



The Daily

Statistics Canada

Monday, June 2, 1997
For release at 8:30 a.m.

MAJOR RELEASES

- **National economic and financial accounts, first quarter 1997**
The economy maintained its momentum in the first quarter of 1997, as gross domestic product grew 0.8% following similar gains in the previous two quarters. Domestic demand continued to be strong and exports rebounded.

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- **Canada's balance of payments, first quarter 1997**
Canada's current account deficit increased to \$1.2 billion, on a seasonally adjusted basis, in the first quarter of 1997 as the country spent more than it earned from abroad on goods, services, investment income and current transfers for a second consecutive quarter.

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- **Real gross domestic product at factor cost by industry, March 1997**
After surging in January and February, economic activity slipped in March when gross domestic product at factor cost declined 0.3%.

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Government revenue and expenditure (SNA basis), first quarter 1997 18

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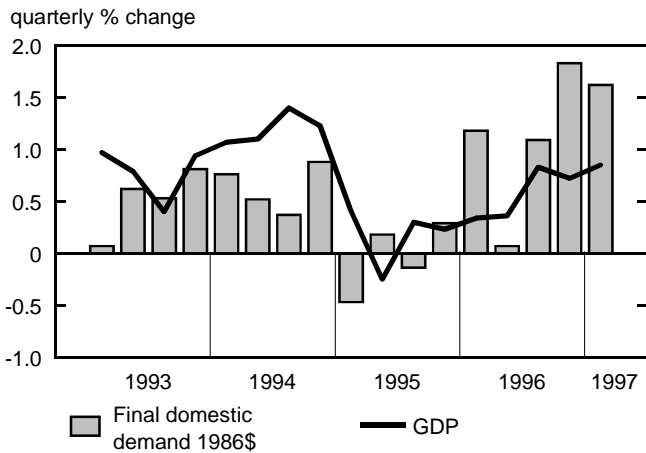
MAJOR RELEASES

National economic and financial accounts

First quarter 1997

The economy maintained its momentum in the first quarter of 1997, as the gross domestic product grew 0.8% following similar gains in the previous two quarters. Healthy gains were recorded in business investment in plant and equipment, consumer spending and investment in housing.

Domestic demand leads economy



Exports rebounded from their stall in the fourth quarter. Imports increased sharply in tandem however, feeding both domestic demand and intermediate inputs to export production. Business investment in inventories rose, but at a sharply lower rate compared with the fourth quarter.

Note to readers

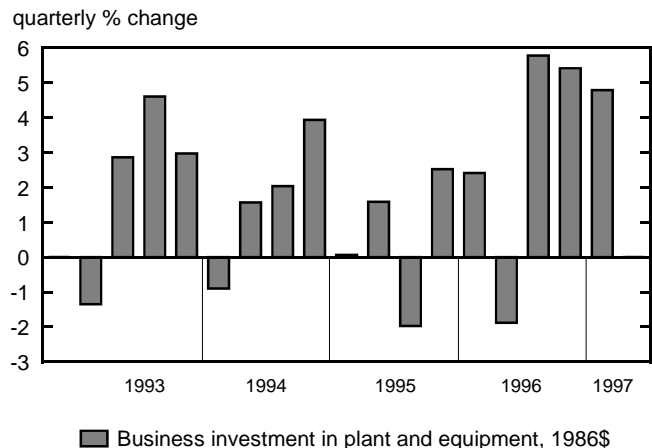
For this first quarter 1997 release of the national economic and financial accounts (NEFA), the income and expenditure accounts (which include the gross domestic product) have not been revised in prior periods; the financial flow accounts have been revised in 1996 only, and the monthly estimates of labour income have been revised by industry and by province back to January 1995 although quarterly national totals are unchanged. All of these accounts will be revised back to 1961 on December 1, 1997, to conform with new international standards for economic accounts and to incorporate new statistical estimates and revisions.

The Canadian balance of international payments, also released today, reflects new international standards and contains revisions back to 1926. The common elements of the balance of payments and the NEFA will remain inconsistent until the NEFA are revised on December 1, 1997. The first quarter estimates of international trade in goods and services, international investment income flows and transfers contained in the NEFA have been linked to show the same rates of change as published in the balance of payments.

Business investment strong for three quarters

Business investment in plant and equipment rose 4.8% in the first quarter of 1997 following back-to-back gains in the order of 5.6% in the last two quarters of 1996.

Three quarters of strong business investment



Engineering construction has picked up pace gradually over the past three quarters, growing 2.9%

in the first quarter. This reflected higher spending in the oil and gas and communications sectors. Business spending on machinery and equipment rose 5.9% following an average increase of 7.5% in the last half of 1996. Purchases of industrial machinery, office machinery and motor vehicles were the major sources of strength.

Corporation profits were up in the quarter, continuing the trend observed in 1996. Undistributed profits showed even stronger growth. Despite the rise in retained earnings, corporations raised a substantial amount of funds to help finance stronger investment and other transactions.

Consumers continue to spend despite lethargic income growth

Consumer spending surged 1.3% in real terms in the first quarter, slightly less than last quarter. Household borrowing remained high. Demand was strong for all types of consumer goods and services, but big ticket items continued to play a key role.

Acquisitions of motor vehicles, either through purchase or lease agreements, rose 1.6% following a 10.0% increase in the fourth quarter. Purchases of furniture, appliances and other household goods continued to record healthy increases on the heels of five consecutive quarters of strong housing investment.

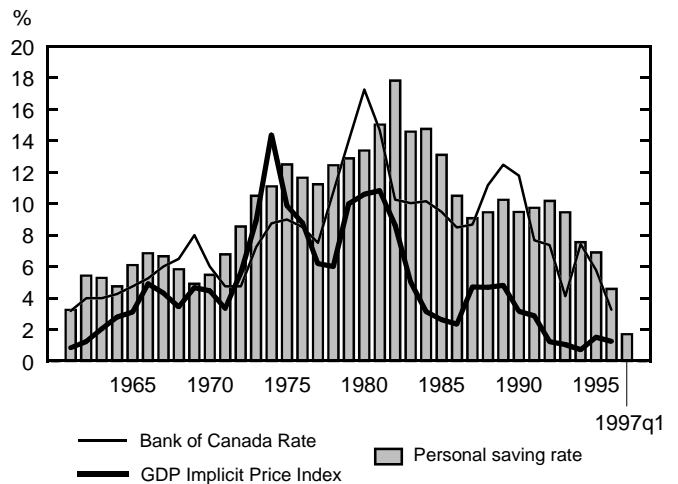
Investment in new housing jumped 7.9%, following a temporary setback in the previous quarter. Renovation spending also gained momentum (+3.8%).

Personal disposable income was unchanged in the quarter. Higher labour income (+0.7%) and unincorporated business income (+0.9%) were offset by further declines in investment income and transfers from government as well as higher income tax collections. The jump in spending was therefore financed by a further reduction in personal saving.

Strength in personal loans was related to both higher spending and investment in registered retirement savings plans. Mortgage borrowing, while strong, was down from the previous quarter in line with the dip in the resale housing market.

The ratio of personal saving to disposable income is now around 2%, a ratio comparable with that of the early 1960s when interest and inflation rates were similarly low.

Consumer saving rate comparable to 1960s



Exports, imports rebound following fourth quarter auto strike

Exports of goods rebounded (+6.3%) after a strike-related drop in the fourth quarter as activity in the automobile industries returned to a normal level. Exports also increased for office machines and equipment, woodpulp and other manufactured products.

The increase in imports of merchandise (+6.7%) was also partly related to the auto strike, as imports of auto parts picked up sharply. Demand by businesses for machinery and equipment accounted for the lion's share of the increase, however, as imports of industrial machinery, office machines and equipment and other equipment and tools accounted for about one-half of the gain. Some machinery and equipment imports also accumulated as inventories at the wholesale level.

