

Monday, November 30, 1998
For release at 8:30 a.m.

## MAJOR RELEASES

- National economic and financial accounts, third quarter 1998

Real gross domestic product advanced $0.4 \%$ in the third quarter, led by an improvement in export demand. Economic activity so far in 1998 has increased $3.0 \%$ over the same period a year earlier.

- Balance of international payments, third quarter 1998

The current account deficit narrowed to $\$ 4.4$ billion in the third quarter, down from $\$ 5.2$ billion in the previous quarter.

- Gross domestic product by industry at factor cost, September 1998

Gross domestic product edged up $0.1 \%$ in September. This followed August's $0.7 \%$ recovery from a four-month stretch of weakness marked by strikes, which were partly responsible for a general slowdown in activity.

## OTHER RELEASES

## MAJOR RELEASES

## National economic and financial accounts

Third quarter 1998
Real gross domestic product (GDP) advanced 0.4\% in the third quarter, matching the growth of the previous quarter. Economic activity so far in 1998 has increased $3.0 \%$ over the same period a year earlier. International demand for Canadian products improved, while domestic demand slowed. Exports of goods and services increased $1.4 \%$ in real terms with gains concentrated in office machines and equipment and most consumer goods.

Retailers sharply reduced inventories, particularly in the auto sector. After several quarters of strong accumulation, retailers undertook a $\$ 4.6$ billion downward correction to inventory levels, and manufacturers and wholesalers reduced their rates of inventory build-up.

Residential investment dropped $2.6 \%$ in the third quarter. Declines in construction of new homes and in renovation activity contributed to the drop, while transfer costs on sales of existing homes increased.

Gross domestic product at 1992 prices ${ }^{1}$

|  | Change | Annualized <br> change | Year- <br> over-year <br> change |
| :--- | :---: | ---: | ---: |
|  | \% |  |  |
| First quarter 1997 | 1.3 | 5.2 | 2.7 |
| Second quarter 1997 | 1.3 | 5.2 | 3.9 |
| Third quarter 1997 | 1.1 | 4.4 | 4.2 |
| Fourth quarter 1997 | 0.7 | 2.8 | 4.4 |
| First quarter 1998 | 0.8 | 3.1 | 3.9 |
| Second quarter 1998 | 0.4 | 1.4 | 2.9 |
| Third quarter 1998 | 0.4 | 1.8 | 2.3 |

1 The change is the growth rate from one period to the next. The annualized change is the growth rate compounded annually. The year-over-year change is the growth rate of a given quarter compared with the same quarter in the previous year.
Business investment in non-residential structures and equipment increased moderately ( $+0.7 \%$ ), in the wake of a strong second quarter. Non-residential construction activity increased $1.0 \%$, while growth in machinery and equipment purchases slowed to 0.6\%

Personal income edged up, its growth dampened by weak labour income gains and declines in farm income and government transfers. Consumer spending grew at a moderate pace of $0.9 \%$ in nominal terms.


## Export demand picked up momentum

International demand for Canada's products strengthened in the third quarter, with exports increasing $1.4 \%$. Strong growth in exports of machinery and equipment ( $+6.7 \%$ ) offset declines in other categories. Computers were the main source of the advance, accelerating to a $15.5 \%$ increase in the third quarter. Exports of consumer goods other than autos also showed strength ( $+4.3 \%$ ), continuing the solid gains in the previous two quarters.

## Retailers reduced inventories

After two years of sustained accumulation, nonfarm business inventories were reduced by $\$ 1.3$ billion in the third quarter. The draw-down took place at the retail level, and was concentrated in the auto sector (- $\$ 5.1$ billion), where a parallel drop in the imports of automotive products took place. Sharp reductions in retail inventories were partially offset by inventory accumulation in manufacturing and wholesale trade. The rate of inventory accumulation slowed in both these sectors, however, with the slowing most evident in stocks of durable goods.

Economy-wide stock-to-sales ratios held steady at about 10 weeks of sales following four quarters of increases. The stock-to-sales ratio for the retail sector declined in the third quarter, in tandem with the reduction in auto stocks.

Inventory build-up ended


## Housing market remained weak

Residential investment dropped 2.6\% in the third quarter. The decrease occurred mostly in new housing construction, where the sales of new dwellings fell $8.4 \%$. Urban housing starts have trended downward in recent quarters, with September starts approximately $20 \%$ below the peak reached in March 1998. Residential building permits have followed a similar trend.

Renovation activity also decreased ( $-0.8 \%$ ) in the third quarter. Transfer costs on the sales of existing homes grew $4.5 \%$, partially offsetting housing construction declines.

## Business investment slowed

Business investment in non-residential structures and equipment increased moderately ( $+0.7 \%$ ), following a strong second quarter. Year-to-date investment is nonetheless roughly $8 \%$ higher than the same period in 1997. Non-residential building construction rose $3.4 \%$ in the third quarter, while engineering construction declined. Machinery and equipment purchases grew a moderate $0.6 \%$, with investment spending on computer and other office equipment as the most important source of strength. Investment in telecommunications equipment and transportation equipment other than automobiles also grew strongly.

Corporation profits increased $1.1 \%$ in the third quarter, after two consecutive quarterly declines. Despite the increase, third quarter profits remain well below peak levels of a year earlier. With retained
earnings running about $15 \%$ lower on average than last year, corporations continued to borrow to finance investment relying largely on short-term paper and equity markets.


## Slower growth in consumer spending

Growth in personal expenditure slowed to $0.6 \%$ in the third quarter, after a $1.4 \%$ advance in the second quarter. A marked slowdown occurred in spending on durable goods, largely because of lower growth in motor vehicle purchases. Spending on new motor vehicles rose $2.0 \%$, after a near $15 \%$ climb in the second quarter. Consumer purchases of services also slowed, with notable weakness in air transportation and stock and bond commissions.

