



The Daily

Statistics Canada

Friday, February 28, 2003

Released at 8:30 am Eastern time

MAJOR RELEASES

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Economic activity slowed in the fourth quarter of 2002 as real gross domestic product advanced 0.4%, less than one-half of the pace set in the third quarter. The economy lost steam over the course of the quarter, with gross domestic product up a modest 0.1% in November and December.

NEW PRODUCTS

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RELEASE DATES: March 2003 11



MAJOR RELEASES

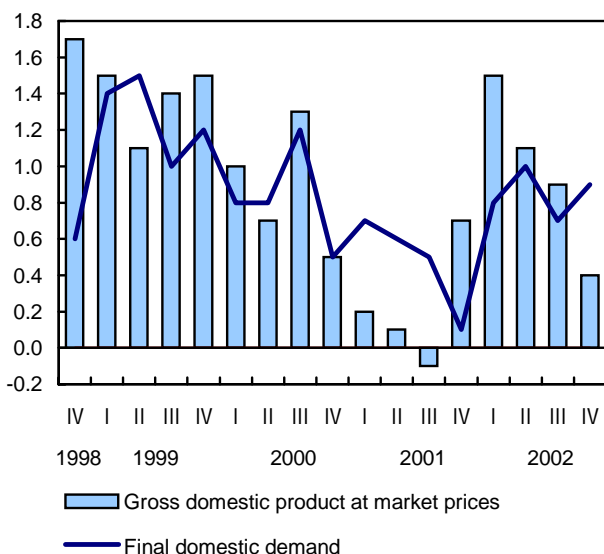
Canadian economic accounts

Fourth quarter 2002

Economic activity slowed in the fourth quarter of 2002, as real gross domestic product (GDP) advanced 0.4%, less than one-half of the pace set in the third quarter. A drop in exports during the quarter was only partly offset by sustained strength in personal expenditures. The economy lost steam over the course of the quarter, with GDP up a modest 0.1% in November and December.

GDP growth slows over the year

Quarterly % change, \$ chained 1997



The slower rate of growth in the fourth quarter resulted from decreased output in manufacturing and agriculture, and lower activity levels in the finance sector. The economy was buoyed by the services sector, in particular wholesale and retail trade, public administration, health care, real estate and business services.

The 2.1% drop in exports in the fourth quarter, which was concentrated in automotive products, came on the heels of three consecutive quarterly gains. Domestic demand picked up somewhat in the fourth quarter. Consumer spending, especially on durable goods such as furniture and automobiles, provided the main source of strength. Investment in residential construction, though slower than in the previous quarter, advanced a healthy 2.6%. Household borrowing also picked up,

Note to users

The Daily now publishes a single summary analysis from three previous releases — comprising the national economic and financial accounts and Canada's balance of international payments (quarterly data) as well as gross domestic product by industry (monthly data) — under the title "Canadian economic accounts." The more detailed analyses, charts and tables formerly released in The Daily are available in a new electronic publication, Canadian economic accounts quarterly review (13-010-XIE). This publication is available now, free of charge, in HTML and PDF formats, and will be available simultaneously with each national accounts quarterly release in The Daily.

Gross domestic product by industry results for the first two months of each quarter continues to appear in The Daily in the same format as before.

in line with these developments. Business investment in plant and equipment declined, despite the continued growth in profits.

Although economic growth decelerated over the four quarters of 2002, the economy grew 3.4% for the year, more than double the rate for 2001. Prices, as measured by the implicit chain price index for GDP, advanced 1.2% in 2002.

Real gross domestic product, \$ chained 1997¹

	Change	Annualized change %	Year-over-year change
First quarter 2002	1.5	6.0	2.2
Second quarter 2002	1.1	4.4	3.2
Third quarter 2002	0.9	3.6	4.2
Fourth quarter 2002	0.4	1.6	3.9
2002	3.4	...	3.4

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 a previous year.

... Figures not applicable.

The decline in receipts on exports of goods, coupled with larger dividends paid to foreign direct investors, were the main factors in the reduced surplus on current transactions with non-residents in the fourth quarter. The surplus, which narrowed in each quarter of the year, declined more than 40% in 2002.