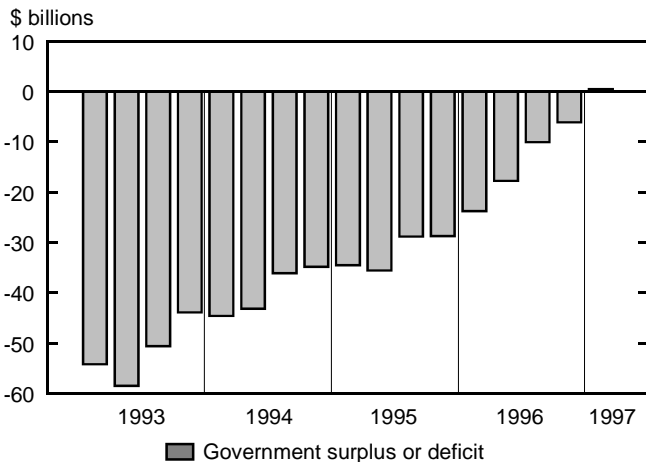
Government borrowing sharply reduced

Government expenditures continued to decline in real terms, as current expenditures on goods and services were flat and investment spending dropped. Overall government spending, which includes interest payments and transfers, declined 0.4% (in current prices), while revenues grew 1.3%, following average quarterly increases of about 1.4% last year. This has left the overall government net lending position (consolidated across all levels of government on a national accounts basis) at a surplus of \$496 million, in sharp contrast to the deficit of \$23.8 billion in the first quarter of 1996. As a result, total government net

borrowing on credit markets was negligible over the first three months of 1997.

The overall government deficit has declined steadily since the peak of \$58.5 billion in the second quarter of 1993. This trend has been evident at the federal level where the deficit has fallen from \$22.5 billion to \$5.6 billion over the last five quarters, and at the provincial level where the \$1.9 billion deficit has turned around to a surplus of \$5.1 billion.

First government surplus since fourth quarter 1974



It should also be noted that deficits, as measured in the federal and provincial governments' own books, are different than the national accounts measures. This is due largely to differences in treatment of non-trusted pension plans. As a result, deficits are lower on a national accounts basis. The national accounts measure of deficits better reflects government cash requirements. However, this difference in treatment does not alter the sharp trend towards reduced deficits over time.

Gross domestic product at 1986 prices

| | % change | Annualized % change | Year-over-year % change |
|------------------|----------|---------------------|-------------------------|
| 1st quarter 1996 | 0.3 | 1.4 | 0.6 |
| 2nd quarter 1996 | 0.4 | 1.4 | 1.2 |
| 3rd quarter 1996 | 0.8 | 3.3 | 1.8 |
| 4th quarter 1996 | 0.7 | 2.9 | 2.3 |
| 1st quarter 1997 | 0.8 | 3.4 | 2.8 |

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

The first quarter 1997 issue of *National economic and financial accounts, quarterly estimates* (13-001-XPB, \$44/\$145) will be available shortly. See *How to order publications*.

Detailed printed tables of unadjusted and seasonally adjusted quarterly national accounts and financial flows statistics, plus supplementary analytical tables and charts, are available immediately. On release day at 8:30 a.m., the complete quarterly national accounts and financial flow data sets can be obtained on microcomputer diskette. The diskettes can also be purchased at a lower cost seven days after the official release date. To purchase any of these products, call the client services officer, National Accounts and Environment Division at (613-951-3640).

For further information on this release, contact the information officer (613-951-3640), National Accounts and Environment Division. □

Gross domestic product, income-based

| | 1993 | 1994 | 1995 | 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | Fourth quarter 1996 to first quarter 1997 |
|--|------------------------------------|----------------|----------------|----------------|--------------------------|---------------------------|--------------------------|---|
| | seasonally adjusted at annual rate | | | | | | | |
| | \$ millions | | | | | | | % |
| | | | | | | | | change at quar- terly rates |
| Wages, salaries and supplementary labour income ¹ | 398,163 | 409,085 | 422,110 | 434,019 | 434,248 | 441,228 | 444,316 | 0.7 |
| Corporation profits before taxes | 42,135 | 56,611 | 64,015 | 64,121 | 66,688 | 69,696 | 72,472 | 4.0 |
| Interest and miscellaneous investment income | 53,530 | 56,637 | 57,934 | 55,769 | 56,380 | 56,432 | 56,064 | -0.7 |
| Accrued net income of farm operators from farm production | 2,544 | 1,642 | 1,930 | 2,925 | 3,532 | 1,816 | 1,600 | -11.9 |
| Net income of non-farm unincorporated business, including rent | 39,958 | 40,874 | 41,529 | 42,969 | 43,164 | 43,784 | 44,176 | 0.9 |
| Inventory valuation adjustment ² | -2,778 | -5,316 | -3,473 | -1,221 | -2,964 | -1,208 | -60 | 1,148 |
| Net domestic income at factor cost | 533,552 | 559,533 | 584,045 | 598,582 | 601,048 | 611,748 | 618,568 | 1.1 |
| Indirect taxes less subsidies | 88,731 | 92,492 | 95,113 | 98,386 | 98,940 | 99,232 | 100,996 | 1.8 |
| Capital consumption allowances | 87,904 | 92,925 | 96,234 | 100,726 | 101,312 | 102,524 | 103,400 | 0.9 |
| Statistical discrepancy ² | 2,668 | 2,310 | 907 | 95 | 808 | -576 | -32 | 544 |
| Gross domestic product at market prices | 712,855 | 747,260 | 776,299 | 797,789 | 802,108 | 812,928 | 822,932 | 1.2 |

¹ Includes military pay and allowances.

² The change column reflects actual change in millions of dollars for these items.