## Weak labour income dampened personal income growth

Labour income growth slowed to $0.2 \%$ in the third quarter, continuing the deceleration evidenced in the second quarter. Gains in trade and commercial services were offset by declines in the education, construction and finance, insurance and real estate industries. Labour unrest had a notable impact on payrolls in the quarter, particularly in the manufacturing sector, where layoffs resulting from strikes in the U.S. auto sector pulled down wages and salaries, as did a strike in the pulp and paper industry. Strike activity further influenced the wage bill in the construction industry, where labour unrest in Southern Ontario had
an impact early in the quarter, and teachers' strikes affected education payrolls in September.

Slower labour income growth, along with declines in farm income and government transfers, dampened personal incomes in the third quarter $(+0.1 \%)$. While personal income stands $3.3 \%$ higher than in the first three quarters of last year, income tax collections have continued to outpace incomes, and personal disposable income has only advanced marginally over the same period.

Personal income growth slowed


## Aggregate price level virtually unchanged

Prices of merchandise imports posted a 3.7\% increase, in tandem with a significant depreciation of the Canadian dollar vis-a-vis the U.S. dollar in
the third quarter. Economy-wide prices, however, (as measured by the GDP chain price index) remained virtually unchanged ( $-0.1 \%$ ). While import prices rose substantially in the quarter, there was little evidence that the increase was passed on to the consumer, as prices for consumer goods were little changed.

Available on CANSIM: matrices 701-726, 728-735, 737-744, 748-750, 796, 797, 6520-6585 and 6597-6624.

The third quarter 1998 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 income and expenditure accounts (13-001-PPB, \$50/\$180), financial flow accounts (13-014-PPB, $\$ 50 / \$ 180$ ) and estimates of labour income (13F0016XPB \$20/\$200), plus supplementary analytical tables and charts are available immediately.

At 8:30 a.m. on release day, the complete quarterly income and expenditure accounts, financial flow accounts, and monthly estimates of labour income data sets can be obtained on microcomputer diskette. The diskettes (13-001-XDB, 13-014-XDB and 13F0016XDB) can also be purchased at lower cost seven days after the official release date. To purchase any of these products, contact the client services officer (613-951-3810; iea-crd@statcan.ca), Income and Expenditure Accounts Division.

For further information, or to enquire about the concepts, methods and data quality of this release, contact the information officer (613-951-3640), Income and Expenditure Accounts Division.

## The Daily, November 30, 1998

Gross domestic product, income-based

|  | 1994 | 1995 | 1996 | 1997 | First quarter 1998 | Second quarter 1998 | Third quarter 1998 | Second to third quarter 1998 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | \$ millions |  | seasonally adjusted at annual rates |  |  |  |
|  |  |  |  |  |  |  |  | $\begin{array}{r} \% \\ \text { change } \\ \text { at } \\ \text { quarterly } \\ \text { rates } \end{array}$ |
| Wages, salaries and supplementary labour income ${ }^{1}$ | 404,918 | 418,981 | 429,092 | 449,442 | 461,424 | 464,864 | 465,840 | 0.2 |
| Corporation profits before taxes | 64,118 | 75,572 | 73,684 | 83,458 | 78,564 | 77,152 | 78,004 | 1.1 |
| Government business enterprise profits before taxes | 5,776 | 6,895 | 6,507 | 6,736 | 6,084 | 7,084 | 7,764 | 9.6 |
| Interest and miscellaneous investment income | 51,950 | 50,868 | 50,118 | 48,151 | 45,548 | 44,144 | 45,692 | 3.5 |
| Accrued net income of farm operators from farm production | 1,180 | 2,192 | 3,582 | 1,385 | 1,032 | 1,280 | 748 | -41.6 |
| Net income of non-farm unincorporated business, including rent | 44,908 | 46,646 | 49,179 | 53,301 | 55,512 | 56,084 | 56,388 | 0.5 |
| Inventory valuation adjustment ${ }^{2}$ | -5,372 | -2,364 | -1,382 | -1,638 | 1,296 | -768 | -3,340 | -2,572 |
| Net domestic product at factor cost | 567,478 | 598,790 | 610,780 | 640,835 | 649,460 | 649,840 | 651,096 | 0.2 |
| Indirect taxes less subsidies | 103,130 | 107,113 | 110,882 | 115,762 | 117,816 | 121,164 | 120,756 | -0.3 |
| Capital consumption allowances | 95,730 | 100,858 | 105,706 | 110,418 | 114,508 | 114,848 | 115,416 | 0.5 |
| Statistical discrepancy ${ }^{2}$ | 1,168 | 17 | 1,629 | -763 | -1,292 | -720 | 128 | 848 |
| Gross domestic product at market prices | 767,506 | 806,778 | 828,997 | 866,252 | 880,492 | 885,132 | 887,396 | 0.3 |

Includes military pay and allowances.
2 The change column reflects actual change in millions of dollars for these items.

Gross domestic product, expenditure-based


[^0]
## The Daily, November 30, 1998

National accounts price and volume indexes


[^1]Financial market summary table

|  |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
|  |  |  |  |  |  |

[^2]
## Balance of international payments

Third quarter 1998
In the third quarter, Canadian residents continued to spend more than they earned from abroad in goods, services, investment income and transfers. The resulting current account deficit eased to $\$ 4.4$ billion (on a seasonally adjusted basis), down from the $\$ 5.2$ billion in the second quarter but still in line with the deficits over the last year. The lower deficit for the quarter reflected a considerably higher surplus on goods and lower spending by Canadian international travelers.

The financial account (which is not seasonally adjusted) indicated that Canadians invested marginally less abroad than foreigners invested in Canada in the third quarter. Acquisitions of direct investment interest activity pushed Canadian direct investment abroad to a massive record outflow, almost double the previous high registered in the first quarter of 1998. And, Canadian portfolio investment in foreign securities continued. Moderating some of these increases in Canadian assets was a reduction in Canadian deposits abroad. Inflows of foreign capital resumed, principally as non-resident direct and portfolio investors injected substantial funds into mainly the Canadian corporate sector.

