

Catalogue no. 13-010-X

# Canadian Economic Accounts Quarterly Review

Second quarter 2008



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## Symbols

The following standard symbols are used in Statistics Canada publications:

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

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**Related products and services**[www.statcan.ca/nea](http://www.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

## Publications:

National Income and Expenditure Accounts 13-001-XIB  
 Guide to the Income and Expenditure Accounts 13-017-XWE  
 Provincial and Territorial Economic Accounts Review 13-016-XWE

## Tables and Analytical Document:

National Income and Expenditure Accounts 13-001-PPB  
 Estimates of Labour Income 13F0016XPB  
 Provincial Economic Accounts 13-213-PPB

Data tables 13-019-XWE, 13-021-XWE, 13-018-XWE

**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

Data tables 13-020-XWE

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

CANSIM tables 383-0008 to 383-0015

## Publication:

The Canadian productivity accounts - Data 15-003-XIE  
 Canadian Productivity Review 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

Data tables 13-022-XWE

**Latest developments in the Canadian economic accounts**

Publication 13-605-XIE

## Table of contents

<b>About this publication</b> .....	<b>7</b>
<b>Revision policy</b> .....	<b>7</b>
<b>Revisions in this issue</b> .....	<b>7</b>
<b>Section A</b>	
<b>Overview</b> .....	<b>8</b>
Export volume continues to fall .....	9
Personal spending moderates .....	9
Housing investment declines .....	9
Businesses reduce investment in plant and equipment .....	9
Inventories accumulate .....	9
Corporate profits strengthen .....	9
Personal income advances .....	10
Jump in export prices fuels gross domestic product price increase .....	10
Gross domestic product by industry, June 2008 .....	10
<b>Section B</b>	
<b>GDP by income and by expenditure</b> .....	<b>12</b>
Export volume continues to fall .....	12
Personal spending moderates .....	13
Housing investment declines .....	13
Businesses reduce investment in plant and equipment .....	13
Inventories accumulate .....	14
Corporate profits strengthen .....	14
Personal income advances .....	14
National saving advances .....	14
Jump in export prices fuels gross domestic product price increase .....	15
<b>Section C</b>	
<b>GDP by industry</b> .....	<b>21</b>
Construction advances .....	21
Wholesale and retail trade advance .....	21
Output of the energy sector falls .....	21
Manufacturing activity down slightly .....	22
The finance and insurance sector unchanged .....	22
Other industries .....	22
Second quarter 2008 .....	22

**Section D**

<b>Balance of international payments</b> .....	<b>26</b>
Goods surplus buoyed by higher commodity prices .....	26
Services deficit increases moderated by travel .....	27
The deficit on investment income is up .....	27
Foreign demand for Canadian securities reaches high .....	28
Direct investment in Canada lowest in three years .....	28
Canadian direct investment abroad loses steam, but outpaces inward investment .....	28
Canadian investors continue to favour foreign equities over debt instruments .....	29

**Section E**

<b>Financial flow accounts</b> .....	<b>32</b>
Household sector .....	32
Corporate sector .....	33
Government sector .....	33

**Section F**

<b>Labour productivity, hourly compensation and unit labour cost</b> .....	<b>39</b>
Growth of unit labour cost moderates .....	40
Annual Canadian productivity growth similar to U.S. since 2004 .....	41
Productivity growth accelerates in the United States in the second quarter .....	41
Analysis by industry .....	42
Rebound in manufacturing productivity .....	42
Productivity rises again in the service sector .....	42
Unit labour cost continues to rise faster in the goods producing sector .....	43

**Section G**

<b>Canada's International investment position</b> .....	<b>48</b>
Net international indebtedness edges up in the quarter .....	48
Portfolio investment: Securities drive change in net foreign debt .....	48
Direct investment: Net position largely unchanged .....	49
Other investments moderate the change in net foreign debt .....	49
Net international indebtedness up sharply, with securities at market value .....	49

**Section H**

<b>National balance sheet accounts</b> .....	<b>51</b>
Growth in household net worth advances .....	52
Corporate debt-to-equity continues to trend down .....	53
Financial institutions asset growth reflects an upswing in the stock market .....	53
Government net debt-to-GDP declines further .....	53

## 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 2008.

### **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:**

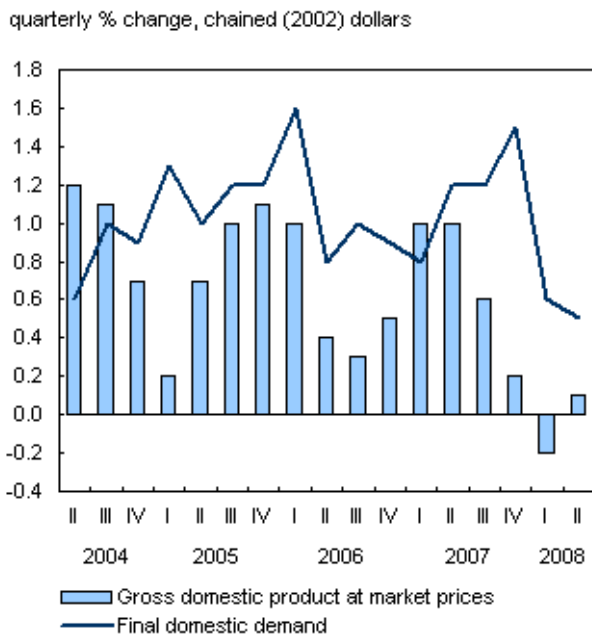
With this release revisions have been made back to the first quarter of 2008 at the aggregate level and to the first quarter of 2007 at the industry level.

## Section A Overview

Second quarter 2008 and June 2008

Real gross domestic product (GDP) edged up 0.1% in the second quarter of 2008, following a decline of 0.2% (revised from -0.1%) in the first quarter. Real GDP advanced 0.1% in June. While final domestic demand continued to outpace GDP, growing 0.5% in the quarter, foreign demand for Canadian goods and services registered its fourth consecutive quarterly decline.

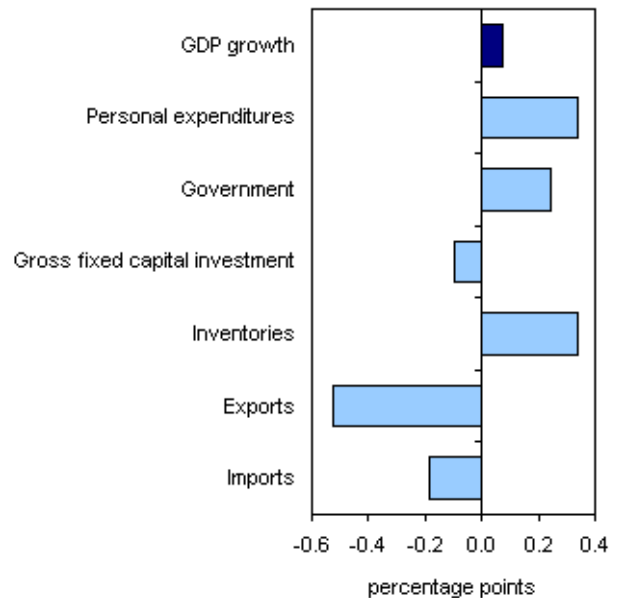
**Chart A.1**  
Final domestic demand continues to outpace GDP



Production in the service industries was up 0.6% during the second quarter with gains in the public sector, finance and insurance, accommodation, retail trade and transportation leading the way. Significant declines in the energy sector, notably natural gas production, and continued contractions in manufacturing activities, albeit at a much reduced pace compared to previous quarters, were mainly behind the 1.0% decline in the goods-producing sector.

Consumer and government spending on goods and services advanced. Businesses increased their inventories and reduced their expenditures on fixed capital. Corporate profits grew significantly as prices, particularly for energy products, jumped. The international trade surplus, measured in nominal values, increased as exporters benefited from higher commodity prices. Nonetheless, the volume of exports declined in the quarter.

**Chart A.2**  
Contributions to percent change in GDP, second quarter 2008



The Canadian economy grew at an annualized rate of 0.3% in the second quarter, compared with 3.3% growth for the U.S. economy.

**Note to readers**

Percentage changes for expenditure-based and industry-based statistics (such as personal expenditure, 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.

The new reference manual, *Guide to the Income and Expenditure Accounts* (13-017-X, free) is now available. This guide provides an overview, an outline of the concepts and definitions, an explanation of the sources of information and statistical methods, a glossary of terms, and a broad compilation of other facts about the accounts.

**Table A.1**  
**Real gross domestic product, chained (2002) dollars<sup>[1]</sup>**

	Change	Annualized change %	Year-over- year change
First quarter 2007	1.0	4.1	2.2
Second quarter 2007	1.0	3.9	2.8
Third quarter 2007	0.6	2.3	3.1
Fourth quarter 2007	0.2	0.8	2.8
First quarter 2008	-0.2	-0.8	1.6
Second quarter 2008	0.1	0.3	0.7

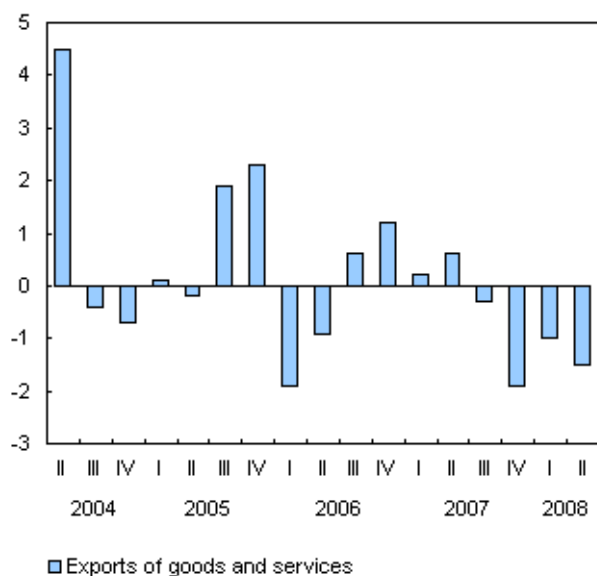
1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

### Export volume continues to fall

The volume of exports of goods and services fell 1.5% in the second quarter, the fourth consecutive decline, leaving their level 4.7% lower than in the second quarter of 2007. The decline in the second quarter of 2008 was widespread as international sales of forestry products, machinery and equipment, and automotive products continued to fall reflecting, in part, declining US expenditures on these goods. The volume of energy exports decreased 3.7% following a jump in the first quarter.

**Chart A.3**  
**Exports down again**

quarterly % change, chained (2002) dollars



The volume of imports of goods and services advanced 0.6% after falling 2.3% in the first quarter. After a downturn in the first quarter, machinery and equipment imports grew, continuing the upward trend that began in 2003. The volume of international purchases of energy products jumped, mostly due to increased imports of crude petroleum. Energy imports have posted an average quarterly growth of 9.8% in the first half of 2008.

### Personal spending moderates

Personal spending grew 0.6% in the second quarter, continuing to moderate after gains of 1.8% and 0.8% in the previous two quarters. The slowdown reflects the drop in spending on durable goods. Notably, purchases of motor vehicles declined after substantial increases in the previous two quarters.

Conversely, purchases of clothing and footwear remained strong. Personal expenditure on furniture, furnishings and household equipment posted a sixth consecutive quarterly increase of over 1%.

### Housing investment declines

Business investment in residential construction declined 1.0%, following a 1.7% drop in the first quarter.

The downturn in the second quarter affected all areas of housing investment. Renovation activity posted its first quarterly decline since the third quarter of 1999, as home building material stores registered weaker sales.

### Businesses reduce investment in plant and equipment

Business investment in plant and equipment declined 0.4% in the second quarter. Engineering construction increased 0.2% whereas capital spending on non-residential buildings dropped by 1.9%.

Investment in machinery and equipment was down 0.3%.

### Inventories accumulate

Inventory accumulation picked up after easing in the first quarter. Businesses have been accumulating inventories since the third quarter of 2004. Manufacturing inventories were built up after a reduction in the first quarter. Retailers reduced their stocks, particularly of motor vehicles.

### Corporate profits strengthen

Corporations recorded a significant profit increase in the second quarter (+8.3%), spurred by price increases, particularly for crude petroleum, natural gas and coal. This was the strongest gain in profits since the first quarter of 2004. While non-financial corporation profits jumped 10%, financial corporations registered a marginal increase.

In addition, farmers nearly doubled their net income in the second quarter, as grain and oilseed prices continued to increase.

**Personal income advances**

Labour income advanced 1.1%, as growth in services-producing industries remained strong. Employment was up 0.3% while average hours worked declined.

Personal income growth slowed to 0.6%, from 2.0% in the previous quarter, when large one-time government transfers boosted income. Personal disposable income increased 1.1%. Personal outlays outpaced income growth and the saving rate slipped to 2.8%.

Households carried \$1.25 of debt for every dollar of personal disposable income. Debt servicing charges remained unchanged at about 8% of personal disposable income.

**Jump in export prices fuels gross domestic product price increase**

The price of goods and services produced in Canada, as measured by the chain price index for GDP, increased 2.5% in the second quarter, the largest quarterly gain since the first quarter of 1982. Export prices advanced sharply (+8.2%) providing an income boost for exporters, particularly energy producers. Excluding energy, overall prices advanced 0.7%.

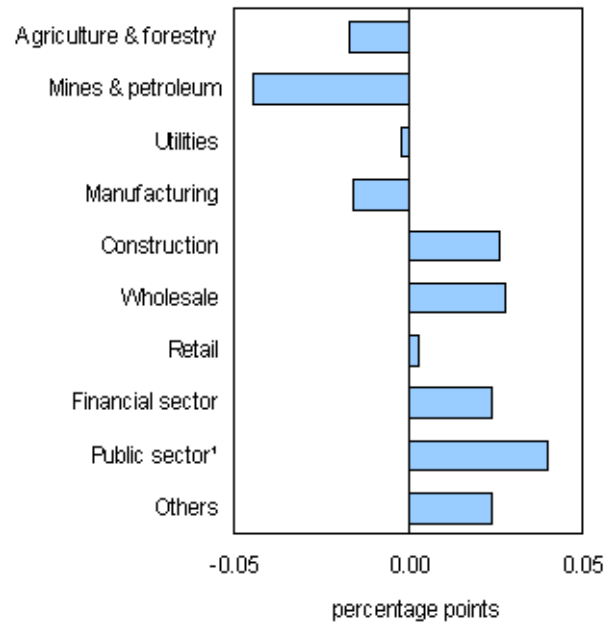
**Gross domestic product by industry, June 2008**

Real gross domestic product increased 0.1% in June, after declining 0.1% in May and growing 0.4% in April. There were increases in construction, wholesale trade, the public sector as well as in transportation services, and declines in natural gas extraction, manufacturing and forestry. The finance and insurance sector and some tourism-related industries were unchanged.

The construction sector increased 0.4% in June. The strong gain in engineering and repair work (+1.1%) and the slight increase in residential building construction more than offset the decline in non-residential building construction (-1.4%). The output of real estate agents and brokers continued to decline, reflecting the slowdown in the real estate market that started in December 2007.

Wholesaling activity advanced 0.5% in June. There was a notable increase in the wholesaling of motor vehicles and parts. Value added in the retail trade sector rose 0.1%.

**Chart A.4**  
**Main industrial sectors' contribution to total growth, June 2008**



1. Education, health and public administration.

Output of the energy sector decreased 0.6% in June. Oil and gas extraction fell 1.6% due to the decline in natural gas extraction. Canadian storage of natural gas rose for the second consecutive month, as facilities replenished their stocks.

Manufacturing production slipped 0.1% in June. The decline in non-durable manufacturing eclipsed the increase in durable manufacturing. Printing and related support activities, and paper product manufacturing, retreated. Conversely, motor vehicle production rebounded following a May drop. Manufacturing of machinery posted an increase.

The finance and insurance sector remained unchanged in June. Banking services advanced slightly during the month, while the level of activity in insurance, non-deposit credit intermediation and stock brokerages fell.

Activity in the forestry industry fell 3.4% as the industry continued to suffer from a weak international demand for its products.

Table A.2 Canadian economic accounts key indicators[1]

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of dollars at current prices								
<b>GDP by income and by expenditure</b>								
Wages, salaries and supplementary labour income	774,960 2.1	786,392 1.5	789,224 0.4	802,852 1.7	814,644 1.5	823,932 1.1	743,313 6.9	788,357 6.1
Corporation profits before taxes	200,572 1.0	202,740 1.1	204,784 1.0	204,828 0.0	209,604 2.3	226,964 8.3	196,719 5.8	203,231 3.3
Interest and miscellaneous investment income	68,756 4.8	72,056 4.8	72,492 0.6	72,756 0.4	75,196 3.4	82,048 9.1	66,421 8.4	71,515 7.7
Net income of unincorporated business	89,044 1.6	90,272 1.4	90,716 0.5	91,860 1.3	94,132 2.5	96,992 3.0	86,386 1.6	90,473 4.7
Taxes less subsidies	163,276 2.1	167,052 2.3	168,500 0.9	170,568 1.2	165,608 -2.9	167,416 1.1	160,840 3.5	167,349 4.0
Personal disposable income	886,212 2.3	890,088 0.4	902,088 1.3	915,164 1.4	937,156 2.4	947,772 1.1	849,590 7.0	898,388 5.7
Personal saving rate[2]	3.9	2.3	2.5	1.9	3.1	2.8	3.1	2.7
	...	...	...	...	...	...	...	...
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	772,440 0.9	783,339 1.4	791,358 1.0	805,760 1.8	812,020 0.8	816,948 0.6	754,179 4.3	788,224 4.5
Government current expenditure on goods and services	253,550 0.7	255,245 0.7	259,691 1.7	263,357 1.4	264,947 0.6	268,269 1.3	248,777 3.8	257,961 3.7
Gross fixed capital formation	307,457 0.6	311,144 1.2	315,381 1.4	318,319 0.9	318,335 0.0	316,993 -0.4	301,263 7.1	313,075 3.9
Investment in inventories	6,004 ...	5,618 ...	20,579 ...	20,580 ...	3,003 ...	8,365 ...	10,723 ...	13,195 ...
Exports of goods and services	509,189 0.2	512,307 0.6	510,840 -0.3	501,112 -1.9	495,955 -1.0	488,478 -1.5	503,322 0.6	508,362 1.0
Imports of goods and services	548,079 0.3	554,726 1.2	581,348 4.8	593,526 2.1	579,696 -2.3	583,004 0.6	539,784 4.6	569,420 5.5
<b>Gross domestic product at market prices</b>	<b>1,305,843 1.0</b>	<b>1,318,339 1.0</b>	<b>1,325,934 0.6</b>	<b>1,328,606 0.2</b>	<b>1,326,106 -0.2</b>	<b>1,327,118 0.1</b>	<b>1,284,819 3.1</b>	<b>1,319,681 2.7</b>
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>GDP at basic prices, by industry</b>								
Goods producing industries	378,381 1.3	380,273 0.5	379,306 -0.3	375,532 -1.0	369,363 -1.6	365,688 -1.0	375,489 1.2	378,373 0.8
Industrial production	275,390 1.5	277,376 0.7	275,917 -0.5	272,139 -1.4	266,146 -2.2	262,876 -1.2	274,357 -0.2	275,205 0.3
Energy sector	86,578 1.9	87,775 1.4	87,680 -0.1	86,837 -1.0	86,141 -0.8	84,149 -2.3	85,876 1.0	87,218 1.6
Manufacturing	185,897 1.3	186,452 0.3	184,726 -0.9	181,772 -1.6	176,256 -3.0	175,248 -0.6	186,631 -1.0	184,712 -1.0
Non-durable manufacturing	72,704 -0.9	73,181 0.7	72,743 -0.6	71,327 -1.9	69,692 -2.3	69,477 -0.3	74,329 -1.9	72,489 -2.5
Durable manufacturing	113,420 2.7	113,486 0.1	112,187 -1.1	110,658 -1.4	106,745 -3.5	105,942 -0.8	112,470 -0.3	112,438 -0.0
Construction	76,274 1.0	76,503 0.3	77,270 1.0	77,491 0.3	77,648 0.2	77,373 -0.4	74,087 8.1	76,885 3.8
Services producing industries	834,632 0.9	843,062 1.0	850,966 0.9	856,815 0.7	861,250 0.5	866,605 0.6	818,862 3.8	846,369 3.4
Wholesale trade	69,304 1.5	70,622 1.9	72,281 2.4	73,131 1.2	72,885 -0.3	73,055 0.2	68,383 7.1	71,335 4.3
Retail trade	71,264 2.0	72,874 2.3	73,321 0.6	74,200 1.2	74,926 1.0	75,456 0.7	69,015 6.0	72,915 5.7
Transportation and warehousing	55,952 0.5	56,189 0.4	56,791 1.1	56,575 -0.4	56,576 0.0	57,043 0.8	55,501 3.2	56,377 1.6
Finance, insurance, real estate and renting	236,635 1.1	239,111 1.0	241,362 0.9	243,108 0.7	244,839 0.7	246,303 0.6	230,362 3.8	240,054 4.2
Information and communication technologies	55,886 1.3	56,717 1.5	57,003 0.5	57,458 0.8	57,593 0.2	58,154 1.0	54,485 4.3	56,766 4.2

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

## Section B

### GDP by income and by expenditure

Second quarter 2008

Real gross domestic product (GDP) edged up 0.1% in the second quarter of 2008, following a decline of 0.2% (revised from -0.1%) in the first quarter. While final domestic demand continued to outpace GDP, growing 0.5% in the quarter, foreign demand for Canadian goods and services registered its fourth consecutive quarterly decline.

Consumer and government spending on goods and services advanced. Businesses increased their inventories and reduced their expenditures on fixed capital. Corporate profits grew significantly as prices, particularly for energy products, jumped. The international trade surplus, measured in nominal values, increased as exporters benefited from higher commodity prices. Nonetheless, the volume of exports declined in the quarter.

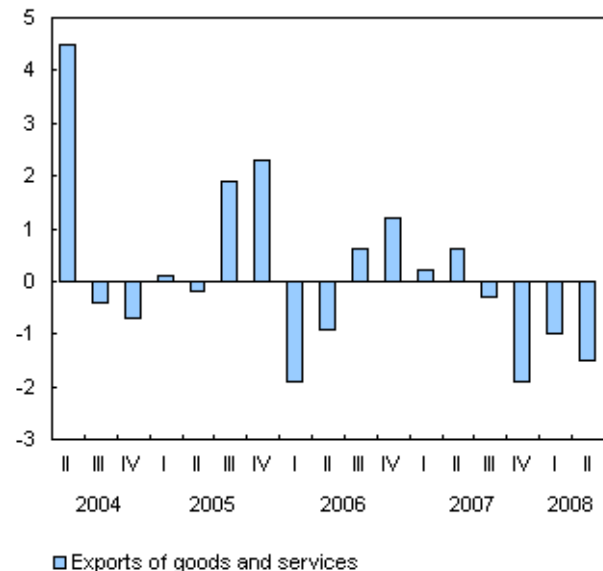
#### Export volume continues to fall

The volume of exports of goods and services fell 1.5% in the second quarter, the fourth consecutive decline, leaving their level 4.7% lower than in the second quarter of 2007. The decline in the second quarter of 2008 was widespread as international sales of forestry products, machinery and equipment, and automotive products continued to fall reflecting, in part, declining U.S. expenditures on these goods. The volume of energy exports decreased 3.7% following a jump in the first quarter.

Service exports also fell, after a large drop in the first quarter. Exports of commercial services receded for the second consecutive quarter, and have been on a downward trend since reaching a peak in the fourth quarter of 2005. Exports of travel services registered an increase, after three quarters of decline.

**Chart B.1**  
Exports down again

quarterly % change, chained (2002) dollars



The volume of imports of goods and services advanced 0.6% after falling 2.3% in the first quarter. After a downturn in the first quarter, machinery and equipment imports grew, continuing the upward trend that began in 2003. The volume of international purchases of energy products jumped, mostly due to increased imports of crude petroleum. Energy imports have posted an average quarterly growth of 9.8% in the first half of 2008.

