



Canadian Economic Accounts Quarterly Review



Fourth quarter 2007



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.	not available for any reference period
..	not available for a specific reference period
...	not applicable
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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
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E	use with caution
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Statistics Canada
System of National Accounts

Canadian Economic Accounts Quarterly Review

Fourth quarter 2007

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Related products and serviceswww.statcan.ca/nea**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
Publication:	
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
Provincial Economic Accounts	13-213-PPB
Spreadsheets	13-001-DDB, 13F0016DDB, 13-213-DDB, 13-001-XDB, 13F0016XDB, 13-213-XDB

GDP by industry

CANSIM table	379-0027
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
Publication:	
Canada's Balance of International Payments	67-001-XIE

Financial flow accounts

CANSIM tables	378-0001, 378-0002
Tables and Analytical Document	13-014-PPB
Spreadsheets	13-014-DDB, 13-014-XDB

Labour productivity, hourly compensation and unit labour cost

CANSIM tables	383-0008 to 383-0015
Publication:	
The Canadian productivity accounts - Data	15-003-XIE
Provincial Labour Productivity Growth, 1997 to 2005	15-206-XIE

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 2007.

GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2007.

Labour productivity, hourly compensation and unit labour cost:

With this release revisions have been made back to the first quarter of 2007 at the aggregate level and at the industry level.

Section A Overview

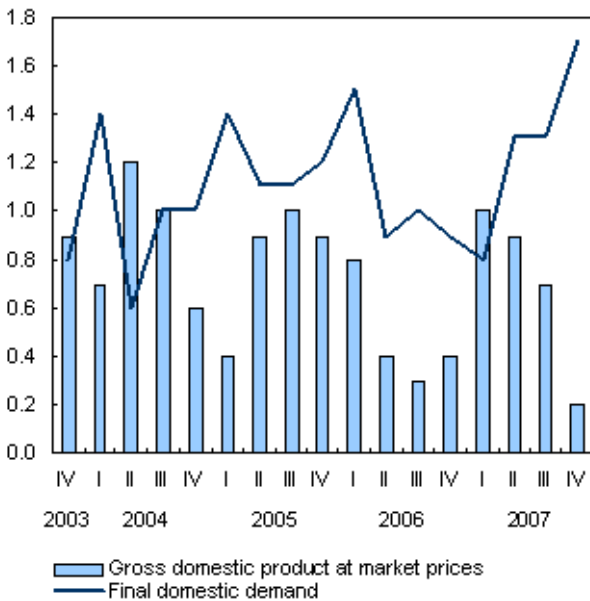
Fourth quarter 2007 and December 2007 and annual 2007

Economic growth slowed considerably in the fourth quarter as real gross domestic product (GDP) grew 0.2%, down from 0.7% in the third quarter. Economic output contracted 0.7% in December.

Chart A.1

Final domestic demand outpaces GDP

Quarterly % change, chained (2002) dollars

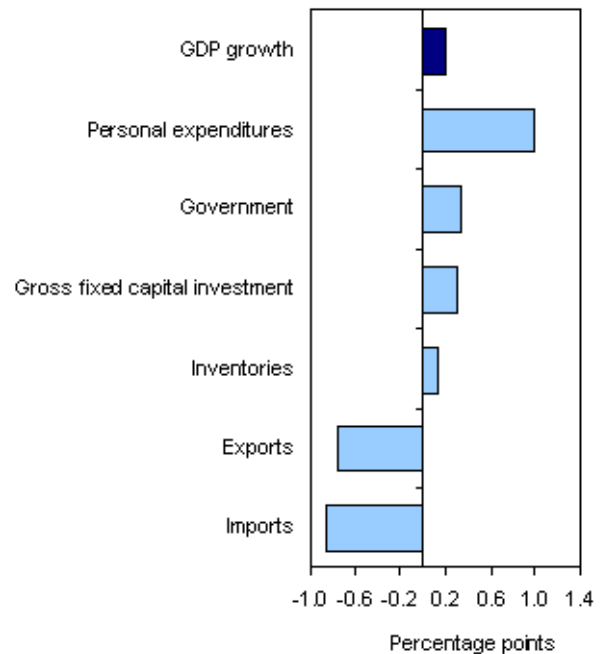


Exports recorded a significant 2.2% decline in the fourth quarter in the wake of a rising Canadian dollar and extended holiday shutdowns in several motor vehicle manufacturing facilities. Meanwhile, strong growth in final domestic demand and an accumulation of wholesale and retail inventories drove imports up 2.6%. The drop in exports was the first decline in six quarters, as Canada's international trade balance continued to deteriorate in the fourth quarter.

Consumer spending picked up in the fourth quarter of 2007, boosted by a 4.3% jump in motor vehicle purchases, higher travel spending abroad and increased purchases of air transportation. Business investment in machinery and equipment continued at a strong pace.

Chart A.2

Contributions to percent change in GDP, fourth quarter 2007



The output of the service industries expanded 0.7% in the fourth quarter, while the goods-producing industries contracted 0.9%. Wholesale and retail trade, along with utilities, recorded the strongest growth.

The finance and insurance sector, construction, forestry and accommodation and food services also contributed to the overall increase. These gains were partly offset by declines in manufacturing, mining and selected transportation industries.

Note to readers

Percentage changes for expenditure-based and industry-based statistics (such as consumer expenditures, investment, exports, imports and output) are calculated using volume measures that are adjusted for price variations. 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 price variations.

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

Corporate profits were up slightly (+0.5%), well short of the pace set in the previous three quarters. Labour income registered a strong fourth quarter. Employment and average earnings continued to grow in the quarter.

The Canadian economy grew at an annualized rate of 0.8% in the fourth quarter, compared with 0.6% growth for the U.S. economy.

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

	Change	Annualized change	Year-over-year change
	%		
First quarter 2007	1.0	4.0	2.1
Second quarter 2007	0.9	3.8	2.6
Third quarter 2007	0.7	3.0	3.1
Fourth quarter 2007	0.2	0.8	2.9
2007	2.7	...	2.7

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.

Prices of goods and services produced in Canada advanced 1.1% in the fourth quarter, once again strongly influenced by higher energy prices. Excluding energy, these prices were up 0.7%. Meanwhile, import prices dropped 3.9% in the quarter. This was the third consecutive drop and left import prices 17% lower than in 2002.

Exports of goods down sharply

The decline in exports in the fourth quarter was spurred by a 2.7% decrease in international shipments of goods. Merchandise exports had averaged growth of 0.5% over the previous three quarters.

The drop in the export of goods was widespread. Exports of machinery and equipment, as well as automotive products continued to be weak, falling 3.4% and 1.7% respectively. Industrial goods and materials (-2.7%) also declined, following two consecutive quarters of growth.

Consumer expenditure picks up

Consumer expenditure advanced 1.8% in the fourth quarter, up from a 1.1% increase in the third quarter.

A large jump in travel spending abroad contributed about half of the 2.1% growth in spending on services. This was the third consecutive large quarterly increase in net expenditure abroad, and reflected a surge in expenditures in the United States as well as other countries.

Durable goods, led by strong motor vehicle purchases, advanced 2.9%.

Housing investment slows

Business investment in residential construction grew 0.6% in the fourth quarter, less than half the pace of the third quarter (+1.4%). This was the fourth consecutive quarterly increase. Most of the slowdown in the quarter was the result of lower activity in the resale market (-2.6%), the second consecutive decrease.

Non-residential construction edges up

Business investment in buildings and engineering projects edged up in the fourth quarter, following two quarterly declines. Business spending on engineering projects slowed significantly in 2007 following double-digit increases in the previous two years.

Table A.2
Monthly gross domestic product by industry at basic prices

	July 2007 ^T	August 2007 ^T	September 2007 ^T	October 2007 ^T	November 2007 ^T	December 2007 ^P
Seasonally adjusted, chained (2002) dollars, month-to-month % change						
All industries	0.1	0.2	-0.0	0.3	0.1	-0.7
Goods-producing industries	-0.4	0.2	-0.4	0.1	-0.2	-1.8
Services-producing industries	0.3	0.2	0.2	0.4	0.3	-0.2
Industrial production	-0.4	0.0	-0.7	0.1	-0.4	-2.4
Manufacturing	0.2	-0.5	-1.0	0.7	-0.6	-3.2
Wholesale trade	1.6	-0.1	0.8	1.6	-0.0	-2.0
Energy sector	-1.4	0.4	-0.2	-0.7	0.1	-1.2

^T Revised figures

^P Preliminary figures

Business investment in machinery and equipment still strong

Investment in machinery and equipment advanced 3.4% in the fourth quarter, similar to the 3.3% pace set the previous quarter. Except for the first quarter decline, investment in machinery and equipment has posted continuous quarterly growth since the beginning of 2003. The gain in investment in the last two quarters resulted in a 2.5% surge in imports of machinery and equipment on top of the 6.4% rise in the third quarter.

Large build-up of inventories

The last half of 2007 saw two large quarterly build-ups in inventories with a fourth quarter rise in inventories worth \$19 billion, higher than the \$16 billion accumulation in the previous quarter.

Retail and wholesale durable goods accounted for about half of the accumulation. Manufacturing inventories were drawn down and farm inventories were sold off as farmers cashed in on high grain prices.

Corporate profits level off

Corporate profits were up slightly this quarter (+0.5%), well short of the pace set in the previous three quarters.

Higher profits in the retail and wholesale trade industries offset lower manufacturing and mining profits. Corporate profits of financial institutions declined slightly in the fourth quarter.

Labour income pushes upward

Labour income registered a strong fourth quarter, up 1.8%, a marked acceleration from the third quarter growth of 0.4%. Mining and utilities pushed up wages in goods-producing industries (+1.9%), while education and health care contributed to growth in services-producing industries (+1.7%).

Government transfers to persons moderated in the fourth quarter (+0.7%), after a strong third quarter.

An increase in personal income, combined with modest growth in income taxes, resulted in a 1.6% increase in personal disposable income. The personal saving rate slipped to 0.8% in the fourth quarter with higher personal spending.

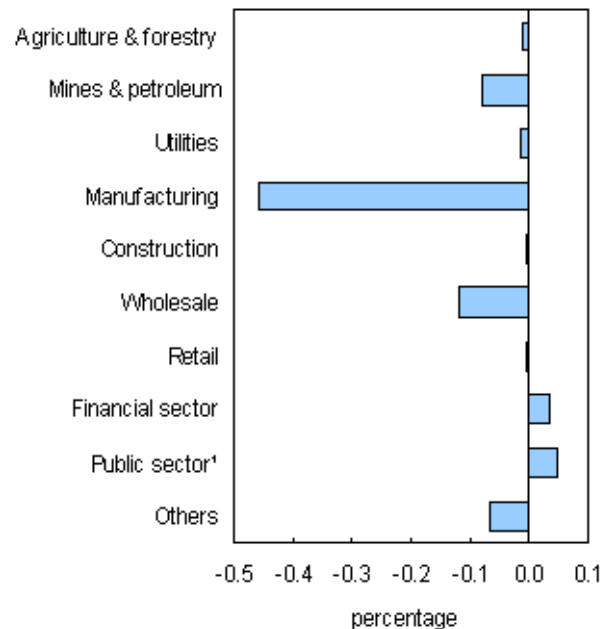
Household debt in the form of mortgages and consumer credit edged up to 116.4% of personal disposable income. Debt servicing charges remained unchanged at about 8% of personal disposable income.

Gross domestic product by industry, December 2007

Economic output contracted 0.7% in December, after increasing 0.1% in November and 0.3% in October. Significant reductions in manufacturing activities, wholesaling, as well as in oil and gas extraction were the main sources of the December decline. Modest gains were recorded in mining, excluding oil and gas, and the financial sector, while construction remained unchanged.

Chart A.3

Main industrial sectors' contribution to total growth - December 2007



1. Education, health and public administration.

Manufacturing activity tumbled 3.2% in December, reaching its lowest level since December 2001. Motor vehicle production dropped 27%, the largest monthly decline since production cutbacks in January 1990 caused a 37% reduction in activity. The major drop in motor vehicle production in December was primarily due to extended holiday shutdowns related to inventory control and re-tooling for new models. Excluding motor vehicle and parts production, economic output contracted 0.4% in December. Preliminary information for January 2008 indicates a partial rebound in motor vehicle production from its December level.

Declines in the manufacturing sector were widespread, with 17 of the 21 major groups decreasing. Both the manufacturing of durable (-4.8%) and non-durable goods (-0.9%) fell. Other notable drops were recorded in wood products, machinery, and non-metallic mineral product manufacturing. Some transportation industries were affected by the downturn in manufacturing, such as rail and truck transportation, as was the wholesale trade sector.

Wholesaling activities fell 2.0% in December. This decline was largely due to the fall in the trade of automotive products, food and beverage products, and machinery and electronic equipment. Value added in the retail trade sector edged down (-0.1%).

The energy sector slipped 1.2% in December. The natural gas and petroleum extraction industry contracted 1.7%, dragged down by a decrease in petroleum extraction. The production of electricity fell 1.2% in December.

Industrial production (the output of mines, utilities and factories) dropped 2.4% in December, with all three sectors declining. In the United States, industrial production edged up 0.1% in December as manufacturing increased, while mining and utilities contracted.

The construction sector was unchanged in December, as activity may have been restrained by heavy snowfalls in some parts of the country. The increases in non-residential building construction (+0.1%) and engineering and repair work (+0.1%) were neutralized by the 0.4% decline in residential construction. The home resale market continued to cool. As a result, the real estate agents and brokers industry fell 2.1% for the month.

Year-end review

Real GDP grew 2.7% in 2007, a slight deceleration from 2006. The growth rate for 2007 matches the average growth of the past five years. The economy slowed over the course of 2007 with the lowest growth recorded in the fourth quarter.

The year was marked by a further large appreciation of the Canadian dollar with respect to the U.S. currency. Imports surged ahead while exports edged up at a pace similar to 2006. Personal income and consumer spending remained strong as final domestic demand advanced 4.3%.

Finance and insurance, retail and wholesale trade, and construction were the main sectors contributing to growth in 2007. The energy sector also continued to expand with growth being restrained by a reduction in support activities for mining and oil and gas extraction (which includes exploration).

Although it started the year on a positive note, manufacturing was once again hit hard in 2007 (-1.1%) with decreases in both durable and non-durable goods-producing industries. Significant declines were also experienced in forestry and logging and their associated support activities.

Consumer spending, up 4.7% in 2007, was a driving force in the economy. This was the largest gain since 1985. Strong employment and income growth, along with low inflation and low interest rates kept conditions favourable for consumers.

Travel spending continued to push expenditures on services up in 2007. Travel spending abroad registered another large increase with the strong Canadian dollar making travel to foreign destinations more attractive.

Business investment in residential construction contributed to overall growth as it increased 3.2% in 2007, a slight pickup from 2006.

Businesses continued to invest heavily in plant and equipment in 2007, up 4.4%, adding another year to the string of substantial increases.

Business investment in machinery and equipment grew 5.1% in 2007, down from increases of more than 7.0% in 2005 and 2006.

Corporate profits maintained steady growth in 2007 up 5.8%, slightly above growth of 5.0% in 2006.

Exports edged up in 2007, while imports registered another strong year of growth (+5.7%), the fourth consecutive year that growth was five percent or more. Although Canadian international exports continued to benefit from high commodity prices, the trade surplus narrowed in nominal terms.

Inventories continued to accumulate in 2007 (\$11 billion), just above the level recorded in 2006 (\$10 billion).

Labour income grew 6.1% in 2007, little changed from 6.2% in 2006.

Prices of goods and services produced in Canada advanced 3.1% in 2007, up from 2.4% in 2006. Import prices declined 2.2% resulting in a level that was 12.5% lower than in 2002, reflecting the continued appreciation of the Canadian dollar.

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

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	739,764 1.2	751,268 1.6	767,700 2.2	780,552 1.7	783,488 0.4	797,420 1.8	737,382 6.2	782,290 6.1
Corporation profits before taxes	201,864 2.2	201,464 -0.2	205,984 2.2	208,840 1.4	212,864 1.9	214,016 0.5	198,859 5.0	210,426 5.8
Interest and miscellaneous investment income	65,464 -0.6	64,304 -1.8	67,032 4.2	69,516 3.7	69,036 -0.7	69,152 0.2	65,310 6.9	68,684 5.2
Net income of unincorporated business	86,408 0.4	87,200 0.9	88,864 1.9	90,268 1.6	90,604 0.4	91,700 1.2	86,324 1.6	90,359 4.7
Taxes less subsidies	160,384 -2.3	160,040 -0.2	163,740 2.3	167,008 2.0	168,220 0.7	169,360 0.7	161,582 3.5	167,082 3.4
Personal disposable income	844,976 1.4	856,616 1.4	876,060 2.3	881,804 0.7	892,316 1.2	906,224 1.6	842,302 6.4	889,101 5.6
Personal saving rate[2]	1.8	2.2	2.6	1.3	1.3	0.8	2.3	1.5

Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	759,897 1.2	766,839 0.9	774,461 1.0	785,385 1.4	794,109 1.1	808,418 1.8	755,204 4.2	790,593 4.7
Government current expenditure on goods and services	251,113 0.4	252,961 0.7	254,570 0.6	257,150 1.0	261,069 1.5	265,490 1.7	250,604 3.3	259,570 3.6
Gross fixed capital formation	300,447 0.8	303,625 1.1	305,656 0.7	309,197 1.2	313,770 1.5	317,979 1.3	299,468 7.2	311,651 4.1
Investment in inventories	12,838 ...	61 ...	3,342 ...	4,740 ...	16,468 ...	18,722 ...	10,198 ...	10,818 ...
Exports of goods and services	505,539 0.6	508,881 0.7	510,175 0.3	513,082 0.6	513,997 0.2	502,724 -2.2	505,344 0.7	509,995 0.9
Imports of goods and services	552,820 1.5	551,615 -0.2	552,977 0.2	562,766 1.8	587,039 4.3	602,388 2.6	545,268 5.0	576,293 5.7
Gross domestic product at market prices	1,284,213 0.3	1,288,949 0.4	1,301,681 1.0	1,313,733 0.9	1,323,426 0.7	1,326,034 0.2	1,282,204 2.8	1,316,219 2.7
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
GDP at basic prices, by industry								
Goods producing industries	374,480 -0.3	373,421 -0.3	378,409 1.3	380,107 0.4	379,349 -0.2	375,935 -0.9	375,489 1.2	378,450 0.8
Industrial production	273,486 -0.4	271,364 -0.8	275,451 1.5	277,059 0.6	275,866 -0.4	272,105 -1.4	274,357 -0.2	275,120 0.3
Energy sector	86,638 1.0	84,925 -2.0	86,774 2.2	87,612 1.0	87,543 -0.1	86,648 -1.0	85,876 1.0	87,144 1.5
Manufacturing	184,920 -1.3	183,590 -0.7	185,714 1.2	186,331 0.3	184,806 -0.8	181,822 -1.6	186,631 -1.0	184,668 -1.1
Non-durable manufacturing	74,031 -0.6	73,355 -0.9	72,594 -1.0	73,271 0.9	72,789 -0.7	71,563 -1.7	74,329 -1.9	72,554 -2.4
Durable manufacturing	111,038 -1.8	110,392 -0.6	113,349 2.7	113,270 -0.1	112,220 -0.9	110,461 -1.6	112,470 -0.3	112,325 -0.1
Construction	74,369 1.1	75,536 1.6	76,369 1.1	76,809 0.6	77,588 1.0	78,146 0.7	74,087 8.1	77,228 4.2
Services producing industries	822,022 0.6	827,148 0.6	834,588 0.9	843,180 1.0	850,919 0.9	857,009 0.7	818,862 3.8	846,424 3.4
Wholesale trade	69,239 0.9	68,298 -1.4	69,245 1.4	70,503 1.8	72,338 2.6	73,296 1.3	68,383 7.1	71,346 4.3
Retail trade	69,647 1.0	69,847 0.3	71,264 2.0	72,874 2.3	73,313 0.6	74,071 1.0	69,015 6.0	72,881 5.6
Transportation and warehousing	55,565 0.1	55,683 0.2	55,888 0.4	56,275 0.7	56,850 1.0	56,606 -0.4	55,501 3.2	56,405 1.6
Finance, insurance, real estate and renting	231,525 1.1	234,023 1.1	236,704 1.1	239,207 1.1	241,131 0.8	242,780 0.7	230,362 3.8	239,956 4.2
Information and communication technologies	54,744 0.9	55,151 0.7	55,850 1.3	56,743 1.6	56,975 0.4	57,405 0.8	54,485 4.3	56,743 4.1

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

Fourth quarter 2007

Economic growth slowed considerably in the fourth quarter as real gross domestic product grew 0.2%, down from 0.7% in the third quarter. Exports recorded a significant 2.2% decline in the wake of a rising Canadian dollar and extended shutdowns in motor vehicle manufacturing facilities. Meanwhile strong growth in final domestic demand and an accumulation of wholesale and retail inventories drove imports up 2.6%.

Chart B.1
Final domestic demand outpaces GDP

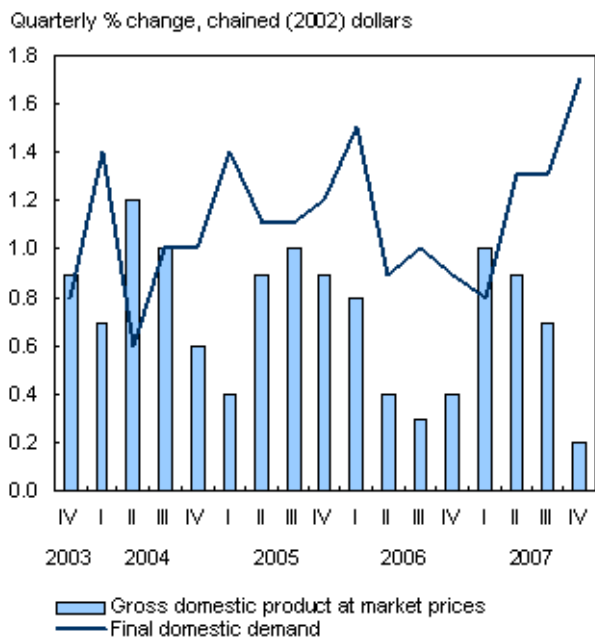
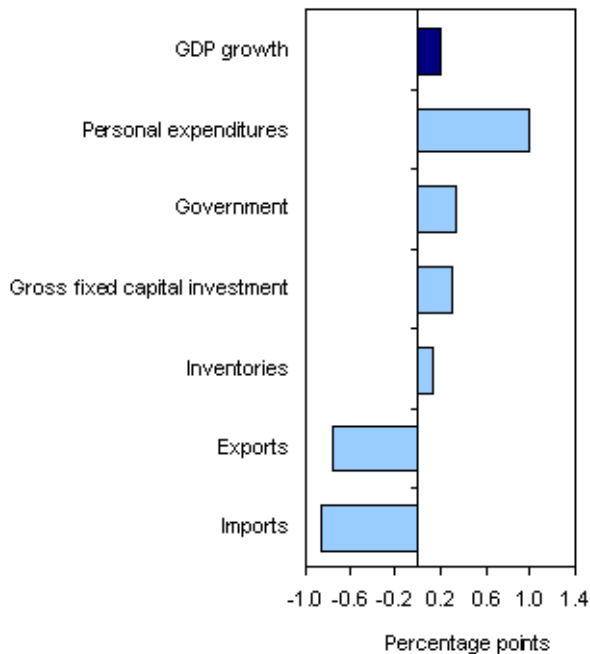


Chart B.2
Contributions to percent change in GDP, fourth quarter 2007

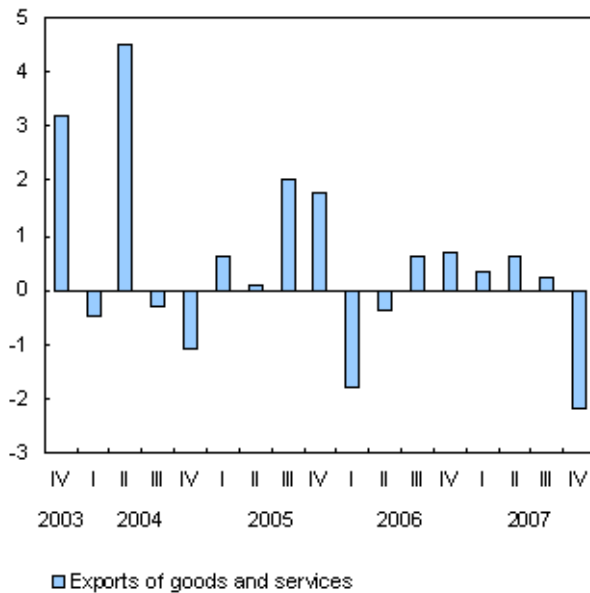


Exports down sharply

Exports of goods and services dropped 2.2%, the first decline in six quarters. The decline in exports in the fourth quarter was spurred by a 2.7% decrease in international shipments of goods, as demand for Canadian goods south of the border declined. Merchandise exports had averaged growth of 0.5% over the previous three quarters.

Chart B.3
Exports down sharply

Quarterly % change, chained (2002) dollars



The drop in the export of goods was widespread. Exports of machinery and equipment, as well as automotive products, continued to be weak, falling 3.4% and 1.7% respectively. Industrial goods and materials also declined 2.7%, following two consecutive quarters of growth. Energy exports declined (-3.2%) for the first time this year.

Exports of services were up 1.2% in the fourth quarter, partially offsetting the decline in goods. This gain reversed the sharp 2.2% drop in the third quarter. Increased exports of both commercial and government services pulled up services exports as travel services remained flat. However, transportation services declined for the third consecutive quarter, dampening growth in services exports.

Canada's international trade balance continued to deteriorate in the fourth quarter. Import growth remained robust at 2.6%. There were strong increases in imports of machinery and equipment, industrial goods and materials and other consumer goods. Expenditures of Canadians travelling abroad jumped in the fourth quarter, and imports of transportation services also posted another healthy gain.

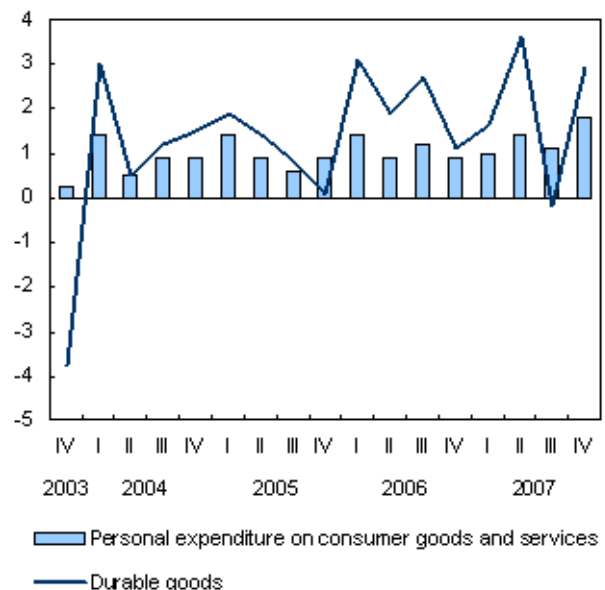
The strong import growth was the result of increased consumer spending as well as a substantial accumulation of inventories as wholesalers and retailers took advantage of the strong Canadian dollar to stock up on merchandise.