Gross domestic product, expenditure-based

| | 1993 | 1994 | 1995 | 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | Fourth quarter 1996 to first quarter 1997 |
|--|-------------------------------|----------------|----------------|----------------|--------------------|---------------------|--------------------|---|
| seasonally adjusted at annual rates | | | | | | | | |
| | \$ millions at current prices | | | | | | | |
| | | | | | | | | % change at quarterly rates |
| Personal expenditure on consumer goods and services | 436,542 | 452,444 | 465,970 | 482,951 | 483,604 | 492,444 | 500,564 | 1.6 |
| Durable goods | 56,376 | 60,577 | 62,384 | 64,871 | 64,896 | 67,792 | 69,288 | 2.2 |
| Semi-durable goods | 39,143 | 41,555 | 42,489 | 42,903 | 43,036 | 43,472 | 44,252 | 1.8 |
| Non-durable goods | 114,364 | 115,152 | 117,458 | 121,281 | 120,800 | 123,132 | 124,720 | 1.3 |
| Services | 226,659 | 235,160 | 243,639 | 253,896 | 254,872 | 258,048 | 262,304 | 1.6 |
| Government current expenditure on goods and services | 152,158 | 150,593 | 150,834 | 148,548 | 147,900 | 147,976 | 148,192 | 0.1 |
| Government investment in fixed capital | 15,816 | 17,067 | 17,788 | 16,761 | 16,308 | 16,288 | 16,012 | -1.7 |
| Government investment in inventories ¹ | -4 | -1 | 30 | -2 | -164 | 144 | -80 | -224 |
| Business investment in fixed capital | 113,068 | 121,051 | 116,553 | 123,210 | 124,708 | 130,796 | 135,452 | 3.6 |
| Residential construction | 43,081 | 44,762 | 37,988 | 42,693 | 43,852 | 46,456 | 47,772 | 2.8 |
| Non-residential construction | 30,162 | 32,962 | 32,213 | 31,635 | 31,648 | 32,040 | 32,760 | 2.2 |
| Machinery and equipment | 39,825 | 43,327 | 46,352 | 48,882 | 49,208 | 52,300 | 54,920 | 5.0 |
| Business investment in inventories ¹ | 1,107 | 3,994 | 6,996 | 1,237 | 1,816 | 5,700 | 2,480 | -3,220 |
| Non-farm ¹ | -146 | 4,144 | 6,720 | 776 | 476 | 6,692 | 2,076 | -4,616 |
| Farm and grain in commercial channels ¹ | 1,253 | -150 | 276 | 461 | 1,340 | -992 | 404 | 1,396 |
| Exports of goods and services | 209,370 | 250,877 | 290,325 | 306,534 | 315,156 | 307,688 | 321,256 | 4.4 |
| Merchandise | 181,251 | 217,936 | 253,821 | 267,551 | 275,988 | 267,180 | 281,112 | 5.2 |
| Non-merchandise | 28,119 | 32,941 | 36,504 | 38,983 | 39,168 | 40,508 | 40,144 | -0.9 |
| Deduct: Imports of goods and services | 212,534 | 246,455 | 271,291 | 281,356 | 286,412 | 288,688 | 300,972 | 4.3 |
| Merchandise | 171,929 | 203,001 | 225,431 | 233,025 | 237,148 | 240,424 | 253,384 | 5.4 |
| Non-merchandise | 40,605 | 43,454 | 45,860 | 48,331 | 49,264 | 48,264 | 47,588 | -1.4 |
| Statistical discrepancy ¹ | -2,668 | -2,310 | -906 | -94 | -808 | 580 | 28 | -552 |
| Gross domestic product at market prices | 712,855 | 747,260 | 776,299 | 797,789 | 802,108 | 812,928 | 822,932 | 1.2 |
| Final domestic demand | 717,584 | 741,155 | 751,145 | 771,470 | 772,520 | 787,504 | 800,220 | 1.6 |
| \$ millions at 1986 prices | | | | | | | | |
| Personal expenditure on consumer goods and services | 342,858 | 352,913 | 357,827 | 366,446 | 366,224 | 371,236 | 375,964 | 1.3 |
| Durable goods | 49,465 | 51,883 | 52,520 | 54,063 | 53,956 | 56,148 | 57,476 | 2.4 |
| Semi-durable goods | 30,419 | 32,153 | 32,768 | 32,977 | 32,956 | 33,196 | 33,736 | 1.6 |
| Non-durable goods | 88,898 | 91,441 | 92,154 | 93,646 | 93,384 | 93,980 | 94,544 | 0.6 |
| Services | 174,076 | 177,436 | 180,385 | 185,760 | 185,928 | 187,912 | 190,208 | 1.2 |
| Government current expenditure on goods and services | 118,660 | 116,592 | 115,732 | 113,699 | 113,288 | 112,872 | 112,912 | 0.0 |
| Government investment in fixed capital | 16,334 | 17,376 | 17,852 | 17,357 | 16,972 | 17,156 | 17,048 | -0.6 |
| Government investment in inventories ¹ | -3 | - | 26 | -2 | -140 | 120 | -68 | -188 |
| Business investment in fixed capital | 105,761 | 111,969 | 111,305 | 120,008 | 121,652 | 128,188 | 133,708 | 4.3 |
| Residential construction | 31,517 | 32,089 | 27,240 | 30,381 | 31,192 | 32,840 | 33,816 | 3.0 |
| Non-residential construction | 25,861 | 27,443 | 25,895 | 25,077 | 24,988 | 25,340 | 25,764 | 1.7 |
| Machinery and equipment | 48,383 | 52,437 | 58,170 | 64,550 | 65,472 | 70,008 | 74,128 | 5.9 |
| Business investment in inventories ¹ | 1,009 | 3,729 | 5,609 | 664 | 948 | 4,712 | 1,396 | -3,316 |
| Non-farm ¹ | 58 | 3,822 | 5,449 | 317 | 128 | 5,444 | 1,296 | -4,148 |
| Farm and grain in commercial channels ¹ | 951 | -93 | 160 | 347 | 820 | -732 | 100 | 832 |
| Exports of goods and services | 198,093 | 227,120 | 254,269 | 265,726 | 271,608 | 264,492 | 278,636 | 5.3 |
| Merchandise | 176,016 | 201,959 | 227,129 | 237,565 | 243,432 | 235,252 | 249,984 | 6.3 |
| Non-merchandise | 22,077 | 25,161 | 27,140 | 28,161 | 28,176 | 29,240 | 28,652 | -2.0 |
| Deduct: Imports of goods and services | 208,856 | 232,871 | 253,082 | 266,043 | 270,172 | 275,024 | 290,112 | 5.5 |
| Merchandise | 173,703 | 197,804 | 217,275 | 229,167 | 232,824 | 238,620 | 254,712 | 6.7 |
| Non-merchandise | 35,153 | 35,067 | 35,807 | 36,876 | 37,348 | 36,404 | 35,400 | -2.8 |
| Statistical discrepancy ¹ | -2,134 | -1,838 | -703 | -60 | -612 | 456 | 20 | -436 |
| Gross domestic product at market prices | 571,722 | 594,990 | 608,835 | 617,795 | 619,768 | 624,208 | 629,504 | 0.8 |
| Final domestic demand | 583,613 | 598,850 | 602,716 | 617,510 | 618,136 | 629,452 | 639,632 | 1.6 |

¹ The change column reflects actual change in millions of dollars for these items.

- Nil or zero.

National accounts price and volume indexes

| | 1993 | 1994 | 1995 | 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | Fourth quarter 1996 to first quarter 1997 |
|---|-----------------------------------|--------------|--------------|--------------|--------------------------|---------------------------|--------------------------|---|
| | seasonally adjusted | | | | | | | |
| | implicit price indexes (1986=100) | | | | | | | % |
| | | | | | | | | change at quarterly rate |
| Personal expenditure on consumer goods and services | 127.3 | 128.2 | 130.2 | 131.8 | 132.1 | 132.6 | 133.1 | 0.4 |
| Government current expenditure on goods and services | 128.2 | 129.2 | 130.3 | 130.7 | 130.6 | 131.1 | 131.2 | 0.1 |
| Government investment in fixed capital | 96.8 | 98.2 | 99.6 | 96.6 | 96.1 | 94.9 | 93.9 | -1.1 |
| Business investment in fixed capital | 106.9 | 108.1 | 104.7 | 102.7 | 102.5 | 102.0 | 101.3 | -0.7 |
| Exports of goods and services | 105.7 | 110.5 | 114.2 | 115.4 | 116.0 | 116.3 | 115.3 | -0.9 |
| Imports of goods and services | 101.8 | 105.8 | 107.2 | 105.8 | 106.0 | 105.0 | 103.7 | -1.2 |
| Gross domestic product | 124.7 | 125.6 | 127.5 | 129.1 | 129.4 | 130.2 | 130.7 | 0.4 |
| Final domestic demand | 123.0 | 123.8 | 124.6 | 124.9 | 125.0 | 125.1 | 125.1 | - |
| | chain prices indexes (1986=100) | | | | | | | |
| Personal expenditure on consumer goods and services | 128.5 | 129.5 | 131.6 | 133.4 | 133.6 | 134.3 | 134.8 | 0.4 |
| Government current expenditure on goods and services | 128.7 | 129.5 | 130.8 | 131.3 | 131.2 | 131.7 | 131.9 | 0.2 |
| Government investment in fixed capital | 106.9 | 108.7 | 111.8 | 113.4 | 113.6 | 113.1 | 113.6 | 0.4 |
| Business investment in fixed capital | 115.2 | 118.4 | 120.4 | 121.3 | 121.5 | 121.2 | 121.5 | 0.2 |
| Exports of goods and services | 112.0 | 117.6 | 123.7 | 126.0 | 125.3 | 124.8 | 124.7 | -0.1 |
| Imports of goods and services | 108.4 | 115.2 | 119.4 | 119.9 | 119.7 | 119.1 | 118.6 | -0.4 |
| Gross domestic product (excluding inventories) | 126.1 | 127.1 | 129.6 | 131.7 | 132.4 | 132.8 | 133.4 | 0.5 |
| Final domestic demand | 125.2 | 126.6 | 128.5 | 129.9 | 130.4 | 130.8 | 131.2 | 0.3 |
| | chain volume indexes (1986=100) | | | | | | | |
| Personal expenditure on consumer goods and services | 114.8 | 118.1 | 119.7 | 122.5 | 122.2 | 123.8 | 125.3 | 1.2 |
| Government current expenditure on goods and services | 117.9 | 115.9 | 114.9 | 112.6 | 112.3 | 111.9 | 111.8 | -0.1 |
| Government investment in fixed capital | 120.1 | 127.2 | 128.9 | 120.8 | 115.9 | 115.6 | 112.6 | -2.6 |
| Business investment in fixed capital | 110.4 | 115.0 | 109.4 | 114.8 | 114.7 | 120.5 | 124.5 | 3.3 |
| Exports of goods and services | 141.3 | 160.3 | 177.0 | 184.6 | 190.7 | 186.9 | 195.1 | 4.4 |
| Imports of goods and services | 150.8 | 165.1 | 176.8 | 182.5 | 186.0 | 188.3 | 197.0 | 4.6 |
| Gross domestic product at market prices | 112.3 | 116.7 | 118.6 | 120.2 | 122.0 | 123.3 | 124.0 | 0.6 |
| Final domestic demand | 114.8 | 117.3 | 117.1 | 119.0 | 118.9 | 120.8 | 122.3 | 1.2 |

