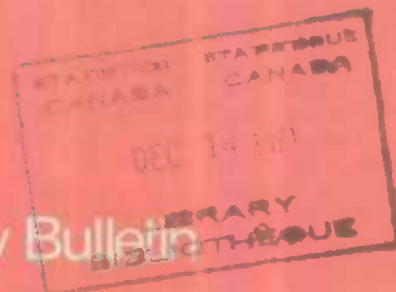




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Weekly Bulletin



December 11, 1981

Canadian Leading Indicator

The behaviour of the Canadian Composite Leading Index in September 1981 suggests that the third quarter downturn of real GNP will not be reversed in the near future. The index and its components indicate that the negative forces accumulating in the economy continued to spread and intensify. The outlook for all the major components of final demand remains dim, and the recent weakening within the manufacturing sector appeared to broaden in September.

The leading index (1971=100) declined for the third consecutive month in September, off 1.85% after declines of 1.12% in August and 0.28% in July. The index now stands at 135.81 compared to its level of 138.37 in August, as nine of the 10 components weakened. The steep fall in the non-filtered version in the last two months, 3.0% in September and 5.1% in August, reduced this index to a level of 125.1, slightly below the trough reached in the 1980 recession.

In September, the index for residential construction continued to fall, pulled down especially by the tumble in the number of building permits and mortgage loan approvals. This stagnation was translated into a steep decline in housing starts in October which fell to 104,500 units at annual rates in the non-filtered version, the lowest level since the 1960s. The single-family housing market was particularly weak, and residential construction fell 13.5% in the third quarter, reflecting the previous weakness of the leading indicators in this sector. The persistence of the weakness in these indicators through October suggests the outlook for residential construction in the fourth quarter is bleak.

The indicators of personal expenditure remained weak in September. The 3.36% decline in sales of furniture and appliances was the largest ever observed and the level of this index in the non-filtered version approached that reached in the 1980 recession. The decline in demand for vehicles was less accentuated as sales of new motor vehicles fell by 1.65%.

The downturn, which finally appeared in the manufacturing sector in August, intensified further in September. In reaction to the further weakening of final demand, the decline in new orders deepened, falling 1.13% compared to a drop of 0.23% in August. The ratio of shipments to stocks of

(continued on next page)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

			Previous Month	% Change From Year Ago
Average Weekly Earnings (\$)	Aug.	358.22p	355.32p	12.2
Labour Income (\$ million)	Sept.*	16,199.5p	15,452.0p	15.3
Persons with Jobs (million)	Nov.*	10.85	10.99	1.0
Unemployed	Nov.*	928,000	891,000	17.9

INVENTORIES

Department Store (\$ million)	Sept.	2,775.9	2,983.1	16.9
Manufacturers' Owned (\$ million)	Sept.	32,311.6p	32,279.8r	15.6
Wholesale (\$ million)	May	17,091.0	16,923.1	

ORDERS

Manufacturers' New Orders (\$ million)	Sept.	16,330.0p	14,404.1r	8.4
Manufacturers' Unfilled Orders (\$ million)	Sept.	19,363.3p	19,401.2r	6.2

PRICES

Consumer Price Index (1971=100)	Oct.	244.8	242.4	12.7
Non-food Component (CPI)	Oct.	227.8	224.9	13.7
New House Price Index (1976=100)	Oct.	134.4	134.7	10.4
22-city Composite Wage, Building (1971=100)	July	273.3p	273.3p	8.3
Industry Selling Price Index (1971=100)	Oct.*	278.3p	276.6r	8.7

CONSTRUCTION

Building Permits (\$ million)	Sept.*	1,267.4p	13,615.4p	24.9
Housing Starts — Urban Centres (units)	Oct.	8,271	118,807	16.6

ENERGY

Coal Production (thousand metric tonnes)	Sept.*	3,147.4	28,978.3	8.4
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)	Sept.	8.1p	78.1p	-6.6

FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	Oct.*	7,317p	69,400p	11.0
Imports — Balance of Payments Basis (\$ million)	Oct.*	6,753p	65,217p	14.6