Consumer expenditure picks up

Consumer expenditure picked up in the fourth quarter of 2007, advancing 1.8%, from a 1.1% increase in the third quarter. It was boosted by a large jump in travel spending abroad which contributed about half of the 2.1% increase in expenditure on services. This was the third consecutive large quarterly increase in net expenditure abroad. According to the International Travel Survey, overnight trips to the United States increased by 10% in the fourth quarter, attaining a level not reached since the fourth quarter of 1991. Overnight trips by car grew at an even faster rate (+16%). As travel spending abroad includes expenditure on both goods and services, part of the increase is attributable to increased spending on goods brought back to Canada. In the fourth quarter, purchases of new and used motor vehicles by Canadians in the United States more than doubled.

Chart B.4
Consumer spending picks up

Quarterly % change, chained (2002) dollars



Meanwhile, purchases of new and used motor vehicles by households in Canada jumped 4.3% in the fourth quarter. Spending on furniture and household appliances registered robust gains (+1.7%). Purchases of recreation, sporting and camping equipment also remained strong in the quarter (+2.2%).

Housing investment slows

Business investment in residential construction grew 0.6% in the fourth quarter, less than half the pace of the third quarter (+1.4%). This was the fourth consecutive quarterly increase. Most of the slowdown in the quarter was the result of lower activity in the resale market (-2.6%), the second consecutive decrease.

New housing construction rose 1.3%, the third consecutive increase of 1% or more. Adding to investment in residential construction was renovation activity, up 1.2% this quarter.

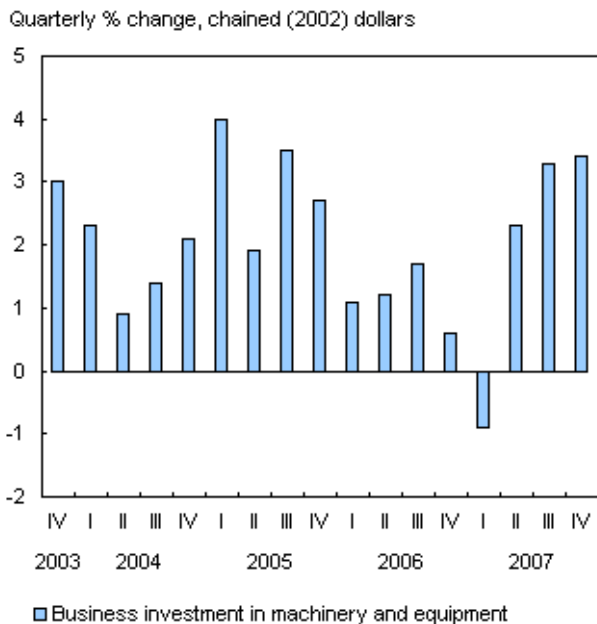
Non-residential construction edges up

Business investment in buildings and engineering projects edged up in the fourth quarter, following two quarterly declines. Business spending on engineering projects slowed significantly in 2007 following double-digit increases in the previous two years.

Business investment in machinery and equipment still strong

Investment in machinery and equipment advanced 3.4% in the fourth quarter, similar to the 3.3% pace set the previous quarter. Except for the first quarter decline, investment in machinery and equipment has posted continuous quarterly growth since the beginning of 2003.

Chart B.5
Business investment in machinery and equipment still strong



The gain in investment in the last two quarters resulted in a 2.5% surge in imports of machinery and equipment on top of the 6.4% rise in the third quarter. The large gains indicate that businesses are continuing to take advantage of lower prices for machinery and equipment.

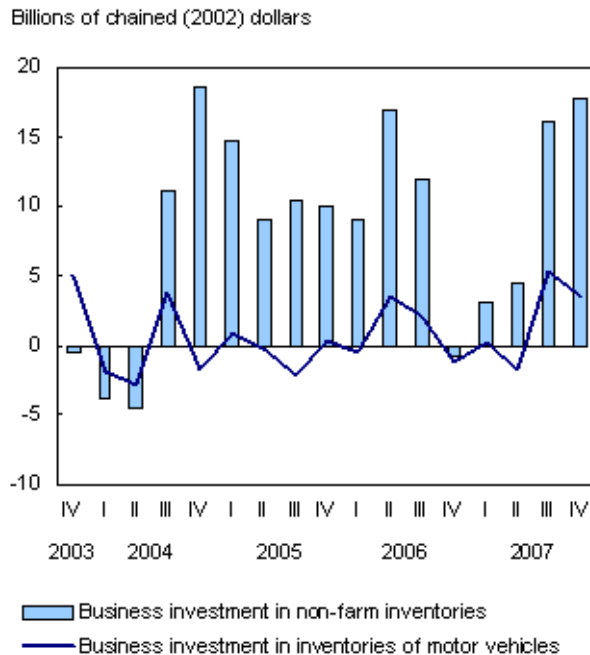
Business purchases of industrial machinery grew 5.8% this quarter, on the heels of two consecutive quarterly increases of 3.0% or more. Strong increases were also recorded for telecommunications equipment, up 9.8%, on top of large increases in the second and third quarters.

Truck purchases bounced back in the fourth quarter, up 6.3%, mostly offsetting the declines of the previous three quarters.

Large build-up of inventories

The last half of 2007 saw two large quarterly build-ups in inventories with a fourth quarter rise in inventories worth \$19 billion, higher than the \$16 billion accumulation in the previous quarter.

Chart B.6
Inventories continue to build



Retail and wholesale durable goods accounted for about half of the accumulation. Manufacturing inventories were drawn down and farm inventories were sold off as farmers cashed in on high grain prices.

The economy-wide inventory-to-sales ratio edged up to .68 leaving sufficient inventories to satisfy 62 days of sales.

Corporate profits level off

Corporate profits were up slightly in the fourth quarter (+0.5%), well short of the pace set in the previous three quarters.

Higher profits in the retail and wholesale trade industries offset lower manufacturing and mining profits. Corporate profits of financial institutions declined slightly in the fourth quarter.

Labour income pushes upward

Labour income registered a strong fourth quarter, up 1.8%, a marked acceleration from the third quarter growth of 0.4%. Mining and utilities pushed up wages in goods-producing industries (+1.9%), while education and health care contributed to growth in services-producing industries (+1.7%).

Employment and average earnings continued to grow in the quarter.

Special pay equity payments in Quebec in the fourth quarter accounted for only 0.1% of growth in labour income. If extraordinary special payments were excluded from labour income, the third quarter growth would be 1.1%, followed by 1.7% in the fourth quarter.

Personal saving down

Government transfers to persons moderated in the fourth quarter (+0.7%), after a strong third quarter. Transfers in the fourth quarter were boosted by a large compensation payout to residential school survivors. This followed a \$1 billion dollar payout in the third quarter to persons for hepatitis C compensation.

An increase in personal income combined with modest growth in income taxes resulted in a 1.6% increase in personal disposable income. The personal saving rate slipped to 0.8% in the fourth quarter with higher personal spending.

Economy-wide prices

Prices of goods and services produced in Canada advanced 1.1% in the quarter, once again strongly influenced by higher energy prices. Excluding energy, these prices were up 0.7%. Meanwhile, import prices dropped 3.9% in the quarter. This was the third consecutive drop and left import prices 17% lower than in 2002. Export prices also declined for the third consecutive quarter slipping 0.7%. Prices for final domestic demand advanced 0.3%.

Year-end review

Real GDP grew 2.7% in 2007, a slight deceleration from 2006. The growth rate for 2007 matches the average growth of the past five years. The economy slowed over the course of 2007 with the lowest growth recorded in the fourth quarter. The year was marked by a further large appreciation of the Canadian dollar. Imports surged ahead while exports edged up at a pace similar to 2006. Personal income and consumer spending remained strong as final domestic demand advanced 4.3%.

Consumer spending surges ahead

Consumer spending, up 4.7% in 2007, was a driving force in the economy. This was the largest gain since 1985. Strong employment and income growth, along with low inflation and low interest rates kept conditions favourable for consumers.

Outlays on durable goods advanced 7.7% in 2007, the largest increase since 2002. Purchases of new and used motor vehicles, up 7.2% in 2007 from 2.1% in 2006, helped drive up spending on durable goods. Canadians continued to spend more on furniture and household appliances in 2007, up 5.4% on top of the 6.8% pace set last year.

Spending on semi-durable goods also remained strong, up 6.1% in 2007. Consumer purchases of clothing and footwear advanced 6.0% in 2007, after climbing 8.1% in 2006.

Expenditure on non-durable goods rose 3.1% in 2007, the largest gain since 1974, bumped up by a big rise in consumption of natural gas (+7.3%).

Travel spending continued to push expenditures on services up in 2007. Travel spending abroad registered another large increase with the strong Canadian dollar making many foreign destinations more attractive and spurring Canadians to bring back more goods from abroad. Spending on air transportation advanced 7.1%, another robust year of growth and continuing the strong trend which started in 2004. Overall, purchases of services grew by 4.5% in 2007, almost the same rate as in the previous two years.

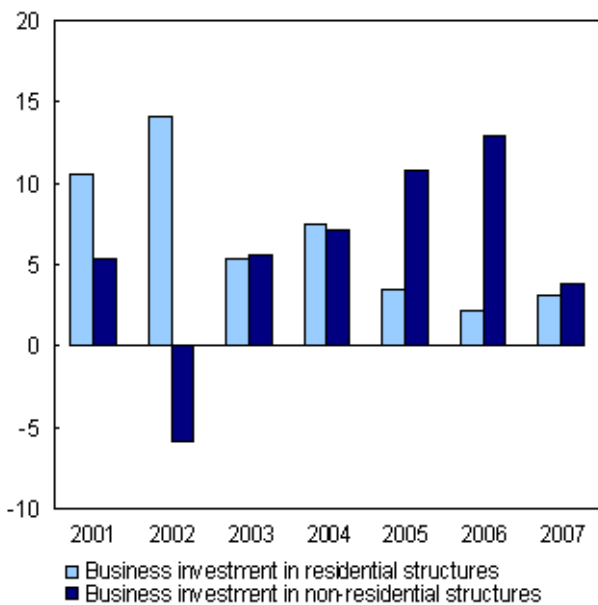
Housing demand accelerates

Business investment in residential construction contributed to overall growth as it increased 3.2% in 2007, a slight pickup from 2006. Although up a percentage point from the previous year, this was far off the peak set in 2002 of 14%.

Chart B.7

Residential construction picks up slightly

% change, chained (2002) dollars



Renovation spending was again the catalyst for the growth in residential investment advancing 6.5%, the eighth consecutive year of strong growth but decelerating from the pace set in previous years. Investment in new housing declined 0.9%, following smaller declines in the previous two years. Ownership transfer costs spiked 8.5%, reversing a decline of 0.7% in 2006, reflecting an active resale market in early 2007.

Business investment in plant and equipment still climbing

Businesses continued to invest heavily in plant and equipment in 2007 up 4.4%, adding another year to the string of substantial increases, after the decline recorded in 2002 (-4.1%).

Investment in engineering projects slowed in 2007 to 4.7%, after averaging growth of over 16% in the last two years. Similarly, business investment in building structures was up 1.3% in 2007, slightly off the pace of 1.9% set a year ago.

Business investment in machinery and equipment grew 5.1% in 2007, down from increases of more than 7% in 2005 and 2006. The largest increases in 2007, registered in other transportation equipment (+17%) and telecommunications equipment (+15%) were partially offset by declines in business purchases of automobiles (-1.7%) and trucks (-2.6%).

Corporate profits remain steady

Corporate profits maintained steady growth in 2007 up 5.8%, slightly above last year's growth of 5.0%. The increase was spurred by a rise in profits of the wholesale and retail trade industries and of the transportation industry.

Oil and gas extraction companies' profits declined from the record level posted in 2006. Profits of manufacturing industries grew slightly but were varied across industries - petroleum and coal manufacturers and food and beverage manufacturers posted strong profits, whereas chemical and wood and paper manufacturers posted declines.

Export growth edges up

Exports edged up in 2007 as the trends in imports and exports continued to move apart in the year. Imports registered another strong year in growth (+5.7%), the fourth consecutive year that growth was five percent or more. Although Canadian international exports continued to benefit from high commodity prices, the trade surplus narrowed in nominal terms.

Exports grew 0.9%, up from 0.7% in 2006, as forestry products and automotive products faced lower demand. Energy products (+4.5%) continued to be a major source of growth. Machinery and equipment (+0.9%), the largest component of merchandise exports, slowed in 2007.

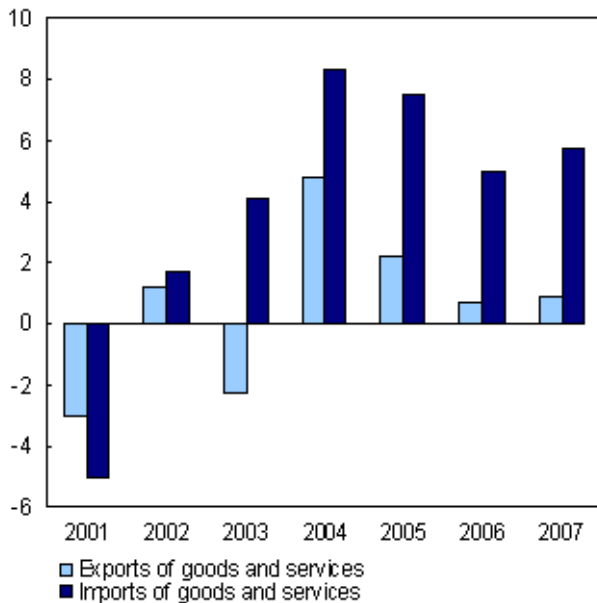
Exports of travel services declined for the third year in a row as U.S. visitors decreased their trips to Canada.

Import growth widespread

Imports gains were widespread in 2007 with nearly all components recording increases. Continued strong purchasing power for consumers lifted imports of other consumer products (+10%) in the year and spurred imports of travel services (+15%).

Chart B.8
Imports outpaces exports again

% change, chained (2002) dollars



Automotive product imports advanced for the fourth year. Healthy business balance sheets kept demand for machinery and equipment imports strong (+6.7%).

Inventories continues to build

Inventories continued to accumulate in 2007 (\$11 billion), just above the build up recorded in 2006 (\$10 billion), with most of the gain recorded in trade inventories. Manufacturing inventories were drawn down over the course of the year.

Business investment in farm inventories was down in 2007. Grain inventories registered the largest declines. Higher crop prices encouraged farmers to sell off their stocks.

Personal income accelerates again this year

Labour income grew 6.1% in 2007, little changed from 6.2% in 2006. Special pension fund contributions in Newfoundland and Labrador and Quebec pay equity payments helped boost labour income. If extraordinary special payments were excluded from both years, growth would be 5.9% in 2006 and 6.2% in 2007.

Even though accrued net farm income nearly doubled from 2006, it was still well below the average of the past five years. Crop receipts were boosted by a jump in prices and higher deliveries. Livestock revenues grew only marginally pulled down by lower cattle and hog receipts. Program payments were down from the previous year.

With outlays outpacing income, personal saving was lower than in 2006. As a result the personal saving rate moved to 1.5%, down from the 2.3% rate in 2006.

Overall, combined saving among all sectors remained strong in 2007, recording growth of 9.1%, although down from 14% recorded a year ago. The national saving rate, which excludes the non-resident sector, was 12.5%, down slightly from 2006.

Economy-wide prices advance

Prices of goods and services produced in Canada advanced 3.1% in 2007, up from 2.4% in 2006. Import prices declined 2.2%, resulting in a level that was 12.5% lower than in 2002, reflecting the continued appreciation of the Canadian dollar. The price for final domestic demand grew 2.1%, a similar rate to the previous two years.

Chart B.9
Import prices decline

% change

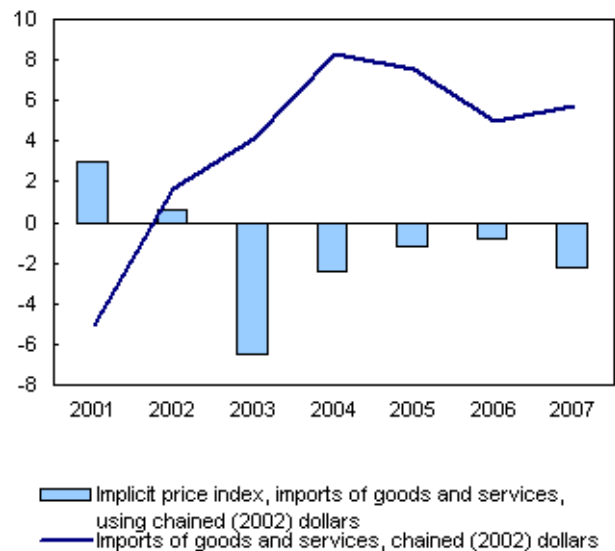


Table B.1 Gross domestic product, income-based, current prices and quarterly percentage change[1]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	739,764 1.2	751,268 1.6	767,700 2.2	780,552 1.7	783,488 0.4	797,420 1.8	737,382 6.2	782,290 6.1
Corporation profits before taxes	201,864 2.2	201,464 -0.2	205,984 2.2	208,840 1.4	212,864 1.9	214,016 0.5	198,859 5.0	210,426 5.8
Government business enterprise profits before taxes	13,668 -3.4	13,556 -0.8	15,044 11.0	15,340 2.0	15,796 3.0	15,640 -1.0	13,823 -5.2	15,455 11.8
Interest and miscellaneous investment income	65,464 -0.6	64,304 -1.8	67,032 4.2	69,516 3.7	69,036 -0.7	69,152 0.2	65,310 6.9	68,684 5.2
Accrued net income of farm operators from farm production	268 11.7	468 74.6	472 0.9	804 70.3	472 -41.3	580 22.9	344 -74.0	582 69.2
Net income of non-farm unincorporated business, including rent	86,140 0.4	86,732 0.7	88,392 1.9	89,464 1.2	90,132 0.7	91,120 1.1	85,980 2.8	89,777 4.4
Inventory valuation adjustment	-1,376 ...	-5,820 ...	-1,924 ...	5,840 ...	3,408 ...	4,548 ...	-1,775 ...	2,968 ...
Taxes less subsidies, on factors of production	64,620 0.3	64,880 0.4	66,148 2.0	66,700 0.8	67,396 1.0	67,552 0.2	64,421 4.2	66,949 3.9
Net domestic product at basic prices	1,170,412 1.0	1,176,852 0.6	1,208,848 2.7	1,237,056 2.3	1,242,592 0.4	1,260,028 1.4	1,164,344 5.4	1,237,131 6.3
Taxes less subsidies, on products	95,764 -3.9	95,160 -0.6	97,592 2.6	100,308 2.8	100,824 0.5	101,808 1.0	97,161 3.0	100,133 3.1
Capital consumption allowances	185,752 1.0	187,504 0.9	190,032 1.3	192,616 1.4	195,164 1.3	197,444 1.2	184,750 4.8	193,814 4.9
Statistical discrepancy	468 ...	-268 ...	788 ...	1,116 ...	-72 ...	-436 ...	52 ...	349 ...
Gross domestic product at market prices	1,452,396 0.7	1,459,248 0.5	1,497,260 2.6	1,531,096 2.3	1,538,508 0.5	1,558,844 1.3	1,446,307 5.2	1,531,427 5.9

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	809,776	817,020	831,956	848,708	858,996	876,204	803,502	853,966
	1.3	0.9	1.8	2.0	1.2	2.0	5.6	6.3
Durable goods	106,808	107,560	109,232	112,924	112,128	113,492	105,716	111,944
	1.9	0.7	1.6	3.4	-0.7	1.2	5.7	5.9
Semi-durable goods	67,444	67,484	69,136	69,840	71,056	71,424	66,818	70,364
	1.2	0.1	2.4	1.0	1.7	0.5	6.0	5.3
Non-durable goods	197,692	195,196	200,768	205,852	205,900	210,088	195,572	205,652
	0.6	-1.3	2.9	2.5	0.0	2.0	4.1	5.2
Services	437,832	446,780	452,820	460,092	469,912	481,200	435,396	466,006
	1.5	2.0	1.4	1.6	2.1	2.4	6.2	7.0
Government current expenditure on goods and services	280,064	283,640	290,572	297,844	297,800	306,052	279,806	298,067
	0.8	1.3	2.4	2.5	-0.0	2.8	6.5	6.5
Government gross fixed capital formation	40,668	41,208	42,112	43,276	44,324	45,148	40,336	43,715
	1.3	1.3	2.2	2.8	2.4	1.9	11.1	8.4
Government investment in inventories	-116	-52	8	-60	96	16	-41	15
Business gross fixed capital formation	280,012	285,852	292,320	296,136	299,356	302,732	277,885	297,636
	1.9	2.1	2.3	1.3	1.1	1.1	9.8	7.1
Residential structures	98,552	99,900	104,056	107,716	110,472	112,124	98,386	108,592
	0.4	1.4	4.2	3.5	2.6	1.5	9.6	10.4
Non-residential structures and equipment	181,460	185,952	188,264	188,420	188,884	190,608	179,499	189,044
	2.8	2.5	1.2	0.1	0.2	0.9	9.9	5.3
Non-residential structures	87,368	90,620	92,492	92,764	92,592	93,352	85,698	92,800
	4.0	3.7	2.1	0.3	-0.2	0.8	17.9	8.3
Machinery and equipment	94,092	95,332	95,772	95,656	96,292	97,256	93,801	96,244
	1.7	1.3	0.5	-0.1	0.7	1.0	3.5	2.6
Business investment in inventories	11,640	-1,840	-236	760	15,036	13,048	7,824	7,152
Non-farm	11,992	-1,516	924	1,812	16,572	14,204	8,369	8,378
Farm	-352	-324	-1,160	-1,052	-1,536	-1,156	-545	-1,226
Exports of goods and services	526,512	531,240	547,592	545,564	530,232	515,288	524,706	534,669
	1.5	0.9	3.1	-0.4	-2.8	-2.8	0.8	1.9
Goods	457,168	462,028	478,260	475,364	461,704	445,620	455,696	465,237
	1.8	1.1	3.5	-0.6	-2.9	-3.5	0.9	2.1
Services	69,344	69,212	69,332	70,200	68,528	69,668	69,010	69,432
	-0.1	-0.2	0.2	1.3	-2.4	1.7	0.6	0.6
Deduct: Imports of goods and services	495,696	498,088	506,276	500,020	507,408	500,076	487,660	503,445
	2.6	0.5	1.6	-1.2	1.5	-1.4	4.2	3.2
Goods	411,860	412,692	421,316	412,820	420,024	408,220	404,391	415,595
	2.8	0.2	2.1	-2.0	1.7	-2.8	4.1	2.8
Services	83,836	85,396	84,960	87,200	87,384	91,856	83,269	87,850
	1.5	1.9	-0.5	2.6	0.2	5.1	4.2	5.5
Statistical discrepancy	-464	268	-788	-1,112	76	432	-51	-348
Gross domestic product at market prices	1,452,396	1,459,248	1,497,260	1,531,096	1,538,508	1,558,844	1,446,307	1,531,427
	0.7	0.5	2.6	2.3	0.5	1.3	5.2	5.9
<i>Final domestic demand</i>	<i>1,410,520</i>	<i>1,427,720</i>	<i>1,456,960</i>	<i>1,485,964</i>	<i>1,500,476</i>	<i>1,530,136</i>	<i>1,401,529</i>	<i>1,493,384</i>
	<i>1.4</i>	<i>1.2</i>	<i>2.0</i>	<i>2.0</i>	<i>1.0</i>	<i>2.0</i>	<i>6.8</i>	<i>6.6</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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	759,897 1.2	766,839 0.9	774,461 1.0	785,385 1.4	794,109 1.1	808,418 1.8	755,204 4.2	790,593 4.7
Durable goods	111,390 2.7	112,667 1.1	114,432 1.6	118,548 3.6	118,273 -0.2	121,649 2.9	109,755 7.1	118,226 7.7
Semi-durable goods	69,351 1.8	69,700 0.5	71,430 2.5	71,970 0.8	73,460 2.1	74,016 0.8	68,529 7.3	72,719 6.1
Non-durable goods	171,346 0.7	171,030 -0.2	173,206 1.3	175,210 1.2	176,085 0.5	177,697 0.9	170,305 1.5	175,550 3.1
Services	409,104 1.1	414,880 1.4	416,999 0.5	421,576 1.1	428,178 1.6	437,173 2.1	407,772 4.3	425,982 4.5
Government current expenditure on goods and services	251,113 0.4	252,961 0.7	254,570 0.6	257,150 1.0	261,069 1.5	265,490 1.7	250,604 3.3	259,570 3.6
Government gross fixed capital formation	37,955 0.1	38,336 1.0	38,554 0.6	39,173 1.6	40,103 2.4	40,680 1.4	37,929 8.1	39,628 4.5
Government investment in inventories	-96 ...	-40 ...	12 ...	-52 ...	84 ...	12 ...	-33 ...	14 ...
Business gross fixed capital formation	262,489 0.9	265,286 1.1	267,099 0.7	270,020 1.1	273,660 1.3	277,292 1.3	261,536 7.1	272,018 4.0
Residential structures	77,711 -1.6	77,690 -0.0	79,526 2.4	80,787 1.6	81,881 1.4	82,363 0.6	78,604 2.1	81,139 3.2
Non-residential structures and equipment	186,880 2.3	189,984 1.7	189,565 -0.2	191,116 0.8	193,685 1.3	197,100 1.8	184,693 9.9	192,867 4.4
Non-residential structures	72,651 3.0	74,707 2.8	75,043 0.4	74,506 -0.7	74,047 -0.6	74,118 0.1	71,667 12.9	74,429 3.9
Machinery and equipment	113,532 1.7	114,184 0.6	113,203 -0.9	115,836 2.3	119,627 3.3	123,685 3.4	112,390 7.4	118,088 5.1
Business investment in inventories	12,953 ...	112 ...	3,332 ...	4,799 ...	16,367 ...	18,704 ...	10,238 ...	10,801 ...
Non-farm	11,893 ...	-721 ...	3,181 ...	4,430 ...	16,072 ...	17,732 ...	9,301 ...	10,354 ...
Farm	63 ...	156 ...	-790 ...	-567 ...	-894 ...	-201 ...	17 ...	-613 ...
Exports of goods and services	505,539 0.6	508,881 0.7	510,175 0.3	513,082 0.6	513,997 0.2	502,724 -2.2	505,344 0.7	509,995 0.9
Goods	441,107 0.8	444,776 0.8	446,790 0.5	448,796 0.4	451,218 0.5	439,053 -2.7	440,950 1.0	446,464 1.3
Services	64,471 -0.7	64,172 -0.5	63,478 -1.1	64,366 1.4	62,929 -2.2	63,667 1.2	64,432 -1.0	63,610 -1.3
Deduct: Imports of goods and services	552,820 1.5	551,615 -0.2	552,977 0.2	562,766 1.8	587,039 4.3	602,388 2.6	545,268 5.0	576,293 5.7
Goods	462,483 1.8	461,088 -0.3	464,421 0.7	469,848 1.2	492,210 4.8	499,307 1.4	455,279 5.2	481,447 5.7
Services	90,513 0.3	90,687 0.2	88,826 -2.1	93,035 4.7	95,091 2.2	102,903 8.2	90,131 3.8	94,964 5.4
Statistical discrepancy	-410 ...	237 ...	-685 ...	-954 ...	65 ...	367 ...	-45 ...	-302 ...
Gross domestic product at market prices	1,284,213 0.3	1,288,949 0.4	1,301,681 1.0	1,313,733 0.9	1,323,426 0.7	1,326,034 0.2	1,282,204 2.8	1,316,219 2.7
<i>Final domestic demand</i>	<i>1,310,523 1.0</i>	<i>1,322,465 0.9</i>	<i>1,333,680 0.8</i>	<i>1,350,661 1.3</i>	<i>1,367,913 1.3</i>	<i>1,390,826 1.7</i>	<i>1,304,376 4.7</i>	<i>1,360,770 4.3</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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	5.1	3.7	4.0	5.8	4.5	7.4	4.2	4.7
Durable goods	11.1	4.7	6.4	15.2	-0.9	11.9	7.1	7.7
Semi-durable goods	7.3	2.0	10.3	3.1	8.5	3.1	7.3	6.1
Non-durable goods	2.8	-0.7	5.2	4.7	2.0	3.7	1.5	3.1
Services	4.4	5.8	2.1	4.5	6.4	8.7	4.3	4.5
Government current expenditure on goods and services	1.5	3.0	2.6	4.1	6.2	6.9	3.3	3.6
Government gross fixed capital formation	0.4	4.1	2.3	6.6	9.8	5.9	8.1	4.5
Government investment in inventories[2]	-12	56	52	-64	136	-72	-57	47
Business gross fixed capital formation	3.8	4.3	2.8	4.4	5.5	5.4	7.1	4.0
Residential structures	-6.2	-0.1	9.8	6.5	5.5	2.4	2.1	3.2
Non-residential structures and equipment	9.7	6.8	-0.9	3.3	5.5	7.2	9.9	4.4
Non-residential structures	12.6	11.8	1.8	-2.8	-2.4	0.4	12.9	3.9
Machinery and equipment	7.1	2.3	-3.4	9.6	13.7	14.3	7.4	5.1
Business investment in inventories[2]	-4,715	-12,841	3,220	1,467	11,568	2,337	-3,307	563
Non-farm[2]	-5,050	-12,614	3,902	1,249	11,642	1,660	-1,754	1,053
Farm[2]	546	93	-946	223	-327	693	-1,987	-630
Exports of goods and services	2.6	2.7	1.0	2.3	0.7	-8.5	0.7	0.9
Goods	3.4	3.4	1.8	1.8	2.2	-10.4	1.0	1.3
Services	-2.8	-1.8	-4.3	5.7	-8.6	4.8	-1.0	-1.3
Deduct: Imports of goods and services	6.2	-0.9	1.0	7.3	18.4	10.9	5.0	5.7
Goods	7.2	-1.2	2.9	4.8	20.4	5.9	5.2	5.7
Services	1.2	0.8	-8.0	20.3	9.1	37.1	3.8	5.4
Statistical discrepancy[2]	-215	647	-922	-269	1,019	302	-509	-257
Gross domestic product at market prices	1.3	1.5	4.0	3.8	3.0	0.8	2.8	2.7
<i>Final domestic demand</i>	<i>4.0</i>	<i>3.7</i>	<i>3.4</i>	<i>5.2</i>	<i>5.2</i>	<i>6.9</i>	<i>4.7</i>	<i>4.3</i>