National economic and financial accounts

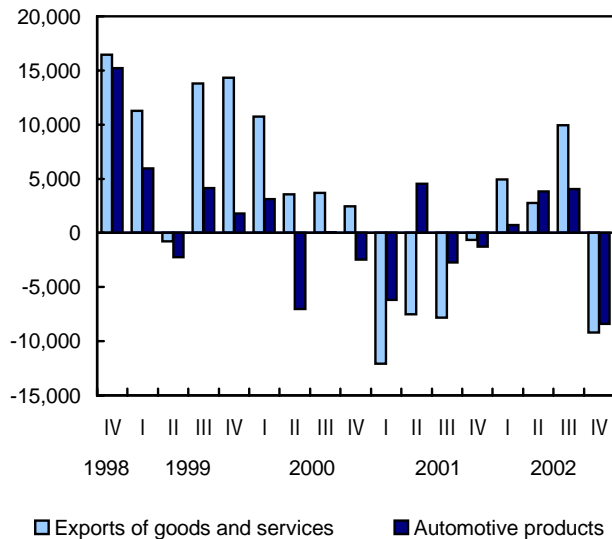
The decline in exports in the fourth quarter largely offset the gain in the third quarter, and reflected to a large extent sagging US demand for goods in the face of a slowing economy south of the border. Total

automotive exports, including passenger vehicles, trucks and parts, recorded their largest drop since the fourth quarter of 1996. Exports of passenger vehicles alone plummeted 17%. Wheat exports were sharply reduced (-27%), in line with the drought-reduced stocks. The few sources of strength in exports included forestry products and oil.

The volume of exports edged ahead 0.8% in 2002, following a decrease in 2001. Exports of energy and automotive products were the largest contributors to annual growth, but were largely offset by falling sales of wheat and telecommunications equipment.

Export volumes pulled down by declines in auto

Quarter-to-quarter change, millions of \$ chained 1997



Businesses accumulated almost \$10 billion in inventories in the fourth quarter, extending the large accumulations that began in the second quarter. Increases were evident across manufacturing and trade industries, with retail motor vehicle inventories accounting for more than 40% of this buildup. Grain stocks were drawn down in the quarter, however.

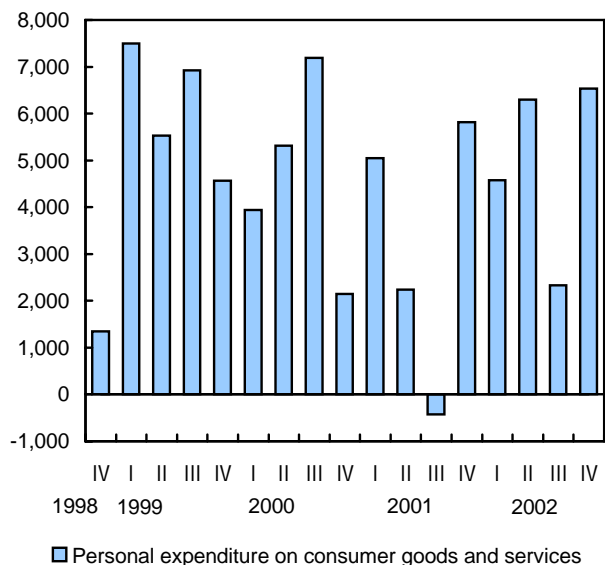
Consumers increased spending on all major categories of consumer goods and services at a rate of 1.1% in the fourth quarter. Motor vehicle expenditures increased 1.6%, following a decline of a similar magnitude in the third quarter. Sustained strength in the housing market led to an acceleration in sales of household furniture (+5.4%) and household appliances (+1.7%). Increased aircraft passenger traffic led to a 4.8% surge in purchased transportation services, and relatively colder weather resulted in significant increases on expenditures for energy. Total personal expenditure on durable goods was up 6.4% for

the year, driven by the demand for motor vehicles and the boom in the housing market.