## Current account

## Expansion in goods surplus resumes

Canada's goods surplus rebounded following a contraction in the second quarter. The surplus grew by $\$ 1.6$ billion led by the turn-around in the exports of trucks and other motor vehicles, which were previously affected by earlier plant closures. Significant and offsetting growth continued in the exports and imports of machinery and equipment, reflecting unprecedented sales for these products during the quarter.

Natural gas, along with lumber and sawmill products, also contributed to growth on the export side. Export declines were less pronounced and covered wheat, telecommunications, precious metals and newsprint. Imports of a range of consumer goods and most industrial goods, except metals, picked up. The sharpest drop in imports was in automotive products, an extension of the weakness from the second quarter. Trucks, and to a lesser extent cars, made up the decline.

Overall, exports in the third quarter moved up almost $3 \%$ to a high of $\$ 80$ billion, with a much slower increase of $0.8 \%$ for imports to $\$ 75$ billion. Most of the growth in the goods surplus centered on transactions
with the United States, and to some extent the United Kingdom; the surplus narrowed elsewhere, especially with non-OECD countries.


## Lower spending on travel to the United States

All of the decline in travel by Canadians was to the United States, as Canadian residents essentially maintained their spending in other countries. Conversely, overseas visitors reduced their spending in Canada, while U.S. travellers maintained theirs. Spending by Canadian travellers abroad fell by more than spending by visitors to Canada, pulling the travel deficit down one quarter to $\$ 0.5$ billion, the lowest level since early 1988.

## Deficit widens on investment income

The deficit on investment income advanced $14 \%$ to $\$ 7.5$ billion, following three quarters of relative stability. Two factors led to this widening. First, the small surplus generated over recent quarters on direct investment income moved to a deficit; essentially, profits earned on Canadian direct investment abroad fell $11 \%$, while profits accruing to foreign investors outside Canada rose $7 \%$. Second, there was a rise of interest payments on non-resident holdings of portfolio securities, largely foreign currency denominated debt; this reflected the noticeable depreciation of the Canadian dollar since the previous quarter.

## Financial account

## Canadian firms direct investment abroad reaches an all time high

Record investment abroad of $\$ 16.1$ billion by Canadian firms was driven by acquisitions in the United States. This was nearly double the previous high recorded in the first quarter of this year. The acquisitions of direct investment interest were dominated by a high profile acquisition in the high tech industry.

## Canadians' investment in foreign securities remains strong

Foreign portfolio investment by Canadian investors remained steady in the third quarter, with purchases of $\$ 3.7$ billion of foreign securities, mainly U.S. equities. There has been a shift into U.S. shares throughout 1998, after a number of years of investing in mainly overseas stocks. Equity purchases were strongest in July, as U.S. share prices (as measured by the Standard and Poor's 500 Index) edged down $1.2 \%$. September witnessed an upturn in bond purchases, which may have reflected investor reaction to deteriorating share prices over the quarter.

## Foreign deposits at Canadian banks drawn down sharply, while reserves decline

A sharp reduction in deposits abroad by Canadian banks moderated the increases in Canadian assets. In addition, there was a further reduction in Canada's official international reserves, as the Canadian currency came under renewed downward pressure from major international currencies.

Canadian reserve assets fluctuated widely during the quarter, but the net sales were only $\$ 1.2$ billion for the quarter. The Canadian dollar's decline continued, closing at just over US 65 cents, and was down almost three cents from the second quarter.


## Foreign investors' demand for Canadian securities picks up

Foreigners bought Canadian stocks and money market instruments but sold Canadian bonds in the quarter. The investment in Canadian stocks represented purchases of new treasury shares associated with direct investment acquisitions, including share exchanges. Non-residents ended their four-quarter buying binge of outstanding Canadian equities with a major sell-off in the third quarter. Renewed foreign investment in the Canadian money market came after divestments in the previous two quarters, and was entirely directed to federal treasury bills issued to finance Canada's reserve assets. Foreign investors stepped up their sales of government bonds, mainly outstanding federal bonds, which
overshadowed their sustained interest in corporate bonds.

## Foreign direct investment in Canadian companies accelerates

Direct investment acquisitions of Canadian companies fuelled the near record $\$ 7.2$ billion inflow on foreign direct investment in Canada. Such activity arose mainly from the United States and was directed to firms in the wood and paper and finance and insurance industries. Reinvested profits of direct
investment companies were down from the previous two quarters, and were a much smaller factor in the overall picture.

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

For further information, or to enquire about the concepts, methods and data quality of this release, contact Patrick O'Hagan (613-951-1798), Balance of Payments and Financial Flows Division.