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.689	0.509	0.554	0.781	0.617	1.002	2.284	2.625
Durable goods	0.193	0.084	0.115	0.260	-0.017	0.205	0.506	0.556
Semi-durable goods	0.082	0.023	0.114	0.035	0.094	0.035	0.328	0.280
Non-durable goods	0.093	-0.025	0.170	0.155	0.067	0.123	0.196	0.425
Services	0.322	0.427	0.156	0.331	0.472	0.639	1.254	1.363
Government current expenditure on goods and services	0.074	0.142	0.124	0.197	0.295	0.328	0.629	0.705
Government gross fixed capital formation	0.003	0.028	0.016	0.045	0.067	0.041	0.214	0.126
Government investment in inventories	-0.001	0.004	0.004	-0.004	0.010	-0.005	-0.005	0.004
Business gross fixed capital formation	0.177	0.206	0.134	0.212	0.261	0.257	1.299	0.780
Residential structures	-0.110	-0.002	0.162	0.110	0.096	0.042	0.140	0.227
Non-residential structures and equipment	0.287	0.208	-0.028	0.102	0.165	0.215	1.159	0.553
Non-residential structures	0.176	0.171	0.028	-0.044	-0.037	0.006	0.687	0.231
Machinery and equipment	0.111	0.037	-0.056	0.146	0.202	0.209	0.472	0.322
Business investment in inventories	-0.327	-0.886	0.218	0.096	0.738	0.143	-0.261	0.013
Non-farm	-0.358	-0.892	0.271	0.083	0.756	0.104	-0.133	0.066
Farm	0.031	0.005	-0.052	0.013	-0.017	0.040	-0.129	-0.053
Exports of goods and services	0.229	0.240	0.093	0.206	0.063	-0.750	0.262	0.328
Goods	0.263	0.262	0.144	0.142	0.166	-0.802	0.316	0.385
Services	-0.034	-0.022	-0.051	0.064	-0.102	0.052	-0.054	-0.057
Deduct: Imports of goods and services	0.508	-0.075	0.084	0.586	1.391	0.842	1.623	1.909
Goods	0.491	-0.086	0.204	0.322	1.266	0.384	1.407	1.602
Services	0.018	0.011	-0.120	0.264	0.125	0.458	0.216	0.306
Statistical discrepancy	-0.017	0.050	-0.072	-0.021	0.078	0.023	-0.041	-0.020
Gross domestic product at market prices	0.318	0.369	0.988	0.926	0.738	0.197	2.759	2.653
<i>Final domestic demand</i>	<i>0.943</i>	<i>0.886</i>	<i>0.828</i>	<i>1.235</i>	<i>1.239</i>	<i>1.628</i>	<i>4.427</i>	<i>4.236</i>

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
	Using seasonally adjusted data, (2002 = 100)							
Personal expenditure on consumer goods and services	106.6 <i>0.1</i>	106.5 <i>-0.1</i>	107.4 <i>0.8</i>	108.1 <i>0.7</i>	108.2 <i>0.1</i>	108.4 <i>0.2</i>	106.4 <i>1.4</i>	108.0 <i>1.5</i>
Government current expenditure on goods and services	111.5 <i>0.5</i>	112.1 <i>0.5</i>	114.1 <i>1.8</i>	115.8 <i>1.5</i>	114.1 <i>-1.5</i>	115.3 <i>1.1</i>	111.6 <i>3.1</i>	114.8 <i>2.9</i>
Government gross fixed capital formation	107.1 <i>1.2</i>	107.5 <i>0.4</i>	109.2 <i>1.6</i>	110.5 <i>1.2</i>	110.5 <i>0.0</i>	111.0 <i>0.5</i>	106.3 <i>2.8</i>	110.3 <i>3.7</i>
Business gross fixed capital formation	106.7 <i>1.0</i>	107.8 <i>1.0</i>	109.4 <i>1.5</i>	109.7 <i>0.3</i>	109.4 <i>-0.3</i>	109.2 <i>-0.2</i>	106.3 <i>2.6</i>	109.4 <i>3.0</i>
Exports of goods and services	104.1 <i>0.9</i>	104.4 <i>0.3</i>	107.3 <i>2.8</i>	106.3 <i>-0.9</i>	103.2 <i>-2.9</i>	102.5 <i>-0.7</i>	103.8 <i>0.1</i>	104.8 <i>1.0</i>
Imports of goods and services	89.7 <i>1.1</i>	90.3 <i>0.7</i>	91.6 <i>1.4</i>	88.9 <i>-2.9</i>	86.4 <i>-2.8</i>	83.0 <i>-3.9</i>	89.4 <i>-0.8</i>	87.5 <i>-2.2</i>
Gross domestic product at market prices	113.1 <i>0.4</i>	113.2 <i>0.1</i>	115.0 <i>1.6</i>	116.5 <i>1.3</i>	116.3 <i>-0.2</i>	117.6 <i>1.1</i>	112.8 <i>2.4</i>	116.4 <i>3.1</i>
<i>Final domestic demand</i>	<i>107.6</i> <i>0.4</i>	<i>108.0</i> <i>0.4</i>	<i>109.2</i> <i>1.1</i>	<i>110.0</i> <i>0.7</i>	<i>109.7</i> <i>-0.3</i>	<i>110.0</i> <i>0.3</i>	<i>107.5</i> <i>2.0</i>	<i>109.7</i> <i>2.1</i>

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

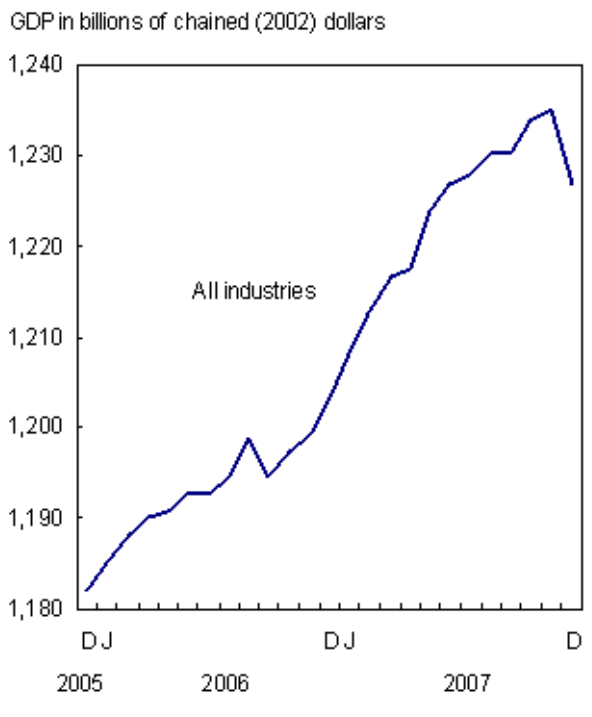
Section C

GDP by industry

December 2007

Economic output contracted 0.7% in December, after increasing 0.1% in November and 0.3% in October. Significant reductions in manufacturing activities, wholesaling, as well as in oil and gas extraction were the main sources of the December decline. Modest gains were recorded in mining, excluding oil and gas, and the financial sector, while construction remained unchanged.

Chart C.1
Significant reduction in economic activity



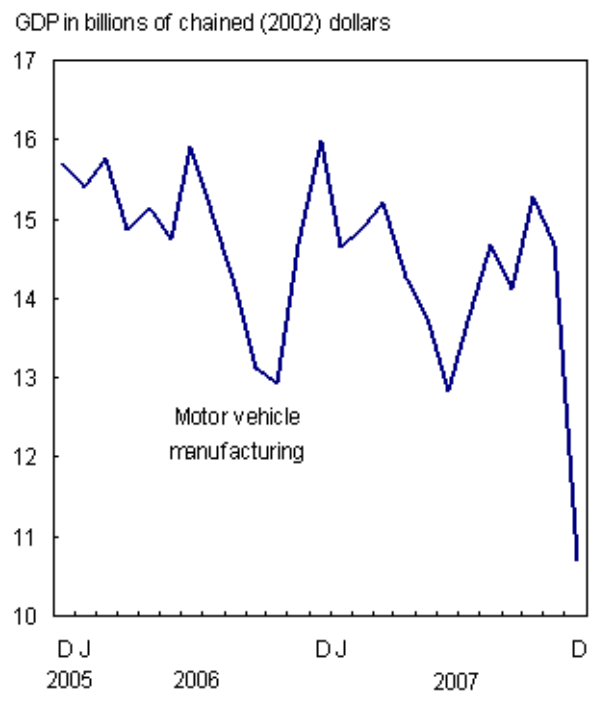
Extended holiday shutdowns reduce motor vehicle production

Manufacturing activities tumbled 3.2% in December, reaching the lowest level since December 2001. Motor vehicle production dropped 27%, the largest monthly decline since production cutbacks in January 1990 caused a 37% reduction in activity. The major drop in motor vehicle production in December was primarily due to extended holiday shutdowns related to inventory control and re-tooling for new models. Excluding motor vehicle and parts production, economic output contracted 0.4% in December. Preliminary information for January 2008 indicates a partial rebound in motor vehicle manufacturing from its December level.

Declines in the manufacturing sector were widespread, with 17 of the 21 major groups decreasing. Both the manufacturing of durable (-4.8%) and non-durable goods (-0.9%) fell. Other notable drops were recorded in wood products, machinery, and non-metallic mineral product manufacturing. Conversely, minor increases were noted in chemical, computer and electronic product, and petroleum and coal products manufacturing.

Some transportation industries were affected by the downturn in manufacturing, such as rail and truck transportation, as was the wholesale trade sector.

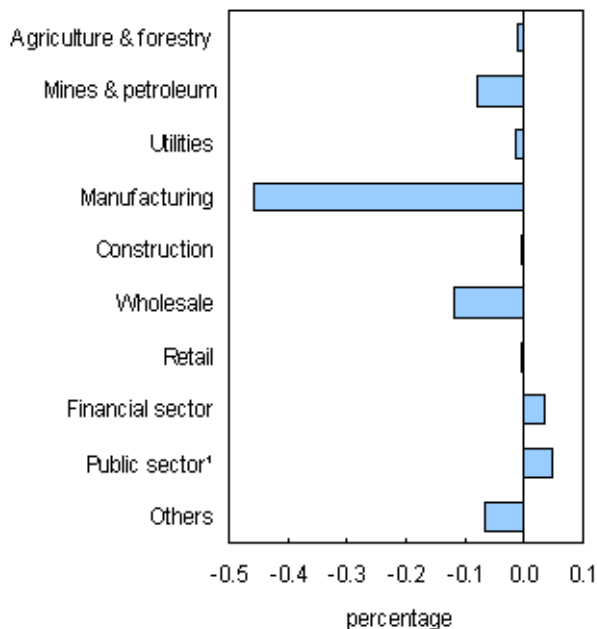
Chart C.2
Motor vehicle manufacturing plunges



Wholesale and retail trade decline

Wholesaling activities fell 2.0% in December. This decline was largely due to the fall in the trade of automotive products, food and beverage products, and machinery and electronic equipment. However, wholesaling of grains rebounded from last month's slump as did metal products. Value added in the retail trade sector edged down slightly (-0.1%).

Chart C.3
Main industrial sectors' contribution to total growth -
December 2007



1. Education, health and public administration.

Energy production loses ground

The energy sector slipped 1.2% in December. The oil and gas extraction industry contracted 1.7%, dragged down by a decrease in petroleum extraction. The production of natural gas increased, although the quantity of natural gas in storage remains high in both Canada and the United States. The production of electricity fell 1.2% in December.

The output of the mining sector excluding oil and gas leaped forward 1.4% in December. Both metal mines (+1.4%) and non-metal mines (+1.6%) showed significant advances for the month. Support activities for mining and oil and gas extraction slipped 1.1%.

Industrial production (the output of mines, utilities and factories) dropped 2.4% in December, with all three sectors declining. In the United States, industrial production edged up 0.1% in December as manufacturing increased, while mining and utilities contracted.

Other industries

The construction sector was unchanged in December, as activity may have been restrained by heavy snowfalls in some parts of the country. The increases in non-residential building construction (+0.1%) and engineering and repair work (+0.1%) were neutralized by the 0.4% decline in residential construction. The home resale market continued to cool. As a result, the real estate agents and brokers industry fell 2.1% for the month.

Activities in the finance and insurance sector grew 0.2%. Banking activities increased 0.4% on the strength of business and personal loans, residential mortgages and mutual fund sales.

Fourth quarter 2007

Economic activity grew at a much slower pace in the fourth quarter of 2007 than in the previous three quarters. The Canadian economy contracted 0.7% in December, after increasing 0.1% in November and 0.3% in October.

The output of the service industries expanded 0.7% in the fourth quarter, while the production of the goods industries contracted 0.9%. Wholesale and retail trade, along with utilities, recorded the strongest gains. The finance and insurance sector, construction, forestry, and accommodation and food services also contributed to the overall increase. These gains were partly offset by declines in manufacturing, mining and selected transportation industries.

The wholesale trade sector continued its ascent with an increase of 1.3% for the quarter. This increase was widespread across several trade groups. Notable growth was recorded by merchants of motor vehicles, building supplies, and computers and other electronic equipment. Declines in the wholesaling of grains and of metal products were the main impediments to the increase.

The value added in the retail trade sector advanced 1.0% in the fourth quarter largely due to a strong showing by new and used car dealers, pharmacies and specialized building materials and garden stores. Furthermore, activities at general merchandise stores were very strong. This trade group includes department stores, warehouse clubs, superstores and home and auto supplies stores.

The energy sector fell 1.0% in the fourth quarter. Utilities posted a significant increase (+2.5%). Oil and gas extraction dropped 3.0%. Concurrently, pipeline transportation, and petroleum and coal products manufacturing slipped. Support activities for mining and oil and gas extraction advanced for a second consecutive quarter, contrasting with the double-digit drop seen in the first half of the year. Mining excluding oil and gas retreated by 1.6% as copper, nickel and lead mines accounted for most of the loss.

The finance and insurance sector advanced 0.9% on the strength of banking. Real estate agents and brokers posted a second consecutive quarterly drop (-3.2%) as the home resale market continued to cool, following record-high levels earlier in the year. Construction activities grew 0.7% in the fourth quarter. This growth was led by residential construction.

Manufacturing activities continued their downward movement for a second consecutive quarter. Manufacturing fell 1.6% in the fourth quarter and 0.8% in the third. These two declines occurred as the dollar started its strong appreciation vis-à-vis its U.S. counterpart in April. Of the 21 major groups, 17 decreased during the fourth quarter, these accounting for 87% of total manufacturing value added. The production of non-durables and durables declined 1.7% and 1.6% respectively. Motor vehicle and associated parts manufacturing fell during the quarter, especially in December primarily due to extended holiday shutdowns. Plastic and rubber, sawmills and paper production also dipped. These declines were minimally offset by increases in primary metal manufacturing and printing.

Industrial production (the output of utilities, mines and factories) dropped 1.4% in the fourth quarter. The significant declines posted by manufacturing and mining overshadowed the gain in utilities. In comparison, industrial production in the United States decreased 0.3% for the quarter. Both mining and utilities moved ahead, while manufacturing fell.

Tourism-related industries fared well during the quarter. Air transportation increased 2.2% while the accommodation and food services sector rose 1.2%. The number of international travellers staying one or more nights to Canada advanced 1.8%.

2007

Canadian economic activity, as measured by value added by industry, increased 2.5% in 2007, slowing slightly from the 2006 pace (+2.9%). The economy started 2007 on a strong note but lost momentum during the second half, closing the year with a 0.7% decline in December. Again in 2007, and for a seventh year in a row, the services industries outpaced the goods-producing sector. Throughout the year the Canadian dollar continued its ascent relative to the U.S. currency, hovering at virtual parity during the course of the fourth quarter.

Finance and insurance, retail and wholesale trade, and construction were the main sectors contributing to growth in 2007. The energy sector also continued to expand with growth being restrained by a reduction in support activities for mining and oil and gas extraction (which includes exploration). Although it started the year on a positive note, manufacturing was once again hit hard in 2007 (-1.1%) with decreases in both durable and non-durable goods producing industries. But significant declines were also experienced in forestry and logging and their associated support activities.

Finance and insurance activities moved ahead 5.4% and once again provided significant growth to the economy. Banking activities accelerated 7.5% while securities trading jumped 10.2% with sustained increases in the volume of transactions on the Canadian stock exchanges. Insurance activities tempered growth in the sector, declining 0.9% over the year.

For the second year in a row, the value added by the retail trade sector was a major contributor to growth in the economy, advancing a strong 5.6% in 2007. Consumers continued to purchase furniture and computers at a substantial rate. Growth was once again widespread with other notable contributors being used cars and parts, new car dealers, home electronics and clothing stores. Wholesaling activities were also a major source of strength (+4.3%), led by home and personal goods as well as building supplies. Wholesaling of pharmaceuticals, metal products, machinery and electronic equipment were also up sharply.

Manufacturing activity decreased 1.1% in 2007, the second annual decrease in a row. Employment in the sector receded by 72,800 jobs from 2006 according to the Labour Force Survey. Also for the second consecutive year the contraction was mainly attributable to the non-durable industries, which fell 2.4%. Of the 21 major manufacturing groups, 12 decreased, accounting for 59% of total manufacturing value added.

The manufacturing subsectors highly sensitive to exports suffered the greatest in 2007. For instance, wood product manufacturing declined a further 10.7% after dipping 4.4% in 2006 while exports of forestry products as a whole declined in each of the four quarters throughout the year as the U.S. housing market experienced significant declines. Motor vehicle production experienced its second consecutive yearly decline (-5.1%), partly as a result of extended shutdowns. Other industries that followed similar movements were the textile and clothing industries (-8.5%).

Providing the largest counter to the decline was the continued expansion of food manufacturing, up 2.2%. The production of non-metallic minerals (+5.5%), fabricated metal products (+2.6%), machinery (+2.5%) and computer and electronic products (+3.5%) also continued to grow in 2007. Robust ship and boat building activities paired with increases in other transportation equipment and continued strength in aerospace product and parts manufacturing largely mitigated the decline in the manufacturing of transportation equipment.

Construction activities continued to expand (+4.2%) fuelled once again by increases in repair and engineering construction work (+6.3%), which experienced double digit gains in both 2005 and 2006. Both residential and non-residential construction advanced through the year. Residential construction moved forward helped by alterations and improvements work as singles continued their decline from 2004 highs. Non-residential construction grew 1.2% on moderate increases in industrial buildings and strong growth in commercial buildings while public buildings contracted. The real estate agents industry climbed 7.1%, following a lacklustre year in 2006, as the home resale market showed strength.

The energy sector accelerated 1.5% on the strength of oil and gas extraction (+3.0%) and electricity production (+3.4%). Most of the increases in oil and gas extraction once again stemmed from the extraction of non-conventional oil. Natural gas extraction declined as companies completed the lowest number of gas wells since 2002. Also contributing were the continued high levels of storage of natural gas in both Canada and the United States, reaching an all-time high late in the year. Mining excluding oil and gas increased 7.6% as the production of potash rebounded 26.1% in 2007, following lengthy contract negotiations in 2006.

Industrial production (the production of factories, mines and utilities) moved ahead 0.3% and was tempered by the decline in manufacturing. Industrial production in the United States rose 2.1% as manufacturing, mining and utilities all advanced.

Forestry and logging activities decreased 10.5% partially as a result of lengthy labour disputes in western Canada as well as decreased demand for exports, particularly to the United States. Within Canada throughout the year this impact could be seen in a variety of downstream industries, such as sawmills.

