



The Daily

Statistics Canada

Monday, July 26, 1999

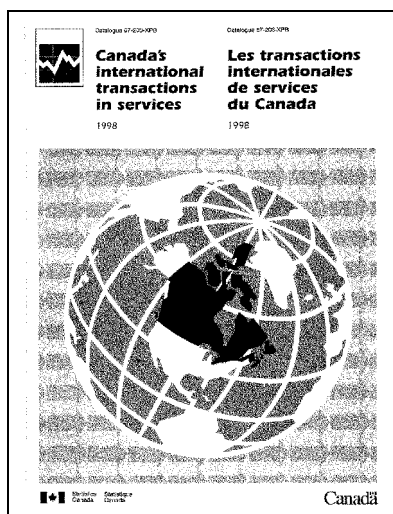
For release at 8:30 a.m.

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Estimated family income after tax remained essentially unchanged at \$45,605 in 1997 for the third consecutive year, after adjusting for inflation.

- **Canada's international transactions in services, 1998** 7
Canada's exports of services reached a high of \$45.9 billion in 1998, bringing the deficit in services trade to \$7.0 billion, its lowest level since 1988.

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Canada's international transactions in services

The latest annual details of Canada's trade in services are now available in *Canada's international transactions in services 1998*. This publication covers transactions in travel, transportation, and commercial and government services to Canada's trading partners.

Trade series have been newly expanded to show summary estimates from 1990 to 1997 for 44 individual trading partners in addition to the usual breakdowns for the United States, the United Kingdom and Japan. All tables are revised from 1995.

Canada's international transactions in services 1998 (67-203-XPB, \$40) is now available. An Internet version (67-203-XIB) will be available shortly. See *How to order publications*.

For more information, contact Hugh Henderson (613-951-9049; hendhug@statcan.ca, Balance of Payments and Financial Flows Division).



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MAJOR RELEASES

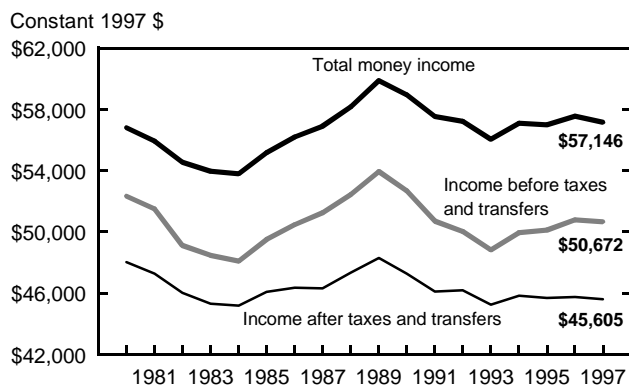
Family income after tax

1997

Estimated family income after tax remained essentially unchanged in 1997 for the third consecutive year, after adjusting for inflation (as measured by changes in the Consumer Price Index). Apart from a modest increase in 1994, the average had declined throughout the early 1990s.

The 1997 average after-tax family income (based on estimates derived from the annual Survey of Consumer Finances) was estimated at \$45,605, about 6% less than in 1989, the peak year for income. Transfer payments averaged \$6,474, 10% lower than the peak in 1993, while the average income tax was \$11,541, down slightly from the high in 1996.

Family after-tax income stable since 1994



Apparent income stability in 1997 due to offsetting movements

Family after-tax income remained stable in 1997 due to several small offsetting movements in income before transfers, government transfer payments and income taxes paid.