PRODUCTION

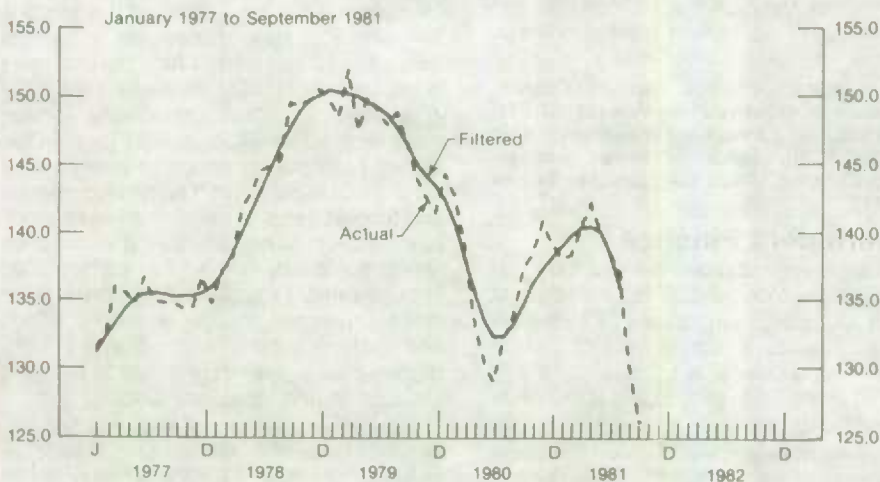
Steel (ingots — thousand metric tonnes)	Oct.	1,026.4	12,653.9	-2.7
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SALES

Department Store Sales (\$ million)	Oct.*	892.3	7,639.6	10.4
Manufacturers' Shipments (\$ million)	Sept.	16,367.9p	140,816.9p	15.4
New Motor Vehicle Sales (\$ million)	Oct.*	890.7	10,145.0	3.9
Retail Sales (\$ million)	Sept.	7,809.9p	68,007.2	13.9
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)

finished goods fell two points, largely due to the downturn in shipments. The non-filtered version indicates that shipments in the automobile industry slid 20% in September as the decline in North-American automobile sales continued relentlessly. Layoffs in the auto industry led the general decline in employment in September and October.

The leading indicator for the United States fell 0.78% in September, the fourth consecutive decline. As in the Canadian experience, the decline was pervasive although less pronounced. Total exports have retrenched about 10% since June, and the large declines in the published leading indicator for the U.S. in September and October give no indication of an imminent reversal in this situation.

The performance of the indicators of financial markets deteriorated again in line with the further escalation of interest rates in September. The index of the Toronto Stock Exchange registered another record fall of 3.27%, and the real money supply (M1) pursued its ninth consecutive decline, down 1.73%. The preliminary data in this sector for October revealed an accentuation of these downturns.

It should be noted that all references 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.

Industry Price Indexes

The Industry Selling Price Index (1971=100) reached a preliminary level of 278.3 in October, up 0.6% over the revised September index of 276.6. As a result, the year-to-year rise stood at 8.7%, the lowest such increase since July 1978. The overall monthly increase was mainly attributable to advances in transportation equipment industries (2.6%), metal fabricating industries (1.8%) and paper and allied industries (1.2%). These increases were partly offset by a 3.2% decrease for the wood industries.

Higher prices for new 1982 cars, after adjustment for quality changes, were responsible for the 4.1% increase for motor vehicle manufacturers. This industry accounted for most of the increase for the transportation equipment industries major group.

For further information, order the October 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.

Government Finance

Financial assets of provincial and territorial governments totalled \$50,757.1 million at March 31, 1980, an increase of 12.2% from \$45,252.7 million a year earlier. Liabilities of these governments rose 10.3% to \$51,740.6 million from \$46,904.2 million at March 31, 1979.

For further information, order Provincial Government Finance, Assets, Liabilities and Source and Application of Funds, 1979 (68-209).

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Labour Income

Labour income for the month of September 1981 was estimated at \$16,199.5 million, an increase of \$2,147.8 million or 15.3% from September 1980.

Adjusted for seasonal variation, wages and salaries increased by \$511.4 million between August and September to \$14,683.1 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.

Gross Domestic Product

After a strong beginning in the first half of 1981, the Canadian economy turned down in the July-September quarter. Gross Domestic Product in constant 1971 prices declined 1.2% in July, 0.6% in August and, in spite of a slight 0.2% increase in September, posted the sharpest single-quarter decline (-1.1%) in the post-1970 period.

A major factor inhibiting growth was slackening demand. Manufacturers' new orders for non-durable and durable goods declined about 2.5% in the third quarter. Weakening demand has appeared in the consumer sector as well, where spending on consumer goods flattened out in early summer. The sales momentum of the first quarter (+1.7%) has not held up and retail sales declined 0.3% in the second and 2.0% in the third quarter. Furthermore, foreign trade was not an expansionary force in the Canadian economy either, as total exports fell 5.5% in the quarter. The weak domestic and foreign demand caused some involuntary build-up of manufacturing inventories which are costly to carry at current high interest rates. Producers' attempts to pare these unwanted stocks of unsold goods and materials (which stood about 5.0% higher than a year earlier) led to reduced production and increased layoffs.

For further information, order the September 1981 issue of Gross Domestic Product by Industry (61-005, \$3/\$30), or contact R. Kennedy (613-995-0568), Industry Product Division, Statistics Canada, Ottawa K1A 0T6.

