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October 9, 1981

Canadian Leading Indicator

Signs that a slowdown in economic activity will extend over the second half of 1981 proliferated in July as the Canadian composite leading indicator fell for the second consecutive month, and the weakness that characterized several components in June broadened and intensified. In July, seven of the 10 components decreased. Indicators of consumer spending declined and large losses in the residential construction index underlined the depressed outlook for housing. Prospects for exports weakened further. The manufacturing sector, despite signs of hesitation in certain industries, remained the only source of resilience mostly because of the continued expansion of business investment spending. The leading indicator was down 0.49% to 137.88 from 138.56 in June. The non-filtered index fell 1.2% — its third consecutive large decline — dropping to 134.3 from 135.9.

The residential construction index declined 0.98% in July after 10 consecutive increases. The weak housing market which has developed since May continued through July as the non-filtered series signalled a considerable drop in housing starts (down 16%). Moderate growth in multiple units appeared however, in the number of building permits issued in July and in the number of mortgage loan approvals issued since June. This strengthening is attributed to government-aid programs and could compensate for a month or two for the continuing decline in the single-family market. The sharp drop in preliminary data for mortgage loans approved in August for multiple-dwelling units indicates, however, that further drops in housing starts will be forthcoming.

Indicators of retail trade collapsed in July. Sales of furniture and appliances decreased 0.33% (up 1.90% in June) because of an 18% drop in the non-filtered series and following the expiration of the sales tax exemption program in Ontario. This decline erased a large part of the gains realized this year during the rebate program as the non-filtered series has fallen 15% from its level in January 1981. Sales of new motor vehicles registered a third consecutive decline, down by 1.85% in July. The non-filtered series exhibited a large decline of 5.7% and the series is 14% below its level in May when car prices were raised by 2.3%.

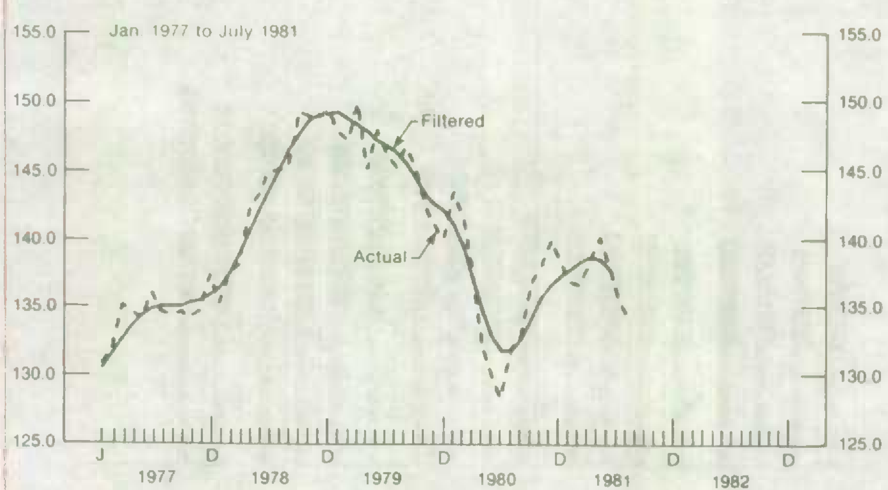
(continued on next page)

LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	June	354.66p	352.41p	12.2
Labour Income ($ million)	June	15,711.0p	15,215.4p	14.8
Persons with Jobs (million)	Aug.	11.48	11.46	3.3
Unemployed	Aug.	790,000	835,000	-5.2
INVENTORIES				
Department Store ($ million)	July	2,984.7	2,694.5	13.0
Manufacturers' Owned ($ million)	July	32,085.2p	32,184.8r	14.3
Wholesale ($ million)	May	17,091.0	16,923.1	. .
ORDERS				
Manufacturers' New Orders ($ million)	July	15,291.2p	16,944.7r	17.2
Manufacturers' Unfilled Orders ($ million)	July	19,870.3p	19,848.6r	6.1
PRICES				
Consumer Price Index (1971=100)	Aug.	240.6	238.9	12.7
Non-food Component (CPI)	Aug.	222.6	220.7	13.0
New House Price Index (1976=100)	July	135.2	135.1	14.3
22-city Composite Wage, Building (1971=100)	June*	273.3p	273.3p	9.3
Industry Selling Price Index (1971=100)	Aug.*	275.2p	273.8r	10.3
CONSTRUCTION			**Year-to-date**	
Building Permits ($ million)	June	1,475.3p	*8,481.1p*	*28.2*
Housing Starts — Urban Centres (units)	Aug.	13,256	*97,264*	*27.0*
ENERGY				
Coal Production (thousand metric tonnes)	June	3 148.1	*20 042.5*	*15.7*
Electricity Generation (terawatt hours)	June	27.6	*190.9*	*3.0*
Natural Gas Production (million cubic metres)	May	7 309.3	*42 880.7*	*-2.5*
Petroleum Refining (million cubic metres)	July	8.6p	*61.3p*	*-7.2*
FOREIGN TRADE				
Exports — Balance of Payments Basis ($ million)	Aug.*	5,981p	*54,844p*	*12.3*
Imports — Balance of Payments Basis ($ million)	Aug.*	5,679p	*51,919p*	*15.7*
PRODUCTION				
Steel (ingots — thousand metric tonnes)	Aug.	690.5	*10 645.0*	*1.7*
SALES				
Department Store Sales ($ million)	July	757.8	*5,112.5*	*12.2*
Manufacturers' Shipments ($ million)	July	15,269.6p	*108,452.8p*	*15.8*
New Motor Vehicle Sales ($ million)	Aug.*	851.9	*8,376.4*	*7.6*
Retail Sales ($ million)	July	8,156.3p	*52,478.8p*	*15.3*
Wholesale Sales ($ million)	May	9,701.6p	*44,570.1p*	. .

*Statistics are not seasonally adjusted. p - preliminary. r - revised. * - new this week.*

The Canadian Composite Leading Index (1971=100)



Source: **Statistics Canada**, Current Economic Analysis (13-004E)

Manufacturers' inventories of motor vehicles rose substantially in July, while layoffs increased in response.

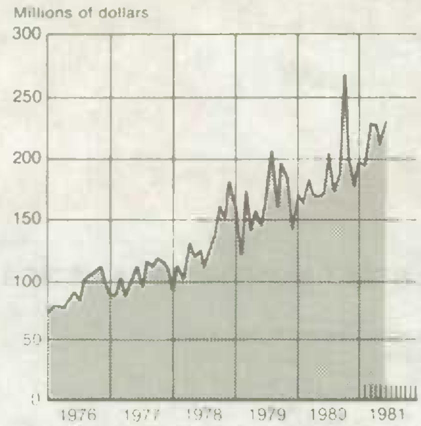
Financial market indicators worsened again in July as the Toronto index of stock prices fell 1.44% further, its second consecutive decline after increasing for nearly a year. The non-filtered index has lost 200 points since March, and we know already that the losses posted in August and September were more dramatic, reflecting the fear of investors that interest rates will remain high despite a slowdown in demand and output. The real money supply (M1) declined for the seventh consecutive month, losing 0.84% in July. The non-filtered series rose significantly (2.6%), but the sharp reversal of this gain in August suggests that the July increase was largely due to the postal strike.

The United States leading indicator fell 0.34% in July. In August, however, the published series dropped 0.5%, suggesting that our exports to the U.S. will continue to weaken. It is unlikely that our exports to Europe and Japan will compensate for the developing weakness of American demand as happened in 1980, as these economies are already slowing or in recession and the Canadian dollar has appreciated considerably in 1981 relative to their currencies.

The manufacturing sector exhibited the only signs of strength in July. New orders for durable goods rose 1.54%, its eleventh consecutive increase, while the ratio of shipments to finished goods stocks rose another point to 1.52. Non-filtered new orders for durable goods rose substantially but the increase was almost entirely due to investment-related industries. Significant declines were evident in industries tied to the consumer and residential construction sectors.

All references above to leading indicators are to filtered data unless otherwise stated. For further information, order Current Economic Analysis (13-004E, Canada: $2.50/$25; other countries: $3/$30), or contact D. Rhoades (613-992-4441), Current Economic Analysis Staff, Statistics Canada, Ottawa K1A 0T6.