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

	May 2007	June 2007	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
All industries	1,223,700 <i>0.5</i>	1,226,683 <i>0.2</i>	1,227,923 <i>0.1</i>	1,230,284 <i>0.2</i>	1,230,094 <i>-0.0</i>	1,233,859 <i>0.3</i>	1,235,062 <i>0.1</i>	1,226,770 <i>-0.7</i>
Goods-producing industries	379,859 <i>0.1</i>	380,837 <i>0.3</i>	379,460 <i>-0.4</i>	380,145 <i>0.2</i>	378,441 <i>-0.4</i>	378,801 <i>0.1</i>	377,884 <i>-0.2</i>	371,119 <i>-1.8</i>
Agriculture, forestry, fishing and hunting	27,065 <i>-0.6</i>	26,619 <i>-1.6</i>	26,439 <i>-0.7</i>	26,773 <i>1.3</i>	26,717 <i>-0.2</i>	26,618 <i>-0.4</i>	26,558 <i>-0.2</i>	26,395 <i>-0.6</i>
Mining and oil and gas extraction	57,945 <i>-0.3</i>	59,399 <i>2.5</i>	58,531 <i>-1.5</i>	59,389 <i>1.5</i>	58,754 <i>-1.1</i>	57,919 <i>-1.4</i>	57,732 <i>-0.3</i>	57,050 <i>-1.2</i>
Utilities	31,396 <i>0.0</i>	31,356 <i>-0.1</i>	30,960 <i>-1.3</i>	30,732 <i>-0.7</i>	31,271 <i>1.8</i>	31,668 <i>1.3</i>	31,873 <i>0.6</i>	31,706 <i>-0.5</i>
Construction	76,818 <i>0.7</i>	77,294 <i>0.6</i>	77,282 <i>-0.0</i>	77,547 <i>0.3</i>	77,935 <i>0.5</i>	78,055 <i>0.2</i>	78,207 <i>0.2</i>	78,176 <i>-0.0</i>
Manufacturing	186,764 <i>0.1</i>	185,596 <i>-0.6</i>	186,011 <i>0.2</i>	185,109 <i>-0.5</i>	183,297 <i>-1.0</i>	184,500 <i>0.7</i>	183,464 <i>-0.6</i>	177,503 <i>-3.2</i>
Services-producing industries	844,556 <i>0.7</i>	846,561 <i>0.2</i>	849,268 <i>0.3</i>	850,948 <i>0.2</i>	852,542 <i>0.2</i>	855,990 <i>0.4</i>	858,178 <i>0.3</i>	856,859 <i>-0.2</i>
Wholesale trade	70,772 <i>1.6</i>	71,104 <i>0.5</i>	72,207 <i>1.6</i>	72,131 <i>-0.1</i>	72,677 <i>0.8</i>	73,817 <i>1.6</i>	73,785 <i>-0.0</i>	72,286 <i>-2.0</i>
Retail trade	73,567 <i>2.5</i>	73,267 <i>-0.4</i>	72,759 <i>-0.7</i>	73,664 <i>1.2</i>	73,516 <i>-0.2</i>	73,846 <i>0.4</i>	74,213 <i>0.5</i>	74,155 <i>-0.1</i>
Transportation and warehousing	56,381 <i>0.3</i>	56,210 <i>-0.3</i>	56,792 <i>1.0</i>	56,917 <i>0.2</i>	56,840 <i>-0.1</i>	56,706 <i>-0.2</i>	56,955 <i>0.4</i>	56,158 <i>-1.4</i>
Information and cultural industries	44,032 <i>0.0</i>	44,319 <i>0.7</i>	44,215 <i>-0.2</i>	44,301 <i>0.2</i>	44,408 <i>0.2</i>	44,633 <i>0.5</i>	44,722 <i>0.2</i>	44,788 <i>0.1</i>
Finance, insurance and real estate	239,360 <i>0.5</i>	240,100 <i>0.3</i>	241,011 <i>0.4</i>	241,055 <i>0.0</i>	241,327 <i>0.1</i>	242,242 <i>0.4</i>	242,831 <i>0.2</i>	243,268 <i>0.2</i>
Professional, scientific and technical services	57,220 <i>0.6</i>	57,349 <i>0.2</i>	57,506 <i>0.3</i>	57,594 <i>0.2</i>	57,671 <i>0.1</i>	57,728 <i>0.1</i>	57,959 <i>0.4</i>	57,951 <i>-0.0</i>
Administrative and waste management services	31,567 <i>0.4</i>	31,696 <i>0.4</i>	31,776 <i>0.3</i>	31,847 <i>0.2</i>	31,936 <i>0.3</i>	32,045 <i>0.3</i>	32,155 <i>0.3</i>	32,256 <i>0.3</i>
Educational services	57,397 <i>0.4</i>	57,497 <i>0.2</i>	57,637 <i>0.2</i>	57,793 <i>0.3</i>	58,023 <i>0.4</i>	58,177 <i>0.3</i>	58,288 <i>0.2</i>	58,441 <i>0.3</i>
Health care and social assistance	76,597 <i>0.3</i>	76,736 <i>0.2</i>	76,961 <i>0.3</i>	77,036 <i>0.1</i>	77,122 <i>0.1</i>	77,337 <i>0.3</i>	77,474 <i>0.2</i>	77,755 <i>0.4</i>
Arts, entertainment and recreation	11,561 <i>0.9</i>	12,050 <i>4.2</i>	11,834 <i>-1.8</i>	11,772 <i>-0.5</i>	11,833 <i>0.5</i>	11,756 <i>-0.7</i>	11,866 <i>0.9</i>	11,692 <i>-1.5</i>
Accommodation and food services	27,661 <i>2.0</i>	27,641 <i>-0.1</i>	27,781 <i>0.5</i>	27,911 <i>0.5</i>	28,143 <i>0.8</i>	28,252 <i>0.4</i>	28,351 <i>0.4</i>	28,232 <i>-0.4</i>
Other services (except public administration)	30,758 <i>0.3</i>	30,820 <i>0.2</i>	30,900 <i>0.3</i>	30,988 <i>0.3</i>	31,071 <i>0.3</i>	31,198 <i>0.4</i>	31,242 <i>0.1</i>	31,343 <i>0.3</i>
Public administration	67,754 <i>0.3</i>	67,827 <i>0.1</i>	67,966 <i>0.2</i>	68,011 <i>0.1</i>	68,046 <i>0.1</i>	68,327 <i>0.4</i>	68,409 <i>0.1</i>	68,587 <i>0.3</i>
Other aggregations								
Industrial production	276,731 <i>-0.0</i>	277,618 <i>0.3</i>	276,434 <i>-0.4</i>	276,572 <i>0.0</i>	274,592 <i>-0.7</i>	274,916 <i>0.1</i>	273,926 <i>-0.4</i>	267,474 <i>-2.4</i>
Non-durable manufacturing industries	73,466 <i>0.9</i>	73,553 <i>0.1</i>	73,571 <i>0.0</i>	72,894 <i>-0.9</i>	71,902 <i>-1.4</i>	71,466 <i>-0.6</i>	71,941 <i>0.7</i>	71,283 <i>-0.9</i>
Durable manufacturing industries	113,506 <i>-0.5</i>	112,227 <i>-1.1</i>	112,630 <i>0.4</i>	112,420 <i>-0.2</i>	111,611 <i>-0.7</i>	113,291 <i>1.5</i>	111,739 <i>-1.4</i>	106,353 <i>-4.8</i>
Business sector industries	1,031,304 <i>0.5</i>	1,034,023 <i>0.3</i>	1,034,763 <i>0.1</i>	1,036,946 <i>0.2</i>	1,036,396 <i>-0.1</i>	1,039,605 <i>0.3</i>	1,040,541 <i>0.1</i>	1,031,747 <i>-0.8</i>
Non-business sector industries	192,311 <i>0.3</i>	192,572 <i>0.1</i>	193,065 <i>0.3</i>	193,238 <i>0.1</i>	193,604 <i>0.2</i>	194,160 <i>0.3</i>	194,429 <i>0.1</i>	194,961 <i>0.3</i>
ICT sector, total	56,534 <i>-0.1</i>	57,119 <i>1.0</i>	57,054 <i>-0.1</i>	57,013 <i>-0.1</i>	56,859 <i>-0.3</i>	57,256 <i>0.7</i>	57,456 <i>0.3</i>	57,503 <i>0.1</i>
Energy sector	86,955 <i>-0.4</i>	88,553 <i>1.8</i>	87,353 <i>-1.4</i>	87,737 <i>0.4</i>	87,539 <i>-0.2</i>	86,918 <i>-0.7</i>	87,018 <i>0.1</i>	86,007 <i>-1.2</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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Goods-producing industries	374,480	373,421	378,409	380,107	379,349	375,935	375,489	378,450
	-0.3	-0.3	1.3	0.4	-0.2	-0.9	1.2	0.8
Agriculture, forestry, fishing and hunting	27,399	27,384	27,402	26,974	26,643	26,524	27,847	26,886
	-2.8	-0.1	0.1	-1.6	-1.2	-0.4	-2.1	-3.5
Mining and oil and gas extraction	57,558	57,204	58,294	58,483	58,891	57,567	57,174	58,309
	1.4	-0.6	1.9	0.3	0.7	-2.2	2.0	2.0
Utilities	30,286	29,818	30,547	31,383	30,988	31,749	30,128	31,167
	0.1	-1.5	2.4	2.7	-1.3	2.5	-1.4	3.4
Construction	74,369	75,536	76,369	76,809	77,588	78,146	74,087	77,228
	1.1	1.6	1.1	0.6	1.0	0.7	8.1	4.2
Manufacturing	184,920	183,590	185,714	186,331	184,806	181,822	186,631	184,668
	-1.3	-0.7	1.2	0.3	-0.8	-1.6	-1.0	-1.1
Services-producing industries	822,022	827,148	834,588	843,180	850,919	857,009	818,862	846,424
	0.6	0.6	0.9	1.0	0.9	0.7	3.8	3.4
Wholesale trade	69,239	68,298	69,245	70,503	72,338	73,296	68,383	71,346
	0.9	-1.4	1.4	1.8	2.6	1.3	7.1	4.3
Retail trade	69,647	69,847	71,264	72,874	73,313	74,071	69,015	72,881
	1.0	0.3	2.0	2.3	0.6	1.0	6.0	5.6
Transportation and warehousing	55,565	55,683	55,888	56,275	56,850	56,606	55,501	56,405
	0.1	0.2	0.4	0.7	1.0	-0.4	3.2	1.6
Information and cultural industries	43,353	43,651	43,773	44,125	44,308	44,714	43,147	44,230
	1.0	0.7	0.3	0.8	0.4	0.9	3.1	2.5
Finance, insurance and real estate	231,525	234,023	236,704	239,207	241,131	242,780	230,362	239,956
	1.1	1.1	1.1	1.1	0.8	0.7	3.8	4.2
Professional, scientific and technical services	55,504	56,088	56,542	57,150	57,590	57,879	55,377	57,291
	0.8	1.1	0.8	1.1	0.8	0.5	2.9	3.5
Administrative and waste management services	30,775	30,979	31,212	31,565	31,853	32,152	30,524	31,696
	1.3	0.7	0.8	1.1	0.9	0.9	6.1	3.8
Educational services	56,206	56,587	56,943	57,360	57,818	58,302	56,221	57,606
	0.2	0.7	0.6	0.7	0.8	0.8	2.2	2.5
Health care and social assistance	74,878	75,376	75,974	76,571	77,040	77,522	74,780	76,777
	0.3	0.7	0.8	0.8	0.6	0.6	2.7	2.7
Arts, entertainment and recreation	11,293	11,566	11,625	11,690	11,813	11,771	11,410	11,725
	-2.2	2.4	0.5	0.6	1.1	-0.4	4.3	2.8
Accommodation and food services	27,173	27,880	27,676	27,472	27,945	28,278	27,365	27,843
	-0.2	2.6	-0.7	-0.7	1.7	1.2	3.6	1.7
Other services (except public administration)	30,170	30,390	30,563	30,749	30,986	31,261	30,072	30,890
	0.6	0.7	0.6	0.6	0.8	0.9	2.5	2.7
Public administration	66,756	66,831	67,234	67,703	68,008	68,441	66,758	67,847
	-0.3	0.1	0.6	0.7	0.5	0.6	2.2	1.6
Other aggregations								
Industrial production	273,486	271,364	275,451	277,059	275,866	272,105	274,357	275,120
	-0.4	-0.8	1.5	0.6	-0.4	-1.4	-0.2	0.3
Non-durable manufacturing industries	74,031	73,355	72,594	73,271	72,789	71,563	74,329	72,554
	-0.6	-0.9	-1.0	0.9	-0.7	-1.7	-1.9	-2.4
Durable manufacturing industries	111,038	110,392	113,349	113,270	112,220	110,461	112,470	112,325
	-1.8	-0.6	2.7	-0.1	-0.9	-1.6	-0.3	-0.1
Business sector industries	1,007,201	1,010,284	1,021,407	1,030,330	1,036,035	1,037,298	1,005,146	1,031,268
	0.4	0.3	1.1	0.9	0.6	0.1	3.0	2.6
Non-business sector industries	188,692	189,561	190,902	192,188	193,302	194,517	188,687	192,727
	-0.0	0.5	0.7	0.7	0.6	0.6	2.3	2.1
ICT sector, total	54,744	55,151	55,850	56,743	56,975	57,405	54,485	56,743
	0.9	0.7	1.3	1.6	0.4	0.8	4.3	4.1
Energy sector	86,638	84,925	86,774	87,612	87,543	86,648	85,876	87,144
	1.0	-2.0	2.2	1.0	-0.1	-1.0	1.0	1.5

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

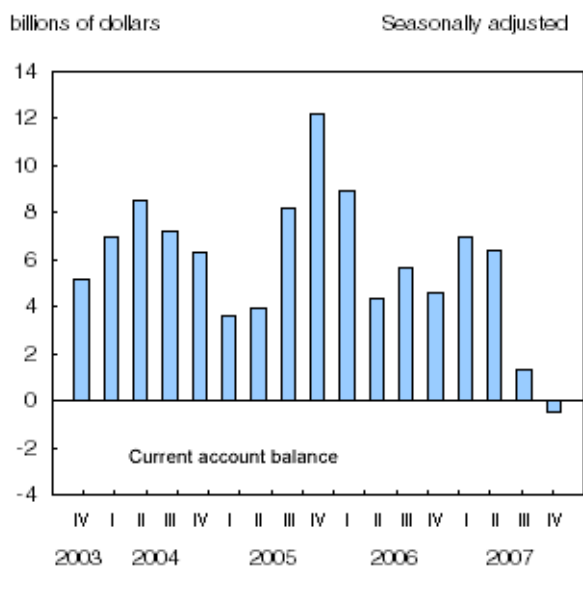
Balance of international payments

Fourth quarter 2007

For the first time since the second quarter of 1999, the current account balance with the rest of the world was in deficit. The balance deteriorated \$1.8 billion from the previous quarter to negative \$513 million in the fourth quarter (on a seasonally adjusted basis). A lower goods surplus and record travel deficit contributed significantly to the emergence of this small deficit.

Chart D.1

Higher travel deficit and smaller goods surplus lead to a first current account deficit in 8 years



For 2007 as a whole, the current account surplus narrowed to \$14.2 billion, down sharply from the 2006 surplus of \$23.6 billion. This was led by a wider deficit on travel and higher profits earned by foreign direct investors. This narrowing surplus occurred against the backdrop of a Canadian dollar that made strong gains against major foreign currencies in 2007, particularly the American dollar and the British pound. This generally made Canada's exports more expensive and its imports cheaper, with consequence for the current account balance.

In the capital and financial account (not seasonally adjusted), robust foreign direct investment acquisitions led to near record direct investment flows into Canada. In the context of debt market reaction to the recent credit crisis, Canadian portfolio investors continued to shed large amounts of foreign debt while purchasing foreign equities for a second consecutive quarter.

Current account

Lowest goods surplus in more than eight years

The goods surplus narrowed to \$9.3 billion in the fourth quarter, below the \$10 billion mark for the first time this decade, as exports fell more than imports. Nevertheless, the \$1.1 billion reduction in the goods surplus was smaller than that of the previous quarter when imports advanced.

Goods exports weakened further in the fourth quarter, down \$4.0 billion from the previous quarter to reach \$111.4 billion. This was the third consecutive drop in sales of goods to non-residents. The largest decline was in industrial goods which fell \$1.8 billion, mostly due to lower prices. Export values for nickel ores and nickel alloys were down by a combined \$1.2 billion on both lower volumes and prices. Inorganic chemicals (which include uranium) lost ground for the second consecutive quarter, as prices declined 40% after the peak of the second quarter.

Note to readers

The **balance of payments** covers all economic transactions between Canadian residents and non-residents, in two accounts—the current account and the capital and financial account.

The **current account** covers transactions in goods, services, investment income and current transfers. Exports and interest income are examples of receipts, while imports and interest expense are payments. The overall balance of receipts and payments is Canada's current account **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 in three functional classes: direct investment, portfolio investment and all other types of investment. These flows arise from financial activities of either Canadian residents (foreign assets of Canadian investors) or non-residents (Canadian liabilities to foreign investors). Transactions resulting in capital inflows to Canada are presented as positive values while those giving rise to capital outflows from Canada are shown as negative values.

In principle, a current account surplus corresponds to an equivalent net outflow in the capital and financial account; and, a current account deficit corresponds to an equivalent net inflow in the capital and financial account. In other words, the two accounts should add to zero. In practice, as data are compiled from multiple sources, this is rarely the case and gives rise to measurement error. The statistical discrepancy is the unobserved net inflow or outflow.

The exports of machinery and equipment and automotive products continued to soften in the fourth quarter. Machinery and equipment exports were off \$1.1 billion from the previous quarter, with the largest reduction being recorded in telecommunication products. Exports of automotive products fell \$1.0 billion in the fourth quarter recording foreign sales of \$18.0 billion, the lowest level since the second quarter of 1998. The weakness was evident in automobiles, trucks, parts which all showed their lowest sales levels in several years.

Forestry products rounded out the weakness in exports in the fourth quarter, down \$0.5 billion from the previous quarter. This made for the eighth consecutive decline in foreign sales of forestry products. Almost all the \$0.3 billion reduction in exports of lumber came from lower prices in the fourth quarter.

Energy product exports comprised the only category that posted gains in the fourth quarter, up \$1.0 billion. This was led by higher prices of crude petroleum exports. The sales of crude petroleum more than offset the reduced sales of natural gas, where prices declined in the quarter.

Import of goods declined \$3.0 billion in the fourth quarter to reach \$102.1 billion. For their part imports of automotive products were down \$1.2 billion. In particular, vehicle parts lost more than 10% to reach \$8.1 billion - the lowest level since the end of 1996.

Both industrial goods and machinery and equipment posted \$0.8 billion reductions in the fourth quarter. Lower prices were responsible for these declines as volumes improved for both major categories. Imports of organic chemicals and aircraft were lower following highs set in the third quarter. Energy products edged down, as lower imports of crude petroleum were almost all offset by higher imports of petroleum and coal products.

For 2007 as a whole, the surplus on goods continued to shrink. The goods balance was down \$1.7 billion as imports rose more than exports. On the export side, large gains were recorded for industrial goods and energy products while automotive products and forestry products were down. The strengthening of imports during 2007 was more evenly distributed between almost all major categories of goods, except for automotive products which remained flat due to low imports of vehicle parts.

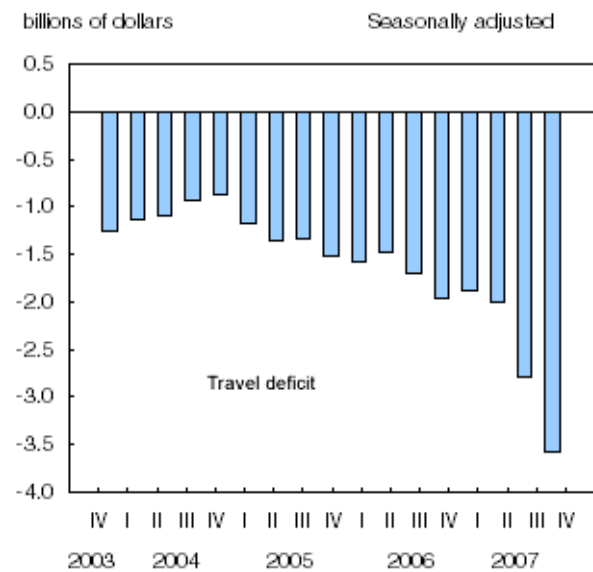
Services deficit continues to widen

In the fourth quarter, the deficit on services set another record at \$5.8 billion, up \$0.8 billion from the previous quarter. That larger deficit was led by the third consecutive record for the travel deficit. The deficit on transportation also expanded, while that of commercial services was largely unchanged.

The travel deficit reached \$3.6 billion during this quarter as payments continued to grow while receipts remained stable. The stronger buying power of the Canadian dollar was an important factor as Canadian travellers to the United States increased their spending by 16.7%. The number of same-day travellers was up 8.9% while the number of Canadians travelling by car and staying at least one night in United States was up 15.8%. Expenses by Canadians on overseas trips were also up marginally. On the receipts side, lower expenses by U.S. visitors were more than offset by increased spending by overseas travellers.

Chart D.2

Canadians take advantage of the strong Canadian dollar and increase their travel spending

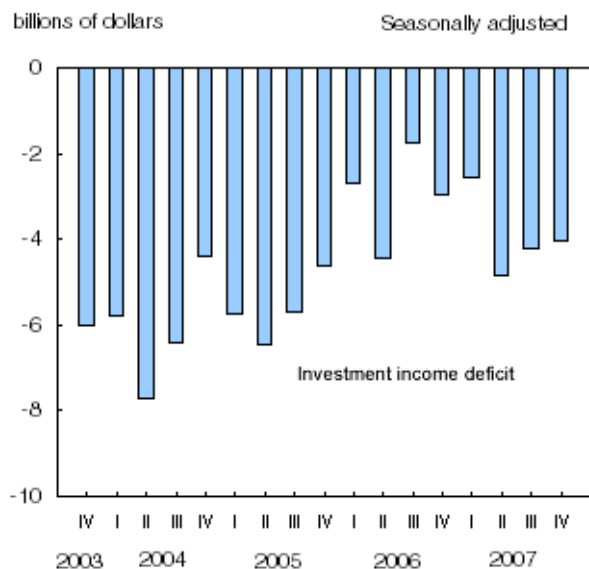


The transportation services deficit widened (\$0.3 billion) to a record \$2.1 billion in the fourth quarter. This was due, in part, to higher payments for passenger fares. However, the deficit on commercial services edged down (\$0.2 billion) as receipts rose and payments were largely unchanged.

Deficit on investment income remains stable

The deficit on investment income narrowed marginally (\$0.2 billion) as the decline in payments exceeded that of receipts. Payments on investment income were down \$0.7 billion, as interest paid on Canadian bonds reached a new low of \$5.2 billion. In addition, the profits earned by foreign direct investors edged down after a third quarter high.

Chart D.3
Nearly identical reductions of investment income receipts and payments leave the deficit largely unchanged



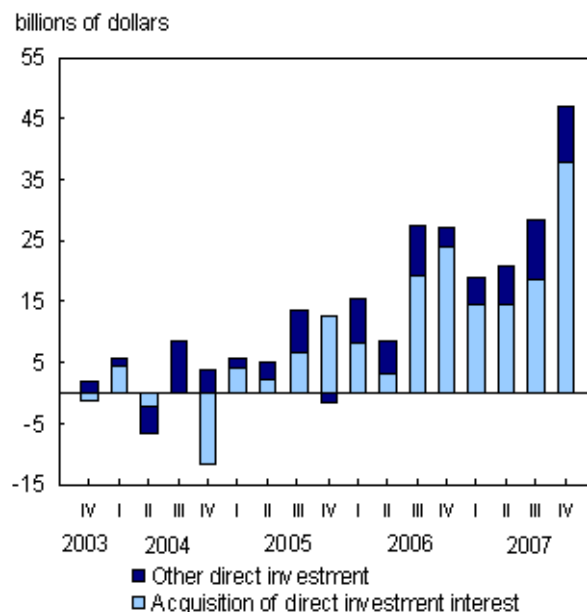
On the receipts side, profits on Canadian direct investment abroad declined \$0.8 billion following a strong third quarter. Interest received on foreign portfolio investment was also down (\$0.2 billion), reflecting lower yields. However, higher receipts in the other investment, mainly from banking assets, partially offset these reductions.

Financial account

Foreign direct investors close 2007 with record investment

In the fourth quarter of 2007, direct investment flows into Canada surged to \$47.0 billion. Once again this was driven by foreign acquisitions of Canadian firms, a trend that has dominated 2007. Takeovers of Canadian firms by foreign direct investors comprised over 80% of this quarter's inward direct investment.

Chart D.4
Takeovers drive foreign direct investment in Canada to new high



Foreign direct investment was concentrated in the energy and metallic minerals sector of the Canadian economy (\$35.2 billion) in the fourth quarter. On a geographical basis, most of the foreign financing came from British (\$27.4 billion) and American (\$17.2 billion) firms.

The year 2007 as a whole produced an unprecedented \$115.4 billion of foreign direct investment flows into Canada, surpassing the wave of inward investment realized during the tech bubble of 2000. Cross-border mergers and acquisitions were the driving force behind foreign direct investment in Canada in 2007, reflecting consolidation of some sectors on a worldwide scale.

Non-resident holdings of Canadian portfolio shares drop sharply

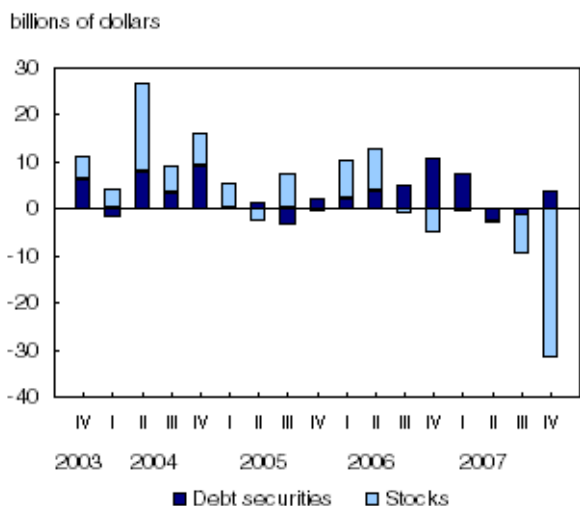
Foreign portfolio investors reduced their holdings of Canadian securities by a record \$28.0 billion during the fourth quarter, mainly equities. The sizable inflow of foreign direct investment capital used to acquire Canadian firms in the fourth quarter was partly offset by the relinquishing of significant quantities of shares formerly held by foreign portfolio investors. Foreign holdings of Canadian equities fell sharply (\$31.9 billion), mainly related to takeovers.

Sales of \$1.1 billion of Canadian outstanding shares by non-residents during the quarter also contributed to the decline in the foreign portfolio holdings. While non-residents were net buyers of Canadian outstanding shares during the year overall (\$2.3 billion), it marked a dramatic slowdown in foreign investment in these instruments relative to previous years.

Non-resident investors picked up \$4.4 billion worth of Canadian bonds during the fourth quarter of 2007, after bond investment fell in the second quarter and remained flat in the third. Purchases were concentrated in federal government enterprise bonds, reflecting record new issues in foreign markets over the quarter. Foreign investors purchased \$9.5 billion of Canadian bonds in 2007, the majority in U.S. dollar-denominated Canadian bonds, a reversal from 2006 when Canadian dollar issues were favoured.

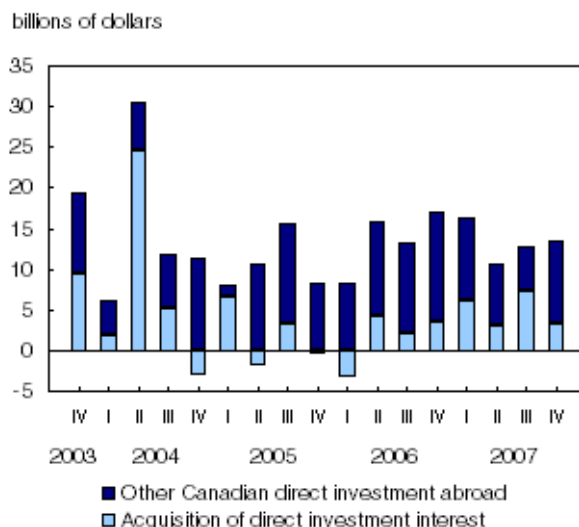
Non-residents continued to shy away from Canadian money market paper in the fourth quarter, removing a further \$568 million worth from their portfolios. Divestment was entirely in federal government and federal government enterprise paper. For the year, foreign investors sold off \$1.4 billion worth of Canadian money market paper, the majority being federal government issues.

Chart D.5
Takeovers lead to significant reductions of foreign-held Canadian shares



Canadian direct investment abroad advances steadily
Canadian direct investment abroad reached \$13.4 billion in the fourth quarter, up marginally from the third quarter and equivalent to the average quarterly investment for the year. The bulk of the investment in the fourth quarter (\$10.1 billion) was the result of additional working capital provided to foreign affiliates. Continuing the pattern of previous quarters of 2007, most of the investment (\$8.0 billion) in the fourth quarter was in the finance and insurance industry and was directed to the U.S. economy (\$6.0 billion).

Chart D.6
Canadian direct investment abroad continues at the same pace^[1]



1. Reverse of Balance of Payments signs.

Canadian direct investors placed \$53.1 billion into foreign economies in 2007. The solid pace of investment observed in 2007 was sizable by historical standards (fourth largest). The Canadian dollar appreciated by over U.S. 15 cents in 2007 to slightly exceed parity with the U.S. dollar at year-end.

