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## Weekly Bulletin

August 14, 1981

### Canadian Leading Indicator

According to the Canadian leading indicator, the prospects for economic growth in the third quarter have been lowered. In May, the indicator (1971=100) decelerated sharply with a rise of only 0.17% to stand at 138.49. The four declines registered within the last six months in the non-filtered version caused this movement; in May, the non-filtered indicator declined from 139.5 to 137.8.

The indicators of consumer demand revealed a weakening trend in May. Thus, following the relatively improved performance of March and April, sales of new motor vehicles slowed measurably in May (+0.24%), reflecting a marked decline in the non-filtered version (-5.4%). Moreover, further declines were evident in the preliminary data for June. A more promising area was furniture and appliance sales which recorded a growth rate roughly equalling that of April (+0.76%). Nevertheless, it is already apparent that this growth rate has slackened considerably since February, when an increase of 3.08% was recorded.

The growth rate of the residential construction index fell radically in May, reflecting the first substantial drop in the non-filtered index since the spring of 1980. Following several months of strong increases, housing starts and building permits fell approximately 17% while mortgage loan approvals continued their downward movement, having fallen nearly 30% since the peak reached in February.

Manufacturing was the only sector to improve its performance in May, as the growth in new orders for durable goods progressed from 1.76% to 2.27%. This increase, which stems from transportation equipment, electrical products and machinery, an area in which the demand has quadrupled since the low point of September 1980, reflects the surge in capital spending by the business sector. The ratio of shipments to finished goods inventories remained unchanged at 1.48, as the continuing recovery in demand for durable goods in May offset the weakening demand for non-durable goods. Higher growth in the average work week for manufacturing (+0.14%) followed as activity in this sector continues to expand. The percentage change in the price per unit labour cost (-0.05%) was negative for the fourth month in a row.

(continued on next page)

### LATEST MONTHLY STATISTICS

#### EMPLOYMENT, INCOME

			Previous Month	% Change From Year Ago
Average Weekly Earnings (\$)	Apr.	346.82p	344.07p	11.5
Labour Income (\$ million)	May*	15,168.2p	14,638.7p	14.1
Persons with Jobs (million)	July*	11.46	11.32	3.1
Unemployed	July*	835,000	855,000	-2.0

#### INVENTORIES

Department Store (\$ million)	May	3,038.4	3,104.4	9.1
Manufacturers' Owned (\$ million)	May	31,668.1p	31,530.6r	12.4
Wholesale (\$ million)	May	17,091.0	16,923.1	

#### ORDERS

Manufacturers' New Orders (\$ million)	May	16,322.7p	16,329.6r	22.3
Manufacturers' Unfilled Orders (\$ million)	May	20,234.8p	19,953.4r	7.7

#### PRICES

Consumer Price Index (1971=100)	June	236.8	233.2	12.8
Non-food Component (CPI)	June	219.1	215.9	13.0
New House Price Index (1976=100)	June	135.1	134.4	14.6
22-city Composite Wage, Building (1971=100)	Jan.	253.6p	253.5r	9.7
Industry Selling Price Index (1971=100)	June	271.9p	269.6p	11.6

#### CONSTRUCTION

Building Permits (\$ million)	May	1,589.4p	6,731.4p	30.0
Housing Starts — Urban Centres (units)	June	16,470	70,847	31.8

#### ENERGY

Coal Production (thousand metric tonnes)	May	2,979.6	16,894.3	18.4
Electricity Generation (terawatt hours)	May	29.1	163.3	2.2
Natural Gas Production (million cubic metres)	Mar	8,857.2	27,418.7	-4.2
Petroleum Refining (million cubic metres)	May	8.1p	43.7p	-6.6

#### FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	June	7,842p	42,199p	13.3
Imports — Balance of Payments Basis (\$ million)	June	7,380p	39,703p	14.4

