry and mining, excluding oil and natural gas, also posted gains. However, these gains were partly offset by declines in accommodation services and arts and entertainment.

Manufacturing remained unchanged after declining for four straight quarters. Of the 21 major groups, 14 posted gains, accounting for 68% of total manufacturing value added. Manufacturing of durable goods registered its first quarterly increase since the first quarter of 2006. Industrial production (the output of utilities, mines and factories) advanced 0.7%, with mining, oil and gas as well as utilities recording significant gains. Industrial production in the United States edged up (+0.2%), as manufacturers and utilities raised output and mining contracted.

The Canadian economy recorded an annualized rate of 3.7%, up sharply from the fourth quarter of 2006 (+1.5%); it outpaced the U.S. economy (according to the advance estimate published on April 27).

Economy-wide prices, as measured by the chain price index for GDP rose 1.5%. Excluding energy, the index was up 0.9%.

Consumer spending remains a force in the economy

Personal spending on goods and services continued to support the economy, advancing at a steady pace (+1.0%). Purchases of durable goods, which posted average quarterly growth of over 2% throughout 2006, grew 1.6% in the first quarter. Purchases of semi-durable goods picked up 1.9% after weak growth last quarter (+0.5%). In particular, spending on clothing and footwear jumped 2.4% this quarter. Retail sales in many sectors posted strong quarterly growth.

Residential investment picks up, while investment in non-residential structures and equipment falters

Business investment in residential construction recovered in the first quarter. This was the first increase (+1.8%) since the first quarter of 2006. The value of new housing construction was essentially flat (-0.1%), after three quarters of pronounced declines. However, residential real estate re-sale activity was up sharply while renovation activity remained firm.

Having registered a healthy string of quarterly increases of 2.5% or more over the last two years, business investment in non-residential structures slowed this quarter (+1.3%). This occurred despite a 2.5% surge in investment in buildings, such as office buildings, factories and warehouses. Investment in machinery and equipment declined 1.5%, the first decline since 2002.

Exports reflects continued soft foreign demand

Merchandise exports eased (+0.5%), continuing the moderate growth posted over the last two quarters. Foreign sales were largely constrained by declines in forestry products (-6.3%) and industrial goods and materials (-0.5%). The Canadian dollar lost ground against the US dollar, depreciating 2.8% in the quarter.

Exports of machinery and equipment were strong this quarter (+2.0%), after slowing considerably last quarter, but still off the quarterly pace registered in most of 2005. Foreign demand for automotive products was up 2.3% this quarter, on top of the 7.4% increase posted last quarter, reversing the quarterly declines registered throughout most of 2006.

Inventories accumulate as domestic and foreign demand ease

Business inventories (excluding farm inventories) increased \$2.8 billion in the quarter. Durable goods, especially fabricated metal, non-electrical machinery, and electrical and electronic products were built up in manufacturers' inventories, while wholesalers accumulated non-durable goods.

Corporate profits surge and personal income strengthens

Corporate profits posted substantial growth in the first quarter (+3.1%), a pace not seen since the last quarter of 2005. Spurred by profits earned in the petroleum and coal products manufacturing sector, as well as by increased profits in the retail sector, corporate profits in non-financial industries advanced 4.7%.

Personal income rose 2.0% helped by strong increases in labour income, farm income, and net income from non-farm unincorporated business, including rent.

Labour income increased 2.0%, up from the last quarter (+1.6%) as wages and salaries increased in both goods and service producing industries. However, labour income also reflected a Quebec government pay equity settlement, and a contribution from the Newfoundland and Labrador government to the Public Service Pension Plan. Excluding these special payments, labour income grew 1.6%.

GDP by industry, March 2007

Economic activity increased 0.3% in March, after growing 0.4% in February and 0.1% in January. Strength in service industries (+0.5%) more than offset a decrease in the production of goods (-0.2%). Wholesale and retail trade experienced robust growth during the month. Gains were also registered in construction, manufacturing and the financial sector. These increases were partially offset by declines in agriculture, forestry, the energy sector and mining, excluding oil and gas.

Wholesale trade jumped 1.8% in March, owing largely to strong trade in motor vehicles. Retail trade rose sharply (+1.4%) following a drop the month before. This increase was fuelled primarily by sales of new cars.

The construction sector rose 0.1% in March. Increases in non-residential construction (+1.1%), and engineering and repair work (+0.2%), overshadowed the 0.6% decline in residential construction.

The manufacturing sector advanced 0.8%, as both durable (+1.0%) and non-durable goods manufacturing (+0.4%) rose. Of the 21 major manufacturing groups, 16 increased, accounting for 80% of the total manufacturing value added. Motor vehicle manufacturing contributed the most to the increase.

The energy sector fell 1.7% in March, following two months of strong growth. This setback was due to a drop in natural gas extraction and the tumble in oil and gas exploration (-12.5%). Petroleum extraction increased however.

Industrial production (the output of mines, utilities and factories) retreated 0.2%. The drop in mining and the decline in utilities outweighed the gains made by manufacturers. In comparison, industrial production in the United States decreased 0.3% in March, due to the tumble in utilities, while manufacturing and mining both advanced.

Table A.3 Canadian economic accounts key indicators[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	710,336 1.4	727,568 2.4	730,928 0.5	739,764 1.2	751,268 1.6	766,148 2.0	694,041 6.0	737,382 6.2
Corporation profits before taxes	202,700 5.3	194,664 -4.0	197,444 1.4	201,864 2.2	201,464 -0.2	207,700 3.1	189,357 11.9	198,859 5.0
Interest and miscellaneous investment income	68,044 10.8	65,592 -3.6	65,880 0.4	65,464 -0.6	64,304 -1.8	66,020 2.7	61,070 12.9	65,310 6.9
Net income of unincorporated business	85,420 0.4	85,624 0.2	86,064 0.5	86,408 0.4	87,200 0.9	89,076 2.2	84,957 1.0	86,324 1.6
Taxes less subsidies	158,300 0.6	161,812 2.2	164,092 1.4	160,384 -2.3	160,040 -0.2	163,240 2.0	156,181 4.9	161,582 3.5
Personal disposable income	806,164 1.1	834,500 3.5	833,116 -0.2	844,976 1.4	856,616 1.4	874,220 2.1	791,486 4.3	842,302 6.4
Personal saving rate[2]	1.7 ...	3.3 ...	1.7 ...	1.8 ...	2.2 ...	2.6 ...	1.6 ...	2.3 ...
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	733,560 0.9	743,529 1.4	750,550 0.9	759,897 1.2	766,839 0.9	774,178 1.0	724,942 3.8	755,204 4.2
Government current expenditure on goods and services	245,237 0.8	248,187 1.2	250,155 0.8	251,113 0.4	252,961 0.7	254,672 0.7	242,557 2.2	250,604 3.3
Gross fixed capital formation	289,436 2.4	295,807 2.2	297,993 0.7	300,447 0.8	303,625 1.1	305,003 0.5	279,345 8.5	299,468 7.2
Investment in inventories	12,547 ...	10,321 ...	17,572 ...	12,838 ...	61 ...	3,611 ...	13,575 ...	10,198 ...
Exports of goods and services	513,688 1.8	504,602 -1.8	502,355 -0.4	505,539 0.6	508,881 0.7	511,521 0.5	501,732 2.2	505,344 0.7
Imports of goods and services	535,580 2.7	532,055 -0.7	544,582 2.4	552,820 1.5	551,615 -0.2	555,139 0.6	519,435 7.5	545,268 5.0
Gross domestic product at market prices	1,264,822 0.9	1,275,510 0.8	1,280,142 0.4	1,284,213 0.3	1,288,949 0.4	1,300,566 0.9	1,247,780 3.1	1,282,204 2.8
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
GDP at basic prices, by industry								
Goods producing industries	336,007 0.8	336,465 0.1	334,218 -0.7	333,907 -0.1	332,651 -0.4	335,513 0.9	331,595 2.0	334,310 0.8
Industrial production	246,320 0.7	245,075 -0.5	242,343 -1.1	241,939 -0.2	239,412 -1.0	241,120 0.7	243,485 1.0	242,193 -0.5
Energy sector	65,102 1.0	64,521 -0.9	64,240 -0.4	64,750 0.8	63,394 -2.1	64,572 1.9	63,767 1.5	64,226 0.7
Manufacturing	176,357 0.7	175,810 -0.3	173,142 -1.5	171,630 -0.9	170,121 -0.9	170,172 0.0	174,987 0.7	172,676 -1.3
Non-durable manufacturing	71,169 -0.4	70,340 -1.2	69,444 -1.3	68,813 -0.9	68,241 -0.8	67,616 -0.9	71,317 -1.2	69,210 -3.0
Durable manufacturing	105,050 1.4	105,348 0.3	103,574 -1.7	102,692 -0.9	101,756 -0.9	102,448 0.7	103,516 2.1	103,343 -0.2
Construction	65,518 2.4	67,251 2.6	67,997 1.1	68,688 1.0	69,798 1.6	70,599 1.1	63,689 5.7	68,433 7.4
Services producing industries	741,062 0.7	749,702 1.2	756,840 1.0	761,943 0.7	767,148 0.7	774,588 1.0	732,506 3.2	758,908 3.6
Wholesale trade	67,920 2.1	69,610 2.5	70,563 1.4	71,203 0.9	70,349 -1.2	72,049 2.4	65,997 6.9	70,431 6.7
Retail trade	62,752 0.6	64,164 2.3	65,420 2.0	65,996 0.9	66,187 0.3	66,925 1.1	62,219 4.7	65,442 5.2
Transportation and warehousing	52,073 0.8	52,462 0.7	52,804 0.7	52,904 0.2	52,946 0.1	53,379 0.8	51,241 3.5	52,779 3.0
Finance, insurance, real estate and renting	216,331 0.7	218,591 1.0	220,854 1.0	223,342 1.1	226,055 1.2	228,720 1.2	213,985 3.7	222,210 3.8
Information and communication technologies	63,271 0.7	64,104 1.3	64,723 1.0	65,365 1.0	65,954 0.9	66,507 0.8	62,359 5.2	65,037 4.3

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

2. Actual rate.

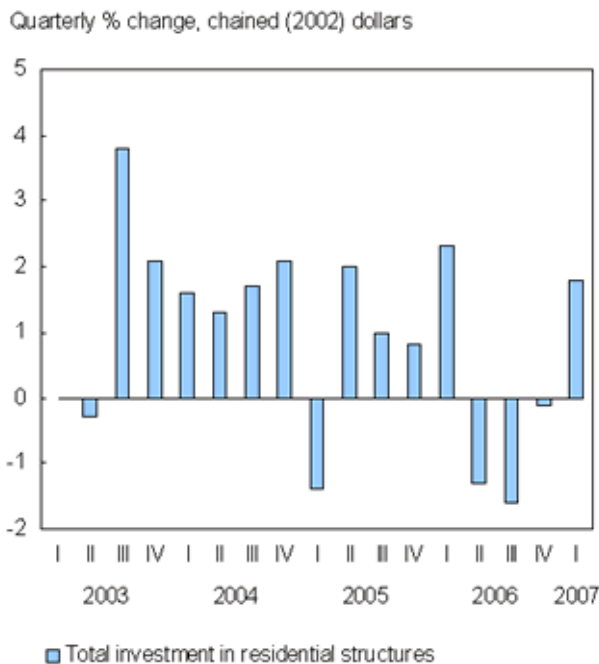
Section B GDP by income and by expenditure

First quarter 2007

Housing picked up after elapsed pause

Business investment in residential construction recovered in the first quarter. This was the first increase (+1.8%) since the first quarter of 2006. The value of new housing construction was essentially flat (-0.1%), after three quarters of pronounced declines. However, residential real estate re-sale activity was up sharply while renovation activity remained firm.

Chart B.1
Residential investment picked up



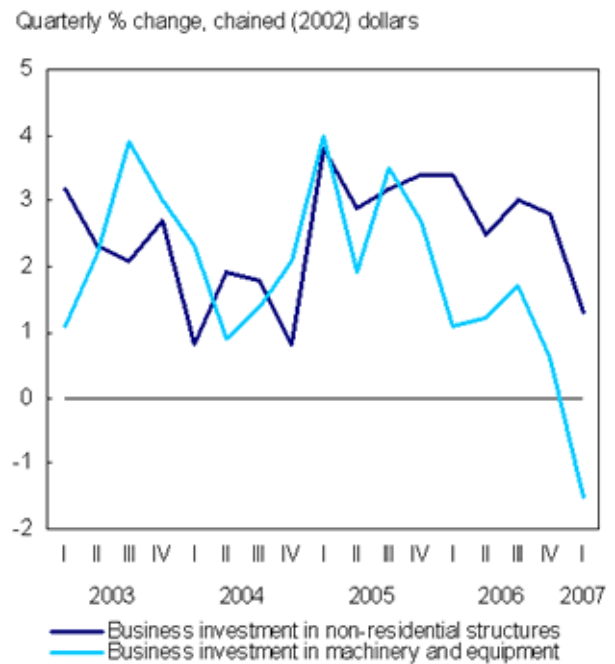
New housing prices were up slightly and steady mortgage rates kept housing affordable. A healthy increase in the resale market reflected in strong ownership transfer costs (+6.7%), which includes real estate commissions, helped boost the housing market.

An understated workhorse has been renovation activity. It was up 1.9% again this quarter after maintaining average growth of 1.4% over the last 4 quarters. Renovation activity has steadily increased its share of investment over the last few years, and now accounts for 34% of total residential investment (in current dollars). Sustained upgrades on current properties also drove up profits for retailers in home improvements.

Business investment on non-residential structures slowed

Having registered a healthy string of quarterly increases of 2.5% or more over the last two years, business investment in non-residential structures slowed this quarter (+1.3%). This occurred despite a 2.5% surge in investment in buildings, such as office buildings, factories and warehouses.

Chart B.2
Business investment falters



Investment in machinery and equipment declined 1.5%, the first decline since 2002. Purchases of machinery and equipment have been a source of strength over the last four years, but have slowed from their peak in 2005. The main contributors were declines in industrial machinery, trucks, and automobiles. These were partly offset by increases in computers and other office equipment, other transportation equipment, and furniture.

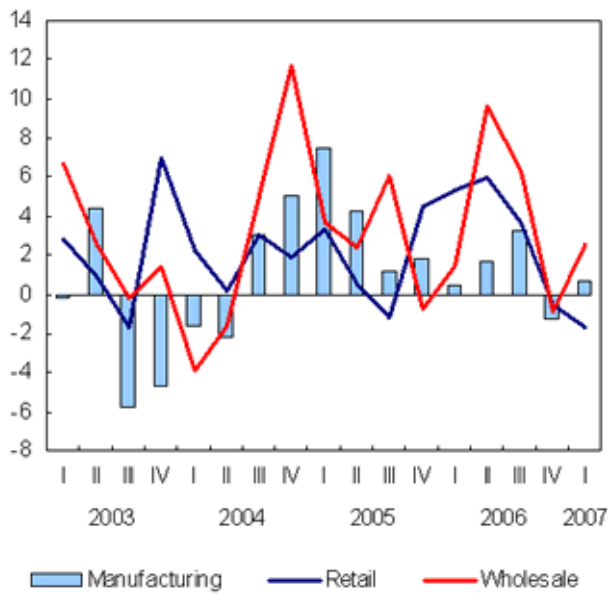
Weak investment in machinery and equipment was also reflected in imports of machinery and equipment which declined 2.0% this quarter, the first quarterly drop since 2003.

Inventories accumulated

Business inventories (excluding farm inventories) increased \$2.8 billion in the quarter. Durable goods, especially fabricated metal, non-electrical machinery, and electrical and electronic products were built up in manufacturers' inventories, while wholesalers accumulated non-durable goods.

Chart B.3
Manufacturing and wholesale inventories accumulate

Billions of chained (2002) dollars



Automotive exports were partly drawn from inventories as production remained essentially flat. Both retailers and wholesalers saw a drawdown in motor vehicles which began last quarter with increased demand for automotive products across the border. Also, imports of automotive products were up 2.1%.

Energy inventories also accumulated in the first quarter.

The economy-wide stock-to-sales ratio remained at 0.66, leaving sufficient inventories to satisfy 60 days of sales at current prices.

Modest growth in exports

Merchandise exports eased (+0.5%), continuing the moderate growth posted over the last two quarters. Foreign sales were largely constrained by declines in forestry products (-6.3%) and industrial goods and materials (-0.5%). The Canadian dollar lost ground against the US dollar, depreciating 2.8% in the quarter.

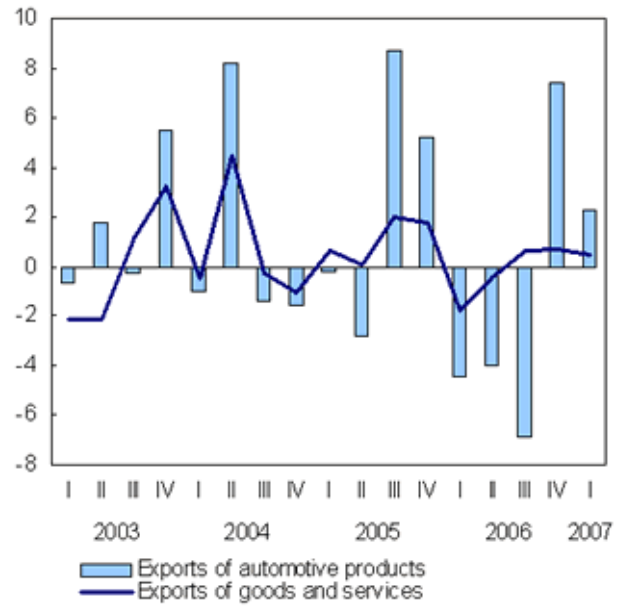
Increased demand for machinery and equipment and for automotive products contributed most to export growth. Increased foreign demand for energy products (+1.7%), as well as agriculture and fish products (+1.5%) also helped boost exports.

Exports of machinery and equipment were strong this quarter (+2.0%), after slowing considerably last quarter, but still off the quarterly pace registered in most of 2005.

Foreign demand for automotive products was up 2.3% this quarter, on top of the 7.4% increase posted last quarter, reversing the quarterly declines registered throughout most of 2006.

Chart B.4
Automotive products sustain export growth

Quarterly % change, chained (2002) dollars



A bright spot on the imports side was the increase in industrial goods and materials, up 2.2% after the last two quarterly declines, returning to levels posted in the first half of 2006.

Export of services increased 0.9%, spurred by growth in transportation services, which have now posted three consecutive solid quarterly increases. Exports of travel services registered another decline, increasing only once in the last nine quarters.

Consumer spending remained steady

Personal spending on goods and services continued to support the economy, advancing at a steady pace (+1.0%). Purchases of durable goods, which recorded average quarterly growth of over 2% throughout 2006, grew 1.6% in

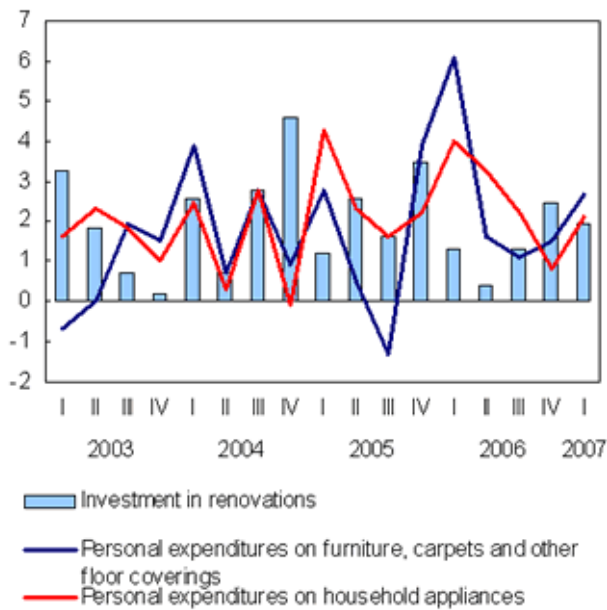
the first quarter. Purchases of semi-durable goods picked up 1.9% after weak growth last quarter (+0.5%). Retail sales in many sectors experienced strong quarterly growth.

In particular, spending on clothing and footwear jumped 2.4% this quarter. As a result, profits in clothing and general merchandise stores were among the highest in the retail sector.

Spending on furniture, carpets and other floor coverings (+2.7%), and household appliances (+2.1%), grew substantially this quarter, stimulated by increased activity in the housing market.

Chart B.5
Consumers continue to spend on home improvements

Quarterly % change, chained (2002) dollars



Consumer expenditure on new and used motor vehicles came to a halt in the first quarter (-0.3%). Expenditures on motor vehicle repairs and parts also fell, and spending on motor fuels and lubricants was flat. Purchased transportation slowed considerably (+0.5%) after spiking last quarter (+2.6%), and spending on communications remained flat.

Consumption of leisure-related items, especially recreational, sporting and camping equipment (+4.7%) and reading and entertainment supplies (+3.3%) jumped this quarter.

Spending on medical care and health services was up 1.6%, returning to the pace recorded in mid-2006.

Personal income registered strong growth

Personal income rose 2.0% helped by strong increases in labour income, farm income, and net income from non-farm unincorporated business, including rent.

Labour income increased 2.0%, up from the last quarter (+1.6%) as wages and salaries increased in both goods and service producing industries. However, labour income also reflected a Quebec government pay equity settlement, and a contribution from the Newfoundland and Labrador government to the Public Service Pension Plan. Excluding these special payments, labour income grew 1.6%. (The price impact on government current expenditures was about 1%. If the pay equity and pension adjustment were excluded, the growth rate of current dollar government expenditure would change from 2.0% to 1.0%. The growth of the implicit price of government expenditure would change from 1.3% to 0.4%).

The wage bill was particularly strong in mining and oil and gas extraction, and in health care and social assistance. Employment growth was also strong this quarter.

Farm income increased this quarter, boosted by strong deliveries and higher grain and oilseed prices. Unincorporated business net income including rent was up 1.8%. Growth in self employment was also strong.

Growth in income outpaced personal sector outlays, and personal disposable income expanded 2.1% this quarter. Personal saving has now grown significantly for two quarters in a row. The personal saving rate rose to 2.6% compared to 2.2% last quarter.

Corporate profits surged

Corporate profits posted substantial growth in the first quarter (+3.1%), a pace not seen since the last quarter of 2005. Spurred by earnings in the petroleum and coal products manufacturing sector, partly resulting from rising commodity prices, as well as by increased profits in the retail sector, corporate profits in non-financial industries advanced 4.7%.

Dampening overall corporate profits were declines posted by financial corporations (-4.2%), after a climb last quarter (+1.4%), pulled down by lower profits earned by life insurers. Bank profits posted a decline of 2.3%.

In the first quarter, corporate sector income returned to mid-2006 levels. Last quarter, corporations received refunds of over \$5 billion USD from softwood lumber duties levied by the United States, which had caused a significant increase in interest, dividend and miscellaneous income (+29%).

Total saving for all sectors was up 2.9% following two quarters of decline, as higher personal saving offset reduced corporate saving.

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

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	710,336 1.4	727,568 2.4	730,928 0.5	739,764 1.2	751,268 1.6	766,148 2.0	694,041 6.0	737,382 6.2
Corporation profits before taxes	202,700 5.3	194,664 -4.0	197,444 1.4	201,864 2.2	201,464 -0.2	207,700 3.1	189,357 11.9	198,859 5.0
Government business enterprise profits before taxes	15,264 3.6	13,912 -8.9	14,156 1.8	13,668 -3.4	13,556 -0.8	14,908 10.0	14,578 12.8	13,823 -5.2
Interest and miscellaneous investment income	68,044 10.8	65,592 -3.6	65,880 0.4	65,464 -0.6	64,304 -1.8	66,020 2.7	61,070 12.9	65,310 6.9
Accrued net income of farm operators from farm production	1,044 -4.4	400 -61.7	240 -40.0	268 11.7	468 74.6	816 74.4	1,321 -57.5	344 -74.0
Net income of non-farm unincorporated business, including rent	84,376 0.5	85,224 1.0	85,824 0.7	86,140 0.4	86,732 0.7	88,260 1.8	83,636 3.2	85,980 2.8
Inventory valuation adjustment	-1,316 ...	540 ...	-444 ...	-1,376 ...	-5,820 ...	-2,360 ...	-933 ...	-1,775 ...
Taxes less subsidies, on factors of production	62,992 0.9	63,736 1.2	64,448 1.1	64,620 0.3	64,880 0.4	65,764 1.4	61,847 4.8	64,421 4.2
Net domestic product at basic prices	1,143,440 2.2	1,151,636 0.7	1,158,476 0.6	1,170,412 1.0	1,176,852 0.6	1,207,256 2.6	1,104,917 7.0	1,164,344 5.4
Taxes less subsidies, on products	95,308 0.3	98,076 2.9	99,644 1.6	95,764 -3.9	95,160 -0.6	97,476 2.4	94,334 5.0	97,161 3.0
Capital consumption allowances	179,944 1.5	181,868 1.1	183,876 1.1	185,752 1.0	187,504 0.9	189,316 1.0	176,338 4.8	184,750 4.8
Statistical discrepancy	-28 ...	-216 ...	224 ...	468 ...	-268 ...	928 ...	-509 ...	52 ...
Gross domestic product at market prices	1,418,664 2.0	1,431,364 0.9	1,442,220 0.8	1,452,396 0.7	1,459,248 0.5	1,494,976 2.4	1,375,080 6.5	1,446,307 5.2