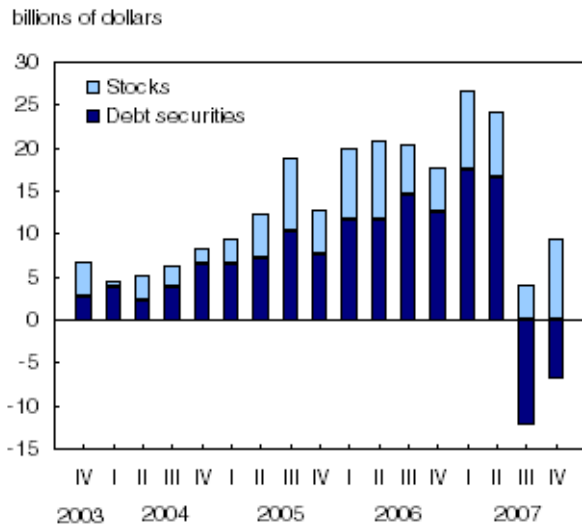
Canada had been an annual net provider of foreign direct investment to the rest of the world from 2001 to 2005. This changed in 2006, with inward investment surpassing outward investment, and widened further in 2007.

Canadian investors demand for foreign securities rebounds

After an atypical decline in the third quarter, Canadian investors demand for foreign securities rebounded in the fourth quarter, with investment in equity markets dominating. The \$2.8 billion invested in the fourth quarter brought the total for the year to \$45.9 billion, well below the \$78.7 billion worth of foreign securities acquired in 2006.

Canadians invested \$9.5 billion in foreign equities during the quarter, the largest amount in over six years. Investments were focused primarily in U.S. stocks (\$7.8 billion), as has been the case for the entire year. The \$30.6 billion in purchases of foreign shares in 2007 were up 8.0% over 2006, amounting to the highest foreign equity activity since 2001.

Chart D.7
Equities drive Canadian demand for foreign securities^[1]



1. Reverse of Balance of Payments signs.

In a marked turnaround from the first half of the year in which Canadians invested record amounts in foreign bonds, they divested a sizable \$6.8 billion worth during the second half of the year, with most (\$5.1 billion) over the fourth quarter. Canadian investors bought \$26.7 billion of foreign bonds in 2007, down from the 2006 high of \$43.6 billion.

Following a record divestment of \$10.4 billion in the third quarter, Canadians off-loaded a further \$1.5 billion of their holdings of foreign short-term market paper in the fourth quarter, the bulk in non-US paper. In a year characterized by instability in the short term debt market, Canadians more than halved their holdings of foreign money market instruments in 2007.

Transactions in deposits, loans and reserve assets

The other investment account recorded a net inflow of \$3.3 billion over the quarter. Most of the inflow of the quarter was the result of increased loan and deposit liabilities to non-residents. Contributing to the inflow were moderate decreases in loan and international reserve assets.

In a year marked by high volatility in the debt market and a 17.6% appreciation of the Canadian dollar over the U.S. dollar, major increases were recorded in deposits abroad by residents (\$39.2 billion) and deposits in Canada by non-residents (\$48.6 billion).

Table D.1 Balance of payments

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	131,426	130,643	134,763	139,480	131,108	127,340	522,926	532,690
Goods	111,946	115,070	119,387	122,368	112,038	111,439	455,696	465,232
Services	19,480	15,573	15,376	17,113	19,070	15,900	67,230	67,458
Investment income	16,492	17,050	15,041	15,980	17,083	15,575	61,599	63,679
Direct investment	8,677	9,523	7,032	7,571	8,848	7,329	32,600	30,780
Portfolio investment	4,262	4,682	5,228	5,458	5,169	5,003	16,867	20,858
Other investment	3,554	2,844	2,781	2,951	3,066	3,243	12,131	12,041
Current transfers	1,920	2,704	2,538	2,147	2,161	2,719	9,682	9,564
Current account receipts	149,838	150,397	152,342	157,607	150,351	145,633	594,207	605,933
Payments								
Goods and services	121,328	122,453	126,133	128,973	123,812	123,592	486,789	502,509
Goods	100,300	102,246	104,485	107,128	102,095	101,891	404,395	415,599
Services	21,028	20,207	21,648	21,844	21,717	21,701	82,394	86,910
Investment income	18,006	19,888	18,452	20,304	20,463	20,139	73,446	79,358
Direct investment	7,608	8,573	6,721	9,176	9,721	9,571	31,091	35,189
Portfolio investment	6,783	7,129	7,020	6,915	6,791	6,565	27,094	27,291
Other investment	3,616	4,186	4,711	4,213	3,951	4,003	15,260	16,878
Current transfers	2,090	2,859	3,529	1,885	2,174	2,296	10,394	9,884
Current account payments	141,423	145,200	148,114	151,162	146,449	146,027	570,629	591,751
Balances								
Goods and services	10,099	8,190	8,630	10,507	7,296	3,748	36,137	30,181
Goods	11,646	12,824	14,903	15,239	9,943	9,548	51,302	49,633
Services	-1,548	-4,635	-6,272	-4,732	-2,647	-5,801	-15,165	-19,452
Investment income	-1,514	-2,839	-3,411	-4,324	-3,379	-4,564	-11,847	-15,678
Direct investment	1,069	951	311	-1,605	-873	-2,242	1,509	-4,410
Portfolio investment	-2,521	-2,447	-1,792	-1,457	-1,622	-1,562	-10,227	-6,432
Other investment	-62	-1,342	-1,930	-1,262	-885	-760	-3,129	-4,836
Current transfers	-170	-154	-992	262	-14	423	-712	-320
Current account balance	8,415	5,197	4,228	6,445	3,903	-394	23,578	14,183
Capital and financial account[1]								
Capital account	993	951	1,241	1,014	1,037	988	4,201	4,280
Financial account	-7,587	-1,164	-10,533	-7,845	-10,266	6,002	-22,741	-22,642
Canadian assets, net flows								
Canadian direct investment abroad	-13,245	-17,046	-16,410	-10,626	-12,702	-13,392	-51,322	-53,130
Portfolio investment	-20,372	-17,637	-26,749	-24,266	7,979	-2,837	-78,693	-45,873
Foreign bonds	-9,533	-10,767	-17,186	-16,336	1,688	5,103	-43,602	-26,732
Foreign stocks	-5,892	-5,142	-9,331	-7,691	-4,082	-9,458	-28,291	-30,563
Foreign money market	-4,946	-1,728	-232	-239	10,373	1,518	-6,800	11,422
Other investment	-12,939	19,796	-20,447	-16,621	-20,725	-6,972	-35,325	-64,765
Loans	-6,377	429	-5,009	2,582	-9,161	1,753	-12,201	-9,835
Deposits	-4,069	25,901	-6,103	-13,168	-16,689	-3,234	-8,183	-39,195
Official international reserves	52	1,662	-4,722	-366	-144	588	-1,013	-4,644
Other assets	-2,545	-8,195	-4,613	-5,668	5,269	-6,079	-13,927	-11,091
Total Canadian assets, net flows	-46,555	-14,887	-63,606	-51,512	-25,448	-23,201	-165,339	-163,768
Canadian liabilities, net flows								
Foreign direct investment in Canada	27,223	27,047	18,971	21,154	28,327	46,955	78,317	115,407
Portfolio investment	4,166	5,328	7,088	-3,175	-9,648	-28,020	32,544	-33,754
Canadian bonds	6,351	12,341	8,321	-3,281	37	4,400	18,015	9,477
Canadian stocks	-1,034	-5,264	-532	-899	-8,524	-31,853	10,814	-41,808
Canadian money market	-1,151	-1,749	-702	1,006	-1,160	-568	3,715	-1,424
Other investment	7,579	-18,653	27,014	25,688	-3,497	10,268	31,737	59,473
Loans	7,048	716	3,286	2,808	-4,415	6,610	11,873	8,290
Deposits	657	-18,032	21,844	22,334	-21	4,400	20,724	48,556
Other liabilities	-126	-1,337	1,885	546	938	-742	-860	2,627
Total Canadian liabilities, net flows	38,968	13,723	53,073	43,667	15,182	29,204	142,598	141,125
Total capital and financial account, net flows	-6,593	-213	-9,292	-6,832	-9,229	6,990	-18,540	-18,363
Statistical discrepancy	-1,821	-4,984	5,064	386	5,326	-6,596	-5,038	4,180

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

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	131,187	132,338	136,420	135,893	132,059	128,318	522,926	532,690
Goods	114,294	115,506	119,566	118,839	115,425	111,403	455,696	465,232
Services	16,893	16,832	16,854	17,054	16,634	16,916	67,230	67,458
Travel	4,178	4,124	4,128	4,212	4,141	4,164	16,598	16,645
Transportation	3,049	3,111	3,199	3,167	3,054	3,065	12,129	12,486
Commercial services	9,224	9,140	9,065	9,220	8,995	9,217	36,708	36,496
Government services	443	457	462	456	445	469	1,795	1,832
Investment income	16,498	16,885	15,464	15,419	16,662	16,133	61,599	63,679
Direct investment	8,716	9,150	7,366	7,287	8,451	7,676	32,600	30,780
Interest	434	276	421	485	324	354	1,380	1,583
Profits	8,282	8,874	6,946	6,802	8,127	7,321	31,220	29,197
Portfolio investment	4,295	4,741	5,233	5,283	5,244	5,098	16,867	20,858
Interest	1,582	1,838	2,030	2,180	2,134	1,880	6,189	8,224
Dividends	2,712	2,903	3,203	3,103	3,111	3,217	10,679	12,634
Other investment	3,488	2,995	2,865	2,850	2,967	3,360	12,131	12,041
Current transfers	2,252	2,521	2,227	2,396	2,517	2,424	9,682	9,564
Private	673	623	735	640	673	608	2,680	2,656
Official	1,579	1,897	1,491	1,756	1,844	1,816	7,002	6,907
Total receipts	149,938	151,744	154,111	153,708	151,239	146,876	594,207	605,933
Payments								
Goods and services	123,701	124,297	126,335	124,769	126,620	124,786	486,789	502,509
Goods	102,968	103,175	105,333	103,205	105,007	102,054	404,395	415,599
Services	20,732	21,122	21,002	21,564	21,613	22,732	82,394	86,910
Travel	5,874	6,081	6,015	6,224	6,934	7,743	23,311	26,916
Transportation	4,823	5,058	5,034	5,072	4,914	5,197	19,194	20,217
Commercial services	9,779	9,726	9,703	10,013	9,508	9,535	38,865	38,758
Government services	255	256	250	255	257	257	1,024	1,019
Investment income	18,259	19,848	18,016	20,274	20,879	20,189	73,446	79,358
Direct investment	7,555	8,569	6,654	8,966	9,830	9,739	31,091	35,189
Interest	365	370	360	370	370	371	1,465	1,471
Profits	7,190	8,199	6,294	8,597	9,460	9,367	29,626	33,718
Portfolio investment	6,797	7,175	6,980	6,910	6,807	6,594	27,094	27,291
Interest	5,624	5,819	5,854	5,710	5,591	5,402	22,324	22,557
Dividends	1,173	1,355	1,126	1,200	1,216	1,192	4,770	4,734
Other investment	3,908	4,105	4,382	4,397	4,242	3,856	15,260	16,878
Current transfers	2,313	2,977	2,800	2,265	2,405	2,414	10,394	9,884
Private	1,417	2,129	1,905	1,417	1,413	1,462	6,913	6,197
Official	896	849	895	849	991	951	3,481	3,686
Total payments	144,273	147,123	147,151	147,308	149,903	147,389	570,629	591,751
Balances								
Goods and services	7,487	8,041	10,085	11,125	5,440	3,532	36,137	30,181
Goods	11,325	12,331	14,233	15,634	10,418	9,348	51,302	49,633
Services	-3,839	-4,290	-4,148	-4,510	-4,978	-5,816	-15,165	-19,452
Travel	-1,696	-1,957	-1,887	-2,012	-2,794	-3,578	-6,713	-10,271
Transportation	-1,775	-1,948	-1,835	-1,905	-1,860	-2,132	-7,065	-7,731
Commercial services	-556	-587	-638	-793	-513	-318	-2,157	-2,262
Government services	188	202	212	200	188	212	770	813
Investment income	-1,761	-2,963	-2,552	-4,855	-4,217	-4,056	-11,847	-15,678
Direct investment	1,161	581	712	-1,680	-1,379	-2,063	1,509	-4,410
Interest	69	-94	61	115	-47	-17	-85	112
Profits	1,092	674	652	-1,795	-1,333	-2,046	1,594	-4,521
Portfolio investment	-2,502	-2,434	-1,747	-1,627	-1,562	-1,496	-10,227	-6,432
Interest	-4,042	-3,982	-3,824	-3,530	-3,457	-3,521	-16,135	-14,333
Dividends	1,540	1,548	2,077	1,903	1,895	2,025	5,908	7,900
Other investment	-420	-1,110	-1,517	-1,548	-1,275	-496	-3,129	-4,836
Current transfers	-61	-457	-573	130	113	10	-712	-320
Private	-744	-1,505	-1,169	-777	-740	-855	-4,233	-3,541
Official	683	1,049	596	907	853	865	3,521	3,221
Current account	5,665	4,622	6,960	6,400	1,335	-513	23,578	14,183

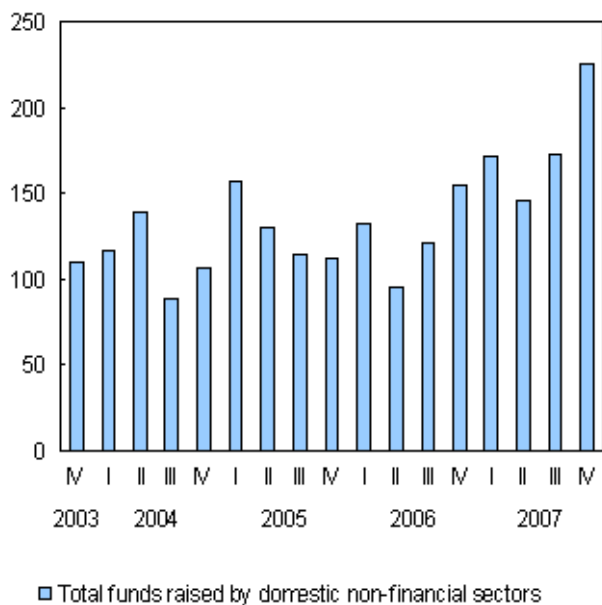
Section E Financial flow accounts

Fourth quarter 2007

Total funds raised by domestic non-financial sectors on financial markets amounted to \$225.0 billion in the fourth quarter of 2007 (seasonally adjusted at annual rates), up from the third quarter of 2007. Households continued to account for the largest share of the private sector's demand for funds. After two consecutive quarters of debt reduction, the overall government sector's demand for funds returned. The modest debt reduction registered by the federal government was more than offset by the continued borrowing by other levels of government.

Chart E.1
Overall demand for funds continues to increase

Billions of dollars, seasonally adjusted at annual rates



Key financial market indicators reflected the uncertainty in the Canadian economy in part due to the weakening United States economy. The S & P/Toronto Stock Exchange Composite Index was volatile, posting a record level in October, only to tumble in the last two months of the quarter. With the sustained demand for Canadian-produced resources such as crude oil and metals, alongside rising oil prices and the weakening American currency, the Canadian dollar rose above par and finished the quarter at about par with its U.S. counterpart. The bank rate was cut by 25 basis points in December after remaining unchanged during the first two months of the quarter. However, mortgage rates increased slightly from the third to the fourth quarter. After recording moderate gains during the third quarter, bond yields showed a slight decline during the last two months of the quarter.

Household sector

The household sector maintained its strong demand for new financing in the fourth quarter. As the country's housing market remained strong, with both new housing construction as well as renovation activities posting moderate gains, mortgage borrowing led the household sector's demand for funds. Consumer credit likewise stayed robust with personal consumption expenditure on goods and services increasing significantly.

Household debt in the form of mortgages and consumer credit edged up slightly at 116.4% of personal disposable income. Debt servicing charges remained unchanged at about 8% of personal disposable income.

The sector continued to boost its financial assets, though at a slower pace, notably through investment in deposits and growth in pension assets.

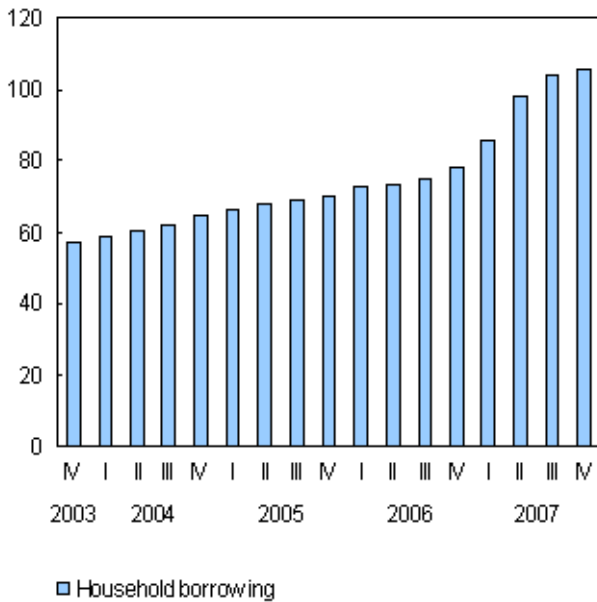
Note to readers

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.

Chart E.2**Growth in household borrowing eases**

Billions of dollars, seasonally adjusted at annual rates

**Corporate sector**

The corporate sector's demand for funds increased in the quarter as it continued steadily to invest in plant and equipment as well as in inventories. The corporate sector remained a net lender to the rest of the economy, as undistributed corporation profits rose in the fourth quarter.

The private non-financial corporate sector remained active in the financial markets, with loans and net new share issuances being predominant sources of funds in the fourth quarter.

Financial institutions continued to increase their overall financial assets with significant increases in mortgage assets and holdings of foreign equities more than compensating for reductions in short-term paper.

Government sector

The federal government maintained its trend of debt reduction in the fourth quarter, though at a much slower pace, with continued net retirement of Government of Canada bonds surpassing net issuance of short-term paper. However, this was more than offset by the continued demand for new financing by other levels of government, led by net issuance of short-term paper and provincial bonds. With revenue remaining steady, the overall government sector remained a net lender to the rest of the economy.

Chart E.3**Total government borrowing resumes**

Billions of dollars, seasonally adjusted at annual rates

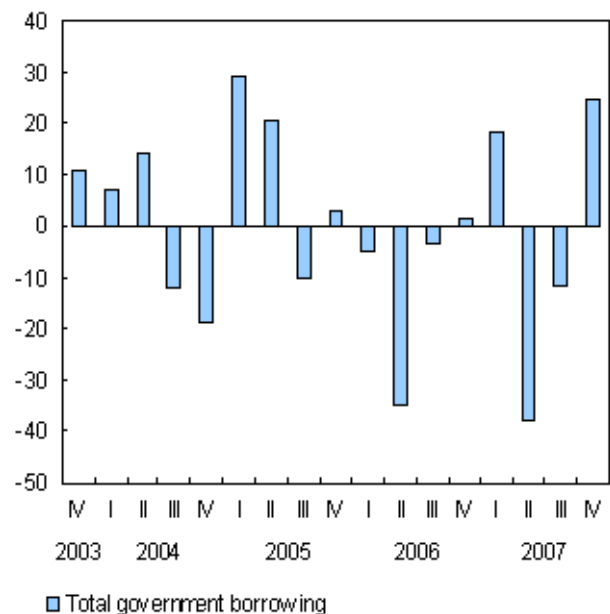


Table E.1 Financial market summary table

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised								
Persons and unincorporated business	77,056	82,928	86,020	97,988	107,548	106,696	79,150	99,563
Consumer credit	28,868	29,920	32,920	34,844	35,764	35,528	28,277	34,764
Bank loans	1,676	2,828	876	2,020	5,852	4,236	2,267	3,246
Other loans	212	2,340	-436	-2,128	-1,884	-2,720	2,091	-1,792
Mortgages	46,300	47,840	52,660	63,252	67,816	69,652	46,515	63,345
Non-financial private corporations	41,948	70,388	69,636	86,408	74,884	88,340	54,523	79,817
Bank loans	548	5,320	14,776	16,708	22,312	32,536	2,659	21,583
Other loans	-596	-5,076	816	-3,336	-892	-1,712	813	-1,281
Other short-term paper	7,948	15,920	-1,572	4,612	8,128	2,824	15,304	3,498
Mortgages	14,692	18,564	18,164	21,456	20,956	20,612	14,706	20,297
Bonds	12,444	16,076	19,520	7,116	13,940	8,336	5,369	12,228
Shares	6,912	19,584	17,932	39,852	10,440	25,744	15,672	23,492
Non-financial government enterprises	5,360	1,044	-2,192	-736	2,236	5,236	2,771	1,136
Bank loans	376	28	-568	24	312	344	234	28
Other loans	-528	1,104	-2,280	-672	-332	208	224	-769
Other short-term paper	4,608	-820	-332	68	-64	672	1,002	86
Mortgages	-4	-4	-4	-4	0	-8	-3	-4
Bonds	908	736	984	-156	2,316	4,036	1,314	1,795
Shares	0	0	8	4	4	-16	0	0
Federal government	-3,596	-2,448	15,724	-46,688	-42,908	-3,620	-10,266	-19,373
Bank loans	-20	36	152	156	136	120	-36	141
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	-1,144	4,592	21,636	-31,412	-35,924	12,104	-3,686	-8,399
Canada Savings Bonds	-1,748	-3,124	-2,500	-2,040	-1,612	-2,888	-2,247	-2,260
Other bonds	-684	-3,952	-3,564	-13,392	-5,508	-12,956	-4,297	-8,855
Other levels of government	108	3,524	2,380	8,808	31,352	28,364	-249	17,726
Bank loans	20	216	584	1,916	-1,032	-220	266	312
Other loans	-20	564	432	720	704	980	127	709
Other short-term paper	-6,952	-4,740	-3,196	-3,436	13,292	17,384	-958	6,011
Mortgages	-4	0	4	-8	-4	4	0	-1
Provincial bonds	5,216	6,840	3,244	7,964	16,816	7,892	-1,201	8,979
Municipal bonds	1,728	752	1,292	1,688	1,608	2,620	1,356	1,802
Other bonds	120	-108	20	-36	-32	-296	161	-86
Total funds raised by domestic non-financial sectors	120,876	155,436	171,568	145,780	173,112	225,016	125,929	178,869
Consumer credit	28,868	29,920	32,920	34,844	35,764	35,528	28,277	34,764
Bank loans	2,600	8,428	15,820	20,824	27,580	37,016	5,390	25,310
Other loans	-932	-1,068	-1,468	-5,416	-2,404	-3,244	3,255	-3,133
Canada short-term paper	-1,144	4,592	21,636	-31,412	-35,924	12,104	-3,686	-8,399
Other short-term paper	5,604	10,360	-5,100	1,244	21,356	20,880	15,348	9,595
Mortgages	60,984	66,400	70,824	84,696	88,768	90,260	61,218	83,637
Bonds	17,984	17,220	18,996	1,144	27,528	6,744	455	13,603
Shares	6,912	19,584	17,940	39,856	10,444	25,728	15,672	23,492

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

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	1,097,596	1,114,472	1,140,456	1,157,888	1,166,068	1,181,332	1,094,724	1,161,436
	1.4	1.5	2.3	1.5	0.7	1.3	6.1	6.1
Wages, salaries and supplementary labour income	739,764	751,268	767,700	780,552	783,488	797,420	737,382	782,290
	1.2	1.6	2.2	1.7	0.4	1.8	6.2	6.1
Unincorporated business net income[2]	86,408	87,200	88,864	90,268	90,604	91,700	86,324	90,359
	0.4	0.9	1.9	1.6	0.4	1.2	1.6	4.7
Interest, dividends and miscellaneous investment income	124,116	126,924	131,732	134,744	133,832	133,168	123,376	133,369
	0.9	2.3	3.8	2.3	-0.7	-0.5	8.2	8.1
Current transfers from government	142,804	144,732	147,344	147,856	153,500	154,604	143,183	150,826
	3.1	1.4	1.8	0.3	3.8	0.7	6.2	5.3
Current transfers from corporations	1,812	1,852	1,876	1,908	1,952	2,012	1,779	1,937
	3.0	2.2	1.3	1.7	2.3	3.1	2.4	8.9
Current transfers from non-residents	2,692	2,496	2,940	2,560	2,692	2,428	2,680	2,655
	4.7	-7.3	17.8	-12.9	5.2	-9.8	-0.7	-0.9
Outlay	1,082,564	1,095,456	1,117,292	1,146,208	1,154,660	1,173,864	1,075,772	1,148,006
	1.3	1.2	2.0	2.6	0.7	1.7	5.5	6.7
Personal expenditure on goods and services	809,776	817,020	831,956	848,708	858,996	876,204	803,502	853,966
	1.3	0.9	1.8	2.0	1.2	2.0	5.6	6.3
Current transfers to government	252,620	257,856	264,396	276,084	273,752	275,108	252,422	272,335
	1.2	2.1	2.5	4.4	-0.8	0.5	4.8	7.9
Current transfers to corporations	16,144	16,416	16,668	17,104	17,588	18,240	15,794	17,400
	3.2	1.7	1.5	2.6	2.8	3.7	12.7	10.2
Current transfers to non-residents	4,024	4,164	4,272	4,312	4,324	4,312	4,054	4,305
	0.2	3.5	2.6	0.9	0.3	-0.3	2.7	6.2
Saving	15,032	19,016	23,164	11,680	11,408	7,468	18,952	13,430
	5.6	26.5	21.8	-49.6	-2.3	-34.5	47.8	-29.1
Disposable income[3]	844,976	856,616	876,060	881,804	892,316	906,224	842,302	889,101
	1.4	1.4	2.3	0.7	1.2	1.6	6.4	5.6
Saving rate	1.8	2.2	2.6	1.3	1.3	0.8	2.3	1.5

Gross saving and capital transfers	60,808	64,852	71,364	59,800	59,980	56,816	64,515	61,990
	1.8	6.7	10.0	-16.2	0.3	-5.3	11.6	-3.9
Saving	15,032	19,016	23,164	11,680	11,408	7,468	18,952	13,430
	5.6	26.5	21.8	-49.6	-2.3	-34.5	47.8	-29.1
Capital consumption allowances	42,572	43,204	44,060	44,732	45,432	46,120	42,308	45,086
	1.3	1.5	2.0	1.5	1.6	1.5	5.8	6.6
Net capital transfers	3,204	2,632	4,140	3,388	3,140	3,228	3,255	3,474
	-7.7	-17.9	57.3	-18.2	-7.3	2.8	-34.9	6.7
Deduct: Non-financial capital acquisition	117,924	117,604	122,376	127,392	126,804	130,504	117,105	126,769
	0.8	-0.3	4.1	4.1	-0.5	2.9	8.1	8.3
Net lending	-57,116	-52,752	-51,012	-67,592	-66,824	-73,688	-52,590	-64,779

Transactions in financial assets	19,400	33,236	41,588	42,216	45,768	36,540	29,245	41,528

Currency and deposits	32,148	37,004	37,844	47,448	47,984	28,988	33,510	40,566

Canadian debt securities	-25,052	-10,208	-9,056	-44,988	-43,000	18,232	-17,548	-19,703

Corporate shares and mutual funds	-5,320	3,144	-12,524	32,696	19,996	-12,624	1,590	6,886