Balance of payments

|  | Third quarter 1997 | Fourth quarter 1997 | $\begin{array}{r} \text { First } \\ \text { quarter } \\ 1998 \end{array}$ | Second quarter 1998 | Third quarter 1998 | 1996 | 1997 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Not seasonally adjusted |  |  |  |  |  |  |
|  |  |  |  | illions |  |  |  |
| Current account Receipts |  |  |  |  |  |  |  |
| Goods and services | 86,347 | 87,917 | 86,324 | 91,814 | 91,199 | 319,715 | 342,673 |
| Goods | 73,285 | 78,631 | 77,269 | 80,674 | 77,802 | 279,701 | 301,101 |
| Services | 13,062 | 9,286 | 9,055 | 11,141 | 13,397 | 40,014 | 41,572 |
| Investment income: | 7,196 | 7,768 | 7,953 | 8,183 | 7,386 | 26,271 | 29,722 |
| Direct investment | 3,038 | 3,432 | 3,688 | 3,538 | 2,925 | 10,940 | 13,253 |
| Portfolio investment | 848 | 875 | 893 | 934 | 923 | 3,035 | 3,397 |
| Other investment | 3,310 | 3,462 | 3,372 | 3,712 | 3,538 | 12,296 | 13,072 |
| Current transfers | 1,052 | 1,131 | 1,388 | 1,099 | 1,092 | 4,448 | 4,828 |
| Current account receipts | 94,595 | 96,816 | 95,665 | 101,096 | 99,677 | 350,433 | 377,223 |
| Payments |  |  |  |  |  |  |  |
| Goods and services: | 81,101 | 85,109 | 87,212 | 90,459 | 85,731 | 287,090 | 327,162 |
| Goods | 68,141 | 73,344 | 73,575 | 77,286 | 72,543 | 237,816 | 276,846 |
| Services | 12,960 | 11,765 | 13,636 | 13,172 | 13,188 | 49,274 | 50,316 |
| Investment income: | 15,557 | 14,072 | 15,169 | 14,995 | 14,689 | 54,630 | 58,649 |
| Direct investment | 4,820 | 3,106 | 3,963 | 3,707 | 3,357 | 13,286 | 15,962 |
| Portfolio investment | 7,310 | 7,519 | 7,455 | 7,561 | 7,863 | 28,870 | 29,070 |
| Other investment | 3,427 | 3,447 | 3,751 | 3,727 | 3,469 | 12,475 | 13,617 |
| Current transfers | 964 | 1,003 | 1,261 | 1,004 | 941 | 4,183 | 4,227 |
| Current account payments | 97,621 | 100,184 | 103,641 | 106,458 | 101,361 | 345,903 | 390,038 |
| Balances |  |  |  |  |  |  |  |
| Goods and services | 5,246 | 2,809 | -888 | 1,356 | 5,468 | 32,625 | 15,511 |
| Goods | 5,144 | 5,288 | 3,693 | 3,388 | 5,259 | 41,884 | 24,255 |
| Services | 103 | -2,479 | -4,581 | -2,032 | 209 | -9,260 | -8,744 |
| Investment income: | -8,360 | -6,304 | -7,216 | -6,811 | -7,303 | -28,359 | -28,927 |
| Direct investment | -1,782 | 326 | -275 | -169 | -432 | -2,346 | -2,709 |
| Portfolio investment | -6,462 | -6,644 | -6,563 | -6,628 | -6,940 | -25,835 | -25,673 |
| Other investment | -117 | 14 | -378 | -15 | 69 | -178 | -545 |
| Current transfers | 88 | 128 | 127 | 94 | 151 | 265 | 600 |
| Current account balance | $-3,026$ | -3,367 | -7,977 | -5,362 | -1,685 | 4,530 | -12,815 |
| Capital and financial account |  |  |  |  |  |  |  |
| Capital account | 2,050 | 1,545 | 1,251 | 1,411 | 1,507 | 8,082 | 7,609 |
| Financial account ${ }^{1}$ | 8,993 | 10,675 | 9,416 | -5,226 | 1,235 | -21,023 | 12,261 |
| Canadian assets, net flows |  |  |  |  |  |  |  |
| Canadian direct investment abroad | -3,855 | -5,419 | -8,429 | -5,928 | -16,114 | -15,841 | -19,426 |
| Portfolio investment | -2,984 | -3,732 | -6,462 | -3,341 | -3,758 | -18,562 | -11,192 |
| Foreign bonds | -3,630 | -1,848 | -2,637 | 1,235 | -1,392 | -1,986 | -6,702 |
| Foreign stocks | 646 | -1,884 | -3,826 | -4,576 | -2,366 | -16,576 | -4,491 |
| Other investment | 8,070 | -2,350 | 1,709 | 4,231 | 7,686 | -37,723 | -21,088 |
| Loans | -5,534 | 855 | 5,046 | -1,953 | -1,027 | -4,568 | -21,134 |
| Deposits | 8,268 | -2,488 | -2,255 | 2,245 | 7,419 | -18,802 | -2,788 |
| Official international reserves | 1,522 | 2,921 | -6,422 | 3,541 | 1,229 | -7,498 | 3,388 |
| Other assets | 3,814 | -3,638 | 5,340 | 397 | 65 | -6,855 | -554 |
| Total Canadian assets, net flows | 1,230 | -11,501 | -13,183 | -5,038 | -12,186 | -72,127 | -51,706 |
| Canadian liabilities, net flows |  |  |  |  |  |  |  |
| Foreign direct investment in Canada | 4,704 | 2,033 | 7,520 | 4,470 | 7,173 | 9,301 | 9,876 |
| Portfolio investment: | 13,950 | -11 | 6,799 | 2,162 | 4,338 | 20,216 | 18,743 |
| Canadian bonds | 10,078 | -7,399 | 4,315 | 3,074 | -2,907 | 19,253 | 9,507 |
| Canadian stocks | 3,916 | 3,839 | 3,047 | 2,889 | 5,005 | 8,281 | 7,642 |
| Canadian money market | -44 | 3,549 | -563 | -3,801 | 2,239 | -7,319 | 1,594 |
| Other investment: | -10,890 | 20,154 | 8,280 | -6,820 | 1,910 | 21,588 | 35,348 |
| Loans | -1,565 | -3,665 | +919 | 3,791 | -93 | 6,121 | -951 |
| Deposits | -9,343 | 23,258 | 6,940 | -11,694 | 771 | 16,862 | 34,109 |
| Other liabilities | 18 | 561 | 421 2299 | 1,083 | 1,231 | -1,395 | 2,190 |
| Total Canadian liabilities, net flows | 7,763 | 22,176 | 22,599 | -187 | 13,421 | 51,104 | 63,966 |
| Account, net flows | 11,043 | 12,220 | 10,667 | -3,815 | 2,742 | -12,941 | 19,870 |
| Statistical discrepancy | -8,017 | -8,853 | -2,691 | 9,176 | -1,057 | 8,411 | -7,054 |