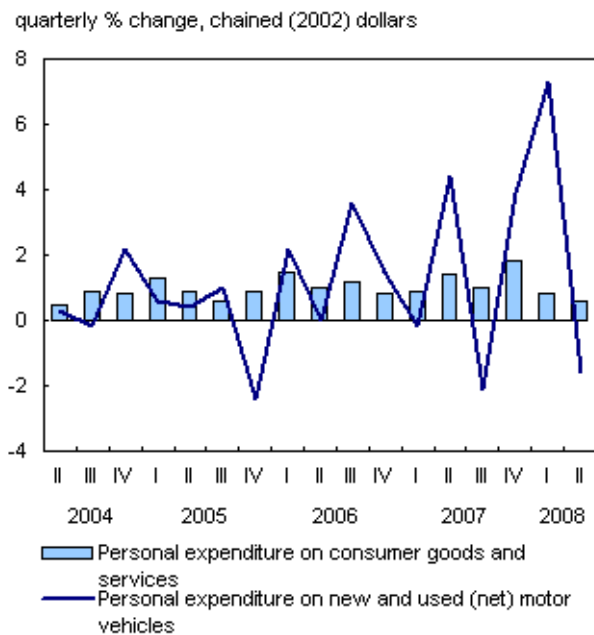
Imports of industrial goods and materials declined for a second consecutive quarter, reflecting the slowdown in the manufacturing sector. Imports of agricultural and fish products also fell for a second consecutive quarter. Imports of other consumer goods were unchanged, following a drop in the first quarter.

Imports of services declined as a decrease in Canadian travel expenditures abroad (travel services imports) was partially offset by gains in commercial services and transportation.

### Personal spending moderates

Personal spending grew 0.6% in the second quarter, continuing to moderate after gains of 1.8% and 0.8% in the previous two quarters. The slowdown reflects the drop in spending on durable goods. Notably, purchases of motor vehicles declined after substantial increases in the previous two quarters.

**Chart B.2**  
Personal spending on motor vehicles dips



Spending on non-durable goods was similar to the previous quarter. Households reduced their food and non-alcoholic beverage and energy consumption, as prices for these commodities grew strongly.

Conversely, purchases of clothing and footwear remained strong. Personal expenditure on furniture, furnishings and household equipment posted a sixth consecutive quarterly increase of over 1%.

Spending on services picked up with financial and legal services and restaurants and accommodation services contributing the most. Personal expenditures of Canadian residents abroad registered a small decline, but were still 25% higher than the first quarter of 2007, due to the strong increase in foreign travel that occurred in the last three quarters of 2007.

### Housing investment declines

Business investment in residential construction declined 1.0%, following a 1.7% drop in the first quarter.

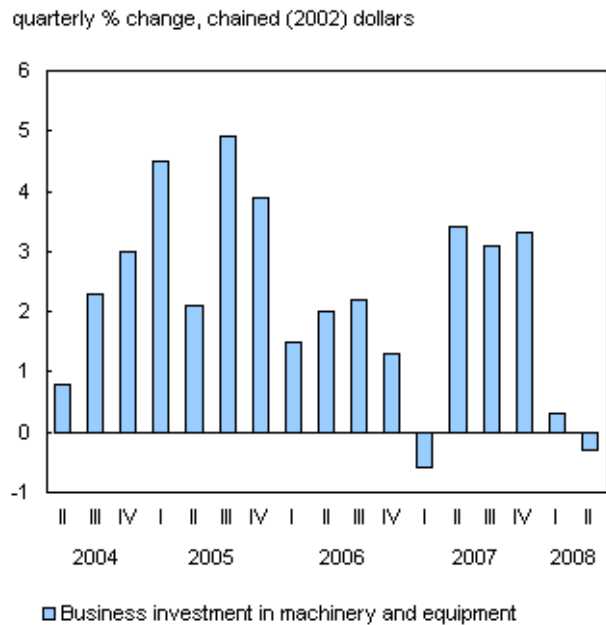
The downturn in the second quarter affected all areas of housing investment. Renovation activity posted its first quarterly decline since the third quarter of 1999, as home building material stores registered weaker sales. The value of new housing construction declined for a second consecutive quarter. Ownership transfer costs, reflecting housing resales, also declined but at a much slower rate than in the previous three quarters.

### Businesses reduce investment in plant and equipment

Business investment in plant and equipment declined 0.4% in the second quarter. Engineering construction increased 0.2% whereas capital spending on non-residential buildings dropped by 1.9%.

Investment in machinery and equipment was down 0.3%. Businesses reduced their expenditures on automobiles, trucks and other transportation equipment. However, increases were recorded in agricultural machinery, industrial machinery, telecommunications equipment, and other machinery and equipment.

**Chart B.3**  
Machinery and equipment investment declines



**Inventories accumulate**

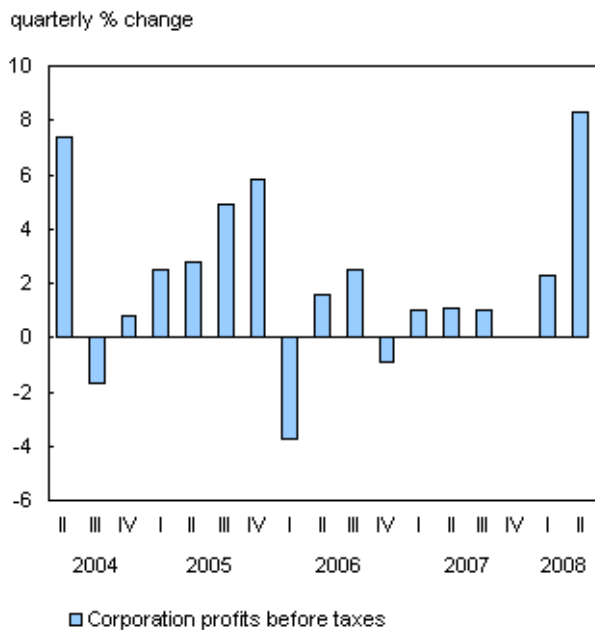
Inventory accumulation picked up after easing in the first quarter. Businesses have been accumulating inventories since the third quarter of 2004. Manufacturing inventories were built up after a reduction in the first quarter. Retailers reduced their stocks, particularly of motor vehicles. Other non-farm inventories, particularly natural gas, also accumulated.

The economy-wide inventory-to-sales ratio edged up to 0.694, leaving sufficient inventories to satisfy 63 days of sales.

**Corporate profits strengthen**

Corporations recorded a significant profit increase in the second quarter (+8.3%), spurred by price increases, particularly for crude petroleum, natural gas and coal. This was the strongest gain in profits since the first quarter of 2004. While non-financial corporation profits jumped 10%, financial corporations registered a marginal increase.

**Chart B.4**  
**Corporate profits advance**



In addition, farmers nearly doubled their net income in the second quarter, as grain and oilseed prices continued to increase.

**Personal income advances**

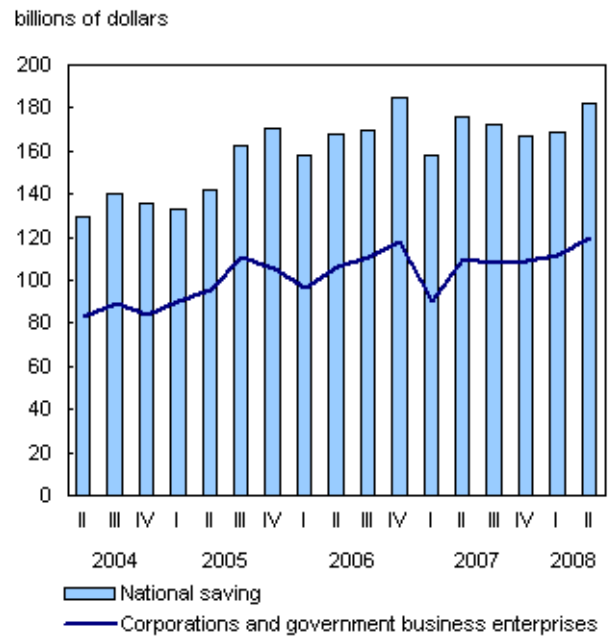
Labour income advanced 1.1%, as growth in services-producing industries remained strong. Employment was up 0.3% while average hours worked declined.

Personal income growth slowed to 0.6%, from 2.0% in the previous quarter, when large one-time government transfers boosted income. Personal disposable income increased 1.1%. Personal outlays outpaced income growth and the saving rate slipped to 2.8%.

**National saving advances**

Significant expansion in corporate and government saving contributed to a rise in the national saving rate to 13.1% from 12.4% in the previous two quarters.

**Chart B.5**  
**National saving moves upward**



### Jump in export prices fuels gross domestic product price increase

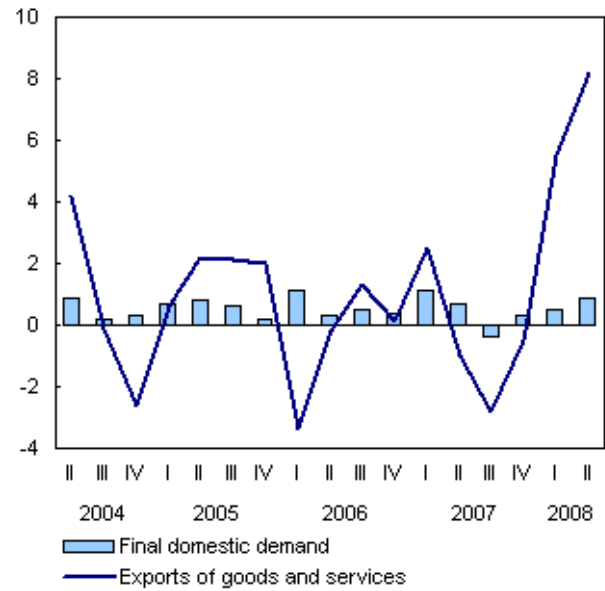
The price of goods and services produced in Canada, as measured by the chain price index for gross domestic product, increased 2.5% in the second quarter, the largest quarterly gain since the first quarter of 1982. Export prices advanced sharply (+8.2%) providing an income boost for exporters, particularly energy producers. Excluding energy, overall prices advanced 0.7%.

Prices for consumer goods and services advanced 0.8% in the quarter, driven by a 2.2% increase in prices for non-durable goods, such as food and energy.

Import prices increased 4.0% after climbing 3.4% in the first quarter. Businesses paid higher prices for plant and equipment, notably for non-residential structures. The final domestic demand price index increased 0.9%.

**Chart B.6**  
Export prices up significantly

quarterly % change, implicit chain price index



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

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	774,960 2.1	786,392 1.5	789,224 0.4	802,852 1.7	814,644 1.5	823,932 1.1	743,313 6.9	788,357 6.1
Corporation profits before taxes	200,572 1.0	202,740 1.1	204,784 1.0	204,828 0.0	209,604 2.3	226,964 8.3	196,719 5.8	203,231 3.3
Government business enterprise profits before taxes	15,764 11.8	15,696 -0.4	15,544 -1.0	15,152 -2.5	15,928 5.1	17,288 8.5	14,638 -4.5	15,539 6.2
Interest and miscellaneous investment income	68,756 4.8	72,056 4.8	72,492 0.6	72,756 0.4	75,196 3.4	82,048 9.1	66,421 8.4	71,515 7.7
Accrued net income of farm operators from farm production	116 52.6	152 31.0	56 -63.2	116 107.1	1,352 1,065.5	2,632 94.7	-154 ...	110 ...
Net income of non-farm unincorporated business, including rent	88,928 1.5	90,120 1.3	90,660 0.6	91,744 1.2	92,780 1.1	94,360 1.7	86,540 3.1	90,363 4.4
Inventory valuation adjustment	-988 ...	7,024 ...	3,488 ...	3,564 ...	-1,484 ...	-4,388 ...	-2,407 ...	3,272 ...
Taxes less subsidies, on factors of production	66,744 1.9	67,484 1.1	68,424 1.4	69,032 0.9	69,952 1.3	70,740 1.1	64,580 4.4	67,921 5.2
<b>Net domestic product at basic prices</b>	<b>1,214,852</b> <b>2.6</b>	<b>1,241,664</b> <b>2.2</b>	<b>1,244,672</b> <b>0.2</b>	<b>1,260,044</b> <b>1.2</b>	<b>1,277,972</b> <b>1.4</b>	<b>1,313,576</b> <b>2.8</b>	<b>1,169,650</b> <b>6.0</b>	<b>1,240,308</b> <b>6.0</b>
Taxes less subsidies, on products	96,532 2.3	99,568 3.1	100,076 0.5	101,536 1.5	95,656 -5.8	96,676 1.1	96,260 2.8	99,428 3.3
Capital consumption allowances	191,408 1.5	194,024 1.4	196,632 1.3	198,852 1.1	201,716 1.4	204,668 1.5	185,206 5.3	195,229 5.4
Statistical discrepancy	1,064 ...	1,292 ...	456 ...	-88 ...	724 ...	1,308 ...	-626 ...	681 ...
<b>Gross domestic product at market prices</b>	<b>1,503,856</b> <b>2.5</b>	<b>1,536,548</b> <b>2.2</b>	<b>1,541,836</b> <b>0.3</b>	<b>1,560,344</b> <b>1.2</b>	<b>1,576,068</b> <b>1.0</b>	<b>1,616,228</b> <b>2.5</b>	<b>1,450,490</b> <b>5.7</b>	<b>1,535,646</b> <b>5.9</b>

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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	830,928	847,900	857,272	874,980	884,432	897,172	803,260	852,770
	1.8	2.0	1.1	2.1	1.1	1.4	5.8	6.2
Durable goods	108,964	112,596	111,672	112,908	115,192	113,556	105,904	111,535
	1.2	3.3	-0.8	1.1	2.0	-1.4	6.2	5.3
Semi-durable goods	68,580	69,276	70,424	70,792	70,884	72,012	66,553	69,768
	2.1	1.0	1.7	0.5	0.1	1.6	6.0	4.8
Non-durable goods	200,144	205,488	205,628	209,952	212,568	217,724	194,868	205,303
	2.9	2.7	0.1	2.1	1.2	2.4	4.1	5.4
Services	453,240	460,540	469,548	481,328	485,788	493,880	435,935	466,164
	1.4	1.6	2.0	2.5	0.9	1.7	6.4	6.9
Government current expenditure on goods and services	290,196	296,108	296,028	303,556	307,644	313,280	278,922	296,472
	2.3	2.0	-0.0	2.5	1.3	1.8	7.2	6.3
Government gross fixed capital formation	43,696	45,380	46,696	47,072	48,692	50,380	40,899	45,711
	3.4	3.9	2.9	0.8	3.4	3.5	10.7	11.8
Government investment in inventories	8	-60	96	16	148	-32	-41	15
Business gross fixed capital formation	297,400	300,648	303,284	305,428	306,488	308,464	283,082	301,690
	2.1	1.1	0.9	0.7	0.3	0.6	10.9	6.6
Residential structures	104,592	107,928	110,372	112,012	109,924	109,432	98,473	108,726
	4.5	3.2	2.3	1.5	-1.9	-0.4	9.7	10.4
Non-residential structures and equipment	192,808	192,720	192,912	193,416	196,564	199,032	184,609	192,964
	0.8	-0.0	0.1	0.3	1.6	1.3	11.5	4.5
Non-residential structures	89,204	88,884	88,600	88,892	90,644	92,808	84,756	88,895
	0.5	-0.4	-0.3	0.3	2.0	2.4	16.8	4.9
Machinery and equipment	103,604	103,836	104,312	104,524	105,920	106,224	99,853	104,069
	1.0	0.2	0.5	0.2	1.3	0.3	7.3	4.2
Business investment in inventories	2,760	1,784	19,740	14,940	-1,440	5,100	8,093	9,806
Non-farm	3,912	2,820	21,244	16,108	152	6,056	8,831	11,021
Farm	-1,152	-1,036	-1,504	-1,168	-1,592	-956	-738	-1,215
Exports of goods and services	545,448	542,912	526,240	513,872	535,896	571,332	522,698	532,118
	2.7	-0.5	-3.1	-2.4	4.3	6.6	0.7	1.8
Goods	476,444	473,112	458,036	444,612	467,756	502,624	453,733	463,051
	3.1	-0.7	-3.2	-2.9	5.2	7.5	0.8	2.1
Services	69,004	69,800	68,204	69,260	68,140	68,708	68,965	69,067
	-0.5	1.2	-2.3	1.5	-1.6	0.8	0.3	0.1
Deduct: Imports of goods and services	505,516	496,832	507,064	499,608	505,068	528,164	487,048	502,255
	1.4	-1.7	2.1	-1.5	1.1	4.6	4.1	3.1
Goods	421,120	410,508	420,416	407,984	415,948	436,884	404,250	415,007
	1.8	-2.5	2.4	-3.0	2.0	5.0	4.2	2.7
Services	84,396	86,324	86,648	91,624	89,120	91,280	82,798	87,248
	-0.2	2.3	0.4	5.7	-2.7	2.4	3.4	5.4
Statistical discrepancy	-1,064	-1,292	-456	88	-724	-1,304	625	-681
<b>Gross domestic product at market prices</b>	<b>1,503,856</b>	<b>1,536,548</b>	<b>1,541,836</b>	<b>1,560,344</b>	<b>1,576,068</b>	<b>1,616,228</b>	<b>1,450,490</b>	<b>1,535,646</b>
	<b>2.5</b>	<b>2.2</b>	<b>0.3</b>	<b>1.2</b>	<b>1.0</b>	<b>2.5</b>	<b>5.7</b>	<b>5.9</b>
<i>Final domestic demand</i>	<i>1,462,220</i>	<i>1,490,036</i>	<i>1,503,280</i>	<i>1,531,036</i>	<i>1,547,256</i>	<i>1,569,296</i>	<i>1,406,163</i>	<i>1,496,643</i>
	<i>2.0</i>	<i>1.9</i>	<i>0.9</i>	<i>1.8</i>	<i>1.1</i>	<i>1.4</i>	<i>7.2</i>	<i>6.4</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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	772,440 0.9	783,339 1.4	791,358 1.0	805,760 1.8	812,020 0.8	816,948 0.6	754,179 4.3	788,224 4.5
Durable goods	114,076 1.1	118,141 3.6	117,732 -0.3	120,975 2.8	125,976 4.1	125,612 -0.3	109,929 7.6	117,731 7.1
Semi-durable goods	70,887 2.3	71,353 0.7	72,813 2.0	73,353 0.7	74,368 1.4	75,767 1.9	68,258 7.3	72,102 5.6
Non-durable goods	171,935 1.3	174,151 1.3	175,116 0.6	176,803 1.0	176,887 0.0	177,087 0.1	168,977 1.3	174,501 3.3
Services	417,178 0.5	421,615 1.1	427,570 1.4	436,709 2.1	437,717 0.2	441,438 0.9	408,282 4.4	425,768 4.3
Government current expenditure on goods and services	253,550 0.7	255,245 0.7	259,691 1.7	263,357 1.4	264,947 0.6	268,269 1.3	248,777 3.8	257,961 3.7
Government gross fixed capital formation	39,437 1.8	40,528 2.8	41,738 3.0	41,839 0.2	42,648 1.9	42,906 0.6	37,939 6.7	40,886 7.8
Government investment in inventories	12 ...	-52 ...	84 ...	12 ...	124 ...	-28 ...	-33 ...	14 ...
Business gross fixed capital formation	268,015 0.5	270,610 1.0	273,631 1.1	276,471 1.0	275,661 -0.3	274,044 -0.6	263,320 7.1	272,182 3.4
Residential structures	79,768 2.7	80,682 1.1	81,506 1.0	81,879 0.5	80,466 -1.7	79,661 -1.0	78,602 2.2	80,959 3.0
Non-residential structures and equipment	190,104 -0.7	191,759 0.9	194,002 1.2	196,668 1.4	197,714 0.5	197,009 -0.4	186,514 9.9	193,133 3.5
Non-residential structures	69,849 -0.8	68,466 -2.0	67,717 -1.1	67,119 -0.9	67,660 0.8	67,378 -0.4	68,577 8.9	68,288 -0.4
Machinery and equipment	121,000 -0.6	125,093 3.4	129,023 3.1	133,323 3.3	133,721 0.3	133,315 -0.3	118,649 10.6	127,110 7.1
Business investment in inventories	5,997 ...	5,681 ...	20,480 ...	20,565 ...	2,854 ...	8,395 ...	10,766 ...	13,181 ...
Non-farm	5,776 ...	5,185 ...	19,931 ...	19,351 ...	1,861 ...	6,716 ...	9,956 ...	12,561 ...
Farm	-799 ...	-480 ...	-687 ...	-9 ...	-172 ...	495 ...	-162 ...	-494 ...
Exports of goods and services	509,189 0.2	512,307 0.6	510,840 -0.3	501,112 -1.9	495,955 -1.0	488,478 -1.5	503,322 0.6	508,362 1.0
Goods	445,870 0.4	448,340 0.6	448,299 -0.0	437,942 -2.3	434,807 -0.7	427,567 -1.7	438,898 0.9	445,113 1.4
Services	63,389 -1.5	64,030 1.0	62,660 -2.1	63,165 0.8	61,217 -3.1	60,984 -0.4	64,436 -1.2	63,311 -1.7
Deduct: Imports of goods and services	548,079 0.3	554,726 1.2	581,348 4.8	593,526 2.1	579,696 -2.3	583,004 0.6	539,784 4.6	569,420 5.5
Goods	459,421 0.4	462,301 0.6	486,822 5.3	490,885 0.8	482,510 -1.7	486,360 0.8	450,512 5.0	474,857 5.4
Services	88,844 -0.6	92,501 4.1	94,728 2.4	102,462 8.2	97,210 -5.1	96,728 -0.5	89,387 2.9	94,634 5.9
Statistical discrepancy	-924 ...	-1,109 ...	-392 ...	75 ...	-609 ...	-1,071 ...	554 ...	-588 ...
<b>Gross domestic product at market prices</b>	<b>1,305,843 1.0</b>	<b>1,318,339 1.0</b>	<b>1,325,934 0.6</b>	<b>1,328,606 0.2</b>	<b>1,326,106 -0.2</b>	<b>1,327,118 0.1</b>	<b>1,284,819 3.1</b>	<b>1,319,681 2.7</b>
<i>Final domestic demand</i>	<i>1,332,472 0.8</i>	<i>1,348,646 1.2</i>	<i>1,365,422 1.2</i>	<i>1,386,354 1.5</i>	<i>1,394,182 0.6</i>	<i>1,401,132 0.5</i>	<i>1,303,313 4.8</i>	<i>1,358,224 4.2</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.