Financial market summary table

| | 1993 | 1994 | 1995 | 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | Fourth quarter 1996 to first quarter 1997 |
|---|-------------------------------------|----------------|---------------|---------------|--------------------------|---------------------------|--------------------------|---|
| | seasonally adjusted at annual rates | | | | | | | |
| | \$ millions | | | | | | | actual change |
| Persons and unincorporated business | 23,910 | 23,064 | 21,191 | 26,940 | 26,252 | 30,716 | 29,384 | -1,332 |
| Funds raised | | | | | | | | |
| Consumer credit | 5,147 | 7,683 | 6,299 | 6,695 | 6,552 | 7,100 | 7,616 | 516 |
| Bank loans | 1,218 | 232 | 943 | 720 | 1,000 | -1,088 | 2,020 | 3,108 |
| Other loans | 611 | -471 | 877 | 2,533 | 2,152 | 4,168 | 1,596 | -2,572 |
| Mortgages | 16,837 | 15,540 | 13,157 | 17,101 | 16,588 | 20,528 | 18,156 | -2,372 |
| Bonds | 97 | 80 | -85 | -109 | -40 | 8 | -4 | -12 |
| Non-financial private corporations | 28,269 | 34,617 | 26,572 | 32,560 | 31,360 | 38,612 | 51,444 | 12,832 |
| Funds raised | | | | | | | | |
| Bank loans | -999 | 5,957 | 1,980 | -975 | 8,844 | -6,672 | 3,096 | 9,768 |
| Other loans | -157 | 4,466 | 2,072 | 2,165 | 6,328 | -3,108 | 1,300 | 4,408 |
| Other short-term paper | 4,365 | 1,015 | 2,041 | 3,624 | -2,868 | 13,564 | 4,728 | -8,836 |
| Mortgages | 3,676 | -443 | -1,707 | 386 | -2,564 | 3,656 | 4,836 | 1,180 |
| Bonds | 6,398 | 6,658 | 11,727 | 6,914 | 2,764 | 8,720 | 13,240 | 4,520 |
| Shares | 14,986 | 16,964 | 10,459 | 20,446 | 18,856 | 22,452 | 24,244 | 1,792 |
| Non-financial government enterprises | -476 | 1,943 | -942 | -2,530 | -1,280 | -5,576 | 1,804 | 7,380 |
| Funds raised | | | | | | | | |
| Bank loans | -881 | 830 | -771 | -1,003 | 220 | -304 | -768 | -464 |
| Other loans | -556 | 423 | -249 | 88 | 1,068 | -488 | -1,580 | -1,092 |
| Other short-term paper | 956 | -1,326 | -63 | 971 | 864 | -3,876 | 6,852 | 10,728 |
| Mortgages | -2 | -34 | -22 | -2 | -8 | 32 | -12 | -44 |
| Bonds | 8 | 2,186 | -866 | -2,583 | -3,360 | -324 | -2,860 | -2,536 |
| Shares | -1 | -136 | 1,029 | -1 | -64 | -616 | 172 | 788 |
| Federal government | 34,837 | 26,206 | 24,827 | 10,570 | 1,408 | 10,172 | 16,100 | 5,928 |
| Funds raised | | | | | | | | |
| Other loans | -4 | -2 | -1 | - | - | - | - | - |
| Canada short-term paper | 12,864 | -8,017 | -892 | -20,777 | -18,112 | -45,416 | -13,420 | 31,996 |
| Canada Saving Bonds | -3,260 | 889 | -1,152 | 2,031 | 1,500 | 3,048 | 1,704 | -1,344 |
| Marketable bonds | 25,237 | 33,336 | 26,872 | 29,316 | 18,020 | 52,540 | 27,816 | -24,724 |
| Other levels of government | 31,592 | 22,236 | 17,606 | 12,751 | 10,990 | 13,386 | -15,620 | -29,006 |
| Funds raised | | | | | | | | |
| Bank loans | -130 | 381 | 41 | -99 | -204 | -84 | 84 | 168 |
| Other loans | 895 | 819 | 1,006 | 909 | 908 | 1,224 | -280 | -1,504 |
| Other short-term paper | 799 | -1,318 | -2,127 | -1,244 | 1,656 | -6,116 | -10,668 | -4,552 |
| Mortgages | - | - | - | - | - | - | - | - |
| Provincial bonds | 28,162 | 21,317 | 18,174 | 12,797 | 7,804 | 18,176 | -4,816 | -22,992 |
| Municipal bonds | 1,864 | 1,060 | 518 | 393 | 830 | 186 | 128 | -58 |
| Other bonds | 2 | -23 | -6 | -5 | -4 | - | -68 | -68 |
| Total funds raised by domestic non-financial sectors | 118,132 | 108,066 | 89,254 | 80,291 | 68,730 | 87,310 | 83,112 | -4,198 |
| Consumer credit | 5,147 | 7,683 | 6,299 | 6,695 | 6,552 | 7,100 | 7,616 | 516 |
| Bank loans | -792 | 7,400 | 2,193 | -1,357 | 9,860 | -8,148 | 4,432 | 12,580 |
| Other loans | 789 | 5,235 | 3,705 | 5,695 | 10,456 | 1,796 | 1,036 | -760 |
| Canada short-term paper | 12,864 | -8,017 | -892 | -20,777 | -18,112 | -45,416 | -13,420 | 31,996 |
| Other short-term paper | 6,120 | -1,629 | -149 | 3,351 | -348 | 3,572 | 912 | -2,660 |
| Mortgages | 20,511 | 15,063 | 11,428 | 17,485 | 14,016 | 24,216 | 22,980 | -1,236 |
| Bonds | 58,508 | 65,503 | 55,182 | 48,754 | 27,514 | 82,354 | 35,140 | -47,214 |
| Shares | 14,985 | 16,828 | 11,488 | 20,445 | 18,792 | 21,836 | 24,416 | 2,580 |

- Nil or zero.

Canada's balance of payments

First quarter 1997

Canada's current account deficit, on a seasonally adjusted basis, increased to \$1.2 billion in the first quarter of 1997 as the country continued to spend more than it earned from abroad on goods, services, investment income and current transfers. This was the second quarterly deficit after four surpluses beginning late in 1995. The increase in the deficit during the current quarter was due to higher net payments on investment income and current transfers. The rise in the deficit on investment income mainly resulted from large profits earned by foreign multinationals on their Canadian operations. Both exports and imports on goods climbed to new records; the resulting surplus was somewhat higher than in the fourth quarter, but below the high levels during much of 1996.

In the financial account, which is not seasonally adjusted, foreign deposits in Canada increased sharply, the funds coming mainly from U.S. affiliates of Canadian banks. Foreign-based companies also added significantly to their direct investment in Canada, notably by reinvesting a significant portion of the profits earned from their Canadian operations. Foreign portfolio investment in Canadian securities moderated. For their part, Canadian residents channelled large amounts of funds abroad for the second consecutive quarter, notably through portfolio investment in foreign securities and direct investment in foreign companies.

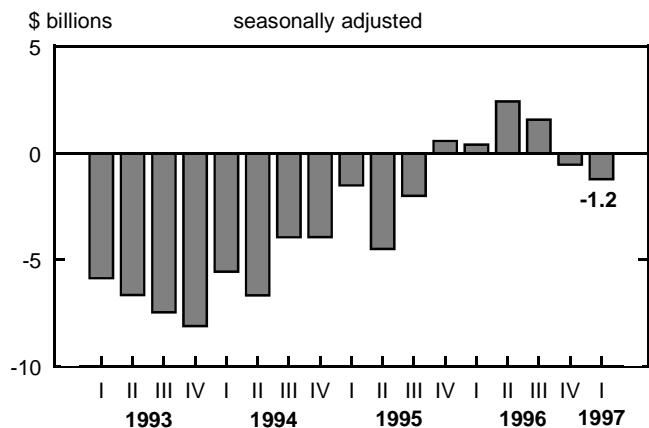
Current account: The deficit on investment income climbed sharply

Driven by record profits earned by foreign multinationals in Canada, the deficit on investment income increased to \$7.1 billion, up \$0.7 billion from the low level of the previous quarter. The increase was partly offset by a continuous decline in interest payments reflecting both lower interest rates as well as reduced borrowing from abroad.

Note to readers

The Canadian balance of international payments reflects new international standards and contains revisions back to 1926. The common elements of the balance of payments and the national economic and financial accounts (NEFA) will remain inconsistent until the NEFA are revised on December 1, 1997. The first quarter estimates of international trade in goods and services, international investment income flows and transfers contained in the NEFA have been linked to show the same rates of change as published in the balance of payments.