[^3]Current account

|  | $\begin{gathered} \text { Third } \\ \text { quarter } \\ 1997 \end{gathered}$ | Fourth quarter 1997 | $\begin{array}{r} \text { First } \\ \text { quarter } \\ 1998 \end{array}$ | Second quarter 1998 | $\begin{gathered} \text { Third } \\ \text { quarter } \\ 1998 \end{gathered}$ | 1996 | 1997 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | seasonally adjusted |  |  |  |  |  |  |
|  |  |  |  | millions |  |  |  |
|  |  |  |  |  |  |  |  |
| Receipts Goods and services |  |  |  |  |  |  |  |
| Goods | 75,732 | 77,665 | 78,010 | 77,954 | 80,192 | 279,701 | 301,101 |
| Services: | 10,537 | 10,604 | 10,694 | 10,866 | 10,637 | 40,014 | 41,572 |
| Travel | 3,017 | 3,107 | 3,406 | 3,372 | 3,298 | 11,759 | 12,141 |
| Transportation | 2,110 | 2,075 | 2,024 | 2,130 | 2,101 | 7,778 | 8,323 |
| Commercial services | 5,159 | 5,170 | 5,008 | 5,105 | 4,982 | 19,519 | 20,100 |
| Government services | 252 | 253 | 256 | 259 | 255 | 958 | 1,008 |
| Total | 86,269 | 88,269 | 88,704 | 88,820 | 90,829 | 319,715 | 342,673 |
| Investment income |  |  |  |  |  |  |  |
| Direct investment | 3,128 | 3,422 | 3,730 | 3,417 | 3,050 | 10,940 | 13,253 |
| Interest | 98 | 96 | 105 | 105 | 101 | 464 | 391 |
| Profits | 3,030 | 3,326 | 3,626 | 3,312 | 2,949 | 10,476 | 12,862 |
| Portfolio investment | 853 | 874 | 890 | 931 | 930 | 3,035 | 3,397 |
| Interest | 333 | 357 | 353 | 381 | 386 | 967 | 1,302 |
| Dividends | 521 | 518 | 537 | 550 | 544 | 2,067 | 2,095 |
| Other investment | 3,102 | 3,415 | 3,497 | 3,752 | 3,456 | 12,296 | 13,072 |
| Total | 7,083 | 7,711 | 8,118 | 8,100 | 7,436 | 26,271 | 29,722 |
| Current transfers |  |  |  |  |  |  |  |
| Private | 533 | 509 | 584 | 548 | 581 | 2,049 | 2,082 |
| Official | 552 | 603 | 790 | 552 | 539 | 2,398 | 2,746 |
| Total | 1,085 | 1,113 | 1,374 | 1,101 | 1,121 | 4,448 | 4,828 |
| Total receipts | 94,438 | 97,093 | 98,195 | 98,021 | 99,386 | 350,433 | 377,223 |
|  |  |  |  |  |  |  |  |
| Payments Goods and services |  |  |  |  |  |  |  |
| Goods | 70,544 | 73,697 | 72,844 | 74,344 | 74,939 | 237,816 | 276,846 |
| Services | 12,655 | 12,597 | 13,082 | 13,159 | 12,904 | 49,274 | 50,316 |
| Travel | 3,960 | 3,914 | 3,952 | 4,044 | 3,809 | 15,122 | 15,649 |
| Transportation | 2,905 | 2,922 | 3,112 | 2,993 | 3,072 | 11,072 | 11,514 |
| Commercial services | 5,646 | 5,618 | 5,872 | 5,976 | 5,877 | 22,497 | 22,576 |
| Government services | 143 | 144 | 146 | 146 | 146 | 583 | 577 |
| Total | 83,198 | 86,294 | 85,926 | 87,503 | 87,843 | 287,090 | 327,162 |
| Investment income |  |  |  |  |  |  |  |
| Direct investment | 4,923 | 3,484 | 3,657 | 3,412 | 3,617 | 13,286 | 15,962 |
| Interest | 375 | 373 | 383 | 384 | 385 | 1,544 | 1,500 |
| Profits | 4,547 | 3,111 | 3,275 | 3,028 | 3,232 | 11,741 | 14,462 |
| Portfolio investment | 7,311 | 7,521 | 7,453 | 7,563 | 7,864 | 28,870 | 29,070 |
| Interest | 6,991 | 7,196 | 7,142 | 7,253 | 7,554 | 27,697 | 27,827 |
| Dividends | 320 | 325 | 311 | 309 | 310 | 1,173 | 1,243 |
| Other investment | 3,427 | 3,447 | 3,751 | 3,727 | 3,469 | 12,475 | 13,617 |
| Total | 15,660 | 14,452 | 14,861 | 14,701 | 14,949 | 54,630 | 58,649 |
| Current transfers |  |  |  |  |  |  |  |
| Private | 441 | 474 | 495 | 494 | 482 | 1,707 | 1,834 |
| Official | 561 | 536 | 661 | 552 | 499 | 2,476 | 2,393 |
| Total | 1,002 | 1,010 | 1,156 | 1,046 | 982 | 4,183 | 4,227 |
| Total payments | 99,861 | 101,756 | 101,943 | 103,251 | 103,774 | 345,903 | 390,038 |
| Balances |  |  |  |  |  |  |  |
| Goods and services |  |  |  |  |  |  |  |
| Goods | 5,189 | 3,968 | 5,166 | 3,610 | 5,253 | 41,884 | 24,255 |
| Services | -2,117 | -1,993 | -2,388 | -2,293 | -2,267 | -9,260 | -8,744 |
| Travel | -943 | -807 | -546 | -672 | -511 | -3,363 | -3,508 |
| Transportation | -796 | -847 | -1,088 | -863 | -971 | -3,295 | -3,191 |
| Commercial services | -488 | -448 | -864 | -871 | -895 | -2,977 | -2,477 |
| Government services | 109 | 109 | 110 | 113 | 110 | 376 | 431 |
| Total | 3,071 | 1,974 | 2,778 | 1,317 | 2,986 | 32,625 | 15,511 |
| Investment income |  |  |  |  |  |  |  |
| Direct investment | -1,795 | -62 | 73 | 5 | -567 | -2,346 | -2,709 |
| Interest | -277 | -277 | -278 | -279 | -284 | -1,080 | -1,109 |
| Profits | -1,518 | 215 | 351 | 284 | -283 | -1,265 | -1,600 |
| Portfolio investment: | -6,458 | -6,646 | -6,563 | -6,632 | -6,933 | -25,835 | -25,673 |
| Interest | -6,658 | -6,839 | -6,789 | -6,872 | -7,168 | -26,729 | -26,525 |
| Dividends | 201 | 193 | 226 | 241 | 234 | 894 | 852 |
| Other investment | -324 | -32 | -253 | 25 | -13 | -178 | -545 |
| Total | $-8,577$ | -6,741 | -6,743 | -6,602 | -7,513 | -28,359 | -28,927 |
| Current transfers |  |  |  |  |  |  |  |
| Private | 92 | 35 | 89 | 54 | 99 | 343 | 248 |
| Official | -9 | 68 | 128 | -0 | 40 | -78 | 352 |
| Total | 83 | 103 | 217 | 54 | 139 | 265 | 600 |
| Current account | -5,423 | -4,664 | -3,749 | -5,230 | -4,388 | 4,530 | -12,815 |

