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Weekly Bulletin

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Canadian Leading Indicator

The Canadian leading indicator (1971=100) fell rapidly in August, the second consecutive monthly decline. The indicator fell 1.06% to 138.46 as the weakening trend is now evident in nine of 10 components. The non-filtered version revealed an astonishing decline of 4.7%, the largest drop posted since the beginning of the historical record for the index in 1952. Within the components, the indicators of personal expenditure and residential construction had until now recorded the most important declines. However, the participation in August of the manufacturing sector in this downward movement and the weakness of exports to the United States in September, in line with the recent declines of the U.S. Leading Index, amplified the prospects that the marked slowdown in activity could develop into a recession during the coming months.

Current Economic Analysis

The underlying weakness of economic activity that became evident late in the second quarter appeared to be intensifying in August and September. The deteriorating trend of the economy has been evident in all the major components of final demand in the third quarter. Household demand for retail goods and housing, which had begun to retrench late in the second quarter, will likely be further depressed as employment fell sharply in September and October and as interest rates remained near record levels. Shipments to the United States have only begun to falter recently, and the noticeable deterioration in the performance and the prospects for American demand in September indicate that merchandise exports will continue to worsen. Lower business investment in machinery and equipment appears to have at least slowed down total business outlays in the third quarter. The decline in final demand led to an increase in manufacturers' inventories relative to shipments, which will likely accentuate the developing cyclical downturn as manufacturers cut employment and production in an attempt to pare the high cost of holding inventories.

Real Domestic Product fell 0.5% in August, following a 1.4% decline in July. This downturn has been most evident in output in the manufacturing, construction, trade, and forestry industries, all of

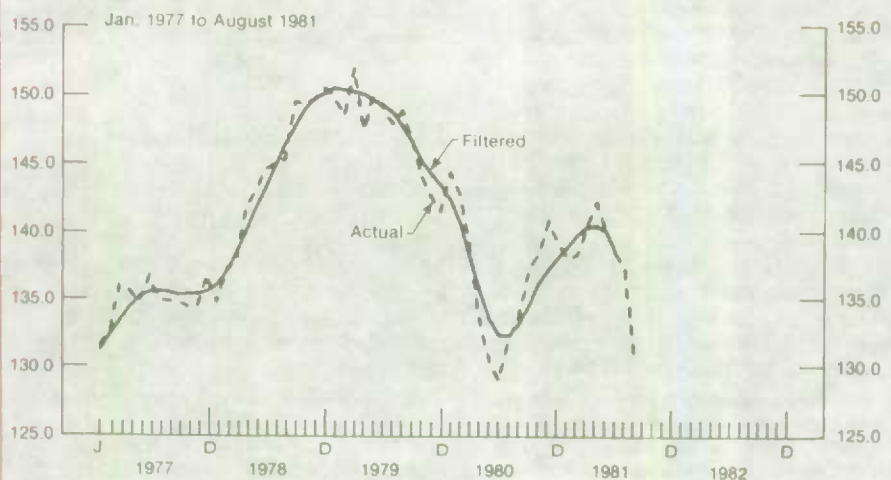
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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	July	354.97p	355.86p	11.7
Labour Income (\$ million)	Aug *	15 481.3p	15 482.3p	13.5
Persons with Jobs (million)	Oct *	10.99	11.03	1.6
Unemployed	Oct *	891,000	891,000	17.4
INVENTORIES				
Department Store (\$ million)	Aug.	2 983.1	2 984.7	15.9
Manufacturers' Owned (\$ million)	Aug	32 346.7p	31 622.1r	14.9
Wholesale (\$ million)	May	17 091.0	16 923.1	
ORDERS				
Manufacturers' New Orders (\$ million)	Aug.	14 258.3p	15 485.2r	10.8
Manufacturers' Unfilled Orders (\$ million)	Aug.	19 280.4p	19 565.1r	6.6
PRICES				
Consumer Price Index (1971=100)	Sept.	242.4	240.6	12.5
Non-food Component (CPI)	Sept.	224.9	222.6	13.5
New House Price Index (1976=100)	Sept.	134.7	135.0	12.1
22-city Composite Wage, Building (1971=100)	June	273.3p	273.3p	9.3
Industry Selling Price Index (1971=100)	Sept. *	276.9p	276.1r	9.9
CONSTRUCTION				
Building Permits (\$ million)	Aug.	1 297.3p	12 141.3p	29.9
Housing Starts — Urban Centres (units)	Sept.	13 272	110 536	26.1
ENERGY				
Coal Production (thousand metric tonnes)	Aug.	2 894.7	25 831.8	9.6
Electricity Generation (terawatt hours)	Aug.	28.7	248.2	3.5
Natural Gas Production (million cubic metres)	July	7 187.1	56 997.0	-1.4
Petroleum Refining (million cubic metres)	Aug.	8.7p	70.0p	-7.6
FOREIGN TRADE				
Exports — Balance of Payments Basis (\$ million)	Sept. *	6 931p	61 805p	7.2
Imports — Balance of Payments Basis (\$ million)	Sept. *	6 479p	58 440p	13.5
PRODUCTION				
Steel (ingots — thousand metric tonnes)	Sept.	970.7	11 623.2	-1.0
SALES				
Department Store Sales (\$ million)	Sept. *	848.4	6 747.3	10.7
Manufacturers' Shipments (\$ million)	Aug.	14 543.0p	124 423.9p	16.2
New Motor Vehicle Sales (\$ million)	Sept. *	8 77.8	9 254.2	7.2
Retail Sales (\$ million)	Aug.	7 785.2p	60 264.8p	14.4
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)