In the fourth quarter, the Government of Ontario made rebates related to the price of electricity. For more information on the treatment of these rebates within the Canadian system of national accounts, see page on the Ontario electricity rate freeze and rebate, on Statistics Canada's website (www.statcan.ca). From the *Statistical methods* page, under *Methodology*, click *Methodology*, then *New measure of GDP*.

Consumer spending posts strong increase

Quarter-to-quarter change, millions of \$ chained 1997



Investment in residential structures continued at historically high levels, though activity eased somewhat in the fourth quarter. Nevertheless, quarterly housing starts reached their highest level since 1990. In addition, the existing home market recorded increased activity following two quarters of decline. For the year as a whole, total investment in residential structures advanced 15.9%, making for the highest rate of growth since the previous housing boom in 1987. Construction, renovations and resale activity all picked up in 2002, reflecting the much lower levels of mortgage rates compared with 2001. Mortgage borrowing accommodated this demand and was also up strongly in the year.

Business investment in plant and equipment slipped 0.4% in the fourth quarter. Investment in buildings and expenditures on engineering construction were both off, and expenditure on machinery and equipment was flat. Spending on industrial machinery jumped 5.5%, but was offset by falling

investment in telecommunications equipment and lower purchases of automobiles by businesses. Business plant and equipment spending slumped in the year (-3.9%) on the heels of a slowdown (-1.1%) in 2001. Telecommunications and other transportation equipment investment both suffered double digit drops. Business investment in non-residential structures fell sharply, after a trend to increased spending set over the previous nine years.

Growth in pre-tax corporate profits eased in the fourth quarter, and was up 6.2% for the year as a whole. The resulting high level of undistributed earnings, coupled with weaker capital spending, pushed the corporate sector to a record surplus position of \$24.5 billion in 2002. The corporate sector has been in a net lending position for the past three years. In addition, corporations' demand for borrowed funds slowed over the course of the year, further improving the debt-to-equity ratio.

Labour income strengthened in the fourth quarter, as well as for the year as a whole, in line with gains in employment. However, personal disposable income did not keep pace with personal expenditure for most of the quarters, with the result that the saving rate was down both in the fourth quarter and for the year. Household demand for funds was unprecedented in 2002, pushing consumer and mortgage debt to a new high. Although the household debt-to-income ratio rose in each quarter of the year to 97.6% by year-end, the cost of carrying debt declined, reflecting lower interest rates in 2002.

Canada's balance of international payments

The seasonally adjusted current account surplus fell \$0.9 billion to \$3.3 billion in the fourth quarter of 2002, reaching a three-year low. The deficit in investment income widened and the surplus on goods declined because of lower exports of goods.

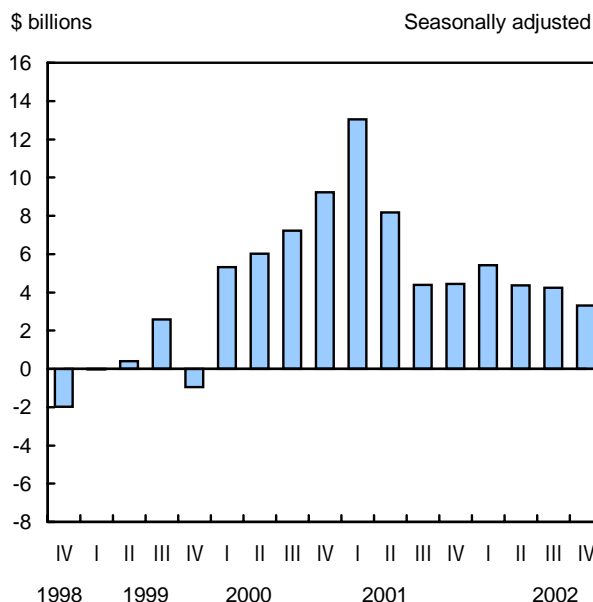
The surplus on goods decreased to \$13.2 billion in the fourth quarter, as exports fell and imports remained stable. A large drop in exports of automotive products, related to lower shipments of passenger cars, was mostly offset by an increase in the export of energy products. Imports of automotive products were down somewhat in the quarter, as the increase for cars and trucks was more than offset by a reduction in the imports of parts. Energy product imports, particularly for crude petroleum, increased slightly.