Life insurance and pensions	43,924	41,564	49,768	58,952	47,840	50,036	46,172	51,649

Other financial assets	-26,300	-38,268	-24,444	-51,892	-27,052	-48,092	-34,479	-37,870

Transactions in liabilities	80,232	84,884	91,624	109,380	109,220	112,464	82,448	105,672

Consumer credit	28,868	29,920	32,920	34,844	35,764	35,528	28,277	34,764

Bank and other loans	1,888	5,168	440	-108	3,968	1,516	4,358	1,454

Mortgages	46,300	47,840	52,660	63,252	67,816	69,652	46,515	63,345

Trade payables	3,176	1,956	5,604	11,392	1,672	5,768	3,298	6,109

Net financial investment	-60,832	-51,648	-50,036	-67,164	-63,452	-75,924	-53,203	-64,144

Sector discrepancy	3,716	-1,104	-976	-428	-3,372	2,236	613	-635

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	379,884	402,076	376,232	390,344	393,680	401,564	378,421	390,455
	3.4	5.8	-6.4	3.8	0.9	2.0	7.9	3.2
Corporation profits before taxes	201,864	201,464	205,984	208,840	212,864	214,016	198,859	210,426
	2.2	-0.2	2.2	1.4	1.9	0.5	5.0	5.8
Government business enterprise profits before taxes	13,668	13,556	15,044	15,340	15,796	15,640	13,823	15,455
	-3.4	-0.8	11.0	2.0	3.0	-1.0	-5.2	11.8
Inventory valuation adjustment	-1,376	-5,820	-1,924	5,840	3,408	4,548	-1,775	2,968

Interest, dividends and miscellaneous receipts[2]	94,588	121,668	85,612	88,132	88,716	94,004	96,768	89,116
	10.8	28.6	-29.6	2.9	0.7	6.0	22.0	-7.9
Interest on consumer debt	16,144	16,416	16,668	17,104	17,588	18,240	15,794	17,400
	3.2	1.7	1.5	2.6	2.8	3.7	12.7	10.2
Interest on public debt[3]	54,996	54,792	54,848	55,088	55,308	55,116	54,952	55,090
	-0.4	-0.4	0.1	0.4	0.4	-0.3	1.3	0.3
Outlay	260,084	269,652	265,220	267,768	277,776	279,004	262,371	272,442
	0.5	3.7	-1.6	1.0	3.7	0.4	5.6	3.8
Interest, dividends and miscellaneous payments	206,312	208,852	208,488	212,004	219,944	220,208	207,171	215,161
	-0.4	1.2	-0.2	1.7	3.7	0.1	5.3	3.9
Direct taxes	51,192	55,496	52,420	53,416	55,464	56,184	51,432	54,371
	3.6	8.4	-5.5	1.9	3.8	1.3	3.9	5.7
Other current transfers	2,580	5,304	4,312	2,348	2,368	2,612	3,768	2,910
	15.6	105.6	-18.7	-45.5	0.9	10.3	76.8	-22.8
Saving	119,800	132,424	111,012	122,576	115,904	122,560	116,050	118,013
	10.4	10.5	-16.2	10.4	-5.4	5.7	13.6	1.7
Gross saving and capital transfers	240,204	253,900	233,232	246,408	241,204	248,884	235,952	242,432
	5.5	5.7	-8.1	5.6	-2.1	3.2	8.7	2.7
Saving	119,800	132,424	111,012	122,576	115,904	122,560	116,050	118,013
	10.4	10.5	-16.2	10.4	-5.4	5.7	13.6	1.7
Capital consumption allowances	117,784	118,608	119,752	121,128	122,440	123,484	117,146	121,701
	0.9	0.7	1.0	1.1	1.1	0.9	4.7	3.9
Net capital transfers	2,620	2,868	2,468	2,704	2,860	2,840	2,756	2,718
	3.5	9.5	-13.9	9.6	5.8	-0.7	-6.1	-1.4
Deduct: Non-financial capital acquisition	173,728	166,408	169,708	169,504	187,588	185,276	168,604	178,019
	0.4	-4.2	2.0	-0.1	10.7	-1.2	9.2	5.6
Net lending	66,476	87,492	63,524	76,904	53,616	63,608	67,348	64,413

Transactions in financial assets	565,544	579,636	698,408	720,896	804,256	684,792	536,606	727,088

<i>Of which:</i>								
Consumer credit	28,868	29,920	32,920	34,844	35,764	35,528	28,277	34,764

Bank and other loans	32,880	32,828	43,036	38,672	59,132	48,832	28,180	47,418

Mortgages	69,364	73,560	79,800	95,728	98,228	92,772	69,392	91,632

Short-term paper	13,420	42,744	20,432	-8,816	21,536	-26,492	31,635	1,665

Bonds	57,372	90,280	51,800	117,328	109,420	81,212	61,001	89,940

Shares	-616	8,296	31,228	11,960	8,736	19,236	-1,670	17,790

Foreign investments	75,964	98,284	102,988	120,888	-32,980	53,444	78,209	61,085

Transactions in liabilities	502,260	495,892	628,500	635,648	744,136	614,048	472,687	655,583

<i>Of which:</i>								
Currency and deposits	100,872	114,656	168,880	150,584	243,368	112,340	94,248	168,793

Bank and other loans	5,580	19,856	37,844	49,576	64,940	80,792	7,698	58,288

Short-term paper	42,836	41,596	16,060	7,124	18,536	-20,472	40,811	5,312

Bonds	68,608	118,692	77,276	95,844	110,408	96,492	76,814	95,005

Shares	61,936	111,756	104,668	146,664	126,780	127,988	81,849	126,525

Life insurance and pensions	38,768	36,136	44,000	54,700	45,956	43,136	41,255	46,948

Net financial investment	63,284	83,744	69,908	85,248	60,120	70,744	63,919	71,505

Sector discrepancy	3,192	3,748	-6,384	-8,344	-6,504	-7,136	3,429	-7,092

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	580,640	589,552	597,220	613,284	615,376	619,960	582,437	611,460
	0.1	1.5	1.3	2.7	0.3	0.7	4.1	5.0
Taxes on incomes	232,120	242,824	244,272	256,968	256,716	258,264	233,344	254,055
	1.8	4.6	0.6	5.2	-0.1	0.6	6.1	8.9
Contributions to social insurance plans	67,440	67,448	67,872	68,696	69,112	69,480	66,898	68,790
	0.5	0.0	0.6	1.2	0.6	0.5	2.4	2.8
Taxes on production and imports	175,808	175,868	179,272	182,072	183,280	184,700	177,248	182,331
	-2.0	0.0	1.9	1.6	0.7	0.8	2.4	2.9
Other current transfers from persons	10,568	10,668	10,644	10,860	10,764	10,816	10,614	10,771
	-0.7	0.9	-0.2	2.0	-0.9	0.5	1.6	1.5
Investment income	49,756	47,124	49,196	48,364	49,396	50,448	49,604	49,351
	-2.0	-5.3	4.4	-1.7	2.1	2.1	2.4	-0.5
Sales of goods and services[2]	44,948	45,620	45,964	46,324	46,108	46,252	44,729	46,162
	1.3	1.5	0.8	0.8	-0.5	0.3	5.3	3.2
Outlay	550,724	557,160	566,964	574,460	580,272	589,376	550,708	577,768
	1.4	1.2	1.8	1.3	1.0	1.6	5.0	4.9
Gross current expenditure on goods and services[2]	325,012	329,260	336,536	344,168	343,908	352,304	324,535	344,229
	0.9	1.3	2.2	2.3	-0.1	2.4	6.4	6.1
Current transfers	162,688	164,852	167,368	167,228	173,440	174,688	163,200	170,681
	3.1	1.3	1.5	-0.1	3.7	0.7	4.4	4.6
Interest on the public debt	63,024	63,048	63,060	63,064	62,924	62,384	62,973	62,858
	-0.1	0.0	0.0	0.0	-0.2	-0.9	0.3	-0.2
Saving	29,916	32,392	30,256	38,824	35,104	30,584	31,729	33,692
	-19.6	8.3	-6.6	28.3	-9.6	-12.9	-10.5	6.2
Gross saving and capital transfers	53,464	56,388	54,832	63,540	60,544	56,304	55,216	58,805
	-11.9	5.5	-2.8	15.9	-4.7	-7.0	-4.6	6.5
Saving	29,916	32,392	30,256	38,824	35,104	30,584	31,729	33,692
	-19.6	8.3	-6.6	28.3	-9.6	-12.9	-10.5	6.2
Capital consumption allowances	25,396	25,692	26,220	26,756	27,292	27,840	25,296	27,027
	0.9	1.2	2.1	2.0	2.0	2.0	3.6	6.8
Net capital transfers	-1,848	-1,696	-1,644	-2,040	-1,852	-2,120	-1,809	-1,914

Deduct: Non-financial capital acquisition	40,552	41,156	42,120	43,216	44,420	45,164	40,295	43,730
	1.3	1.5	2.3	2.6	2.8	1.7	10.9	8.5
Net lending	12,912	15,232	12,712	20,324	16,124	11,140	14,921	15,075

Transactions in financial assets	20,132	52,388	46,316	25,016	-1,720	42,132	21,225	27,936

Currency and deposits	2,212	412	2,628	8,556	3,120	3,352	1,287	4,414

Loans	-744	1,092	76	1,964	1,608	72	1,180	930

Canadian securities	20,580	11,552	36,596	10,108	24,868	15,540	8,827	21,778

Other financial assets	-1,916	39,332	7,016	4,388	-31,316	23,168	9,931	814

Transactions in liabilities	11,628	35,828	37,020	6,044	-17,580	37,360	7,197	15,711

Bank and other loans	-20	816	1,168	2,792	-192	880	357	1,162

Short-term paper	-8,096	-148	18,440	-34,848	-22,632	29,488	-4,644	-2,388

Bonds	2,728	-60	9,472	-2,952	11,132	-6,628	-7,529	2,756

Other liabilities	17,016	35,220	7,940	41,052	-5,888	13,620	19,013	14,181

Net financial investment	8,504	16,560	9,296	18,972	15,860	4,772	14,028	12,225

Sector discrepancy	4,408	-1,328	3,416	1,352	264	6,368	893	2,850

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	564,928	574,236	576,732	570,344	584,784	576,428	559,566	577,072
	2.3	1.6	0.4	-1.1	2.5	-1.4	4.6	3.1
Sales of goods (imports)	411,860	412,692	421,316	412,820	420,024	408,220	404,391	415,595
	2.8	0.2	2.1	-2.0	1.7	-2.8	4.1	2.8
Sales of services (imports)	83,836	85,396	84,960	87,200	87,384	91,856	83,269	87,850
	1.5	1.9	-0.5	2.6	0.2	5.1	4.2	5.5
Interest, dividends and miscellaneous receipts	59,980	64,240	59,256	61,264	67,756	66,696	61,512	63,743
	-0.7	7.1	-7.8	3.4	10.6	-1.6	7.0	3.6
Current transfers	9,252	11,908	11,200	9,060	9,620	9,656	10,394	9,884
	8.1	28.7	-5.9	-19.1	6.2	0.4	14.8	-4.9
Outlay	584,156	619,868	598,568	598,156	583,404	572,672	585,146	588,200
	3.2	6.1	-3.4	-0.1	-2.5	-1.8	4.2	0.5
Purchases of goods (exports)	457,168	462,028	478,260	475,364	461,704	445,620	455,696	465,237
	1.8	1.1	3.5	-0.6	-2.9	-3.5	0.9	2.1
Purchases of services (exports)	69,344	69,212	69,332	70,200	68,528	69,668	69,010	69,432
	-0.1	-0.2	0.2	1.3	-2.4	1.7	0.6	0.6
Interest, dividends and miscellaneous payments	48,636	78,544	42,064	43,008	43,104	47,688	50,758	43,966
	26.1	61.5	-46.4	2.2	0.2	10.6	54.2	-13.4
Current transfers	9,008	10,084	8,912	9,584	10,068	9,696	9,682	9,565
	-1.3	11.9	-11.6	7.5	5.1	-3.7	18.4	-1.2
Saving	-19,228	-45,632	-21,836	-27,812	1,380	3,756	-25,580	-11,128
	...	...	...	...	...	172.2	...	...
Gross saving and capital transfers	-23,204	-49,436	-26,800	-31,864	-2,768	-192	-29,782	-15,406

Saving	-19,228	-45,632	-21,836	-27,812	1,380	3,756	-25,580	-11,128
	...	...	...	...	...	172.2	...	...
Net capital transfers	-3,976	-3,804	-4,964	-4,052	-4,148	-3,948	-4,202	-4,278

Net lending[2]	-23,204	-49,436	-26,800	-31,864	-2,768	-192	-29,782	-15,406

Transactions in financial assets	136,904	73,704	181,320	142,136	71,260	103,952	128,674	124,667

Currency and deposits	-19,844	5,568	58,436	-6,288	-9,968	9,296	3,898	12,869

Loans	-2,888	640	6,156	9,000	16,096	43,352	-4,967	18,651

Short-term paper	2,700	-15,024	-8,632	-3,000	3,732	5,456	2,376	-611

Bonds	33,552	34,836	30,848	-8,916	6,316	8,492	17,704	9,185

Shares	2,876	-7,636	-9,612	-26,556	-33,032	-98,028	10,815	-41,807

Other financial assets	120,508	55,320	104,124	177,896	88,116	135,384	98,848	126,380

Transactions in liabilities	147,860	122,360	210,488	179,192	83,788	103,544	153,418	144,253

Official reserves	1,764	-384	6,512	4,304	3,468	4,292	1,015	4,644

Currency and deposits	19,520	7,204	9,096	10,512	7,176	22,652	15,022	12,359

Bank and other loans	21,800	8,720	9,816	-2,624	8,120	9,068	11,980	6,095

Foreign investments	87,344	110,520	112,912	118,484	-32,100	41,932	91,314	60,307

Other liabilities	17,432	-3,700	72,152	48,516	97,124	25,600	34,087	60,848

Net financial investment	-10,956	-48,656	-29,168	-37,056	-12,528	408	-24,744	-19,586

Sector discrepancy	-12,248	-780	2,368	5,192	9,760	-600	-5,038	4,180

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

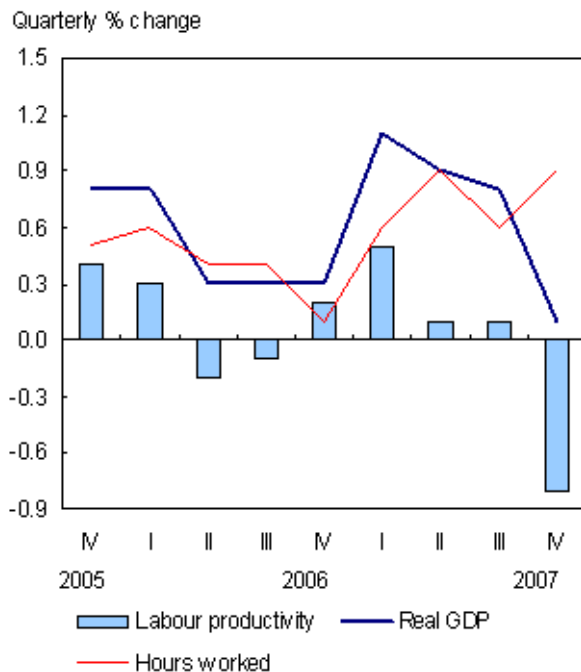
Labour productivity, hourly compensation and unit labour cost

Fourth quarter 2007 and annual 2007

The labour productivity of Canadian businesses fell for the first time in more than a year in the fourth quarter. This occurred as gross domestic product (GDP) growth slowed while hours worked continued to increase steadily. By definition, productivity improves when the GDP rises more than hours worked.

Chart F.1

Productivity in Canadian businesses declines for the first time in more than a year



In the fourth quarter, productivity lost 0.8%, after posting a slight 0.1% increase in each of the previous two quarters, and a 0.5% gain in the first quarter. For 2007 as a whole, labour productivity increased a mere 0.5%, the lowest annual increase since 2004.

For U.S. businesses, the quarterly labour productivity decelerated significantly in the fourth quarter, increasing only 0.2%, after rising by 1.6% in the third quarter.

Despite this slowdown, U.S. businesses had a revised growth of 1.9% in their productivity for all of 2007, an improvement compared to the 1.0% for 2006.

In 2007, U.S. businesses had higher productivity gains than their Canadian counterparts. During the previous two years, the differential in annual productivity growth between the two countries was slightly in favour of Canadian businesses.

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 National Economic Accounts module. 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

For this release, the Canadian estimates were revised retroactively to the first quarter of 2007. In the United States, the Bureau of Labor Statistics has revised its quarterly data retroactively to 2003.

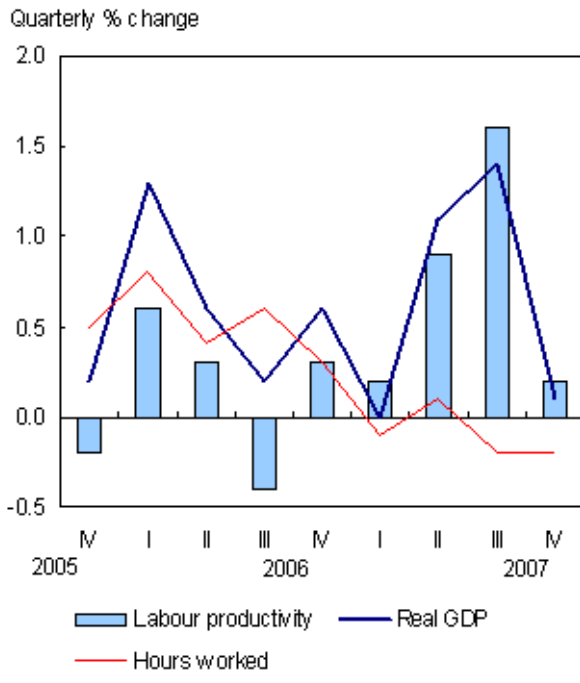
Labour productivity is the ratio of output to labour input (hours worked). Quarterly estimates of productivity are derived from a Fisher chained index of GDP, or of value added, in the business sector. Economic performance as measured by labour productivity must be interpreted carefully, since these estimates reflect changes in other inputs in addition to the growth in productive efficiency.

Labour compensation includes all payments in cash or in kind made by domestic producers to persons as remuneration for work. This includes salaries and supplementary labour income of paid workers, plus the imputed labour income of self-employed workers.

Unit labour cost is the labour cost per unit of output. It is calculated as the ratio of labour compensation to real value added. It is also the equivalent of the ratio of labour compensation per hour worked to labour productivity. The unit labour cost will increase when hourly compensation rises faster than labour productivity.

Unit labour cost in 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.

Chart F.2
U.S. productivity growth slows considerably in fourth quarter



The overall drop in productivity reported in the fourth quarter for Canadian businesses was mainly due to a significant decrease in the professional, scientific and technical services, construction and mining and oil and gas extraction. Moreover, productivity in manufacturing fell for the first time since the third quarter of 2006.

By contrast, significant productivity gains were posted in wholesale trade, utilities and in accommodation and food services.

Fourth quarter of 2007

Production slowdowns affect Canadian as well as U.S. businesses

The fourth quarter slowdown in North-American economic activity had a negative impact on labour productivity in Canada as well as in the U.S.

In the third quarter, the value added in the business sector increased by 0.8% in Canada and 1.4% in the United States. In the fourth quarter, the increase in production slowed significantly, posting a weak rise of 0.1% in both countries.

In the fourth quarter, it was mainly the sharp 2.2% fall in exports that limited Canadian business GDP growth, whereas in the United States, the weak business GDP resulted from the slowdown in consumer spending and exports. A decrease in business inventories and a new slowdown in real estate also contributed to the slowdown in the U.S. GDP.

The difference between Canadian and U.S. productivity growth also stemmed from the differences between their labour market activities.

Hours worked devoted to production in Canadian businesses grew 0.9% in the fourth quarter, more than the rise posted for the previous quarter (+0.6%). Full-time work accounted for slightly more than half of the increase in hours worked in the fourth quarter.

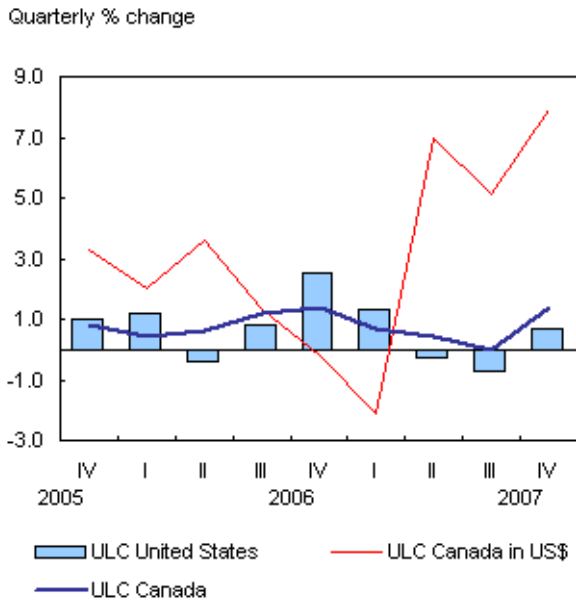
By comparison, hours worked in U.S. businesses fell by 0.2% in the fourth quarter, the same as in the previous quarter. The volume of hours worked fell in three of the four quarters of 2007.

Unit labour costs rise in both countries

Labour cost per unit of production, a measure of inflationary pressures from wages, rose by 1.4% for Canadian businesses in the fourth quarter. This was a sharp appreciation from the zero growth posted in the previous quarter.

In the fourth quarter, hourly compensation in Canada had a quarterly increase of 0.6%, compared to 0.2% in the third quarter.

Chart F.3
Canadian unit labour costs in U.S. dollars continue to climb



The unit labour cost for U.S. businesses increased 0.7% in the fourth quarter, after two quarters of decreases. In the previous quarter, the cost of labour fell by 0.7% in the U.S.

The sharp appreciation in the Canadian dollar in the fourth quarter led to a 7.9% jump in the Canadian unit labour cost in U.S. dollars, after strong increases of 5.1% in the third and 7.0% in the second quarter.

Decline in productivity: the goods sector is held back by manufacturing

The productivity decline for all businesses in the fourth quarter is largely due to goods producing businesses. On a quarterly basis, productivity in the goods sector fell by 0.9%, while it remained almost flat for service producing businesses (-0.1%).

Good performances in wholesale trade (+1.0%), accommodation and food services (+1.8%) and information and culture (+0.6) were completely offset by negative or zero growth in most of the other service producing industries. The slight decrease in productivity in this sector occurred as production and hours worked grew virtually in tandem.

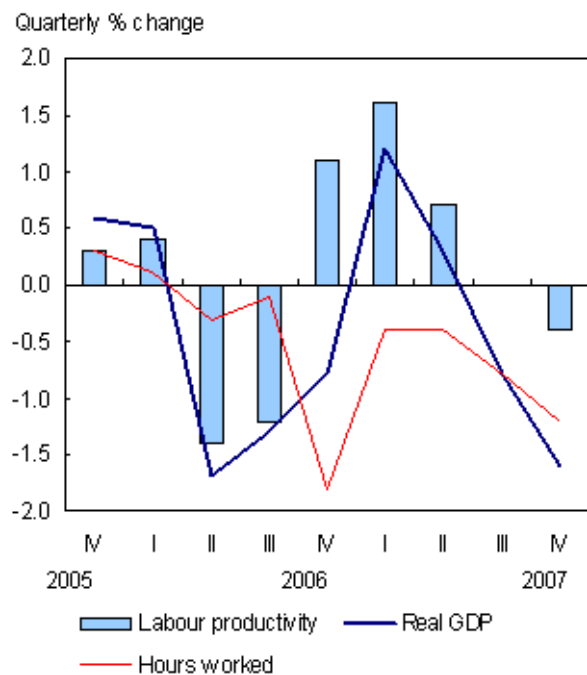
In contrast, the goods producing industries posted a 0.8% drop in production in the fourth quarter, following a 0.3% decrease in the third. Meanwhile, hours worked held steady in the fourth quarter, after rising by 0.2% in the third quarter.

The fourth-quarter decline in productivity for the goods producing businesses was mainly a reflection of the decreases observed in manufacturing, construction and mining. These decreases were only partly offset by the increase in productivity of public utilities.

The manufacturing sector: Hours worked decrease less than production

In the manufacturing sector, productivity fell by 0.4% in the fourth quarter. This was the first decrease since the third quarter of 2006.

Chart F.4
Productivity in manufacturing sector declines for the first time in a year



This slowdown in the fourth quarter brought the growth in manufacturing productivity for 2007 to 1.9%, compared to a slight decrease of 0.1% in 2006.

Hours worked in manufacturing fell sharply by 1.2% in the fourth quarter, the seventh straight quarterly decline, reflecting continued restructuring in this sector.

Meanwhile, production in manufacturing declined for the second consecutive quarter, falling 1.6% in the fourth quarter, after dropping 0.8% in the third. The manufacturing sector has been hampered by the sharp increase in the costs of energy and other raw materials, and by foreign competition, which rose following the appreciation of the Canadian dollar.

Canadian manufacturers had to cope with the 6.0% appreciation in the Canadian dollar against its U.S. counterpart in the fourth quarter, following 4.9% appreciation in the third quarter, and 6.3% in the second quarter.

However, Canadian businesses made the most of this latest appreciation in the loonie, and invested in machinery and equipment to improve their efficiency. These purchases rose by 3.4% in the fourth quarter, about the same as in the previous quarter (+3.3%).

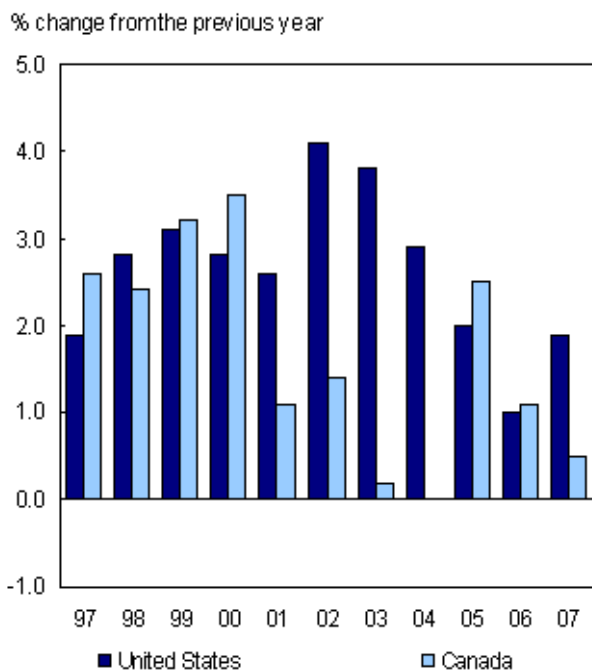
Review of 2007

Productivity growth slows in Canada, but accelerates in the U.S.