#### PRODUCTION

Steel (ingots — thousand metric tonnes)	May	1,484.4	7,103.2	5.4
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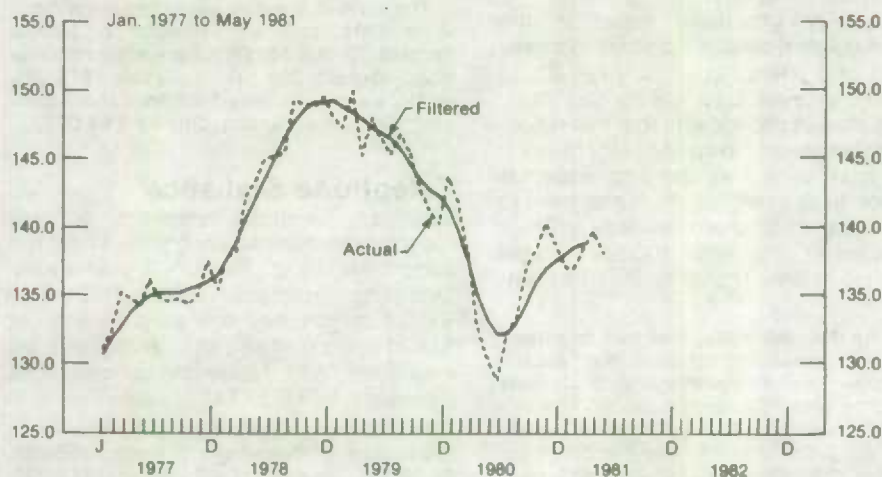
#### SALES

Department Store Sales (\$ million)	June*	835.9	4,354.7	13.2
Manufacturers' Shipments (\$ million)	May	16,041.3p	75,942.7p	13.1
New Motor Vehicle Sales (\$ million)	June	1,194.5	6,557.1	11.7
Retail Sales (\$ million)	May	8,278.4p	36,126.9p	14.7
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)



The downward trend continued in indicators from financial markets, as the cost of borrowing money continued at a high level in May. The money supply (M1) was down 0.45%, the fifth consecutive drop as the money supply has fallen below the target range for growth. The Toronto Stock Index was up only 0.18%, as the result of substantial declines in the non-filtered version.

In the United States, the filtered leading index remained virtually unchanged in May, moving from 136.80 to 136.95. The published version revealed a noticeable decline of 1.5%, bringing the index level down to 135.5. The weakness was even more widespread than in Canada, since only one component, the average work week, is on the rise. Another decline was registered in June.

## Current Economic Analysis

There were increasing signs of weakness in the Canadian economy by the end of the second quarter of 1981. These concerns were most evident in the weakness in the leading indicators in May. Household demand for housing and retail goods, particularly motor vehicles, appears to have begun to wilt under the exposure to a sustained period of high interest rates, and the immediate prospects for economic growth dimmed in the United States.

Despite the slackening in output and consumer demand in May, the 1.0% growth of Gross National Product in the first quarter apparently continued for the second quarter as a whole, led by a further gain in fixed investment. Total output in the second quarter appears to be over 4.5% above the level of a year ago, a slightly above-average increase in the first year of an expansion by recent standards. The projected gain in the related indicators for GNP and particularly business investment in the first half of 1981 has rendered obsolete the expectations held by economic forecasters for 1981. The widespread expectation of a stunting of economic growth may be a more accurate assessment of economic developments in the third quarter, as cyclical weakness and strike activity intensify.

Inflationary pressures eased in the second quarter, despite the sharp increase in food and energy costs in June. There appears, however, to be little confidence by money market participants that this reflected anything more than a transitory reaction to sluggish consumer demand. Expectations for inflation worsened, if one were to judge by another sharp increase in long-term rates in July, while short-term rates edged up to new record levels at month-end.

For the 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). For further information, contact D. Rhoades (613-992-4441), *Current Economic Analysis Staff*, Statistics Canada, Ottawa K1A 0T6.