Since the majority of income before transfers comes from earnings (90%), changes in pre-transfer income are largely driven by changes in rates of pay and labour-market conditions. The Labour Force Survey indicated that employment grew 1.9% in 1997, while average hours worked per week increased 0.5% to 37.9 hours. Average weekly earnings in 1997 were essentially unchanged as well, with the Survey of Employment, Payrolls and Hours reporting a gain

Note to readers

These estimates came from the Survey of Consumer Finances (SCF), an annual supplement to the April Labour Force Survey. The sample of 35,000 households excludes households in the territories and on Indian reserves. Starting with 1998 income statistics, the Survey of Labour and Income Dynamics (SLID) will be used to produce these annual cross-sectional income estimates in addition to longitudinal labour and income data. Integration of the cross-sectional and longitudinal income statistics programs will promote consistency among income estimates, lower the cost of the income statistics program and reduce the respondent reporting burden.

Results from SLID and the SCF have been compared in detail to assess the differences and the impact on time-series consistency. Essentially, the two surveys tell the same story with respect to low income and income distribution. An evaluation of results for 1993 to 1996 is available in the document A comparison of the results of the Survey of Labour and Income Dynamics (SLID) and the Survey of Consumer Finances (SCF), 1993-1996 (75F0002MIE99002, free).

The full report on family income after tax employs the concept of the 'economic family', which consists of individuals sharing a common dwelling and who are related by blood, marriage (including common-law relationships) or adoption. The results in today's release refer to families of two or more persons and exclude unattached individuals.

After-tax income is calculated by adding government transfer payments (such as Old Age Security, Canada/Quebec Pension Plan benefits, Child Tax Benefits, Social Assistance and Employment Insurance benefits) to income before transfers (mainly from work, investment and private pensions) and then subtracting income taxes paid.

The income redistribution effects described in this report do not reflect all the taxes and other payments made by individuals to governments, nor do they reflect all of the benefits that people receive from governments. For example, health and education expenditures are excluded, as are sales tax revenues. Income and expenditure accounts indicate that transfers are 24% of total government expenditures and personal income taxes are 30% of total government revenues. In fact, all of the benefits that do not involve transferring money directly to families are excluded. Because the survey data refer only to family income, users are cautioned against drawing conclusions about "net benefits" of taxes and transfers based on the data presented in this release.

Dollar amounts and percentages in this release are calculated by using averages in constant 1997 dollars. Other measures, such as medians, are also available for analysis.

of just 0.5%. As a result, families experienced only modest improvements in earnings.

At the same time, however, government transfer payments declined slightly in 1997, as the trend to lower transfers continued.

These offsetting shifts in pre-transfer income and transfers left average total income essentially

unchanged. As a result, average income tax was little changed as well. The net effect was that average family income after tax in 1997 was virtually the same as in 1996. After-tax income has been stable since 1994, the only year this decade to record an increase.

Transfers and taxes narrow income differences

Government transfer payments and income taxes work in concert to narrow the after-tax income gap between those at the top and the bottom of the income scale. Before taxes and transfers, the families in the highest quintile (the 20% of families with highest incomes) had \$21 for every \$1 received by those in the bottom quintile. After taxes and transfers, this gap was reduced to \$5 for every \$1.

Average 1997 income for families in the lowest quintile was estimated at \$16,876 after taxes and transfers, more than tripling their \$5,367 income before transfers. The highest income families, on the other hand, saw their average income reduced to \$85,516 after taxes, from a pre-tax, pre-transfer average of \$112,129.

Differences in average family size affect comparisons among income groups. Families in upper income quintiles tend to be larger, on average, than those in the lower quintiles. While families in the top quintile had \$5 in after-tax income for each \$1 received by those in the bottom quintile, this was reduced to just under \$4 to \$1 on a per capita basis.

Taxes and transfers also reduced the income disparity among family types. On a pre-transfer basis, two-parent families with two earners received an average \$3 for each \$1 received by female lone-parent families. This was reduced to just over \$2 for each \$1 on an after-tax basis. Generally speaking, two-parent families, who on average have relatively high pre-transfer income, pay more in taxes and receive comparatively low transfers.