which declined for the second consecutive month. Strikes in the forestry and steel industries accounted for some of the drop in output, but the breadth of the weakness (about 50% of industries were falling) is in line with past recessions.

- The volume of **consumer demand** for retail goods edged up about 0.7% in August, as the temporary stimulus to auto sales from rebate programs helped to sustain total sales from recording a fourth consecutive monthly decline. The volume of retail sales in July and August was 1.5% below the second quarter average, and a similar decline is expected for personal expenditure on goods in the third quarter.
- **Housing activity** weakened in August, as work-put-in-place declined for the second consecutive month. Residential construction for the third quarter as a whole declined after four quarters of recovery, with most of the weakness in construction of single-family homes and a slump in house sales. Building permits and mortgage loan approvals fell sharply in August, and the upturn in housing starts in September was quickly reversed in October when starts plummeted to an annual rate of 104,500.
- **Business investment** in plant and equipment appears to have been little changed for the third quarter as a whole, following four quarters of robust growth. Lower demand for imported machinery and weak vehicle sales led the slowdown.
- **Manufacturing inventories** rose by about \$130 million in volume in August, as the weakness of demand as revealed by declining shipments (off 3.9%) and new orders (down 8.2%) has outweighed the effect of reduced production.
- **Real merchandise exports and imports** both sagged during the third quarter, in line with the synchronized weakness of domestic and foreign demand.
- **Labour market** conditions appear to have deteriorated in line with weakening of the economy. Employment fell 0.6% in September as goods-producing industries retrenched, while the squeeze on total wages and salaries, at a time of rising prices and interest rates, encouraged a sharp increase in labour force participation. The net effect of these movements was to push the unemployment rate up to 8.2% while a 0.2% drop in employment in October resulted in a further increase to 8.3% in that month.
- The persistence of **inflation** for consumers was evident in the 1.1% increase in the seasonally adjusted CPI in September, led by higher energy and housing costs. Industry selling prices remained relatively more sensitive to the cyclical weakness of demand, rising 0.6% in August as durable goods-producing industries raised prices only 0.2%.

For detailed analysis as well as a news summary of major domestic and international developments and extensive analytical charts and tables, order *Current Economic Analysis* (13-004E, Canada: \$2.50/\$25; other countries: \$3/\$30).