## Gross domestic product by industry at factor cost

September 1998
Gross domestic product (GDP) edged up $0.1 \%$ in September. This followed August's $0.7 \%$ recovery from a four-month stretch of weakness marked by strikes, which were partly responsible for a general slowdown in activity. These developments resulted in a continuation of the slower but positive quarterly growth that has characterized the economy since the first quarter.

Manufacturers led the small September increase, recording their second consecutive rise after emerging from a strike-induced slump. Retail sales were up, more than recouping a marginal decline in August, while providers of business services also saw increased activity. These gains were partly offset by the effects of the Air Canada pilots' strike and by disruptions in education resulting from strikes and lockouts in Ontario. Excluding these industries, the rest of the economy was up $0.2 \%$ in September, despite further weakness in the mining and construction industries.

## Manufacturers continued rise out of previous months' slump

Manufacturing output rose $0.8 \%$ in September, following a $2.9 \%$ strike-related rebound in August. (The ripple effects of a strike by GM workers in the United States led to a drop in automotive production in both June and July.) While output in September surpassed the pre-strike levels reached in May, it was still shy of the March 1998 peak. During the month, increases in the production of transportation equipment, machinery and wood products were partly offset by lower output of newsprint and office and business machines. Overall, production increased in 16 of the 22 major groups, which accounted for over four-fifths of total manufacturing output in the month.

Production of motor vehicles increased $0.8 \%$ while output of motor vehicle parts shot up $3.8 \%$. Production of machinery bounced back $3.7 \%$ in September after three consecutive monthly declines. September was only the third month in 1998 to show an increase, as investment in machinery and equipment has eased from the steep growth rates achieved last year. Producers of construction machinery were chiefly responsible for the September increase, after output was temporarily restricted by maintenance shutdowns in August.

Output of wood products surged in September, particularly those related to construction, such as lumber and window and door products. Sawmills boosted output $3.2 \%$, bolstered by the restart of

## 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 producers into outputs. Monthly GDP by industry is valued at 1992 prices. The estimates presented here are seasonally adjusted at annual rates. This release also includes data revisions extending back to the January 1992 reference period.
a number of mills during the month. Much of this strength tended to be export-oriented (about half of this industry's output is shipped abroad). Although domestic building activity is still relatively weak, residential construction in the United States has soared to record levels in recent months.

Output of pulp and paper declined $1.1 \%$ in September. A strike involving 10 mills in Quebec, Ontario and Newfoundland entered its fourth month in September, and continued to have a depressing effect on the industry. The labour dispute continued until late November.

Production of office machinery and equipment dropped $6.5 \%$ in September, following seven consecutive months of expansion. The September decline coincided with a period of restructuring for the industry.

## Manufacturing output returned to pre-strike levels



## Retailers advanced, wholesalers stalled

Total retail sales increased $0.8 \%$ in September. While sales have generally been advancing in recent months, they have been doing so at a slower rate than in 1997.

September's retail activity was buoyed by increased automobile sales, as generous dealer incentives and the greater availability of some models in the aftermath of the recent GM strike stimulated sales. The increased sales activity kept dealer inventories at four-year lows, after they were drawn down across North America during the strike. Notwithstanding the September increase, unit sales of automobiles in 1998 have reached a plateau after rising steeply throughout 1997.

Sales by grocery stores were also up, while department stores and general merchandise stores continued to make headway after an industry restructuring-related dip in the early summer. Pharmacies and furniture stores reported lower activity, while shoe and clothing store sales were flat.

Wholesalers reported a $0.2 \%$ rise in activity in September. Grain and machinery dealers enjoyed higher sales, while distributors of automotive products and farm machinery experienced lower traffic.

Total economic activity edged up slightly


## Airline strike a drag on transportation services

A strike by Air Canada pilots that hampered the movement of passengers and cargo led to a $1.6 \%$ decline in the transportation and storage services industry in September. The overall decline was partly offset by moderate increases in truck and rail transport.

## Strikes and lockouts disrupted education

Education services fell $0.6 \%$ in September, as strikes and lockouts in several Ontario school districts reduced activity. The affected teachers were legislated back to work at the end of September. The latest labour
disruption was much smaller in scope than the one caused by last year's Ontario teachers' strike.

## Another lacklustre month for the mining industry

Activity in the mining sector fell $0.6 \%$ in September. The latest decline was the sixth in a row and prolongs the sector's downward course as weak commodity prices began to hurt the industry early in the year. Lower production of gold led to a widespread decline in metal mine output, while a drop in output of potash and coal had a negative impact on non-metal mines.