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

Table B.2 Gross domestic product, expenditure-based, current prices and quarterly percentage change[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	774,152 1.0	787,992 1.8	799,220 1.4	809,776 1.3	817,020 0.9	830,596 1.7	760,701 5.6	803,502 5.6
Durable goods	100,676 0.0	103,712 3.0	104,784 1.0	106,808 1.9	107,560 0.7	109,152 1.5	100,014 4.7	105,716 5.7
Semi-durable goods	63,640 0.9	65,680 3.2	66,664 1.5	67,444 1.2	67,484 0.1	68,832 2.0	63,055 4.0	66,818 6.0
Non-durable goods	191,084 0.4	192,860 0.9	196,540 1.9	197,692 0.6	195,196 -1.3	199,456 2.2	187,836 6.2	195,572 4.1
Services	418,752 1.6	425,740 1.7	431,232 1.3	437,832 1.5	446,780 2.0	453,156 1.4	409,796 5.8	435,396 6.2
Government current expenditure on goods and services	266,560 0.5	277,800 4.2	277,720 -0.0	280,064 0.8	283,640 1.3	289,268 2.0	262,650 5.5	279,806 6.5
Government gross fixed capital formation	38,264 3.8	39,340 2.8	40,128 2.0	40,668 1.3	41,208 1.3	41,620 1.0	36,296 13.1	40,336 11.1
Government investment in inventories	68 ...	100 ...	-96 ...	-116 ...	-52 ...	28 ...	27 ...	-41 ...
Business gross fixed capital formation	263,240 2.6	271,016 3.0	274,660 1.3	280,012 1.9	285,852 2.1	291,000 1.8	253,074 10.3	277,885 9.8
Residential structures	92,800 2.1	96,932 4.5	98,160 1.3	98,552 0.4	99,900 1.4	103,184 3.3	89,791 8.3	98,386 9.6
Non-residential structures and equipment	170,440 2.8	174,084 2.1	176,500 1.4	181,460 2.8	185,952 2.5	187,816 1.0	163,283 11.4	179,499 9.9
Non-residential structures	77,384 4.4	80,824 4.4	83,980 3.9	87,368 4.0	90,620 3.7	93,028 2.7	72,674 17.1	85,698 17.9
Machinery and equipment	93,056 1.5	93,260 0.2	92,520 -0.8	94,092 1.7	95,332 1.3	94,788 -0.6	90,609 7.3	93,801 3.5
Business investment in inventories	6,980 ...	6,056 ...	15,440 ...	11,640 ...	-1,840 ...	712 ...	9,642 ...	7,824 ...
Non-farm	6,676 ...	6,584 ...	16,416 ...	11,992 ...	-1,516 ...	1,416 ...	9,038 ...	8,369 ...
Farm	304 ...	-528 ...	-976 ...	-352 ...	-324 ...	-704 ...	604 ...	-545 ...
Exports of goods and services	548,640 4.1	522,568 -4.8	518,504 -0.8	526,512 1.5	531,240 0.9	550,764 3.7	520,379 5.1	524,706 0.8
Goods	478,928 4.4	454,464 -5.1	449,124 -1.2	457,168 1.8	462,028 1.1	480,200 3.9	451,779 5.3	455,696 0.9
Services	69,712 1.4	68,104 -2.3	69,380 1.9	69,344 -0.1	69,212 -0.2	70,564 2.0	68,600 3.5	69,010 0.6
Deduct: Imports of goods and services	479,264 1.9	473,720 -1.2	483,136 2.0	495,696 2.6	498,088 0.5	508,088 2.0	468,197 6.2	487,660 4.2
Goods	397,812 1.9	392,492 -1.3	400,520 2.0	411,860 2.8	412,692 0.2	422,304 2.3	388,282 6.9	404,391 4.1
Services	81,452 1.6	81,228 -0.3	82,616 1.7	83,836 1.5	85,396 1.9	85,784 0.5	79,915 3.2	83,269 4.2
Statistical discrepancy	24 ...	212 ...	-220 ...	-464 ...	268 ...	-924 ...	508 ...	-51 ...
Gross domestic product at market prices	1,418,664 2.0	1,431,364 0.9	1,442,220 0.8	1,452,396 0.7	1,459,248 0.5	1,494,976 2.4	1,375,080 6.5	1,446,307 5.2
<i>Final domestic demand</i>	<i>1,342,216</i> <i>1.3</i>	<i>1,376,148</i> <i>2.5</i>	<i>1,391,728</i> <i>1.1</i>	<i>1,410,520</i> <i>1.4</i>	<i>1,427,720</i> <i>1.2</i>	<i>1,452,484</i> <i>1.7</i>	<i>1,312,721</i> <i>6.7</i>	<i>1,401,529</i> <i>6.8</i>

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

Table B.3 Real gross domestic product, expenditure-based, quarterly percentage change[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	733,560 0.9	743,529 1.4	750,550 0.9	759,897 1.2	766,839 0.9	774,178 1.0	724,942 3.8	755,204 4.2
Durable goods	103,295 0.1	106,463 3.1	108,498 1.9	111,390 2.7	112,667 1.1	114,474 1.6	102,468 5.3	109,755 7.1
Semi-durable goods	64,733 1.5	66,928 3.4	68,138 1.8	69,351 1.8	69,700 0.5	71,024 1.9	63,866 4.3	68,529 7.3
Non-durable goods	168,224 0.2	168,656 0.3	170,187 0.9	171,346 0.7	171,030 -0.2	171,833 0.5	167,859 1.9	170,305 1.5
Services	397,801 1.3	402,356 1.1	404,747 0.6	409,104 1.1	414,880 1.4	418,505 0.9	391,140 4.3	407,772 4.3
Government current expenditure on goods and services	245,237 0.8	248,187 1.2	250,155 0.8	251,113 0.4	252,961 0.7	254,672 0.7	242,557 2.2	250,604 3.3
Government gross fixed capital formation	36,674 3.4	37,511 2.3	37,914 1.1	37,955 0.1	38,336 1.0	38,271 -0.2	35,086 10.9	37,929 8.1
Government investment in inventories	60 ...	88 ...	-84 ...	-96 ...	-40 ...	24 ...	24 ...	-33 ...
Business gross fixed capital formation	252,759 2.2	258,293 2.2	260,075 0.7	262,489 0.9	265,286 1.1	266,728 0.5	244,256 8.1	261,536 7.1
Residential structures	78,249 0.9	80,041 2.3	78,974 -1.3	77,711 -1.6	77,690 -0.0	79,109 1.8	76,976 3.5	78,604 2.1
Non-residential structures and equipment	175,564 3.0	179,309 2.1	182,598 1.8	186,880 2.3	189,984 1.7	189,705 -0.1	168,019 10.8	184,693 9.9
Non-residential structures	66,523 3.4	68,787 3.4	70,523 2.5	72,651 3.0	74,707 2.8	75,681 1.3	63,480 10.8	71,667 12.9
Machinery and equipment	109,082 2.7	110,247 1.1	111,598 1.2	113,532 1.7	114,184 0.6	112,439 -1.5	104,641 10.8	112,390 7.4
Business investment in inventories	12,475 ...	10,218 ...	17,668 ...	12,953 ...	112 ...	3,583 ...	13,544 ...	10,238 ...
Non-farm	9,975 ...	9,090 ...	16,943 ...	11,893 ...	-721 ...	2,777 ...	11,055 ...	9,301 ...
Farm	2,042 ...	333 ...	-483 ...	63 ...	156 ...	19 ...	2,004 ...	17 ...
Exports of goods and services	513,688 1.8	504,602 -1.8	502,355 -0.4	505,539 0.6	508,881 0.7	511,521 0.5	501,732 2.2	505,344 0.7
Goods	448,102 1.9	440,489 -1.7	437,427 -0.7	441,107 0.8	444,776 0.8	446,847 0.5	436,649 2.4	440,950 1.0
Services	65,623 1.0	64,154 -2.2	64,931 1.2	64,471 -0.7	64,172 -0.5	64,735 0.9	65,105 1.0	64,432 -1.0
Deduct: Imports of goods and services	535,580 2.7	532,055 -0.7	544,582 2.4	552,820 1.5	551,615 -0.2	555,139 0.6	519,435 7.5	545,268 5.0
Goods	446,619 2.9	443,064 -0.8	454,479 2.6	462,483 1.8	461,088 -0.3	464,594 0.8	432,703 8.1	455,279 5.2
Services	89,075 1.7	89,088 0.0	90,235 1.3	90,513 0.3	90,687 0.2	90,730 0.0	86,834 4.5	90,131 3.8
Statistical discrepancy	21 ...	189 ...	-195 ...	-410 ...	237 ...	-804 ...	464 ...	-45 ...
Gross domestic product at market prices	1,264,822 0.9	1,275,510 0.8	1,280,142 0.4	1,284,213 0.3	1,288,949 0.4	1,300,566 0.9	1,247,780 3.1	1,282,204 2.8
<i>Final domestic demand</i>	<i>1,267,455</i> <i>1.2</i>	<i>1,286,677</i> <i>1.5</i>	<i>1,297,838</i> <i>0.9</i>	<i>1,310,523</i> <i>1.0</i>	<i>1,322,465</i> <i>0.9</i>	<i>1,332,855</i> <i>0.8</i>	<i>1,246,194</i> <i>4.5</i>	<i>1,304,376</i> <i>4.7</i>

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

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.

Table B.4 Real gross domestic product, expenditure-based, annualized percentage change[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	3.6	5.5	3.8	5.1	3.7	3.9	3.8	4.2
Durable goods	0.3	12.8	7.9	11.1	4.7	6.6	5.3	7.1
Semi-durable goods	6.3	14.3	7.4	7.3	2.0	7.8	4.3	7.3
Non-durable goods	0.8	1.0	3.7	2.8	-0.7	1.9	1.9	1.5
Services	5.3	4.7	2.4	4.4	5.8	3.5	4.3	4.3
Government current expenditure on goods and services	3.1	4.9	3.2	1.5	3.0	2.7	2.2	3.3
Government gross fixed capital formation	14.3	9.4	4.4	0.4	4.1	-0.7	10.9	8.1
Government investment in inventories[2]	76	28	-172	-12	56	64	4	-57
Business gross fixed capital formation	9.3	9.0	2.8	3.8	4.3	2.2	8.1	7.1
Residential structures	3.5	9.5	-5.2	-6.2	-0.1	7.5	3.5	2.1
Non-residential structures and equipment	12.6	8.8	7.5	9.7	6.8	-0.6	10.8	9.9
Non-residential structures	14.2	14.3	10.5	12.6	11.8	5.3	10.8	12.9
Machinery and equipment	11.3	4.3	5.0	7.1	2.3	-6.0	10.8	7.4
Business investment in inventories[2]	-322	-2,257	7,450	-4,715	-12,841	3,471	5,653	-3,307
Non-farm[2]	-480	-885	7,853	-5,050	-12,614	3,498	5,751	-1,754
Farm[2]	190	-1,709	-816	546	93	-137	-386	-1,987
Exports of goods and services	7.4	-6.9	-1.8	2.6	2.7	2.1	2.2	0.7
Goods	7.9	-6.6	-2.8	3.4	3.4	1.9	2.4	1.0
Services	4.2	-8.7	4.9	-2.8	-1.8	3.6	1.0	-1.0
Deduct: Imports of goods and services	11.3	-2.6	9.8	6.2	-0.9	2.6	7.5	5.0
Goods	12.2	-3.1	10.7	7.2	-1.2	3.1	8.1	5.2
Services	7.1	0.1	5.3	1.2	0.8	0.2	4.5	3.8
Statistical discrepancy[2]	-451	168	-384	-215	647	-1,041	637	-509
Gross domestic product at market prices	3.5	3.4	1.5	1.3	1.5	3.7	3.1	2.8
<i>Final domestic demand</i>	4.9	6.2	3.5	4.0	3.7	3.2	4.5	4.7

1. Quarter to quarter percentage change, annualized.
2. Actual change in millions of dollars, at annual rates.

Table B.5 Contributions to percentage change in real gross domestic product, expenditure-based[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.486	0.743	0.520	0.689	0.509	0.534	2.146	2.284
Durable goods	0.005	0.218	0.138	0.193	0.084	0.117	0.391	0.506
Semi-durable goods	0.069	0.152	0.083	0.082	0.023	0.087	0.200	0.328
Non-durable goods	0.027	0.035	0.123	0.093	-0.025	0.063	0.269	0.196
Services	0.385	0.339	0.177	0.322	0.427	0.266	1.286	1.254
Government current expenditure on goods and services	0.144	0.229	0.153	0.074	0.142	0.131	0.426	0.629
Government gross fixed capital formation	0.090	0.062	0.030	0.003	0.028	-0.005	0.269	0.214
Government investment in inventories	0.006	0.002	-0.014	-0.001	0.004	0.005	0.000	-0.005
Business gross fixed capital formation	0.413	0.408	0.131	0.177	0.206	0.106	1.437	1.299
Residential structures	0.057	0.151	-0.091	-0.110	-0.002	0.125	0.230	0.140
Non-residential structures and equipment	0.356	0.256	0.222	0.287	0.208	-0.019	1.207	1.159
Non-residential structures	0.179	0.187	0.143	0.176	0.171	0.081	0.526	0.687
Machinery and equipment	0.177	0.070	0.079	0.111	0.037	-0.100	0.680	0.472
Business investment in inventories	-0.027	-0.160	0.512	-0.327	-0.886	0.238	0.379	-0.261
Non-farm	-0.037	-0.066	0.556	-0.358	-0.892	0.245	0.404	-0.133
Farm	0.010	-0.095	-0.044	0.031	0.005	-0.007	-0.025	-0.129
Exports of goods and services	0.689	-0.674	-0.162	0.229	0.240	0.190	0.849	0.262
Goods	0.638	-0.564	-0.220	0.263	0.262	0.149	0.797	0.316
Services	0.051	-0.110	0.058	-0.034	-0.022	0.042	0.052	-0.054
Deduct: Imports of goods and services	0.909	-0.222	0.776	0.508	-0.075	0.218	2.492	1.623
Goods	0.809	-0.223	0.703	0.491	-0.086	0.215	2.224	1.407
Services	0.099	0.001	0.073	0.018	0.011	0.003	0.268	0.216
Statistical discrepancy	-0.036	0.013	-0.030	-0.017	0.050	-0.081	0.052	-0.041
Gross domestic product at market prices	0.857	0.845	0.363	0.318	0.369	0.901	3.066	2.759
<i>Final domestic demand</i>	1.132	1.442	0.833	0.943	0.886	0.766	4.277	4.427

1. The chained (2002) 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.

Table B.6 Gross domestic product, implicit chain price indexes[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Using seasonally adjusted data, (2002 = 100)								
Personal expenditure on consumer goods and services	105.5 <i>0.1</i>	106.0 <i>0.5</i>	106.5 <i>0.5</i>	106.6 <i>0.1</i>	106.5 <i>-0.1</i>	107.3 <i>0.8</i>	104.9 <i>1.7</i>	106.4 <i>1.4</i>
Government current expenditure on goods and services	108.7 <i>-0.3</i>	111.9 <i>2.9</i>	111.0 <i>-0.8</i>	111.5 <i>0.5</i>	112.1 <i>0.5</i>	113.6 <i>1.3</i>	108.3 <i>3.3</i>	111.6 <i>3.1</i>
Government gross fixed capital formation	104.3 <i>0.4</i>	104.9 <i>0.6</i>	105.8 <i>0.9</i>	107.1 <i>1.2</i>	107.5 <i>0.4</i>	108.8 <i>1.2</i>	103.4 <i>2.0</i>	106.3 <i>2.8</i>
Business gross fixed capital formation	104.1 <i>0.3</i>	104.9 <i>0.8</i>	105.6 <i>0.7</i>	106.7 <i>1.0</i>	107.8 <i>1.0</i>	109.1 <i>1.2</i>	103.6 <i>2.0</i>	106.3 <i>2.6</i>
Exports of goods and services	106.8 <i>2.2</i>	103.6 <i>-3.0</i>	103.2 <i>-0.4</i>	104.1 <i>0.9</i>	104.4 <i>0.3</i>	107.7 <i>3.2</i>	103.7 <i>2.8</i>	103.8 <i>0.1</i>
Imports of goods and services	89.5 <i>-0.8</i>	89.0 <i>-0.6</i>	88.7 <i>-0.3</i>	89.7 <i>1.1</i>	90.3 <i>0.7</i>	91.5 <i>1.3</i>	90.2 <i>-1.2</i>	89.4 <i>-0.8</i>
Gross domestic product at market prices	112.2 <i>1.2</i>	112.2 <i>0.0</i>	112.7 <i>0.4</i>	113.1 <i>0.4</i>	113.2 <i>0.1</i>	114.9 <i>1.5</i>	110.2 <i>3.4</i>	112.8 <i>2.4</i>
<i>Final domestic demand</i>	<i>105.9</i> <i>0.1</i>	<i>107.0</i> <i>1.0</i>	<i>107.2</i> <i>0.2</i>	<i>107.6</i> <i>0.4</i>	<i>108.0</i> <i>0.4</i>	<i>109.0</i> <i>0.9</i>	<i>105.3</i> <i>2.1</i>	<i>107.5</i> <i>2.0</i>

1. The first line is the series itself. The second line is the percentage change.

Section C GDP by industry

March 2007 and first quarter 2007

Economic activity increased 0.3% in March 2007, after growing 0.4% in February and 0.1% in January. Strength in service industries (+0.5%) more than offset a decrease in the production of goods (-0.2%). Wholesale and retail trade experienced robust growth during the month. Gains were also registered in construction, manufacturing and the financial sector. These increases were partially offset by declines in agriculture, forestry, the energy sector and mining, excluding oil and gas.

Chart C.1
Economic activity moves ahead

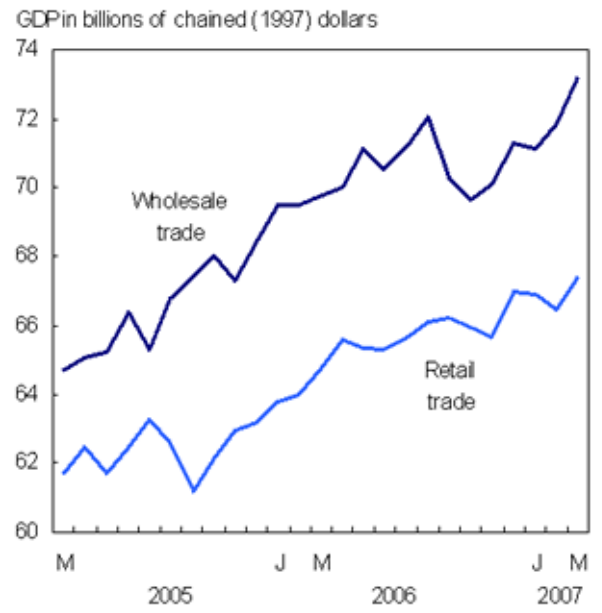


Strong wholesale and retail trade

Wholesale trade jumped 1.8% in March, owing largely to strong trade in motor vehicles. The surge in motor vehicle sales was in line with a significant rise in passenger vehicle exports to the United States. Noticeable gains were also recorded for building supplies, machinery and equipment, and metal products. These three trade groups benefited from strong activity in the construction sector. However, computer and other electronic equipment, household and personal products, and petroleum products, all declined.

Retail trade rose sharply (+1.4%) in March, following a drop the month before. This increase was fuelled primarily by sales of new cars. Additional momentum came from clothing, home electronics, and sporting goods stores. Sales by gasoline stations were the main source of weakness in retail trade.

Chart C.2
Retailers and wholesalers show strong growth



Construction edges up

The construction sector rose 0.1% in March. The continued strength in non-residential construction (+1.1%), and the increase in engineering and repair work (+0.2%), overshadowed the 0.6% decline in residential construction. There was strength in all types of non-residential buildings. The decrease in residential construction was the result of the ongoing decline in single-family homes and the slip in apartment output. However, alterations and improvement work moved forward.

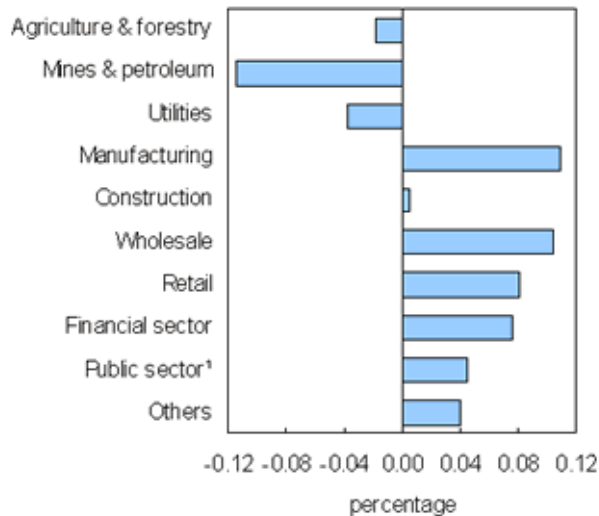
Note to readers

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 2003, 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 2004, the estimates are derived by chaining a fixed-weight Laspeyres volume index to the prior period. The fixed weights are the industry output and input prices of 2003. This makes the monthly GDP by industry estimates more comparable with the expenditure-based GDP data, chained quarterly.

The monthly industry-based GDP estimates will continue using a 1997 reference period until the regular annual revision of these data in September 2007.

The home resale market slipped for the first time in seven months. This reversal resulted in a 0.2% decline in the real estate agents and brokers industry.

Chart C.3
Main industrial sectors' contribution to total growth



1. Education, health and public administration.

Manufacturing activity advances

The manufacturing sector advanced 0.8% as both durable (+1.0%) and non-durable goods manufacturing (+0.4%) rose. Of the 21 major manufacturing groups, 16 increased, accounting for 80% of the total manufacturing value added.

Motor vehicle manufacturing was robust in March, increasing 3.5%. Significant gains in the manufacturing of computer and peripherals (+3.9%), semiconductors and electronics (+6.4%), and resin, synthetic rubber and fibre (+4.8%), also helped the sector. However, declines were recorded in sawmills and food product manufacturing.

Energy sector falls

The energy sector fell 1.7% in March, following two months of strong growth. This setback was due to a fall in natural gas extraction and the tumble in oil and gas exploration (-12.5%). This decline was in line with a drop in natural gas exports to the United States. Petroleum extraction increased however. Utilities also recorded a significant decline (-1.4%).

The output of the mining sector, excluding oil and gas, fell 1.3%. The drop registered in metal ore mines was only partly mitigated by gains in non-metallic mineral mines. A strike in iron ore processing was the primary cause of the slump in metal ore mining.

Industrial production (the output of mines, utilities and factories) retreated 0.2% in March. The drop in mining and the decline in utilities outweighed the gains made by manufacturers. In comparison, industrial production in the United States decreased 0.3% in March, due to the tumble in utilities, while manufacturing and mining both advanced.

Banking and brokerage activities advance

Output in the finance and insurance sector grew 0.7%. This gain was largely propelled by healthy trading activity in the financial markets.

Other industries

The accommodation and air transportation industries both edged forward in March (+0.4%). The number of overnight visitors to Canada from abroad was up 1.1% compared to February.

The end of the strike by rail employees led to a 4.3% increase in output of the rail transportation industry.

First quarter 2007

Economic activity grew at a much faster pace in the first quarter of 2007 than in the last quarter of 2006. Both the service sector (+1.0%) and goods production (+0.9%) increased. The growth in the production of goods followed three quarters of decline. Growth came mainly from the energy sector, wholesale and retail trade, the financial sector and construction. Agriculture, forestry and mining, excluding oil and natural gas, also posted gains. However, these gains were partly offset by declines in accommodation services, and arts and entertainment. Manufacturing remained unchanged after declining for four straight quarters.

The energy sector increased 1.9%. Much of the growth was in electricity production, and oil and natural gas extraction, which erased the declines recorded in the previous quarter due to warm weather and production difficulties. Oil and gas exploration was nearly unchanged (-0.4%) after declining 16% in the previous quarter.

Wholesale trade leaped 2.4% in the first quarter largely due to a rebound in sales of motor vehicles. Building materials as well as computers and other electronic equipment, also contributed to the increase. Conversely, office and professional equipment, declined. Retail trade advanced 1.1% despite a decrease in new car sales.

The finance, insurance and real estate sector advanced 1.2% due to the strength of banking, brokerage and insurance activities. Stockbrokers' activities grew 3.0% due to healthy trading on the markets. Real estate agents and brokers posted a robust gain (+5.4%), as a result of a very active home resale market in December 2006 and January 2007.

Construction activities grew 1.1% in the first quarter of 2007. Construction last posted a decline in the third quarter of 2000. All types of construction activities increased, with engineering and repair work leading within this sector. Residential construction advanced during the quarter largely because of increased alterations and improvements work.

Manufacturing activities remained essentially unchanged in the first quarter, after declining for four straight quarters. Of the 21 major groups, 14 posted gains, accounting for 68% of total manufacturing value added. The production of durables grew 0.7%, while non-durables declined 0.9%. The drop in non-durables is the sixth consecutive quarterly decline.

Industrial production (the output of utilities, mines and factories) edged forward 0.7%. Mining, oil and gas as well as utilities posted significant gains, while manufacturing was stagnant. Industrial production in the United States edged up (+0.2%) as manufacturers and utilities posted gains and mining receded.

The accommodation industry suffered a dismal quarter due to the poor climatic conditions which were not conducive to winter tourism. Despite the weather, restaurants and air transportation managed to post gains.