Canadian Imports of Communication and Related Equipment



Source: **Statistics Canada**, Imports by Commodities (65-007)

Raw Materials Index

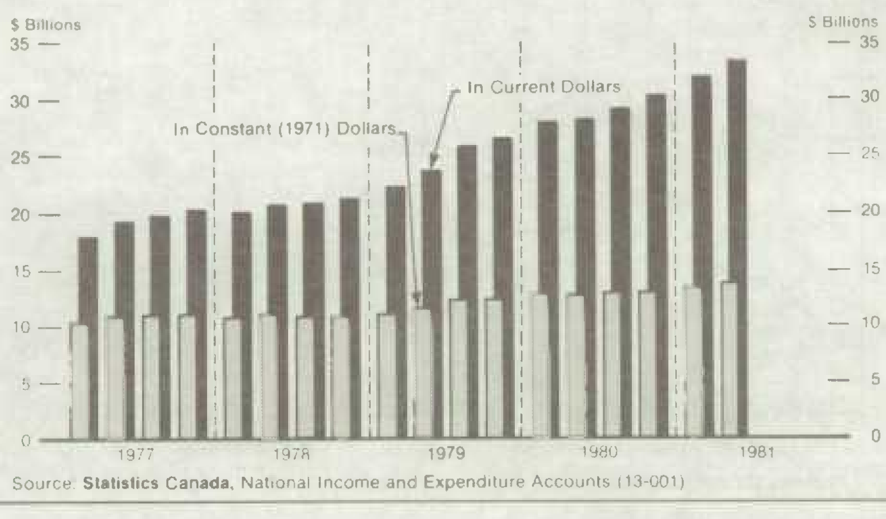
The Raw Materials Price Index (1977=100) registered a preliminary 190.6 in August 1981, down 0.2% from July but up 19.6% from August 1980. The index excluding the coal, crude oil and natural gas component decreased by 0.6% in August to stand 1.4% above its level of a year earlier.

The vegetable products component fell 4.5% in the latest month and was down 9.2% from August 1980. One of the prime contributors to the decline was a 6% price drop for wheat and other grains. Fresh vegetables, though down 11% over the month, were still 26% above their level of a year earlier. Raw sugar prices were down 6% from July and down 47% over the 12 months. These declines were partly offset by increases of 12% for coffee and fresh fruit.

The 3.2% increase for non-ferrous metals was only the second increase for this component in 1981 and it is still 13.2% below its level of August 1980. Copper, lead, tin, zinc, precious metals, and their alloys all contributed to the increase.

Non-Residential Construction Expenditures

Data Seasonally Adjusted at Annual Rates



Source: **Statistics Canada**, National Income and Expenditure Accounts (13-001)

Department Store Sales

Department store sales totalled $786.5 million in August 1981, up 7.5% from a year earlier. Sales were higher in all regions of Canada.

Department store sales by regions for August 1981, with percentage increases from August 1980, were as follows:

- Ontario, $267.9 million (6.8%)
- Quebec, $143.9 million (4.6%)
- British Columbia, $139.8 million (6.9%)
- Alberta, $121.7 million (13.8%)
- Atlantic provinces, $52.9 million (12.4%)
- Manitoba, $38.8 million (3.0%)
- Saskatchewan, $21.5 million (1.7%).

Data users should note that figures for the Yukon and Northwest Territories are included with British Columbia. For further information, order the August 1981 issue of Department Store Sales by Regions (63-004, $1.50/$15), or contact the Retail Trade Section (613-996-9304), Merchandising and Services Division, Statistics Canada, Ottawa K1A 0V4.

Industry Price Index

The Industry Selling Price Index for manufacturing (1971=100) rose 0.5% in August 1981 to a preliminary level of 275.2 from 273.8 (revised) in July. While the index stood 10.3% above year-earlier levels, the total rise in the latest six months was only 4.4%. The monthly movement was largely determined by increases for two major groups: pulp and allied products (2.4%) and primary metals (1.7%); these increases were partly offset by a 2.4% decline in the wood industries group.

Pulp and allied products posted a 2.4% increase in August and the index was 11.7% above August 1980 levels. Pulp and paper mills increased 2.9% as newsprint prices rose 5.9%.

The primary metals industries group advanced 1.7% in August and stood 3.0% higher than a year earlier. Smelting and refining was up 2.8%, reflecting price increases for copper, zinc, lead, and precious metals.

Wood industries dropped 2.4% in August and showed a year-over-year price rise of only 1.9%.

For further information, order the August 1981 issue of Industry Price Indexes (62-011, $3.50/$35), or contact the Information Unit (613-995-5738), Industrial Prices Section, Prices Division, Statistics Canada, Ottawa K1A 0V5.

Phonograph Records/Tapes

Canadian manufacturers produced 6,420,082 phonograph records in August 1981, up from 5,916,894 a year earlier.

Production of pre-recorded tapes rose to 1,896,153 in the latest month from 1,245,839 in August 1980.