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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	3.8	5.8	4.2	7.5	3.1	2.4	4.3	4.5
Durable goods	4.6	15.0	-1.4	11.5	17.6	-1.2	7.6	7.1
Semi-durable goods	9.4	2.7	8.4	3.0	5.7	7.7	7.3	5.6
Non-durable goods	5.1	5.3	2.2	3.9	0.2	0.5	1.3	3.3
Services	2.2	4.3	5.8	8.8	0.9	3.4	4.4	4.3
Government current expenditure on goods and services	3.0	2.7	7.2	5.8	2.4	5.1	3.8	3.7
Government gross fixed capital formation	7.2	11.5	12.5	1.0	8.0	2.4	6.7	7.8
Government investment in inventories[2]	52	-64	136	-72	112	-152	-57	47
Business gross fixed capital formation	1.9	3.9	4.5	4.2	-1.2	-2.3	7.1	3.4
Residential structures	11.0	4.7	4.1	1.8	-6.7	-3.9	2.2	3.0
Non-residential structures and equipment	-2.6	3.5	4.8	5.6	2.1	-1.4	9.9	3.5
Non-residential structures	-3.1	-7.7	-4.3	-3.5	3.3	-1.7	8.9	-0.4
Machinery and equipment	-2.2	14.2	13.2	14.0	1.2	-1.2	10.6	7.1
Business investment in inventories[2]	4,487	-316	14,799	85	-17,711	5,541	-2,034	2,415
Non-farm[2]	5,014	-591	14,746	-580	-17,490	4,855	-378	2,605
Farm[2]	-760	319	-207	678	-163	667	-2,180	-332
Exports of goods and services	0.8	2.5	-1.1	-7.4	-4.1	-5.9	0.6	1.0
Goods	1.8	2.2	-0.0	-8.9	-2.8	-6.5	0.9	1.4
Services	-5.8	4.1	-8.3	3.3	-11.8	-1.5	-1.2	-1.7
Deduct: Imports of goods and services	1.1	4.9	20.6	8.6	-9.0	2.3	4.6	5.5
Goods	1.8	2.5	23.0	3.4	-6.7	3.2	5.0	5.4
Services	-2.5	17.5	10.0	36.9	-19.0	-2.0	2.9	5.9
Statistical discrepancy[2]	-1,114	-185	717	467	-684	-462	93	-1,141
<b>Gross domestic product at market prices</b>	<b>4.1</b>	<b>3.9</b>	<b>2.3</b>	<b>0.8</b>	<b>-0.8</b>	<b>0.3</b>	<b>3.1</b>	<b>2.7</b>
<i>Final domestic demand</i>	<i>3.3</i>	<i>4.9</i>	<i>5.1</i>	<i>6.3</i>	<i>2.3</i>	<i>2.0</i>	<i>4.8</i>	<i>4.2</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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.518	0.777	0.566	1.008	0.434	0.338	2.358	2.513
Durable goods	0.083	0.256	-0.025	0.197	0.294	-0.021	0.540	0.511
Semi-durable goods	0.103	0.030	0.092	0.034	0.062	0.083	0.327	0.256
Non-durable goods	0.167	0.172	0.074	0.129	0.006	0.015	0.182	0.446
Services	0.164	0.319	0.425	0.649	0.071	0.260	1.309	1.301
Government current expenditure on goods and services	0.142	0.129	0.333	0.271	0.117	0.242	0.712	0.716
Government gross fixed capital formation	0.051	0.080	0.088	0.007	0.058	0.019	0.181	0.220
Government investment in inventories	0.004	-0.004	0.010	-0.005	0.008	-0.011	-0.005	0.004
Business gross fixed capital formation	0.096	0.190	0.218	0.203	-0.057	-0.113	1.330	0.666
Residential structures	0.181	0.080	0.072	0.033	-0.123	-0.069	0.147	0.210
Non-residential structures and equipment	-0.085	0.110	0.146	0.170	0.066	-0.044	1.182	0.456
Non-residential structures	-0.047	-0.118	-0.064	-0.051	0.046	-0.024	0.482	-0.023
Machinery and equipment	-0.039	0.228	0.210	0.221	0.020	-0.020	0.700	0.480
Business investment in inventories	0.299	-0.021	0.939	0.002	-1.107	0.349	-0.173	0.154
Non-farm	0.341	-0.040	0.950	-0.038	-1.099	0.305	-0.029	0.187
Farm	-0.042	0.018	-0.011	0.040	-0.008	0.044	-0.143	-0.033
Exports of goods and services	0.069	0.220	-0.099	-0.645	-0.345	-0.528	0.223	0.362
Goods	0.139	0.174	-0.002	-0.681	-0.208	-0.511	0.284	0.442
Services	-0.070	0.046	-0.097	0.036	-0.137	-0.016	-0.061	-0.080
Deduct: Imports of goods and services	0.090	0.400	1.533	0.675	-0.755	0.184	1.524	1.834
Goods	0.125	0.173	1.399	0.223	-0.452	0.212	1.358	1.504
Services	-0.036	0.228	0.134	0.452	-0.303	-0.028	0.166	0.330
Statistical discrepancy	-0.086	-0.014	0.054	0.035	-0.051	-0.035	0.008	-0.089
<b>Gross domestic product at market prices</b>	<b>1.003</b>	<b>0.957</b>	<b>0.576</b>	<b>0.202</b>	<b>-0.188</b>	<b>0.076</b>	<b>3.110</b>	<b>2.713</b>
<i>Final domestic demand</i>	<i>0.806</i>	<i>1.177</i>	<i>1.206</i>	<i>1.490</i>	<i>0.552</i>	<i>0.486</i>	<i>4.580</i>	<i>4.116</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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
	Using seasonally adjusted data, (2002 = 100)							
Personal expenditure on consumer goods and services	107.6 <i>0.8</i>	108.2 <i>0.6</i>	108.3 <i>0.1</i>	108.6 <i>0.3</i>	108.9 <i>0.3</i>	109.8 <i>0.8</i>	106.5 <i>1.5</i>	108.2 <i>1.5</i>
Government current expenditure on goods and services	114.5 <i>1.6</i>	116.0 <i>1.3</i>	114.0 <i>-1.7</i>	115.3 <i>1.1</i>	116.1 <i>0.7</i>	116.8 <i>0.6</i>	112.1 <i>3.3</i>	115.0 <i>2.5</i>
Government gross fixed capital formation	110.8 <i>1.6</i>	112.0 <i>1.1</i>	111.9 <i>-0.1</i>	112.5 <i>0.5</i>	114.2 <i>1.5</i>	117.4 <i>2.8</i>	107.8 <i>3.8</i>	111.8 <i>3.7</i>
Business gross fixed capital formation	111.0 <i>1.6</i>	111.1 <i>0.1</i>	110.8 <i>-0.3</i>	110.5 <i>-0.3</i>	111.2 <i>0.6</i>	112.6 <i>1.3</i>	107.5 <i>3.5</i>	110.9 <i>3.1</i>
Exports of goods and services	107.1 <i>2.5</i>	106.0 <i>-1.0</i>	103.0 <i>-2.8</i>	102.5 <i>-0.5</i>	108.1 <i>5.5</i>	117.0 <i>8.2</i>	103.8 <i>0.1</i>	104.7 <i>0.8</i>
Imports of goods and services	92.2 <i>1.1</i>	89.6 <i>-2.8</i>	87.2 <i>-2.7</i>	84.2 <i>-3.4</i>	87.1 <i>3.4</i>	90.6 <i>4.0</i>	90.2 <i>-0.5</i>	88.3 <i>-2.1</i>
<b>Gross domestic product at market prices</b>	<b>115.2</b> <b><i>1.6</i></b>	<b>116.6</b> <b><i>1.2</i></b>	<b>116.3</b> <b><i>-0.3</i></b>	<b>117.4</b> <b><i>0.9</i></b>	<b>118.8</b> <b><i>1.2</i></b>	<b>121.8</b> <b><i>2.5</i></b>	<b>112.9</b> <b><i>2.5</i></b>	<b>116.4</b> <b><i>3.1</i></b>
<i>Final domestic demand</i>	<i>109.7</i> <i>1.1</i>	<i>110.5</i> <i>0.7</i>	<i>110.1</i> <i>-0.4</i>	<i>110.4</i> <i>0.3</i>	<i>111.0</i> <i>0.5</i>	<i>112.0</i> <i>0.9</i>	<i>107.9</i> <i>2.3</i>	<i>110.2</i> <i>2.1</i>

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

## Section C

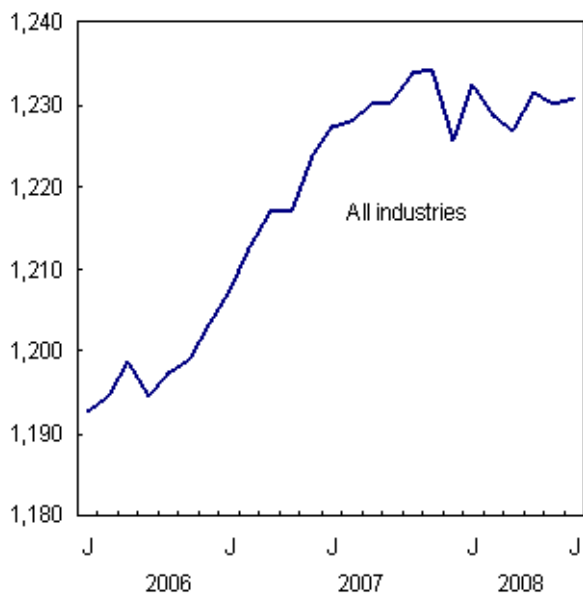
### GDP by industry

June 2008

Real gross domestic product increased 0.1% in June after declining 0.1% in May and growing 0.4% in April. There were increases in construction, wholesale trade, the public sector as well as in transportation services, and declines in natural gas extraction, manufacturing and forestry. The finance and insurance sector and some tourism-related industries were unchanged.

**Chart C.1**  
**Economic activity edges up**

GDP in billions of chained (2002) dollars



#### Construction advances

The construction sector increased 0.4% in June. The strong gain in engineering and repair work (+1.1%) and the slight increase in residential building construction more than offset the 1.4% decline in non-residential building construction. In residential building construction, apartment and semi-detached home construction advanced, while single-family and row house construction, and alterations and improvements work lost ground. Construction of commercial, industrial and institutional buildings decreased in June, adding to the downward trend.

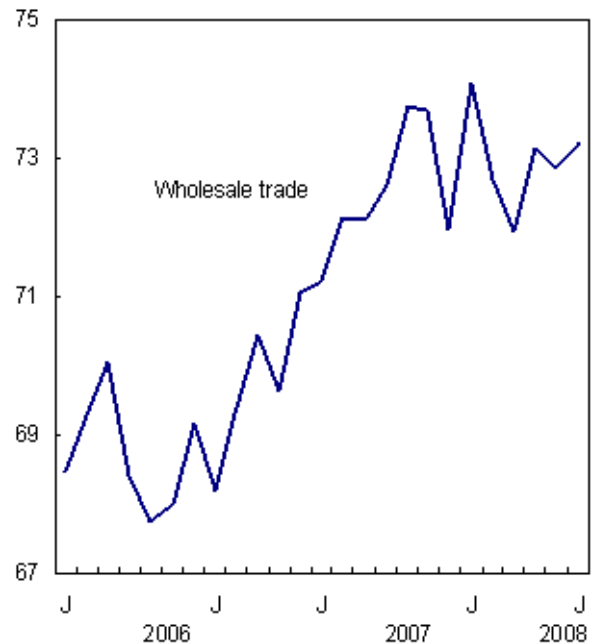
The output of real estate agents and brokers continued to decline, reflecting the slowdown in the real estate market that started in December 2007.

#### Wholesale and retail trade advance

Wholesaling activity advanced 0.5% in June. There was a notable increase in the wholesaling of automotive products, foods products and building supplies. Conversely, the volume of activity of other products (which primarily include agricultural, chemical, recycled material and paper products), and computers and other electronic equipment, decreased.

**Chart C.2**  
**Wholesale trade advances**

GDP in billions of chained (2002) dollars



Value added in the retail trade sector rose 0.1%. Higher volume of activity at supermarkets and shoe stores, along with stronger volume of sales of alcoholic beverages, propelled the industry. In contrast, activities declined at new and used car dealers and gasoline stations.

#### Output of the energy sector falls

Output of the energy sector decreased 0.6% in June. Oil and gas extraction fell 1.6% due to the decline in natural gas extraction.

Canadian storage of natural gas rose for the second consecutive month as facilities replenished their stocks. United States storage dipped slightly in June. The distribution of natural gas declined, while pipeline transportation increased 3.1%.

Contract drilling was robust in June as activities picked up speed, after four months of decline. The utilization rate of the available rigs surpassed the previous year's rate of activity for the industry for the same month. Also, electricity generation edged up 0.2%.

The output of the mining sector excluding oil and gas rose 0.7% in June. Both metal ore and non-metal mines moved ahead.

**Manufacturing activity down slightly**

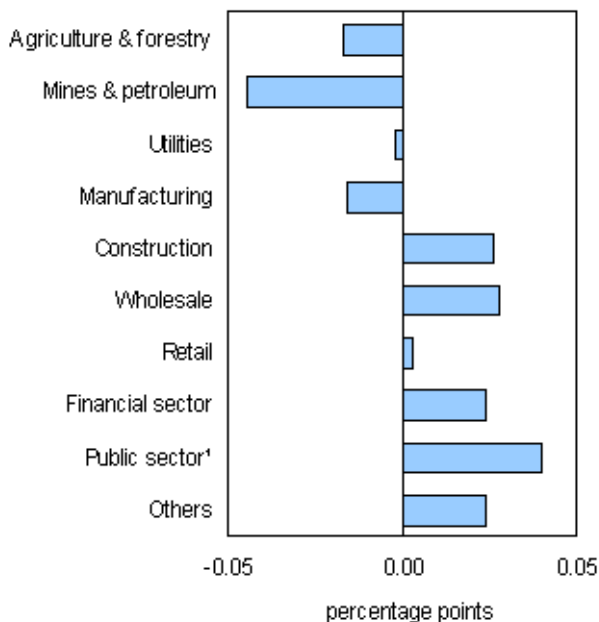
Manufacturing production slipped 0.1% in June. The decline in non-durable manufacturing eclipsed the increase in durable manufacturing. Printing and related support activities, and paper product manufacturing, retreated. Conversely, motor vehicle production rebounded following a May drop. Manufacturing of machinery posted an increase.

Despite a slight decline in June, the level of manufacturing of petroleum and coal products remained high following the completion of maintenance and repairs by some refineries earlier this year.

**The finance and insurance sector unchanged**

The finance and insurance sector remained unchanged in June. Banking services advanced slightly during the month, while the level of activity in insurance and non-deposit credit intermediation fell. Stock brokerages declined as sales of mutual funds dropped significantly.

**Chart C.3**  
**Main industrial sectors' contribution to total growth, June 2008**



1. Education, health and public administration.

**Other industries**

A decline in the number of overnight travellers from the United States and abroad may have contributed to a stagnant month for the accommodation and food services sector.

Activity in the forestry industry fell 3.4% as the industry continued to suffer from a weak international demand for its products.

**Second quarter 2008**

Real gross domestic product edged up 0.1% in the second quarter of 2008 after retreating 0.2% in the first quarter. Goods producing industries continued their decline which began in the third quarter of 2007, as foreign demand continued to weaken, while activity in the service industries continued to advance.

Production in the service industries was up 0.6% during the second quarter with gains in the public sector, finance and insurance, accommodation, retail trade and transportation leading the way. Significant declines in the energy sector, notably natural gas production, and continued contractions in manufacturing activities, albeit at a much reduced pace compared to previous quarters, were behind the 1.0% decline in the goods-producing sector.

The public sector continued to advance, with all three major components (public administration, health and social services, and education) recording a gain. Increased activities at banks and on the financial markets helped push the financial sector ahead in the quarter. The increased number of overnight international travellers to Canada contributed to the gain recorded in the accommodation industry. Value added in retail trade moved forward 0.7% despite reduced volume of sales of both new and used cars. There were strong advances in retailing activities at computer and home electronic stores.

The energy sector fell 2.3% for the quarter hampered by lower levels of natural gas production and significant declines in support activities for mining and oil and gas extraction. Exports of natural gas were down significantly in the second quarter. Mining excluding oil and gas increased 2.0% with gains in both metal and non-metallic mineral mines. Electricity production dropped 1.3% as cool spring temperatures decreased the demand.

Value added in manufacturing continued to contract during the second quarter of 2008, down 0.6%. The most export-oriented sub-sectors of wood products and transportation equipment manufacturing again led the decline. Following significant reductions in recent quarters, especially in the first, motor vehicle production increased 0.4% in the second quarter, but remained well below its 2007 level. Manufacturing of motor vehicle parts retreated for a fourth consecutive quarter. Production in the Canadian motor vehicle industry has been volatile in recent months in the context of shutdowns as a result of inventory control and retooling, a two-month strike at a supplier of parts located in the United States, and shifting demand mainly due to high gasoline costs.

Construction activities fell in the second quarter due to declines for residential and non residential buildings. The slower pace of activity was reflected in related retailer, wholesaler and manufacturing subsectors.

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

	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>All industries</b>	<b>1,234,378</b>	<b>1,225,573</b>	<b>1,232,407</b>	<b>1,228,689</b>	<b>1,226,711</b>	<b>1,231,372</b>	<b>1,230,006</b>	<b>1,230,832</b>
	0.0	-0.7	0.6	-0.3	-0.2	0.4	-0.1	0.1
<b>Goods-producing industries</b>	<b>377,388</b>	<b>370,391</b>	<b>371,980</b>	<b>369,946</b>	<b>366,164</b>	<b>367,171</b>	<b>365,257</b>	<b>364,635</b>
	-0.4	-1.9	0.4	-0.5	-1.0	0.3	-0.5	-0.2
Agriculture, forestry, fishing and hunting	26,785	26,583	26,421	26,391	26,732	26,693	26,421	26,186
	-0.3	-0.8	-0.6	-0.1	1.3	-0.1	-1.0	-0.9
Mining and oil and gas extraction	57,830	57,055	57,404	57,146	56,822	56,226	55,600	55,219
	-0.4	-1.3	0.6	-0.4	-0.6	-1.0	-1.1	-0.7
Utilities	31,841	31,618	31,376	31,323	31,455	31,265	30,822	30,801
	0.4	-0.7	-0.8	-0.2	0.4	-0.6	-1.4	-0.1
Construction	77,522	77,492	77,589	77,758	77,596	77,056	77,368	77,696
	0.1	-0.0	0.1	0.2	-0.2	-0.7	0.4	0.4
Manufacturing	183,312	177,333	178,837	176,922	173,010	175,806	175,070	174,869
	-0.7	-3.3	0.8	-1.1	-2.2	1.6	-0.4	-0.1
<b>Services-producing industries</b>	<b>858,002</b>	<b>856,409</b>	<b>861,689</b>	<b>860,048</b>	<b>862,012</b>	<b>865,691</b>	<b>866,315</b>	<b>867,808</b>
	0.2	-0.2	0.6	-0.2	0.2	0.4	0.1	0.2
Wholesale trade	73,694	71,949	74,060	72,668	71,926	73,125	72,844	73,195
	-0.1	-2.4	2.9	-1.9	-1.0	1.7	-0.4	0.5
Retail trade	74,355	74,401	75,196	74,720	74,861	75,375	75,477	75,517
	0.7	0.1	1.1	-0.6	0.2	0.7	0.1	0.1
Transportation and warehousing	56,871	56,190	56,657	56,343	56,729	57,033	56,953	57,142
	0.4	-1.2	0.8	-0.6	0.7	0.5	-0.1	0.3
Information and cultural industries	44,639	44,761	44,509	44,491	44,718	44,777	44,734	44,718
	0.1	0.3	-0.6	-0.0	0.5	0.1	-0.1	-0.0
Finance, insurance and real estate	243,195	243,566	244,498	244,453	245,567	246,262	246,172	246,474
	0.3	0.2	0.4	-0.0	0.5	0.3	-0.0	0.1
Professional, scientific and technical services	57,946	57,913	57,916	57,884	57,903	57,952	57,965	58,035
	0.4	-0.1	0.0	-0.1	0.0	0.1	0.0	0.1
Administrative and waste management services	32,166	32,225	32,284	32,329	32,364	32,355	32,377	32,389
	0.3	0.2	0.2	0.1	0.1	-0.0	0.1	0.0
Educational services	58,221	58,348	58,490	58,612	58,818	58,977	59,147	59,309
	0.2	0.2	0.2	0.2	0.4	0.3	0.3	0.3
Health care and social assistance	77,442	77,652	77,876	78,051	78,262	78,447	78,626	78,840
	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.3
Arts, entertainment and recreation	11,878	11,593	11,725	11,753	11,710	11,739	11,966	11,941
	1.0	-2.4	1.1	0.2	-0.4	0.2	1.9	-0.2
Accommodation and food services	27,823	27,797	28,208	28,225	28,336	28,635	28,789	28,801
	-0.5	-0.1	1.5	0.1	0.4	1.1	0.5	0.0
Other services (except public administration)	31,239	31,305	31,389	31,457	31,517	31,548	31,605	31,668
	0.0	0.2	0.3	0.2	0.2	0.1	0.2	0.2
Public administration	68,613	68,772	68,959	69,126	69,365	69,541	69,720	69,842
	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.2
<b>Other aggregations</b>								
Industrial production	273,892	267,243	268,841	266,717	262,881	264,406	262,470	261,753
	-0.5	-2.4	0.6	-0.8	-1.4	0.6	-0.7	-0.3
Non-durable manufacturing industries	71,706	70,752	70,538	69,749	68,790	69,664	69,577	69,190
	0.3	-1.3	-0.3	-1.1	-1.4	1.3	-0.1	-0.6
Durable manufacturing industries	111,830	106,736	108,490	107,365	104,381	106,315	105,656	105,856
	-1.4	-4.6	1.6	-1.0	-2.8	1.9	-0.6	0.2
Business sector industries	1,039,782	1,030,639	1,036,870	1,032,700	1,030,112	1,034,240	1,032,413	1,032,738
	0.0	-0.9	0.6	-0.4	-0.3	0.4	-0.2	0.0
Non-business sector industries	194,506	194,875	195,471	195,940	196,578	197,106	197,580	198,086
	0.1	0.2	0.3	0.2	0.3	0.3	0.2	0.3
ICT sector, total	57,440	57,486	57,599	57,538	57,643	58,101	58,235	58,127
	-0.0	0.1	0.2	-0.1	0.2	0.8	0.2	-0.2
Energy sector	87,249	86,065	86,819	85,917	85,688	84,937	83,991	83,520
	0.1	-1.4	0.9	-1.0	-0.3	-0.9	-1.1	-0.6

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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>Goods-producing industries</b>	<b>378,381</b>	<b>380,273</b>	<b>379,306</b>	<b>375,532</b>	<b>369,363</b>	<b>365,688</b>	<b>375,489</b>	<b>378,373</b>
	1.3	0.5	-0.3	-1.0	-1.6	-1.0	1.2	0.8
Agriculture, forestry, fishing and hunting	27,546	27,129	26,886	26,745	26,515	26,433	27,847	27,077
	0.6	-1.5	-0.9	-0.5	-0.9	-0.3	-2.1	-2.8
Mining and oil and gas extraction	58,148	58,634	58,944	57,640	57,124	55,682	57,174	58,342
	1.7	0.8	0.5	-2.2	-0.9	-2.5	2.0	2.0
Utilities	30,518	31,388	31,042	31,728	31,385	30,963	30,128	31,169
	2.3	2.9	-1.1	2.2	-1.1	-1.3	-1.4	3.5
Construction	76,274	76,503	77,270	77,491	77,648	77,373	74,087	76,885
	1.0	0.3	1.0	0.3	0.2	-0.4	8.1	3.8
Manufacturing	185,897	186,452	184,726	181,772	176,256	175,248	186,631	184,712
	1.3	0.3	-0.9	-1.6	-3.0	-0.6	-1.0	-1.0
<b>Services-producing industries</b>	<b>834,632</b>	<b>843,062</b>	<b>850,966</b>	<b>856,815</b>	<b>861,250</b>	<b>866,605</b>	<b>818,862</b>	<b>846,369</b>
	0.9	1.0	0.9	0.7	0.5	0.6	3.8	3.4
Wholesale trade	69,304	70,622	72,281	73,131	72,885	73,055	68,383	71,335
	1.5	1.9	2.4	1.2	-0.3	0.2	7.1	4.3
Retail trade	71,264	72,874	73,321	74,200	74,926	75,456	69,015	72,915
	2.0	2.3	0.6	1.2	1.0	0.7	6.0	5.7
Transportation and warehousing	55,952	56,189	56,791	56,575	56,576	57,043	55,501	56,377
	0.5	0.4	1.1	-0.4	0.0	0.8	3.2	1.6
Information and cultural industries	43,776	44,085	44,280	44,666	44,573	44,743	43,147	44,202
	0.3	0.7	0.4	0.9	-0.2	0.4	3.1	2.4
Finance, insurance and real estate	236,635	239,111	241,362	243,108	244,839	246,303	230,362	240,054
	1.1	1.0	0.9	0.7	0.7	0.6	3.8	4.2
Professional, scientific and technical services	56,564	57,175	57,578	57,865	57,901	57,984	55,377	57,296
	0.8	1.1	0.7	0.5	0.1	0.1	2.9	3.5
Administrative and waste management services	31,165	31,519	31,828	32,154	32,326	32,374	30,524	31,666
	0.6	1.1	1.0	1.0	0.5	0.1	6.1	3.7
Educational services	56,934	57,339	57,780	58,232	58,640	59,144	56,221	57,571
	0.6	0.7	0.8	0.8	0.7	0.9	2.2	2.4
Health care and social assistance	75,979	76,556	77,003	77,472	78,063	78,638	74,780	76,753
	0.8	0.8	0.6	0.6	0.8	0.7	2.7	2.6
Arts, entertainment and recreation	11,624	11,706	11,779	11,743	11,729	11,882	11,410	11,713
	0.5	0.7	0.6	-0.3	-0.1	1.3	4.3	2.7
Accommodation and food services	27,638	27,363	27,863	27,860	28,256	28,742	27,365	27,681
	-0.9	-1.0	1.8	-0.0	1.4	1.7	3.6	1.2
Other services (except public administration)	30,571	30,777	31,010	31,257	31,454	31,607	30,072	30,904
	0.6	0.7	0.8	0.8	0.6	0.5	2.5	2.8
Public administration	67,283	67,813	68,169	68,625	69,150	69,701	66,758	67,973
	0.7	0.8	0.5	0.7	0.8	0.8	2.2	1.8
<b>Other aggregations</b>								
Industrial production	275,390	277,376	275,917	272,139	266,146	262,876	274,357	275,205
	1.5	0.7	-0.5	-1.4	-2.2	-1.2	-0.2	0.3
Non-durable manufacturing industries	72,704	73,181	72,743	71,327	69,692	69,477	74,329	72,489
	-0.9	0.7	-0.6	-1.9	-2.3	-0.3	-1.9	-2.5
Durable manufacturing industries	113,420	113,486	112,187	110,658	106,745	105,942	112,470	112,438
	2.7	0.1	-1.1	-1.4	-3.5	-0.8	-0.3	-0.0
Business sector industries	1,021,375	1,030,279	1,035,934	1,036,670	1,033,227	1,033,130	1,005,146	1,031,065
	1.1	0.9	0.5	0.1	-0.3	-0.0	3.0	2.6
Non-business sector industries	190,947	192,297	193,408	194,540	195,996	197,591	188,687	192,798
	0.7	0.7	0.6	0.6	0.7	0.8	2.3	2.2
ICT sector, total	55,886	56,717	57,003	57,458	57,593	58,154	54,485	56,766
	1.3	1.5	0.5	0.8	0.2	1.0	4.3	4.2
Energy sector	86,578	87,775	87,680	86,837	86,141	84,149	85,876	87,218
	1.9	1.4	-0.1	-1.0	-0.8	-2.3	1.0	1.6

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.