The decline in the services deficit in the fourth quarter was evenly distributed between travel, transportation and commercial services. The deficit in investment income increased to \$8.4 billion, a level not reached since the end of 1999. Although income receipts remained relatively stable in the fourth quarter,

the payment of dividends to foreign direct investors rose 21%.

In 2002, the surplus of the current account fell \$12.7 billion from its record high to \$17.3 billion, because of, among other factors, lower exports of telecommunications goods and higher imports of automotive products. The balance on investment income also played a role. After two years of decrease, the investment income deficit was higher in 2002, as dividends received by Canadian direct investors were reduced in the year.

Current account balance



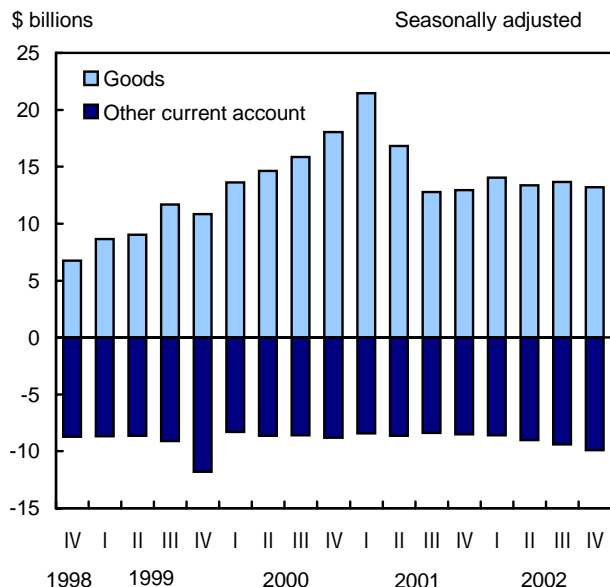
In the capital and financial account (not seasonally adjusted), there were marked increases to both financial assets and liabilities leading to a net outflow on the quarter, in line with the surplus on current account.

Canadian direct investors channelled \$16.0 billion into foreign economies in the fourth quarter, mainly to the United States, recording their strongest investment in a year and a half. Most of the investment went to existing affiliates for working capital purposes. This was generally the case for 2002, whereas acquisitions had been the principal driver in three of the past four years. Direct investment for the year (\$43.9 billion) was lower than in 2000 and 2001, but only slightly below the average of the last five years.

Canadian demand for foreign securities fell for the third consecutive quarter, with outflows at their lowest level in three and a half years. The investment in the quarter went exclusively to US stocks. In 2002, 90% of

the \$18.5 billion went to US equities, compared with the two previous years when just under half was invested overseas. The \$6.2 billion invested in foreign bonds for 2002 was the highest in four years.

Goods and other current account balances



After very low activity in the third quarter, foreign direct investment of \$5.7 billion flowed into the Canadian economy. Acquisitions represented about a third of the total, after being a non-factor in the previous two quarters. Even with the slower investment in the second half of the year, the total for 2002 was \$33.6 billion, a level similar to three of the past four years.

Foreign portfolio investors bounced back with their highest investment in the year, \$9.4 billion in Canadian securities, after having reduced their holdings in the third quarter. The inflows went mostly to debt securities, evenly split between money market instruments and bonds. The modest foreign investment in Canadian equities in the quarter came exclusively from new share offerings in foreign markets and treasury shares issued to foreign investors for the purposes of mergers and acquisitions. Total foreign investment in Canadian securities stood at \$17.9 billion for the year, half of what it was in 2001.