Transfers decline for fourth consecutive year

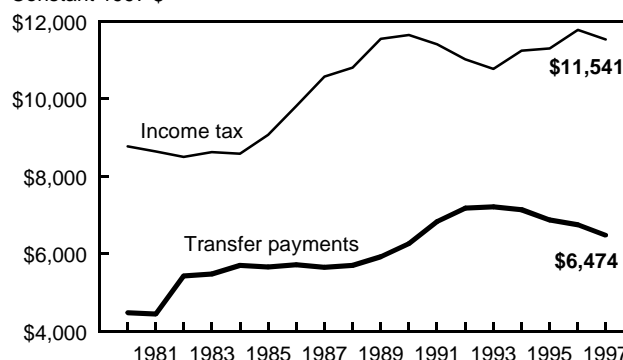
Average transfers were \$6,474 in 1997, down 4% from 1996, as payments of social assistance and Employment Insurance declined again. For the first time since 1980, average transfers fell for families in all quintiles, including the lowest. Average transfers peaked in 1993, responding to unfavourable labour market conditions and they have been steadily declining since.

Transfer payments represented 11.3% of family income in 1997, down from the 12.9% peak in 1993. The 1993-to-1997 reductions followed five years of

increases. Throughout the 1980s and into the early 1990s, transfers generally moved upward.

Average transfers still following a downward trend in 1997 while taxes little changed

Constant 1997 \$



While labour-market factors clearly affect the trend in transfers, demographic factors are also influential. The elderly share of the population has increased throughout the 1980s and 1990s. As more people reach retirement age and leave the workforce, they begin receiving Old Age Security and Canada/Quebec Pension Plan benefits. Consequently, the proportion of income from these two sources has been steadily rising, reinforcing the overall increase in transfers seen during recessionary times and tempering the decline during recoveries. This partly explains why the 1997 proportion of income from transfers was still higher than at any time during the 1980s, despite recent reductions in other transfers.

Average transfers exceed average taxes for the elderly¹ and for lone-parent families

	Average income before transfers	(+) Average transfer payments	(-) Average income tax	(=) Average income after tax, 1997 (constant 1997 dollars)	Average income after tax, 1996 (constant 1997 dollars)
\$					
Elderly couples	21,428	18,619	5,701	34,346	34,200
Non-elderly couples	53,837	3,052	12,539	44,350	44,803
Two-parent families	60,721	4,094	13,954	50,860	50,888
One earner	40,693	5,614	9,306	37,002	36,883
Two earners	63,731	3,266	14,991	52,007	52,230
Female lone-parent families	18,516	6,929	2,952	22,493	21,704
Total families	50,672	6,474	11,541	45,605	45,760
Elderly unattached	7,743	12,201	2,086	17,858	17,938
Non-elderly unattached	24,621	2,355	5,679	21,297	21,135
Total unattached	19,891	5,114	4,672	20,333	20,214

¹ Family reference person aged 65 years and over.

Average taxes stable, proportion of income paid in taxes essentially unchanged in 1997

Average family income tax in 1997 was an estimated \$11,541, down slightly from the 1996 peak. The absence of significant change reflects the fact that total family income was essentially unchanged in 1997. Income taxes had been following an upward trend (an average \$336 per year between 1993 and 1996), mainly due to increased earnings, as employment recovered from the losses of the last recession. Income tax brackets that were not adjusted for inflation also contributed to higher taxes.

Income taxes represented an estimated 20.2% of total family income in 1997, virtually the same as the peak reached in 1996. Families in the bottom quintile saw a modest increase in the percentage of income paid in taxes, reflecting higher earnings. For these lowest income families, taxes represented, on average, 3.1% of income. Families in the top paid on average 26.0%, down slightly from 26.7% in 1996. A decline in their average earnings in 1997 contributed to this reduction. For all other quintiles, the proportions were unchanged.