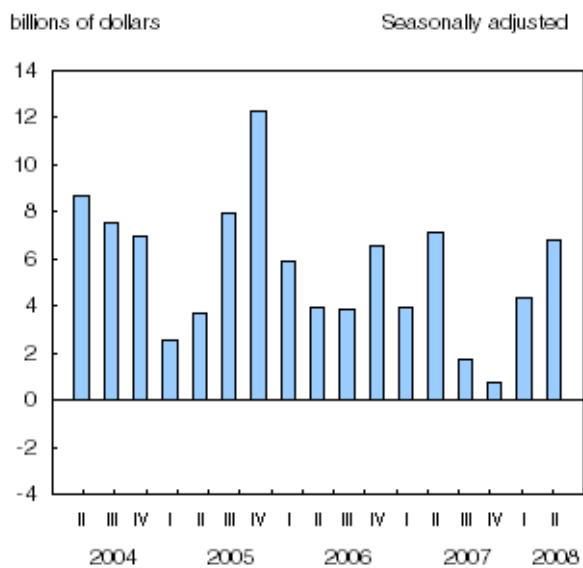
## Section D

### Balance of international payments

Second quarter 2008

The current account surplus with the rest of the world (on a seasonally adjusted basis) expanded further to \$6.8 billion in the second quarter of 2008, led by exports of goods. These gains were mainly attributable to higher prices for several exported commodities, which pushed the goods surplus to \$16.4 billion. Transactions in services and investment income had a dampening effect on the increase in the current account balance in the second quarter.

**Chart D.1**  
**Current account surplus widens further**



Net transactions in the capital and financial account (unadjusted for seasonal variation) were more subdued than in several previous quarters, with outflows of funds exceeding inflows. There was strong foreign demand for Canadian securities, in particular bonds, while foreign direct investment into Canada slowed significantly. For their part, Canadian investors continued to shy away from foreign debt instruments in favour of equity, while Canadian direct investment and other investment flows moderated.

#### Goods surplus buoyed by higher commodity prices

The increase in the value of exports exceeded that of imports for the second consecutive quarter. As a result, the second quarter 2008 surplus on goods was the largest since the fourth quarter of 2005.

Once again, accelerating energy prices were the main factors behind the strength in the value of sales of goods to other countries. Despite a marginal decline in volumes, export values for crude petroleum were up \$3.0 billion on strong price gains (+25%). The increase in the value of exports of natural gas arose from sharply higher gas prices (+33%), as volumes declined 14%. Export values for coal more than doubled in the second quarter due to high international demand influencing both prices and volumes. Exports of forestry products advanced modestly for the first time since 2005, driven by price gains. Automotive products continued to decrease despite higher exports of passenger autos. This was the fifth consecutive drop in foreign sales of automotive products, bringing these values to the lowest levels since the fourth quarter of 1996.

#### Note to readers

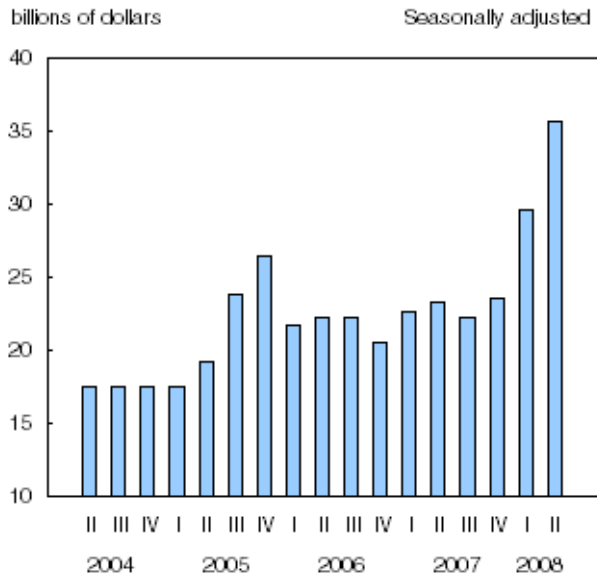
The **balance of payments** covers all economic transactions between Canadian residents and non-residents, in two accounts — the current account and the capital and financial account.

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.

**Chart D.2**  
Larger gains in prices drive the value of exports of energy products

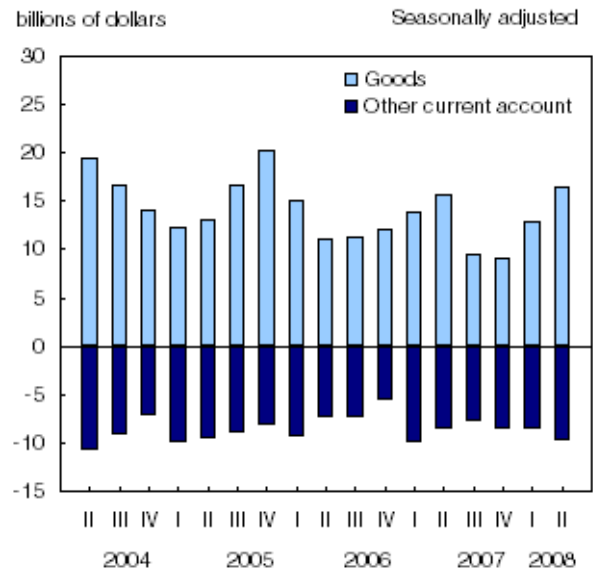


Imports of goods rose at a faster clip than in the first quarter. Nearly half of the increase came from higher imports of crude petroleum through a combination of higher prices and volumes.

**Services deficit increases moderated by travel**

The services deficit edged up, moderated by travel in the second quarter. During the first half of 2008 Canadians' travel expenditures in the U.S., which accounts for about 55% of total travel spending, declined. After a record high in the fourth quarter of 2007 the travel deficit with United States shrank for the second consecutive quarter, although the reduction was marginal in the second quarter.

**Chart D.3**  
Services and investment income deficits moderately expand



The deficits on commercial services and, to a lesser extent, on transportation widened during the second quarter. Larger payments to foreign providers' of financial and transportation services were key contributors to these higher deficits.

**The deficit on investment income is up**

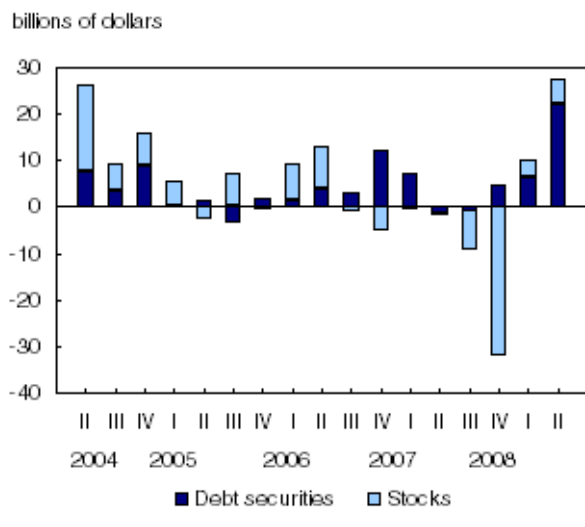
During the second quarter of 2008, the investment income deficit was up, as payments to non-residents increased more than receipts from abroad. Both profits earned by foreigners on direct investment in Canada and by Canadians on their direct investment abroad strongly increased during the second quarter. Lower interest receipts on some foreign currency-dominated assets pushed down the revenues from other investment. While higher interest payments on Canadian bonds were in line with the strength in the foreign purchases of Canadian bonds in recent quarters, higher interest receipts on foreign securities reflected changes in yields.

**Foreign demand for Canadian securities reaches high**

Non-residents' investment in Canadian securities amounted to an unprecedented \$27.6 billion during the second quarter and was dominated by investment in debt instruments. Canadian issuers, largely private corporations and federal government enterprises, were active on global debt markets and foreign acquisitions of Canadian bonds (\$19.6 billion) reflected this. At the same time, the demand for Canadian money market instruments rebounded (\$2.7 billion), split between federal and provincial government paper.

**Chart D.4**

**Record foreign investment in Canadian securities, led by bonds**



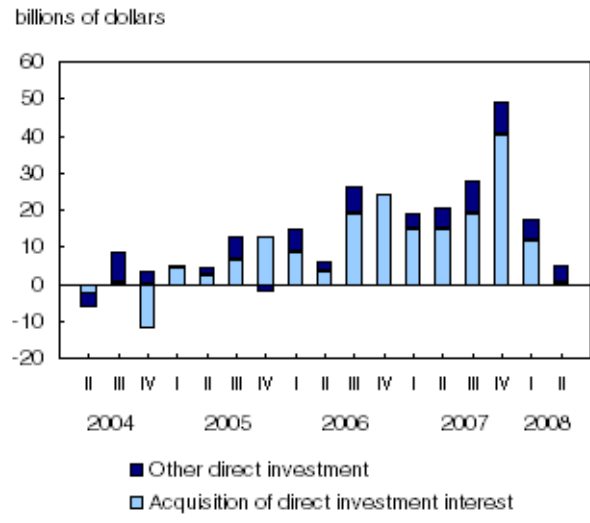
Foreign acquisitions of Canadian stocks (\$5.4 billion) were up for a second consecutive quarter. The Canadian equity market was the only major world market to post a year-to-date gain at the end of June, boosted by higher energy and commodity prices.

**Direct investment in Canada lowest in three years**

Foreign direct investment activity in Canada slowed substantially in the second quarter (\$4.7 billion) as the strong pace of the last several quarters was not sustained. Acquisitions of Canadian firms by foreign direct investors were negligible in the second quarter, after decelerating in the first quarter. Investment flows in the quarter were comprised of reinvested earnings from operations of affiliates in Canada, with about half accounted for in the Canadian energy and metallic minerals sector.

**Chart D.5**

**The strong pace of foreign direct investment in Canada drops off**

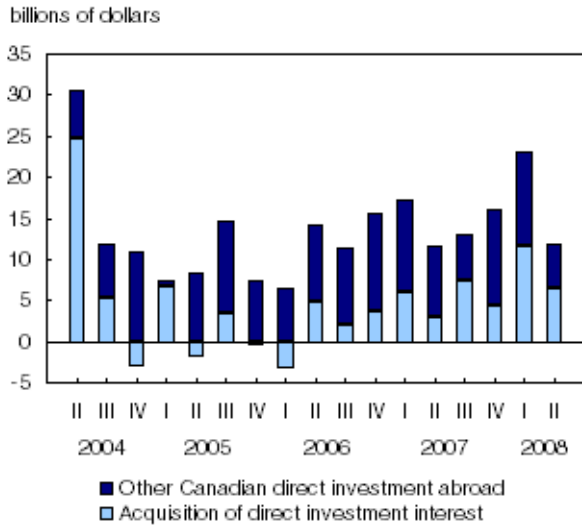


**Canadian direct investment abroad loses steam, but outpaces inward investment**

Canadian direct investment abroad (\$11.7 billion) was about half of the outflows recorded for the first quarter. Investment flows into foreign economies resulted from foreign acquisitions by Canadian corporations as well as from higher profits earned and re-invested in affiliates operating abroad. Nearly half of this quarter's outward investment was directed to the finance and insurance sector.

Despite losing steam, Canadian direct investment abroad outpaced foreign direct investment in Canada for a second consecutive quarter. This resulted in a net outflow in the direct investment account of \$7.1 billion in the second quarter.

**Chart D.6**  
**Canadian direct investment abroad slows<sup>[1]</sup>**

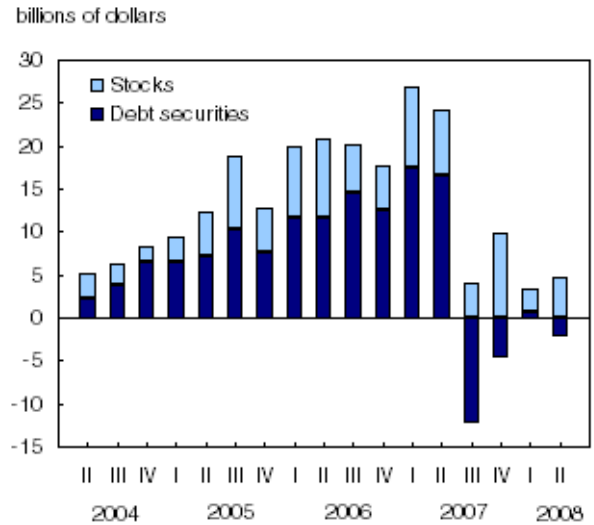


1. Reverse of Balance of Payments signs.

**Canadian investors continue to favour foreign equities over debt instruments**

Canadians acquired \$2.9 billion of foreign securities in the second quarter, a slowdown compared to previous quarters. Domestic holdings of foreign debt instruments narrowed while Canadians have now added foreign shares to their portfolios for 21 consecutive quarters (\$4.8 billion), mainly non-U.S. shares.

**Chart D.7**  
**Canadian investors continue to shy away from foreign debt instruments<sup>[1]</sup>**



1. Reverse of Balance of Payments signs.

Most of this quarter's divestment came from net sales of foreign paper and net retirements of maple bonds, the Canadian dollar-denominated foreign bonds. The first half of 2008, with a reduction in holdings of \$1.4 billion in foreign debt instruments, stands in contrast to the substantial net investment over the same period in 2007 before the impact of the global credit turmoil.

Table D.1 Balance of payments

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	133,893	138,995	130,747	126,697	130,851	146,892	520,960	530,332
Goods	118,573	121,951	111,695	110,833	115,644	130,084	453,732	463,051
Services	15,320	17,044	19,052	15,864	15,207	16,807	67,227	67,280
Investment income	16,361	18,151	18,220	18,685	17,214	19,253	64,497	71,417
Direct investment	8,207	9,578	9,696	9,657	7,689	9,770	34,978	37,139
Portfolio investment	5,373	5,621	5,449	5,240	5,416	5,772	17,387	21,683
Other investment	2,781	2,951	3,074	3,788	4,109	3,711	12,131	12,595
Current transfers	2,545	2,150	2,142	2,709	2,841	2,276	9,700	9,545
Current account receipts	152,800	159,295	151,109	148,091	150,907	168,420	595,156	611,294
<b>Payments</b>								
Goods and services	125,871	128,687	123,521	123,394	124,828	137,287	486,245	501,474
Goods	104,312	106,949	101,920	101,825	101,867	114,242	404,253	415,006
Services	21,559	21,738	21,601	21,569	22,960	23,045	81,992	86,468
Investment income	22,120	21,548	20,717	21,227	21,019	21,804	77,872	85,611
Direct investment	10,008	9,832	9,220	9,384	9,713	10,507	34,354	38,444
Portfolio investment	7,839	7,757	7,707	7,506	7,440	7,708	29,270	30,809
Other investment	4,273	3,958	3,790	4,337	3,866	3,589	14,247	16,358
Current transfers	3,662	2,037	2,397	2,505	3,315	2,291	10,809	10,601
Current account payments	151,654	152,272	146,635	147,125	149,161	161,382	574,925	597,686
<b>Balances</b>								
Goods and services	8,022	10,308	7,226	3,302	6,024	9,605	34,715	28,858
Goods	14,261	15,002	9,775	9,007	13,777	15,842	49,480	48,046
Services	-6,239	-4,695	-2,549	-5,705	-7,753	-6,237	-14,765	-19,188
Investment income	-5,759	-3,397	-2,497	-2,541	-3,804	-2,551	-13,375	-14,194
Direct investment	-1,801	-254	476	274	-2,023	-737	623	-1,305
Portfolio investment	-2,467	-2,136	-2,257	-2,266	-2,024	-1,936	-11,883	-9,126
Other investment	-1,491	-1,007	-715	-549	243	122	-2,115	-3,763
Current transfers	-1,117	113	-255	204	-473	-16	-1,109	-1,056
<b>Current account balance</b>	<b>1,146</b>	<b>7,023</b>	<b>4,473</b>	<b>965</b>	<b>1,746</b>	<b>7,038</b>	<b>20,231</b>	<b>13,607</b>
<b>Capital and financial account[1]</b>								
<b>Capital account</b>	<b>1,241</b>	<b>1,014</b>	<b>1,037</b>	<b>907</b>	<b>1,183</b>	<b>1,169</b>	<b>4,130</b>	<b>4,199</b>
<b>Financial account</b>	<b>-7,374</b>	<b>-8,225</b>	<b>-9,017</b>	<b>2,666</b>	<b>-902</b>	<b>-5,954</b>	<b>-21,328</b>	<b>-21,951</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-17,245	-11,624	-12,920	-16,017	-23,132	-11,738	-44,373	-57,806
Portfolio investment	-26,757	-24,266	7,979	-5,378	-3,454	-2,874	-78,492	-48,422
Foreign bonds	-17,186	-16,336	1,688	2,932	-685	1,392	-43,602	-28,903
Foreign stocks	-9,339	-7,691	-4,082	-9,828	-2,891	-4,793	-28,090	-30,941
Foreign money market	-232	-239	10,373	1,518	121	527	-6,800	11,422
Other investment	-18,449	-16,572	-19,848	-8,997	-18,827	-3,058	-36,022	-63,866
Loans	-5,009	2,582	-9,162	1,770	-3,684	2,743	-12,314	-9,819
Deposits	-5,578	-13,168	-16,555	-6,691	-14,543	-3,760	-8,997	-41,993
Official international reserves	-4,722	-366	-144	588	247	-1,816	-1,013	-4,644
Other assets	-3,139	-5,620	6,013	-4,664	-847	-225	-13,698	-7,410
Total Canadian assets, net flows	-62,450	-52,462	-24,789	-30,392	-45,413	-17,671	-158,886	-170,093
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	19,019	20,647	27,770	49,270	17,311	4,681	71,198	116,706
Portfolio investment	6,737	-2,061	-9,144	-27,122	9,972	27,636	31,656	-31,591
Canadian bonds	7,970	-2,168	541	5,198	9,700	19,562	17,130	11,540
Canadian stocks	-532	-899	-8,524	-32,039	3,717	5,383	10,814	-41,994
Canadian money market	-702	1,006	-1,160	-280	-3,445	2,692	3,711	-1,137
Other investment	29,321	25,651	-2,854	10,910	17,228	-20,600	34,704	63,027
Loans	4,398	2,796	-3,946	7,423	512	-5,127	14,638	10,670
Deposits	21,844	22,334	-21	4,417	16,165	-15,718	20,384	48,574
Other liabilities	3,079	522	1,114	-931	552	245	-318	3,783
Total Canadian liabilities, net flows	55,076	44,237	15,772	33,058	44,512	11,718	137,558	148,143
<b>Total capital and financial account, net flows</b>	<b>-6,133</b>	<b>-7,212</b>	<b>-7,980</b>	<b>3,573</b>	<b>281</b>	<b>-4,785</b>	<b>-17,198</b>	<b>-17,752</b>
Statistical discrepancy	4,987	188	3,506	-4,538	-2,027	-2,253	-3,033	4,144

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

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	135,918	135,282	131,114	128,018	133,527	142,388	520,960	530,332
Goods	119,112	118,279	114,509	111,151	116,936	125,656	453,732	463,051
Services	16,806	17,003	16,605	16,866	16,592	16,733	67,227	67,280
Travel	4,126	4,204	4,143	4,161	3,981	4,047	16,610	16,634
Transportation	3,074	3,079	2,998	3,005	3,089	3,176	11,879	12,157
Commercial services	9,170	9,291	9,043	9,271	9,097	9,081	37,008	36,775
Government services	435	429	421	429	425	429	1,730	1,714
Investment income	16,623	17,482	18,432	18,879	17,764	18,450	64,497	71,417
Direct investment	8,332	9,183	9,951	9,672	8,218	9,198	34,978	37,139
Interest	414	485	520	516	499	667	1,477	1,935
Profits	7,918	8,698	9,431	9,156	7,718	8,530	33,501	35,203
Portfolio investment	5,381	5,457	5,507	5,338	5,426	5,587	17,387	21,683
Interest	2,025	2,139	2,092	1,832	1,648	1,760	6,172	8,089
Dividends	3,356	3,317	3,415	3,505	3,778	3,828	11,216	13,594
Other investment	2,910	2,842	2,973	3,870	4,120	3,665	12,131	12,595
Current transfers	2,334	2,372	2,456	2,384	2,463	2,478	9,700	9,545
Private	734	649	668	605	709	640	2,698	2,656
Official	1,599	1,723	1,788	1,779	1,754	1,839	7,002	6,890
<b>Total receipts</b>	<b>154,875</b>	<b>155,136</b>	<b>152,002</b>	<b>149,281</b>	<b>153,754</b>	<b>163,316</b>	<b>595,156</b>	<b>611,294</b>
<b>Payments</b>								
Goods and services	126,174	124,010	126,580	124,710	126,075	131,846	486,245	501,474
Goods	105,273	102,629	105,108	101,996	103,988	109,219	404,253	415,006
Services	20,901	21,381	21,472	22,714	22,087	22,627	81,992	86,468
Travel	6,032	6,209	6,892	7,530	7,163	7,199	23,402	26,663
Transportation	4,898	4,977	4,800	5,358	5,236	5,488	18,695	20,032
Commercial services	9,705	9,927	9,508	9,551	9,413	9,669	38,853	38,691
Government services	266	269	272	275	276	270	1,042	1,082
Investment income	21,805	21,570	21,063	21,173	20,669	21,837	77,872	85,611
Direct investment	9,893	9,721	9,287	9,542	9,727	10,430	34,354	38,444
Interest	613	631	617	622	612	611	2,469	2,484
Profits	9,280	9,090	8,670	8,920	9,115	9,819	31,886	35,960
Portfolio investment	7,819	7,713	7,725	7,553	7,438	7,651	29,270	30,809
Interest	5,895	5,752	5,641	5,458	5,473	5,595	22,294	22,746
Dividends	1,923	1,961	2,084	2,095	1,964	2,056	6,976	8,063
Other investment	4,094	4,136	4,051	4,078	3,505	3,756	14,247	16,358
Current transfers	2,940	2,423	2,618	2,620	2,553	2,875	10,809	10,601
Private	1,999	1,558	1,608	1,630	1,582	1,619	7,261	6,794
Official	941	866	1,010	990	971	1,256	3,548	3,807
<b>Total payments</b>	<b>150,919</b>	<b>148,004</b>	<b>150,260</b>	<b>148,503</b>	<b>149,297</b>	<b>156,558</b>	<b>574,925</b>	<b>597,686</b>
<b>Balances</b>								
Goods and services	9,744	11,272	4,534	3,307	7,452	10,543	34,715	28,858
Goods	13,839	15,650	9,401	9,155	12,948	16,437	49,480	48,046
Services	-4,095	-4,378	-4,867	-5,848	-5,496	-5,894	-14,765	-19,188
Travel	-1,906	-2,005	-2,749	-3,369	-3,182	-3,151	-6,792	-10,029
Transportation	-1,823	-1,897	-1,802	-2,353	-2,147	-2,313	-6,816	-7,875
Commercial services	-534	-635	-465	-280	-315	-588	-1,845	-1,915
Government services	169	160	149	155	149	159	688	632
Investment income	-5,182	-4,088	-2,631	-2,293	-2,905	-3,388	-13,375	-14,194
Direct investment	-1,561	-539	664	130	-1,509	-1,232	623	-1,305
Interest	-199	-146	-97	-106	-113	56	-992	-548
Profits	-1,362	-392	761	236	-1,396	-1,288	1,615	-757
Portfolio investment	-2,437	-2,256	-2,217	-2,215	-2,011	-2,064	-11,883	-9,126
Interest	-3,870	-3,613	-3,549	-3,625	-3,825	-3,835	-16,122	-14,657
Dividends	1,433	1,357	1,331	1,410	1,814	1,771	4,239	5,531
Other investment	-1,184	-1,294	-1,077	-208	615	-92	-2,115	-3,763
Current transfers	-606	-52	-162	-236	-90	-397	-1,109	-1,056
Private	-1,265	-909	-940	-1,025	-873	-979	-4,563	-4,139
Official	659	857	778	789	783	582	3,454	3,083
<b>Current account</b>	<b>3,956</b>	<b>7,132</b>	<b>1,742</b>	<b>778</b>	<b>4,457</b>	<b>6,758</b>	<b>20,231</b>	<b>13,607</b>

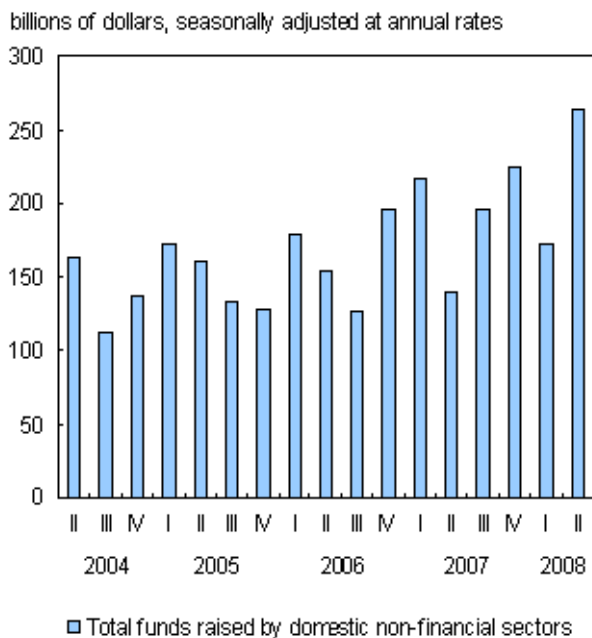
## Section E Financial flow accounts

Second quarter 2008

Total funds raised by domestic non-financial sectors on financial markets amounted to \$264 billion in the second quarter (seasonally adjusted at annual rates), a sizeable increase from the previous quarter. The overall government sector's borrowing rebounded. This, along with an increase in the corporate sector's demand for funds, contributed to the advance in total funds raised.