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Farm Cash Receipts

Farm cash receipts for January-September 1981 reached an estimated \$14.1 billion, an increase of 25% over the \$11.2 billion estimated for the first nine months of 1980. All provinces recorded increases in cash receipts.

Receipts from the sale of crops were up 39% in the latest period reflecting higher prices for wheat, barley and potatoes. Livestock receipts were up 12% with higher totals for cattle and calves (up 4%), hogs (up 24%), dairy products (up 15%), poultry (up 21%) and eggs (up 17%).

For further information, order the *January-September 1981 issue of Farm Cash Receipts* (21-001, \$1.50/\$15), or contact Peter Lys (613-995-4895), Agriculture Statistics Division, Statistics Canada, Ottawa K1A 0T6.

Farm Product Prices

The Canada index number of farm prices of agricultural products (1971=100) decreased by 1.0% to 285.5 in September 1981 from the revised August 1981 level of 288.3. The decrease in the index reflected lower Canadian Wheat Board initial prices for wheat, oats and barley.

The index, which measures (as closely as can be determined) prices received by producers at the farm gate, is available on CANSIM (matrix 176) or in the publication *Index Numbers of Farm Prices of Agricultural Products* (62-003, \$1.50/\$15).

Telephone Statistics

Canada's 13 major telephone systems reported revenues of 584.4 million in September 1981, up 12.6% from a year earlier. Operating expenses increased 24.8% to \$418.4 million. Net operating revenue at \$165.9 million was down by 9.7% from September 1980. Telephone toll messages increased 10.4% to 128.6 million.

For further information, order the *September 1981 issue of Telephone Statistics* (56-002, \$1.50/\$15), or contact J.R. Slattery (613-996-9271), Transportation and Communications Division, Statistics Canada, Ottawa K1A 0V1.

Labour Force Survey

Canada's seasonally adjusted unemployment rate moved up to 8.3% in October 1981 from 8.2% in the previous month; the rate in October 1980 was 7.5%. The seasonally adjusted participation rate decreased to 64.9% from 65.1% in September, while the employment/population ratio moved down to 59.5% from 59.7%.

For the week ending October 17, 1981, the seasonally adjusted employment level was 10,936,000, down 25,000 from September. The decrease occurred primarily among males in the 15 to 19 years of age group (-24,000). The level increased by 10,000 for males 25 years and over, and showed little change for females in both age groups. On a provincial basis, employment declined in Saskatchewan (-11,000), Quebec (-9,000), Ontario (-8,000) and Nova Scotia (-5,000).

Unemployment was estimated at 989,000, seasonally adjusted, in October, up slightly (+9,000) from September. The level increased by 10,000 for males 25 years and over, declined by 12,000 for females 15 to 24, and showed little change for males 15 to 24 and females 25 years and over. Provincially, unemployment rose in Quebec (+8,000) and British Columbia (+6,000).

Seasonally adjusted unemployment rates for the provinces in October were as follows, with September rates in brackets: Newfoundland, 16.8% (17.8%); Prince Edward Island, 11.5% (12.2%); Nova Scotia, 11.0% (11.1%); New Brunswick, 12.5% (12.7%); Quebec, 11.5% (11.2%); Ontario, 7.0% (7.1%); Manitoba, 6.1% (6.3%); Saskatchewan, 4.9% (4.8%); Alberta, 3.8% (3.6%); and British Columbia, 7.7% (7.3%).

The unadjusted employment level for Canada in October 1981 was 10,993,000, an increase of 169,000 (1.6%) from October 1980. Unemployment totalled 891,000, up from 759,000 a year earlier. The unemployment rate rose to 7.5% in the latest month from 6.6% in October 1980.

For further information, order the *October 1981 issue of the Labour Force* (71-001, \$3.50/\$35).