Canadian productivity decelerated to its slowest growth in three years in 2007, rising only 0.5%, compared to 1.1% in 2006.

Chart F.5

Productivity gap is widely in favour of the U.S. in 2007



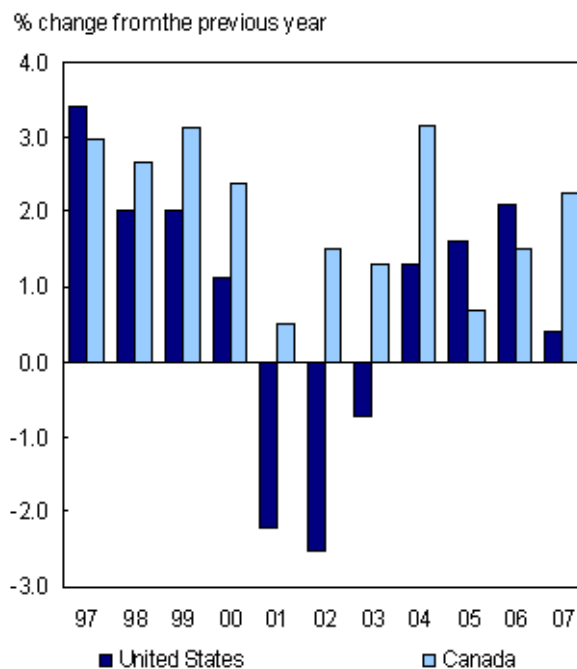
By comparison, U.S. productivity increased by 1.9% in 2007. This was an acceleration compared to the annual rate of 1.0% posted in 2006, marking the end of the slowing that began after the peak of 4.1% reached in 2002.

During the previous two years, Canadian businesses achieved higher productivity gains than their U.S. counterparts. However, the gap in productivity growth swung back in favour of the U.S. in 2007, mainly because of the different increases in hours worked in the two countries.

The volume of hours worked in Canadian businesses continued to rise steadily, increasing 2.2% in 2007, compared to 1.5% in 2006. In the meantime, the volume of hours worked in U.S. businesses rose by only 0.4% in 2007, much less than in 2006 (+2.1%).

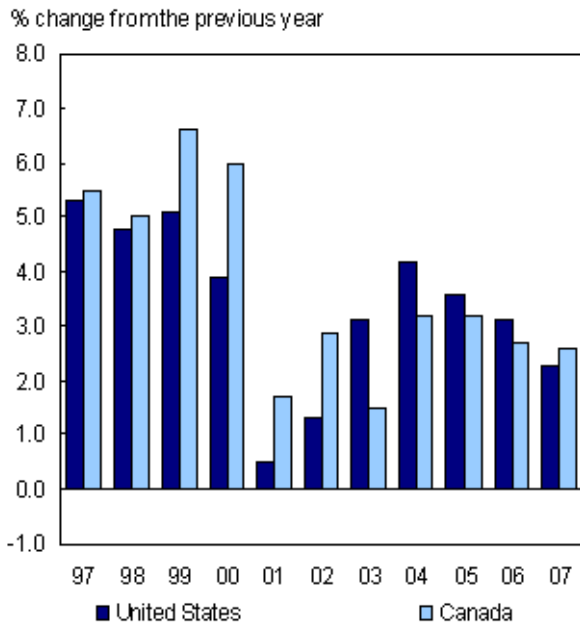
Chart F.6

Growth in hours worked accelerates in Canada, while it slows dramatically in the U.S.



Three-quarters of the increase in the number of jobs in Canada in 2007 were attributable to full-time work. In 2007, the number of jobs rose steadily in Canadian businesses (+2.2%), at a rate comparable to that for hours worked.

In terms of GDP growth, Canadian businesses outdid their U.S. counterparts for the first time in four years. The growth in real GDP in Canadian businesses reached 2.6% in 2007, a similar pace to 2006. Meanwhile, the GDP in U.S. businesses rose 2.3% in 2007, the slowest growth rate since 2002 (+1.5%), and down sharply from 3.1% in 2006.

Chart F.7**Canadian GDP growth ahead of the U.S. for the first time in five years**

In 2007, the tightening of the labour market in Canada, especially in the west, continued to push up hourly wages (+3.7%), although at a slower pace than in 2006 and 2005 which saw increases of 4.2% and 5.2% respectively. However, it is much higher than the 2.6% annual average growth registered between 2001 and 2004.

The modest 0.5% rise in productivity, combined with this strong growth in hourly compensation, resulted in a significant 3.2% increase in the unit labour cost.

With the 5.3% appreciation of the loonie compared to its U.S. counterpart in 2007, Canadian unit labour cost in U.S. dollars jumped 9.5% in 2007, compared to 3.1% south of the border.

Labour productivity rose at about the same pace in goods and in services

In 2007, labour productivity rose by 0.7% in the goods producing businesses, compared to 0.8% for the service producing businesses.

As in 2006, wholesale and retail trade accounted for most of the increase in productivity among service producing businesses in 2007. For wholesale trade, productivity rose by 2.4%, and for retail, by 3.5%. The 1.5% increase in productivity in the financial industry also contributed to the growth in this sector.

The main engines of growth in productivity among the goods producing industries were manufacturing and utilities. In fact, with an increase of 5.3%, the latter had the strongest boost in productivity among all industries. Whereas the number of jobs fell in the manufacturing sector, the hours worked per job remained more or less the same, rising by only 0.1%.

Labour productivity in the mining and oil and gas extraction sector fell by 1.2%. The increase in economic activity was relatively weak compared to the rise in the number of hours worked in this sector.

Unit labour costs up for all industries in 2007

In most industries, the unit labour cost rose more in 2007 than in 2006. This cost rose by 2.7% for goods producing businesses, and by 3.2% for service producing businesses.

Even though unit labour cost increased for all industries in 2007, the mining and oil and gas extraction industry was one of the hardest hit, with an increase of 8.2%. However, this increase was less than the 13.0% posted in 2006.

Retail trade, with an increase of 0.7%, and utilities, with an increase of only 0.5%, were the industries with the smallest increases in unit labour cost in 2007. These two industries were also among those with the strongest improvements in labour productivity in 2007.

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

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007
Seasonally adjusted								
Percent change from previous quarter								
Canada								
Labour productivity	0.3	-0.2	-0.1	0.2	0.5	0.1	0.1	-0.8
Real GDP	0.8	0.3	0.3	0.3	1.1	0.9	0.8	0.1
Hours worked	0.6	0.4	0.4	0.1	0.6	0.9	0.6	0.9
Hourly compensation	0.6	0.5	1.1	1.6	1.3	0.3	0.2	0.6
Unit labour cost	0.4	0.6	1.2	1.4	0.7	0.4	0.0	1.4
Exchange rate[2]	-1.6	-2.8	-0.1	1.6	2.8	-6.3	-4.9	-6.0
Unit labour cost in US\$	2.0	3.6	1.3	-0.2	-2.1	7.0	5.1	7.9
United States								
Labour productivity	0.6	0.3	-0.4	0.3	0.2	0.9	1.6	0.2
Real GDP	1.3	0.6	0.2	0.6	0.0	1.1	1.4	0.1
Hours worked	0.8	0.4	0.6	0.3	-0.1	0.1	-0.2	-0.2
Hourly compensation	1.7	-0.1	0.4	2.8	1.5	0.6	0.9	0.9
Unit labour cost	1.2	-0.4	0.8	2.5	1.3	-0.3	-0.7	0.7
Percent change from same quarter of previous year								
Canada								
Labour productivity	2.1	1.6	0.4	0.2	0.4	0.7	0.9	-0.1
Real GDP	3.7	3.0	2.2	1.6	1.9	2.5	3.1	2.9
Hours worked	1.6	1.4	1.8	1.4	1.4	2.0	2.2	3.1
Hourly compensation	4.8	4.2	3.5	3.9	4.6	4.4	3.4	2.4
Unit labour cost	2.7	2.6	3.1	3.7	4.0	3.7	2.5	2.5
Exchange rate[2]	-5.9	-9.8	-6.7	-2.9	1.5	-2.2	-6.8	-13.8
Unit labour cost in US\$	9.2	13.7	10.5	6.8	2.6	6.0	10.0	18.9
United States								
Labour productivity	1.5	1.8	0.2	0.8	0.3	1.0	3.1	3.0
Real GDP	3.8	3.6	2.4	2.8	1.5	1.9	3.2	2.6
Hours worked	2.3	1.8	2.2	2.0	1.1	0.9	0.1	-0.4
Hourly compensation	4.2	4.0	2.8	4.9	4.6	5.4	6.0	4.0
Unit labour cost	2.7	2.2	2.6	4.1	4.3	4.3	2.8	1.0
Percent change from previous quarter at annualized rate[3]								
Canada								
Labour productivity	1.2	-0.8	-0.4	0.8	1.9	0.4	0.4	-3.0
Real GDP	3.3	1.1	1.1	1.1	4.4	3.6	3.2	0.4
Hours worked	2.3	1.5	1.5	0.4	2.3	3.8	2.6	3.7
Hourly compensation	2.5	2.1	4.6	6.4	5.2	1.4	0.7	2.4
Unit labour cost	1.5	2.6	4.8	5.9	2.9	1.4	0.0	5.7
Unit labour cost in US\$	8.2	15.0	5.3	-0.8	-8.0	31.1	22.2	35.7
United States								
Labour productivity	2.3	1.1	-1.6	1.4	0.6	3.8	6.6	1.0
Real GDP	5.5	2.5	0.6	2.6	0.2	4.4	5.7	0.2
Hours worked	3.1	1.5	2.3	1.2	-0.4	0.5	-0.9	-0.7
Hourly compensation	7.1	-0.5	1.5	11.8	6.1	2.5	3.7	3.6
Unit labour cost	4.7	-1.5	3.1	10.4	5.5	-1.3	-2.8	2.7

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]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007
Seasonally adjusted								
Percent change from previous quarter								
Canada								
All jobs	0.6	0.2	0.2	0.6	0.7	0.7	0.6	0.7
Hours worked	0.6	0.4	0.4	0.1	0.6	0.9	0.6	0.9
Average hours	0.0	0.1	0.3	-0.5	-0.1	0.2	0.1	0.1
Labour share[2]	1.0	0.0	0.8	1.4	-0.8	-1.0	0.1	0.3
United States								
All jobs	0.8	0.3	0.4	0.3	0.1	0.2	-0.1	0.0
Hours worked	0.8	0.4	0.6	0.3	-0.1	0.1	-0.2	-0.2
Average hours	-0.0	0.0	0.2	0.0	-0.2	-0.0	-0.1	-0.2
Labour share[2]	0.5	-1.2	0.3	2.3	0.3	-0.9	-0.8	0.1
Percent change from same quarter of previous year								
Canada								
All jobs	2.0	1.3	1.4	1.5	1.6	2.2	2.5	2.7
Hours worked	1.6	1.4	1.8	1.4	1.4	2.0	2.2	3.1
Average hours	-0.4	0.0	0.4	-0.1	-0.2	-0.1	-0.3	0.3
Labour share[2]	-0.6	-0.7	1.1	3.3	1.4	0.4	-0.3	-1.4
United States								
All jobs	2.0	1.8	1.9	1.8	1.1	1.0	0.4	0.2
Hours worked	2.3	1.8	2.2	2.0	1.1	0.9	0.1	-0.4
Average hours	0.3	0.0	0.3	0.2	0.0	-0.1	-0.3	-0.6
Labour share[2]	-0.4	-1.1	-0.4	1.8	1.7	2.0	1.0	-1.2
Percent change from previous quarter at annualized rates[3]								
Canada								
All jobs	2.3	0.8	0.8	2.3	2.6	3.0	2.2	3.0
Hours worked	2.3	1.5	1.5	0.4	2.3	3.8	2.6	3.7
Average hours	0.0	0.4	1.2	-2.0	-0.4	0.8	0.4	0.4
Labour share[2]	4.2	0.0	3.3	5.9	-3.2	-4.0	0.4	1.2
United States								
All jobs	3.2	1.3	1.5	1.2	0.5	0.6	-0.5	0.2
Hours worked	3.1	1.5	2.3	1.2	-0.4	0.5	-0.9	-0.7
Average hours	-0.1	0.2	0.8	0.0	-0.9	-0.1	-0.3	-0.9
Labour share[2]	1.9	-4.7	1.1	9.5	1.3	-3.4	-3.1	0.3

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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Using seasonally adjusted data, (2002 = 100)								
Business sector - goods	102.800	103.300	104.500	104.300	103.900	103.000	103.225	103.925
	<i>-0.3</i>	<i>0.5</i>	<i>1.2</i>	<i>-0.2</i>	<i>-0.4</i>	<i>-0.9</i>	<i>0.5</i>	<i>0.7</i>
Agriculture, forestry, fishing and hunting	123.000	125.500	128.800	128.000	129.600	129.800	125.750	129.050
	<i>-2.8</i>	<i>2.0</i>	<i>2.6</i>	<i>-0.6</i>	<i>1.3</i>	<i>0.2</i>	<i>-0.8</i>	<i>2.6</i>
Construction	106.300	107.200	106.300	103.100	101.800	100.300	105.725	102.875
	<i>0.3</i>	<i>0.8</i>	<i>-0.8</i>	<i>-3.0</i>	<i>-1.3</i>	<i>-1.5</i>	<i>5.9</i>	<i>-2.7</i>
Manufacturing	104.300	105.400	107.100	107.900	107.900	107.500	105.600	107.600
	<i>-1.2</i>	<i>1.1</i>	<i>1.6</i>	<i>0.7</i>	<i>0.0</i>	<i>-0.4</i>	<i>-0.1</i>	<i>1.9</i>
Business sector - services	107.200	107.000	106.900	107.400	108.000	107.900	106.700	107.550
	<i>0.5</i>	<i>-0.2</i>	<i>-0.1</i>	<i>0.5</i>	<i>0.6</i>	<i>-0.1</i>	<i>2.3</i>	<i>0.8</i>
Wholesale trade	122.200	119.800	120.600	122.200	124.100	125.400	120.150	123.075
	<i>1.0</i>	<i>-2.0</i>	<i>0.7</i>	<i>1.3</i>	<i>1.6</i>	<i>1.0</i>	<i>7.3</i>	<i>2.4</i>
Retail trade	112.300	111.600	113.300	115.400	115.800	115.200	111.050	114.925
	<i>1.1</i>	<i>-0.6</i>	<i>1.5</i>	<i>1.9</i>	<i>0.3</i>	<i>-0.5</i>	<i>5.5</i>	<i>3.5</i>
Transportation and warehousing	106.200	106.400	105.400	104.600	104.600	104.700	106.325	104.825
	<i>-0.2</i>	<i>0.2</i>	<i>-0.9</i>	<i>-0.8</i>	<i>0.0</i>	<i>0.1</i>	<i>1.1</i>	<i>-1.4</i>
Information and cultural industries	114.100	113.500	112.200	112.900	112.800	113.500	113.500	112.850
	<i>0.4</i>	<i>-0.5</i>	<i>-1.1</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.6</i>	<i>6.1</i>	<i>-0.6</i>
Finance, real estate and company management	103.200	104.500	104.400	104.100	104.300	103.800	102.600	104.150
	<i>1.6</i>	<i>1.3</i>	<i>-0.1</i>	<i>-0.3</i>	<i>0.2</i>	<i>-0.5</i>	<i>1.3</i>	<i>1.5</i>
Professional, scientific and technical services	100.900	101.000	100.000	100.500	100.200	98.300	101.200	99.750
	<i>-0.8</i>	<i>0.1</i>	<i>-1.0</i>	<i>0.5</i>	<i>-0.3</i>	<i>-1.9</i>	<i>-1.3</i>	<i>-1.4</i>
Administrative and support, waste management and remediation services	101.500	101.600	101.100	100.000	101.000	100.500	101.450	100.650
	<i>-0.3</i>	<i>0.1</i>	<i>-0.5</i>	<i>-1.1</i>	<i>1.0</i>	<i>-0.5</i>	<i>1.7</i>	<i>-0.8</i>
Accommodation and food services	101.000	102.300	100.800	100.200	102.100	103.900	101.775	101.750
	<i>-0.3</i>	<i>1.3</i>	<i>-1.5</i>	<i>-0.6</i>	<i>1.9</i>	<i>1.8</i>	<i>0.8</i>	<i>-0.0</i>
Other commercial services	104.000	104.300	103.500	103.400	103.400	103.600	104.025	103.475
	<i>0.1</i>	<i>0.3</i>	<i>-0.8</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.2</i>	<i>-0.3</i>	<i>-0.5</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]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Using seasonally adjusted data (2002 = 100)								
Business sector - goods	112.300	114.000	114.000	113.700	114.300	116.900	111.750	114.725
	1.3	1.5	0.0	-0.3	0.5	2.3	3.4	2.7
Agriculture, forestry, fishing and hunting	87.100	87.600	89.200	87.800	89.000	87.500	86.900	88.375
	1.8	0.6	1.8	-1.6	1.4	-1.7	1.2	1.7
Construction	107.900	108.700	109.400	110.300	111.400	112.800	107.225	110.975
	1.4	0.7	0.6	0.8	1.0	1.3	1.7	3.5
Manufacturing	109.100	110.300	109.800	109.200	109.100	111.900	108.325	110.000
	1.4	1.1	-0.5	-0.5	-0.1	2.6	2.0	1.5
Business sector - services	109.800	111.400	112.400	113.100	113.000	113.800	109.550	113.075
	1.0	1.5	0.9	0.6	-0.1	0.7	2.6	3.2
Wholesale trade	97.800	101.100	102.900	100.900	98.900	98.100	98.100	100.200
	1.8	3.4	1.8	-1.9	-2.0	-0.8	-1.1	2.1
Retail trade	106.200	106.100	105.300	106.500	108.700	108.600	106.525	107.275
	-1.2	-0.1	-0.8	1.1	2.1	-0.1	0.5	0.7
Transportation and warehousing	106.400	107.800	110.100	110.200	111.200	112.100	106.200	110.900
	1.0	1.3	2.1	0.1	0.9	0.8	0.7	4.4
Information and cultural industries	104.100	105.600	106.000	107.000	109.400	110.600	104.200	108.250
	0.3	1.4	0.4	0.9	2.2	1.1	2.5	3.9
Finance, real estate and company management	114.800	116.000	116.400	117.800	117.700	119.000	114.750	117.725
	-0.2	1.0	0.3	1.2	-0.1	1.1	4.1	2.6
Professional, scientific and technical services	116.400	116.600	118.800	119.200	120.500	123.400	114.975	120.475
	3.4	0.2	1.9	0.3	1.1	2.4	4.9	4.8
Administrative and support, waste management and remediation services	113.800	117.000	121.000	122.400	120.500	118.900	114.150	120.700
	1.2	2.8	3.4	1.2	-1.6	-1.3	3.0	5.7
Accommodation and food services	115.200	117.800	117.800	119.900	118.700	120.000	111.800	119.100
	6.7	2.3	0.0	1.8	-1.0	1.1	4.6	6.5
Other commercial services	116.400	117.300	118.800	120.900	118.000	118.600	115.750	119.075
	0.4	0.8	1.3	1.8	-2.4	0.5	4.4	2.9

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

Table F.5 Business sector - Labour productivity and related variables for Canada and the United States[1]

	2000	2001	2002	2003	2004	2005	2006	2007
	Percent change from previous year							
Canada								
Labour productivity	3.5	1.1	1.4	0.2	0.0	2.5	1.1	0.5
Real GDP	6.0	1.7	2.9	1.5	3.2	3.2	2.7	2.6
Hours worked	2.4	0.5	1.5	1.3	3.2	0.7	1.5	2.2
Hourly compensation	5.9	4.2	1.6	2.6	2.4	5.2	4.2	3.7
Unit labour cost	2.4	3.1	0.2	2.4	2.4	2.7	3.1	3.2
Exchange rate[2]	0.0	4.3	1.4	-10.8	-7.1	-6.9	-6.4	-5.3
Unit labour cost in US\$	2.5	-1.2	-1.2	15.1	10.2	10.3	9.9	9.5
United States								
Labour productivity	2.8	2.6	4.1	3.8	2.9	2.0	1.0	1.9
Real GDP	3.9	0.3	1.5	3.1	4.2	3.6	3.1	2.3
Hours worked	1.1	-2.2	-2.5	-0.7	1.3	1.6	2.1	0.4
Hourly compensation	7.0	4.3	3.5	4.1	3.8	4.0	4.0	5.0
Unit labour cost	4.0	1.6	-0.5	0.2	0.9	2.0	2.9	3.1

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

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

Section G

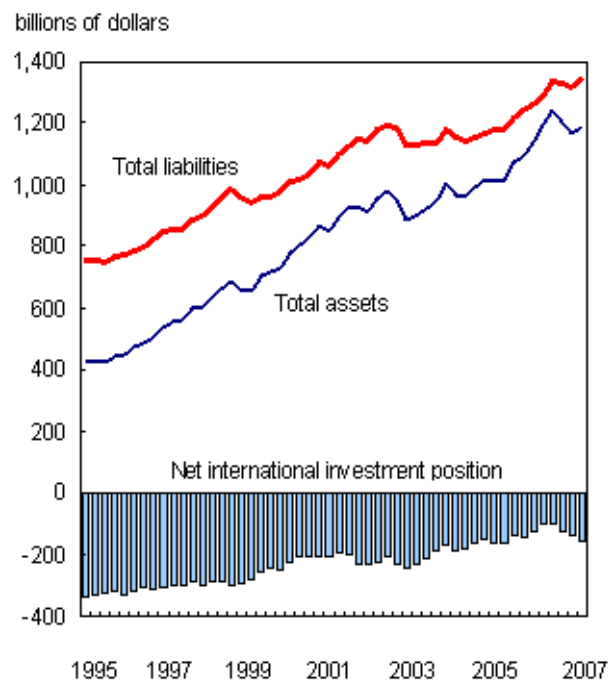
Canada's International investment position

Fourth quarter 2007

Canada's net international investment position continued to deteriorate in the fourth quarter, fuelled by the largest inflow of foreign direct investment in eight years. Net foreign debt rose by \$13.3 billion in the fourth quarter to \$156.3 billion at the end of 2007, representing 10.0% of Canada's gross domestic product (up from 9.1% in the previous quarter).

Chart G.1

Canada's international investment position



International liabilities increase more than assets

Canada's international liabilities increased to \$1,338.7 billion, an increase of \$27.0 billion from the third quarter. The increase in liabilities was mainly due to strong direct investment inflows, driven by near record merger and acquisition activity. On the other side of the ledger, Canadian holdings of foreign assets increased to \$1,182.4 billion, up by a modest 1.2% from the third quarter. Direct investment abroad increased after two quarters of decline while Canadian holdings of foreign bonds and money market instruments continued to decline.

Canadian dollar has largest ever yearly impact

The total effect in 2007 of the appreciating Canadian dollar was an increase in net foreign debt of \$72.5 billion - the largest impact on record. It gained 17.6% against the U.S. dollar, 16.0% against the British pound sterling, 6.3% against the Euro, and 10.4% against the Japanese yen. However, the appreciation of the Canadian dollar against major currencies stalled during the fourth quarter. The net impact of the exchange rate fluctuations, in the fourth quarter of 2007, was to raise the net foreign debt by a marginal \$300 million.

Direct investment

Assets

Direct investment abroad by Canadian firms rose by \$12.8 billion to \$508.6 billion in the fourth quarter. This 2.6% increase reversed most of the decline in the third quarter and was mainly due to additional working capital provided to foreign affiliates. Mergers and acquisition activity was relatively modest, accounting for 37.9% of the direct investment increase. Year-over-year there was a reduction in the value of the position by 2.8%, mainly caused by the strong appreciation in the Canadian dollar.

Note to readers

Definition

Canada's international investment position presents the value and composition of its foreign assets and liabilities owed to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. Canada is a net debtor nation meaning that our international liabilities are greater than our assets. This excess of international liabilities over assets can be referred to as Canada's net international liabilities or Canada's net foreign debt.

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.

Liabilities

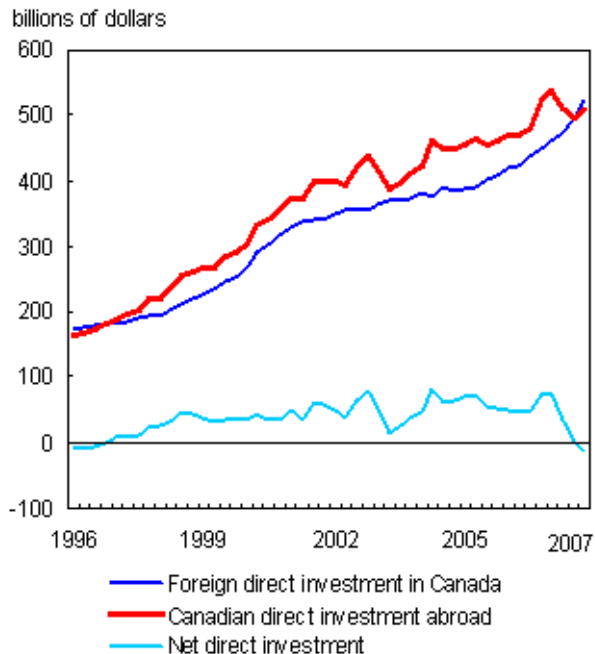
Foreign direct investment in Canada rose by \$27.3 billion to \$521.1 billion in the fourth quarter, an increase of 5.5%. This was mainly due to near record mergers and acquisition activity by foreign investors, accounting for 68.1% of the change in the foreign direct investment position in the fourth quarter. The year-over-year change was an increase in the value of the position by 16.1% despite the strong Canadian dollar.

Net Direct Investment moderately negative

Canada's net position on direct investment – the difference between Canadian direct investment abroad and foreign direct investment in Canada – was moderately negative in the fourth quarter. However, over the course of 2007, this position went from a net asset of \$74.4 billion to a net liability of \$12.5 billion.

Chart G.2

Direct investment position



Portfolio investment

Assets

There was a \$3.3 billion decrease in portfolio assets during the fourth quarter mainly due to divestment in foreign bonds. The impact of the Canadian dollar on foreign portfolio assets in the quarter was negligible. However, foreign assets of Canadian investors decreased by \$18.7 billion (-5.1%) in 2007, mainly due to the re-statement of these foreign currency denominated assets in respect of a strongly appreciating Canadian dollar and strong divestment of more than half the position in short term money market paper.

Liabilities

There was a \$7.4 billion decrease in portfolio liabilities during the fourth quarter mainly from divestment in portfolio stock being transferred to foreign direct investors resulting from significant mergers and acquisitions. For 2007, there was decline of \$43.9 billion (-8.1%), attributable mainly to Canadian bonds and stocks.

Other investment

Other assets went up by \$4.2 billion, mostly explained by continued increases in deposit assets. Year-over-year these deposits increased by 17.3%.