The largest share of private sector demand for funds continues to come from the household sector, a trend that emerged in 2002.

**Chart E.1**  
**Overall demand for funds up**

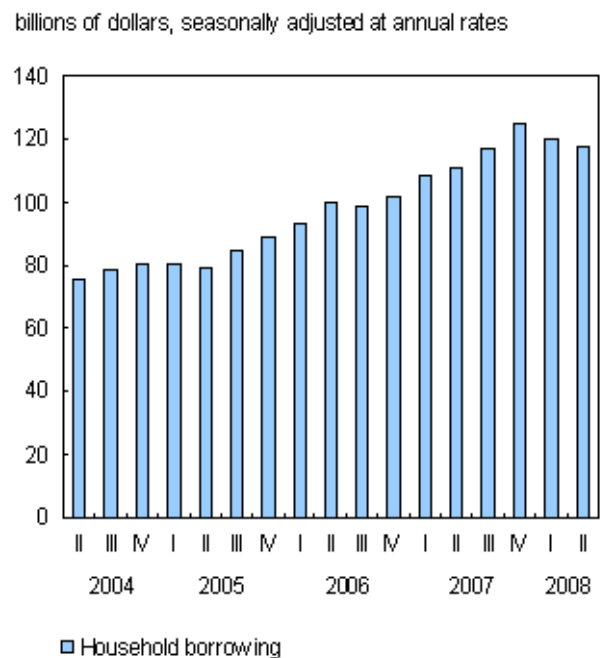


The S&P TSX Composite was among the few major stock indices in the world to post a gain in the second quarter. The index rallied to close the quarter up 8.4%, with the index breaking the 15,000 mark for the first time in May 2008. Energy stocks, which account for almost one-third of the TSX composite index, continued to bolster the Canadian equities market. Although oil prices reached record highs during the quarter, the Canadian dollar eased from its November 2007 peak, closing out the second quarter of 2008 at 98 cents U.S.

The Bank rate held steady at 3.25% over the quarter. However, the 5-year conventional mortgage rate increased by 50 basis points, reflecting increased risk in the credit market. Bond yields increased during the second quarter, following four consecutive quarters of decline.

### Household sector

**Chart E.2**  
**Household demand for funds continues to slow**



**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.

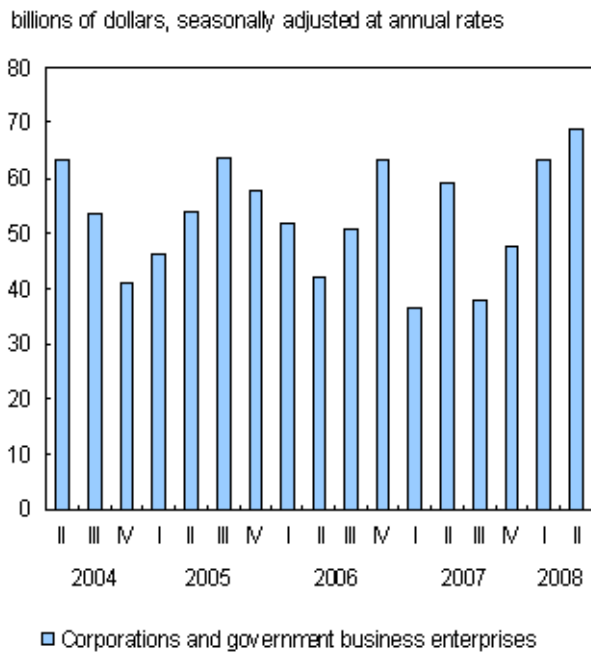
Household demand for funds, in the form of mortgages and consumer credit, decreased in the second quarter. Mortgage borrowings continued to slow along with declines in new housing construction, renovations and transfer costs.

Growth in personal income and personal expenditures moderated during the second quarter. Purchases of motor vehicles declined after increases in the previous two quarters, contributing to the deceleration in household demand for consumer credit.

Household debt as a percentage of personal disposable income edged up slightly to a new high of 125.1%. Meanwhile, debt servicing charges remained unchanged at around 8% of personal disposable income.

**Corporate sector**

**Chart E.3**  
**Corporate sector continues to build surpluses**



The corporate sector's position as net lender to the rest of the economy continued to strengthen in the second quarter of 2008. Undistributed corporation profits continued their upward trend, sustained by strong earnings in oil and gas extraction.

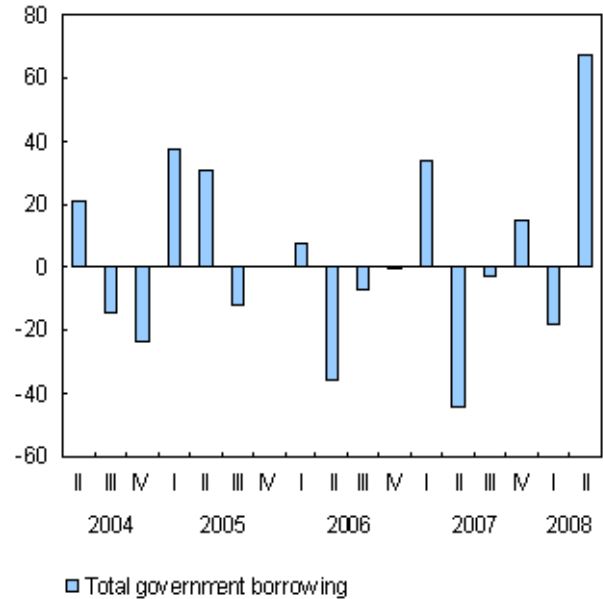
Rising demand for borrowed funds by private non-financial corporations in the quarter reflected significant new bond issuances. Overall funds raised were applied to financial investments and other uses, including inventory accumulation.

Financial institutions continued to increase their overall financial assets, albeit at a much slower pace. Growth in consumer credit eased in the second quarter, reflecting a slowdown in household demand for durable goods.

**Government sector**

**Chart E.4**  
**Government borrowing returns**

billions of dollars, seasonally adjusted at annual rates



Governments returned to credit markets in the second quarter of 2008, led primarily by the federal government's net new issuance of short-term paper. The level of demand for funds was impacted by the federal government's borrowing on behalf of government business enterprises.

The overall government sector continued to be a net lender to the rest of the economy, as government saving expanded in the quarter. Government saving was up strongly mainly due to taxes received from corporations and investment income.

Table E.1 Financial market summary table

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised</b>								
<b>Persons and unincorporated business</b>	<b>112,188</b>	<b>111,464</b>	<b>122,856</b>	<b>128,836</b>	<b>124,388</b>	<b>122,280</b>	<b>107,048</b>	<b>118,836</b>
Consumer credit	34,964	33,888	33,948	36,832	37,032	36,932	31,114	34,908
Bank loans	-1,772	288	1,844	-296	3,808	9,440	2,394	16
Other loans	5,784	776	3,924	4,408	292	-4,920	6,421	3,723
Mortgages	73,212	76,512	83,140	87,892	83,256	80,828	67,119	80,189
<b>Non-financial private corporations</b>	<b>73,884</b>	<b>79,368</b>	<b>73,268</b>	<b>73,364</b>	<b>69,076</b>	<b>72,052</b>	<b>63,576</b>	<b>74,971</b>
Bank loans	17,340	18,548	24,352	18,092	4,400	-2,316	6,659	19,583
Other loans	-624	-2,924	-188	-1,388	-1,056	-5,884	813	-1,281
Other short-term paper	-1,348	3,340	8,488	4,472	15,420	5,724	15,304	3,738
Mortgages	17,044	17,480	16,728	17,936	15,936	23,720	11,956	17,297
Bonds	20,060	7,464	13,664	7,380	10,708	27,504	13,172	12,142
Shares	21,412	35,460	10,224	26,872	23,668	23,304	15,672	23,492
<b>Non-financial government enterprises</b>	<b>-4,128</b>	<b>-6,756</b>	<b>3,300</b>	<b>7,328</b>	<b>-3,292</b>	<b>2,172</b>	<b>1,287</b>	<b>-64</b>
Bank loans	-436	-60	376	148	-244	-196	242	7
Other loans	-1,856	-628	-316	1,780	-476	244	-96	-255
Other short-term paper	-1,564	-968	1,712	1,952	-1,260	276	178	283
Mortgages	-4	-4	0	-8	-4	16	-3	-4
Bonds	-276	-5,128	1,520	3,504	-1,312	1,800	903	-95
Shares	8	32	8	-48	4	32	63	0
<b>Federal government</b>	<b>21,856</b>	<b>-49,308</b>	<b>-43,252</b>	<b>-8,444</b>	<b>-13,620</b>	<b>61,348</b>	<b>-10,160</b>	<b>-19,787</b>
Bank loans	140	136	140	140	144	140	140	139
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	28,296	-34,444	-36,716	7,840	-20,084	64,308	-3,686	-8,756
Canada Savings Bonds	-2,024	-1,996	-1,544	-3,108	-1,304	-1,148	-2,247	-2,168
Other bonds	-4,556	-13,004	-5,132	-13,316	7,624	-1,952	-4,367	-9,002
<b>Other levels of government</b>	<b>12,020</b>	<b>5,360</b>	<b>40,072</b>	<b>23,448</b>	<b>-4,412</b>	<b>5,832</b>	<b>1,428</b>	<b>20,225</b>
Bank loans	584	1,936	-1,100	-172	692	-28	266	312
Other loans	336	820	696	1,020	828	516	189	718
Other short-term paper	-40	-4,696	19,880	8,880	-7,932	-2,768	-852	6,006
Mortgages	4	-4	-4	0	8	-4	-25	-1
Provincial bonds	9,952	5,912	19,264	10,144	108	5,912	-1,596	11,318
Municipal bonds	1,172	1,424	1,384	3,852	1,792	2,184	3,285	1,958
Other bonds	12	-32	-48	-276	92	20	161	-86
<b>Total funds raised by domestic non-financial sectors</b>	<b>215,820</b>	<b>140,128</b>	<b>196,244</b>	<b>224,532</b>	<b>172,140</b>	<b>263,684</b>	<b>163,179</b>	<b>194,181</b>
<b>Consumer credit</b>	<b>34,964</b>	<b>33,888</b>	<b>33,948</b>	<b>36,832</b>	<b>37,032</b>	<b>36,932</b>	<b>31,114</b>	<b>34,908</b>
<b>Bank loans</b>	<b>15,856</b>	<b>20,848</b>	<b>25,612</b>	<b>17,912</b>	<b>8,800</b>	<b>7,040</b>	<b>9,701</b>	<b>20,057</b>
<b>Other loans</b>	<b>3,640</b>	<b>-1,956</b>	<b>4,116</b>	<b>5,820</b>	<b>-412</b>	<b>-10,044</b>	<b>7,327</b>	<b>2,905</b>
<b>Canada short-term paper</b>	<b>28,296</b>	<b>-34,444</b>	<b>-36,716</b>	<b>7,840</b>	<b>-20,084</b>	<b>64,308</b>	<b>-3,686</b>	<b>-8,756</b>
<b>Other short-term paper</b>	<b>-2,952</b>	<b>-2,324</b>	<b>30,080</b>	<b>15,304</b>	<b>6,228</b>	<b>3,232</b>	<b>14,630</b>	<b>10,027</b>
<b>Mortgages</b>	<b>90,256</b>	<b>93,984</b>	<b>99,864</b>	<b>105,820</b>	<b>99,196</b>	<b>104,560</b>	<b>79,047</b>	<b>97,481</b>
<b>Bonds</b>	<b>24,340</b>	<b>-5,360</b>	<b>29,108</b>	<b>8,180</b>	<b>17,708</b>	<b>34,320</b>	<b>9,311</b>	<b>14,067</b>
<b>Shares</b>	<b>21,420</b>	<b>35,492</b>	<b>10,232</b>	<b>26,824</b>	<b>23,672</b>	<b>23,336</b>	<b>15,735</b>	<b>23,492</b>

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

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>1,150,484</b>	<b>1,166,980</b>	<b>1,176,752</b>	<b>1,192,748</b>	<b>1,217,000</b>	<b>1,224,132</b>	<b>1,103,201</b>	<b>1,171,741</b>
	2.2	1.4	0.8	1.4	2.0	0.6	6.6	6.2
Wages, salaries and supplementary labour income	774,960	786,392	789,224	802,852	814,644	823,932	743,313	788,357
	2.1	1.5	0.4	1.7	1.5	1.1	6.9	6.1
Unincorporated business net income[2]	89,044	90,272	90,716	91,860	94,132	96,992	86,386	90,473
	1.6	1.4	0.5	1.3	2.5	3.0	1.6	4.7
Interest, dividends and miscellaneous investment income	131,840	135,392	136,572	136,376	138,872	140,968	123,419	135,045
	3.7	2.7	0.9	-0.1	1.8	1.5	8.2	9.4
Current transfers from government	149,172	149,736	154,908	156,488	163,708	156,796	145,028	152,576
	1.8	0.4	3.5	1.0	4.6	-4.2	6.7	5.2
Current transfers from corporations	2,532	2,592	2,664	2,752	2,808	2,888	2,357	2,635
	2.3	2.4	2.8	3.3	2.0	2.8	13.9	11.8
Current transfers from non-residents	2,936	2,596	2,668	2,420	2,836	2,556	2,698	2,655
	14.9	-11.6	2.8	-9.3	17.2	-9.9	0.0	-1.6
<b>Outlay</b>	<b>1,116,080</b>	<b>1,146,436</b>	<b>1,154,072</b>	<b>1,175,052</b>	<b>1,187,952</b>	<b>1,197,892</b>	<b>1,077,034</b>	<b>1,147,910</b>
	1.8	2.7	0.7	1.8	1.1	0.8	5.7	6.6
Personal expenditure on goods and services	830,928	847,900	857,272	874,980	884,432	897,172	803,260	852,770
	1.8	2.0	1.1	2.1	1.1	1.4	5.8	6.2
Current transfers to government	264,272	276,892	274,664	277,584	279,844	276,360	253,611	273,353
	1.9	4.8	-0.8	1.1	0.8	-1.2	5.2	7.8
Current transfers to corporations	16,292	16,936	17,364	17,776	18,924	19,572	15,849	17,092
	-0.9	4.0	2.5	2.4	6.5	3.4	13.1	7.8
Current transfers to non-residents	4,588	4,708	4,772	4,712	4,752	4,788	4,314	4,695
	2.4	2.6	1.4	-1.3	0.8	0.8	-1.7	8.8
<b>Saving</b>	<b>34,404</b>	<b>20,544</b>	<b>22,680</b>	<b>17,696</b>	<b>29,048</b>	<b>26,240</b>	<b>26,167</b>	<b>23,831</b>
	20.0	-40.3	10.4	-22.0	64.2	-9.7	62.1	-8.9
Disposable income[3]	886,212	890,088	902,088	915,164	937,156	947,772	849,590	898,388
	2.3	0.4	1.3	1.4	2.4	1.1	7.0	5.7
Saving rate	3.9	2.3	2.5	1.9	3.1	2.8	3.1	2.7
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>82,088</b>	<b>68,436</b>	<b>71,064</b>	<b>66,552</b>	<b>79,856</b>	<b>78,064</b>	<b>71,569</b>	<b>72,035</b>
	10.4	-16.6	3.8	-6.3	20.0	-2.2	17.1	0.7
Saving	34,404	20,544	22,680	17,696	29,048	26,240	26,167	23,831
	20.0	-40.3	10.4	-22.0	64.2	-9.7	62.1	-8.9
Capital consumption allowances	44,224	44,888	45,628	46,336	47,128	48,116	42,449	45,269
	1.8	1.5	1.6	1.6	1.7	2.1	6.2	6.6
Net capital transfers	3,460	3,004	2,756	2,520	3,680	3,708	2,953	2,935
	53.4	-13.2	-8.3	-8.6	46.0	0.8	-40.6	-0.6
Deduct: Non-financial capital acquisition	124,504	128,244	128,056	132,012	128,564	133,188	115,548	128,204
	7.4	3.0	-0.1	3.1	-2.6	3.6	9.3	11.0
<b>Net lending</b>	<b>-42,416</b>	<b>-59,808</b>	<b>-56,992</b>	<b>-65,460</b>	<b>-48,708</b>	<b>-55,124</b>	<b>-43,979</b>	<b>-56,169</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>68,384</b>	<b>58,796</b>	<b>60,864</b>	<b>73,968</b>	<b>75,940</b>	<b>70,248</b>	<b>66,271</b>	<b>65,503</b>
	...	...	...	...	...	...	...	...
Currency and deposits	28,812	40,676	76,668	58,268	110,244	41,000	42,469	51,106
	...	...	...	...	...	...	...	...
Canadian debt securities	7,372	-56,024	-11,392	-27,116	-14,284	-43,332	-21,841	-21,790
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	-14,800	12,152	28,896	1,892	-24,392	27,024	3,433	7,035
	...	...	...	...	...	...	...	...
Life insurance and pensions	62,648	64,104	41,796	40,648	40,560	44,348	55,518	52,299
	...	...	...	...	...	...	...	...
Other financial assets	-15,648	-2,112	-75,104	276	-36,188	1,208	-13,308	-23,147
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>112,884</b>	<b>118,212</b>	<b>118,464</b>	<b>137,580</b>	<b>127,508</b>	<b>128,432</b>	<b>109,656</b>	<b>121,785</b>
	...	...	...	...	...	...	...	...
Consumer credit	34,964	33,888	33,948	36,832	37,032	36,932	31,114	34,908
	...	...	...	...	...	...	...	...
Bank and other loans	4,012	1,064	5,768	4,112	4,100	4,520	8,815	3,739
	...	...	...	...	...	...	...	...
Mortgages	73,212	76,512	83,140	87,892	83,256	80,828	67,119	80,189
	...	...	...	...	...	...	...	...
Trade payables	696	6,748	-4,392	8,744	3,120	6,152	2,608	2,949
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-44,500</b>	<b>-59,416</b>	<b>-57,600</b>	<b>-63,612</b>	<b>-51,568</b>	<b>-58,184</b>	<b>-43,385</b>	<b>-56,282</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	2,084	-392	608	-1,848	2,860	3,060	-594	113
	...	...	...	...	...	...	...	...