After-tax inequality remains stable through economic swings of 1980s and 1990s

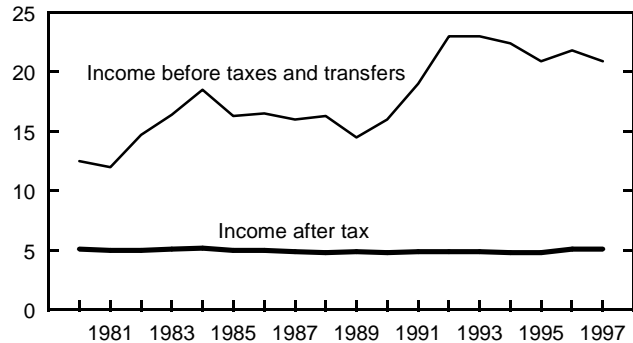
In recent years, some analysts have expressed concern regarding the level of equality in the distribution of income. The issue is whether or not, over time, higher income families have gained a larger piece of the income pie at the expense of lower income families. The answer depends in part on the income concept being examined: for pre-transfer income, the gap widened substantially between 1980 and 1992 and has declined gradually since then; for after-tax income, the gap has remained virtually unchanged.

The pre-transfer income gap between high- and low-income families grew significantly during the two most recent economic downturns. Lower income families were hit hardest by declining earnings from job losses during the recessions of the early 1980s and 1990s.

Between 1980 and 1984, families in the lowest quintile experienced a 22% drop in pre-transfer income while those in the highest saw a decline of only 3%. Between 1989 and 1993, the decreases were 27% and 6%, respectively.

After-tax income gap stable over time due to transfers and taxes

Income ratio:
highest to lowest quintile



During both recoveries, the pre-transfer gap narrowed, as families in the lowest quintile recorded the largest percentage increase in earnings from employment. Between 1984 and 1989, the lowest quintile families saw their pre-transfer income rise 32%, while those in the highest experienced an 11% gain. From 1993 to 1997, the gains were a more modest 10% and 3%, respectively.

On the basis of after-tax income, however, the picture is quite different. There is long-standing stability in after-tax income inequality, essentially maintained due to the combined impact of transfers and taxes.

Overall, average family after-tax income in 1997 was still 5% lower than in 1980. On a per capita basis, however, it increased more than 2%, since the size of the average family declined over the same period.

Income after tax, distributions by size in Canada, 1997 (13-210-XPB, \$31) is now available. This publication presents statistics for families of two or more persons, for unattached individuals, for all units (families and unattached individuals combined) and for individuals with income. A related report, *Low income after tax, 1997* (13-592-XIB, \$30) will be released in early August. See *How to order publications*.

Data on average income, income tax and transfer payments are available free on Statistics Canada's Web site (www.statcan.ca), under *Canadian statistics*, followed by *The people - families, households and housing*, then *Income*.

Microdata files from the 1998 Survey of Consumer Finances will also be available in early August. These files provide anonymous data on the income of households, economic families, census families and individuals aged 15 years and over, along with socio-demographic characteristics. These files have

been carefully reviewed to ensure that they do not contain information that would identify specific households, families or individuals.

For more information about the current survey results and related products and services, or to enquire about the concepts, methods or data quality of this release, contact Client Services (613-951-7355 or 1 888 297-7355; fax: 613-951-3012; *income@statcan.ca*), Income Statistics Division. ■

Canada's international transactions in services

1998

Canada's exports of services rose 9% to reach a high of \$45.9 billion in 1998, covering travel, transportation, commercial services to the business community and a smaller group of government services. These sales helped bring Canada's deficit in services trade to \$7.0 billion, its lowest level since 1988.