Department Store Sales

Department store sales in October 1981 totalled \$892.3 million, up 8.3% from a year earlier. Increases were posted in all regions of Canada.

Department store sales by regions for the latest month were as follows, with percentage increases from October 1980 in brackets:

- Ontario, \$312.6 million (6.3%)
- Quebec, \$159.1 million (2.9%)
- British Columbia, \$155.1 million (7.7%)
- Alberta, \$139.4 million (20.6%)
- Atlantic provinces, \$55.1 million (6.1%)
- Manitoba, \$45.4 million (8.8%)
- Saskatchewan, \$25.6 million (15.4%).

Data users should note that figures for the Yukon and Northwest Territories are included with British Columbia. Order the October 1981 issue of Department Store Sales by Regions (63-004, \$1.50/\$15).

New Motor Vehicles

New motor vehicles sold in October 1981 totalled 87,398 units, down 28.0% from a year earlier. This included 47,454 passenger cars (down 34.1%) and 16,953 commercial vehicles (down 42.6%) manufactured in Canada and the U.S., and 19,649 passenger cars (up 8.7%) and 3,342 commercial vehicles (up 81.2%) manufactured overseas.

Total sales value decreased 21.5% from October 1980 to \$890.7 million. Canadian and U.S. passenger cars sold for \$439.0 million (down 27.1%) and commercial vehicles for \$247.3 million (down 34.6%). Sales of passenger cars from overseas increased 24.8% to \$174.8 million and those of commercial vehicles increased 107.5% to \$29.6 million. Included in total commercial vehicles sold were 219 coaches and buses valued at \$10.5 million.

For the first 10 months of 1981, total sales of new motor vehicles were 1,023,921 units (1,089,908 in 1980) with an accumulated value of \$10,145.0 million. This represents an increase of 3.9% in value over sales for January-October 1980.

For further information, order the October 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.

Local Governments

Municipalities across Canada employed a total of 283,870 persons in general government services at September 30, 1981, down 3.2% from 293,138 at the end of the previous quarter.

Gross payrolls of municipalities for the third quarter of 1981 amounted to \$1,342,230,000, an increase of 6.6% from the \$1,258,635,000 reported for the second quarter.

Data are presently available from matrix 2725 of the CANSIM data bank and from the July-September 1981 issue of Local Government Employment (72-009, \$4/\$16), or contact the Local Government Section (613-995-9897), Public Finance Division, Statistics Canada, Ottawa K1A 0T6.

Balance of Payments

Canada's seasonally adjusted current account deficit stood at a record \$2,648 million in the third quarter of 1981, surpassing the previous level of \$2,103 million registered in the second quarter. The deterioration largely reflected a decline in the merchandise trade surplus.

Unadjusted for seasonal variations, the current account showed a deficit of \$1,285 million. Recorded capital transactions produced a net inflow of \$1,340 million. In addition, a net outflow of \$800 million was entered to account for errors and omissions in the estimates of current and capital accounts. These transactions gave rise to a financing requirement of \$745 million, met by an equivalent reduction in net official monetary assets.

Third quarter highlights included:

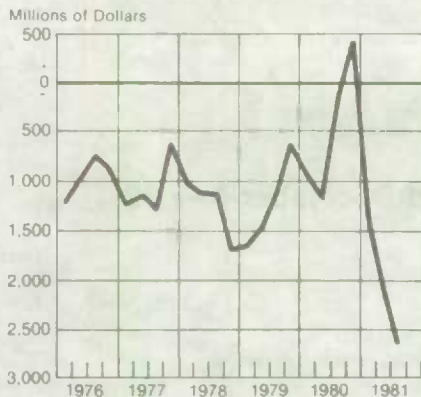
- A decline of \$426 million in the seasonally adjusted trade surplus to \$847 million, the lowest merchandise trade surplus since the second quarter of 1979, as the value of exports dropped by over 2% while imports decreased only marginally.
- An increase of \$119 million in the seasonally adjusted deficit on non-merchandise transactions. There was a substantial increase in the deficit on service transactions, arising from a deterioration in the balance on interest and dividends and freight and shipping transactions. The usual surplus on unilateral transfers rose to a record high of \$463 million, mainly due to receipts from withholding tax.
- A reversal of some \$6 billion to a net inflow of \$2,475 million on long-term capital transactions, while short-term flows shifted by \$8 billion to a net outflow of \$1,135 million.
- A sharp contraction to \$455 million in the net outflow of foreign direct investment in Canada from \$3,405 million in the second quarter. Takeover activities, which accounted for the large outflow in the second quarter, continued to produce substantial outflows in the third quarter (\$1.5 billion), but their impact was offset largely by inflows of foreign direct investment into Canada during the quarter.
- A substantial increase to \$1,470 million in the net outflow for Canadian direct investment abroad, largely representing additional investment channelled to existing enterprises.
- Record net inflows from long-term borrowings abroad, with new issues of securities generating \$2,968 million and "other long-term capital" transactions, largely borrowings from foreign banks, bringing \$1,407 million.