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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>376,452</b>	<b>392,216</b>	<b>396,760</b>	<b>401,828</b>	<b>401,752</b>	<b>423,408</b>	<b>380,101</b>	<b>391,814</b>
	-5.8	4.2	1.2	1.3	-0.0	5.4	9.2	3.1
Corporation profits before taxes	200,572	202,740	204,784	204,828	209,604	226,964	196,719	203,231
	1.0	1.1	1.0	0.0	2.3	8.3	5.8	3.3
Government business enterprise profits before taxes	15,764	15,696	15,544	15,152	15,928	17,288	14,638	15,539
	11.8	-0.4	-1.0	-2.5	5.1	8.5	-4.5	6.2
Inventory valuation adjustment	-988	7,024	3,488	3,564	-1,484	-4,388	-2,407	3,272
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[2]	89,328	94,300	99,864	104,740	102,996	108,644	100,123	97,058
	-26.6	5.6	5.9	4.9	-1.7	5.5	25.9	-3.1
Interest on consumer debt	16,292	16,936	17,364	17,776	18,924	19,572	15,849	17,092
	-0.9	4.0	2.5	2.4	6.5	3.4	13.1	7.8
Interest on public debt[3]	55,484	55,520	55,716	55,768	55,784	55,328	55,179	55,622
	0.8	0.1	0.4	0.1	0.0	-0.8	1.5	0.8
<b>Outlay</b>	<b>286,676</b>	<b>282,480</b>	<b>289,136</b>	<b>292,508</b>	<b>289,892</b>	<b>303,440</b>	<b>272,417</b>	<b>287,700</b>
	1.7	-1.5	2.4	1.2	-0.9	4.7	9.9	5.6
Interest, dividends and miscellaneous payments	226,324	222,864	227,160	229,512	225,944	235,556	214,526	226,465
	4.0	-1.5	1.9	1.0	-1.6	4.3	9.1	5.6
Direct taxes	55,324	56,416	58,568	59,376	60,528	64,284	53,456	57,421
	-5.3	2.0	3.8	1.4	1.9	6.2	9.8	7.4
Other current transfers	5,028	3,200	3,408	3,620	3,420	3,600	4,435	3,814
	-14.6	-36.4	6.5	6.2	-5.5	5.3	80.5	-14.0
<b>Saving</b>	<b>89,776</b>	<b>109,736</b>	<b>107,624</b>	<b>109,320</b>	<b>111,860</b>	<b>119,968</b>	<b>107,684</b>	<b>104,114</b>
	-23.7	22.2	-1.9	1.6	2.3	7.2	7.3	-3.3
<b>Gross saving and capital transfers</b>	<b>212,044</b>	<b>233,452</b>	<b>233,064</b>	<b>235,992</b>	<b>239,664</b>	<b>249,480</b>	<b>227,507</b>	<b>228,638</b>
	-11.1	10.1	-0.2	1.3	1.6	4.1	6.1	0.5
Saving	89,776	109,736	107,624	109,320	111,860	119,968	107,684	104,114
	-23.7	22.2	-1.9	1.6	2.3	7.2	7.3	-3.3
Capital consumption allowances	119,580	121,140	122,608	123,708	125,216	126,748	116,356	121,759
	1.4	1.3	1.2	0.9	1.2	1.2	4.6	4.6
Net capital transfers	2,688	2,576	2,832	2,964	2,588	2,764	3,467	2,765
	-5.1	-4.2	9.9	4.7	-12.7	6.8	22.6	-20.2
Deduct: Non-financial capital acquisition	175,656	174,188	194,968	188,356	176,484	180,376	175,627	183,292
	0.2	-0.8	11.9	-3.4	-6.3	2.2	10.5	4.4
<b>Net lending</b>	<b>36,388</b>	<b>59,264</b>	<b>38,096</b>	<b>47,636</b>	<b>63,180</b>	<b>69,104</b>	<b>51,880</b>	<b>45,346</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>624,372</b>	<b>722,224</b>	<b>729,540</b>	<b>721,388</b>	<b>574,148</b>	<b>478,868</b>	<b>536,395</b>	<b>699,381</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Consumer credit	34,964	33,888	33,948	36,832	37,032	36,932	31,114	34,908
	...	...	...	...	...	...	...	...
Bank and other loans	37,056	49,444	56,372	49,564	23,908	10,524	31,892	48,109
	...	...	...	...	...	...	...	...
Mortgages	93,328	98,472	103,224	109,104	101,148	106,396	81,719	101,032
	...	...	...	...	...	...	...	...
Short-term paper	29,640	-18,516	12,392	-23,284	-20,700	48,448	32,525	58
	...	...	...	...	...	...	...	...
Bonds	38,324	118,300	104,640	108,248	92,620	90,472	66,696	92,378
	...	...	...	...	...	...	...	...
Shares	33,832	12,960	-1,072	14,132	12,996	34,444	-3,367	14,963
	...	...	...	...	...	...	...	...
Foreign investments	102,148	115,096	-29,044	58,832	-5,120	4,236	79,437	61,758
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>576,560</b>	<b>649,040</b>	<b>695,584</b>	<b>667,076</b>	<b>513,320</b>	<b>407,060</b>	<b>490,637</b>	<b>647,065</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Currency and deposits	171,812	140,564	248,840	130,224	75,280	86,912	98,221	172,860
	...	...	...	...	...	...	...	...
Bank and other loans	37,636	58,920	62,660	81,404	19,548	-8,600	9,487	60,155
	...	...	...	...	...	...	...	...
Short-term paper	15,764	2,748	17,696	-21,948	-964	-43,124	41,404	3,565
	...	...	...	...	...	...	...	...
Bonds	65,520	93,256	118,384	102,484	104,864	156,604	83,746	94,911
	...	...	...	...	...	...	...	...
Shares	89,344	141,600	128,492	139,944	165,636	107,000	82,549	124,845
	...	...	...	...	...	...	...	...
Life insurance and pensions	56,704	60,308	41,080	34,020	36,200	41,184	50,689	48,028
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>47,812</b>	<b>73,184</b>	<b>33,956</b>	<b>54,312</b>	<b>60,828</b>	<b>71,808</b>	<b>45,758</b>	<b>52,316</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-11,424	-13,920	4,140	-6,676	2,352	-2,704	6,122	-6,970
	...	...	...	...	...	...	...	...

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]

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>603,420</b>	<b>620,660</b>	<b>623,316</b>	<b>630,492</b>	<b>630,528</b>	<b>638,912</b>	<b>588,638</b>	<b>619,472</b>
	0.9	2.9	0.4	1.2	0.0	1.3	5.3	5.2
Taxes on incomes	246,060	259,448	259,332	262,096	264,580	264,732	234,703	256,734
	0.5	5.4	-0.0	1.1	0.9	0.1	7.1	9.4
Contributions to social insurance plans	68,212	68,592	68,952	69,724	70,536	71,008	67,991	68,870
	-0.7	0.6	0.5	1.1	1.2	0.7	4.2	1.3
Taxes on production and imports	179,120	182,164	183,692	185,576	181,580	183,328	176,703	182,638
	1.8	1.7	0.8	1.0	-2.2	1.0	2.4	3.4
Other current transfers from persons	11,724	12,160	12,104	12,256	12,272	12,260	11,375	12,061
	0.4	3.7	-0.5	1.3	0.1	-0.1	5.8	6.0
Investment income	52,352	52,000	52,564	53,484	54,056	59,276	52,906	52,600
	2.3	-0.7	1.1	1.8	1.1	9.7	9.4	-0.6
Sales of goods and services[2]	45,952	46,296	46,672	47,356	47,504	48,308	44,960	46,569
	0.9	0.7	0.8	1.5	0.3	1.7	5.1	3.6
<b>Outlay</b>	<b>569,616</b>	<b>575,216</b>	<b>581,224</b>	<b>590,528</b>	<b>602,860</b>	<b>603,164</b>	<b>552,442</b>	<b>579,146</b>
	1.8	1.0	1.0	1.6	2.1	0.1	5.5	4.8
Gross current expenditure on goods and services[2]	336,148	342,404	342,700	350,912	355,148	361,588	323,882	343,041
	2.1	1.9	0.1	2.4	1.2	1.8	6.9	5.9
Current transfers	169,692	169,224	175,056	176,396	184,528	178,708	165,308	172,592
	1.6	-0.3	3.4	0.8	4.6	-3.2	4.8	4.4
Interest on the public debt	63,776	63,588	63,468	63,220	63,184	62,868	63,252	63,513
	0.6	-0.3	-0.2	-0.4	-0.1	-0.5	0.7	0.4
<b>Saving</b>	<b>33,804</b>	<b>45,444</b>	<b>42,092</b>	<b>39,964</b>	<b>27,668</b>	<b>35,748</b>	<b>36,196</b>	<b>40,326</b>
	-11.4	34.4	-7.4	-5.1	-30.8	29.2	2.2	11.4
<b>Gross saving and capital transfers</b>	<b>60,224</b>	<b>71,912</b>	<b>69,048</b>	<b>66,916</b>	<b>55,504</b>	<b>63,756</b>	<b>60,307</b>	<b>67,025</b>
	-5.4	19.4	-4.0	-3.1	-17.1	14.9	3.7	11.1
Saving	33,804	45,444	42,092	39,964	27,668	35,748	36,196	40,326
	-11.4	34.4	-7.4	-5.1	-30.8	29.2	2.2	11.4
Capital consumption allowances	27,604	27,996	28,396	28,808	29,372	29,804	26,401	28,201
	1.4	1.4	1.4	1.5	2.0	1.5	7.0	6.8
Net capital transfers	-1,184	-1,528	-1,440	-1,856	-1,536	-1,796	-2,290	-1,502
	...	...	...	...	...	...	...	...
Deduct: Non-financial capital acquisition	43,704	45,320	46,792	47,088	48,840	50,348	40,858	45,726
	3.5	3.7	3.2	0.6	3.7	3.1	10.5	11.9
<b>Net lending</b>	<b>16,520</b>	<b>26,592</b>	<b>22,256</b>	<b>19,828</b>	<b>6,664</b>	<b>13,408</b>	<b>19,449</b>	<b>21,299</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>72,644</b>	<b>22,552</b>	<b>15,580</b>	<b>30,112</b>	<b>41,044</b>	<b>81,552</b>	<b>24,693</b>	<b>35,222</b>
	...	...	...	...	...	...	...	...
Currency and deposits	336	4,760	572	3,944	7,964	-1,844	1,424	2,403
	...	...	...	...	...	...	...	...
Loans	6,528	1,784	1,584	-176	444	2,720	1,297	2,430
	...	...	...	...	...	...	...	...
Canadian securities	26,064	9,108	19,472	15,836	12,104	15,236	14,759	17,620
	...	...	...	...	...	...	...	...
Other financial assets	39,716	6,900	-6,048	10,508	20,532	65,440	7,213	12,769
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>56,648</b>	<b>868</b>	<b>-12,324</b>	<b>15,908</b>	<b>30,948</b>	<b>68,852</b>	<b>4,001</b>	<b>15,275</b>
	...	...	...	...	...	...	...	...
Bank and other loans	1,060	2,892	-264	988	1,664	628	595	1,169
	...	...	...	...	...	...	...	...
Short-term paper	28,256	-39,140	-16,836	16,720	-28,016	61,540	-4,538	-2,750
	...	...	...	...	...	...	...	...
Bonds	13,520	-6,956	12,772	-6,100	4,828	2,872	-6,145	3,309
	...	...	...	...	...	...	...	...
Other liabilities	13,812	44,072	-7,996	4,300	52,472	3,812	14,089	13,547
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>15,996</b>	<b>21,684</b>	<b>27,904</b>	<b>14,204</b>	<b>10,096</b>	<b>12,700</b>	<b>20,692</b>	<b>19,947</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	524	4,908	-5,648	5,624	-3,432	708	-1,243	1,352
	...	...	...	...	...	...	...	...

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]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>591,692</b>	<b>575,076</b>	<b>587,824</b>	<b>580,884</b>	<b>580,016</b>	<b>607,992</b>	<b>563,925</b>	<b>583,869</b>
	2.0	-2.8	2.2	-1.2	-0.1	4.8	5.4	3.5
Sales of goods (imports)	421,120	410,508	420,416	407,984	415,948	436,884	404,250	415,007
	1.8	-2.5	2.4	-3.0	2.0	5.0	4.2	2.7
Sales of services (imports)	84,396	86,324	86,648	91,624	89,120	91,280	82,798	87,248
	-0.2	2.3	0.4	5.7	-2.7	2.4	3.4	5.4
Interest, dividends and miscellaneous receipts	74,416	68,552	70,288	70,796	64,736	68,328	66,068	71,013
	7.2	-7.9	2.5	0.7	-8.6	5.5	15.0	7.5
Current transfers	11,760	9,692	10,472	10,480	10,212	11,500	10,809	10,601
	-4.0	-17.6	8.0	0.1	-2.6	12.6	13.7	-1.9
<b>Outlay</b>	<b>599,348</b>	<b>599,656</b>	<b>587,948</b>	<b>579,084</b>	<b>597,868</b>	<b>633,316</b>	<b>585,894</b>	<b>591,509</b>
	-3.2	0.1	-2.0	-1.5	3.2	5.9	4.6	1.0
Purchases of goods (exports)	476,444	473,112	458,036	444,612	467,756	502,624	453,733	463,051
	3.1	-0.7	-3.2	-2.9	5.2	7.5	0.8	2.1
Purchases of services (exports)	69,004	69,800	68,204	69,260	68,140	68,708	68,965	69,067
	-0.5	1.2	-2.3	1.5	-1.6	0.8	0.3	0.1
Interest, dividends and miscellaneous payments	44,564	47,256	51,884	55,676	52,120	52,072	53,496	49,845
	-42.9	6.0	9.8	7.3	-6.4	-0.1	62.5	-6.8
Current transfers	9,336	9,488	9,824	9,536	9,852	9,912	9,700	9,546
	-5.5	1.6	3.5	-2.9	3.3	0.6	18.6	-1.6
<b>Saving</b>	<b>-7,656</b>	<b>-24,580</b>	<b>-124</b>	<b>1,800</b>	<b>-17,852</b>	<b>-25,324</b>	<b>-21,969</b>	<b>-7,640</b>
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>-12,620</b>	<b>-28,632</b>	<b>-4,272</b>	<b>-1,828</b>	<b>-22,584</b>	<b>-30,000</b>	<b>-26,099</b>	<b>-11,838</b>
	...	...	...	...	...	...	...	...
Saving	-7,656	-24,580	-124	1,800	-17,852	-25,324	-21,969	-7,640
	...	...	...	...	...	...	...	...
Net capital transfers	-4,964	-4,052	-4,148	-3,628	-4,732	-4,676	-4,130	-4,198
	...	...	...	...	...	...	...	...
<b>Net lending[2]</b>	<b>-12,620</b>	<b>-28,632</b>	<b>-4,272</b>	<b>-1,828</b>	<b>-22,584</b>	<b>-30,000</b>	<b>-26,099</b>	<b>-11,838</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>177,336</b>	<b>153,280</b>	<b>67,688</b>	<b>125,560</b>	<b>108,348</b>	<b>39,896</b>	<b>124,011</b>	<b>130,966</b>
	...	...	...	...	...	...	...	...
Currency and deposits	62,688	-7,568	-11,100	7,592	-17,344	-992	3,400	12,903
	...	...	...	...	...	...	...	...
Loans	9,372	8,236	17,844	48,676	-3,888	2,516	-2,199	21,032
	...	...	...	...	...	...	...	...
Short-term paper	-4,848	-5,152	3,344	5,364	-9,628	3,276	2,372	-323
	...	...	...	...	...	...	...	...
Bonds	25,080	756	9,200	10,092	37,496	76,520	16,736	11,282
	...	...	...	...	...	...	...	...
Shares	-11,084	-25,528	-28,764	-102,596	5,476	1,744	10,815	-41,993
	...	...	...	...	...	...	...	...
Other financial assets	96,128	182,536	77,164	156,432	96,236	-43,168	92,887	128,065
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>196,644</b>	<b>188,732</b>	<b>71,948</b>	<b>130,464</b>	<b>127,704</b>	<b>66,220</b>	<b>147,076</b>	<b>146,947</b>
	...	...	...	...	...	...	...	...
Official reserves	9,688	2,648	2,808	3,432	-8,932	6,980	1,015	4,644
	...	...	...	...	...	...	...	...
Currency and deposits	8,320	10,676	6,192	35,316	880	5,008	15,839	15,126
	...	...	...	...	...	...	...	...
Bank and other loans	10,248	-3,412	7,636	11,560	-4,848	19,212	12,093	6,508
	...	...	...	...	...	...	...	...
Foreign investments	123,404	120,528	-35,056	43,084	-9,720	1,164	91,113	62,990
	...	...	...	...	...	...	...	...
Other liabilities	44,984	58,292	90,368	37,072	150,324	33,856	27,016	57,679
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-19,308</b>	<b>-35,452</b>	<b>-4,260</b>	<b>-4,904</b>	<b>-19,356</b>	<b>-26,324</b>	<b>-23,065</b>	<b>-15,981</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	6,688	6,820	-12	3,076	-3,228	-3,676	-3,034	4,143
	...	...	...	...	...	...	...	...

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

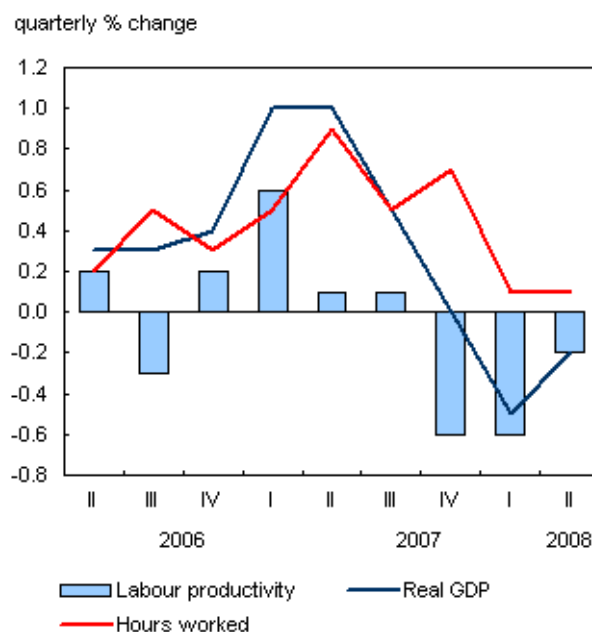
### Labour productivity, hourly compensation and unit labour cost

Second quarter 2008

Canadian business labour productivity declined 0.2% in the second quarter of 2008, after declines of 0.6% in each of the previous two quarters. This is the longest series of consecutive quarterly declines since 1990.

In the second quarter, declining exports contributed to the second consecutive quarterly drop in real gross domestic product (GDP) of Canadian businesses. The number of hours worked in the Canadian business sector edged up 0.1% for the second consecutive quarter. This is a slowdown from 2007, when hours worked grew by 0.5% per quarter, on average.

**Chart F.1**  
Productivity in Canadian businesses declines



#### 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" herein refers to labour productivity. For the purposes of this analysis, labour productivity, gross domestic product (GDP), and unit labour cost cover the business sector only.

Calculations of the productivity growth rate and its related variables in the text and tables are based on index numbers rounded to three decimal places. On CANSIM, those calculations would be based on index numbers that are rounded to one decimal place.

For more information about the productivity program, see the National Economic Accounts ([www.statcan.ca/nea](http://www.statcan.ca/nea)) 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.gc.ca](mailto:productivity.measures@statcan.gc.ca).

#### Revisions

With this release, the estimates for Canada were revised back to the first quarter of 2008 at the aggregate level and to the first quarter of 2007 at the industry level. In the United States, the Bureau of Labor Statistics recently revised its estimates of labour productivity in the business sector. The data released today incorporate revisions to the U.S. data that affect GDP and hours worked for the period from 2005 to 2007. The latest revisions for the last four years of Canada's productivity and related variables were released in *The Daily* on June 13, 2008.

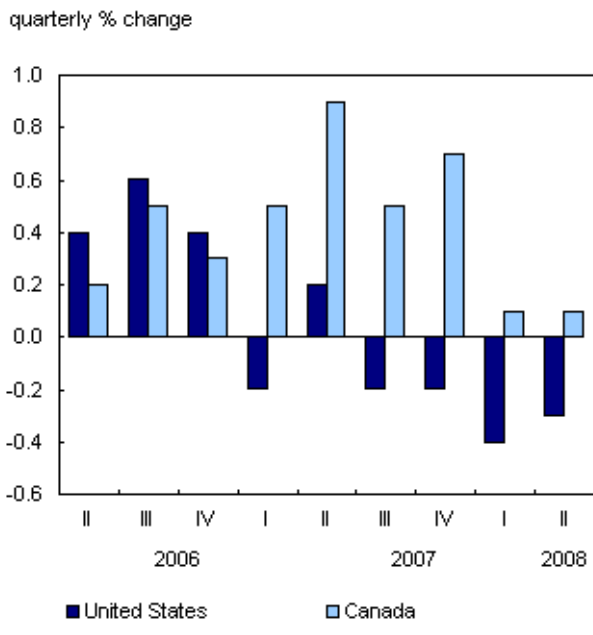
**Labour productivity** is the ratio of output to labour input (hours worked). Quarterly estimates of productivity are derived from a Fisher chained index of GDP, or of value added, in the business sector. Economic performance as measured by labour productivity must be interpreted carefully, since these 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**  
**Hours worked remain almost unchanged in Canada, while it continues to decline in the U.S.**



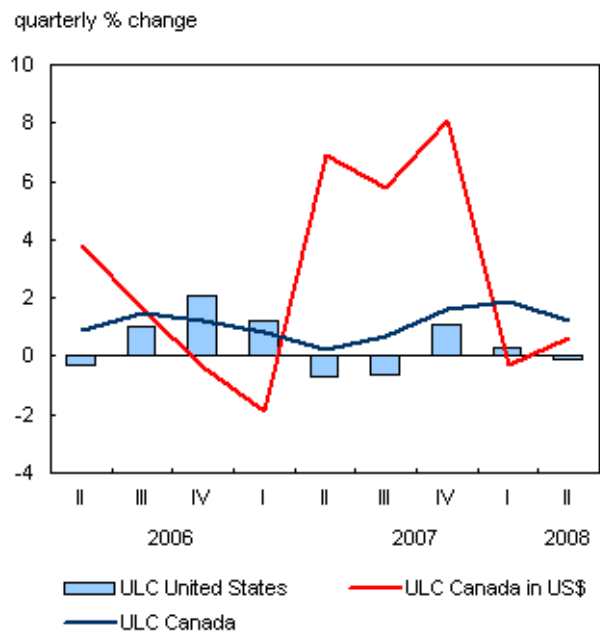
Labour productivity in the goods producing industries fell for a fifth consecutive quarter. Mining, oil and gas extraction industries, as well as construction, were the major contributors to the overall decline. In contrast, labour productivity in manufacturing grew 0.8%, its first gain since the third quarter of 2007.

In the United States, business labour productivity grew 1.1% in the second quarter, after an increase of 0.6% in the previous quarter.

**Growth of unit labour cost moderates**

The growth rate of labour costs per unit of production, a barometer of inflationary pressure, decelerated to 1.2% for Canadian businesses in the second quarter, after increases of 1.6% and 1.9% in the previous two quarters. This reflects the deceleration in the growth of hourly compensation (+0.9%) compared to the first quarter (+1.4%), and the smaller decline in productivity.

**Chart F.3**  
**Canadian unit labour cost (ULC) in U.S. dollars increases**



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

	Canada		United States	
		annual percentage change	Before revision	After revision
			annual percentage change	annual percentage change
1981-2007	1.4	2.1	2.1	
1981-2000	1.6	1.9	1.9	
2000-2007	1.0	2.6	2.5	
2004-2007	1.4	1.6	1.4	
2004	0.2	2.9	2.9	
2005	2.0	2.0	1.8	
2006	1.6	1.0	0.9	
2007	0.6	1.9	1.5	

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - Second quarter 2008, published in *NEWS*, September 4.

On average, the Canadian dollar depreciated against its U.S. counterpart in the second quarter, but at a much slower pace than the first quarter. Consequently, after declining by 0.3% in the first quarter, unit labour cost of Canadian businesses expressed in U.S. dollars grew by 0.6% in the second quarter. For U.S. businesses, unit labour costs declined by 0.1% in the second quarter, following two quarters of increase.

#### Annual Canadian productivity growth similar to U.S. since 2004

In 2007, productivity in U.S. businesses was 4.4% higher (revised down from 5.0%) than it was in 2004. Productivity in Canadian businesses grew 4.3% over the same period.

Revisions of U.S. data (GDP and hours worked) have reduced the growth of labour productivity in the United States for each of the three previous years (2005 to 2007). With those revisions, average annual productivity growth in American businesses over the period of 2004 to 2007 was 1.4% (compared to 1.6% before revisions), the same growth rate as in Canadian businesses.

However, there was a substantial difference in average annual productivity growth between Canada and the United States from 2000 to 2004, with U.S. productivity growing almost five times faster than Canada's.

Between 2000 and 2004, the average annual growth in U.S. productivity was 3.3%, compared to the 0.7% posted in Canada.

#### Productivity growth accelerates in the United States in the second quarter

In the United States, the growth in business labour productivity reached 1.1% in the second quarter, after a jump of 0.6% in the previous three months.

This acceleration essentially reflects the biggest rise in U.S. production posted since the third quarter of 2007. At the same time, U.S. businesses continued to adjust their work force downward.

**Chart F.4**  
U.S. productivity growth accelerates



The strength of net exports (exports minus imports of goods and services) was the main factor behind the strong 0.8% growth in the U.S. GDP in the second quarter, with the U.S. economy benefiting from the depreciation of the greenback compared to other currencies. Consumer spending on non-durable goods also contributed to the growth in the U.S. GDP.

Hours worked devoted to production in U.S. businesses continued to decline for a fourth consecutive quarter, with a drop of 0.3% in the second quarter.

### Analysis by industry

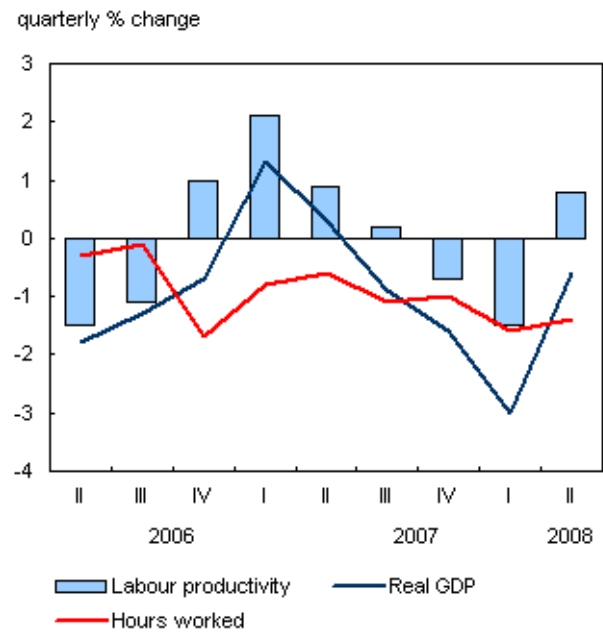
#### Rebound in manufacturing productivity

Business productivity declined for a third consecutive quarter, falling 0.2% in the second quarter. Mining, oil and gas extraction, as well as construction, were responsible for almost all of the decline.