For further information, order the August 1981 issue of Production and Sales of Phonograph Records and Pre-recorded Tapes in Canada (47-004, $1.50/$15), or contact G. Elliot (613-996-3226), Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

New Motor Vehicles

New motor vehicles sold in August 1981 totalled 84,545, down 16.3% from a year earlier. This included 45,667 passenger cars (down 20.2%) and 16,818 commercial vehicles (down 32.1%) manufactured in Canada and the United States and 19,577 passenger cars (up 13.6%) and 2,483 commercial vehicles (up 38.6%) manufactured overseas.

Total sales value decreased 6.7% to $851.9 million. Canadian and U.S. passenger cars sold for $433.9 million (down 8.7%) and commercial vehicles for $226.1 million (down 23.4%). Sales of passenger cars from overseas increased 32.2% to $170.4 million and those of commercial vehicles increased 57.5% to $21.6 million. Included in total commercial vehicles sold were 589 units of coaches and buses valued at $13.9 million.

Seasonally adjusted sales of passenger cars manufactured in Canada and the U.S. increased 13.3% in August to 53,612 and those of passenger cars from overseas decreased 14.5% to 17,775. Similarly adjusted sales of all commercial vehicles were up 1.7% to 21,355 units.

For the first eight months of 1981, total sales reached 849,008 vehicles (876,634 in 1980) with an accumulated value of $8,376.4 million. This represented an increase of 7.6% in value over sales for January-August 1980.

For further information, order the August 1981 issue of New Motor Vehicle Sales (63-007, $2.50/$25), or contact M. Kwilecki (613-996-9304), Retail Trade Section, Merchandising and Services Division, Statistics Canada, Ottawa K1A 0V4.

Railway Carloadings

Railways in Canada loaded 19.6 million short tons (17.8 million t) of revenue freight in August 1981, a decrease of 12.2% from a year earlier. The carriers received an additional 1.5 million short tons (1.4 million t) from the United States, a decline of 2.3% from August 1980.

Commodities registering notable changes in volumes loaded in the latest month were: wheat (down 23.2%); iron ore and concentrates (down 15.2%); coal (down 18.9%); and lumber (down 53.1%).

Total loadings in Canada during the first eight months of 1981 showed a drop of 4.4% from the January-August 1980 period while receipts from U.S. connections decreased by 1.8%.

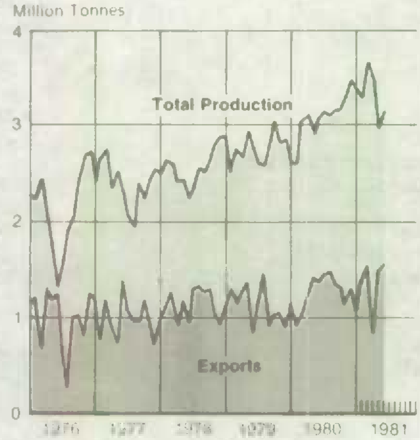
For further information, order the August 1981 issue of Railway Carloadings (52-001, $1.50/$15).

Urban Transit

Canadian urban transit systems collected 98,262,214 initial passenger fares in August 1981. The total distance run was 53,955,439 km and operating revenues totalled $45,661,349.

For further information, order the August 1981 issue of Urban Transit (53-003, $1.50/$15), or contact the head (613-995-1976), Surface Transport Unit, Transportation and Communications Division, Statistics Canada, Ottawa K1A 0V1.

Coal Production, Canada and Exports



Source: Statistics Canada, Coal and Coke Statistics (45-002)

Corporation Taxes, 1979

Income taxes declared by corporations in Canada (excluding insurance carriers and credit unions) climbed 23% to $9,338 million in 1979, considerably outpacing the previous year's increase of 13% which followed two years of moderate decline. Higher corporate book profits provided the main impetus to the increased growth — in 1979 corporate profits jumped 38% over the 1978 level.

Corporate taxes grew fastest in export industries where the world-wide surge in commodity prices and favorable foreign exchange gains boosted earnings, and consequently federal and provincial income taxes, in 1979. Taxes nearly tripled to reach $411 million in metal mining, and almost doubled in paper and allied industries and the primary metal industry, reaching levels of $460 million and $200 million respectively. In the combined mineral fuels and petroleum and coal products industries, income taxes rose by 26% to $1,298 million.