Table C.1 Real gross domestic product by industry, at basic prices, monthly[1]

	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007
Seasonally adjusted at annual rates, millions chained (1997) dollars								
All industries	1,096,756 <i>0.3</i>	1,093,022 <i>-0.3</i>	1,094,225 <i>0.1</i>	1,097,632 <i>0.3</i>	1,102,386 <i>0.4</i>	1,104,006 <i>0.1</i>	1,108,920 <i>0.4</i>	1,112,136 <i>0.3</i>
Goods-producing industries	335,338 <i>0.2</i>	331,574 <i>-1.1</i>	332,285 <i>0.2</i>	332,688 <i>0.1</i>	332,980 <i>0.1</i>	333,551 <i>0.2</i>	336,796 <i>1.0</i>	336,191 <i>-0.2</i>
Agriculture, forestry, fishing and hunting	24,633 <i>0.6</i>	24,819 <i>0.8</i>	24,776 <i>-0.2</i>	25,079 <i>1.2</i>	25,107 <i>0.1</i>	25,386 <i>1.1</i>	25,516 <i>0.5</i>	25,298 <i>-0.9</i>
Mining and oil and gas extraction	40,388 <i>1.3</i>	39,732 <i>-1.6</i>	40,252 <i>1.3</i>	39,475 <i>-1.9</i>	38,694 <i>-2.0</i>	39,586 <i>2.3</i>	40,763 <i>3.0</i>	40,001 <i>-1.9</i>
Utilities	27,669 <i>-1.1</i>	27,155 <i>-1.9</i>	27,647 <i>1.8</i>	27,031 <i>-2.2</i>	26,969 <i>-0.2</i>	27,441 <i>1.8</i>	28,312 <i>3.2</i>	27,903 <i>-1.4</i>
Construction	68,773 <i>0.8</i>	69,048 <i>0.4</i>	69,410 <i>0.5</i>	69,647 <i>0.3</i>	70,337 <i>1.0</i>	70,492 <i>0.2</i>	70,620 <i>0.2</i>	70,684 <i>0.1</i>
Manufacturing	172,348 <i>-0.4</i>	169,475 <i>-1.7</i>	168,471 <i>-0.6</i>	170,425 <i>1.2</i>	171,466 <i>0.6</i>	169,567 <i>-1.1</i>	169,834 <i>0.2</i>	171,114 <i>0.8</i>
Services-producing industries	762,967 <i>0.4</i>	763,133 <i>0.0</i>	763,608 <i>0.1</i>	766,652 <i>0.4</i>	771,184 <i>0.6</i>	772,230 <i>0.1</i>	773,812 <i>0.2</i>	777,723 <i>0.5</i>
Wholesale trade	72,049 <i>1.1</i>	70,321 <i>-2.4</i>	69,668 <i>-0.9</i>	70,069 <i>0.6</i>	71,310 <i>1.8</i>	71,101 <i>-0.3</i>	71,875 <i>1.1</i>	73,170 <i>1.8</i>
Retail trade	66,120 <i>0.7</i>	66,200 <i>0.1</i>	65,910 <i>-0.4</i>	65,663 <i>-0.4</i>	66,988 <i>2.0</i>	66,920 <i>-0.1</i>	66,461 <i>-0.7</i>	67,395 <i>1.4</i>
Transportation and warehousing	53,067 <i>0.5</i>	52,862 <i>-0.4</i>	52,506 <i>-0.7</i>	53,069 <i>1.1</i>	53,263 <i>0.4</i>	53,321 <i>0.1</i>	53,322 <i>0.0</i>	53,493 <i>0.3</i>
Information and cultural industries	44,621 <i>0.4</i>	44,604 <i>-0.0</i>	44,822 <i>0.5</i>	44,915 <i>0.2</i>	44,865 <i>-0.1</i>	44,699 <i>-0.4</i>	44,987 <i>0.6</i>	45,160 <i>0.4</i>
Finance, insurance and real estate	223,259 <i>0.4</i>	224,375 <i>0.5</i>	225,164 <i>0.4</i>	226,028 <i>0.4</i>	226,974 <i>0.4</i>	227,906 <i>0.4</i>	228,684 <i>0.3</i>	229,569 <i>0.4</i>
Professional, scientific and technical services	49,046 <i>0.4</i>	49,215 <i>0.3</i>	49,374 <i>0.3</i>	49,601 <i>0.5</i>	49,706 <i>0.2</i>	49,982 <i>0.6</i>	50,095 <i>0.2</i>	50,146 <i>0.1</i>
Administrative and waste management services	25,849 <i>0.3</i>	25,936 <i>0.3</i>	25,989 <i>0.2</i>	26,049 <i>0.2</i>	26,142 <i>0.4</i>	26,211 <i>0.3</i>	26,353 <i>0.5</i>	26,396 <i>0.2</i>
Educational services	47,921 <i>0.0</i>	48,105 <i>0.4</i>	48,244 <i>0.3</i>	48,308 <i>0.1</i>	48,347 <i>0.1</i>	48,415 <i>0.1</i>	48,513 <i>0.2</i>	48,628 <i>0.2</i>
Health care and social assistance	61,995 <i>0.1</i>	62,078 <i>0.1</i>	62,172 <i>0.2</i>	62,497 <i>0.5</i>	62,656 <i>0.3</i>	62,815 <i>0.3</i>	62,930 <i>0.2</i>	63,108 <i>0.3</i>
Arts, entertainment and recreation	9,193 <i>2.2</i>	9,300 <i>1.2</i>	9,338 <i>0.4</i>	9,518 <i>1.9</i>	9,623 <i>1.1</i>	9,388 <i>-2.4</i>	9,504 <i>1.2</i>	9,555 <i>0.5</i>
Accommodation and food services	24,092 <i>1.3</i>	24,265 <i>0.7</i>	24,348 <i>0.3</i>	24,675 <i>1.3</i>	24,980 <i>1.2</i>	24,866 <i>-0.5</i>	24,403 <i>-1.9</i>	24,343 <i>-0.2</i>
Other services (except public administration)	26,949 <i>0.3</i>	27,042 <i>0.3</i>	27,065 <i>0.1</i>	27,143 <i>0.3</i>	27,195 <i>0.2</i>	27,258 <i>0.2</i>	27,312 <i>0.2</i>	27,347 <i>0.1</i>
Public administration	61,119 <i>-0.3</i>	60,960 <i>-0.3</i>	61,081 <i>0.2</i>	61,185 <i>0.2</i>	61,306 <i>0.2</i>	61,491 <i>0.3</i>	61,604 <i>0.2</i>	61,780 <i>0.3</i>
Other aggregations								
Industrial production	243,267 <i>-0.0</i>	239,187 <i>-1.7</i>	239,590 <i>0.2</i>	239,506 <i>-0.0</i>	239,141 <i>-0.2</i>	239,317 <i>0.1</i>	242,251 <i>1.2</i>	241,792 <i>-0.2</i>
Non-durable manufacturing industries	69,454 <i>1.0</i>	68,212 <i>-1.8</i>	68,351 <i>0.2</i>	68,468 <i>0.2</i>	67,905 <i>-0.8</i>	67,945 <i>0.1</i>	67,329 <i>-0.9</i>	67,574 <i>0.4</i>
Durable manufacturing industries	102,760 <i>-1.4</i>	101,134 <i>-1.6</i>	99,978 <i>-1.1</i>	101,831 <i>1.9</i>	103,459 <i>1.6</i>	101,500 <i>-1.9</i>	102,402 <i>0.9</i>	103,443 <i>1.0</i>
Business sector industries	932,788 <i>0.4</i>	928,857 <i>-0.4</i>	929,744 <i>0.1</i>	932,656 <i>0.3</i>	937,224 <i>0.5</i>	938,504 <i>0.1</i>	943,114 <i>0.5</i>	945,856 <i>0.3</i>
Non-business sector industries	164,424 <i>-0.1</i>	164,578 <i>0.1</i>	164,887 <i>0.2</i>	165,384 <i>0.3</i>	165,601 <i>0.1</i>	165,936 <i>0.2</i>	166,265 <i>0.2</i>	166,743 <i>0.3</i>
ICT sector, total	65,367 <i>0.1</i>	65,446 <i>0.1</i>	65,890 <i>0.7</i>	65,880 <i>-0.0</i>	66,091 <i>0.3</i>	65,945 <i>-0.2</i>	66,576 <i>1.0</i>	67,000 <i>0.6</i>
Energy sector	65,193 <i>0.4</i>	64,147 <i>-1.6</i>	64,754 <i>0.9</i>	63,260 <i>-2.3</i>	62,169 <i>-1.7</i>	63,645 <i>2.4</i>	65,598 <i>3.1</i>	64,472 <i>-1.7</i>

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

Table C.2 Real gross domestic product by industry, at basic prices, quarterly and annually[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted at annual rates, millions chained (1997) dollars								
Goods-producing industries	336,007	336,465	334,218	333,907	332,651	335,513	331,595	334,310
	<i>0.8</i>	<i>0.1</i>	<i>-0.7</i>	<i>-0.1</i>	<i>-0.4</i>	<i>0.9</i>	<i>2.0</i>	<i>0.8</i>
Agriculture, forestry, fishing and hunting	25,273	25,410	25,252	24,645	24,987	25,400	25,488	25,074
	<i>-2.7</i>	<i>0.5</i>	<i>-0.6</i>	<i>-2.4</i>	<i>1.4</i>	<i>1.7</i>	<i>3.5</i>	<i>-1.6</i>
Mining and oil and gas extraction	39,973	39,668	39,341	39,993	39,474	40,117	38,865	39,619
	<i>1.6</i>	<i>-0.8</i>	<i>-0.8</i>	<i>1.7</i>	<i>-1.3</i>	<i>1.6</i>	<i>0.2</i>	<i>1.9</i>
Utilities	27,814	27,529	27,686	27,598	27,216	27,885	27,948	27,507
	<i>-0.9</i>	<i>-1.0</i>	<i>0.6</i>	<i>-0.3</i>	<i>-1.4</i>	<i>2.5</i>	<i>4.3</i>	<i>-1.6</i>
Construction	65,518	67,251	67,997	68,688	69,798	70,599	63,689	68,433
	<i>2.4</i>	<i>2.6</i>	<i>1.1</i>	<i>1.0</i>	<i>1.6</i>	<i>1.1</i>	<i>5.7</i>	<i>7.4</i>
Manufacturing	176,357	175,810	173,142	171,630	170,121	170,172	174,987	172,676
	<i>0.7</i>	<i>-0.3</i>	<i>-1.5</i>	<i>-0.9</i>	<i>-0.9</i>	<i>0.0</i>	<i>0.7</i>	<i>-1.3</i>
Services-producing industries	741,062	749,702	756,840	761,943	767,148	774,588	732,506	758,908
	<i>0.7</i>	<i>1.2</i>	<i>1.0</i>	<i>0.7</i>	<i>0.7</i>	<i>1.0</i>	<i>3.2</i>	<i>3.6</i>
Wholesale trade	67,920	69,610	70,563	71,203	70,349	72,049	65,997	70,431
	<i>2.1</i>	<i>2.5</i>	<i>1.4</i>	<i>0.9</i>	<i>-1.2</i>	<i>2.4</i>	<i>6.9</i>	<i>6.7</i>
Retail trade	62,752	64,164	65,420	65,996	66,187	66,925	62,219	65,442
	<i>0.6</i>	<i>2.3</i>	<i>2.0</i>	<i>0.9</i>	<i>0.3</i>	<i>1.1</i>	<i>4.7</i>	<i>5.2</i>
Transportation and warehousing	52,073	52,462	52,804	52,904	52,946	53,379	51,241	52,779
	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.2</i>	<i>0.1</i>	<i>0.8</i>	<i>3.5</i>	<i>3.0</i>
Information and cultural industries	43,636	43,860	44,143	44,562	44,867	44,949	43,383	44,358
	<i>-0.1</i>	<i>0.5</i>	<i>0.6</i>	<i>0.9</i>	<i>0.7</i>	<i>0.2</i>	<i>3.8</i>	<i>2.2</i>
Finance, insurance and real estate	216,331	218,591	220,854	223,342	226,055	228,720	213,985	222,210
	<i>0.7</i>	<i>1.0</i>	<i>1.0</i>	<i>1.1</i>	<i>1.2</i>	<i>1.2</i>	<i>3.7</i>	<i>3.8</i>
Professional, scientific and technical services	47,972	48,343	48,685	49,032	49,560	50,074	47,535	48,905
	<i>0.4</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>1.1</i>	<i>1.0</i>	<i>2.8</i>	<i>2.9</i>
Administrative and waste management services	24,694	25,116	25,579	25,850	26,060	26,320	24,183	25,651
	<i>1.3</i>	<i>1.7</i>	<i>1.8</i>	<i>1.1</i>	<i>0.8</i>	<i>1.0</i>	<i>3.9</i>	<i>6.1</i>
Educational services	47,329	47,729	47,817	47,981	48,300	48,519	47,073	47,957
	<i>-0.0</i>	<i>0.8</i>	<i>0.2</i>	<i>0.3</i>	<i>0.7</i>	<i>0.5</i>	<i>1.6</i>	<i>1.9</i>
Health care and social assistance	61,227	61,520	61,829	62,003	62,442	62,951	60,704	61,948
	<i>0.7</i>	<i>0.5</i>	<i>0.5</i>	<i>0.3</i>	<i>0.7</i>	<i>0.8</i>	<i>1.4</i>	<i>2.0</i>
Arts, entertainment and recreation	9,223	9,145	9,301	9,162	9,493	9,482	8,996	9,275
	<i>1.8</i>	<i>-0.8</i>	<i>1.7</i>	<i>-1.5</i>	<i>3.6</i>	<i>-0.1</i>	<i>0.4</i>	<i>3.1</i>
Accommodation and food services	23,309	23,917	23,886	24,049	24,668	24,537	23,221	24,130
	<i>0.5</i>	<i>2.6</i>	<i>-0.1</i>	<i>0.7</i>	<i>2.6</i>	<i>-0.5</i>	<i>1.0</i>	<i>3.9</i>
Other services (except public administration)	26,366	26,587	26,779	26,955	27,134	27,306	26,225	26,864
	<i>0.3</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>2.0</i>	<i>2.4</i>
Public administration	60,073	60,647	61,255	61,126	61,191	61,625	59,462	61,055
	<i>0.9</i>	<i>1.0</i>	<i>1.0</i>	<i>-0.2</i>	<i>0.1</i>	<i>0.7</i>	<i>1.3</i>	<i>2.7</i>
Other aggregations								
Industrial production	246,320	245,075	242,343	241,939	239,412	241,120	243,485	242,193
	<i>0.7</i>	<i>-0.5</i>	<i>-1.1</i>	<i>-0.2</i>	<i>-1.0</i>	<i>0.7</i>	<i>1.0</i>	<i>-0.5</i>
Non-durable manufacturing industries	71,169	70,340	69,444	68,813	68,241	67,616	71,317	69,210
	<i>-0.4</i>	<i>-1.2</i>	<i>-1.3</i>	<i>-0.9</i>	<i>-0.8</i>	<i>-0.9</i>	<i>-1.2</i>	<i>-3.0</i>
Durable manufacturing industries	105,050	105,348	103,574	102,692	101,756	102,448	103,516	103,343
	<i>1.4</i>	<i>0.3</i>	<i>-1.7</i>	<i>-0.9</i>	<i>-0.9</i>	<i>0.7</i>	<i>2.1</i>	<i>-0.2</i>
Business sector industries	914,107	921,780	925,554	930,176	933,208	942,491	902,519	927,680
	<i>0.8</i>	<i>0.8</i>	<i>0.4</i>	<i>0.5</i>	<i>0.3</i>	<i>1.0</i>	<i>3.1</i>	<i>2.8</i>
Non-business sector industries	162,217	163,509	164,413	164,520	165,291	166,315	160,794	164,433
	<i>0.6</i>	<i>0.8</i>	<i>0.6</i>	<i>0.1</i>	<i>0.5</i>	<i>0.6</i>	<i>1.5</i>	<i>2.3</i>
ICT sector, total	63,271	64,104	64,723	65,365	65,954	66,507	62,359	65,037
	<i>0.7</i>	<i>1.3</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>0.8</i>	<i>5.2</i>	<i>4.3</i>
Energy sector	65,102	64,521	64,240	64,750	63,394	64,572	63,767	64,226
	<i>1.0</i>	<i>-0.9</i>	<i>-0.4</i>	<i>0.8</i>	<i>-2.1</i>	<i>1.9</i>	<i>1.5</i>	<i>0.7</i>

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

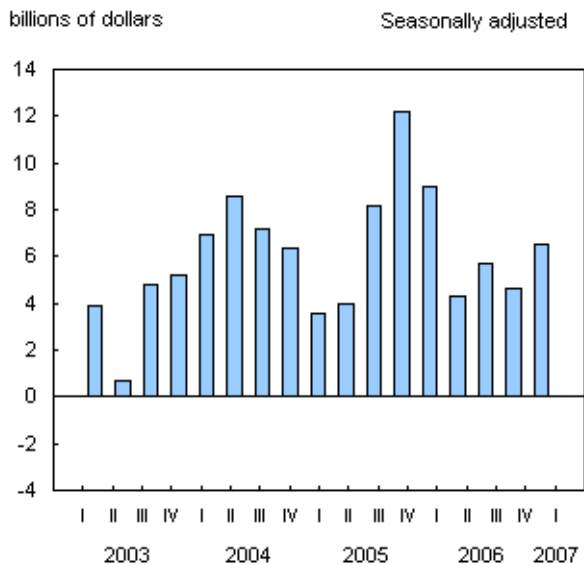
Section D

Balance of international payments

First quarter 2007

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased \$1.9 billion in the first quarter of 2007 to \$6.5 billion. The improvement was mostly the result of higher values for energy product exports.

Chart D.1
Current account surplus improves



In the capital and financial account (not seasonally adjusted), Canada's international assets, led by record investment in foreign securities, grew faster than Canada's international liabilities. The growth in international liabilities came in part from continuing heavy injections of capital into the Canadian economy by foreign direct investors.

Current account

Goods surplus rises

The surplus on trade in goods increased \$2.1 billion to \$14.5 billion in the first quarter as exports outpaced imports.

Exports of goods rose \$4.5 billion in the first quarter, with almost half of the increase coming from energy products. Exports of natural gas increased \$1.2 billion as prices jumped almost 15% in the first quarter. This was the first significant increase in natural gas prices since the fourth quarter of 2005. Crude petroleum exports remained historically high near \$10 billion for a fourth consecutive quarter.

Note to readers

Annual and quarterly data have been revised for reference years 2003 to 2006. This is in keeping with the general policy to revise National Accounts statistics back four years at the time of the first quarter data release. Broadly, the revisions reflect more current sources of information coming from annual surveys and administrative data.

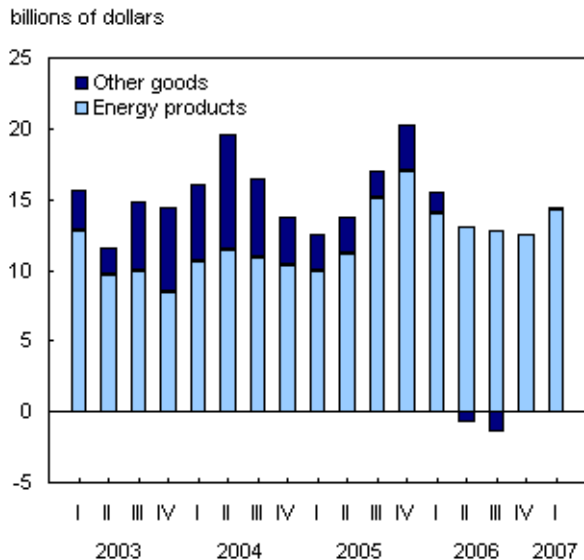
The **balance of payments** covers all economic transactions between Canadian residents and non-residents. It includes the current account and the capital and financial account.

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 composed 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.

Chart D.2
Energy products continue to drive the goods surplus



Strong demand from non-U.S. destinations continued to drive growth in exports of industrial materials, which were up \$0.9 billion in the first quarter. Since the middle of 2003, exports of these products have increased by 60%, with exports to non-U.S. destinations more than doubling. The export growth for these products over the past few years is largely due to rising prices.

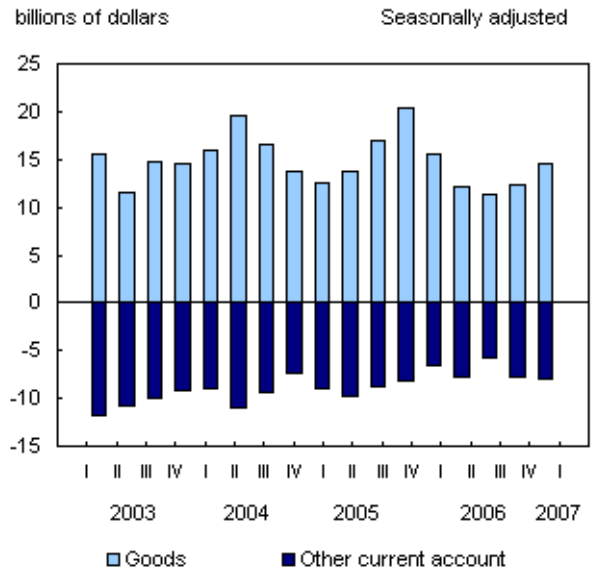
Aircraft and other transportation equipment led the \$0.7 billion increase in machinery and equipment exports. Aircraft, engines and parts surpassed the \$4 billion mark for the first time since the first quarter of 2003 but are still below the record of \$5.4 billion registered at the end of 2001.

There was a \$2.4 billion increase for imports of goods during the first quarter of 2007. Imports of consumer goods increased for a 9th consecutive quarter up \$0.6 billion from the fourth quarter.

Imports of automotive products and industrial materials each increased by half a billion dollars in the first quarter. The increase in industrial materials was largely due to organic chemicals.

After an important drop in the fourth quarter of 2006, imports of crude petroleum remained stable while imports of other energy products increased \$0.2 billion.

Chart D.3
Non-goods deficit slightly up

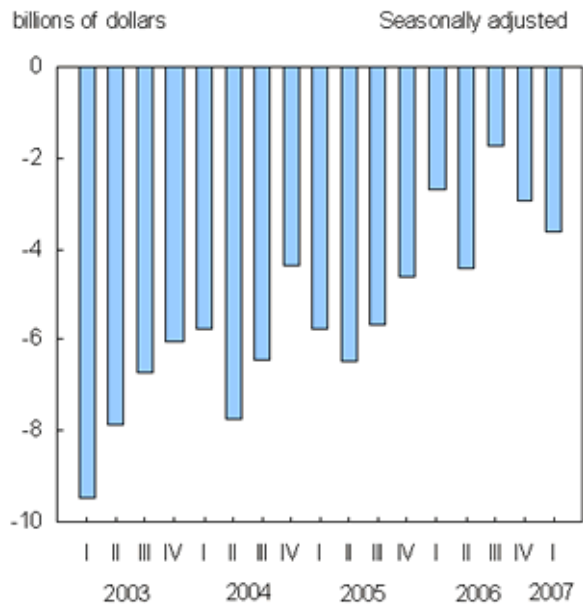


Lower profits on direct investment

Lower profits on Canadian direct investment abroad were only partially offset by higher income from Canadian portfolio investment abroad, leading to a \$0.7 billion increase in the deficit on investment income. Nonetheless, the \$3.6 billion deficit is low relative to historical levels.

Chart D.4

Despite an increase, investment income deficit remains low



Profits on Canadian direct investment abroad decreased \$1.8 billion in the first quarter after recording the highest level ever during the fourth quarter of 2006.

While dividend receipts on Canadian direct investment abroad returned to a more normal level in the first quarter, dividends and interest received by Canadian portfolio investors continued to increase reflecting high purchases of foreign securities in recent years. The combined receipts of interest and dividends on Canadian portfolio assets have increased \$1.5 billion or 40% since the first quarter of 2006.

There was little change in payments of investment income which totalled \$19.6 billion for the quarter. Profits earned in Canada by foreign direct investors remained little changed at \$8.1 billion.

Services deficit decreases slightly

The services deficit remained high by historical standards in the first quarter at \$4.1 billion. This was down slightly from the \$4.3 billion registered in the fourth quarter of 2006, as travel and commercial services deficits were both slightly reduced.

Travel and transportation services were the main contributors to the services deficit, with deficits in both categories just slightly below all time highs.

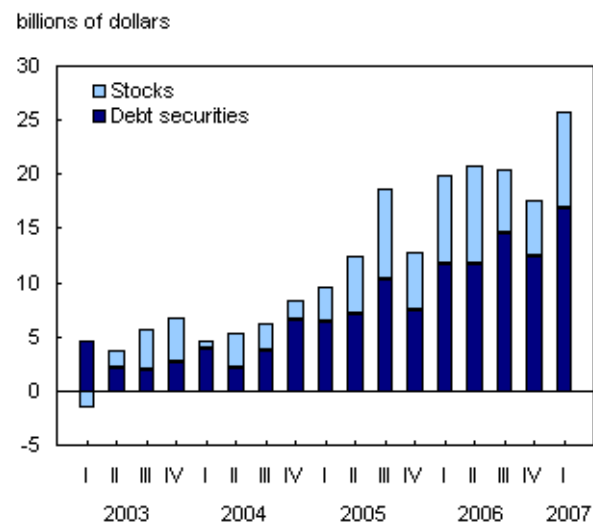
Financial account

Demand for foreign securities shows no signs of slowdown

Canadians invested a record \$25.8 billion in foreign securities during the first quarter with two-thirds in debt securities and the remainder in stocks. Investment in foreign bonds rose to a record \$16.6 billion, fuelled by the high level of acquisitions of maple bonds. Canadians added \$19.1 billion in U.S. corporate and overseas bonds to their portfolios but sold \$2.5 billion worth of U.S. government bonds.

Chart D.5

Investment in foreign securities hits record high¹



1. Reverse of Balance of Payments signs.

Investment in foreign stocks remained robust at \$8.9 billion. Two-thirds of the investment went to buy U.S. stocks (\$6.1 billion). Of the amount invested in U.S. stocks, \$2.2 billion was explained by takeover activities where U.S. firms acquired Canadian firms; the payment to Canadians included new U.S. shares in addition to cash.

Investment in foreign money market instruments was nominal at \$232 million. During the quarter, Canadians rebalanced their holdings by disposing of holdings of U.S. paper (\$624 million) and acquiring overseas paper (\$855 million). During the first quarter of 2007, U.S. short-term rates lagged the corresponding European rates.

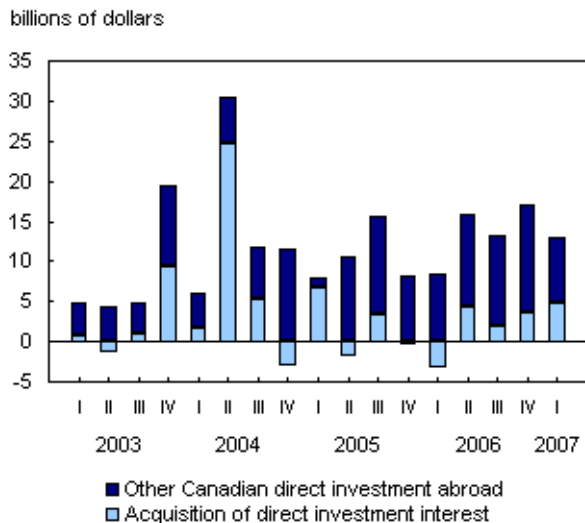
Maple bonds have been the driving force behind the investment in foreign securities over the last several quarters. The low cost of borrowing in Canada, the shrinking supply of Federal government debt and the elimination of foreign content limits for tax-deferred investment plans were all factors contributing to the

development of this market in Canada. This new segment of the bond market, which has grown steadily since 2005, is not a unique phenomenon. Australia and Japan, for example, both have their so-called Kangaroo and Samurai bond markets where foreign borrowers issue bonds denominated in domestic currencies.

Canadian direct investment abroad maintains recent pace

After investing on average \$15.4 billion per quarter into foreign economies over the last three quarters, Canadian direct investors added another \$12.9 billion in the first quarter. Although this represented the lowest level of investment in the last four quarters, direct investment abroad amounted to a sizeable \$58.9 billion during this period. Most of the first quarter investment went to existing foreign affiliates.

Chart D.6
Direct investment abroad keeps growing¹



1. Reverse of Balance of Payments signs.

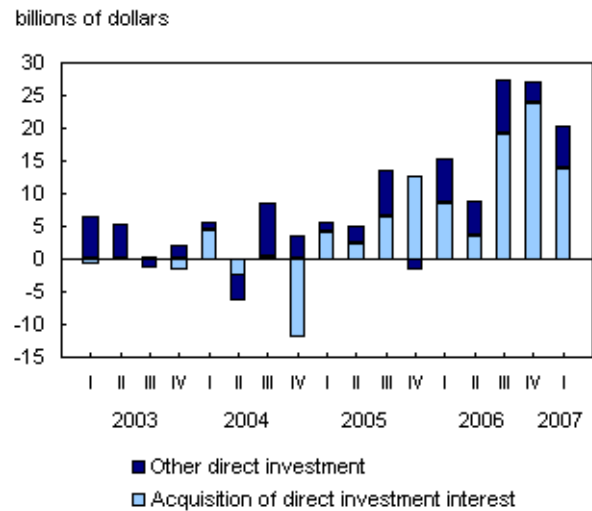
On a geographical basis, investments in the United States dominated (\$10.3 billion) while Canadians repatriated \$0.8 billion from their investments in the United Kingdom. From an industry perspective, the bulk of the investment (\$10.0 billion) went to the energy and metallic mineral sector and the finance and insurance sector.

Canadian natural resources sector continues to attract foreign direct investors

Foreign direct investment in Canada surpassed the \$20 billion mark for the third consecutive quarter, demonstrating foreign investors' continued high level of interest in the Canadian economy. The \$20.3 billion investment in Canada by foreign direct investors was the fifth highest on record, the third and fourth highest being recorded in the second half of 2006. A significant two-

thirds of the investment in Canada in the first quarter (\$13.8 billion) was the result of acquisitions of Canadian firms by non-residents.