As with the previous quarter, the drop in productivity among Canadian businesses in the second quarter was mainly due to the goods-producing companies. On a quarterly basis, productivity in the goods sector fell 0.9%, and rose 0.3% in the services sector.

In the second quarter of 2008, manufacturing productivity rose 0.8%, after falling in the previous two quarters. This recovery was in part attributable to the rebound in production in the automobile sector. Manufacturing production shrank for a fourth consecutive quarter, posting a drop of 0.6% in the second quarter. During the quarter, hours worked fell 1.4%, almost the same as in the first quarter.

**Chart F.5**  
Manufacturing productivity advances following two quarters of decline



In construction, a slight decline in activity (-0.4%) combined with a rise in the number of hours worked resulted in a downturn in productivity in this sector for a fifth consecutive quarter.

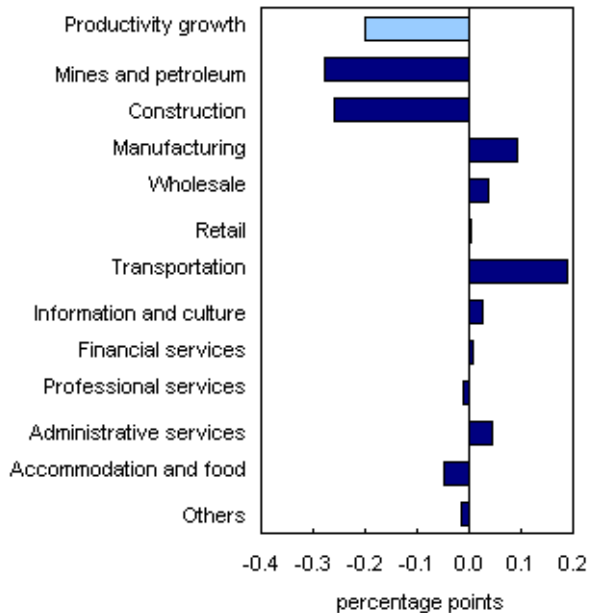
#### Productivity rises again in the service sector

Productivity in services-producing businesses rose for a second consecutive quarter, fuelled by the continuing economic expansion in this sector.

After rising 0.1% in the first quarter of 2008, labour productivity rose by 0.3% in the second quarter. In the service sector, transportation and warehousing was the main contributor to this expansion.

**Chart F.6**

**Main industries' contribution to percent change in labour productivity in the business sector, second quarter 2008**



At the same time, accommodation and restaurant services posted a significant decline in productivity in the second quarter of 2008.

### Unit labour cost continues to rise faster in the goods producing sector

Unit labour cost in the business sector decelerated in the second quarter, growing 1.2%, down from 1.9% in the first quarter. Most of this increase came from the goods producing sector, which saw its labour unit cost rise 1.5%, half of the first quarter. This increase in costs of this sector was mainly attributable to mining, oil and gas extraction and to construction.

In addition, unit labour cost moderated in the manufacturing sector in the second quarter, rising only 0.5%, compared to 3.4% in the first quarter. This slowdown was attributable to the recovery in its productivity, along with the slowdown in hourly compensation.

Mirroring the change for the economy as a whole, inflationary pressure from wages continued to rise in the mining, oil and gas extraction industry, while unit labour cost rose 3.9%, compared to 4.4% in the first quarter.

In transportation and warehousing, which was particularly hard hit by the harsh winter and rising fuel prices, unit labour cost dropped 0.4% in the second quarter of 2008, after posting a 2.1% rise in the first quarter.

**Table F.1 Business sector - Labour productivity and related variables for Canada and the United States[1,2]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
Labour productivity	0.6	0.1	0.1	-0.6	-0.6	-0.2
Real GDP	1.0	1.0	0.5	0.0	-0.5	-0.2
Hours worked	0.5	0.9	0.5	0.7	0.1	0.1
Hourly compensation	1.4	0.3	0.7	0.9	1.4	0.9
Unit labour cost	0.8	0.2	0.7	1.6	1.9	1.2
Exchange rate[3]	2.8	-6.3	-4.9	-6.0	2.3	0.6
Unit labour cost in US\$	-1.9	6.9	5.8	8.1	-0.3	0.6
<b>United States</b>						
Labour productivity	-0.0	1.2	1.5	0.0	0.6	1.1
Real GDP	-0.2	1.4	1.3	-0.2	0.2	0.8
Hours worked	-0.2	0.2	-0.2	-0.2	-0.4	-0.3
Hourly compensation	1.2	0.5	0.9	1.1	0.9	1.0
Unit labour cost	1.2	-0.7	-0.6	1.1	0.3	-0.1
Percent change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	0.7	0.6	0.9	0.1	-1.1	-1.4
Real GDP	2.1	2.7	3.0	2.6	1.0	-0.1
Hours worked	1.4	2.1	2.1	2.5	2.1	1.3
Hourly compensation	5.2	4.3	3.8	3.4	3.3	4.0
Unit labour cost	4.5	3.7	2.9	3.3	4.4	5.5
Exchange rate[3]	1.5	-2.2	-6.8	-13.8	-14.3	-8.0
Unit labour cost in US\$	3.0	6.0	10.4	19.9	21.9	14.7
<b>United States</b>						
Labour productivity	-0.1	0.7	2.8	2.8	3.4	3.2
Real GDP	1.0	1.7	3.0	2.4	2.8	2.2
Hours worked	1.2	1.0	0.2	-0.3	-0.6	-1.0
Hourly compensation	3.9	4.4	4.8	3.7	3.4	3.9
Unit labour cost	4.1	3.6	1.9	0.9	0.0	0.7
Percent change from previous quarter at annualized rate[4]						
<b>Canada</b>						
Labour productivity	2.3	0.3	0.2	-2.4	-2.3	-1.0
Real GDP	4.3	4.0	2.1	0.1	-2.0	-0.6
Hours worked	1.9	3.7	1.9	2.6	0.3	0.3
Hourly compensation	5.9	1.0	2.9	3.8	5.6	3.7
Unit labour cost	3.4	0.7	2.7	6.4	8.0	4.8
Unit labour cost in US\$	-7.5	30.5	25.4	36.3	-1.2	2.3
<b>United States</b>						
Labour productivity	-0.1	5.0	6.2	0.1	2.3	4.3
Real GDP	-0.7	5.6	5.5	-0.6	0.7	3.2
Hours worked	-0.6	0.6	-0.7	-0.7	-1.6	-1.0
Hourly compensation	4.8	1.9	3.6	4.4	3.6	4.0
Unit labour cost	4.8	-2.9	-2.5	4.3	1.3	-0.4

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

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

4. 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[1,2]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
All jobs	0.5	0.6	0.5	0.7	0.5	0.2
Hours worked	0.5	0.9	0.5	0.7	0.1	0.1
Average hours	-0.1	0.3	0.0	-0.0	-0.4	-0.1
Labour share[3]	-0.7	-1.0	0.6	0.5	0.5	-1.8
<b>United States</b>						
All jobs	0.1	0.2	-0.1	0.1	-0.4	-0.2
Hours worked	-0.2	0.2	-0.2	-0.2	-0.4	-0.3
Average hours	-0.3	-0.0	-0.1	-0.3	-0.0	-0.1
Labour share[3]	0.2	-1.2	-0.9	0.6	-0.2	-0.3
Percent change from same quarter of previous year						
<b>Canada</b>						
All jobs	1.9	2.3	2.3	2.3	2.2	1.8
Hours worked	1.4	2.1	2.1	2.5	2.1	1.3
Average hours	-0.5	-0.1	-0.2	0.2	-0.1	-0.5
Labour share[3]	1.5	0.4	0.2	-0.5	0.7	-0.2
<b>United States</b>						
All jobs	1.2	1.0	0.5	0.3	-0.2	-0.6
Hours worked	1.2	1.0	0.2	-0.3	-0.6	-1.0
Average hours	0.0	0.0	-0.3	-0.6	-0.4	-0.4
Labour share[3]	1.3	1.1	-0.3	-1.3	-1.7	-0.8
Percent change from previous quarter at annualized rates[4]						
<b>Canada</b>						
All jobs	2.1	2.5	1.8	2.7	1.8	0.9
Hours worked	1.9	3.7	1.9	2.6	0.3	0.3
Average hours	-0.3	1.2	0.0	-0.1	-1.5	-0.6
Labour share[3]	-2.6	-3.9	2.4	2.2	2.2	-7.1
<b>United States</b>						
All jobs	0.5	0.7	-0.2	0.3	-1.5	-0.8
Hours worked	-0.6	0.6	-0.7	-0.7	-1.6	-1.0
Average hours	-1.1	0.0	-0.4	-1.0	-0.1	-0.2
Labour share[3]	0.8	-4.6	-3.5	2.3	-0.7	-1.3

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

3. This is the ratio of labour compensation to GDP at market prices in current dollars.

4. 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[1,2]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Using seasonally adjusted data, (2002 = 100)								
<b>Business sector - goods</b>	<b>105.2</b>	<b>104.9</b>	<b>104.6</b>	<b>103.0</b>	<b>101.6</b>	<b>100.8</b>	<b>103.2</b>	<b>104.5</b>
	<b>1.9</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-1.5</b>	<b>-1.4</b>	<b>-0.9</b>	<b>0.5</b>	<b>1.2</b>
Agriculture, forestry, fishing and hunting	129.4	128.0	129.9	129.9	129.2	131.9	125.8	129.3
	3.2	-1.1	1.5	-0.0	-0.5	2.1	-0.8	2.8
Construction	107.9	104.3	103.7	101.8	100.8	98.1	105.7	104.4
	0.6	-3.3	-0.6	-1.8	-1.0	-2.6	5.8	-1.2
Manufacturing	107.6	108.6	108.8	108.0	106.5	107.4	105.6	108.2
	2.1	0.9	0.2	-0.7	-1.5	0.8	-0.1	2.5
<b>Business sector - services</b>	<b>107.0</b>	<b>107.2</b>	<b>107.5</b>	<b>107.5</b>	<b>107.6</b>	<b>108.0</b>	<b>106.7</b>	<b>107.3</b>
	<b>-0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>-0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>2.3</b>	<b>0.5</b>
Wholesale trade	120.4	121.4	123.0	125.1	126.1	126.8	120.2	122.5
	0.5	0.8	1.4	1.7	0.9	0.5	7.2	1.9
Retail trade	113.9	116.1	116.5	118.0	118.7	119.1	111.1	116.1
	1.9	1.9	0.3	1.3	0.6	0.3	5.5	4.5
Transportation and warehousing	106.4	105.2	103.9	103.1	100.5	103.7	106.3	104.6
	-0.0	-1.1	-1.3	-0.7	-2.5	3.1	1.1	-1.6
Information and cultural industries	112.3	113.2	114.3	116.9	117.2	117.9	113.5	114.2
	-1.0	0.7	1.0	2.3	0.2	0.6	6.1	0.6
Finance, real estate and company management	104.6	104.3	104.2	103.3	103.1	102.7	102.6	104.1
	0.1	-0.2	-0.1	-0.9	-0.2	-0.4	1.3	1.5
Professional, scientific and technical services	99.8	100.2	99.9	98.0	99.2	99.0	101.2	99.5
	-1.1	0.4	-0.3	-2.0	1.2	-0.1	-1.4	-1.7
Administrative and support, waste management and remediation services	101.6	101.0	101.5	101.1	100.4	101.2	101.4	101.3
	0.0	-0.6	0.5	-0.4	-0.7	0.8	1.6	-0.1
Accommodation and food services	100.0	98.3	99.5	99.9	101.4	101.8	101.8	99.4
	-2.2	-1.7	1.3	0.3	1.6	0.4	0.8	-2.3
Other commercial services	103.5	102.5	101.4	100.1	100.8	101.0	104.0	101.9
	-0.8	-0.9	-1.1	-1.3	0.7	0.2	-0.3	-2.1

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

Table F.4 Indexes of unit labour cost by industry[1,2]

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Using seasonally adjusted data (2002 = 100)								
<b>Business sector - goods</b>	<b>114.4</b>	<b>114.3</b>	<b>115.3</b>	<b>118.7</b>	<b>122.2</b>	<b>124.1</b>	<b>111.7</b>	<b>115.7</b>
	<i>0.4</i>	<i>-0.1</i>	<i>0.9</i>	<i>2.9</i>	<i>2.9</i>	<i>1.5</i>	<i>3.4</i>	<i>3.6</i>
Agriculture, forestry, fishing and hunting	88.2	85.5	84.3	81.4	82.0	80.2	86.9	84.9
	<i>0.7</i>	<i>-3.1</i>	<i>-1.3</i>	<i>-3.5</i>	<i>0.7</i>	<i>-2.2</i>	<i>1.2</i>	<i>-2.4</i>
Construction	111.2	113.6	115.8	119.4	121.6	123.7	107.3	115.0
	<i>2.3</i>	<i>2.1</i>	<i>2.0</i>	<i>3.1</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>	<i>7.2</i>
Manufacturing	109.4	108.6	108.4	111.2	115.0	115.5	108.3	109.4
	<i>-0.8</i>	<i>-0.7</i>	<i>-0.2</i>	<i>2.5</i>	<i>3.4</i>	<i>0.5</i>	<i>2.0</i>	<i>1.0</i>
<b>Business sector - services</b>	<b>112.5</b>	<b>113.1</b>	<b>113.6</b>	<b>114.6</b>	<b>115.9</b>	<b>116.8</b>	<b>109.6</b>	<b>113.4</b>
	<i>1.0</i>	<i>0.5</i>	<i>0.5</i>	<i>0.8</i>	<i>1.2</i>	<i>0.7</i>	<i>2.6</i>	<i>3.5</i>
Wholesale trade	102.3	102.0	100.0	98.9	100.4	100.4	98.1	100.8
	<i>1.2</i>	<i>-0.3</i>	<i>-1.9</i>	<i>-1.2</i>	<i>1.5</i>	<i>-0.0</i>	<i>-1.1</i>	<i>2.7</i>
Retail trade	105.7	105.4	108.1	109.0	109.4	111.0	106.5	107.0
	<i>-0.3</i>	<i>-0.3</i>	<i>2.6</i>	<i>0.8</i>	<i>0.4</i>	<i>1.5</i>	<i>0.5</i>	<i>0.5</i>
Transportation and warehousing	109.3	109.7	111.7	113.3	115.7	115.2	106.2	111.0
	<i>1.3</i>	<i>0.4</i>	<i>1.8</i>	<i>1.5</i>	<i>2.1</i>	<i>-0.4</i>	<i>0.7</i>	<i>4.5</i>
Information and cultural industries	105.9	106.3	108.1	109.0	111.3	111.2	104.2	107.3
	<i>0.2</i>	<i>0.5</i>	<i>1.7</i>	<i>0.8</i>	<i>2.1</i>	<i>-0.0</i>	<i>2.5</i>	<i>3.0</i>
Finance, real estate and company management	116.9	119.1	119.6	122.0	123.1	124.7	114.8	119.4
	<i>0.7</i>	<i>1.8</i>	<i>0.5</i>	<i>2.0</i>	<i>0.9</i>	<i>1.3</i>	<i>4.1</i>	<i>4.0</i>
Professional, scientific and technical services	117.8	118.1	118.6	121.7	124.1	125.4	115.0	119.0
	<i>1.0</i>	<i>0.2</i>	<i>0.4</i>	<i>2.6</i>	<i>2.0</i>	<i>1.0</i>	<i>4.9</i>	<i>3.5</i>
Administrative and support, waste management and remediation services	119.4	120.3	119.9	118.4	119.3	121.1	114.2	119.5
	<i>2.1</i>	<i>0.8</i>	<i>-0.4</i>	<i>-1.2</i>	<i>0.7</i>	<i>1.5</i>	<i>3.1</i>	<i>4.7</i>
Accommodation and food services	120.4	122.3	119.5	123.1	123.8	124.7	111.8	121.4
	<i>2.2</i>	<i>1.5</i>	<i>-2.3</i>	<i>3.0</i>	<i>0.5</i>	<i>0.7</i>	<i>4.6</i>	<i>8.5</i>
Other commercial services	120.0	121.0	123.4	122.9	123.0	123.0	115.7	121.8
	<i>2.3</i>	<i>0.8</i>	<i>2.0</i>	<i>-0.4</i>	<i>0.0</i>	<i>0.0</i>	<i>4.4</i>	<i>5.2</i>

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

## Section G

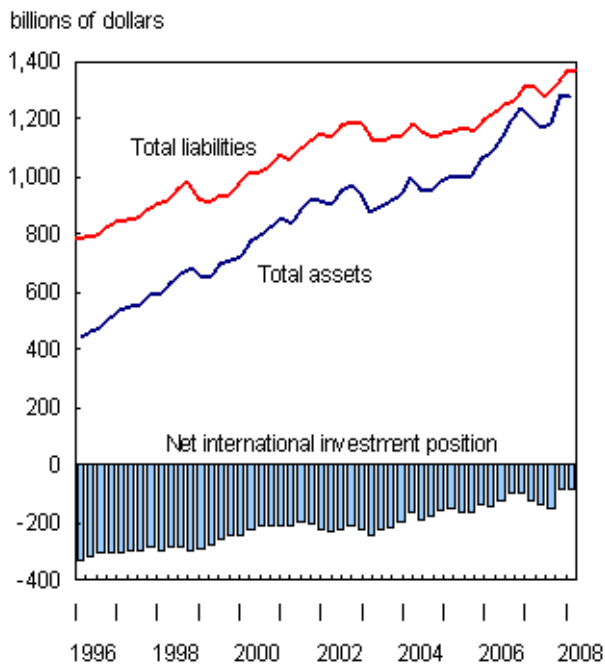
# Canada's International investment position

Second quarter 2008

Canada's net international investment position, that is, international assets less international liabilities, deteriorated marginally in the second quarter, as the Canadian dollar recovered slightly against major currencies. Essentially, this appreciation had the impact of constraining the growth in Canadian assets, while foreign assets edged down in the quarter. At the same time, liabilities posted a small advance.

**Chart G.1**

### Canada's international investment position



### Net international indebtedness edges up in the quarter

Canada's international assets decreased marginally in value to \$1,283.8 billion, in contrast to the advances of the past two quarters. This was driven by the appreciation of the quarter-end closing value of the Canadian dollar, which more than offset relatively modest investment flows during the quarter.

International liabilities grew in value for a third straight quarter to \$1,370.5 billion. This largely reflected substantial net new issues in Canadian bonds in international markets, moderated by a decrease in deposit liabilities.

As a result, net foreign debt increased by \$4.2 billion in the second quarter to \$86.6 billion. This represented 5.4% of Canada's gross domestic product, up from 5.2% in the previous quarter. Since the beginning of the year, there has been a \$45.3 billion increase in the value of total assets and a \$16.1 billion increase in the value of total liabilities due to currency fluctuations. Volatile currency fluctuations continued to have a significant impact, accounting for over half of the increase in the value of net foreign debt during the quarter.

### Portfolio investment: Securities drive change in net foreign debt

Canadian investment in foreign securities was relatively slow in the second quarter of 2008. Domestic holdings of debt instruments narrowed, reflecting a divestment of foreign bonds and short-term paper, while Canadians continued to add foreign shares to their portfolios. Despite modest investment, portfolio asset values fell by \$3.6 billion during the second quarter. This was mainly due to the revaluation of the stronger Canadian dollar more than offsetting transactions in the quarter.

#### Note to readers

##### Definition

The international investment position presents the value and composition of Canada's foreign assets and liabilities 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.

The valuation of the assets and liabilities in the international investment position are measured at book value, unless otherwise stated. Book value represents the value of assets and liabilities recorded in the books of the enterprise in which the investment is made.

##### 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.

Foreign investment in Canadian securities reached a high in the second quarter, with activity dominated by debt instruments. Canadian issuers were active on global credit markets with substantial bond issues. At the same time, foreign demand for Canadian money market instruments rebounded with modest investment flows and purchases of Canadian equities were up for the second consecutive quarter. As a result, there was a substantial \$21.7 billion increase in portfolio liabilities during the second quarter.

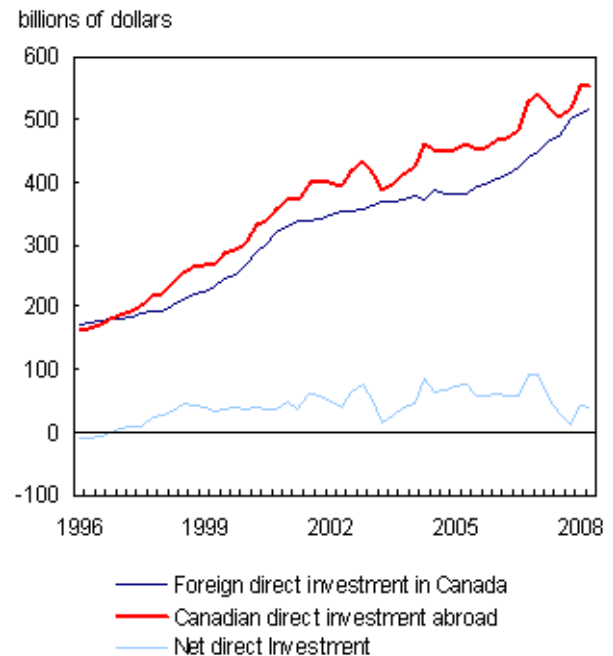
#### Direct investment: Net position largely unchanged

Canada's net asset position on direct investment – the difference between Canadian direct investment abroad and foreign direct investment in Canada – amounted to \$38.7 billion, a slight decline from the previous quarter. The drop was mainly attributable to the appreciation of the Canadian dollar.

Direct investment abroad by Canadian firms rose by \$1.7 billion to \$555.0 billion in the second quarter. This increase was comprised of reinvested earnings accruing in foreign affiliates of Canadian firms and Canadian corporations' foreign mergers and acquisitions, though this activity was down by half from the first quarter. However, the value of this foreign-currency denominated investment was adversely affected by a strengthened Canadian dollar.

Foreign direct investment in Canada rose by \$5.6 billion to \$516.3 billion in the second quarter. This increase was almost entirely attributable to reinvested earnings accruing from operations of affiliates in Canada. Merger and acquisition activity was negligible in the quarter.

**Chart G.2**  
**Direct investment position**



#### Other investments moderate the change in net foreign debt

Other assets went up by \$1.5 billion, mostly arising from a small increase in deposits abroad. Other liabilities declined sharply during the quarter as the increase in deposits by foreigners in the previous quarter was reversed. The continued volatility in deposit liabilities is mainly being driven by inter-company activity in the financial industry.

#### Net international indebtedness up sharply, with securities at market value

Canada's overall net international investment position can also be calculated with portfolio investment assets and liabilities of tradable securities valued at market prices. By this measure, the increase in net foreign debt (\$43.6 billion) was more pronounced in the second quarter. This largely reflected the contrasting gains in Canadian equity markets and losses in foreign equity markets during the quarter. As a result, the value of foreign equities held by Canadian investors declined, while the value of Canadian equity holdings by non-residents increased strongly.