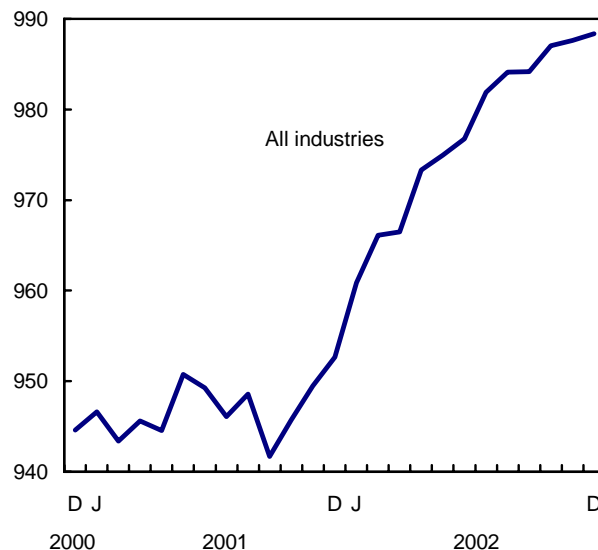
Gross domestic product by industry

The slower rate of growth in the fourth quarter resulted from decreased output in manufacturing and agriculture, as well as lower activity levels in the finance sector. The economy was buoyed by the services

sector, in particular wholesale and retail trade, public administration, health care, real estate and business services. After registering significant increases since the beginning of 2002, goods-producing industries took a breather in the fourth quarter, the result of a largely weaker manufacturing sector.

Economic expansion slows

GDP \$ billions chained 1997



Gains in wholesale trade were significant and widespread. Wholesalers of automotive products registered the largest gain, continuing a trend that started early in 2001. Retailers also enjoyed higher activity levels. Furniture stores registered the largest gain in the retail trade sector. After peaking in the first quarter of 2002, retail sales of new motor vehicles have gradually declined to year-ago levels. Wholesale and retail trade were up strongly in the year.

Monthly gross domestic product by industry at basic prices in 1997 chained dollars

	Jul. 2002 ^r	Aug. 2002 ^r	Sept. 2002 ^r	Oct. 2002 ^r	Nov. 2002 ^r	Dec. 2002 ^p
Seasonally adjusted						
Month-to-month % change						
All industries	0.5	0.2	0.0	0.3	0.1	0.1
Goods-producing industries	1.2	-0.1	-0.1	0.1	0.0	0.1
Services-producing industries	0.2	0.4	0.1	0.4	0.1	0.0
Industrial production	1.5	0.1	-0.1	0.0	-0.1	0.1
Construction	0.4	0.3	0.5	0.3	0.2	0.3

^r Revised figures.

^p Preliminary figures.

Construction registered solid gains, thanks to a strong housing sector. Although new home construction grew more slowly than in the third quarter, the level remained 17% higher than in the fourth quarter of 2001. Construction-related manufacturing industries showed mixed results in the fourth quarter. Annual growth in the new home construction industry was the highest since the mid-1980s.

Professional, scientific and technical services industries continued to grow in the fourth quarter, mostly because of computer systems and related services. Administrative and support services also increased strongly. Expansion of the public administration sector was evenly distributed between federal, provincial and territorial governments as well as municipal public administration. Gains in the health care sector, although not as strong as in the third quarter, were also widespread.

Industrial production declined slightly in the fourth quarter, as gains in the mining and utilities industries were more than offset by a drop in the manufacturing sector. This was the first decline in industrial production since the fourth quarter of 2001.

A plunge in transportation equipment production was largely responsible for the weakness in the manufacturing sector, as motor vehicle manufacturers had scaled back production continuously since August in an attempt to reduce high inventory levels. Labour strife and continuing problems in the global air travel industry translated into further reductions in manufacturing output of new aircraft. On an annual basis, output in manufacturing turned around in 2002, with strength in wood products, motor vehicles and parts and pharmaceuticals.

Detailed analysis and tables

More detailed analysis on today's releases from the national accounts, including additional charts and tables, can be found in the fourth quarter 2002 issue of *Canadian economic accounts quarterly review*, Vol. 1, no. 3 (13-010-XIE, free), now available on Statistics Canada's Web site (www.statcan.ca). From the *Our products and services* page, under *Browse our Internet publications*, choose *Free*, then *National accounts*.

Products, services and contact information

National economic and financial accounts

Available on CANSIM: tables 378-0001, 378-0002, 380-0001 to 380-0017, 380-0019 to 380-0035, 380-0056 and 382-0006.

Information on methods and data quality available in the Integrated Meta Data Base: survey numbers, including related surveys, 1804, 1901 and 2602.