Chart D.7
Foreign direct investors demonstrate a high level of interest in the Canadian economy

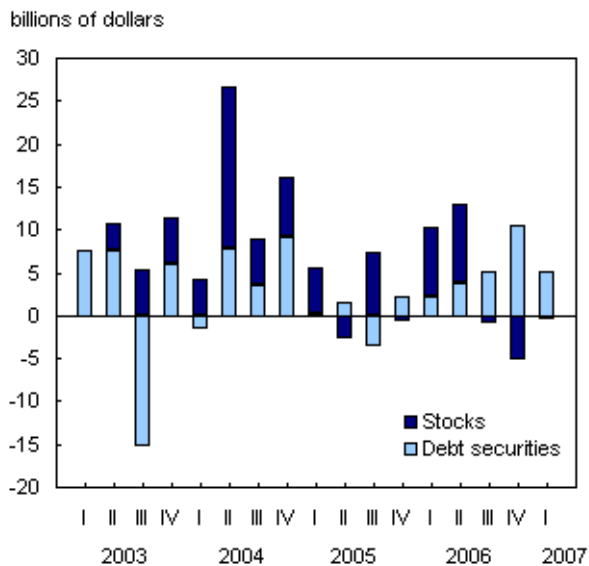


Investment in the Canadian energy and metallic mineral sector remained the preferred investment of choice for foreign direct investors during the quarter. An amount of \$11.2 billion was injected in this sector of the Canadian economy, pushing the total investment for this sector to \$77.7 billion since the third quarter of 2005. Americans were the biggest foreign direct investors in Canada with \$9.2 billion followed by European investors (\$5.6 billion).

Foreign portfolio investment in Canada increases due to investment in bonds

Foreign portfolio investors acquired \$4.5 billion of Canadian securities in the first quarter, all in bonds. For Canadian bonds, most of the acquisitions were the result of net new issues totalling \$2.9 billion. Canadian corporations were active and raised \$3.4 billion in foreign markets (net of retirements).

Chart D.8

Non-residents invest in bonds but reduce their holdings of stocks

Non-residents saw a net reduction of \$575 million of Canadian stocks from their portfolio in the first quarter. This was the result of a portfolio divestment of \$3.0 billion due to foreign takeovers that more than offset a \$2.4 billion investment in Canadian outstanding shares. The last quarter of 2006 had a similar pattern as non-residents acquired \$3.6 billion of outstanding shares, which foreign takeovers more than offset, resulting in an overall divestment of \$5.3 billion. The Standard and Poor's/Toronto Stock Exchange composite index gained 2.0% during the quarter.

Non-residents reduced their holdings of Canadian money market paper by \$702 million. The quarterly divestment focused on federal government paper, and was partly offset as non-residents increased their holdings of federal government enterprise paper. The differential between rates in the U.S. and Canada still favoured investment in the U.S., as it has since January 2005.

Transactions in deposits, loans and reserves assets

On the asset side of Canada's financial account, loans, deposits and foreign exchange reserves all showed strong increases totalling \$20.5 billion for the quarter. This completely offset the \$19.8 billion reduction in these assets in the fourth quarter of 2006. Canada's international loans and deposit liabilities to non-residents followed a similar pattern. They increased by \$22.9 billion in the first quarter after a decrease of \$18.7 billion in the previous quarter. The Canadian dollar gained just under 1% on the U.S. dollar over the quarter to close at 86.6 U.S. cents.

Revision to Under Reporting of Non-U.S. Exports

The existence of under reporting in the customs data for exports to non-U.S. destinations has been known for many years. A series of studies undertaken from the late 1990s into this century by the International Trade Division (ITD) of Statistics Canada in cooperation with the Canada Border Services Agency (CBSA - formerly Canada Customs) demonstrated that the under reporting had grown substantially. As a result, the Balance of Payments (BOP) adjustment for under reporting was significantly increased reaching a maximum of 24% of total non-U.S. exports in 2000.

Over the last few years CBSA and Statistics Canada (STC) have undertaken projects to improve the reporting of these transactions. STC and CBSA have jointly implemented a system of on line reporting that is available for non-U.S. exports and the utilization of this system has expanded rapidly since its introduction. In addition, CBSA has strengthened regulations that require goods to be declared prior to export and has increased its efforts to enforce the regulations, in part through the use of its administrative monetary penalty system (AMPS). In addition, CBSA has entered into agreements with most large marine and air carriers whereby the carriers will not load the cargo unless the proper documentation has been filed by the exporter.

A study conducted in the fall of 2006 indicated that these compliance efforts have been successful and that under reporting has decreased. Therefore, with this annual revision, the BOP adjustment for under reporting of exports to non-U.S. destinations has been reduced to reflect this improved reporting. Specifically, the BOP adjustment has been reduced by \$500 million in 2004, \$1.5 billion in 2005 and by \$2.5 billion in 2006. The estimate for under reporting is now 15% of total exports to non-U.S. countries, down from 24% in 2000.

Table D.1 Balance of payments

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	135,425	128,452	132,405	131,426	130,643	135,243	518,762	522,926
Goods	119,712	113,132	115,548	111,946	115,070	119,378	451,783	455,696
Services	15,712	15,320	16,857	19,480	15,573	15,864	66,979	67,230
Investment income	13,370	13,309	14,748	16,492	17,050	15,399	48,213	61,599
Direct investment	7,493	6,791	7,609	8,677	9,523	6,820	26,017	32,600
Portfolio investment	3,390	3,721	4,202	4,262	4,682	5,232	12,380	16,867
Other investment	2,487	2,797	2,937	3,554	2,844	3,347	9,816	12,131
Current transfers	2,156	3,037	2,021	1,920	2,704	2,973	8,176	9,682
Current account receipts	150,950	144,799	149,174	149,838	150,397	153,615	575,151	594,207
Payments								
Goods and services	118,003	117,698	125,310	121,328	122,453	126,554	467,423	486,789
Goods	98,640	96,989	104,860	100,300	102,246	104,670	388,282	404,395
Services	19,363	20,709	20,450	21,028	20,207	21,884	79,141	82,394
Investment income	17,592	17,444	18,108	18,006	19,888	20,690	70,735	73,446
Direct investment	8,700	6,766	8,145	7,608	8,573	9,090	34,212	31,091
Portfolio investment	6,814	6,580	6,602	6,783	7,129	7,005	27,897	27,094
Other investment	2,078	4,097	3,361	3,616	4,186	4,594	8,625	15,260
Current transfers	2,111	3,664	1,781	2,090	2,859	3,536	9,051	10,394
Current account payments	137,706	138,806	145,199	141,423	145,200	150,779	547,208	570,629
Balances								
Goods and services	17,422	10,754	7,095	10,099	8,190	8,689	51,340	36,137
Goods	21,072	16,144	10,688	11,646	12,824	14,709	63,501	51,302
Services	-3,650	-5,389	-3,593	-1,548	-4,635	-6,020	-12,162	-15,165
Investment income	-4,222	-4,135	-3,359	-1,514	-2,839	-5,290	-22,522	-11,847
Direct investment	-1,208	25	-535	1,069	951	-2,270	-8,195	1,509
Portfolio investment	-3,424	-2,859	-2,400	-2,521	-2,447	-1,773	-15,518	-10,227
Other investment	409	-1,301	-424	-62	-1,342	-1,247	1,191	-3,129
Current transfers	45	-627	239	-170	-154	-563	-875	-712
Current account balance	13,244	5,992	3,975	8,415	5,197	2,835	27,943	23,578
Capital and financial account[1]								
Capital account	985	1,181	1,076	993	951	1,184	5,940	4,201
Financial account	-5,915	-8,222	-5,769	-7,587	-1,164	-11,556	-38,287	-22,741
Canadian assets, net flows								
Canadian direct investment abroad	-7,995	-5,244	-15,787	-13,245	-17,046	-12,868	-40,645	-51,322
Portfolio investment	-12,704	-19,876	-20,808	-20,372	-17,637	-25,769	-53,279	-78,693
Foreign bonds	-6,902	-10,613	-12,689	-9,533	-10,767	-16,636	-29,238	-43,602
Foreign stocks	-5,188	-8,202	-9,055	-5,892	-5,142	-8,902	-21,951	-28,291
Foreign money market	-614	-1,061	936	-4,946	-1,728	-232	-2,089	-6,800
Other investment	9,234	-21,245	-20,938	-12,939	19,796	-20,523	-22,157	-35,325
Loans	5,218	-1,936	-4,317	-6,377	429	-4,523	8,217	-12,201
Deposits	11,017	-13,273	-16,742	-4,069	25,901	-3,959	-15,817	-8,183
Official international reserves	108	-3,637	909	52	1,662	-4,722	-1,653	-1,013
Other assets	-7,107	-2,399	-788	-2,545	-8,195	-7,318	-12,903	-13,927
Total Canadian assets, net flows	-11,464	-46,365	-57,533	-46,555	-14,887	-59,160	-116,081	-165,339
Canadian liabilities, net flows								
Foreign direct investment in Canada	10,892	15,263	8,784	27,223	27,047	20,289	35,046	78,317
Portfolio investment	1,330	10,200	12,849	4,166	5,328	4,460	9,577	32,544
Canadian bonds	-963	166	-843	6,351	12,341	5,737	-78	18,015
Canadian stocks	-812	8,022	9,091	-1,034	-5,264	-575	9,133	10,814
Canadian money market	3,105	2,013	4,602	-1,151	-1,749	-702	522	3,715
Other investment	-6,673	12,679	30,131	7,579	-18,653	22,854	33,171	31,737
Loans	-3,302	884	3,226	7,048	716	1,213	3,496	11,873
Deposits	337	11,052	27,046	657	-18,032	20,994	28,951	20,724
Other liabilities	-3,708	743	-141	-126	-1,337	647	723	-860
Total Canadian liabilities, net flows	5,549	38,143	51,764	38,968	13,723	47,604	77,793	142,598
Total capital and financial account, net flows	-4,931	-7,040	-4,694	-6,593	-213	-10,372	-32,347	-18,540
Statistical discrepancy	-8,313	1,048	719	-1,821	-4,984	7,537	4,404	-5,038

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.

Table D.2 Current account

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	136,738	130,215	129,186	131,187	132,338	137,205	518,762	522,926
Goods	119,730	113,615	112,282	114,294	115,506	120,049	451,783	455,696
Services	17,008	16,600	16,904	16,893	16,832	17,155	66,979	67,230
Travel	4,125	4,083	4,213	4,178	4,124	4,113	16,674	16,598
Transportation	3,024	3,005	2,965	3,049	3,111	3,273	11,750	12,129
Commercial services	9,439	9,054	9,290	9,224	9,140	9,288	36,888	36,708
Government services	420	458	436	443	457	481	1,666	1,795
Investment income	13,151	13,892	14,323	16,498	16,885	15,972	48,213	61,599
Direct investment	7,133	7,328	7,407	8,716	9,150	7,370	26,017	32,600
Interest	317	272	398	434	276	288	1,045	1,380
Profits	6,816	7,056	7,009	8,282	8,874	7,082	24,971	31,220
Portfolio investment	3,423	3,702	4,129	4,295	4,741	5,196	12,380	16,867
Interest	1,101	1,288	1,480	1,582	1,838	1,971	3,652	6,189
Dividends	2,322	2,414	2,649	2,712	2,903	3,225	8,728	10,679
Other investment	2,596	2,862	2,787	3,488	2,995	3,406	9,816	12,131
Current transfers	1,954	2,627	2,282	2,252	2,521	2,528	8,176	9,682
Private	642	740	644	673	623	763	2,697	2,680
Official	1,312	1,887	1,638	1,579	1,897	1,766	5,479	7,002
Total receipts	151,843	146,734	145,791	149,938	151,744	155,705	575,151	594,207
Payments								
Goods and services	119,617	118,229	120,562	123,701	124,297	126,784	467,423	486,789
Goods	99,450	98,123	100,128	102,968	103,175	105,575	388,282	404,395
Services	20,167	20,106	20,434	20,732	21,122	21,210	79,141	82,394
Travel	5,637	5,670	5,685	5,874	6,081	5,981	22,059	23,311
Transportation	4,525	4,591	4,721	4,823	5,058	5,182	17,566	19,194
Commercial services	9,749	9,586	9,773	9,779	9,726	9,797	38,503	38,865
Government services	256	259	255	255	256	250	1,013	1,024
Investment income	17,772	16,578	18,760	18,259	19,848	19,604	70,735	73,446
Direct investment	8,897	6,384	8,584	7,555	8,569	8,494	34,212	31,091
Interest	371	366	365	365	370	356	1,501	1,465
Profits	8,526	6,018	8,219	7,190	8,199	8,138	32,711	29,626
Portfolio investment	6,854	6,539	6,584	6,797	7,175	6,964	27,897	27,094
Interest	5,682	5,433	5,448	5,624	5,819	5,874	23,369	22,324
Dividends	1,172	1,106	1,136	1,173	1,355	1,090	4,528	4,770
Other investment	2,020	3,655	3,592	3,908	4,105	4,147	8,625	15,260
Current transfers	2,255	2,965	2,139	2,313	2,977	2,824	9,051	10,394
Private	1,311	2,038	1,330	1,417	2,129	1,908	5,172	6,913
Official	944	927	809	896	849	915	3,879	3,481
Total payments	139,643	137,772	141,462	144,273	147,123	149,212	547,208	570,629
Balances								
Goods and services	17,121	11,986	8,624	7,487	8,041	10,421	51,340	36,137
Goods	20,280	15,492	12,154	11,325	12,331	14,475	63,501	51,302
Services	-3,159	-3,506	-3,530	-3,839	-4,290	-4,054	-12,162	-15,165
Travel	-1,511	-1,588	-1,472	-1,696	-1,957	-1,868	-5,385	-6,713
Transportation	-1,501	-1,586	-1,757	-1,775	-1,948	-1,910	-5,815	-7,065
Commercial services	-310	-532	-482	-556	-587	-508	-1,615	-2,157
Government services	164	199	181	188	202	232	653	770
Investment income	-4,620	-2,686	-4,437	-1,761	-2,963	-3,633	-22,522	-11,847
Direct investment	-1,765	944	-1,176	1,161	581	-1,124	-8,195	1,509
Interest	-55	-94	34	69	-94	-68	-455	-85
Profits	-1,710	1,038	-1,210	1,092	674	-1,056	-7,740	1,594
Portfolio investment	-3,431	-2,836	-2,455	-2,502	-2,434	-1,768	-15,518	-10,227
Interest	-4,581	-4,144	-3,968	-4,042	-3,982	-3,903	-19,718	-16,135
Dividends	1,150	1,308	1,513	1,540	1,548	2,135	4,200	5,908
Other investment	576	-793	-806	-420	-1,110	-741	1,191	-3,129
Current transfers	-301	-337	143	-61	-457	-295	-875	-712
Private	-669	-1,297	-686	-744	-1,505	-1,145	-2,475	-4,233
Official	368	960	829	683	1,049	850	1,600	3,521
Current account	12,200	8,963	4,330	5,665	4,622	6,493	27,943	23,578

Section E Financial flow accounts

First quarter 2007

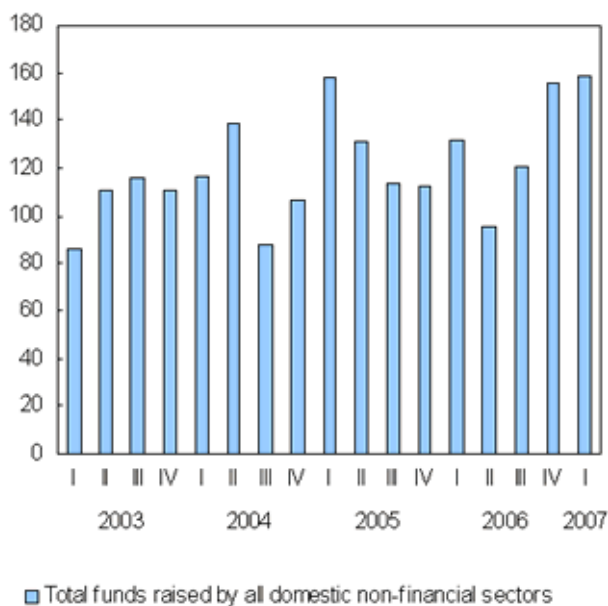
Total funds raised by domestic non-financial sectors on financial markets amounted to \$158.9 billion in the first quarter of 2007 (seasonally adjusted at annual rates), up from the fourth quarter of 2006. Households led private sector borrowers as the largest contributors of demand for funds. The government sector returned to financial markets, led by provincial governments, after negligible borrowing in the fourth quarter of 2006.

Key financial market indicators were steady during the first quarter of 2007. With the bank rate unchanged since May 2006, mortgage rates remained relatively stable, closing at December 2006 levels. Bond yields have also stayed relatively steady since September 2006. Shares prices continued to rise, although at a much reduced pace as compared to the fourth quarter of 2006. The Canadian dollar depreciated to the 85 cent mark against the U.S. greenback during the first quarter of 2007.

Chart E.1

Overall demand for funds rises

Billions of dollars, seasonally adjusted at annual rates



Household sector

Households continued to borrow in the form of mortgages and consumer credit in the first quarter. A rise in housing investment, particularly in re-sale and renovation activity, was a factor behind firm mortgage borrowing. Steady consumer spending, buoyed by a pick-up in purchases of semi-durable goods, contributed to sustained consumer credit use.

Household debt in the form of mortgages and consumer credit edged up, amounting to 109.5 of personal disposable income. However, debt servicing charges remained stable at about 8% of personal disposable income.

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).

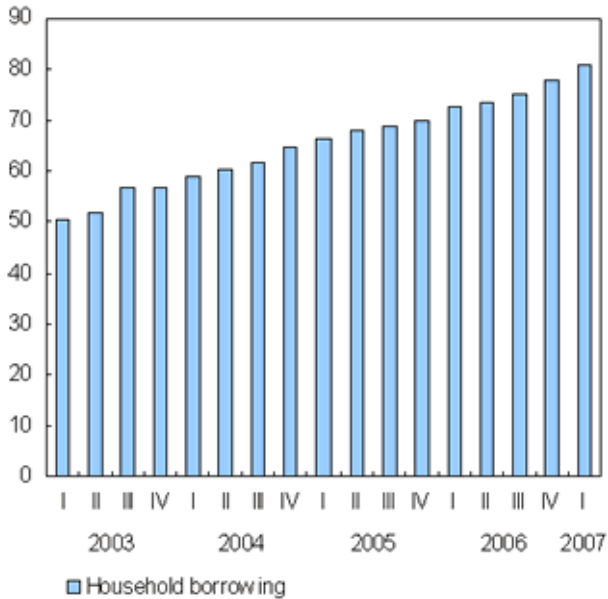
The Financial Flow Accounts also provide the link between financial and non-financial activity in the economy which ties estimates of saving and non-financial asset formation (e.g., investment in new housing) with the underlying financial transactions.

Investment in financial assets by households during the first quarter was led by the acquisition of pension assets, equities, and investment fund units.

Chart E.2

Household borrowing continues to grow

Billions of dollars, seasonally adjusted at annual rates



Corporate sector

For private non-financial corporations the slowdown in business investment in plant and equipment was a factor behind the levelling of demand for funds. New share issuances and loans led demand for funds in the first quarter.

Government sector

The overall government sector maintained its surplus position in the first quarter, despite deficits in both the provincial and municipal government sectors. The federal government sector met its financing needs largely through short-term debt, while the provincial government sector relied more on the issuance of bonds.

Chart E.3

Government borrowing up

Billions of dollars, seasonally adjusted at annual rates

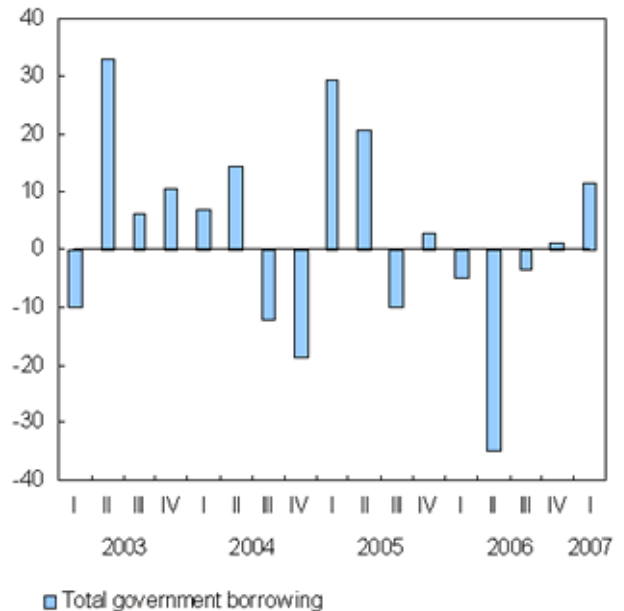


Table E.1 Financial market summary table

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised								
Persons and unincorporated business	70,672	80,856	75,760	77,056	82,928	84,752	70,555	79,150
Consumer credit	25,556	26,528	27,792	28,868	29,920	30,800	25,122	28,277
Bank loans	1,232	2,564	2,000	1,676	2,828	2,696	1,684	2,267
Other loans	-300	5,576	236	212	2,340	1,160	763	2,091
Mortgages	44,184	46,188	45,732	46,300	47,840	50,096	42,986	46,515
Non-financial private corporations	42,232	54,484	51,272	41,948	70,388	64,116	48,741	54,523
Bank loans	9,616	-4,060	8,828	548	5,320	12,172	5,319	2,659
Other loans	900	6,260	2,664	-596	-5,076	-5,108	2,537	813
Other short-term paper	-4,024	21,224	16,124	7,948	15,920	16	3,895	15,304
Mortgages	11,488	11,940	13,628	14,692	18,564	16,652	9,971	14,706
Bonds	500	-3,268	-3,776	12,444	16,076	18,256	6,852	5,369
Shares	23,752	22,388	13,804	6,912	19,584	22,128	20,167	15,672
Non-financial government enterprises	-3,608	1,836	2,844	5,360	1,044	-1,484	-1,356	2,771
Bank loans	-164	-160	692	376	28	220	-59	234
Other loans	-2,056	872	-552	-528	1,104	-276	54	224
Other short-term paper	-748	576	-356	4,608	-820	580	-630	1,002
Mortgages	-4	0	-4	-4	-4	-4	2	-3
Bonds	-636	548	3,064	908	736	-2,004	-723	1,314
Shares	0	0	0	0	0	0	0	0
Federal government	-4,088	-3,076	-31,944	-3,596	-2,448	2,984	2,309	-10,266
Bank loans	120	-96	-64	-20	36	132	141	-36
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	5,912	3,764	-21,956	-1,144	4,592	15,152	11,036	-3,686
Canada Savings Bonds	-888	-2,180	-1,936	-1,748	-3,124	-2,060	-1,751	-2,247
Other bonds	-9,232	-4,564	-7,988	-684	-3,952	-10,240	-7,117	-4,297
Other levels of government	6,872	-1,920	-2,708	108	3,524	8,516	8,207	-249
Bank loans	380	1,368	-540	20	216	-608	209	266
Other loans	572	-224	188	-20	564	240	732	127
Other short-term paper	9,296	2,712	5,148	-6,952	-4,740	-136	-4,440	-958
Mortgages	-8	16	-12	-4	0	8	-13	0
Provincial bonds	-4,560	-8,292	-8,568	5,216	6,840	6,388	10,121	-1,201
Municipal bonds	1,064	2,316	628	1,728	752	2,484	1,290	1,356
Other bonds	128	184	448	120	-108	140	308	161
Total funds raised by domestic non-financial sectors	112,080	132,180	95,224	120,876	155,436	158,884	128,456	125,929
Consumer credit	25,556	26,528	27,792	28,868	29,920	30,800	25,122	28,277
Bank loans	11,184	-384	10,916	2,600	8,428	14,612	7,294	5,390
Other loans	-884	12,484	2,536	-932	-1,068	-3,984	4,086	3,255
Canada short-term paper	5,912	3,764	-21,956	-1,144	4,592	15,152	11,036	-3,686
Other short-term paper	4,524	24,512	20,916	5,604	10,360	460	-1,175	15,348
Mortgages	55,660	58,144	59,344	60,984	66,400	66,752	52,946	61,218
Bonds	-13,624	-15,256	-18,128	17,984	17,220	12,964	8,980	455
Shares	23,752	22,388	13,804	6,912	19,584	22,128	20,167	15,672

Table E.2 Sector accounts - Persons and unincorporated businesses[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Income	1,053,464	1,084,032	1,082,796	1,097,596	1,114,472	1,137,044	1,032,247	1,094,724
	1.2	2.9	-0.1	1.4	1.5	2.0	5.1	6.1
Wages, salaries and supplementary labour income	710,336	727,568	730,928	739,764	751,268	766,148	694,041	737,382
	1.4	2.4	0.5	1.2	1.6	2.0	6.0	6.2
Unincorporated business net income[2]	85,420	85,624	86,064	86,408	87,200	89,076	84,957	86,324
	0.4	0.2	0.5	0.4	0.9	2.2	1.0	1.6
Interest, dividends and miscellaneous investment income	116,828	119,448	123,016	124,116	126,924	130,588	114,048	123,376
	1.7	2.2	3.0	0.9	2.3	2.9	5.4	8.2
Current transfers from government	136,712	146,740	138,456	142,804	144,732	146,236	134,766	143,183
	0.4	7.3	-5.6	3.1	1.4	1.0	3.6	6.2
Current transfers from corporations	1,600	1,692	1,760	1,812	1,852	1,948	1,737	1,779
	0.0	5.8	4.0	3.0	2.2	5.2	-25.4	2.4
Current transfers from non-residents	2,568	2,960	2,572	2,692	2,496	3,048	2,698	2,680
	-8.2	15.3	-13.1	4.7	-7.3	22.1	7.4	-0.7
Outlay	1,039,868	1,056,504	1,068,564	1,082,564	1,095,456	1,114,296	1,019,422	1,075,772
	1.2	1.6	1.1	1.3	1.2	1.7	6.2	5.5
Personal expenditure on goods and services	774,152	787,992	799,220	809,776	817,020	830,596	760,701	803,502
	1.0	1.8	1.4	1.3	0.9	1.7	5.6	5.6
Current transfers to government	247,300	249,532	249,680	252,620	257,856	262,824	240,761	252,422
	1.6	0.9	0.1	1.2	2.1	1.9	7.7	4.8
Current transfers to corporations	14,504	14,968	15,648	16,144	16,416	16,604	14,013	15,794
	2.7	3.2	4.5	3.2	1.7	1.1	10.0	12.7
Current transfers to non-residents	3,912	4,012	4,016	4,024	4,164	4,272	3,947	4,054
	-5.2	2.6	0.1	0.2	3.5	2.6	13.8	2.7
Saving	13,596	27,528	14,232	15,032	19,016	22,748	12,825	18,952
	5.6	102.5	-48.3	5.6	26.5	19.6	-41.6	47.8
Disposable income[3]	806,164	834,500	833,116	844,976	856,616	874,220	791,486	842,302
	1.1	3.5	-0.2	1.4	1.4	2.1	4.3	6.4
Saving rate	1.7	3.3	1.7	1.8	2.2	2.6	1.6	2.3

Gross saving and capital transfers	57,400	72,672	59,728	60,808	64,852	70,472	57,803	64,515
	-3.5	26.6	-17.8	1.8	6.7	8.7	-7.9	11.6
Saving	13,596	27,528	14,232	15,032	19,016	22,748	12,825	18,952
	5.6	102.5	-48.3	5.6	26.5	19.6	-41.6	47.8
Capital consumption allowances	40,860	41,432	42,024	42,572	43,204	43,852	39,981	42,308
	1.4	1.4	1.4	1.3	1.5	1.5	6.0	5.8
Net capital transfers	2,944	3,712	3,472	3,204	2,632	3,872	4,997	3,255
	-53.4	26.1	-6.5	-7.7	-17.9	47.1	62.3	-34.9
Deduct: Non-financial capital acquisition	111,376	115,856	117,036	117,924	117,604	124,000	108,361	117,105
	3.5	4.0	1.0	0.8	-0.3	5.4	8.6	8.1
Net lending	-53,976	-43,184	-57,308	-57,116	-52,752	-53,528	-50,558	-52,590