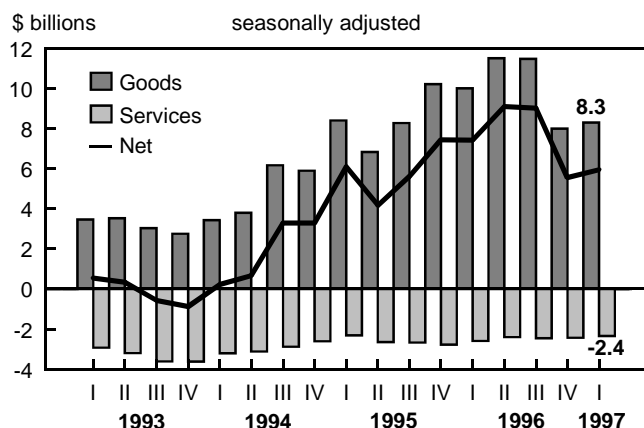
Current account balance



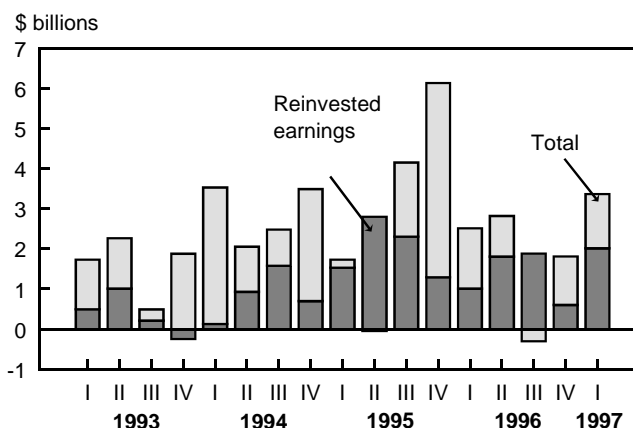
Goods exporters and importers posted new records

Canadian corporations increased both their sales and their purchases of goods from abroad at a very rapid pace. The surplus on goods edged up to \$8.3 billion, still substantial, though below the highs of over \$10 billion seen in recent quarters. Exports of automotive products (notably vehicles) moved up strongly, accompanied by other gains in natural gas and a variety of industrial products. Grains exports showed a decline together with aircraft and parts. Automotive products also led the increase in imports during the first quarter, mainly in auto parts. Increases were widespread in machinery and equipment and for other industrial goods.

Goods and services, balances



Foreign direct investment in Canada



The deficit on services unchanged

The deficit on services remained flat at \$2.4 billion: it narrowed somewhat on travel and transportation, while growing moderately on commercial services.

Financial account: Sharp increase of deposits at Canadian banks

Non-residents increased their deposits at Canadian banks by a record \$18.5 billion, surpassing the high set just one quarter ago. It should be noted that Canadian banks also increased their deposits abroad in the first quarter by \$5.2 billion after having sent abroad a record \$13.4 billion in the previous quarter.

Foreign direct investment in Canada increased substantially

Foreign multinationals channelled a substantial \$3.4 billion of direct investment into Canada. A significant portion of the funds represented the reinvestment of profits in Canada by U.S. controlled companies into their Canadian operations, notably in the transportation equipment industry.

Moderate portfolio investment in Canadian securities

Non-residents purchased a moderate \$3.9 billion of Canadian portfolio securities, mostly in short-term paper. After accumulating \$8.3 billion of Canadian stocks over 1996, when the market prices rose sharply, foreign investors sold \$0.7 billion in the first quarter of 1997 as prices moderated.

Continued substantial Canadian portfolio investment in foreign securities

Canadian residents bought \$4.5 billion of foreign portfolio stocks and bonds, their third straight quarter of heavy investment in these markets. This is in line with the trend of large net investments in foreign securities which has been prevailing since 1991. The investment in the first quarter was evenly split between U.S. and other foreign securities.

Canadian companies increased their direct investment abroad

Canadian companies invested \$3.9 billion as direct investment abroad, their fourth largest net investment on record. A substantial portion of the funds went to purchase existing interests in the energy and metallic minerals sectors abroad. As in the previous four quarters, the funds were widely diversified among various countries.

Major changes to the balance of payments accounts

The present data are being released with revisions to historical data and according to the revised international standards of the International Monetary Fund, as published in the 5th edition of the *Balance of payments manual, 1993*. The data are affected as far back as 1926.

The main accounts

The current account now excludes progress payments and capital transfers (which have been reclassified to the newly named capital and financial account). A new capital account has been created to include capital transfers (previously shown in the current account) and intellectual property assets, such as sale of patent rights (previously shown as financial transactions). Financial transactions are now regrouped under the financial account (previously named capital account).

Current account

Among changes in current account transactions, goods are now valued at the border of the exporting economy, that is, they now include transportation

charges to the border. Conversely, services now exclude inland freight for moving goods to the border. Within investment income, interest revenues and expenses of banks are now shown separately (previously recorded on a net basis by broad geographical areas).

Capital and financial account

Capital transfers now include migrants' funds left abroad, unlike the previous treatment where transfers referred only to funds brought into Canada.

In the financial account, transactions in foreign currencies of Canadian banks are now shown separately for assets and liabilities (previously shown on a net basis).

For more details on revisions and standards, please refer to the *Canada's balance of international payments, 1926 to 1996* and *First quarter of 1997* (67-001-XPB, \$38/\$124). See *How to order publications*.