For further information, contact A. Merchants (613-995-0743), Balance of Payments Division, Statistics Canada, Ottawa K1A 0T6.

The main tables can be obtained, in machine-readable form, from the CANSIM base.

Canadian Balance of International Payments

Current Account — Seasonally Adjusted



Source: Statistics Canada, Quarterly Estimates of the Canadian Balance of International Payments (67-001)

Labour Force Survey

Canada's seasonally adjusted unemployment rate edged down to 8.2% in November 1981 from 8.3% in the previous month; the rate in November 1980 was 7.3%. The seasonally adjusted participation rate dropped sharply to 64.5% from 64.9% in October, while the employment/population ratio fell to 59.2% from 59.5%.

For the week ending November 14, 1981, the seasonally adjusted employment level at 10,896,000 was down 40,000 from October and represented a decline of 128,000 over the latest three months. The largest decreases between October and November 1981 occurred among females 25 years of age and over (-23,000) and males 15 to 24 (-19,000). On a provincial basis, the decline in employment was mostly concentrated in Quebec (-38,000).

Unemployment in November was estimated at 979,000, seasonally adjusted, down slightly (-10,000) from October. The level declined by 21,000 for males 25 years and over and increased by 10,000 for females 15-24 years old. Provincially, unemployment increased in Alberta (+12,000), and decreased in Quebec (-11,000) and Newfoundland (-3,000).

Seasonally adjusted unemployment rates for the provinces in November were as follows, with October rates in brackets: Newfoundland, 15.3% (16.8%); Prince Edward Island, 12.0% (11.5%); Nova Scotia, 10.6% (11.0%); New Brunswick, 12.8% (12.5%); Quebec, 11.3% (11.5%); Ontario, 7.1% (7.0%); Manitoba, 6.1% (6.1%); Saskatchewan, 5.3% (4.9%); Alberta, 4.9% (3.8%); and British Columbia, 7.5% (7.7%).

The unadjusted employment level for Canada in November 1981 was estimated at 10,851,000, up 108,000 (1.0%) from November 1980. Unemployment totalled 928,000, up from 787,000 a year earlier. The unemployment rate rose to 7.9% in the latest month from 6.8% in November 1980.

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

Building Permits

Building permits activity continued to trend downward in September 1981, dropping 12.2% to a seasonally adjusted level of \$1,191.1 million from a revised \$1,356.2 million in August. In September 1980, the value of authorized building construction was \$1,305.6 million.

Residential permits estimated at \$568.3 million, seasonally adjusted, in September were 9.2% lower than in August (\$625.9 million). The decrease reflected a further deterioration of the demand for single-detached dwellings — only 4,520 units were authorized in September compared to 5,403 in August — while the number of multiple dwellings authorized rose to 6,630 from 6,147.

Non-residential projects value dropped 14.7% to a seasonally adjusted \$622.8 million in September from \$730.3 million in August. By category, industrial permits decreased 9.1% to \$150.5 million from \$165.6 million; commercial projects were down 13.0% to \$344.5 million from \$395.8 million; and publicly-initiated projects dropped 24.4% to \$127.8 million from \$168.9 million.

For further information, order the September 1981 issue of *Building Permits* (64-001, \$3.50/\$35), or contact J.P. Delisle (613-995-8213), Construction Division, Statistics Canada, Ottawa K1A 0Z7.

Telephone Statistics

Canada's 13 major telephone systems reported revenues of \$624.9 million in October 1981, up 18.5% from a year earlier. Operating expenses increased 20.6% to \$420.7 million. Net operating revenue at \$204.1 million showed an increase of 14.5% over October 1980. Telephone toll messages increased 5.4% to 125.1 million.

For further information, order the October 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.

Farm Net Income, 1980

Realized net farm income of Canadian farmers for 1980 is estimated at \$3.3 billion, down 8% from the 1979 level of \$3.6 billion.

Realized gross income — the sum of farm cash receipts, income-in-kind and supplementary payments — reached \$15.9 billion in 1980, up 10% from \$14.5 billion in 1979.

Farm operating expenses and depreciation charges totalled \$12.6 billion in 1980, 16% above the 1979 level of \$10.9 billion. Substantial increases were recorded for costs of fertilizer and feed and interest payments on farm business debt.

Further information for 1979 and 1980 is also available on CANSIM and will be published shortly in *Farm Net Income, 1980* (21-202, \$4.50). For further information regarding farm cash receipts, contact Peter Lys (613-995-4895), and for expenses, contact Mike Trant (613-995-4895), Agriculture Statistics Division, Statistics Canada, Ottawa K1A 0T6.



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