**Table G.1 International investment position at period-end**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	540,577	517,368	503,809	514,540	553,333	554,966	529,969	514,540
Portfolio investment abroad								
Foreign bonds	140,873	148,068	139,472	136,701	144,488	142,040	124,368	136,701
<i>Foreign bonds at market value</i>	<i>151,786</i>	<i>156,774</i>	<i>152,468</i>	<i>154,500</i>	<i>169,429</i>	<i>164,273</i>	<i>134,028</i>	<i>154,500</i>
Foreign stocks	230,327	214,783	206,090	210,064	227,418	226,869	227,886	210,064
<i>Foreign stocks at market value</i>	<i>598,849</i>	<i>594,726</i>	<i>566,848</i>	<i>556,952</i>	<i>525,567</i>	<i>508,699</i>	<i>583,600</i>	<i>556,952</i>
Foreign money market	20,128	19,774	8,997	7,511	7,637	7,071	19,966	7,511
<i>Foreign money market at market value</i>	<i>20,195</i>	<i>19,825</i>	<i>9,044</i>	<i>7,548</i>	<i>7,671</i>	<i>7,090</i>	<i>20,062</i>	<i>7,548</i>
Other investment								
Loans	77,973	73,426	77,953	76,122	85,110	81,640	72,366	76,122
Deposits	136,195	140,711	150,377	156,890	176,988	179,881	131,420	156,890
Official international reserves	45,507	42,534	40,887	40,593	43,589	45,027	40,959	40,593
<i>Official international reserves at market value</i>	<i>45,386</i>	<i>41,991</i>	<i>40,769</i>	<i>40,724</i>	<i>71,958</i>	<i>71,792</i>	<i>40,862</i>	<i>40,724</i>
Other assets	44,470	43,511	40,014	41,960	45,708	46,334	44,977	41,960
Total assets								
at book value	1,236,050	1,200,176	1,167,598	1,184,382	1,284,270	1,283,829	1,191,911	1,184,382
with portfolio investment at market value	<i>1,615,431</i>	<i>1,588,332</i>	<i>1,541,282</i>	<i>1,549,236</i>	<i>1,635,764</i>	<i>1,614,675</i>	<i>1,557,284</i>	<i>1,549,236</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	449,134	466,487	474,597	500,851	510,708	516,297	437,801	500,851
Portfolio investment								
Canadian bonds	413,028	390,643	376,815	382,080	403,283	420,443	408,055	382,080
<i>Canadian bonds at market value</i>	<i>434,159</i>	<i>401,548</i>	<i>391,892</i>	<i>397,381</i>	<i>426,995</i>	<i>432,657</i>	<i>432,318</i>	<i>397,381</i>
Canadian stocks	96,804	96,485	93,351	82,658	84,045	85,992	96,994	82,658
<i>Canadian stocks at market value</i>	<i>351,297</i>	<i>370,175</i>	<i>366,767</i>	<i>327,812</i>	<i>320,085</i>	<i>352,246</i>	<i>344,958</i>	<i>327,812</i>
Canadian money market	23,730	24,089	22,383	21,999	18,772	21,324	24,515	21,999
<i>Canadian money market at market value</i>	<i>23,952</i>	<i>24,279</i>	<i>22,598</i>	<i>22,211</i>	<i>18,940</i>	<i>21,483</i>	<i>24,717</i>	<i>22,211</i>
Other investment								
Loans	55,690	55,020	48,916	52,971	54,909	48,901	52,600	52,971
Deposits	247,012	251,668	239,184	243,525	269,175	251,684	226,781	243,525
Other liabilities	25,353	25,581	26,504	25,307	25,814	25,822	22,468	25,307
Total liabilities								
at book value	1,310,750	1,309,973	1,281,751	1,309,392	1,366,706	1,370,465	1,269,214	1,309,392
with portfolio investment at market value	<i>1,586,597</i>	<i>1,594,758</i>	<i>1,570,458</i>	<i>1,570,058</i>	<i>1,626,626</i>	<i>1,649,090</i>	<i>1,541,643</i>	<i>1,570,058</i>
<b>Net international investment position</b>								
at book value	-74,701	-109,797	-114,153	-125,010	-82,436	-86,635	-77,303	-125,010
with portfolio investment at market value	<i>28,834</i>	<i>-6,426</i>	<i>-29,176</i>	<i>-20,822</i>	<i>9,138</i>	<i>-34,415</i>	<i>15,641</i>	<i>-20,822</i>

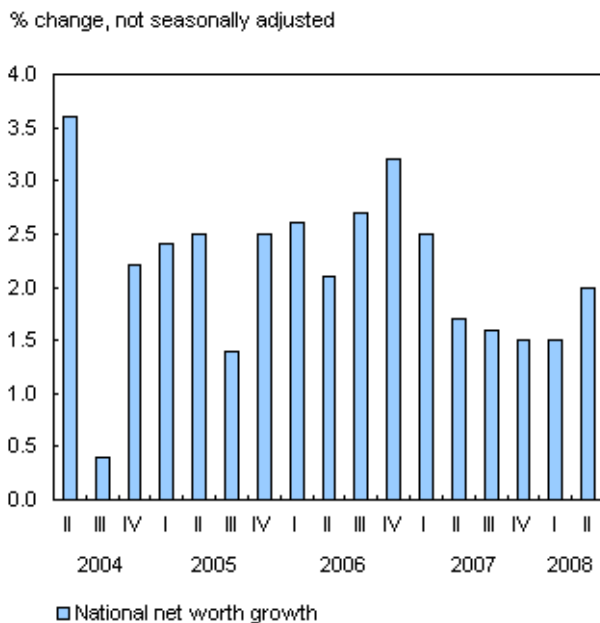
## Section H

### National balance sheet accounts

Second quarter 2008

National net worth rose 2.0% in the second quarter of 2008, as an increase in the value of non-financial assets was moderated by the rise in net foreign indebtedness. National net worth, total assets less financial liabilities, increased \$111 billion in the second quarter of 2008, resulting in a per capita national net worth of \$174,300, up from \$171,500 in the previous quarter.

**Chart H.1**  
**National net worth continues to advance**



National wealth, defined as the sum of economy-wide non-financial assets, amounted to \$5.9 trillion, up 2.7% from the previous quarter. This was an increase from the 2.4% growth posted for the same quarter last year. Residential real estate accounted for about half of the gain in national wealth.

#### 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.

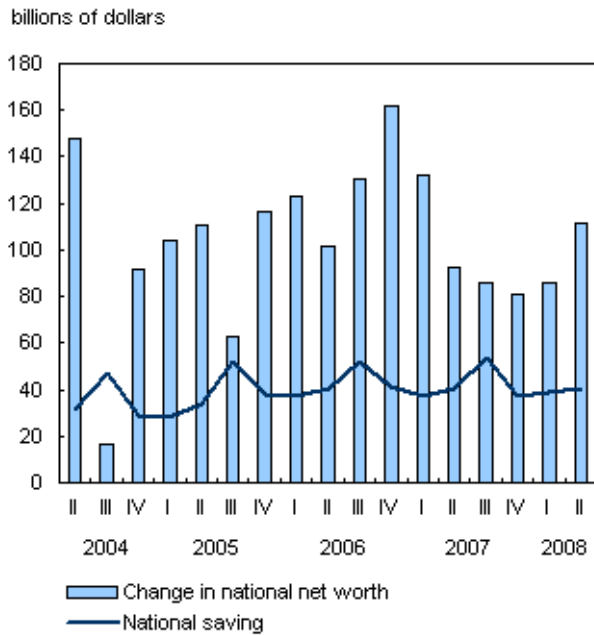
The revaluation of assets and liabilities also contributes to changes in national net worth. The causes of revaluation include changes in non-financial asset prices, equity prices, interest rates, exchange rates and loan allowances.

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

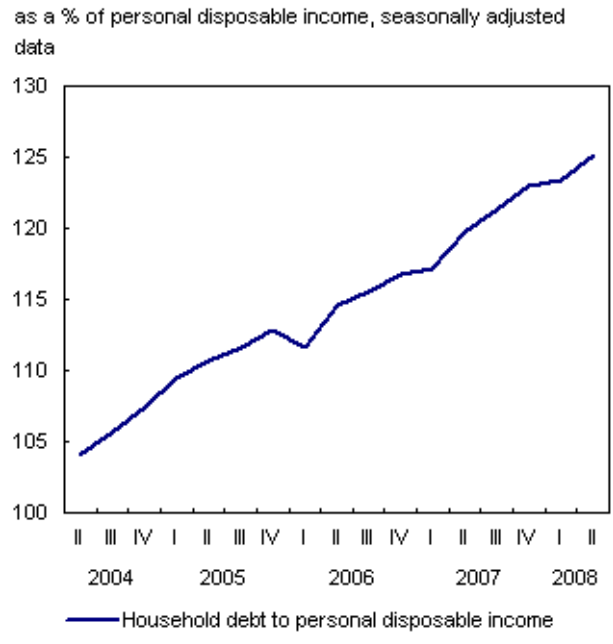
The second quarter of 2008 showed a substantial improvement in saving for the corporate sector. The expansion in corporate saving resulted from significant price driven growth in profits, particularly for energy products. Saving in the corporate sector remains a driving force behind the gains in national net worth.

Canada's net foreign indebtedness (with tradable securities on a market value basis) increased during the second quarter following a decrease in the first quarter of 2008. Growth in Canadian liabilities to non-residents, particularly net new Canadian bond issues, exceeded growth in Canadian assets abroad. The value of foreign assets held by Canadians decreased during the quarter, as asset growth was constrained by the appreciating Canadian dollar. However, non-resident holdings of Canadian equities were up strongly during the quarter, reflecting the gains in Canadian stock markets.

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



**Chart H.3**  
**Household debt to income creeps up**



**Growth in household net worth advances**

In the second quarter of 2008, household net worth expanded by 2.8%, following a 0.5% increase in the first quarter. Gains in the market value of equities were the largest contributor to the advance in household net worth, followed by residential real estate.

Household debt (consumer credit and mortgage liabilities), as a percentage of net worth, held steady during the quarter, with increases in debt offset by gains in financial assets. Households had 19.6 cents of debt for every dollar of net worth and \$1.25 of debt for every dollar of personal disposable income.

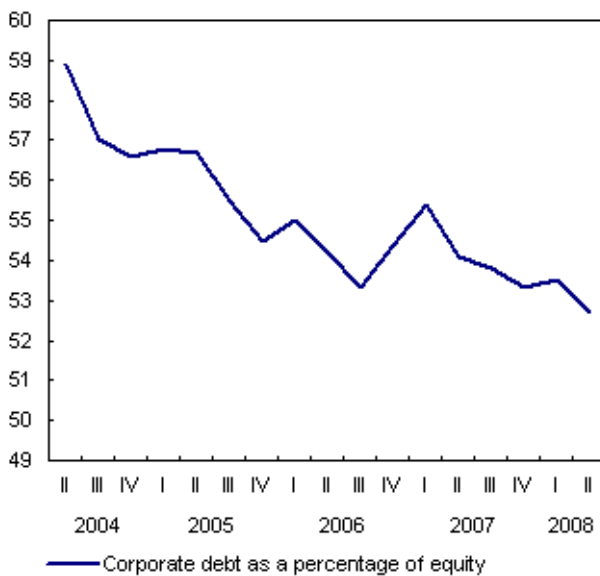
### Corporate debt-to-equity continues to trend down

Increased saving in the corporate sector translated into a further decline in non-financial private corporations' leverage, which has trended down for most of the last two decades. In the second quarter of 2008, corporations had about 52.7 cents of debt for every dollar of equity (at book value). Continued generation of undistributed corporate profits has helped the corporate sector remain a net lender to the rest of the economy, a trend which emerged in the 1990's.

#### Chart H.4

#### Corporate leverage continues to ease

as a % of equity, not seasonally adjusted data



### Financial institutions asset growth reflects an upswing in the stock market

The portfolios of institutional investors, such as mutual funds and trustee pension plans, benefited from an upswing in the equities market. Increases in mortgage and consumer credit holdings also contributed to the increase in financial sector assets.

### Government net debt-to-GDP declines further

Government net debt declined in the second quarter of 2008. Government net debt (at book value) as a percentage of gross domestic product (GDP) edged down to just over one-third of GDP, down considerably from over 90% in the mid-1990's.

**Table H.1 National balance sheet accounts[1]**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	5,323	5,451	5,560	5,632	5,717	5,870	5,205	5,632
	2.3	2.4	2.0	1.3	1.5	2.7	8.1	8.2
Net foreign debt	29	-6	-29	-21	-19	-61	16	-21
	81.3	...	...	...	...	...	...	...
National net worth	5,353	5,445	5,531	5,612	5,698	5,809	5,221	5,612
	2.5	1.7	1.6	1.5	1.5	2.0	11.0	7.5
National net worth per capita (dollars)	162,800	165,100	167,100	169,300	171,500	174,300	159,200	169,300
	2.3	1.4	1.2	1.3	1.3	1.6	9.9	6.3

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

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Millions of dollars at quarter end								
<b>Total assets</b>	<b>17,256,447</b>	<b>17,610,026</b>	<b>17,924,731</b>	<b>18,098,087</b>	<b>18,337,423</b>	<b>18,792,341</b>	<b>16,838,583</b>	<b>18,098,087</b>
Non-financial assets	5,323,344	5,450,861	5,559,573	5,632,339	5,716,703	5,869,790	5,204,696	5,632,339
Residential structures	1,499,447	1,539,133	1,572,489	1,589,041	1,599,879	1,619,909	1,468,232	1,589,041
Non-residential structures	1,239,000	1,264,763	1,292,625	1,324,091	1,352,559	1,408,744	1,207,552	1,324,091
Machinery and equipment	420,049	422,655	421,767	421,249	430,134	445,858	419,017	421,249
Consumer durables	388,109	395,065	396,563	398,226	393,121	397,462	386,852	398,226
Inventories	221,329	215,565	223,832	223,862	227,199	226,043	216,174	223,862
Land	1,555,410	1,613,680	1,652,297	1,675,870	1,713,811	1,771,774	1,506,869	1,675,870
Net financial assets	29,177	-5,692	-28,845	-20,739	-19,065	-61,022	15,939	-20,739
Financial assets	11,933,103	12,159,165	12,365,158	12,465,748	12,620,720	12,922,551	11,633,887	12,465,748
Official reserves	45,508	42,533	40,886	40,593	43,589	45,027	40,960	40,593
Gold & foreign currency	43,547	40,756	39,224	38,932	41,813	43,168	38,867	38,932
IMF reserve position	834	740	667	655	686	788	970	655
Special drawing rights	1,127	1,037	995	1,006	1,090	1,071	1,123	1,006
Currency and bank deposits	913,475	940,450	983,873	1,002,360	1,006,692	1,035,147	911,443	1,002,360
Other deposits	231,955	238,330	246,152	251,954	256,359	263,099	227,768	251,954
Foreign currency deposits	148,482	157,275	166,874	179,505	186,282	184,509	138,429	179,505
Consumer credit	317,966	330,963	341,944	348,583	354,019	365,624	312,732	348,583
Trade receivables	270,179	271,887	276,510	278,216	282,073	288,024	264,360	278,216
Bank loans	244,397	249,644	258,128	272,399	278,327	281,087	233,352	272,399
Other loans	218,521	220,342	223,397	224,272	226,877	224,757	217,386	224,272
Canada short-term paper	124,291	109,668	102,209	107,002	110,011	123,086	113,158	107,002
Other short-term paper	235,779	236,295	253,160	250,413	249,746	235,629	229,942	250,413
Mortgages	864,923	890,583	919,056	944,494	962,399	989,981	846,070	944,494
Canada bonds	257,956	254,320	252,693	252,967	254,067	252,616	264,910	252,967
(of which CSB's)	15,175	14,913	14,839	13,298	13,180	13,120	15,465	13,298
Provincial bonds	310,562	303,451	314,858	325,827	328,436	321,604	309,283	325,827
Municipal bonds	41,950	41,637	42,567	43,845	44,469	44,833	41,007	43,845
Other bonds	501,254	513,283	539,973	558,547	571,436	594,471	487,438	558,547
Life insurance & pensions	1,431,287	1,450,264	1,463,197	1,469,348	1,472,632	1,492,674	1,400,800	1,469,348
Corporate claims	1,343,959	1,350,501	1,381,349	1,421,426	1,512,412	1,540,768	1,304,156	1,421,426
Government claims	219,064	217,728	218,645	219,997	226,722	240,970	216,878	219,997
Shares	2,483,294	2,588,797	2,637,977	2,570,772	2,543,017	2,707,915	2,411,037	2,570,772
Foreign investments	773,715	774,344	731,113	722,561	705,781	682,738	737,550	722,561
Other financial assets	954,586	976,870	970,597	980,667	1,005,374	1,007,992	925,228	980,667
<b>Liabilities and net worth</b>	<b>17,256,447</b>	<b>17,610,026</b>	<b>17,924,731</b>	<b>18,098,087</b>	<b>18,337,423</b>	<b>18,792,341</b>	<b>16,838,583</b>	<b>18,098,087</b>
Liabilities	11,903,926	12,164,857	12,394,003	12,486,487	12,639,785	12,983,573	11,617,948	12,486,487
Currency and bank deposits	934,904	959,093	1,004,711	1,022,902	1,028,233	1,058,543	932,333	1,022,902
Other deposits	231,955	238,330	246,152	251,954	256,359	263,099	227,768	251,954
Foreign currency deposits	153,044	156,005	160,277	170,648	171,712	166,113	132,089	170,648
Consumer credit	317,966	330,963	341,944	348,583	354,019	365,624	312,732	348,583
Trade payables	272,716	275,676	280,001	285,658	290,127	294,493	265,501	285,658
Bank loans	225,536	234,757	241,904	254,072	257,472	259,210	217,673	254,072
Other loans	222,084	225,158	230,113	234,060	235,615	230,882	218,056	234,060
Canada short-term paper	135,947	121,090	112,912	117,712	118,484	132,852	126,307	117,712
Other short-term paper	246,584	247,654	263,885	260,365	258,643	245,607	239,039	260,365
Mortgages	865,266	890,922	919,392	944,829	962,910	990,492	846,414	944,829
Canada bonds	309,200	298,554	298,301	297,432	306,631	303,312	316,793	297,432
(of which CSB's)	15,175	14,913	14,839	13,298	13,180	13,120	15,465	13,298
Provincial bonds	435,872	417,237	422,855	433,393	440,164	433,764	435,338	433,393
Municipal bonds	46,106	45,613	46,579	47,931	48,806	49,256	45,295	47,931
Other bonds	747,735	746,319	767,710	793,667	822,679	853,471	730,815	793,667
Life insurance & pensions	1,431,287	1,450,264	1,463,197	1,469,348	1,472,632	1,492,674	1,400,800	1,469,348
Corporate claims	553,248	577,135	585,572	588,965	631,279	616,119	521,326	588,965
Government claims	219,064	217,728	218,645	219,997	226,722	240,970	216,878	219,997
Shares	3,619,828	3,775,749	3,846,516	3,793,307	3,787,479	4,015,186	3,527,308	3,793,307
Other liabilities	935,584	956,610	943,337	951,664	969,819	971,906	905,483	951,664
<b>Net worth</b>	<b>5,352,521</b>	<b>5,445,169</b>	<b>5,530,728</b>	<b>5,611,600</b>	<b>5,697,638</b>	<b>5,808,768</b>	<b>5,220,635</b>	<b>5,611,600</b>

**Table H.3 Credit market summary table**

	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	2006	2007
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	1,132,066	1,165,748	1,201,152	1,224,558	1,247,574	1,282,715	1,112,455	1,224,558
Consumer credit	317,966	330,963	341,944	348,583	354,019	365,624	312,732	348,583
Bank loans	26,830	26,923	27,821	26,984	29,507	31,748	28,094	26,984
Other loans	74,713	73,496	72,694	71,525	71,861	70,021	73,598	71,525
Mortgages	712,557	734,366	758,693	777,466	792,187	815,322	698,031	777,466
Non-financial private corporations	674,315	674,708	682,941	689,379	705,509	712,457	654,583	689,379
Bank loans	136,214	139,905	144,919	151,252	153,874	153,617	130,360	151,252
Other loans	76,395	75,729	74,220	69,270	69,766	68,112	75,958	69,270
Other short-term paper	59,679	60,508	63,317	62,203	69,685	68,410	57,088	62,203
Mortgages	136,329	140,590	144,253	149,833	153,454	157,326	132,126	149,833
Bonds	265,698	257,976	256,232	256,821	258,730	264,992	259,051	256,821
Non-financial government enterprises	62,761	60,570	61,142	63,980	62,901	62,585	63,261	63,980
Bank loans	2,449	2,481	2,479	2,389	1,942	1,928	2,489	2,389
Other loans	6,213	6,035	6,044	7,212	6,860	6,891	6,907	7,212
Other short-term paper	2,862	2,399	2,882	3,163	2,207	2,008	3,023	3,163
Mortgages	94	93	94	91	89	93	95	91
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,542	47,184	47,287	48,860	49,341	49,199	48,107	48,860
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,480	2,257	2,235	2,144	2,341	2,345	2,519	2,144
Federal government	413,471	393,980	385,134	384,139	388,763	401,432	403,115	384,139
Bank loans	99	99	99	100	100	100	101	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	135,947	121,090	112,912	117,712	118,484	132,852	126,307	117,712
Canada bonds	277,425	272,791	272,123	266,327	270,179	268,480	276,707	266,327
Canada savings bonds	15,175	14,913	14,839	13,298	13,180	13,120	15,465	13,298
Other bonds	262,250	257,878	257,284	253,029	256,999	255,360	261,242	253,029
Other levels of government	414,136	410,678	418,966	425,497	425,527	429,261	410,841	425,497
Bank loans	4,726	5,131	4,819	4,733	5,154	4,997	4,421	4,733
Other loans	16,703	16,788	16,957	17,326	17,524	17,544	16,608	17,326
Other short-term paper	15,555	14,541	20,076	21,792	18,741	21,698	15,526	21,792
Mortgages	1,899	1,899	1,899	1,899	1,899	1,899	1,900	1,899
Provincial bonds	326,505	323,075	325,545	329,330	331,403	331,413	324,712	329,330
Municipal bonds	44,878	45,394	45,839	46,601	47,002	47,908	43,772	46,601
Other bonds	3,870	3,850	3,831	3,816	3,804	3,802	3,902	3,816
Total funds raised by domestic non-financial sectors	2,696,749	2,705,684	2,749,335	2,787,553	2,830,274	2,888,450	2,644,255	2,787,553
Consumer credit	317,966	330,963	341,944	348,583	354,019	365,624	312,732	348,583
Bank loans	170,318	174,539	180,137	185,458	190,577	192,390	165,465	185,458
Other loans	174,024	172,048	169,915	165,333	166,011	162,568	173,071	165,333
Canada short-term paper	135,947	121,090	112,912	117,712	118,484	132,852	126,307	117,712
Other short-term paper	78,096	77,448	86,275	87,158	90,633	92,116	75,637	87,158
Mortgages	850,879	876,948	904,939	929,289	947,629	974,640	832,152	929,289
Bonds	969,519	952,648	953,213	954,020	962,921	968,260	958,891	954,020
Non-residents	44,001	38,835	39,069	45,424	50,197	53,609	41,267	45,424
Bank loans	18,861	14,887	16,224	18,327	20,855	21,877	15,679	18,327
Other loans	25,140	23,948	22,845	27,097	29,342	31,732	25,588	27,097
Mortgages	...	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,740,750	2,744,519	2,788,404	2,832,977	2,880,471	2,942,059	2,685,522	2,832,977
Domestic financial institutions	748,661	777,033	816,153	854,598	870,709	888,887	725,652	854,598
Bank loans	55,218	60,218	61,767	68,614	66,895	66,820	52,208	68,614
Other loans	48,060	53,110	60,198	68,727	69,604	68,314	44,985	68,727
Other short-term paper	168,488	170,206	177,610	173,207	168,010	153,491	163,402	173,207
Mortgages	14,387	13,974	14,453	15,540	15,281	15,852	14,262	15,540
Bonds	462,508	479,525	502,125	528,510	550,919	584,410	450,795	528,510
Total funds raised = total funds supplied	3,489,411	3,521,552	3,604,557	3,687,575	3,751,180	3,830,946	3,411,174	3,687,575
<b>Assets of:</b>								
Persons and unincorporated business	101,586	92,862	96,480	93,647	93,805	89,853	99,317	93,647
Non-financial corporations	82,969	82,488	85,857	85,813	85,389	85,575	82,555	85,813
Governments	251,911	255,373	261,119	261,328	259,060	258,080	243,756	261,328
Non-residents	457,567	436,011	421,602	433,820	452,120	472,176	450,187	433,820
Domestic financial institutions	2,617,922	2,676,753	2,761,432	2,834,606	2,882,615	2,946,237	2,557,956	2,834,606