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

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

Balance of international payments

| | First quarter 1996 | Second quarter 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | 1995 | 1996 |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------|----------------|
| Unadjusted | | | | | | | |
| millions of dollars | | | | | | | |
| Current Account ¹ | | | | | | | |
| Receipts | | | | | | | |
| Goods and Services: | 75,596 | 81,909 | 81,576 | 80,371 | 81,319 | 300,847 | 319,452 |
| Goods | 67,744 | 72,154 | 69,249 | 71,420 | 72,727 | 264,938 | 280,566 |
| Services | 7,852 | 9,755 | 12,328 | 8,951 | 8,592 | 35,909 | 38,886 |
| Investment income: | 6,047 | 6,425 | 6,461 | 7,111 | 6,684 | 25,932 | 26,045 |
| Direct investment | 2,297 | 2,702 | 2,581 | 3,124 | 2,824 | 10,032 | 10,705 |
| Portfolio investment | 741 | 744 | 764 | 792 | 776 | 3,268 | 3,041 |
| Other investment | 3,010 | 2,978 | 3,116 | 3,195 | 3,084 | 12,633 | 12,298 |
| Current transfers | 1,208 | 1,010 | 1,009 | 1,257 | 970 | 3,817 | 4,484 |
| Total receipts | 82,852 | 89,344 | 89,047 | 88,739 | 88,973 | 330,596 | 349,981 |
| Payments | | | | | | | |
| Goods and services: | 71,419 | 72,263 | 71,070 | 73,602 | 78,189 | 277,529 | 288,355 |
| Goods | 59,223 | 60,179 | 58,441 | 61,734 | 65,357 | 231,206 | 239,577 |
| Services | 12,196 | 12,084 | 12,629 | 11,868 | 12,832 | 46,323 | 48,778 |
| Investment income: | 13,255 | 13,706 | 13,667 | 13,122 | 13,813 | 56,654 | 53,749 |
| Direct investment | 2,846 | 3,508 | 3,254 | 2,881 | 3,938 | 14,085 | 12,489 |
| Portfolio investment | 7,284 | 7,212 | 7,227 | 7,134 | 7,019 | 29,878 | 28,857 |
| Other investment | 3,125 | 2,986 | 3,186 | 3,107 | 2,856 | 12,691 | 12,404 |
| Current Transfers | 1,192 | 925 | 942 | 993 | 1,160 | 3,839 | 4,052 |
| Total payments | 85,866 | 86,895 | 85,679 | 87,717 | 93,163 | 338,022 | 346,156 |
| Balances | | | | | | | |
| Goods and services: | 4,177 | 9,646 | 10,506 | 6,769 | 3,129 | 23,318 | 31,098 |
| Goods | 8,521 | 11,975 | 10,807 | 9,686 | 7,370 | 33,732 | 40,989 |
| Services | -4,344 | -2,329 | -301 | -2,917 | -4,241 | -10,414 | -9,892 |
| Investment income: | -7,207 | -7,282 | -7,206 | -6,010 | -7,129 | -30,722 | -27,705 |
| Direct investment | -550 | -805 | -672 | 243 | -1,115 | -4,053 | -1,784 |
| Portfolio investment | -6,543 | -6,468 | -6,463 | -6,342 | -6,242 | -26,610 | -25,815 |
| Other investments | -115 | -8 | -70 | 88 | 228 | -59 | -105 |
| Current Transfers | 17 | 85 | 67 | 263 | -190 | -22 | 431 |
| Total Balances | -3,014 | 2,449 | 3,368 | 1,022 | -4,190 | -7,427 | 3,825 |
| Capital and Financial Account | | | | | | | |
| Capital Account | 1,943 | 2,169 | 2,394 | 1,569 | 1,569 | 6,789 | 8,076 |
| Financial Account | 2,035 | -9,508 | -6,151 | -1,379 | 6,803 | -3,459 | -15,002 |
| Canadian assets, net flows | | | | | | | |
| Canadian direct investment abroad | -2,065 | -1,375 | -3,615 | -4,538 | -3,938 | -15,296 | -11,593 |
| Portfolio investment: | -3,917 | -1,718 | -5,678 | -7,138 | -4,536 | -7,194 | -18,451 |
| Foreign bonds | 418 | 1,217 | -2,146 | -1,368 | -1,189 | -997 | -1,878 |
| Foreign stocks | -4,335 | -2,936 | -3,532 | -5,770 | -3,347 | -6,197 | -16,573 |
| Other investment: | -2,974 | -20,129 | -2,913 | -12,279 | -15,158 | -15,046 | -38,295 |
| Loans | 1,602 | -6,130 | -1,859 | 1,854 | -7,616 | -3,464 | -4,532 |
| Deposits | -1,068 | -5,912 | 884 | -13,398 | -5,237 | -7,162 | -19,495 |
| Official international reserves | -2,515 | -2,427 | -1,067 | -1,489 | -1,619 | -3,777 | -7,498 |
| Other assets | -993 | -5,660 | -870 | 754 | -686 | -644 | -6,769 |
| Total Canadian assets, net flows | -8,956 | -23,223 | -12,205 | -23,955 | -23,632 | -37,536 | -68,339 |
| Canadian liabilities, net flows | | | | | | | |
| Foreign direct investment in Canada | 2,512 | 2,821 | 1,581 | 1,812 | 3,367 | 14,769 | 8,726 |
| Portfolio investment: | 8,970 | 2,885 | 1,294 | 6,883 | 3,868 | 23,565 | 20,033 |
| Canadian bonds | 965 | 5,834 | 1,673 | 10,603 | 1,428 | 29,061 | 19,075 |
| Canadian stocks | 1,678 | 4,457 | 176 | 1,967 | -742 | -4,242 | 8,278 |
| Canadian money market | 6,327 | -7,405 | -555 | -5,687 | 3,182 | -1,254 | -7,320 |
| Other investment: | -491 | 8,009 | 3,180 | 13,881 | 23,201 | -4,257 | 24,578 |
| Loans | 1,992 | 5,735 | 4,858 | -2,964 | 3,985 | 2,005 | 9,622 |
| Deposits | -2,197 | 2,285 | -594 | 17,014 | 18,500 | -6,004 | 16,507 |
| Other liabilities | -286 | -10 | -1,084 | -170 | 716 | -258 | -1,551 |
| Total Canadian liabilities, net flows | 10,991 | 13,715 | 6,054 | 22,576 | 30,435 | 34,077 | 53,337 |
| Total capital and financial accounts, net flows | 3,979 | -7,339 | -3,757 | 190 | 8,373 | 3,329 | -6,926 |
| Statistical discrepancy | -965 | 4,890 | 389 | -1,212 | -4,183 | 4,097 | 3,102 |

¹ A minus (-) sign denotes an outflow of capital resulting from an increase in claims on non-residents or a decrease in liabilities to non-residents.

Current account

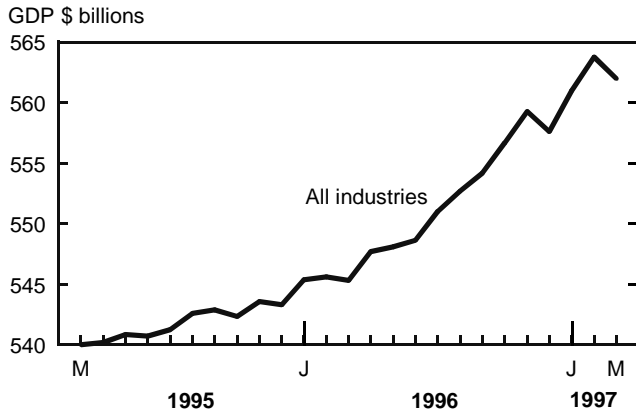
| | First quarter 1996 | Second quarter 1996 | Third quarter 1996 | Fourth quarter 1996 | First quarter 1997 | 1995 | 1996 |
|-----------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|----------------|--------------|
| | seasonally adjusted | | | | | | |
| | millions of dollars | | | | | | |
| Receipts | | | | | | | |
| Goods and services: | | | | | | | |
| Goods | 68,293 | 69,624 | 72,261 | 70,389 | 74,060 | 264,938 | 280,566 |
| Services: | 9,273 | 9,407 | 9,947 | 10,259 | 10,163 | 35,909 | 38,886 |
| Travel | 2,934 | 3,070 | 2,994 | 3,094 | 3,220 | 11,026 | 12,092 |
| Transportation | 1,928 | 1,979 | 1,990 | 2,002 | 2,094 | 7,234 | 7,900 |
| Commercial services | 4,184 | 4,127 | 4,734 | 4,927 | 4,608 | 16,713 | 17,971 |
| Government services | 226 | 232 | 229 | 236 | 241 | 936 | 923 |
| Total | 77,565 | 79,032 | 82,208 | 80,648 | 84,223 | 300,847 | 319,452 |
| Investment income: | | | | | | | |
| Direct investment: | 2,342 | 2,463 | 2,761 | 3,138 | 2,863 | 10,032 | 10,705 |
| Interest | 111 | 113 | 125 | 114 | 87 | 475 | 462 |
| Profits | 2,231 | 2,350 | 2,636 | 3,025 | 2,777 | 9,558 | 10,242 |
| Portfolio investment: | 733 | 748 | 769 | 792 | 769 | 3,268 | 3,041 |
| Interest | 227 | 230 | 246 | 264 | 262 | 1,049 | 968 |
| Dividends | 506 | 518 | 522 | 528 | 507 | 2,219 | 2,074 |
| Other investment | 3,076 | 3,304 | 2,768 | 3,150 | 3,157 | 12,633 | 12,298 |
| Total | 6,152 | 6,515 | 6,298 | 7,080 | 6,789 | 25,932 | 26,045 |
| Transfers: | | | | | | | |
| Private | 538 | 517 | 524 | 506 | 547 | 2,113 | 2,086 |
| Official | 664 | 500 | 514 | 720 | 415 | 1,703 | 2,398 |
| Total | 1,202 | 1,017 | 1,038 | 1,226 | 962 | 3,817 | 4,484 |
| Total Receipts | 84,919 | 86,564 | 89,544 | 88,954 | 91,974 | 330,596 | 349,981 |
| Payments | | | | | | | |
| Goods and services: | | | | | | | |
| Goods | 58,281 | 58,116 | 60,788 | 62,391 | 65,754 | 231,206 | 239,577 |
| Services: | 11,868 | 11,812 | 12,405 | 12,693 | 12,514 | 46,323 | 48,778 |
| Travel | 3,790 | 3,672 | 3,813 | 3,846 | 3,934 | 13,970 | 15,122 |
| Transportation | 2,704 | 2,638 | 2,741 | 2,944 | 2,924 | 10,936 | 11,027 |
| Commercial services | 5,184 | 5,319 | 5,664 | 5,714 | 5,468 | 20,687 | 21,882 |
| Government services | 189 | 182 | 187 | 189 | 190 | 730 | 747 |
| Total | 70,149 | 69,928 | 73,193 | 75,084 | 78,268 | 277,529 | 288,355 |
| Investment income: | | | | | | | |
| Direct investment: | 2,885 | 3,035 | 3,392 | 3,176 | 3,990 | 14,085 | 12,489 |
| Interest | 394 | 390 | 388 | 388 | 388 | 1,580 | 1,560 |
| Profits | 2,492 | 2,645 | 3,004 | 2,789 | 3,603 | 12,505 | 10,929 |
| Portfolio investment: | 7,279 | 7,207 | 7,230 | 7,141 | 7,014 | 29,878 | 28,857 |
| Interest | 6,992 | 6,925 | 6,943 | 6,822 | 6,720 | 28,752 | 27,684 |
| Dividends | 287 | 281 | 286 | 319 | 294 | 1,126 | 1,173 |
| Other investment | 3,125 | 2,986 | 3,186 | 3,107 | 2,856 | 12,691 | 12,404 |
| Total | 13,289 | 13,227 | 13,809 | 13,424 | 13,860 | 56,654 | 53,749 |
| Transfers: | | | | | | | |
| Private | 429 | 438 | 434 | 445 | 438 | 1,685 | 1,746 |
| Official | 662 | 555 | 544 | 545 | 629 | 2,154 | 2,307 |
| Total | 1,091 | 992 | 978 | 990 | 1,066 | 3,839 | 4,052 |
| Total payments | 84,530 | 84,147 | 87,980 | 89,499 | 93,194 | 338,022 | 346,156 |
| Balances | | | | | | | |
| Goods and services: | | | | | | | |
| Goods | 10,011 | 11,508 | 11,472 | 7,997 | 8,305 | 33,732 | 40,989 |
| Services: | - 2,595 | - 2,404 | - 2,458 | - 2,434 | - 2,350 | - 10,414 | - 9,892 |
| Travel | -856 | -602 | -819 | -752 | -714 | - 2,944 | - 3,029 |
| Transportation | -776 | -659 | -751 | -942 | -830 | - 3,702 | - 3,128 |
| Commercial services | - 1,000 | - 1,193 | -930 | -787 | -858 | - 3,974 | - 3,911 |
| Government services | 37 | 50 | 42 | 47 | 51 | 206 | 176 |
| Total | 7,416 | 9,104 | 9,015 | 5,564 | 5,955 | 23,318 | 31,098 |
| Investment income: | | | | | | | |
| Direct investment: | -543 | -571 | -631 | -38 | - 1,127 | - 4,053 | - 1,784 |
| Interest | -283 | -277 | -263 | -274 | -301 | - 1,106 | - 1,097 |
| Profits | -260 | -294 | -368 | 236 | -826 | - 2,947 | -687 |
| Portfolio investment | - 6,546 | - 6,459 | - 6,461 | - 6,350 | - 6,245 | - 26,610 | - 25,815 |
| Interest | - 6,765 | - 6,695 | - 6,697 | - 6,559 | - 6,458 | - 27,703 | - 26,716 |
| Dividends | 219 | 236 | 236 | 209 | 213 | 1,093 | 900 |
| Other investment | -48 | 318 | -418 | 43 | 300 | -59 | -105 |
| Total | - 7,137 | - 6,712 | - 7,511 | - 6,345 | - 7,072 | - 30,722 | - 27,705 |
| Transfers: | | | | | | | |
| Private | 109 | 80 | 90 | 61 | 109 | 429 | 340 |
| Official | 2 | -55 | -30 | 175 | -213 | -451 | 92 |
| Total | 111 | 25 | 60 | 236 | -104 | -22 | 432 |
| Total balances | 389 | 2,417 | 1,564 | -545 | - 1,221 | - 7,427 | 3,825 |