Other liabilities sharply rebounded to \$7.1 billion during the quarter, led by a reversal of the decline in deposits by foreigners in the previous quarter. In 2007 the position increased by 7.0% due to strong flows throughout the year.

Decrease in net international indebtedness with portfolio investment at market value

Canada's overall net international investment position can also be calculated with assets and liabilities of tradable portfolio securities valued at market prices. Net foreign debt is lower by this measure. In the fourth quarter, net international indebtedness decreased by \$3.9 billion to \$91.9 billion. This change reflects both the decline in Canadian and foreign equity markets during the quarter and large divestments of foreign portfolio holdings of Canadian securities, due to merger and acquisition activity at market prices. This resulted in total liabilities remaining relatively flat, as opposed to a large increase in total liabilities at book prices.

For 2007 as a whole, net international liabilities rose by \$53.4 billion, which is slightly smaller than the \$57.3 billion increase at book value.

Table G.1 International investment position at period-end

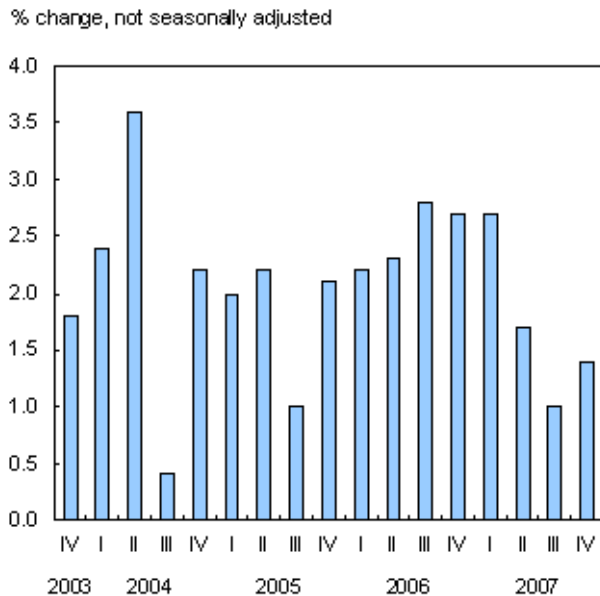
	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007
Millions of dollars								
Assets								
Canadian direct investment abroad	468,635	468,500	480,635	523,260	536,612	509,465	495,783	508,596
Portfolio investment abroad								
Foreign bonds	93,361	103,207	112,763	128,505	145,001	152,119	143,407	138,301
<i>Foreign bonds at market value</i>	<i>98,875</i>	<i>108,378</i>	<i>121,474</i>	<i>138,171</i>	<i>156,039</i>	<i>161,069</i>	<i>156,678</i>	<i>155,654</i>
Foreign stocks	201,897	200,794	202,720	216,194	218,569	205,138	196,861	200,193
<i>Foreign stocks at market value</i>	<i>481,446</i>	<i>464,047</i>	<i>491,609</i>	<i>559,671</i>	<i>574,255</i>	<i>568,110</i>	<i>541,793</i>	<i>530,529</i>
Foreign money market	14,122	12,916	17,870	19,966	20,128	19,774	8,997	7,511
<i>Foreign money market at market value</i>	<i>14,166</i>	<i>12,964</i>	<i>17,941</i>	<i>20,062</i>	<i>20,195</i>	<i>19,825</i>	<i>9,044</i>	<i>7,548</i>
Other investment								
Loans	60,356	63,556	71,298	72,360	76,932	72,385	76,910	77,246
Deposits	135,203	147,845	152,119	131,427	136,720	141,236	151,119	154,137
Official international reserves	42,149	40,301	40,131	40,959	45,507	42,534	40,887	40,593
<i>Official international reserves at market value</i>	<i>42,088</i>	<i>40,089</i>	<i>40,256</i>	<i>40,862</i>	<i>45,386</i>	<i>41,991</i>	<i>40,769</i>	<i>40,724</i>
Other assets	57,548	55,864	57,287	57,758	56,802	55,197	54,701	55,838
Total assets								
at book value	1,073,271	1,092,983	1,134,822	1,190,429	1,236,270	1,197,848	1,168,664	1,182,416
with portfolio investment at market value	<i>1,358,317</i>	<i>1,361,243</i>	<i>1,432,619</i>	<i>1,543,571</i>	<i>1,602,941</i>	<i>1,569,278</i>	<i>1,526,797</i>	<i>1,530,272</i>
Liabilities								
Foreign direct investment in Canada	419,321	423,498	435,328	448,858	460,124	474,082	493,857	521,127
Portfolio investment								
Canadian bonds	382,566	374,022	379,586	404,590	411,417	388,054	373,802	378,442
<i>Canadian bonds at market value</i>	<i>404,576</i>	<i>387,896</i>	<i>404,346</i>	<i>430,163</i>	<i>433,191</i>	<i>399,200</i>	<i>389,009</i>	<i>394,082</i>
Canadian stocks	108,519	112,513	112,428	112,571	112,382	112,063	108,929	97,304
<i>Canadian stocks at market value</i>	<i>350,676</i>	<i>346,754</i>	<i>351,733</i>	<i>379,482</i>	<i>386,509</i>	<i>407,366</i>	<i>404,475</i>	<i>364,996</i>
Canadian money market	22,868	27,059	25,931	24,515	23,730	24,089	22,383	21,999
<i>Canadian money market at market value</i>	<i>22,997</i>	<i>27,242</i>	<i>26,136</i>	<i>24,716</i>	<i>23,952</i>	<i>24,279</i>	<i>22,598</i>	<i>22,211</i>
Other investment								
Loans	43,555	45,529	50,013	49,508	55,606	54,915	48,639	52,469
Deposits	213,699	234,571	235,692	227,149	247,012	251,668	239,184	243,519
Other liabilities	22,500	21,915	21,674	22,225	23,891	24,119	24,842	23,809
Total liabilities								
at book value	1,213,028	1,239,107	1,260,652	1,289,417	1,334,162	1,328,990	1,311,636	1,338,670
with portfolio investment at market value	<i>1,477,324</i>	<i>1,487,405</i>	<i>1,524,922</i>	<i>1,582,101</i>	<i>1,630,285</i>	<i>1,635,629</i>	<i>1,622,604</i>	<i>1,622,213</i>
Net international investment position								
at book value	-139,757	-146,124	-125,829	-98,988	-97,892	-131,142	-142,972	-156,254
with portfolio investment at market value	<i>-119,007</i>	<i>-126,162</i>	<i>-92,303</i>	<i>-38,530</i>	<i>-27,344</i>	<i>-66,351</i>	<i>-95,807</i>	<i>-91,941</i>

Section H National balance sheet accounts

Fourth quarter 2007 and annual 2007

National net worth reached \$5.5 trillion by the end of the fourth quarter of 2007, or \$165,400 per capita. National net worth grew by \$77 billion in the quarter, an increase of 1.4% over the previous quarter, a somewhat faster pace than the 1.0% in the previous quarter.

Chart H.1
Growth in national net worth up



National wealth (economy-wide non-financial assets) rose 1.3%, a third consecutive quarter of deceleration set against the backdrop of a slowing economy in the fourth quarter.

Although housing investment cooled during the quarter, residential real estate remained the major contributor to the increase in national wealth, accounting for more than half of the gain.

Sustained saving led by both corporations and government, alongside price gains for non-financial assets, largely accounted for the pick-up in the growth of national net worth. The gain in national net worth was also supported by a slight decrease in Canada's net foreign indebtedness (with marketable securities on a market value basis).

Propelled by the largest inflow of foreign direct investment in eight years, Canada's net foreign direct investment position decreased nominally in the fourth quarter of 2007. The sustained strength of the Canadian dollar continued to have a dampening effect on national net worth.

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.

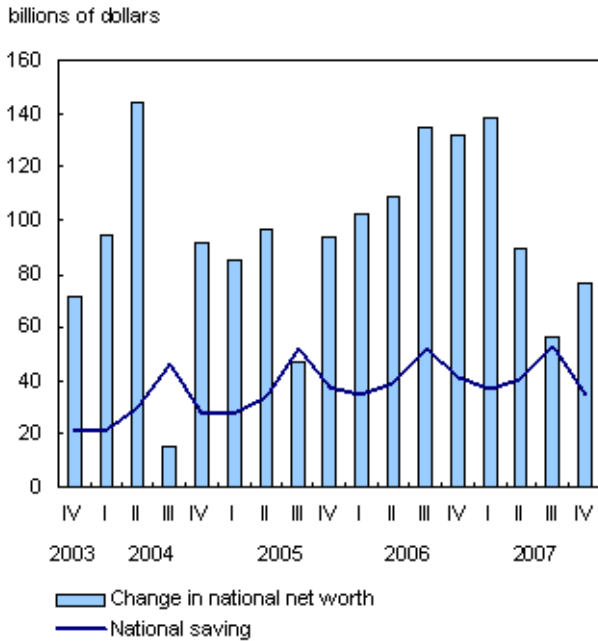
National net worth is national wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of the persons and unincorporated business, corporate and government sectors.

National saving is the sum of saving of the persons and unincorporated business, corporate and government sectors. National saving and investment contribute to change in national net worth.

The revaluation of assets and liabilities also contributes to changes in national net worth. The causes of revaluation include changes in non-financial asset prices, equity prices, interest rates, exchange rates and loan allowances.

Quarterly series, both book and market value, are available from the first quarter of 1990. For more information on the market value estimates, consult the *Balance sheet estimates at market value* page of our website.

Chart H.2
Revaluations of assets drive increase in national net worth



Household net worth grows at slower pace

Household net worth edged up 0.1% during the fourth quarter, as the decline in financial assets coupled with the increase in liabilities largely offset the impact of growth in non-financial assets.

While household debt (consumer credit and mortgage liabilities) increased at a significantly slower pace than the two previous quarters, household sector leverage rose. Debt stood at 18.2% of household net worth by year end 2007.

With new housing prices holding steady during the quarter, coupled with sustained new housing construction and renovation activities, residential real estate continued to expand, although at a reduced rate from the two previous quarters. The increase in the value of residential real estate remained the main contributor in the growth in non-financial assets.

A resilient residential real estate market more than offset the impact of a downturn in stock markets. The value of financial assets fell slightly as the decline in equities more than offset the increase in holdings of pension assets and deposits.

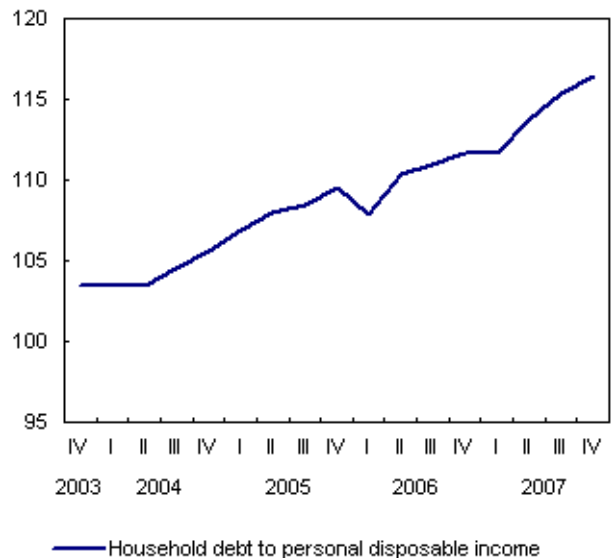
Chart H.3
Household leverage continues to rise

as a % of net worth, not seasonally adjusted data



Chart H.4
Household debt-to-income ratio up slightly

as a % of personal disposable income, seasonally adjusted data



Non-financial corporate sector continues to post surplus

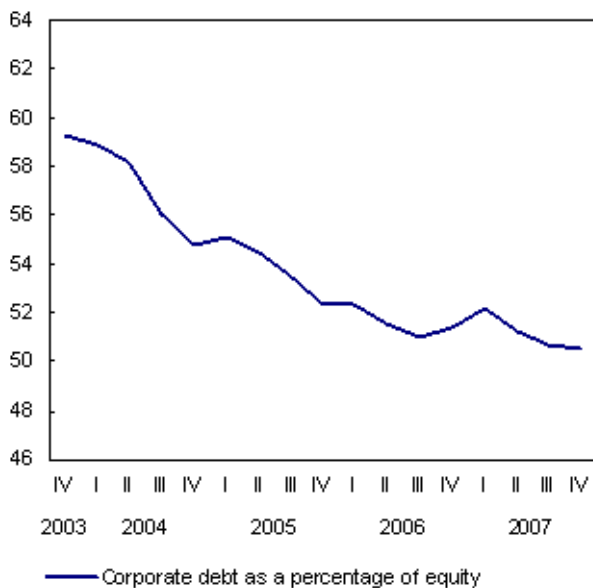
Boosted by a significant increase in undistributed corporate profits in the fourth quarter, and while continuing steadily to invest in plant & equipment and build up inventories, the non-financial corporate sector remained a net lender to the rest of the economy.

Despite this surplus, the demand for funds increased during the quarter. In particular, the private non-financial corporate sector turned mostly to loans to address their financing needs. Leverage for these corporations decreased, though marginally, for a third consecutive quarter.

Chart H.5

Corporate leverage declines slightly

as a % of equity, not seasonally adjusted data



Asset growth of financial institutions accelerates

Financial institutions continued to accumulate financial assets in the fourth quarter, though at a reduced pace. This increase was led by institutional lenders, driven by gains in their mortgage holdings, consumer credit and loan assets.

Government net debt rebounds

As overall government surplus contracted in the fourth quarter, total government net debt edged up after 14 consecutive quarters of decline. Government financing activity was dominated by the issuance of short-term paper and provincial bonds. Despite the marginal rise in government net debt, the net debt-to-gross domestic product (GDP) ratio managed to hold steady, with net debt in the fourth quarter accounting for less than half of GDP, down considerably from over 90% attained in 1996.

Annual review 2007

National balance sheet improves but at slower pace

National net worth expanded 7.0% in 2007, significantly down from the growth of 10.3% registered in 2006. This deceleration could be traced to the combined effect of a slight decline in national saving and an increase in net foreign debt.

National wealth grew by 8.0%, up from 7.6% in 2006. Residential real estate assets remained the main factor in the expansion of national wealth, accounting for over 60% of the increase.

Natural resource stocks grow on strength of strong demand and higher prices

A broader measure of national wealth (that is, including natural resources) increased 6.8% in 2007, up from the 5.9% growth registered in 2006. The value of selected natural resources (timber, energy and minerals) rose 1.2% to \$1,095 billion in 2007, following a slight decrease of 1.5% in 2006 and a substantial increase of 27.7% in 2005.

Increases in the value of minerals and crude bitumen more than offset the declines in the values of natural gas and timber. Natural gas reserve values declined substantially as a result of decreasing production and increasing costs. Crude oil, crude bitumen and mineral reserve values rose, the latter on the strength of strong international demand and higher market prices.

Table H.1 National balance sheet accounts[1]

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	5,079	5,157	5,284	5,412	5,498	5,571	5,157	5,571
	2.0	1.5	2.5	2.4	1.6	1.3	7.6	8.0
Net foreign debt	-92	-38	-27	-66	-95	-92	-38	-92

National net worth	4,987	5,119	5,257	5,347	5,403	5,479	5,119	5,479
	2.8	2.6	2.7	1.7	1.0	1.4	10.3	7.0
National net worth per capita (dollars)	152,400	156,200	159,900	162,100	163,300	165,400	156,200	165,400
	2.5	2.5	2.4	1.4	0.7	1.3	9.2	5.9

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

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Millions of dollars at quarter end								
Total assets	16,176,314	16,713,938	17,120,504	17,466,886	17,767,101	17,950,979	16,713,938	17,950,979
Non-financial assets	5,079,134	5,157,467	5,284,331	5,412,179	5,498,029	5,570,981	5,157,467	5,570,981
Residential structures	1,436,971	1,465,798	1,496,377	1,535,401	1,569,252	1,597,176	1,465,798	1,597,176
Non-residential structures	1,150,708	1,165,960	1,193,596	1,220,715	1,238,459	1,257,686	1,165,960	1,257,686
Machinery and equipment	423,775	429,636	446,732	447,783	437,840	434,585	429,636	434,585
Consumer durables	379,953	386,824	387,855	395,007	396,575	398,575	386,824	398,575
Inventories	218,399	215,949	219,268	214,759	221,628	220,286	215,949	220,286
Land	1,469,328	1,493,300	1,540,503	1,598,514	1,634,275	1,662,673	1,493,300	1,662,673
Net financial assets	-92,224	-38,233	-27,002	-65,617	-95,475	-91,859	-38,233	-91,859
Financial assets	11,097,180	11,556,471	11,836,173	12,054,707	12,269,072	12,379,998	11,556,471	12,379,998
Official reserves	40,130	40,960	45,508	42,533	40,886	40,593	40,960	40,593
Gold & foreign currency	37,860	38,867	43,547	40,756	39,224	38,932	38,867	38,932
IMF reserve position	1,218	970	834	740	667	655	970	655
Special drawing rights	1,052	1,123	1,127	1,037	995	1,006	1,123	1,006
Currency and bank deposits	907,028	919,320	923,503	950,477	993,899	1,012,386	919,320	1,012,386
Other deposits	221,349	225,308	230,908	236,595	242,821	245,627	225,308	245,627
Foreign currency deposits	123,750	137,908	149,007	157,800	167,616	176,808	137,908	176,808
Consumer credit	295,291	302,103	307,274	318,579	328,658	336,850	302,103	336,850
Trade receivables	260,901	263,727	269,902	271,619	276,077	277,602	263,727	277,602
Bank loans	231,522	233,352	244,395	249,642	258,126	273,490	233,352	273,490
Other loans	225,771	233,575	234,944	238,098	240,342	240,258	233,575	240,258
Canada short-term paper	109,471	113,158	124,291	109,668	102,209	107,002	113,158	107,002
Other short-term paper	201,766	214,354	219,964	221,775	233,235	226,562	214,354	226,562
Mortgages	799,973	816,121	829,407	856,622	882,419	904,583	816,121	904,583
Canada bonds	271,376	264,057	256,355	253,854	252,768	254,835	264,057	254,835
(of which CSB's)	16,917	15,465	15,083	14,821	14,747	13,206	15,465	13,206
Provincial bonds	303,300	302,988	304,895	301,025	311,110	323,792	302,988	323,792
Municipal bonds	39,891	39,759	41,622	41,691	42,867	43,655	39,759	43,655
Other bonds	454,081	485,922	498,040	508,489	533,566	553,543	485,922	553,543
Life insurance & pensions	1,335,293	1,396,073	1,421,004	1,441,012	1,464,863	1,477,616	1,396,073	1,477,616
Corporate claims	1,296,282	1,308,610	1,348,007	1,351,546	1,386,510	1,430,860	1,308,610	1,430,860
Government claims	215,102	217,751	223,306	222,624	224,146	226,561	217,751	226,561
Shares	2,223,792	2,391,990	2,455,144	2,553,234	2,598,877	2,548,505	2,391,990	2,548,505
Foreign investments	633,771	720,657	753,374	752,023	710,268	697,292	720,657	697,292
Other financial assets	907,340	928,778	955,323	975,801	977,809	981,578	928,778	981,578
Liabilities and net worth	16,176,314	16,713,938	17,120,504	17,466,886	17,767,101	17,950,979	16,713,938	17,950,979
Liabilities	11,189,404	11,594,704	11,863,175	12,120,324	12,364,547	12,471,857	11,594,704	12,471,857
Currency and bank deposits	924,187	940,210	944,932	969,120	1,014,737	1,032,928	940,210	1,032,928
Other deposits	221,349	225,308	230,908	236,595	242,821	245,627	225,308	245,627
Foreign currency deposits	118,590	132,089	153,044	156,005	160,277	170,648	132,089	170,648
Consumer credit	295,291	302,103	307,274	318,579	328,658	336,850	302,103	336,850
Trade payables	262,418	265,928	273,362	276,318	281,418	286,745	265,928	286,745
Bank loans	214,747	217,241	225,534	234,755	241,903	255,592	217,241	255,592
Other loans	220,778	222,459	229,315	234,343	238,316	242,914	222,459	242,914
Canada short-term paper	122,969	126,307	135,947	121,090	112,912	117,712	126,307	117,712
Other short-term paper	212,111	223,451	230,769	233,134	243,960	236,514	223,451	236,514
Mortgages	800,316	816,467	829,750	856,961	882,755	904,918	816,467	904,918
Canada bonds	319,197	315,538	307,947	297,229	296,429	297,000	315,538	297,000
(of which CSB's)	16,917	15,465	15,083	14,821	14,747	13,206	15,465	13,206
Provincial bonds	422,158	429,054	430,229	414,833	419,153	431,494	429,054	431,494
Municipal bonds	44,086	44,047	45,788	45,687	46,909	47,781	44,047	47,781
Other bonds	680,648	727,545	742,804	740,033	759,917	787,511	727,545	787,511
Life insurance & pensions	1,335,293	1,396,073	1,421,004	1,441,012	1,464,863	1,477,616	1,396,073	1,477,616
Corporate claims	547,096	513,323	545,295	567,563	576,078	581,748	513,323	581,748
Government claims	215,102	217,751	223,306	222,624	224,146	226,561	217,751	226,561
Shares	3,353,072	3,575,247	3,652,601	3,800,793	3,883,994	3,843,435	3,575,247	3,843,435
Other liabilities	879,996	904,563	933,366	953,650	945,301	948,263	904,563	948,263
Net worth	4,986,910	5,119,234	5,257,329	5,346,562	5,402,554	5,479,122	5,119,234	5,479,122

Table H.3 Credit market summary table

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	2006	2007
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	1,049,971	1,067,745	1,084,165	1,113,798	1,142,313	1,166,898	1,067,745	1,166,898
Consumer credit	295,291	302,103	307,274	318,579	328,658	336,850	302,103	336,850
Bank loans	36,575	36,985	38,658	38,596	39,558	40,201	36,985	40,201
Other loans	72,992	73,703	74,528	73,453	72,376	71,534	73,703	71,534
Mortgages	645,113	654,954	663,705	683,170	701,721	718,313	654,954	718,313
Non-financial private corporations	613,040	633,195	652,494	656,970	666,365	677,137	633,195	677,137
Bank loans	122,149	121,360	124,814	130,105	134,219	143,052	121,360	143,052
Other loans	77,132	76,958	79,395	80,729	79,220	76,270	76,958	76,270
Other short-term paper	51,561	57,088	59,679	59,508	62,817	61,463	57,088	61,463
Mortgages	127,266	132,176	136,379	142,140	147,303	152,883	132,176	152,883
Bonds	234,932	245,613	252,227	244,488	242,806	243,469	245,613	243,469
Non-financial government enterprises	67,552	67,502	67,143	66,582	66,819	68,245	67,502	68,245
Bank loans	2,755	2,678	2,449	2,481	2,479	2,512	2,678	2,512
Other loans	7,082	7,376	6,574	6,398	6,408	6,519	7,376	6,519
Other short-term paper	7,436	6,204	6,239	6,268	6,247	6,257	6,204	6,257
Mortgages	96	95	94	93	94	91	95	91
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,444	48,500	49,147	48,750	49,018	50,276	48,500	50,276
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,618	2,528	2,519	2,471	2,452	2,469	2,528	2,469
Federal government	404,422	403,096	413,443	394,015	385,161	384,164	403,096	384,164
Bank loans	101	101	101	101	101	102	101	102
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	122,969	126,307	135,947	121,090	112,912	117,712	126,307	117,712
Canada bonds	281,352	276,688	277,395	272,824	272,148	266,350	276,688	266,350
Canada savings bonds	16,917	15,465	15,083	14,821	14,747	13,206	15,465	13,206
Other bonds	264,435	261,223	262,312	258,003	257,401	253,144	261,223	253,144
Other levels of government	398,013	404,608	407,993	407,462	413,556	419,267	404,608	419,267
Bank loans	3,550	3,705	4,767	5,172	4,860	4,774	3,705	4,774
Other loans	15,067	15,228	15,202	15,287	15,456	15,816	15,228	15,816
Other short-term paper	15,067	15,663	15,677	15,663	20,199	21,918	15,663	21,918
Mortgages	2,000	2,000	1,999	1,999	1,999	1,999	2,000	1,999
Provincial bonds	315,973	321,567	321,911	320,022	321,046	324,499	321,567	324,499
Municipal bonds	42,522	42,543	44,567	45,469	46,165	46,445	42,543	46,445
Other bonds	3,834	3,902	3,870	3,850	3,831	3,816	3,902	3,816
Total funds raised by domestic non-financial sectors	2,532,998	2,576,146	2,625,238	2,638,827	2,674,214	2,715,711	2,576,146	2,715,711
Consumer credit	295,291	302,103	307,274	318,579	328,658	336,850	302,103	336,850
Bank loans	165,130	164,829	170,789	176,455	181,217	190,641	164,829	190,641
Other loans	172,273	173,265	175,699	175,867	173,460	170,139	173,265	170,139
Canada short-term paper	122,969	126,307	135,947	121,090	112,912	117,712	126,307	117,712
Other short-term paper	74,064	78,955	81,595	81,439	89,263	89,638	78,955	89,638
Mortgages	774,475	789,225	802,177	827,402	851,117	873,286	789,225	873,286
Bonds	928,796	941,462	951,757	937,995	937,587	937,445	941,462	937,445
Non-residents	47,083	50,391	53,109	47,301	47,532	51,625	50,391	51,625
Bank loans	16,775	16,111	18,861	14,887	16,223	17,898	16,111	17,898
Other loans	30,308	34,280	34,248	32,414	31,309	33,727	34,280	33,727
Mortgages	...	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,580,081	2,626,537	2,678,347	2,686,128	2,721,746	2,767,336	2,626,537	2,767,336
Domestic financial institutions	691,649	732,901	757,384	785,519	819,011	850,406	732,901	850,406
Bank loans	49,617	52,412	54,745	58,300	60,686	64,951	52,412	64,951
Other loans	48,505	49,194	53,616	58,476	64,856	72,775	49,194	72,775
Other short-term paper	138,047	144,496	149,174	151,695	154,697	146,876	144,496	146,876
Mortgages	25,841	27,242	27,573	29,559	31,638	31,632	27,242	31,632
Bonds	429,639	459,557	472,276	487,489	507,134	534,172	459,557	534,172
Total funds raised = total funds supplied	3,271,730	3,359,438	3,435,731	3,471,647	3,540,757	3,617,742	3,359,438	3,617,742
Assets of:								
Persons and unincorporated business	100,589	92,918	91,601	81,541	79,026	78,856	92,918	78,856
Non-financial corporations	77,585	80,451	82,866	83,500	87,286	86,171	80,451	86,171
Governments	236,962	237,515	248,419	253,454	257,158	258,442	237,515	258,442
Non-residents	422,181	443,641	455,505	433,357	417,937	429,702	443,641	429,702
Domestic financial institutions	2,457,232	2,527,662	2,581,591	2,642,834	2,722,340	2,787,601	2,527,662	2,787,601