Direct Selling, 1980

Direct selling to household consumers in Canada by manufacturers and specialist direct-sellers increased 15.1% to \$2,178.9 million in 1980 from the revised 1979 figure of \$1,893.0 million.

Door-to-door canvassing accounted for \$914.3 million or 42.0% of 1980 direct sales; mail order sales for \$327.6 million (15.0%); counter sales at manufacturing premises for \$523.9 million (24.0%); and the remaining \$413.0 million (19.0%) was through other channels.

Further details will be published in *Direct Selling in Canada 1980* (63-218, \$4.50). Additional advance information is available on request from the Retail Trade Section (613-996-9304), Merchandising and Services Division, Statistics Canada, Ottawa K1A 0V4.

New Motor Vehicles

Retail sales of motor vehicles in September 1981 totalled 87,515 units, down 4.7% from a year earlier. This included 44,032 passenger cars (down 14.2%) and 16,534 commercial vehicles (down 25.2%) manufactured in Canada and the United States and 23,503 passenger cars (up 43.0%) and 3,446 commercial vehicles (up 75.4%) manufactured overseas.

Total sales value increased 3.7% to \$877.8 million. Canadian and U.S. passenger cars sold for \$413.2 million (down 2.8%) and commercial vehicles for \$235.9 million (down 6.1%). Sales of passenger cars from overseas increased 57.7% to \$198.6 million and those of commercial vehicles increased 105.3% to \$30.1 million. Included in total commercial vehicles sold were 413 coaches and buses valued at \$17.2 million.

Seasonally adjusted September sales of passenger cars manufactured in Canada and the U.S. decreased 1.0% from August to 53,095 units and those of passenger cars from overseas increased 28.7% to 22,883 units. Similarly adjusted sales of all commercial vehicles were up 5.3% to 22,485 units.

For the first nine months of 1981, total sales were 936,523 units (968,445 in 1980), with an accumulated value of \$9,254.2 million. This represented an increase of 7.2% in value over sales for January-September 1980.

For further information, order the September 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.

International Travel

In September 1981, total non-resident visitors to Canada were down 2.6% from a year earlier to 3.6 million. Residents of Canada re-entering this country after international trips decreased by 3.9% to 2.9 million.

Preliminary statistics for September 1981 show that 3.4 million United States residents entered Canada, down 2.5% from a year earlier. Visitors from countries other than the U.S. decreased by 4.5% to 233,000. Canadian residents returning from the U.S. numbered 2.8 million, 4.0% lower than in September 1980, while residents returning from other countries increased by 0.2% to 135,000.

For the first eight months of 1981, the figures were as follows: 33.4 million U.S. residents entered Canada, up 6.8% from January-September 1980; visitors from countries other than the U.S. decreased by 0.9% to 1.8 million; Canadian residents returning from the U.S. numbered 26.6 million, down 3.8%; and residents re-entering from other countries dropped 8.2% from the same period in 1980 to 1.2 million.

For further information, order the September 1981 issue of *International Travel — Advance Information* (66-002, \$1.50/\$15), or contact Paul Paradis (613-995-0847), International Travel Section, Statistics Canada, Ottawa K1A 0Z8.

Labour Income

Labour income for the month of August 1981 was estimated at \$15,481.3 million, an increase of \$1,839.9 million or 13.5% from August 1980.

Adjusted for seasonal variation, wages and salaries increased by \$7.5 million between July and August to \$14,196.8 million.

The estimates will be published in the July-September 1981 issue of *Estimates of Labour Income* (72-005, \$5/\$20). For further information, contact G. Gauthier (613-995-8431), Labour Income Section, Labour Division, Statistics Canada, Ottawa K1A 0T6.

Wholesale Trade

Sales by wholesale merchants for August 1981 decreased by 2.7% from July 1981. Lower sales were reported in seven provinces, decreases ranging from 1.4% for Quebec to 10.0% for British Columbia. The largest sales increase was in Prince Edward Island (9.7%).

Wholesale inventories showed an increase of 0.3% from the previous month's level.