Real gross domestic product at factor cost by industry

March 1997

After surging in January and February, economic activity slipped in March when gross domestic product (GDP) at factor cost fell 0.3%. Declines were particularly noticeable in industries where activity was robust in January and February, such as manufacturing, wholesale and retail trade. Despite the drops, growth in these industries accelerated during the first quarter of 1997. Activity in forestry, transportation and storage, and community, business and personal services also eased in March, while financial and related services weakened, restrained for a second month in a row by a sharp drop in housing resales. Higher production by utilities, communication services, and construction moderated the overall drop.

Economic activity recedes

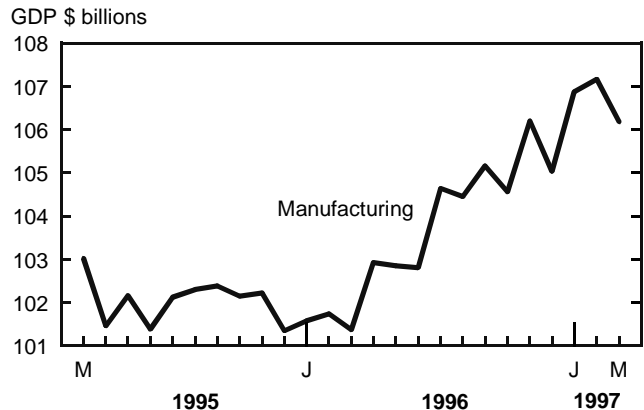


Note to readers

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

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

Manufacturing ends quarter down



In many industries, the drop in March followed two months when output grew substantially. After gaining 4.4% in January and 2.7% in February, production of paper and allied products fell 1.7% in March. The decline in March was mainly due to lower production of newsprint, as producers chose to reduce stocks to meet demand, which remained firm. Although still high, stocks as a proportion of shipments continued to fall during the month. The price of newsprint rose in March for the first time in over a year.

Manufacturers reduce production

Manufacturers reduced output 0.9% in March, after raising production in January (+1.8%) and February (+0.3%). Some producers managed to work off inventories of finished products even though overall shipments fell in March. Manufacturers of electronic goods, paper products, and motor vehicles and parts recorded the largest inventory corrections.

Unfilled orders, already at a high level, continued to accumulate in March, and this will help sustain production in the short term.

Production of transportation equipment diminished 0.9% for a second month in a row. Unlike in February, when motor vehicle assembly was mainly responsible for the drop, the weakness was more widespread in March. Production of motor vehicles and parts, bus and truck bodies, and recreational vehicles contributed about equally to the decline. Motor vehicle assembly fell in February and March, but production rose 14.2% during the first quarter of 1997 due to a surge in January. Sales in the United States, where most of the Canadian output is destined, also soared during the quarter. Although production of motor vehicle parts edged down 0.4% in March, manufacturers raised output 7.6% in the first quarter helped by strong demand on domestic and foreign markets.

In March, activity eased in many industries producing construction materials. During the first quarter, however, output rose firmly in many of those industries, mirroring strength in construction, notably on residential projects. Growth was more modest in sawmills as exports, which have hovered around a flat trend since last October, remained slack. The strength in new home building also spurred activity by wholesalers of lumber and building materials, who enjoyed a robust gain in the first quarter of 1997.

Elsewhere, fabrication of chemicals, wood products as well as primary metal and metallic products fell at about the same pace.

Wholesaling activity retreats

Wholesaling activity fell 2.0% in March, after growing rapidly the previous two months. Even though sales receded in most trade groups, wholesalers of automobiles and parts, and farm machinery accounted for 75% of the drop. In both cases, the decline followed a sharp gain the month before.

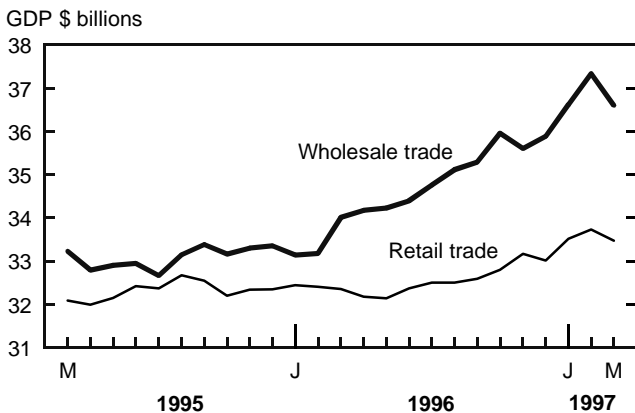
Sales of industrial and office machinery increased firmly during the first two months of 1997 and remained high in March. Capital spending for industrial and office machinery rose firmly during the quarter.

Nevertheless, retailing activity grew 1.8% during the first quarter, with sales increasing in most trade groups. However, sales by motor vehicle dealers fell slightly after jumping the previous quarter. Consumers and businesses continued to increase their spending on new cars, but purchases of used cars fell substantially after advancing for several quarters. Sales by retailers of automotive parts (including servicing) accelerated sharply during the first quarter.