The fourth quarter 2002 issue of *National income and expenditure accounts, quarterly estimates* (13-001-XIB, \$33/\$109; 13-001-XPB, \$44/\$145) will be available soon. See *How to order products*.

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/\$65), including supplementary analytical tables and charts are now available.

At 8:30 am 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 computer diskette. The diskettes (13-001-DDB, \$125/\$500; 13-014-DDB, \$300/\$1200; and 13F0016DDB, \$125/\$500) can also be purchased at a lower cost seven business days after the official release date (13-001-XDB, \$25/\$100; 13-014-XDB, \$60/\$240; and 13F0016XDB, \$25/\$100). To purchase any of these products, contact Client Services (613-951-3810; iead-info-dcrd@statcan.ca), Income and Expenditure Accounts Division.

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

Canada's balance of international payments

Available on CANSIM: tables 376-0001 to 376-0017 and 376-0035.

Information on methods and data quality available in the Integrated Meta Data Base: survey numbers, including related surveys, 1533, 1534, 1535, 1536 and 1537.

The fourth quarter 2002 issue of *Canada's balance of international payments* (67-001-XIB, \$29/\$93; 67-001-XPB, \$38/\$124) will be available soon. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Arthur Ridgeway (613-951-8907), Balance of Payments Division.

Gross domestic product by industry

Available on CANSIM: tables 379-0017 to 379-0022.

Information on methods and data quality available in the Integrated Meta Data Base: survey numbers, including related surveys, 1301 and 1302.

The December 2002 issue of *Gross domestic product by industry* (15-001-XIE, \$11/\$110) will be available in March. A print-on-demand version is available at a different price. See *How to order products*.

To purchase data, contact Yolande Chantigny (1-800-887-IMAD; imad@statcan.ca). For more information, or to enquire about the concepts, methods or data quality of this release, contact Jo Ann MacMillan (613-951-7248; joann.macmillan@statcan.ca), Industry Measures and Analysis Division.

National balance sheet accounts and Canada's international investment position to be released quarterly

The National balance sheet accounts and Canada's international investment position, currently released on an annual basis, will start to be published quarterly in June.

To facilitate the move to quarterly data, the annual data for 2002 that normally would have been published in March will be released in June. At that time, quarterly time series for both the National balance sheet and Canada's international investment position will be released back to 1990.

Annual foreign direct investment position series will be released on March 26.

Additional detail on the release of these data is available on the Statistics Canada's website (www.statcan.ca) in a document titled "National balance sheet accounts and Canada's international investment position."

□

Canadian economic accounts key indicators

	Fourth quarter 2001	Fourth quarter 2002	Fourth quarter 2001 to first quarter 2002	First quarter to second quarter 2002	Second quarter to third quarter 2002	Third quarter to fourth quarter 2002
	Seasonally adjusted at annual rates					
	\$ millions at current prices		% change at quarterly rates			
National economic and financial accounts						
Wages, salaries and supplementary labour income	573,968	608,344	1.7	1.2	1.2	1.7
Corporation profits before taxes	101,280	132,844	12.3	10.9	2.5	2.8
Personal disposable income	674,124	705,624	1.9	0.9	0.8	1.0
Personal saving rate ¹	4.8	3.7	...	...	...	...
	\$ millions chained 1997					
Personal expenditures	584,710	604,452	0.8	1.1	0.4	1.1
Business gross fixed capital formation	180,030	189,076	1.6	1.1	1.6	0.6
Gross domestic product at market prices	1,032,685	1,072,854	1.5	1.1	0.9	0.4
Gross domestic product by industry						
Goods producing industries	292,711	305,817	2.2	1.3	0.9	0.1
Services producing industries	656,862	682,110	1.3	1.0	0.8	0.6
Industrial production	220,364	231,671	2.6	1.4	1.1	-0.1
Non-durable manufacturing	65,479	68,387	1.5	1.8	0.9	0.1
Durable manufacturing	90,947	97,139	3.7	2.0	1.6	-0.6
Information and communication technologies sector (ICT)	55,890	59,273	3.5	1.4	0.5	0.7
	\$ millions at current prices					
	Seasonally adjusted at quarterly rates		Actual change			
Balance of payments						
Current account, balance	4,428	3,304	992	-1,060	-131	-925
Goods and services, balance	11,259	11,400	1,048	-1,289	545	-163
Goods, balance	12,955	13,185	1,075	-667	278	-457
Services, balance	-1,696	-1,785	-27	-622	267	294
Investment income, balance	-7,383	-8,382	90	283	-654	-717
Current transfers, balance	551	285	-146	-54	-23	-44
	Unadjusted					
Financial account, net flow	-6,732	-7,934	...	...	...	...
Canadian assets, net flow	-37,359	-24,082	...	...	...	...
Canadian liabilities, net flow	30,627	16,149	...	...	...	...