Transactions in financial assets	20,932	40,356	23,988	19,400	33,236	38,288	21,883	29,245

Currency and deposits	5,324	24,132	40,756	32,148	37,004	12,368	4,371	33,510

Canadian debt securities	-12,824	-14,604	-20,328	-25,052	-10,208	-14,800	-11,559	-17,548

Corporate shares and mutual funds	12,540	21,228	-12,692	-5,320	3,144	21,572	14,326	1,590

Life insurance and pensions	48,388	44,040	55,160	43,924	41,564	49,044	40,987	46,172

Other financial assets	-32,496	-34,440	-38,908	-26,300	-38,268	-29,896	-26,242	-34,479

Transactions in liabilities	71,336	84,408	80,268	80,232	84,884	87,940	72,033	82,448

Consumer credit	25,556	26,528	27,792	28,868	29,920	30,800	25,122	28,277

Bank and other loans	932	8,140	2,236	1,888	5,168	3,856	2,447	4,358

Mortgages	44,184	46,188	45,732	46,300	47,840	50,096	42,986	46,515

Trade payables	664	3,552	4,508	3,176	1,956	3,188	1,478	3,298

Net financial investment	-50,404	-44,052	-56,280	-60,832	-51,648	-49,652	-50,150	-53,203

Sector discrepancy	-3,572	868	-1,028	3,716	-1,104	-3,876	-408	613

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

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

3. Total income minus current transfers to government.

Table E.3 Sector accounts - Corporations and government business enterprises, total[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Income	375,996	364,336	367,388	379,884	402,076	381,276	350,618	378,421
	5.0	-3.1	0.8	3.4	5.8	-5.2	11.8	7.9
Corporation profits before taxes	202,700	194,664	197,444	201,864	201,464	207,700	189,357	198,859
	5.3	-4.0	1.4	2.2	-0.2	3.1	11.9	5.0
Government business enterprise profits before taxes	15,264	13,912	14,156	13,668	13,556	14,908	14,578	13,823
	3.6	-8.9	1.8	-3.4	-0.8	10.0	12.8	-5.2
Inventory valuation adjustment	-1,316	540	-444	-1,376	-5,820	-2,360	-933	-1,775

Interest, dividends and miscellaneous receipts[2]	90,372	85,436	85,380	94,588	121,668	89,900	79,331	96,768
	13.2	-5.5	-0.1	10.8	28.6	-26.1	20.1	22.0
Interest on consumer debt	14,504	14,968	15,648	16,144	16,416	16,604	14,013	15,794
	2.7	3.2	4.5	3.2	1.7	1.1	10.0	12.7
Interest on public debt[3]	54,472	54,816	55,204	54,996	54,792	54,524	54,272	54,952
	0.1	0.6	0.7	-0.4	-0.4	-0.5	-0.6	1.3
Outlay	266,276	260,860	258,888	260,084	269,652	264,884	248,425	262,371
	7.6	-2.0	-0.8	0.5	3.7	-1.8	8.4	5.6
Interest, dividends and miscellaneous payments	213,068	206,284	207,236	206,312	208,852	207,624	196,802	207,171
	9.1	-3.2	0.5	-0.4	1.2	-0.6	9.0	5.3
Direct taxes	51,128	49,620	49,420	51,192	55,496	52,860	49,492	51,432
	2.1	-2.9	-0.4	3.6	8.4	-4.7	7.6	3.9
Other current transfers	2,080	4,956	2,232	2,580	5,304	4,400	2,131	3,768
	5.7	138.3	-55.0	15.6	105.6	-17.0	-18.1	76.8
Saving	109,720	103,476	108,500	119,800	132,424	116,392	102,193	116,050
	-1.0	-5.7	4.9	10.4	10.5	-12.1	20.8	13.6
Gross saving and capital transfers	227,228	221,980	227,724	240,204	253,900	237,972	217,059	235,952
	0.5	-2.3	2.6	5.5	5.7	-6.3	11.7	8.7
Saving	109,720	103,476	108,500	119,800	132,424	116,392	102,193	116,050
	-1.0	-5.7	4.9	10.4	10.5	-12.1	20.8	13.6
Capital consumption allowances	114,444	115,500	116,692	117,784	118,608	119,364	111,932	117,146
	1.7	0.9	1.0	0.9	0.7	0.6	4.3	4.7
Net capital transfers	3,064	3,004	2,532	2,620	2,868	2,216	2,934	2,756
	11.3	-2.0	-15.7	3.5	9.5	-22.7	18.5	-6.1
Deduct: Non-financial capital acquisition	158,844	161,216	173,064	173,728	166,408	167,712	154,355	168,604
	0.9	1.5	7.3	0.4	-4.2	0.8	14.1	9.2
Net lending	68,384	60,764	54,660	66,476	87,492	70,260	62,704	67,348

Transactions in financial assets	469,300	540,852	460,392	565,544	579,636	531,756	463,862	536,606

<i>Of which:</i>								
Consumer credit	25,556	26,528	27,792	28,868	29,920	30,800	25,122	28,277

Bank and other loans	15,428	27,080	19,932	32,880	32,828	33,544	7,335	28,180

Mortgages	65,900	66,232	68,412	69,364	73,560	75,228	60,490	69,392

Short-term paper	29,228	84,316	-13,940	13,420	42,744	11,368	24,393	31,635

Bonds	60,280	50,700	45,652	57,372	90,280	38,492	66,894	61,001

Shares	6,696	-2,648	-11,712	-616	8,296	-6,800	17,551	-1,670

Foreign investments	54,984	66,676	71,912	75,964	98,284	98,692	51,864	78,209

Transactions in liabilities	413,024	488,268	404,328	502,260	495,892	462,224	398,083	472,687

<i>Of which:</i>								
Currency and deposits	80,224	77,612	83,852	100,872	114,656	127,524	93,312	94,248

Bank and other loans	1,636	-6,380	11,736	5,580	19,856	20,216	7,880	7,698

Short-term paper	10,272	52,880	25,932	42,836	41,596	25,836	23,527	40,811

Bonds	57,564	73,772	46,184	68,608	118,692	52,108	64,159	76,814

Shares	79,888	103,640	50,064	61,936	111,756	61,936	60,272	81,849

Life insurance and pensions	44,484	39,472	50,644	38,768	36,136	43,224	38,364	41,255

Net financial investment	56,276	52,584	56,064	63,284	83,744	69,532	65,779	63,919

Sector discrepancy	12,108	8,180	-1,404	3,192	3,748	728	-3,075	3,429

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

2. Includes interest and dividends received from non-residents.

3. 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.

Table E.4 Sector accounts - Government[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Income	577,364	579,292	580,264	580,640	589,552	596,672	559,746	582,437
	2.2	0.3	0.2	0.1	1.5	1.2	7.0	4.1
Taxes on incomes	227,360	230,512	227,920	232,120	242,824	243,796	219,949	233,344
	2.1	1.4	-1.1	1.8	4.6	0.4	8.9	6.1
Contributions to social insurance plans	65,868	65,612	67,092	67,440	67,448	68,300	65,340	66,898
	0.2	-0.4	2.3	0.5	0.0	1.3	5.2	2.4
Taxes on production and imports	175,840	177,896	179,420	175,808	175,868	178,512	173,081	177,248
	0.9	1.2	0.9	-2.0	0.0	1.5	4.7	2.4
Other current transfers from persons	10,448	10,576	10,644	10,568	10,668	10,652	10,442	10,614
	-1.6	1.2	0.6	-0.7	0.9	-0.1	3.1	1.6
Investment income	54,520	50,740	50,796	49,756	47,124	49,500	48,446	49,604
	12.5	-6.9	0.1	-2.0	-5.3	5.0	11.8	2.4
Sales of goods and services[2]	43,328	43,956	44,392	44,948	45,620	45,912	42,488	44,729
	1.0	1.4	1.0	1.3	1.5	0.6	5.6	5.3
Outlay	531,440	551,884	543,064	550,724	557,160	563,940	524,279	550,708
	0.6	3.8	-1.6	1.4	1.2	1.2	4.2	5.0
Gross current expenditure on goods and services[2]	309,888	321,756	322,112	325,012	329,260	335,180	305,138	324,535
	0.5	3.8	0.1	0.9	1.3	1.8	5.5	6.4
Current transfers	158,880	167,408	157,852	162,688	164,852	166,080	156,376	163,200
	1.0	5.4	-5.7	3.1	1.3	0.7	4.0	4.4
Interest on the public debt	62,672	62,720	63,100	63,024	63,048	62,680	62,765	62,973
	-0.2	0.1	0.6	-0.1	0.0	-0.6	-1.7	0.3
Saving	45,924	27,408	37,200	29,916	32,392	32,732	35,467	31,729
	26.3	-40.3	35.7	-19.6	8.3	1.0	78.8	-10.5
Gross saving and capital transfers	68,492	50,352	60,660	53,464	56,388	57,484	57,900	55,216
	16.2	-26.5	20.5	-11.9	5.5	1.9	37.8	-4.6
Saving	45,924	27,408	37,200	29,916	32,392	32,732	35,467	31,729
	26.3	-40.3	35.7	-19.6	8.3	1.0	78.8	-10.5
Capital consumption allowances	24,640	24,936	25,160	25,396	25,692	26,100	24,425	25,296
	0.6	1.2	0.9	0.9	1.2	1.6	4.9	3.6
Net capital transfers	-2,072	-1,992	-1,700	-1,848	-1,696	-1,348	-1,992	-1,809

Deduct: Non-financial capital acquisition	38,332	39,440	40,032	40,552	41,156	41,648	36,323	40,295
	4.1	2.9	1.5	1.3	1.5	1.2	13.1	10.9
Net lending	30,160	10,912	20,628	12,912	15,232	15,836	21,577	14,921

Transactions in financial assets	49,160	376	12,004	20,132	52,388	20,916	57,107	21,225

Currency and deposits	1,536	-2,904	5,428	2,212	412	-4,224	2,951	1,287

Loans	4,076	5,724	-1,352	-744	1,092	188	4,053	1,180

Canadian securities	8,708	-8,596	11,772	20,580	11,552	17,680	21,909	8,827

Other financial assets	34,840	6,152	-3,844	-1,916	39,332	7,272	28,194	9,931

Transactions in liabilities	14,440	-11,736	-6,932	11,628	35,828	9,800	35,625	7,197

Bank and other loans	1,072	1,048	-416	-20	816	-236	1,082	357

Short-term paper	15,208	6,476	-16,808	-8,096	-148	15,016	6,596	-4,644

Bonds	-13,996	-13,420	-19,364	2,728	-60	-4,276	2,323	-7,529

Other liabilities	12,156	-5,840	29,656	17,016	35,220	-704	25,624	19,013

Net financial investment	34,720	12,112	18,936	8,504	16,560	11,116	21,482	14,028

Sector discrepancy	-4,560	-1,200	1,692	4,408	-1,328	4,720	95	893

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

2. 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.

Table E.5 Sector accounts - Non-residents[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Income	554,000	547,032	552,068	564,928	574,236	578,532	534,710	559,566
	3.6	-1.3	0.9	2.3	1.6	0.7	7.3	4.6
Sales of goods (imports)	397,812	392,492	400,520	411,860	412,692	422,304	388,282	404,391
	1.9	-1.3	2.0	2.8	0.2	2.3	6.9	4.1
Sales of services (imports)	81,452	81,228	82,616	83,836	85,396	85,784	79,915	83,269
	1.6	-0.3	1.7	1.5	1.9	0.5	3.2	4.2
Interest, dividends and miscellaneous receipts	65,716	61,452	60,376	59,980	64,240	59,148	57,462	61,512
	18.9	-6.5	-1.8	-0.7	7.1	-7.9	14.5	7.0
Current transfers	9,020	11,860	8,556	9,252	11,908	11,296	9,051	10,394
	1.8	31.5	-27.9	8.1	28.7	-5.1	19.5	14.8
Outlay	594,580	570,372	566,188	584,156	619,868	608,212	561,477	585,146
	4.5	-4.1	-0.7	3.2	6.1	-1.9	6.7	4.2
Purchases of goods (exports)	478,928	454,464	449,124	457,168	462,028	480,200	451,779	455,696
	4.4	-5.1	-1.2	1.8	1.1	3.9	5.3	0.9
Purchases of services (exports)	69,712	68,104	69,380	69,344	69,212	70,564	68,600	69,010
	1.4	-2.3	1.9	-0.1	-0.2	2.0	3.5	0.6
Interest, dividends and miscellaneous payments	38,124	37,296	38,556	48,636	78,544	47,336	32,922	50,758
	14.6	-2.2	3.4	26.1	61.5	-39.7	37.7	54.2
Current transfers	7,816	10,508	9,128	9,008	10,084	10,112	8,176	9,682
	-8.0	34.4	-13.1	-1.3	11.9	0.3	14.3	18.4
Saving	-40,580	-23,340	-14,120	-19,228	-45,632	-29,680	-26,767	-25,580

Gross saving and capital transfers	-44,516	-28,064	-18,424	-23,204	-49,436	-34,420	-32,706	-29,782

Saving	-40,580	-23,340	-14,120	-19,228	-45,632	-29,680	-26,767	-25,580

Net capital transfers	-3,936	-4,724	-4,304	-3,976	-3,804	-4,740	-5,939	-4,202

Net lending[2]	-44,516	-28,064	-18,424	-23,204	-49,436	-34,420	-32,706	-29,782

Transactions in financial assets	60,020	130,280	173,808	136,904	73,704	137,552	59,075	128,674

Currency and deposits	8,972	-10,304	40,172	-19,844	5,568	64,716	4,200	3,898

Loans	-15,244	-11,792	-5,828	-2,888	640	-220	-1,894	-4,967

Short-term paper	5,560	11,620	10,208	2,700	-15,024	6,988	520	2,376

Bonds	-12,260	1,480	948	33,552	34,836	24,196	-546	17,704

Shares	6,612	31,584	16,436	2,876	-7,636	-5,616	9,134	10,815

Other financial assets	66,380	107,692	111,872	120,508	55,320	47,488	47,661	98,848

Transactions in liabilities	100,612	150,924	192,528	147,860	122,360	168,548	96,186	153,418

Official reserves	4,968	3,060	-380	1,764	-384	5,476	1,655	1,015

Currency and deposits	7,644	13,036	20,328	19,520	7,204	6,912	6,389	15,022

Bank and other loans	620	18,204	-804	21,800	8,720	9,676	-1,915	11,980

Foreign investments	67,496	78,816	88,576	87,344	110,520	114,160	61,234	91,314

Other liabilities	19,884	37,808	84,808	17,432	-3,700	32,324	28,823	34,087

Net financial investment	-40,592	-20,644	-18,720	-10,956	-48,656	-30,996	-37,111	-24,744

Sector discrepancy	-3,924	-7,420	296	-12,248	-780	-3,424	4,405	-5,038

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

2. 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.

Section F

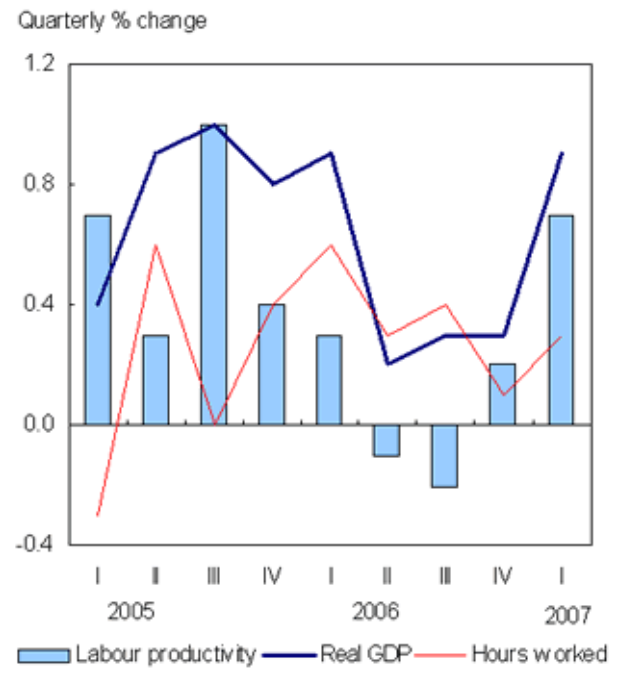
Labour productivity, hourly compensation and unit labour cost

First quarter 2007

The year 2007 opened on a solid note for productivity in the Canadian business sector. Between January and March, quarterly labour productivity growth climbed to 0.7%, more than three times the pace in the previous quarter (+0.2%).

Canadian businesses managed to triple their production rate relative to the previous quarter, while hours worked increased at a more moderate pace. This surge in productivity in the first quarter of 2007 is the largest gain since the 1.0% recorded in the third quarter of 2005.

Chart F.1
Productivity growth in Canada's business sector accelerates



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 the new National Economic Accounts module (www.statcan.ca/nea). 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.

Revisions

The first quarter 2007 labour productivity estimates released June 12th, 2007 include revisions to aggregate labour productivity and underlying series (gross domestic product, hours worked, unit labour costs, etc.) from 2003 to 2006. These updates are consistent with the 4-year annual revision to the *National Income and Expenditure Accounts* released May 31st, 2007. However, national accounts' estimates of GDP by industry will not be revised until the end of September 2007, (the usual revision release date for GDP by industry) and therefore will be not incorporated in the productivity estimates until the release of the third quarter data in December of 2007. As a result, revised estimates of labour productivity by industry – including revisions to industry estimates of GDP, hours worked, labour compensation and unit labour costs – will only be available with the third quarter release.

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 estimated 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 U.S. 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.

Both the services-producing and the goods-producing industries made positive contributions to the overall productivity performance in the first quarter. Gains were observed in wholesale and retail trade, manufacturing, construction, agriculture, forestry, fishing and hunting as well as finance and insurance services.

Significant gains in productivity in the goods sector

In the first quarter of 2007, gains in productivity in the business sector are largely due to the goods-producing industries. Productivity picked up in the goods-producing sector with a growth of 1.4% in the first quarter following almost no change in the fourth quarter of 2006.

Growth in manufacturing and in agriculture, forestry, fishing and hunting industries contributed positively to the increase in the goods sector in the first quarter. Productivity in the mining, oil and gas extraction industry was down again in the first quarter of 2007.

In the services sector, productivity grew by 0.3% in the first quarter. Productivity increases were recorded in wholesale trade (+2.3%) and retail trade (+1.6%) and finance and insurance (+0.6%) industries but were partially offset by declines in accommodation and food services industries. However, in the fourth quarter, both wholesale trade and retail trade had recorded drops while accommodation and food services had reported growth.

Substantial improvement in the unit labour cost in the services sector

After increasing by 1.3% for two consecutive quarters, growth in business unit labour cost slowed to 0.7% in the first quarter 2007. This improvement can be mainly attributed to the services sector.

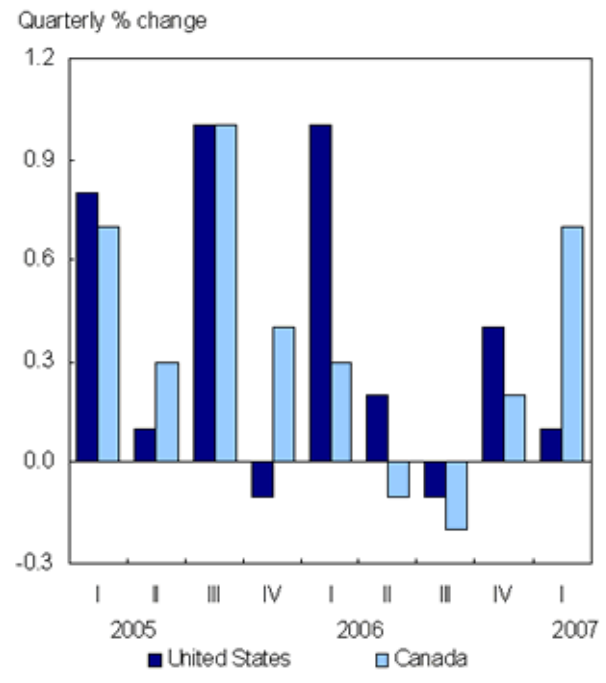
In spite of a significant improvement in labour productivity, the unit labour cost in the goods sector rose by 0.9% in the first quarter of 2007, the same pace as the previous quarter. Almost all goods producing industries saw their unit labour cost increased.

In the services sector, the unit labour cost improved significantly in the first quarter with a growth of 0.6%, half of the increase registered in the previous quarter. Net improvements were observed in wholesale and retail trade, finance and insurance sector as well as in professional, scientific and technical services.

Best performance in productivity in Canada in more than a year

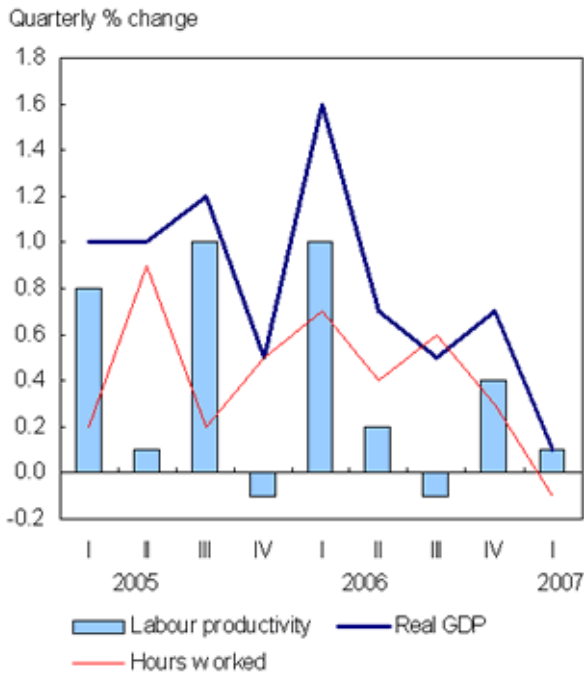
Productivity increased at a faster pace in Canadian businesses than in American businesses in the first three months of 2007 in the context of a much stronger output growth in Canada.

Chart F.2
Canadian productivity outpaces by far that of the U.S. in the first quarter



For American businesses, quarterly productivity growth remains lacklustre. With a slowing of economic activity, productivity increased only 0.1% in the January-March period, a lower pace than in the fourth quarter of 2006. For the first time in over a year, the United States experienced a significantly weaker GDP growth than Canada.

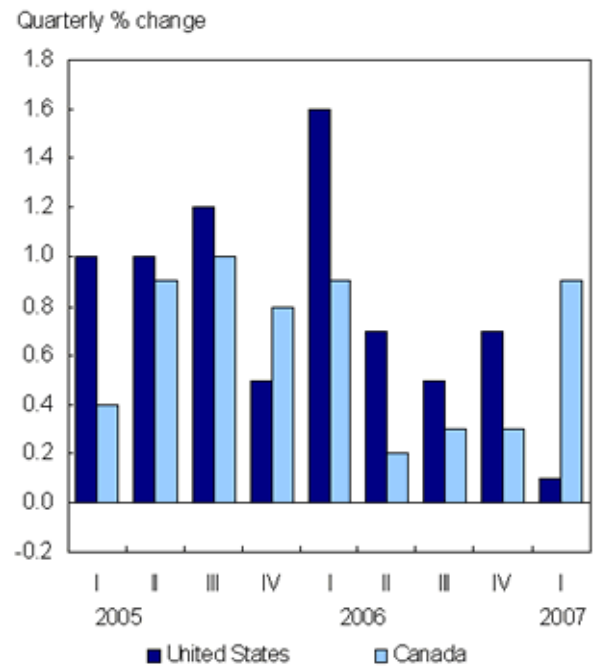
Chart F.3
U.S. productivity slows in business sector



In Canada, real GDP in businesses grew 0.9% in the first quarter of 2007, three times what it was in the previous quarter (+0.3%). It was the highest quarterly growth in a year.

Consumer spending on goods and services, which edged up to 1.0% from 0.9% the previous quarter, continued to drive the economy. The accumulation of business inventories due to increased output also made a positive contribution to Canada's quarterly GDP growth.

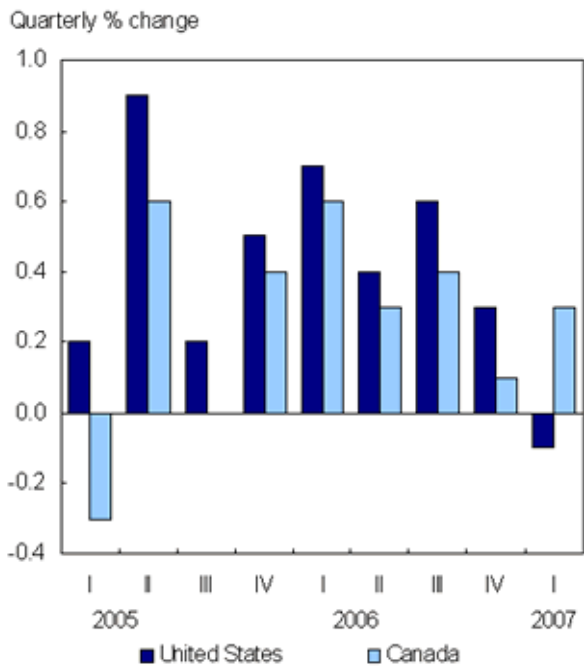
Chart F.4
GDP growth in business sector accelerates in Canada, while it slows dramatically in the U.S.



American business sector GDP rose only 0.1% in the first quarter, substantially lower than the 0.7% increase observed in the last three months of 2006. In fact, it was the smallest gain since the last quarter of 2002 (+0.1%), just before the Iraq war began.

Hours worked in Canadian companies grew 0.3% in the first quarter, up slightly from +0.1% in the previous quarter. A large portion of the increase in hours worked between January and March was in part-time work.

Chart F.5
Hours worked increases slightly in Canada, while they decline in the U.S.



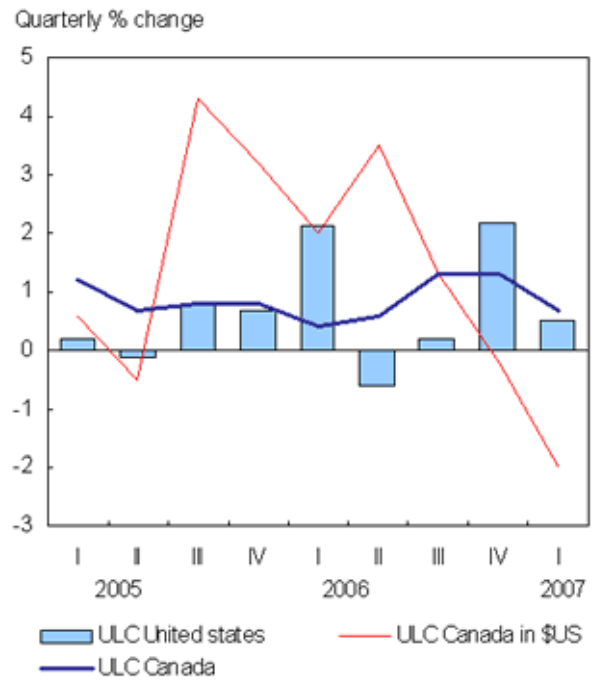
There was a sharp contrast between the United States and Canada in hours worked over the last two quarters. Specifically, hours worked in American businesses edged down in the first quarter, after climbing 0.3% in the fourth quarter of 2006. Hours worked has been slowing gradually since the third quarter of 2006.