The only bright spot was the oil patch, although even there the news was not all good. While extraction of oil and gas was up, partly due to restored productive capacity that had been idled in August, decade-low oil prices continued to erode drilling and exploration activity.

## Slower new housing stalled construction

Total construction activity edged down $0.1 \%$ in September, the sixth decline in seven months. Most of the recent weakness in this industry was attributable to a marked decline in new housing construction. In September, residential construction dropped by $1.3 \%$ while the smaller non-residential construction industry grew by the same percentage. While work on nonresidential sites was about $8 \%$ higher than the yearago level, residential construction activity in September was approximately $6 \%$ below the same month last year. The recent period of weakness was a result of strikes in various building trades in Southern Ontario and housing starts that have failed to return to pre-strike levels in the ensuing months.


## Other industries

Providers of computer and miscellaneous business services reported an increase in activity in September. Output of electricity fell $2.0 \%$, following three strong months, as unusually low water levels reduced hydroelectric production in Quebec.

Available on CANSIM: matrices 4677-4681.
The September 1998 issue of Gross domestic product by industry (15-001-XPB, \$15/\$145) is
scheduled for release in early December. See How to order publications.

For analytical information, or to enquire about the concepts, methods and data quality of this release, contact Richard Evans (613-951-9145; evanric@statcan.ca). For information regarding the purchase of data, contact Kim Lauzon (613-951-9417; lauzonk@statcan.ca), Industry Measures and Analysis Division.

Gross domestic product at factor cost by industry (1992 prices)

|  | $\begin{aligned} & \text { April } \\ & 1998^{r} \end{aligned}$ | $\begin{gathered} \text { May } \\ 1998^{r} \end{gathered}$ | $\begin{aligned} & \text { June } \\ & 1998^{r} \end{aligned}$ | $\begin{gathered} \text { July } \\ 1998^{r} \end{gathered}$ | $\begin{aligned} & \text { Aug. } \\ & \text { 1998 } \end{aligned}$ | $\begin{aligned} & \text { Sept. } \\ & 1998^{p} \end{aligned}$ | Aug. <br> to <br> Sept. <br> 1998 | $\begin{aligned} & \text { Sept. } \\ & 1998 \end{aligned}$ | $\begin{array}{r} \text { Sept. } \\ 1997 \\ \text { to } \\ \text { Sept. } \\ 1998 \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | seasonally adjusted |  |  |  |  |  |  |  |  |
|  | month-to-month \% change |  |  |  |  |  | $\begin{gathered} \$ \\ \text { change }^{1} \end{gathered}$ | \$ level ${ }^{1}$ |  |
| All industries | -0.1 | -0.2 | 0.1 | -0.2 | 0.7 | 0.1 | 763 | 719,242 | 2.1 |
| Goods-producing industries | -0.9 | -0.4 | -0.2 | -1.2 | 1.7 | 0.1 | 335 | 236,615 | 1.3 |
| Agriculture | 0.2 | -0.1 | -0.1 | 0.5 | 0.4 | -0.2 | -24 | 11,782 | 1.7 |
| Fishing and trapping | 5.5 | 1.6 | -5.7 | -7.9 | -8.1 | 1.1 | 8 | 732 | -7.5 |
| Logging and forestry | -2.6 | -6.0 | 0.1 | -2.3 | 0.1 | -1.6 | -69 | 4,158 | -15.0 |
| Mining, quarrying and oil wells | -1.1 | -1.1 | -0.2 | -1.0 | -1.0 | -0.6 | -156 | 27,137 | -4.4 |
| Manufacturing | -1.1 | -0.3 | -0.6 | -1.7 | 2.9 | 0.8 | 1039 | 128,881 | 3.5 |
| Construction | -0.7 | -0.5 | -0.3 | -1.0 | 0.7 | -0.1 | -27 | 39,149 | 1.2 |
| Other utilities | -0.5 | 0.5 | 2.5 | 0.3 | 1.4 | -1.7 | -436 | 24,776 | 0.6 |
| Services-producing industries | 0.3 | -0.1 | 0.3 | 0.3 | 0.2 | 0.1 | 428 | 482,627 | 2.4 |
| Transportation and storage | 0.1 | -0.8 | 0.6 | -0.9 | 0.9 | -1.6 | -529 | 31,811 | -0.7 |
| Communications | 0.8 | 0.0 | 1.2 | 0.7 | 1.7 | 1.6 | 383 | 24,548 | 9.0 |
| Wholesale trade | 0.9 | 0.9 | 0.8 | 1.2 | 0.3 | 0.2 | 65 | 42,557 | 6.2 |
| Retail trade | 1.4 | -0.1 | -1.6 | 1.7 | -0.2 | 0.8 | 355 | 45,288 | 4.9 |
| Finance and insurance | 0.7 | -1.0 | 2.0 | -0.2 | 0.1 | 0.5 | 182 | 40,319 | 2.5 |
| Real estate and insurance agent | 0.0 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 | 12 | 79,006 | 1.8 |
| Business services | -0.1 | 0.4 | 0.7 | 0.0 | 0.7 | 0.6 | 258 | 41,249 | 5.9 |
| Government services | 0.0 | 0.0 | -0.1 | 0.0 | 0.1 | -0.2 | -94 | 42,586 | -0.2 |
| Education | 0.2 | -0.1 | 0.1 | -0.2 | -0.9 | -0.6 | -238 | 39,540 | -1.7 |
| Health and social services | 0.0 | -0.2 | -0.1 | 0.0 | 0.4 | 0.2 | 101 | 48,518 | 1.0 |
| Accommodation and food | 0.3 | -1.5 | 0.5 | 0.3 | 0.0 | -0.7 | -126 | 18,462 | 0.6 |
| Other services | -0.2 | 0.3 | 0.1 | 0.0 | 0.3 | 0.2 | 59 | 28,743 | 2.1 |
| Other aggregations |  |  |  |  |  |  |  |  |  |
| Industrial production | -1.0 | -0.3 | -0.1 | -1.3 | 2.1 | 0.2 | 447 | 180,794 | 1.8 |
| Non-durable manufacturing | -0.3 | 0.2 | -0.3 | -0.9 | 1.5 | 0.1 | 56 | 56,745 | 2.9 |
| Durable manufacturing | -1.7 | -0.7 | -0.8 | -2.4 | 4.1 | 1.4 | 983 | 72,136 | 4.0 |
| Business sector | -0.1 | -0.2 | 0.2 | -0.3 | 0.9 | 0.2 | 959 | 594,056 | 1.0 |
| Non-business sector | 0.1 | 0.0 | -0.1 | 0.0 | -0.2 | -0.2 | -196 | 125,186 | -0.5 |