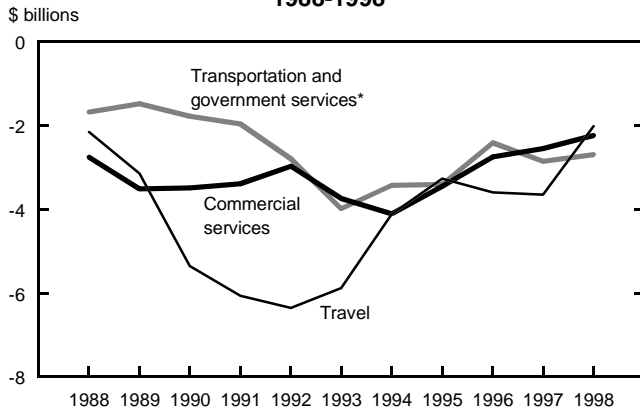
Moreover, this deficit — the difference between the services Canada exports and the payments it makes to foreign suppliers — has shown a significant drop in each year since 1993, except for a modest rise in 1997 due to transportation payments.

The 9% rise in service exports for 1998 was greater than the 3% increase in service imports, which reached \$52.9 billion. Both exports and imports have risen annually since the early 1980s.

U.S. travel spending a leading element

A key development in services trade was the overall reduction in the 1998 service deficit, which stemmed from travel. The travel deficit in 1998 plunged by nearly half to \$2 billion; with a 7% depreciation of the Canadian dollar against the U.S. dollar came a sharp rise in spending by U.S. visitors, while Canadian travellers spent less in the United States.

Major sources of services deficit, 1988-1998



* Predominantly transportation.

Since 1995, payments in each main services group (travel, transportation and commercial services) outstripped receipts by \$2 to \$4 billion annually.

New annual series: traditional markets dominate

Canada's international transactions in services is now expanded with summary estimates of travel, commercial and other services from 1990 to 1997, covering 44 individual trading partners in addition to the usual breakdowns for the United States, the United Kingdom and Japan.

Canada's top trading partners in cross-border services¹

	\$ millions	Average annual % growth, 1992 to 1997
Largest markets, 1997		
United States	23,764	11.0
United Kingdom	2,586	11.9
Japan	1,537	7.0
Germany	1,247	10.8
France	1,183	10.3
Hong Kong	656	6.5
Global services exports	42,207	10.9

Largest suppliers, 1997		
United States	31,826	5.6
United Kingdom	3,415	9.2
France	1,393	8.8
Japan	1,133	4.9
Hong Kong	927	8.9
Barbados	920	11.6
Global services imports	51,270	6.6

	\$ millions	Main contributors
Largest sources of surplus, 1997		
Japan	405	Travel
Germany	328	Travel, commercial services
Taiwan	306	Travel, commercial services
South Korea	297	Commercial services, travel
Brazil	240	Commercial services, travel
Sweden	211	Commercial services

Largest sources of deficit, 1997		
United States	- 8,062	Commercial services, travel
United Kingdom	- 829	Transportation, commercial services, travel
Barbados	- 484	Commercial services, travel
Greece	- 461	Transportation, travel
Mexico	- 397	Travel
Hong Kong	- 271	Transportation

¹ In addition to the United States, the United Kingdom and Japan, summary services trade data for 1990-1997 are available for 44 countries. Data include receipts, payments and balance, with a further breakdown of receipts and payments in three categories: travel, commercial services and combined transportation and government services. The countries are: Argentina, Australia, Austria, Bahamas, Barbados, Belgium-Luxembourg, Bermuda, Brazil, Chili, China (mainland), Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Iran, Ireland, Israel, Italy, Jamaica, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Portugal, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Turkey and Venezuela.

Results on the summary table confirm the general dominance of the United States, the United Kingdom and Japan, but also provide an expanded list of other trading partners whose relative size, growth and contribution to the trading balance have not all been estimated before now.

Quarterly statistics are now released regularly in the quarterly publication, *Canada's balance of international payments* (67-001-XPB, \$38/\$124; 67-001-XIB, \$27/\$93) and on CANSIM. These data also appear in *Canada's international transactions in services, 1998*, on a raw and seasonally adjusted basis.

Available on CANSIM: matrices 3178, 3180-3186, 3188-3190, 3192-3195 and 3197.