Unit labour costs slows in both countries

Unit labour costs slowed significantly in both Canada and the U.S in the first quarter of 2007. Nevertheless, unit labour costs rose slightly faster in Canada than in the United States in the first quarter, when measured in their respective national currencies.

Labour costs per unit of output in Canadian businesses reached 0.7% in the first quarter, compared with 1.3% in the previous quarter. This substantial improvement is attributable to higher productivity and slower growth in hourly compensation, which slowed from 1.7% in the last quarter of 2006 to 1.4% in the first quarter of 2007. For American businesses, unit labour costs were up only 0.5% in the first quarter. This is a sharp deceleration from the 2.2% increase recorded in the previous three months.

Chart F.6
Canadian unit labour costs in US \$ declines sharply



However, Canadian businesses had a more favourable competitive position when the unit cost of labour was adjusted for the exchange rate. In the first quarter, the Canadian dollar depreciated by 2.8% against the US dollar. The depreciation resulted in a 2.0% decline in Canadian unit labour costs, expressed in American dollars. This is the second consecutive quarterly decline in this indicator.

Recent revisions to Canadian productivity estimates have little impact on the Canada/US gap

Overall, the 2003-2006 revisions lowered the annual rate of growth in Canadian labour productivity in 2004 and 2006, and increased it in 2003 and 2005. The magnitude of these revisions ranged from -0.3% to 0.4%. For example, for 2006, productivity growth in Canadian businesses was revised downward from 1.2% to 1.0%. The 2005 productivity growth in Canada was revised upward from 2.1% to 2.5%.

Table F.0 Comparison of annual labour productivity growth in the business sector before and after revision

	Canada		United States
	Before revision	After revision	
	annual % change		
1981-2006	1.5	1.5	2.2
1981-2000	1.6	1.6	1.9
2000-2006	1.0	1.0	2.9
2003	0.0	0.3	3.8
2004	0.3	0.0	3.1
2005	2.1	2.5	2.1
2006	1.2	1.0	1.7

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - First quarter 2007, published in *NEWS*, June 6.

Overall these revisions tend to cancel each other out. As a result, they had no impact on the average gap in productivity between Canada and the United States during the post-2000 period. However, for the first time since 2000 with these revisions, productivity growth is higher in Canada in 2005 than in the U.S.

Table F.1 Business sector - Labour productivity and related variables for Canada and the United States[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007
Seasonally adjusted						
Percent change from previous quarter						
Canada						
Labour productivity	0.4	0.3	-0.1	-0.2	0.2	0.7
Real GDP	0.8	0.9	0.2	0.3	0.3	0.9
Hours worked	0.4	0.6	0.3	0.4	0.1	0.3
Hourly compensation	1.2	0.7	0.5	1.0	1.7	1.4
Unit labour cost	0.8	0.4	0.6	1.3	1.3	0.7
Exchange rate[2]	-2.4	-1.5	-2.8	-0.1	1.6	2.8
Unit labour cost in US\$	3.2	2.0	3.5	1.3	-0.2	-2.0
United States						
Labour productivity	-0.1	1.0	0.2	-0.1	0.4	0.1
Real GDP	0.5	1.6	0.7	0.5	0.7	0.1
Hours worked	0.5	0.7	0.4	0.6	0.3	-0.1
Hourly compensation	0.6	3.1	-0.4	0.2	2.5	0.6
Unit labour cost	0.7	2.1	-0.6	0.2	2.2	0.5
Percent change from same quarter of previous year						
Canada						
Labour productivity	2.5	2.0	1.7	0.4	0.2	0.6
Real GDP	3.2	3.7	3.0	2.2	1.7	1.8
Hours worked	0.8	1.6	1.4	1.8	1.5	1.2
Hourly compensation	6.0	4.8	4.3	3.5	3.9	4.6
Unit labour cost	3.5	2.7	2.6	3.1	3.7	4.0
Exchange rate[2]	-4.0	-5.9	-9.7	-6.7	-2.8	1.4
Unit labour cost in US\$	7.6	9.2	13.7	10.4	6.8	2.6
United States						
Labour productivity	2.0	2.1	2.2	1.1	1.5	0.7
Real GDP	3.7	4.4	4.0	3.3	3.5	2.0
Hours worked	1.7	2.3	1.8	2.2	2.0	1.3
Hourly compensation	3.6	5.7	5.2	3.6	5.5	3.0
Unit labour cost	1.6	3.5	2.9	2.5	3.9	2.2
Percent change from previous quarter at annualized rate[3]						
Canada						
Labour productivity	1.7	1.0	-0.3	-0.7	0.7	2.8
Real GDP	3.3	3.6	0.9	1.2	1.2	3.8
Hours worked	1.7	2.4	1.4	1.7	0.3	1.4
Hourly compensation	4.9	2.7	2.1	4.2	6.8	5.5
Unit labour cost	3.2	1.7	2.4	5.2	5.5	3.0
Unit labour cost in US\$	13.3	8.4	14.8	5.4	-0.8	-7.7
United States						
Labour productivity	-0.2	3.8	1.0	-0.3	1.5	0.5
Real GDP	1.8	6.7	2.7	1.9	2.9	0.4
Hours worked	2.1	2.8	1.7	2.2	1.4	-0.1
Hourly compensation	2.7	12.9	-1.6	0.9	10.4	2.5
Unit labour cost	2.9	8.8	-2.6	1.2	8.8	1.9

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.

Table F.2 Business sector - Some related variables for labour markets[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007
Seasonally adjusted						
Percent change from previous quarter						
Canada						
All jobs	0.4	0.6	0.3	0.2	0.6	0.9
Hours worked	0.4	0.6	0.3	0.4	0.1	0.3
Average hours	0.0	0.0	0.1	0.3	-0.5	-0.6
Labour share[2]	-0.7	1.0	0.0	0.8	1.4	-0.8
United States						
All jobs	0.4	0.7	0.4	0.2	0.4	0.2
Hours worked	0.5	0.7	0.4	0.6	0.3	-0.1
Average hours	0.1	-0.1	0.0	0.3	0.0	-0.3
Labour share[2]	0.0	1.4	-1.4	0.0	1.9	-0.4
Percent change from same quarter of previous year						
Canada						
All jobs	1.5	2.0	1.4	1.4	1.6	1.9
Hours worked	0.8	1.6	1.4	1.8	1.5	1.2
Average hours	-0.8	-0.3	0.0	0.4	-0.1	-0.7
Labour share[2]	-1.2	-0.6	-0.7	1.1	3.4	1.5
United States						
All jobs	1.7	2.0	1.8	1.8	1.8	1.2
Hours worked	1.7	2.3	1.8	2.2	2.0	1.3
Average hours	0.1	0.3	0.0	0.3	0.2	0.0
Labour share[2]	-1.3	0.6	-0.1	0.0	1.9	0.0
Percent change from previous quarter at annualized rates[3]						
Canada						
All jobs	1.7	2.4	1.0	0.7	2.3	3.7
Hours worked	1.7	2.4	1.4	1.7	0.3	1.4
Average hours	0.0	0.0	0.4	1.2	-2.0	-2.4
Labour share[2]	-2.9	4.3	0.0	3.4	5.9	-3.2
United States						
All jobs	1.7	3.0	1.7	1.0	1.6	0.7
Hours worked	2.1	2.8	1.7	2.2	1.4	-0.1
Average hours	0.4	-0.4	0.0	1.2	0.0	-1.2
Labour share[2]	0.0	5.9	-5.6	0.0	7.6	-1.6

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.

Table F.3 Indexes of labour productivity by industry[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Using seasonally adjusted data, (1997 = 100)								
Business sector - goods	117.3	117.3	116.0	115.6	115.7	117.3	116.0	116.2
	<i>0.6</i>	<i>0.0</i>	<i>-1.1</i>	<i>-0.3</i>	<i>0.1</i>	<i>1.4</i>	<i>1.3</i>	<i>0.2</i>
Agriculture, forestry, fishing and hunting	157.0	159.1	157.1	153.9	159.7	167.5	156.9	157.5
	<i>-1.8</i>	<i>1.3</i>	<i>-1.3</i>	<i>-2.0</i>	<i>3.8</i>	<i>4.9</i>	<i>3.8</i>	<i>0.4</i>
Construction	113.0	115.0	116.5	116.6	117.4	118.1	112.4	116.4
	<i>1.0</i>	<i>1.8</i>	<i>1.3</i>	<i>0.1</i>	<i>0.7</i>	<i>0.6</i>	<i>-0.7</i>	<i>3.5</i>
Manufacturing	121.0	120.8	118.6	117.5	118.2	119.5	118.7	118.8
	<i>1.3</i>	<i>-0.2</i>	<i>-1.8</i>	<i>-0.9</i>	<i>0.6</i>	<i>1.1</i>	<i>3.6</i>	<i>0.0</i>
Business sector - services	116.9	117.6	118.0	118.5	118.3	118.7	115.7	118.1
	<i>0.4</i>	<i>0.6</i>	<i>0.3</i>	<i>0.4</i>	<i>-0.2</i>	<i>0.3</i>	<i>2.6</i>	<i>2.1</i>
Wholesale trade	136.6	139.4	141.8	143.1	142.0	145.3	132.1	141.6
	<i>2.4</i>	<i>2.0</i>	<i>1.7</i>	<i>0.9</i>	<i>-0.8</i>	<i>2.3</i>	<i>7.4</i>	<i>7.2</i>
Retail trade	126.7	129.5	130.7	131.5	130.6	132.7	125.4	130.6
	<i>1.1</i>	<i>2.2</i>	<i>0.9</i>	<i>0.6</i>	<i>-0.7</i>	<i>1.6</i>	<i>2.3</i>	<i>4.1</i>
Transportation and warehousing	114.2	113.3	112.9	112.2	112.9	112.5	112.0	112.8
	<i>1.1</i>	<i>-0.8</i>	<i>-0.4</i>	<i>-0.6</i>	<i>0.6</i>	<i>-0.4</i>	<i>4.0</i>	<i>0.7</i>
Information and cultural industries	123.0	123.9	123.8	123.8	123.7	122.0	119.6	123.8
	<i>-0.3</i>	<i>0.7</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.1</i>	<i>-1.4</i>	<i>4.5</i>	<i>3.5</i>
Finance, real estate and company management	106.2	106.8	108.4	109.8	110.8	111.5	108.1	109.0
	<i>-1.5</i>	<i>0.6</i>	<i>1.5</i>	<i>1.3</i>	<i>0.9</i>	<i>0.6</i>	<i>-1.9</i>	<i>0.8</i>
Professional, scientific and technical services	118.1	117.9	118.1	117.4	117.6	117.1	117.8	117.8
	<i>0.0</i>	<i>-0.2</i>	<i>0.2</i>	<i>-0.6</i>	<i>0.2</i>	<i>-0.4</i>	<i>1.6</i>	<i>0.0</i>
Administrative and support, waste management and remediation services	96.7	97.3	98.5	98.4	98.3	99.1	96.2	98.1
	<i>0.2</i>	<i>0.6</i>	<i>1.2</i>	<i>-0.1</i>	<i>-0.1</i>	<i>0.8</i>	<i>0.9</i>	<i>2.0</i>
Accommodation and food services	114.3	115.8	113.6	114.4	116.4	113.6	112.9	115.1
	<i>0.1</i>	<i>1.3</i>	<i>-1.9</i>	<i>0.7</i>	<i>1.7</i>	<i>-2.4</i>	<i>2.2</i>	<i>1.9</i>
Other commercial services	110.6	109.6	108.6	108.1	107.9	107.6	109.7	108.6
	<i>0.3</i>	<i>-0.9</i>	<i>-0.9</i>	<i>-0.5</i>	<i>-0.2</i>	<i>-0.3</i>	<i>2.4</i>	<i>-1.0</i>

1. The first line is the series itself. The second line is the percentage change.

Table F.4 Indexes of unit labour cost by industry[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Using seasonally adjusted data (1997 = 100)								
Business sector - goods	112.8	113.3	115.0	116.5	117.6	118.7	112.7	115.6
	-0.3	0.4	1.5	1.3	0.9	0.9	1.5	2.6
Agriculture, forestry, fishing and hunting	100.4	101.7	97.8	97.4	94.8	96.2	100.3	97.9
	2.9	1.3	-3.8	-0.4	-2.7	1.5	-7.6	-2.4
Construction	106.5	103.3	104.1	105.5	105.0	106.3	105.9	104.5
	-1.0	-3.0	0.8	1.3	-0.5	1.2	2.5	-1.4
Manufacturing	107.0	107.8	109.4	111.1	112.3	113.2	107.5	110.2
	-0.8	0.7	1.5	1.6	1.1	0.8	0.2	2.5
Business sector - services	115.4	115.8	115.8	116.2	117.6	118.3	113.8	116.4
	0.7	0.3	0.0	0.3	1.2	0.6	2.6	2.3
Wholesale trade	95.7	93.9	92.2	92.8	95.7	96.3	95.3	93.7
	0.5	-1.9	-1.8	0.7	3.1	0.6	-1.6	-1.7
Retail trade	105.8	102.9	103.5	101.8	101.6	100.7	103.9	102.5
	1.1	-2.7	0.6	-1.6	-0.2	-0.9	1.5	-1.3
Transportation and warehousing	112.2	111.9	111.3	111.2	113.1	114.7	112.0	111.9
	0.2	-0.3	-0.5	-0.1	1.7	1.4	0.9	-0.1
Information and cultural industries	111.9	112.7	113.9	114.4	116.2	116.2	109.2	114.3
	3.1	0.7	1.1	0.4	1.6	0.0	2.3	4.6
Finance, real estate and company management	120.3	121.2	123.0	122.8	124.1	124.7	117.8	122.8
	1.1	0.7	1.5	-0.2	1.1	0.5	4.6	4.2
Professional, scientific and technical services	121.7	123.8	123.1	127.5	128.8	129.2	120.6	125.8
	0.4	1.7	-0.6	3.6	1.0	0.3	2.4	4.3
Administrative and support, waste management and remediation services	130.8	131.3	131.1	134.1	136.6	139.4	129.8	133.3
	0.4	0.4	-0.2	2.3	1.9	2.0	3.4	2.7
Accommodation and food services	126.8	127.4	127.9	126.3	125.4	126.8	122.7	126.8
	-1.9	0.5	0.4	-1.3	-0.7	1.1	6.9	3.3
Other commercial services	124.8	129.6	130.6	131.5	132.9	134.7	123.4	131.2
	0.9	3.8	0.8	0.7	1.1	1.4	4.4	6.3

1. The first line is the series itself. The second line is the percentage change.

Section G

Canada's International investment position

First quarter 2007

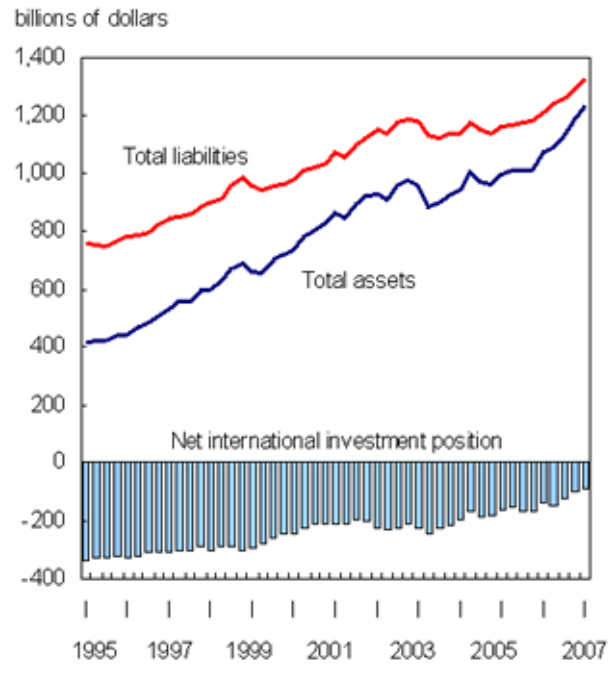
Canada's net external liabilities continued their long-term decline during the first three months of 2007 as international assets rose at a faster pace than external liabilities.

As a result, net external liabilities (the difference between Canada's external assets and foreign liabilities) reached \$92.2 billion at the end of the first quarter, down \$6.8 billion from the end of 2006.

The value of international assets totalled \$1,230.7 billion, up 3.4% from the 2006 year-end. Gains in Canadian holdings of foreign bonds explained almost 40% of the increase. Appreciable gains in Canadian direct investment abroad and in reserve assets also contributed to this increase.

On the other hand, international liabilities reached \$1,322.9 billion, a 2.6% increase from the previous quarter. The gain was mostly due to increases in foreign direct investment in Canada and in deposit liabilities.

Chart G.1
Canada's international investment position



Net external liabilities at the end of March represented a record low 6.2% of Canada's gross domestic product, down from 6.8% a quarter earlier and down from 17.6% at the end of 2003.

The gap between Canadian international assets and liabilities continued to shrink. At the end of March, Canada's international assets represented 93% of its foreign liabilities, a record high ratio. This ratio has been rising progressively since the end of 1993, when it was only 50%. Lower holdings of federal government bonds by non-residents, as the government paid down its debt, and stronger investments in foreign securities contributed to this change.

Note to readers

Currency valuation

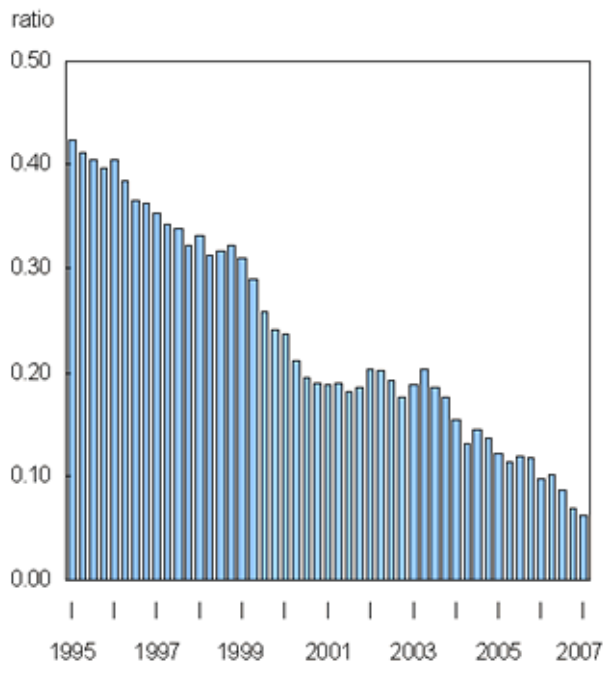
The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of our international liabilities are in foreign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

The Canadian dollar remained stable compared to major foreign currencies in the first quarter; it gained 0.9% against the U.S. dollar and 0.4% against the pound sterling. On the other hand, it lost 0.4% and 0.1% against the Euro and the Japanese yen respectively. The overall exchange rate variation of the Canadian dollar vis-à-vis foreign currencies lowered Canada's international assets by \$6.3 billion and its liabilities by \$3.2 billion.

In general, a strong Canadian dollar has a negative impact on international assets. In the past few quarters, the Canadian dollar has considerably appreciated, but improvements in net assets through transactions have more than offset this effect.

Chart G.2
Canada's net international liability to GDP



Assets: strong rise in Canadian holdings of foreign bonds

Canadian holdings of foreign bonds increased 12.5% to \$144.5 billion, as Canadians made strong purchases during the quarter, especially in maple bonds. This was the 10th consecutive quarterly increase of at least 8%. Over that period, holdings of foreign bonds, as a proportion of international assets, have doubled from 6% to 12%.

Holdings of foreign stocks rose 2.2 billion from the end of 2006 to \$218.4 billion, with about half of the increase allocated to U.S. stocks. At the same time, Canadian holdings of foreign money market paper remained stable at \$20.1 billion.

Driven by these increases, total Canadian portfolio investment abroad (holdings of stocks, bonds and money market paper) reached \$383.0 billion at the end of March, representing 31% of Canada's international assets.

Canadian direct investment abroad totalled \$532.0 billion at the end of March, up \$8.7 billion from the end of December. This advance came mostly from injections of working capital into existing foreign affiliates.

Official international reserves reached their highest level in three years at \$45.5 billion.

Liabilities: increase in foreign direct investment in Canada

Foreign direct investment in Canada rose \$12.4 billion to \$461.3 billion at the end of March. For a third consecutive quarter, foreign direct investors increased their investment position in Canada, mainly through acquisitions of Canadian firms.

Foreign direct investment from the United States reached \$281.0 billion, up \$7.3 billion from the previous quarter, while foreign direct investment from all other countries amounted to \$180.3 billion.

Foreign holdings of Canadian securities (bonds, stocks and money market paper) increased slightly during the first quarter. They totalled \$542.8 billion, up \$1.1 billion, and represented 41% of total international liabilities.

There was little variation in each type of security individually. Foreign holdings of Canadian bonds rose 3.2 billion from the end of December to \$407.8 billion. The gain was mostly attributable to an increase in holdings of corporate bonds.

Foreign holdings of Canadian stocks decreased slightly to \$111.3 billion at the end of the quarter, with American investors holding the majority of the value. At the same time, foreign holdings of Canadian money market paper were down by less than a billion to \$23.7 billion.

Finally, Canadian deposit liabilities to non-residents increased \$19.4 billion to \$246.5 billion.

Decline in net external liability position with the United States

American investors continued to hold by far the largest portion of Canada's net external liabilities. At the end of 2006, their holdings amounted to \$217.2 billion, down from \$233.6 billion a year earlier.

European Union countries decreased in importance as Canada's net creditors. They held only \$8.9 billion of Canada's net debt at the end of 2006, down from \$37.1 billion a year earlier. Canada is nearing a net asset position with European countries for the first time ever.

Canada's net asset position with all other countries increased to \$127.1 billion. Canada has had a net asset position with this group of countries (which excludes the United States and the European Union) since 1998.

Chart G.3
Net international investment position, by geographic area

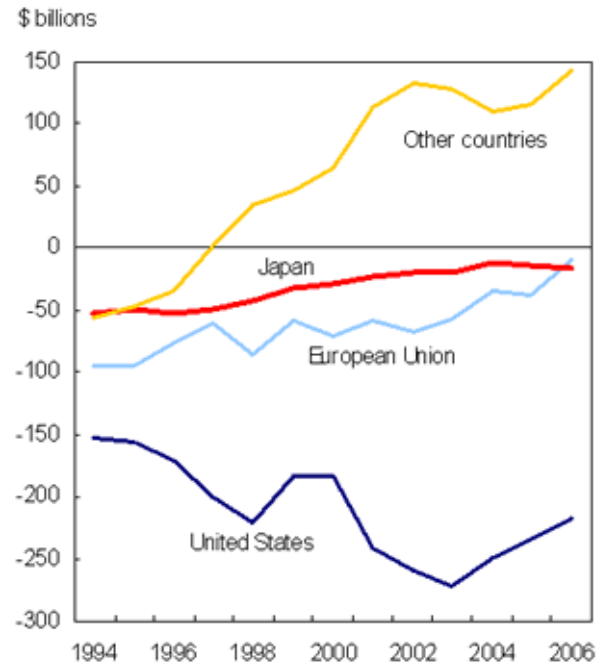


Table G.1 International investment position at period-end

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Millions of dollars								
Assets								
Canadian direct investment abroad	459,606	468,635	468,500	480,635	523,260	531,967	459,606	523,260
Portfolio investment abroad								
Foreign bonds	82,276	93,361	103,207	112,763	128,505	144,451	82,276	128,505
<i>Foreign bonds at market value</i>	<i>88,744</i>	<i>98,875</i>	<i>108,378</i>	<i>121,474</i>	<i>138,171</i>	<i>155,489</i>	<i>88,744</i>	<i>138,171</i>
Foreign stocks	197,082	201,897	200,794	202,720	216,194	218,400	197,082	216,194
<i>Foreign stocks at market value</i>	<i>445,564</i>	<i>481,446</i>	<i>464,047</i>	<i>491,609</i>	<i>559,671</i>	<i>573,795</i>	<i>445,564</i>	<i>559,671</i>
Foreign money market	13,055	14,122	12,916	17,870	19,966	20,128	13,055	19,966
<i>Foreign money market at market value</i>	<i>13,108</i>	<i>14,166</i>	<i>12,964</i>	<i>17,941</i>	<i>20,062</i>	<i>20,195</i>	<i>13,108</i>	<i>20,062</i>
Other investment								
Loans	45,957	60,356	63,556	71,298	72,360	76,882	45,957	72,360
Deposits	120,813	135,203	147,845	152,119	131,427	134,589	120,813	131,427
Official international reserves	38,030	42,149	40,301	40,131	40,959	45,507	38,030	40,959
<i>Official international reserves at market value</i>	<i>38,400</i>	<i>42,088</i>	<i>40,089</i>	<i>40,256</i>	<i>40,862</i>	<i>45,386</i>	<i>38,400</i>	<i>40,862</i>
Other assets	56,605	57,548	55,864	57,287	57,758	58,773	56,605	57,758
Total assets								
at book value	1,013,424	1,073,271	1,092,983	1,134,822	1,190,429	1,230,697	1,013,424	1,190,429
with portfolio investment at market value	<i>1,268,797</i>	<i>1,358,317</i>	<i>1,361,243</i>	<i>1,432,619</i>	<i>1,543,571</i>	<i>1,597,076</i>	<i>1,268,797</i>	<i>1,543,571</i>
Liabilities								
Foreign direct investment in Canada	407,610	419,321	423,498	435,328	448,858	461,271	407,610	448,858
Portfolio investment								
Canadian bonds	380,818	382,566	374,022	379,586	404,590	407,807	380,818	404,590
<i>Canadian bonds at market value</i>	<i>408,768</i>	<i>404,576</i>	<i>387,896</i>	<i>404,346</i>	<i>430,163</i>	<i>430,619</i>	<i>408,768</i>	<i>430,163</i>
Canadian stocks	105,818	108,519	112,513	112,428	112,571	111,266	105,818	112,571
<i>Canadian stocks at market value</i>	<i>318,934</i>	<i>350,676</i>	<i>346,754</i>	<i>351,733</i>	<i>379,482</i>	<i>387,504</i>	<i>318,934</i>	<i>379,482</i>
Canadian money market	20,783	22,868	27,059	25,931	24,515	23,730	20,783	24,515
<i>Canadian money market at market value</i>	<i>20,899</i>	<i>22,997</i>	<i>27,242</i>	<i>26,136</i>	<i>24,716</i>	<i>23,952</i>	<i>20,899</i>	<i>24,716</i>
Other investment								
Loans	41,645	43,555	45,529	50,013	49,508	49,633	41,645	49,508
Deposits	201,025	213,699	234,571	235,692	227,149	246,524	201,025	227,149
Other liabilities	22,156	22,500	21,915	21,674	22,225	22,667	22,156	22,225
Total liabilities								
at book value	1,179,855	1,213,028	1,239,107	1,260,652	1,289,417	1,322,898	1,179,855	1,289,417
with portfolio investment at market value	<i>1,421,037</i>	<i>1,477,324</i>	<i>1,487,405</i>	<i>1,524,922</i>	<i>1,582,101</i>	<i>1,622,170</i>	<i>1,421,037</i>	<i>1,582,101</i>
Net international investment position								
at book value	-166,431	-139,757	-146,124	-125,829	-98,988	-92,201	-166,431	-98,988
with portfolio investment at market value	<i>-152,240</i>	<i>-119,007</i>	<i>-126,162</i>	<i>-92,303</i>	<i>-38,530</i>	<i>-25,094</i>	<i>-152,240</i>	<i>-38,530</i>

Section H

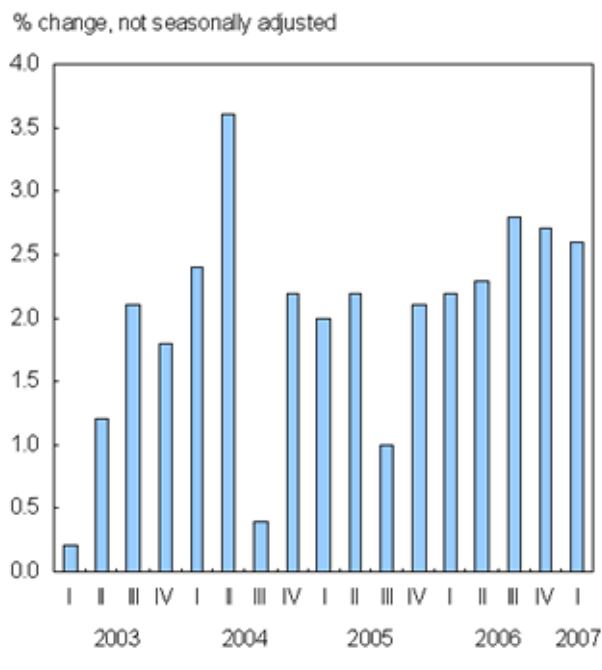
National balance sheet accounts

First quarter 2007

National net worth reached \$5.3 trillion by the end of the first quarter, or \$159,900 per capita. National net worth expanded by \$134 billion (+2.6%) in the first quarter, a pace just under that of the two previous quarters.