[^4]
## OTHER RELEASES

## Input-output tables and gross domestic product <br> 1993 to 1995

The input-output tables for 1993 to 1995 by current and constant dollars are now available. Current dollar inputs, outputs and final demand tables for the years 1993 to 1995 are added in CANSIM.

In addition to the input-output tables, the 1993 to 1995 gross domestic product at factor cost derived from the input-output tables are also now available.

Available on CANSIM: matrices 4763-4770, 6986-6999, 8930-8951, 9359-9380, 9391-9410, 9431, 9435, 9493-9499 and 9538-9596.

For further information, or to enquire about the concepts, methods and data quality of this release, contact Ronald Rioux (613-951-3697), Input-output Division.

## PUBLICATIONS RELEASED

The input-output structure of the Canadian
economy, 1961-1992 Historically revised data
Catalogue number 15-201-XPB
(Canada: \$68; outside Canada: US\$68).
Construction type plywood, September 1998
Catalogue number 35-001-XPB
(Canada: \$7/\$62; outside Canada: US\$7/US\$62).
Sawmills and planning mills, September 1998
Catalogue number 35-003-XPB
(Canada: \$12/\$114; outside Canada: US\$12/US\$114).
Electric lamps (light bulbs and tubes),
October 1998
Catalogue number 43-009-XPB
(Canada: \$7/\$62; outside Canada: US\$7/US\$62).
Shipments of plastic film and bags manufactured
from resin, third quarter 1998
Catalogue number 47-007-XPB
(Canada: \$10/\$33; outside Canada: US\$10/US\$33).

Imports by commodity, September 1998
Catalogue number 65-007-XMB
(Canada: \$37/\$361; outside Canada: US\$37/US\$361).
Imports by commodity, September 1998
Catalogue number 65-007-XPB
(Canada: \$78/\$773; outside Canada: US\$78/US\$773).
Service Bulletin: Science Statistics; Research and development expenditures of private non-profit organizations, Vol. 22, no. 8,
Catalogue number 88-001-XIB
(Canada: \$6/\$59; outside Canada: US\$6/US\$59).
All prices exclude sales tax.
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| :---: | :---: | :---: |
| Simplify your data search with the Statistics Canada Catalogue (11-204-XPE, \$16; outside Canada: US\$16). <br> Its keyword index will guide you to statistics on Canada's social and economic activity. <br> Order publications by phone: <br> Please refer to the - Title - Catalogue number - Volume number - Issue number - Your VISA or MasterCard number. <br> To order a publication by mail write: Statistics Canada, Circulation Management, Operations and Integration Division, Ottawa, K1A 0T6. <br> Include a cheque or money order payable to Receiver General of Canada/Publications. Canadian customers add 7\% GST and applicable PST. <br> Authorized agents and bookstores also carry Statistics Canada's catalogued publications. |  |  |
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## RELEASE DATES: DECEMBER 1998

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| Release date | Title | Reference period |
| :--- | :--- | :--- |
| 1 | Film and video production | $1996-1997$ |
| 2 | RRSP contributors | 1997 |
| 2 | Help-wanted Index | November 1998 |
| 3 | Charitable donors | 1997 |
| 4 | Labour Force Survey | November 1998 |
| 4 | Building permits | October 1998 |
| 7 | Education quartely review |  |
| 7 | Field crop reporting series: November crop production | November 1998 |
|  | estimates |  |
| 7 | Industrial capacity utilization rates | Third quarter 1998 |
| 8 | Preliminary release of Canadian Social Trends: Paying | 1997 |
|  | off student loans |  |
| 10 | New Housing Price Index | October 1998 |
| 11 | New motor vehicle sales | October 1998 |
| 14 | Canadian Social Trends: Canada's Aboriginal languages | Census 1996 |
| 15 | A profile of youth justice in Canada | $1996 / 1997$ |
| 15 | Survey of household spending | 1997 |
| 16 | Monthly Survey of Manufacturing | October 1998 |
| 16 | Travel between Canada and other countries | October 1998 |
| 17 | Canadian international merchandise trade | October 1998 |
| 17 | Composite Index | November 1998 |
| 18 | Consumer Price Index | November 1998 |
| 18 | Wholesale trade | October 1998 |
| 21 | Retail trade | October 1998 |
| 21 | Health reports |  |
| 21 | Employment Insurance | October 1998 |
| 22 | Canada's international transactions in securities | October 1998 |
| 22 | Income distribution by size in Canada | 1997 |
| 23 | Employment, earnings and hours | October 1998 |
| 24 | Real gross domestic product at factor cost by industry | October 1998 |

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[^0]:    1 The change column reflects actual change in millions of dollars for these items.

    - Nil or zero.

[^1]:    - Nil or zero.

[^2]:    - Nil or zero.

[^3]:    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.

    - Nil or zero.

[^4]:    $r$ Revised figures.
    $p$ Preliminary figures.
    1 Millions of dollars at annual rate.