Matrices for individual countries newly published in this issue of *Canada's international transactions in services, 1998* will be available by August 31, 1999.

Canada's international transactions in services, 1998 (67-203-XPB, \$40) is now available. See *How to order publications*.

For enquiries about data in electronic format, including CANSIM, please contact Denis Caron (613-951-1861; caroden@statcan.ca). For more information, or to enquire about the concepts, methods or data quality of this release, contact Hugh Henderson (613-951-9049; hendhug@statcan.ca), Balance of Payments and Financial Flows Division. ■

OTHER RELEASES

Pipeline transportation of crude oil and refined petroleum products (formerly Oil pipeline transport)

April 1999

Net receipts of crude oil and equivalent hydrocarbons totalled 12 065 534 cubic metres in April, down 5.4% from April 1998. Year-to-date receipts to the end of April (48 023 371 cubic metres) were down 7.6% over the same period in 1998. Net receipts of liquefied petroleum gases and refined petroleum products in April (6 367 471 cubic metres) increased 2.3% from April 1998. Year-to-date receipts decreased 0.7% to 25 841 080 cubic metres.

Pipeline exports of crude oil (5 226 591 cubic metres) decreased 13.7% from April 1998 and pipeline imports (1 731 250 cubic metres) increased 10.3%. Year-to-date exports (20 406 919 cubic metres) were down 15.6% from 1998. Year-to-date imports (6 305 376 cubic metres) increased 2.6 %.

April deliveries of crude oil by pipeline to Canadian refineries totalled 4 983 485 cubic metres, up 1.3% from 1998. April deliveries of liquefied petroleum gases and refined petroleum products increased 8.3% to 734 289 cubic metres. Year-to-date deliveries of crude oil to refineries at the end of April totalled 22 248 754 cubic metres, up 1.7% from the same period in 1998.

Available on CANSIM: matrices 181 and 591-595.

The April 1999 issue of *Pipeline transportation of crude oil and refined petroleum products* (55-001-XIB, \$9/\$86) is now available. See *How to order publications*.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Eleonore Harding (613-951-5708; hardele@statcan.ca), Energy Section, Manufacturing, Construction and Energy Division. ■

Innovation analysis bulletin

Statistics Canada has launched the first bulletin in a series profiling trends in science, technology and the information society. *Innovation analysis bulletin* includes updates on government science and technology activities, industrial research and development, intellectual property commercialization, advanced technologies and innovation, biotechnology and technology use, connectedness, telecommunications and broadcasting, and electronic commerce.

The current issue contains seven articles on topics such as a new framework to measure science and technology knowledge, an assessment of Canadian contributions to scientific journals, a snapshot of market share and performance in telecommunications, the rise in patents and licensed products at universities, and getting connected on the Internet.

Innovation analysis bulletin (88-003-XIE, free) is now available at www.statcan.ca under *Products and services*, followed by *Downloadable publications (free)*.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Michael Bordt (613-951-8585; fax: 613-951-9920; michael.bordt@statcan.ca), Science, Innovation and Electronic Information Division. ■

Farm product prices

January to June 1999

Monthly farm product prices for January to June are now available.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Bernie Rosien (613-951-2441; fax: 613-951-3868), Farm Income and Prices Section, Agriculture Division. ■

PUBLICATIONS RELEASED

Income after tax, distributions by size in Canada, 1997

Catalogue number 13-210-XPB

(Canada: \$31; outside Canada: US\$31).

Pipeline transportation of crude oil and refined petroleum products, April 1999

Catalogue number 55-001-XIB

(Canada: \$9/\$86).

Construction price statistics, first quarter 1999

Catalogue number 62-007-XPB

(Canada: \$24/\$79; outside Canada: US\$24/US\$79).

Canada's international transactions in services, 1998

Catalogue number 67-203-XPB

(Canada: \$40; outside Canada: US\$40).

All prices exclude sales tax.

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Statistics Canada	
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