Chart H.1

Growth in national net worth driven by real estate



The growth in national wealth (economy-wide non-financial assets) accelerated to 2.3%. This reflected the stronger economic growth in the quarter as well as price increases for some non-financial assets. Residential real estate continued to be the major contributor to growth in national wealth, accounting for about half of the gain.

The advance in national net worth continued to be supported by the decline in Canadians' net foreign indebtedness (with marketable securities on a market value basis). Growth in Canadian assets abroad, particularly portfolio investments, exceeded the rise in liabilities of Canadians to non-residents.

Household net worth continues to grow

Household net worth increased 2.3% in the first quarter, down from the strong growth in the fourth quarter. Gains in the value of equities made up about half of the increase in the value of financial assets, supported by continued growth in the values of residential real estate. The Toronto stock exchange closed in March at a quarterly historical high, with the S&P Toronto stock exchange composite index reaching just above the 13,100 mark.

The value of residential real estate continued to expand, providing the bulk of the increase in non-financial assets. This reflected the relative size of residential real estate among household assets along with a pick up in housing prices and resale markets in the first quarter.

Households continued to build up mortgage and consumer credit debt. Household debt continued to outpace growth in personal disposable income. However, the gains in both financial and non-financial assets in the first quarter reduced the ratio of household debt to net worth to 17.4%, down from 17.5% in the fourth 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 national 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.

National saving is the sum of saving of persons, corporations and governments. National saving and investment contribute to change in national net worth. The revaluation of assets and liabilities is also responsible for changes in national net worth. The causes of revaluation include changes in share prices, interest rates, exchange rates and loan allowances.

Quarterly series, both book and market value, are available from the first quarter of 1990; market value estimates have been available since June 2004. For more information on the market value estimates, consult *Balance sheet estimates at market value*.

With this release, data are revised from 2003 to 2006.

Selected series have been revised beyond the normal revision period, including the market value of Government of Canada bonds for selected years in the 1990s and natural resource estimates back to 1961 (CANSIM table 378-0005), arising from the Environment Accounts and Statistics Division updates.

Chart H.2**Household leverage continues to ease**

As a % of net worth, not seasonally adjusted data

**Corporate debt and leverage edge up**

With reduced undistributed earnings, corporate demand for borrowed funds increased in the first quarter. Increases in credit market debt by private non-financial corporations matched gains in equity such that leverage (at book value) marginally increased in the first quarter.

The ratio of government net debt to gross domestic product continues to fall

The surplus of all levels of government increased for the second consecutive quarter, and with increases in financial assets more than offsetting increases in financial liabilities, government net debt (total liabilities less total financial assets) fell for a 12th consecutive quarter. Net government debt as a percentage of gross domestic product (GDP) declined further, representing less than half of GDP, compared with almost 90% a decade ago.

Table H.1 National balance sheet accounts[1]

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	4,794 1.6	4,863 1.4	4,978 2.4	5,079 2.0	5,157 1.5	5,278 2.3	4,794 6.9	5,157 7.6
Net foreign debt	-152 ...	-119 ...	-126 ...	-92 ...	-38 ...	-25 ...	-152 ...	-38 ...
National net worth	4,642 2.1	4,744 2.2	4,852 2.3	4,987 2.8	5,119 2.6	5,253 2.6	4,642 7.5	5,119 10.3
National net worth per capita (dollars)	143,000 1.9	145,900 2.0	148,700 1.9	152,400 2.5	156,200 2.5	159,900 2.4	143,000 6.4	156,200 9.2

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

Table H.2 National balance sheet, market value

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Millions of dollars at quarter end								
Total assets	15,265,125	15,668,595	15,831,119	16,176,314	16,713,938	17,097,490	15,265,125	16,713,938
Non-financial assets	4,794,042	4,862,553	4,978,126	5,079,134	5,157,467	5,277,787	4,794,042	5,157,467
Residential structures	1,314,745	1,351,097	1,396,461	1,436,971	1,465,798	1,493,389	1,314,745	1,465,798
Non-residential structures	1,131,290	1,122,534	1,134,659	1,150,708	1,165,960	1,192,272	1,131,290	1,165,960
Machinery and equipment	413,633	415,396	419,098	423,775	429,636	446,421	413,633	429,636
Consumer durables	374,978	376,377	379,022	379,953	386,824	387,762	374,978	386,824
Inventories	206,397	210,164	211,411	218,399	215,949	220,447	206,397	215,949
Land	1,352,999	1,386,985	1,437,475	1,469,328	1,493,300	1,537,496	1,352,999	1,493,300
Net financial assets	-152,490	-118,817	-125,767	-92,224	-38,233	-24,752	-152,490	-38,233
Financial assets	10,471,083	10,806,042	10,852,993	11,097,180	11,556,471	11,819,703	10,471,083	11,556,471
Official reserves	38,029	42,149	40,301	40,130	40,960	45,508	38,029	40,960
Gold & foreign currency	35,357	39,865	38,033	37,860	38,867	43,547	35,357	38,867
IMF reserve position	1,629	1,213	1,219	1,218	970	834	1,629	970
Special drawing rights	1,043	1,071	1,049	1,052	1,123	1,127	1,043	1,123
Currency and bank deposits	856,234	876,247	889,827	907,028	919,320	923,343	856,234	919,320
Other deposits	210,475	211,807	218,536	221,349	225,308	227,869	210,475	225,308
Foreign currency deposits	107,659	116,938	107,362	123,750	137,908	148,800	107,659	137,908
Consumer credit	273,869	278,254	287,155	295,291	302,103	306,115	273,869	302,103
Trade receivables	254,173	257,919	259,145	260,901	263,727	266,503	254,173	263,727
Bank loans	216,670	224,152	230,660	231,522	233,352	244,395	216,670	233,352
Other loans	219,123	223,677	223,543	225,771	233,575	234,067	219,123	233,575
Canada short-term paper	120,159	122,768	109,859	109,471	113,158	124,291	120,159	113,158
Other short-term paper	175,390	185,706	194,725	201,766	214,354	219,436	175,390	214,354
Mortgages	748,525	760,600	779,866	799,973	816,121	829,658	748,525	816,121
Canada bonds	273,451	270,074	266,802	271,376	264,057	259,654	273,451	264,057
(of which CSB's)	17,712	17,342	17,125	16,917	15,465	15,083	17,712	15,465
Provincial bonds	307,675	308,271	302,500	303,300	302,988	303,172	307,675	302,988
Municipal bonds	37,745	38,275	37,975	39,891	39,759	40,340	37,745	39,759
Other bonds	427,744	442,082	443,962	454,081	485,922	494,169	427,744	485,922
Life insurance & pensions	1,269,192	1,307,661	1,301,870	1,335,293	1,396,073	1,428,705	1,269,192	1,396,073
Corporate claims	1,217,074	1,243,276	1,270,534	1,296,282	1,308,610	1,331,450	1,217,074	1,308,610
Government claims	209,243	214,062	212,445	215,102	217,751	223,631	209,243	217,751
Shares	2,094,538	2,198,478	2,187,560	2,223,792	2,391,990	2,472,965	2,094,538	2,391,990
Foreign investments	550,399	598,244	587,630	633,771	720,657	752,337	550,399	720,657
Other financial assets	863,716	885,402	900,736	907,340	928,778	943,295	863,716	928,778
Liabilities and net worth	15,265,125	15,668,595	15,831,119	16,176,314	16,713,938	17,097,490	15,265,125	16,713,938
Liabilities	10,623,573	10,924,859	10,978,760	11,189,404	11,594,704	11,844,455	10,623,573	11,594,704
Currency and bank deposits	872,473	891,776	911,300	924,187	940,210	944,772	872,473	940,210
Other deposits	210,475	211,807	218,536	221,349	225,308	227,869	210,475	225,308
Foreign currency deposits	116,274	115,012	104,615	118,590	132,089	153,044	116,274	132,089
Consumer credit	273,869	278,254	287,155	295,291	302,103	306,115	273,869	302,103
Trade payables	251,353	257,912	260,081	262,418	265,928	270,016	251,353	265,928
Bank loans	207,364	211,862	219,065	214,747	217,241	225,534	207,364	217,241
Other loans	217,614	219,818	218,497	220,778	222,459	222,511	217,614	222,459
Canada short-term paper	129,632	136,334	123,882	122,969	126,307	135,947	129,632	126,307
Other short-term paper	185,764	193,644	206,124	212,111	223,451	230,241	185,764	223,451
Mortgages	748,873	760,947	780,209	800,316	816,467	830,004	748,873	816,467
Canada bonds	325,531	323,397	317,507	319,197	315,538	308,118	325,531	315,538
(of which CSB's)	17,712	17,342	17,125	16,917	15,465	15,083	17,712	15,465
Provincial bonds	432,043	428,646	417,297	422,158	429,054	428,511	432,043	429,054
Municipal bonds	41,787	42,128	41,995	44,086	44,047	44,513	41,787	44,047
Other bonds	649,473	662,021	656,218	680,648	727,545	739,448	649,473	727,545
Life insurance & pensions	1,269,192	1,307,661	1,301,870	1,335,293	1,396,073	1,428,705	1,269,192	1,396,073
Corporate claims	478,062	501,602	525,979	547,096	513,323	542,482	478,062	513,323
Government claims	209,243	214,062	212,445	215,102	217,751	223,631	209,243	217,751
Shares	3,161,224	3,307,471	3,303,705	3,353,072	3,575,247	3,665,434	3,161,224	3,575,247
Other liabilities	843,327	860,505	872,280	879,996	904,563	917,560	843,327	904,563
Net worth	4,641,552	4,743,736	4,852,359	4,986,910	5,119,234	5,253,035	4,641,552	5,119,234

Table H.3 Credit market summary table

	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	2005	2006
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	988,955	1,003,661	1,027,765	1,049,971	1,067,745	1,083,709	988,955	1,067,745
Consumer credit	273,869	278,254	287,155	295,291	302,103	306,115	273,869	302,103
Bank loans	34,349	35,964	36,709	36,575	36,985	39,193	34,349	36,985
Other loans	72,249	73,610	73,268	72,992	73,703	74,519	72,249	73,703
Mortgages	608,488	615,833	630,633	645,113	654,954	663,882	608,488	654,954
Non-financial private corporations	593,075	602,500	606,460	613,040	633,195	645,807	593,075	633,195
Bank loans	117,001	119,307	123,724	122,149	121,360	126,087	117,001	121,360
Other loans	74,696	74,681	75,525	77,132	76,958	74,508	74,696	76,958
Other short-term paper	44,784	47,270	49,722	51,561	57,088	59,679	44,784	57,088
Mortgages	117,270	120,538	123,660	127,266	132,176	136,492	117,270	132,176
Bonds	239,324	240,704	233,829	234,932	245,613	249,041	239,324	245,613
Non-financial government enterprises	64,436	65,221	65,618	67,552	67,502	66,829	64,436	67,502
Bank loans	2,465	2,597	2,804	2,755	2,678	2,672	2,465	2,678
Other loans	7,083	7,338	7,062	7,082	7,376	7,347	7,083	7,376
Other short-term paper	5,676	5,809	5,476	7,436	6,204	6,311	5,676	6,204
Mortgages	99	99	98	96	95	94	99	95
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	47,376	47,641	48,440	48,444	48,500	47,755	47,376	48,500
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,616	1,616	1,617	1,618	2,528	2,529	1,616	2,528
Federal government	412,102	421,169	406,110	404,422	403,096	411,378	412,102	403,096
Bank loans	100	101	101	101	101	101	100	101
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	129,632	136,334	123,882	122,969	126,307	135,947	129,632	126,307
Canada bonds	282,370	284,734	282,127	281,352	276,688	275,330	282,370	276,688
Canada savings bonds	17,712	17,342	17,125	16,917	15,465	15,083	17,712	15,465
Other bonds	264,658	267,392	265,002	264,435	261,223	260,247	264,658	261,223
Other levels of government	398,354	397,582	399,523	398,013	404,608	405,228	398,354	404,608
Bank loans	3,005	3,715	3,443	3,550	3,705	3,470	3,005	3,705
Other loans	15,072	15,079	15,026	15,067	15,228	15,323	15,072	15,228
Other short-term paper	13,947	13,092	18,592	15,067	15,663	14,816	13,947	15,663
Mortgages	2,000	2,000	2,000	2,000	2,000	1,999	2,000	2,000
Provincial bonds	320,883	319,055	315,301	315,973	321,567	322,500	320,883	321,567
Municipal bonds	39,706	40,914	41,327	42,522	42,543	43,230	39,706	42,543
Other bonds	3,741	3,727	3,834	3,834	3,902	3,890	3,741	3,902
Total funds raised by domestic non-financial sectors	2,456,922	2,490,133	2,505,476	2,532,998	2,576,146	2,612,951	2,456,922	2,576,146
Consumer credit	273,869	278,254	287,155	295,291	302,103	306,115	273,869	302,103
Bank loans	156,920	161,684	166,781	165,130	164,829	171,523	156,920	164,829
Other loans	169,100	170,708	170,881	172,273	173,265	171,697	169,100	173,265
Canada short-term paper	129,632	136,334	123,882	122,969	126,307	135,947	129,632	126,307
Other short-term paper	64,407	66,171	73,790	74,064	78,955	80,806	64,407	78,955
Mortgages	727,857	738,470	756,391	774,475	789,225	802,467	727,857	789,225
Bonds	935,137	938,512	926,596	928,796	941,462	944,396	935,137	941,462
Non-residents	40,315	44,338	42,649	47,083	50,391	53,060	40,315	50,391
Bank loans	9,306	12,290	11,595	16,775	16,111	18,861	9,306	16,111
Other loans	31,009	32,048	31,054	30,308	34,280	34,199	31,009	34,280
Mortgages
Total borrowing excluding domestic financial institutions	2,497,237	2,534,471	2,548,125	2,580,081	2,626,537	2,666,011	2,497,237	2,626,537
Domestic financial institutions	627,056	654,674	669,581	691,649	732,901	749,757	627,056	732,901
Bank loans	50,444	50,178	52,284	49,617	52,412	54,011	50,444	52,412
Other loans	48,514	49,110	47,616	48,505	49,194	50,814	48,514	49,194
Other short-term paper	121,357	127,473	132,334	138,047	144,496	149,435	121,357	144,496
Mortgages	21,016	22,477	23,818	25,841	27,242	27,537	21,016	27,242
Bonds	385,725	405,436	413,529	429,639	459,557	467,960	385,725	459,557
Total funds raised = total funds supplied	3,124,293	3,189,145	3,217,706	3,271,730	3,359,438	3,415,768	3,124,293	3,359,438
Assets of:								
Persons and unincorporated business	111,454	106,167	98,575	100,589	92,918	93,375	111,454	92,918
Non-financial corporations	76,479	76,900	77,101	77,585	80,451	80,965	76,479	80,451
Governments	225,126	225,753	227,192	236,962	237,515	246,289	225,126	237,515
Non-residents	423,968	425,520	419,677	422,181	443,641	445,892	423,968	443,641
Domestic financial institutions	2,311,316	2,378,907	2,418,471	2,457,232	2,527,662	2,574,972	2,311,316	2,527,662

Section I

The 2003-2006 revisions of the Income and Expenditure Accounts

Introduction

Revised estimates of the Income and Expenditure Accounts (IEA) covering the period 2003 to 2006 have been released along with those for the first quarter of 2007. These revised estimates incorporate the most current source data and seasonal patterns. In addition to the standard four year revision, the expenditure-based gross domestic product (GDP) and associated components have been converted from a 1997 reference year to a 2002 reference year for its volume and price estimates.

Revision schedule

The annual revision process is integrated within the Canadian System of National Accounts, with revised estimates of the National Income and Expenditure Accounts (catalogue no. 13-001), Financial Flow Accounts (catalogue no. 13-014), and the Canadian Balance of International Payments (catalogue no. 67-001), compiled and released together. For example, updated estimates of detailed financial transactions underlying GDP are harmonized with revised estimates of sector incomes and outlays. In addition, revised estimates of the National Balance Sheet Accounts (catalogue no. 13-214), are released about two weeks later, based largely on the updated sources of financial and capital transactions as well as on estimates of capital gains/losses implicit in the stock estimates.

The integration of GDP estimates by component occurs through compiling Input-Output Tables in current prices for the first two years of the four year revision period. These data are released in the fall of each year when the full provincial Input-Output Accounts are completed. Corresponding revisions to the monthly estimates of real gross domestic product by industry are released in September. Industry-based estimates are integrated annually, at the time of the first quarter with the income and expenditure based measures of GDP. Revisions to the more recent two years of the four year revision cycle arise due to updated sub-annual and annual sources of information.

Statistical revisions are carried out regularly in the Canadian System of National Accounts in order to incorporate the most current information from censuses, annual surveys, taxation statistics, public accounts, etc. In principle, the revision schedule for the IEA is as follows: the first estimate for a given quarter is released approximately 60 days after the end of the reference quarter; this estimate is revised when estimates for subsequent quarters of the same calendar year are released; thereafter, the estimates are open for revision only once a year for the next four years, at the time of the release of the first quarter estimates. For example, the estimates for the

first quarter of 2003 were first released in May 2003. The first revision to these estimates occurred when the second quarter estimates were released in August 2003, further revisions occurred when the third and fourth quarter 2003 estimates were released. These estimates were revised again in each of the next four years, with the last of these revisions occurring with this release.

Limited revisions are sometimes carried out for periods further back than four years and historical revisions are conducted periodically, roughly once every 10 years. Historical revisions provide an occasion to improve estimation methods, eliminate statistical breaks resulting from more limited revisions and introduce conceptual changes into the system. The most recent historical revision was completed in December 1997. Documentation related to this revision can be found at www.statcan.ca/english/freepub/13-605-XIE/2003001/data/1997nefa/index.htm.

The policy of revising the estimates of previous years only once a year is adhered to throughout the System of National Accounts. The period open for revision, however, varies from one set of accounts to the other. Thus, the standard revision is four years in the Income and Expenditure Accounts and the Balance of Payments. The standard revision in the Input-Output Accounts covers one year—the first year of the four years of revision in the Income and Expenditure Accounts and the balance of payments statistics. The revision of the Financial Flow Accounts usually parallels that of the National Balance Sheet Accounts and may occasionally cover more than four years in order to harmonize the flows with the revised stocks.

Income and Expenditure Accounts revisions

With the May 2002 release, additional conceptual changes were implemented within the National Income and Expenditure Accounts and carried back to 1981. These included classification changes to licences and registrations, land transfer taxes, and spectrum charges and the incorporation of 1996 census results in farm inventories. Documentation related to these conceptual changes can be found at www.statcan.ca/english/freepub/13-605-XIE/2003001/chronology/chronoindex.htm. No conceptual changes have been made to the Income and Expenditure Accounts this year.

Canadian Economic Accounts re-referencing

Effective with the first quarter 2007 Income and Expenditure Accounts release on May 31, 2007, the expenditure-based gross domestic product (GDP) and associated components have been converted from a 1997 reference year to a 2002 reference year for its volume and price estimates. This change affects data from 1961 to

date. Adopting a new reference year does not affect chained GDP growth rates over the period, as it represents a scaling of the 1997-based data. However, levels and growth rates for the period of 2003 to 2006 are affected by the regular GDP annual revision process. More information on chain Fisher methodology is available at Chain Fisher volume index - Methodology (catalogue 13-605-XIE).

The existing CANSIM vector identifiers for the re-referenced chained dollar have been retained. For the Laspeyres volume data (constant dollars), however, new CANSIM identifiers have been created reflecting the new 2002 base year. All chained and constant dollar values as well as associated price indexes are now expressed in terms of 2002 prices. These replace the 1997 base which was put into place at the time of the release of the first quarter 2001 estimates.

The provincial and territorial counterpart to the Income and Expenditure Accounts, the Provincial Economic Accounts, will be re-referenced to 2002 with its fall 2007 release.

The monthly industry-based GDP estimates will continue using a 1997 reference period until the regular annual revision of these data in September 2007.

Impact of the revisions on gross domestic product (GDP)

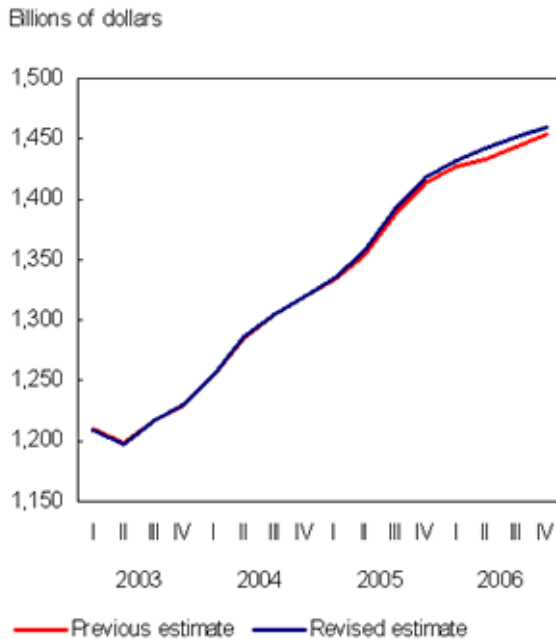
The current revisions to gross domestic product (GDP) result from the inclusion of the most current estimates from data sources, including survey results, administrative data and public accounts. Revised 2003 and preliminary 2004 Input-Output data are incorporated for the first two years of the four-year revision period. New benchmark information is incorporated for the more recent periods. Other series are revised due to applying existing or updated projectors to the new levels received from the Input-Output Accounts.

As can be seen in Table I.3, the revision results in minimal adjustment to the level of GDP at current prices on an annual basis for 2003 and has left the level for 2004 practically unchanged. The levels for 2005 and 2006 are revised up by \$3.7 and \$7.0 billion, respectively. The downward revision of \$233 million to GDP in 2003 is a result of revisions to the 2003 Input-Output Tables. This is the last time 2003 will be revised in a normal revision schedule as it is now fully reconciled with the revised and final Input-Output Accounts. Chart I.1 compares the value of the previous estimate to the revised estimate of nominal GDP on a quarterly basis.

Table I.1 Selected components – Current revisions

	2003	2004	2005	2006
	millions of dollars			
Gross domestic product	-233	40	3,655	7,016
Income components				
Wages, salaries and supplementary labour income	0	3,069	5,891	7,307
Surplus	-60	-3,489	-925	-218
Corporation profits before taxes	-320	-2,172	-98	-1,479
Interest and miscellaneous investment income	310	25	667	1,892
Capital consumption allowances	-448	-1,584	-984	-755
Government business enterprise profits before taxes	314	415	97	90
Inventory valuation adjustment	84	-173	-607	34
Taxes less subsidies, on factors of production	-11	-101	445	1,070
Taxes less subsidies, on products	-21	373	439	-68
Expenditure components				
Personal expenditure on consumer goods and services	64	532	321	1,692
Government current expenditure on goods and services	-976	-911	-1,592	-2,861
Business investment in residential structures	-44	-54	690	1,445
Business investment in non-residential structures	120	481	3,068	5,017
Business investment in machinery and equipment	360	-780	-495	-308
Business investment in inventories	-630	-627	-1,516	601
Exports of goods and services	817	769	699	-905
Imports of goods and services	340	-231	524	281

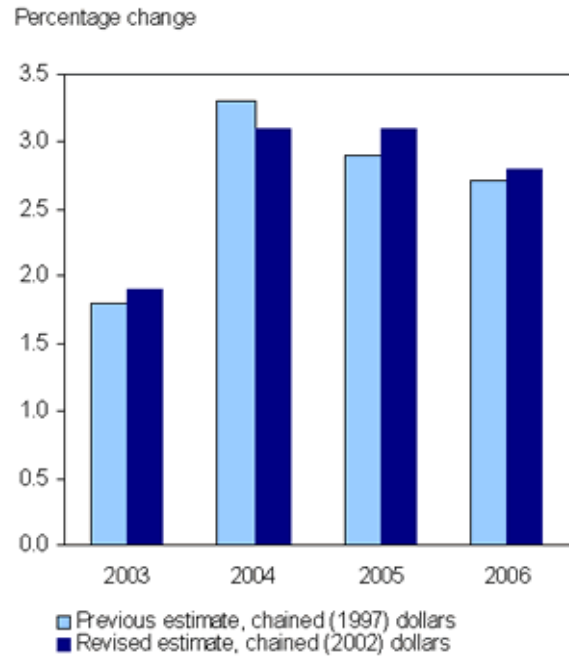
Chart I.1
Gross domestic product



As can be seen in Table I.1, the upward revisions in 2005 and 2006 stem mainly from large upward revisions to wages and salaries and supplementary labour income as well as to non-residential business investment in 2005, which were carried forward into 2006 based largely on the preliminary survey estimates. On a quarterly basis, current dollar GDP was revised down for all quarters in 2003 and 2004 except for the third and fourth quarters of 2003 and the second quarter of 2004. In contrast, in 2005 and 2006 GDP was revised up in all quarters.