For further information, order the August 1981 issue of *Wholesale Trade* (63-008, \$1.50/\$15), or contact the Wholesale Trade Section (613-996-9307), Merchandising and Services Division, Statistics Canada, Ottawa K1A 0V4.

Railway Carloadings

Revenue freight loaded by railways in Canada totalled 21.3 million short tons (19.3 million t) in September 1981, down 1.4% from a year earlier. The carriers received an additional 1.4 million short tons (1.3 million t) from the United States, a drop of 11.1% from September 1980.

Commodities registering notable changes in volumes loaded in the latest month were: potash (up 32.3%); iron ore and concentrates (up 16.5%); coal (down 15.4%); and wheat (down 32.0%).

Total loadings in Canada during the first nine months of 1981 showed a decrease of 4.1% from the 1980 period while receipts from U.S. connections were down by 2.8%.

For further information, order the September 1981 issue of *Railway Carloadings* (52-001, \$1.50/\$15). For seasonally adjusted revenue freight loadings, contact W.R. Burr (613-995-1976), Transportation and Communications Division, Statistics Canada, Ottawa K1A 0V1.

Steel Ingot Production

Preliminary estimates show steel ingot production declined to 1,131,384 short tons (1 026 374 t) in October 1981 from 1,472,966 short tons (1 336 252 t) a year earlier.

Pig iron production dropped to 692,532 short tons (628 255 t) in the latest month from 1,023,114 short tons (928 153 t) in October 1980.

For further information, order the October 1981 issue of *Steel Ingots and Pig Iron* (41-002, \$1.50/\$15), or contact Gerry W. Barrett (613-992-0388), Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

Industry Price Index

The Industry Selling Price Index for manufacturing (1971=100) increased 0.3% to a preliminary level of 276.9 in September 1981 from the revised August index of 276.1. The year-to-year increase of 9.9% was the smallest registered since February and only the second increase below 10% since September 1978. The two major groups with the largest increases were the petroleum and coal products industries (up 4.0%), and the miscellaneous manufacturing industries group (up 2.4%). These increases were partly offset by decreases for the wood industries (-4.0%), the food and beverage industries (-0.4%) and the paper and allied industries (-0.5%).

The index for petroleum and coal products industries is estimated to have increased 4.0% between August and September to a level approximately 45% higher than in September 1980. The main factor contributing to the monthly change was the \$1 per barrel increase in the wellhead price for conventional crude oil on July 1, 1981.

A 5.5% increase in the index for the jewellery and silverware industry was the main reason for the increase in the miscellaneous manufacturing industries group.

The wood industries index dropped 4.0% in September, resulting in a year-to-year decline of 0.8%.

For further information, order the September 1981 issue of *Industry Price Indexes* (62-011, \$3.50/\$35).

Raw Materials Index

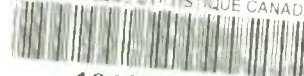
The raw materials price index (1977=100) declined 1.3% in September 1981, but still stood 17.0% higher than in September 1980. Decreases were reported in all components except the non-ferrous metals index which rose. The raw materials price index excluding coal, crude oil and natural gas was down 2.2% in September and declined 3.0% over the year.

The vegetable products component registered the most significant decrease during the month (-8.5%) and was down 18.8% from September 1980. One of the main factors in the decrease was a 24% drop in the price of raw sugar (down 64% in the latest 12 months). Fresh vegetables were down 19% in September but still showed a year-to-year rise of 19%.

Decreases were also registered in September for animals and animal products (-1.2%), textiles (-1.2%), wood products (-1.7%), ferrous metals (-0.9%), non-metallic minerals (-0.1%) and the index for coal, crude oil and natural gas (-0.3%).

The non-ferrous metals index climbed 1.6%, but was still 17.6% lower than its September 1980 level. Price increases for silver, platinum and gold more than compensated for declines in copper, lead and nickel.

For further information, order the September 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.



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