In 1979 the corporate sector paid income taxes at an average rate of 29% of net book profits, adjusted to exclude capital gains and dividends. The most significant item affecting the three percentage-point drop in the ratio from the previous year was higher exploration, development and depletion claims for tax purposes. Using this ratio as a measure of tax burden, small firms, taken as a group, paid proportionately more taxes than did the large corporate sector. The rates of tax for firms with assets of $25 million or more was 25% of adjusted book profits while, for firms with assets of less than $1 million, it was 36% in 1979.

Taxable income (the tax base) declared by corporations climbed 27% to $24,976 million in 1979.

Further details will be contained in the 1979 edition of Corporation Taxation Statistics (61-208, $8). Additional information may be obtained from L.A. Bowen (613-995-9836), Business Finance Division, Statistics Canada, Ottawa K1A 0T6.

Canada's Foreign Trade

On a seasonally adjusted balance of payments basis, preliminary results indicate that exports decreased 1.1% or $79 million to $6,959 million in August 1981, following a 4.5% decrease in July, a 6.8% increase in June and a 0.3% decrease in May. Imports also declined in August with a 1.4% or $96 million decrease to $6,596 million, following a 2.6% decrease in July, a 7.0% increase in June and a 7% drop in May. The surplus on merchandise trade of $363 million in August was little changed from a surplus of $346 million in July, both down from surpluses averaging close to $500 million in May and June. This brings the merchandise trade surplus for January-August 1981 to $3.46 billion, down from $4.36 billion for the same period in 1980.

Commodity Analysis

Strikes have affected exports of forest products and steel. On a customs basis, for seasonally adjusted domestic exports, the largest decreases in value were for forest products (down 19% or $192 million to $794 million), chemicals (down 24% or $120 million to $370 million), iron and steel (down by one-third or $80 million to $170 million) and precious metals (down $65 million to $150 million). Exports of motor vehicle products were up 13% or $150 million to $1.3 billion.

Imports of most major commodities declined in August. The largest declines in value were for motor vehicle products (down 6% or $95 million to $1,555 million following an $85 million increase in July), industrial machinery (down 13% or $80 million to $550 million) and metal ores and concentrates (down 44% or $70 million to $90 million). Crude oil was the only commodity which increased substantially, up 20% or $135 million to $800 million.

Trading Partner Analysis

Increases in exports to the United States, "Other OECD" countries and Japan were outweighed by declines in exports to "Other America", the United Kingdom and a large drop in exports to "Other EEC" countries. Exports to the U.S. increased 1.7% or $85 million to $4.87 billion in August following a 5.8% decrease in the previous month. Exports to Japan increased 12% to $365 million after a decline of 17.5% in July. Exports to "Other OECD" countries increased 34% or $50 million to $205 million. Decreases in exports were recorded for "Other EEC" countries (down $150 million to $340 million) and "Other America" (down $95 million to $305 million).

Imports from nearly all major sources declined in August, the largest decreases in value being recorded by the U.S. and "Other EEC" countries. Imports from the U.S. were down 6.6% or $320 million to $4.48 billion and imports from "Other EEC" countries decreased 22% or $80 million to $285 million. Imports from the U.K. increased 15% to $195 million following a 26% increase in July.

For further information, order the August 1981 issue of Summary of External Trade (65-001, $3/$30).

These publications released October 2 — 8

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Farm Net Income, Preliminary 1980	21-202P	$7	$8.40
Field Crop Reporting Series, No. 7 — September Forecast of Production of Principal Field Crops, Canada, October 1981	22-002E	$15 for series of 8	
Grains and Oilseeds Review, July 1981	22-007	$2.50/$25	$3/$30
Honey Production, 1981 — August Forecast	23-007	$3/$6	$3.60/$7.20
Report on Livestock Surveys, Pigs, July 1, 1981	23-008	$4/$16	$4.80/$19.20
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Current Economic Analysis, September 1981	13-004E	$2.50/$25	$3/$30
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Primary Iron and Steel, July 1981	41-001	$2.50/$25	$3/$30
Production and Shipments of Floor Tiles, August 1981	47-001	$1.50/$15	$1.80/$18
Refined Petroleum Products, June 1981	45-004	$3.50/$35	$4.20/$42
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Merchandising Inventories, June 1981	63-014	$2.50/$25	$3/$30
TRANSPORTATION AND COMMUNICATIONS SERVICE BULLETIN			
Water Transport — Vol. 11, No. 7, Cargo Loaded and Unloaded in Coastwise Shipping by Vessels of Foreign Registries, January-March 1981 and 1980	54-003	$1.50/$15	$1.80/$18

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