¹ Actual rate.

... Figures not applicable.

NEW PRODUCTS

Infomat — a weekly review, February 28, 2003
Catalogue number 11-002-XIE (\$3/\$109).

Infomat — a weekly review, February 28, 2003
Catalogue number 11-002-XPE (\$4/\$145).

Estimates of labour income, monthly estimates,
December 2002
Catalogue number 13F0016XPB (\$20/\$65).

**National income and expenditure accounts,
quarterly estimates — Day of release**, Fourth
quarter 2002
Catalogue number 13-001-DDB (\$125/\$500).

**National income and expenditure accounts,
quarterly estimates**, Fourth quarter 2002
Catalogue number 13-001-PPB (\$50/\$180).

Canadian economic accounts quarterly review,
Fourth quarter 2002
Catalogue number 13-010-XIE
(free).

**Financial flow accounts, quarterly estimates — Day
of release**, Fourth quarter 2002
Catalogue number 13-014-DDB (\$300/\$1,200).

Financial flow accounts, quarterly estimates, Fourth
quarter 2002
Catalogue number 13-014-PPB (\$50/\$180).

Fruit and vegetable production, February 2003,
Vol. 71, no. 2
Catalogue number 22-003-XIB (\$23/\$46).

Canadian international merchandise trade,
December 2002, Vol. 56, no. 12
Catalogue number 65-001-XIB (\$14/\$141).

. . .au courant, February 2003
Catalogue number 82-005-XIE
(free).

**A comparison of international R&D performance:
An analysis of countries that have significantly
increased their GERD/GDP ratios during the
period 1989–1999**, no. 1
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Catalogue 11-001-XIE (February 11/2003) 11-001-XIE-001	
 The Daily	
Statistics Canada	
Thursday, June 5, 1997 For release at 9:30 a.m.	
MAJOR RELEASES	
• Urban transit, 1995 Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about six trips on some form of urban transit, the lowest level in the past 25 years.	2
• Productivity, hourly compensation and unit labour cost, 1995 Growth in productivity among Canadian businesses also noticeably weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.	4
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Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

Published each working day by the Communications Division, Statistics Canada, 10-H, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

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RELEASE DATES: MARCH 2003

(Release dates are subject to change.)

Release date	Title	Reference period
4	Help-wanted Index	February 2003
6	Building permits	January 2003
7	Labour Force Survey	February 2003
11	Census of population: School attendance, education, field of study, highest level of schooling, school attendance and earnings	2001
12	Industrial capacity utilization rates	Fourth quarter 2002
12	Canadian international merchandise trade	January 2003
12	New Housing Price Index	January 2003
13	New motor vehicle sales	January 2003
13	Life after welfare: The economic well-being of welfare leavers during the 1990's	
14	Labour productivity, hourly compensation and unit labour cost	Fourth quarter 2002
17	Leading Indicators	February 2003
17	Workplace and Employee Survey: Do innovative work practices reduce labour turnover?	1999–2000
18	Canada's international transactions in securities	January 2003
18	Monthly Survey of Manufacturing	January 2003
19	Travel between Canada and other countries	January 2003
21	Consumer Price Index	February 2003
24	Wholesale trade	January 2003
24	Retail trade	January 2003
25	Employment Insurance	January 2003
26	Foreign direct investment positions	
27	Employment, earnings and hours	January 2003
27	Industrial Product Price and Raw Materials Price Indexes	February 2003
28	National tourism indicators	Fourth quarter 2002