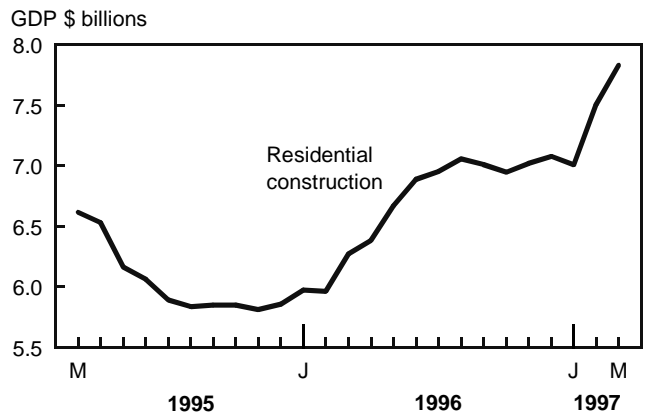
Residential construction remains strong

Activity in construction rose 0.7% in March on the heels of a 2.9% increase in February. Higher activity on residential construction projects was responsible for the advance. Home building rose at a fast pace for a second month in a row, increasing 4.3% in March after climbing 7.1% the month before. Overall, residential construction jumped 6.2% in the first quarter as dwelling starts remained high throughout the quarter. Higher spending on alterations and improvements was also noticeable. The number of building permits issued receded 8.3% in March while dwellings starts in April were about 6.0% below the first quarter level, suggesting growth in home building will soften in the coming months.

Sales subside



Residential construction surges



Retail sales soften

Retail sales dropped 0.8% after gaining 1.5% and 0.6% in January and February. In March, motor vehicle dealers and retailers of automotive parts recorded the largest declines. Spending in clothing and furniture and appliances stores also fell following several monthly advances.

On housing resale markets, activity fell rapidly during the first three months of 1997 after surging at the end 1996. Housing resales were particularly weak in March and accounted for a large portion of the drop in financial and related services that month. However

the number of houses sold recovered markedly in April, approaching the first quarter level.

Other industries

Community business and personal services inched down 0.2% in March. A recent improvement in accommodation and food services continued into March, but declines in business and amusement services offset the advance.

Demand for energy, which has been fluctuating recently due to milder weather, notably in December and February, rebounded in March. Producers

of electricity and gas distributors both raised production, sparking a 2.6% gain in output of utilities. Communication services advanced once more, led by another good gain in cellular phone services.

Available on CANSIM: matrices 4670-4674.

The March 1997 issue of *Gross domestic product by industry* (15-001-XPB, \$15/\$145), will be released in June. See *How to order publications*.

For further information, contact Michel Girard (613-951-9145), Industry Measures and Analysis Division. □

Gross Domestic Product at factor cost by industry, at 1986 prices

| | Oct. 1996 ^r | Nov. 1996 ^r | Dec. 1996 ^r | Jan. 1997 ^r | Feb. 1997 ^r | Mar. 1997 ^p | Feb. to Mar. 1997 | March 1997 | Mar. 1996 to Mar. 1997 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|----------------|------------------------------------|
| seasonally adjusted | | | | | | | | | |
| | month-to-month % change | | | | | \$ change ¹ | \$ level ¹ | % | change |
| Total economy | 0.4 | 0.5 | -0.3 | 0.6 | 0.5 | -0.3 | -1790 | 561,962 | 3.1 |
| Goods-producing industries | 0.1 | 0.8 | -0.9 | 0.8 | 0.5 | -0.2 | -461 | 191,802 | 3.3 |
| Services-producing industries | 0.6 | 0.3 | 0.0 | 0.5 | 0.5 | -0.4 | -1329 | 370,160 | 2.9 |
| Business sector | 0.5 | 0.6 | -0.3 | 0.7 | 0.6 | -0.4 | -1738 | 472,730 | 3.6 |
| Goods | 0.1 | 0.8 | -0.9 | 0.8 | 0.5 | -0.3 | -487 | 190,879 | 3.3 |
| Agriculture | 0.3 | -0.4 | -0.2 | -0.6 | 0.7 | 0.4 | 43 | 11,914 | 0.9 |
| Fishing and trapping | -2.2 | 0.7 | -0.3 | -0.4 | 0.3 | 0.5 | 4 | 769 | -2.1 |
| Logging | 0.6 | -0.1 | -0.4 | -2.2 | -2.6 | -5.2 | -132 | 2,410 | -11.1 |
| Mining, quarrying and oil wells | 2.5 | -1.0 | 0.6 | -2.0 | 0.8 | -0.2 | -47 | 24,436 | -0.2 |
| Manufacturing | -0.6 | 1.6 | -1.1 | 1.8 | 0.3 | -0.9 | -993 | 106,170 | 4.7 |
| Construction | 0.2 | 0.2 | 0.2 | -0.4 | 2.9 | 0.7 | 192 | 27,797 | 4.0 |
| Other utility industries | 0.3 | 0.6 | -4.3 | 2.1 | -1.5 | 2.6 | 446 | 17,384 | 2.5 |
| Services | 0.8 | 0.5 | 0.1 | 0.7 | 0.7 | -0.4 | -1252 | 281,851 | 3.8 |
| Transportation and storage | 0.0 | 0.9 | -0.5 | -0.2 | 2.0 | -0.6 | -147 | 24,933 | 3.4 |
| Communications | 0.1 | 0.3 | 0.2 | 1.3 | 0.8 | 1.2 | 304 | 25,922 | 8.0 |
| Wholesale trade | 1.9 | -1.0 | 0.8 | 2.0 | 2.0 | -2.0 | -732 | 36,601 | 7.6 |
| Retail trade | 0.6 | 1.1 | -0.5 | 1.5 | 0.6 | -0.8 | -261 | 33,470 | 3.5 |
| Finance, insurance and real estate | 0.9 | 0.8 | -0.1 | 0.1 | -0.2 | -0.3 | -282 | 89,982 | 2.6 |
| Community, business and personal services | 0.6 | 0.3 | 0.4 | 0.4 | 0.5 | -0.2 | -134 | 70,942 | 2.5 |
| Non-business sector | 0.2 | -0.2 | -0.2 | 0.1 | -0.1 | -0.1 | -51 | 89,232 | 0.2 |
| Goods | -0.7 | 0.5 | -0.5 | 1.6 | -1.9 | 2.9 | 26 | 923 | 2.4 |
| Services | 0.2 | -0.2 | -0.2 | 0.1 | -0.1 | -0.1 | -77 | 88,309 | 0.2 |
| Government services | 0.2 | -0.9 | -0.1 | -0.3 | -0.2 | -0.2 | -52 | 30,810 | 0.8 |
| Community and personal | 0.3 | 0.2 | -0.3 | 0.3 | 0.0 | -0.1 | -54 | 54,271 | -0.6 |
| Other services | -0.1 | 0.7 | -0.4 | -0.2 | -0.3 | 0.9 | 29 | 3,228 | 8.6 |
| Other aggregations | | | | | | | | | |
| Industrial production | 0.0 | 1.0 | -1.2 | 1.2 | 0.1 | -0.4 | -568 | 148,913 | 3.6 |
| Non-durable manufacturing | 1.7 | -0.2 | -0.7 | 1.3 | 1.0 | -0.9 | -406 | 45,783 | 5.8 |
| Durable manufacturing | -2.2 | 2.9 | -1.4 | 2.1 | -0.2 | -1.0 | -587 | 60,387 | 3.9 |

^r Revised figures.

^p Preliminary figures.

¹ Millions of dollars at annual rate.

OTHER RELEASES

Government revenue and expenditure (SNA basis)

First quarter 1997

Federal, provincial and local government detailed revenue and expenditure estimates on a national accounts basis for the quarter ended March 31, 1997, are now available.

Available on CANSIM: matrices 2711-2713.

For further information, contact James Temple (613-951-1832) or Robert Loggie (613-951-1809), Public Administration Section, Public Institutions Division.

Data are also available through custom and special tabulations. For more information or general inquiries on products or services of Public Institutions Division, contact Viola Jabbour (613-951-0767). ■

PUBLICATIONS RELEASED

Production and disposition of tobacco products,
April 1997
Catalogue number 32-022-XPB
(Canada: \$7/\$62; outside Canada: US\$7/US\$62).

Telephone statistics, March 1997,
Catalogue number 56-002-XPB
(Canada: \$10/\$93; outside Canada: US\$10/US\$93).

Electric power statistics, March 1997
Catalogue number 57-001-XPB
(Canada: \$12/\$114; outside Canada: US\$12/US\$114).

Quarterly demographic statistics,
October-December 1996
Catalogue number 91-002-XPB
(Canada: \$10/\$33; outside Canada: US\$10/US\$33).

All prices exclude sales tax.

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