Estimates of annual real GDP growth remained practically unchanged for 2003 and 2006. It was revised up 0.1% in 2003, down 0.2% in 2004, up by 0.2% in 2005 and up 0.1% in 2006.

Chart I.2
Growth rates of real GDP, annual



Viewed from a historical perspective over two decades the revisions to the annual growth rate of current dollar GDP for 2003 falls in the low range of revisions. The cumulative revision to the growth rate (as shown in Table I.4) is measured by taking the difference between the current growth rate and the initial growth rate. For 2003, there is no cumulative revision, while the cumulative revisions for 2004, 2005 and 2006 are higher at 0.3%, 0.4% and 0.3%, respectively. The cumulative revision to the 2004, 2005 and 2006 growth rate is large by historical standards.

Revisions to the estimates of quarterly real GDP growth are minor in 2003 and 2004. The largest portion of the 2003 annual revisions occurs in the second quarter which is revised up by 0.2%. In 2004, the first quarter is revised down 0.3%. In 2005, upward revisions are applied to all quarters except for the first quarter which is revised down by 0.2%. For 2006, downward revisions were recorded for the first (-0.1%), second (-0.1%) and third (-0.2%) quarter.

Chart I.3
Growth rates of real GDP, quarterly

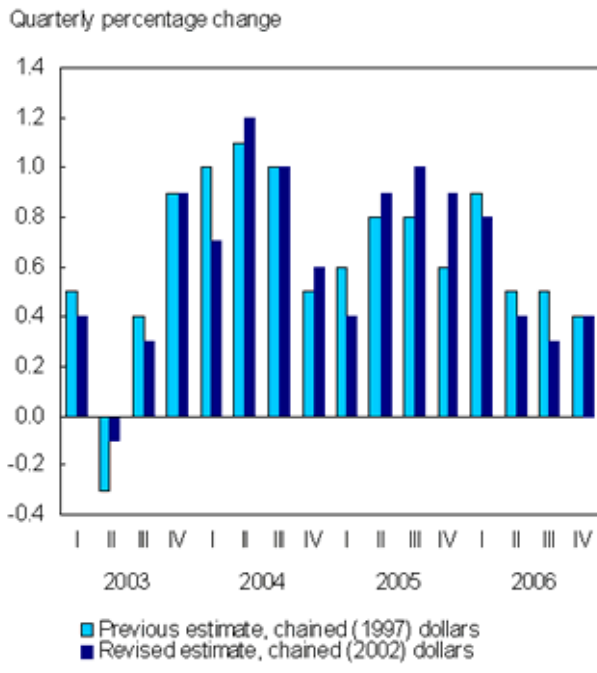


Table I.2 provides a history of the revisions to GDP for the period 1993-2006. As noted earlier, each annual estimate is subjected to four different annual revision cycles as well as periodic historical revision processes. Table I.2 provides the published level and growth rate of GDP for a given year for each of these revision cycles. The largest revisions to GDP occur with the third revision cycle, in which the Income and Expenditure Accounts are benchmarked to the Input-Output Tables. The average upward revision to GDP is +0.2 percentage points and the average downward revision is -0.4 percentage points following the first revision cycle. This changes to +0.5 and a -0.3 with the second, and +0.7 and -0.4 with the Input-Output benchmarking process (the third and fourth revision cycle combined).

Except for 2006, the implicit chained price index for GDP had marginal revisions. In 2003, growth is revised down 0.1, in 2004 and 2005 it is revised up 0.2. In 2006 it is revised up by 0.3. These price indexes are now re-referenced to 2002=100 and for the period 2003 to 2006 incorporate both revisions due to re-weighting within the GDP component elemental indexes and the incorporation of new price deflators, particularly for investment and trade.

Revisions to income aggregates (Table I.5)

Estimates of wages, salaries and supplementary labour income are revised upward in 2004, 2005 and 2006. The revision in 2004 is due to an updated 2004 T4 supplementary tax file received from the Canada Revenue Agency (CRA). The largest upward revisions to wages and salaries occur in Nova Scotia, New Brunswick, and

Ontario. Supplementary labour income is also revised upward with actual data on employers' contributions to pensions available for 2004. Local government pension plans and private business pension plans have higher contributions than expected.

Revisions in 2005 are the result of the incorporation of data from tax files as well as other benchmark sources. Upward revisions are carried forward into 2006 for both wages and salaries and supplementary labour income.

Surplus

Within the System of National Accounts, surplus is defined as the income corporations obtain from their own production facilities — value added at basic prices less compensation of employees less taxes on production payable plus subsidies received. It represents the last balancing item in the Input-Output Tables and is calculated for each industry. As part of the annual benchmarking to the Input-Output Tables, estimates of surplus are produced by incorporating the latest annual business and institutional surveys as well as various administrative data into the Input-Output framework. Once these benchmark estimates of surplus are derived, the revisions are incorporated into the Income and Expenditure Accounts. In the Income and Expenditure Accounts, surplus includes the following income components: corporation profits before taxes, government business enterprise profits before taxes, interest and miscellaneous investment income, inventory valuation adjustment, and capital consumption allowances. Surplus is only significantly revised in 2004 (-\$3,489 million), mostly offsetting the upward revision to wages, salaries and supplementary labour income. Table I.1 shows the revisions to surplus for 2003 to 2006 as well as how the revision is distributed among its various income components.

Estimates of corporation profits before taxes are revised down in 2003, 2004 and 2006 by \$320 million, \$2,172 million and \$1,479 respectively, while 2005 is virtually unchanged. The revisions in 2003 and 2004 reflect the benchmarking to the Input-Output Accounts which take into account the latest annual business survey data as well as updated annual corporate income tax returns for 2004. In 2004, the addition of a special pension payment to supplementary labour income in order to reduce corporate pension liabilities and the upward revision to wages and salaries create a significant offsetting downward revision to corporate profits. New estimates from the preliminary Financial and Taxation Statistics for Enterprises including the General Index of Financial Information (GIFI) schedules are incorporated for 2005. These new estimates result in significant upward revision to the 2005 growth rate for corporation profits before taxes, from 10.6% to the revised 11.9%. The 2006 estimates are projected using revised estimates from the Quarterly Financial Statistics for Enterprises.

Interest and miscellaneous investment income is revised upward in all four years. In 2003 the upward revision is \$310 million, in 2004 it is \$25 million, in 2005 it is \$667 million, and in 2006 it is \$1,892 million. Revisions to this series reflect new and revised interest payment and receipt information from businesses.

Capital consumption allowances (CCA) is revised downward in all four years: \$448 million, \$1,584 million, \$984 million and \$755 million in 2003, 2004, 2005 and 2006 respectively. Updated annual corporate income tax returns, together with additional depreciation estimates from the Investment and Capital Stock Division's perpetual inventory model have led to these downward revisions.

Accrued net income of farm operators from farm production is revised upward in 2003 mainly due to small revisions in program payments and farm operating expenses. Revisions to 2004 cash receipts for special crops and 2005 cash receipts for cattle have a negative effect on net farm income. In addition, a downward revision in program payments and an upward revision in farm operating expenses magnify the revision of 2005 net farm income. Despite a slight upward revision in 2006, accrued net farm income remained at a low level during the year.

Net income of non-farm unincorporated business, including rent is revised slightly upwards in 2003 and 2004 reflecting the annual benchmarking to the Input-Output Accounts by industry. Incorporating the most recent tax data from CRA (Canada Revenue Agency) results in a downward revision of \$864 million in 2005. A large portion of this revision can be attributed to an increasing number of professionals (doctors, dentists, lawyers and accountants) who are incorporating their businesses. Revisions to 2005 are carried through to 2006.

The estimate of taxes on factors of production, less subsidies is revised downward in 2003 by \$11 million and by \$101 in 2004. It is revised upward in 2005 by \$445 million and in 2006 by \$1,070 million. Local property taxes account for most of the revision. Taxes on products, less subsidies are slightly revised downward in 2003 and 2006 by \$21 million and \$68 million respectively. They are revised upward in 2004 by \$373 million and in 2005 by \$439 million. Revisions to both series incorporate new public accounts and other financial information for the different government sub-sectors.

Revisions to expenditure aggregates at current prices (Table I.6)

Personal expenditure on consumer goods and services is revised upward by \$64 million in 2003, \$532 million in 2004, \$321 million in 2005 and \$1,692 million in 2006. In 2003 and 2004, revisions reflect benchmarking to Input-Output Accounts, with durable goods accounting for the majority of the upward revision, specifically spending on used motor vehicles. Nevertheless, important downward revisions are recorded in all four years for non-durable

goods, specifically tobacco products and food and non-alcoholic beverages. For 2005 and 2006, the overall revision to personal expenditure on consumer goods and services is amplified by upward revision to services, specifically telecommunications, accommodation and meals outside the home.

Personal expenditure on services is revised upward using results from the Survey of Household Spending for 2005, as well as surveys of service industries. Both the quarterly retail commodity data, up to 2006, and the annual Retail Trade for 2005, released in March 2007, are incorporated into the personal expenditure estimates on consumer goods.

Real personal expenditure on consumer goods and services is calculated using the Consumer Price Index (CPI) of goods and services updated to the 2005 basket.

Government current expenditure on goods and services is revised downward by \$976 million in 2003, \$911 million in 2004, \$1,592 million in 2005 and \$2,861 million in 2006. These revisions reflect new data from the federal government's accounting system and provincial public accounts as well as the latest local government information. Survey results for 2004 from the Canadian Institute for Health Information (CIHI) and the Culture, Tourism and the Centre for Education Statistics are also incorporated and carried forward to 2006.

Current dollar investment in residential structures is revised downward slightly for the years 2003 and 2004, while the years 2005 and 2006 are revised upward. Revisions are based on administrative data and results from the 2005 Survey of Household Spending and the Survey of Real Estate Agents and Brokers.

Business plant and equipment is revised up all years with the exception of 2004. Business investment in non-residential construction posts upward revisions for all years while machinery and equipment records downward revisions in all years except 2003, in current dollars. Revisions to both series reflect benchmarking to the Input-Output Accounts as well as the incorporation of the latest estimates from the Private and Public Investment Survey. The greater increase in investment in non-residential structures in 2005 and 2006 was largely due to revised estimates of investment by the mining and oil and gas extraction industries.

Revisions to investment in inventories reflect the incorporation of new information on natural gas storage movements as well as information coming from the latest annual surveys. Revisions to 2003 and 2004 also reflect the results of the commodity balancing process that is integral to the development of the Input-Output Accounts, to which the Income and Expenditure Accounts are benchmarked.

Merchandise exports are revised up slightly for 2003 but down over the period 2004 to 2006. This was caused by revisions to the value of exports (+\$169 million in 2003, \$-58 million in 2004, \$-.3 billion in 2005 and \$-2.9 billion in 2006) as well as an upward revision to the growth in the price of exports in 2004 and 2006. The downward revision in value is largely due to a revaluation of the adjustment included for under reporting of exports to non-U.S. destinations (see note below). The upward price revision is primarily due to the rebasing to 2002=100 and the selection of new price deflators, which is included with the first quarter 2007 release. Merchandise imports recorded limited current dollar revisions. However with the rebasing process, revised prices were incorporated over the entire period. Growth in volumes was revised down in 2003 and up in 2004 with only marginal changes to growth in 2005 and 2006.

The value of service exports and imports are revised up for 2003 to 2006. These revisions are primarily driven by the incorporation of newly received survey data for Canada's trade in commercial services. On the price side, the rebasing to 2002=100 resulted in higher price growth for exports for 2003 to 2006 while import prices remained fairly stable.

The rebasing exercise for services and merchandise trade involved a reselection of commodity baskets and prices to better represent the current content of Canada's international imports and exports.

Under reporting of non-U.S. exports

The existence of under reporting in the customs data for exports to non-U.S. destinations has been known for many years. A series of studies undertaken from the late 1990s into this century by the International Trade Division (ITD) of Statistics Canada in cooperation with the Canada Border Services Agency (CBSA - formerly Canada Customs) demonstrated that the under reporting had grown substantially. As a result, the Balance of Payment (BOP) adjustment for under reporting was significantly increased reaching a maximum of 24% of total non-U.S. exports in 2000.

Over the last few years CBSA and Statistics Canada (STC) have undertaken projects to improve the reporting of these transactions. STC and CBSA have jointly implemented a system of on line reporting that is available for non-U.S. exports and the utilization of this system has expanded rapidly since its introduction. In addition, CBSA has strengthened regulations that require goods to be declared prior to export and has increased its efforts to enforce the regulations, in part through the use of its administrative monetary penalty system (AMPS). In addition, CBSA has entered into agreements with most large marine and air carriers whereby the carriers will not load the cargo unless the proper documentation has been filed by the exporter.

A study conducted in the fall of 2006 indicated that these compliance efforts have been successful and that under reporting has decreased. Therefore, with this annual revision, the BOP adjustment for under reporting of exports to non-US destinations has been reduced to reflect this improved reporting. Specifically, the BOP adjustment has been reduced by \$500 million in 2004, \$1.5 billion in 2005 and by \$2.5 billion in 2006. The estimate for under reporting is now 15% of total exports to non-U.S. countries, down from 24% in 2000.

Table I.2 Revisions to gross domestic product, historical perspective

Reference period	Initial estimate	Revised estimate, first annual revision cycle	Revised estimate, second annual revision cycle	Revised estimate, third annual revision cycle	Revised estimate, fourth annual revision cycle	Revised estimate, historical revision processes	Cumulative revision
millions of current dollars							
1993	710,723	711,658	712,855	712,855	724,920	727,184	16,461
1994	748,606	750,053	747,260	762,251	762,251	770,873	22,267
1995	780,027	776,299	799,129	799,129	806,778	810,426	30,399
1996	797,789	828,997	833,921	833,070	839,064	836,864	39,075
1997	856,134	855,103	866,252	873,947	877,921	882,733	26,599
1998	888,390	895,704	901,805	915,865	914,973	914,973	26,583
1999	949,400	957,911	975,263	980,524	982,441		33,041
2000	1,038,794	1,056,010	1,064,995	1,075,566	1,076,577		37,783
2001	1,084,119	1,092,246	1,107,459	1,108,200	1,108,048		23,929
2002	1,142,123	1,154,949	1,157,968	1,154,204	1,152,905		10,782
2003	1,214,601	1,218,772	1,216,191	1,213,408	1,213,175		-1,426
2004	1,293,289	1,290,185	1,290,788	1,290,828			-2,461
2005	1,368,726	1,371,425	1,375,080				6,354
2006	1,439,291	1,446,307					7,016
growth rate							
1994	5.2	5.2	4.8	5.1	5.1	6.0	0.8
1995	4.0	3.9	4.8	4.8	5.8	5.1	1.1
1996	2.8	3.7	4.4	3.3	4.0	3.3	0.5
1997	3.3	2.5	4.0	4.2	4.6	5.5	2.2
1998	3.9	3.4	3.2	4.3	4.2	3.7	-0.2
1999	6.0	6.2	6.5	7.2	7.4		1.4
2000	8.4	8.3	8.6	9.5	9.6		1.1
2001	2.7	2.6	3.0	2.9	2.9		0.3
2002	4.6	4.3	4.5	4.2	4.0		-0.5
2003	5.2	5.3	5.4	5.2	5.2		0.1
2004	6.1	6.1	6.4	6.4			0.3
2005	6.1	6.2	6.5				0.4
2006	4.9	5.2					0.2

Table I.3 Revisions to gross domestic product

Reference period	Initial estimate ¹	Previous estimate ²	Revised estimate ³	Current revision ⁴	Cumulative revision ⁵
seasonally adjusted data at annual rates, millions of current dollars					
2003	1,214,601	1,213,408	1,213,175	-233	-1,426
2004	1,293,289	1,290,788	1,290,828	40	-2,461
2005	1,368,726	1,371,425	1,375,080	3,655	6,354
2006	1,439,291	1,439,291	1,446,307	7,016	7,016
2003Q1	1,211,120	1,209,756	1,208,584	-1,172	-2,536
2003Q2	1,206,560	1,197,968	1,197,408	-560	-9,152
2003Q3	1,216,256	1,217,004	1,217,136	132	880
2003Q4	1,228,876	1,228,904	1,229,572	668	696
2004Q1	1,255,676	1,253,940	1,253,040	-900	-2,636
2004Q2	1,287,476	1,284,372	1,286,048	1,676	-1,428
2004Q3	1,308,012	1,305,208	1,304,768	-440	-3,244
2004Q4	1,323,868	1,319,632	1,319,456	-176	-4,412
2005Q1	1,331,300	1,332,712	1,334,424	1,712	3,124
2005Q2	1,347,608	1,352,560	1,356,388	3,828	8,780
2005Q3	1,385,940	1,386,308	1,390,844	4,536	4,904
2005Q4	1,411,652	1,414,120	1,418,664	4,544	7,012
2006Q1	1,417,276	1,427,416	1,431,364	3,948	14,088
2006Q2	1,429,800	1,432,564	1,442,220	9,656	12,420
2006Q3	1,440,808	1,443,440	1,452,396	8,956	11,588
2006Q4	1,453,744	1,453,744	1,459,248	5,504	5,504

1. For annual data, the initial estimate is from the fourth quarter of the corresponding year, for quarterly data, it is the estimate first published for the corresponding quarter. The initial annual estimate is not the average of the initial quarterly estimates as the latter have already been revised by the time the initial annual estimate is released.

2. For 2003, 2004 and 2005, the previous estimate is the one released with the first quarter of 2006, while for 2006 it is from the fourth quarter issue of 2006.

3. The revised estimates are the result of the revisions at the time of the 1st quarter 2007.

4. The current revision is the revised estimate less the previous estimate.

5. The cumulative revision is the revised estimate less the initial estimate.

Table I.4 Revisions to gross domestic product (growth rates)

Reference period	Initial estimate ¹	Previous estimate ²	Revised estimate ³	Current revision ⁴	Cumulative revision ⁵
seasonally adjusted data at annual rates					
	current dollars, %			percentage points	
2003	5.2	5.2	5.2	0.0	0.0
2004	6.1	6.4	6.4	0.0	0.3
2005	6.1	6.2	6.5	0.3	0.4
2006	4.9	4.9	5.2	0.3	0.3
2003Q1	2.5	2.2	2.1	-0.1	-0.4
2003Q2	-0.4	-1.0	-0.9	0.1	-0.5
2003Q3	1.1	1.6	1.6	0.0	0.5
2003Q4	1.0	1.0	1.0	0.0	0.0
2004Q1	1.8	2.0	1.9	-0.1	0.1
2004Q2	2.5	2.4	2.6	0.2	0.1
2004Q3	1.7	1.6	1.5	-0.1	-0.2
2004Q4	1.2	1.1	1.1	0.0	-0.1
2005Q1	1.0	1.0	1.1	0.1	0.1
2005Q2	1.3	1.5	1.6	0.1	0.3
2005Q3	2.8	2.5	2.5	0.0	-0.3
2005Q4	2.0	2.0	2.0	0.0	0.0
2006Q1	0.2	0.9	0.9	0.0	0.7
2006Q2	0.2	0.4	0.8	0.4	0.6
2006Q3	0.6	0.8	0.7	-0.1	0.1
2006Q4	0.7	0.7	0.5	-0.2	-0.2
	chained (1997) dollars			chained (2002) dollars, %	
	%			percentage points	
2003	1.7	1.8	1.9	0.1	0.2
2004	2.8	3.3	3.1	-0.2	0.3
2005	2.9	2.9	3.1	0.2	0.2
2006	2.7	2.7	2.8	0.1	0.1
2003Q1	0.6	0.5	0.4	-0.1	-0.2
2003Q2	-0.1	-0.3	-0.1	0.2	0.0
2003Q3	0.3	0.4	0.3	-0.1	0.0
2003Q4	0.9	0.9	0.9	0.0	0.0
2004Q1	0.6	1.0	0.7	-0.3	0.1
2004Q2	1.1	1.1	1.2	0.1	0.1
2004Q3	0.8	1.0	1.0	0.0	0.2
2004Q4	0.4	0.5	0.6	0.1	0.2
2005Q1	0.6	0.6	0.4	-0.2	-0.2
2005Q2	0.8	0.8	0.9	0.1	0.1
2005Q3	0.9	0.8	1.0	0.2	0.1
2005Q4	0.6	0.6	0.9	0.3	0.3
2006Q1	0.9	0.9	0.8	-0.1	-0.1
2006Q2	0.5	0.5	0.4	-0.1	-0.1
2006Q3	0.4	0.5	0.3	-0.2	-0.1
2006Q4	0.4	0.4	0.4	0.0	0.0

1. For annual data, the initial estimate is from the fourth quarter of the corresponding year, for quarterly data, it is the estimate first published for the corresponding quarter. The initial annual estimate is not the average of the initial quarterly estimates as the latter have already been revised by the time the initial annual estimate is released.

2. For 2003, 2004 and 2005, the previous estimate is the one released with the first quarter of 2006, while for 2006 it is from the fourth quarter issue of 2006.

3. The revised estimates are the result of the revisions at the time of the 1st quarter 2007.

4. The current revision is the revised estimate less the previous estimate.

5. The cumulative revision is the revised estimate less the initial estimate.

Table I.5 Revisions to income aggregates at current prices

Reference period	Initial estimate ¹	Previous estimate ²	Revised estimate ³	Current revision ⁴	Cumulative revision ⁵
Wages, salaries and supplementary labour income					
millions of dollars					
2003	617,506	621,003	621,003	0	3,497
2004	638,868	651,888	654,957	3,069	16,089
2005	678,925	688,150	694,041	5,891	15,116
2006	730,075	730,075	737,382	7,307	7,307
Corporation profits before taxes					
2003	146,417	144,821	144,501	-320	-1,916
2004	178,014	171,323	169,151	-2,172	-8,863
2005	193,936	189,455	189,357	-98	-4,579
2006	200,338	200,338	198,859	-1,479	-1,479
Government business enterprise profits before taxes					
2003	10,102	12,290	12,604	314	2,502
2004	11,857	12,508	12,923	415	1,066
2005	13,370	14,481	14,578	97	1,208
2006	13,733	13,733	13,823	90	90
Interest and miscellaneous investment income					
2003	50,625	49,679	49,989	310	-636
2004	56,845	54,084	54,109	25	-2,736
2005	61,240	60,403	61,070	667	-170
2006	63,418	63,418	65,310	1,892	1,892
Accrued net income of farm operators from farm production					
2003	1,079	1,373	1,439	66	360
2004	1,700	3,256	3,106	-150	1,406
2005	1,551	1,706	1,321	-385	-230
2006	326	326	344	18	18
Net income of non-farm unincorporated business, including rent					
2003	77,366	77,014	77,181	167	-185
2004	81,013	80,828	81,037	209	24
2005	84,666	84,500	83,636	-864	-1,030
2006	87,412	87,412	85,980	-1,432	-1,432
Inventory valuation adjustment					
2003	4,941	4,178	4,262	84	-679
2004	-657	-1,574	-1,747	-173	-1,090
2005	-442	-326	-933	-607	-491
2006	-1,809	-1,809	-1,775	34	34
Taxes less subsidies, on factors of production					
2003	55,717	56,083	56,072	-11	355
2004	57,661	59,099	58,998	-101	1,337
2005	59,961	61,402	61,847	445	1,886
2006	63,351	63,351	64,421	1,070	1,070
Taxes less subsidies, on products					
2003	86,660	84,401	84,380	-21	-2,280
2004	93,248	89,465	89,838	373	-3,410
2005	94,750	93,895	94,334	439	-416
2006	97,229	97,229	97,161	-68	-68
Capital consumption allowances					
2003	164,030	162,265	161,817	-448	-2,213
2004	174,216	169,858	168,274	-1,584	-5,942
2005	181,427	177,322	176,338	-984	-5,089
2006	185,505	185,505	184,750	-755	-755

¹ For annual data, the initial estimate is from the fourth quarter of the corresponding year.

² For 2003, 2004 and 2005, the previous estimate is the one released with the first quarter of 2006, while for 2006 it is from the fourth quarter issue of 2007.

³ The revised estimates are the result of the revisions at the time of the first quarter 2007.

⁴ The current revision is the revised estimate less the previous estimate.

⁵ The cumulative revision is the revised estimate less the initial estimate.

Table I.6 Revisions to expenditure aggregates at current prices

Reference period	Initial estimate ¹	Previous estimate ²	Revised estimate ³	Current revision ⁴	Cumulative revision ⁵
millions of dollars					
Personal expenditure on consumer goods and services					
2003	689,419	686,488	686,552	64	-2,867
2004	722,631	719,869	720,401	532	-2,230
2005	761,962	760,380	760,701	321	-1,261
2006	801,810	801,810	803,502	1,692	1,692
Government current expenditure on goods and services					
2003	231,003	239,392	238,416	-976	7,413
2004	249,771	249,779	248,868	-911	-903
2005	262,369	264,242	262,650	-1,592	281
2006	282,667	282,667	279,806	-2,861	-2,861
Government gross fixed capital formation					
2003	32,144	30,085	30,107	22	-2,037
2004	32,702	31,553	32,082	529	-620
2005	35,129	34,237	36,296	2,059	1,167
2006	37,382	37,382	40,336	2,954	2,954
Government investment in inventories					
2003	15	15	15	0	0
2004	21	21	21	0	0
2005	27	27	27	0	0
2006	-41	-41	-41	0	0
Business investment in residential structures					
2003	73016	72758	72714	-44	-302
2004	84470	82972	82918	-54	-1552
2005	89595	89101	89791	690	196
2006	96941	96941	98386	1445	1445
Business investment in non-residential structures					
2003	49,844	54,425	54,545	120	4,701
2004	54,243	61,600	62,081	481	7,838
2005	63,938	69,606	72,674	3,068	8,736
2006	80,681	80,681	85,698	5,017	5,017
Business investment in machinery and equipment					
2003	82,187	80,471	80,831	360	-1,356
2004	85,641	85,215	84,435	-780	-1,206
2005	91,354	91,104	90,609	-495	-745
2006	94,109	94,109	93,801	-308	-308
Business investment in inventories					
2003	7,563	4,935	4,305	-630	-3,258
2004	7,219	6,216	5,589	-627	-1,630
2005	9,469	11,158	9,642	-1,516	173
2006	7,223	7,223	7,824	601	601
Exports of goods and services					
2003	459,561	461,656	462,473	817	2,912
2004	494,519	494,578	495,347	769	828
2005	518,256	519,680	520,379	699	2,123
2006	525,611	525,611	524,706	-905	-905
Imports of goods and services					
2003	409,993	416,516	416,856	340	6,863
2004	437,404	440,963	440,732	-231	3,328
2005	464,030	467,673	468,197	524	4,167
2006	487,379	487,379	487,660	281	281

¹ For annual data, the initial estimate is from the fourth quarter of the corresponding year.

² For 2003, 2004 and 2005, the previous estimate is the one released with the first quarter of 2006, while for 2006 it is from the fourth quarter issue of 2006.

³ The revised estimates are the result of the revisions at the time of the first quarter 2007.

⁴ The current revision is the revised estimate less the previous estimate.

⁵ The cumulative revision is the revised estimate less the initial estimate.