## Oil/Gas Industry

Canadian oil and gas companies expect a 51% increase in capital expenditures in 1981, which contrasts with a forecast decline of 6.9% for American controlled enterprises. This will give Canadian firms dominance in capital spending in oil and gas.

*This projection is contained in a new publication, Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry, 1981 (61-215, Canada: \$6; Other Countries: \$7.20). For further information, contact Duncan Lusick (613-995-9013), Construction Division, Statistics Canada, Ottawa K1A 0T6.*

## Department Store Sales

Department store sales for June 1981 totalled \$835.9 million, up 20.8% from a year earlier. Cumulative sales for January-June 1981 reached \$4,354.7 million, an increase of 13.2% over the year-earlier period.

Sales by regions for June 1981, with percentage changes from June 1980 in brackets, were as follows:

- Ontario, \$307.7 million (25.4%)
- British Columbia, \$147.0 million (23.3%)
- Quebec, \$145.3 million (11.7%)
- Alberta, \$121.5 million (21.1%)
- Atlantic provinces, \$51.7 million (17.5%)
- Manitoba, \$40.1 million (15.9%)
- Saskatchewan, \$22.5 million (21.4%).

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

## Labour Income

Labour income for the month of May 1981 was estimated at \$15,168.2 million, an increase of \$1,875.7 million or 14.1% from May 1980.

Adjusted for seasonal variation, wages and salaries increased by \$169.5 million between April and May to \$13,961.9 million.

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

## Telephone Statistics

Canada's 13 major telephone systems reported revenues totalling \$560.1 million in June 1981, up 20.2% from a year earlier. Operating expenses increased 22.1% to \$410.0 million. Net operating revenue at \$150.1 million showed an increase of 15.3% over June 1980. Telephone toll messages increased 15.4% to 127.3 million.

For further information, order the June 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.

## Direct Investment Abroad

The book value of Canadian direct investment abroad increased by \$2,798 million or 21% to \$16,253 million at the end of 1978. Net capital outflows abroad as recorded in the balance of payments accounted for some \$2,010 million of the growth. Retained earnings and other factors, such as revaluations, exchange rate fluctuations, etc., accounted for the balance of the increase. Canadian direct investment abroad is a measure of the stock of long-term capital, at a point in time, in the equity and debt of foreign subsidiaries, affiliates and branches owned by Canadian investors. Preliminary estimates produced on the basis of available data indicate that, at the end of 1979, Canadian direct investment abroad will amount to \$19 billion, rising to \$23.5 billion at 1980 year-end.

Direct investment in the United States increased by 26% to \$8,898 million at 1978 year-end, accounting for 55% of total Canadian direct investment abroad. Direct investment in the United Kingdom increased moderately by 7% to \$1,512 million, while investment in the European Economic Community, excluding the United Kingdom, grew by 16% to \$959 million. Direct investment in developing countries amounted to \$3,887 million at the end of 1978, representing 24% of the total.

Manufacturing was the largest industrial category for Canadian direct investment and represented about one-half of the total. Direct investment in manufacturing advanced by 17% to \$7,646 million. The main sub-sectors within manufacturing were non-ferrous metals and beverages at \$2,531 million and \$1,586 million, respectively.

Direct investment in petroleum and natural gas grew by \$616 million or 38%, with the bulk of this increase in the United States and United Kingdom. Investment in petroleum and natural gas at \$2,221 million and utilities at \$2,012 million represented 14% and 12%, respectively, of total direct investment. Direct investment in mining and smelting grew by 25% to \$1,753 million, while investment in the financial industry rose by more than 23% to \$1,712 million at 1978 year-end.

At the end of 1978 there were 873 Canadian enterprises with direct investment abroad of which 587 were Canadian-controlled and 286 were foreign-controlled. Canadian-controlled enterprises comprised the major portion of direct investment with \$13,496 million or 83% of the total, while foreign-controlled enterprises in Canada accounted for \$2,757 million.

For further information, contact P.E. Mas-sad (613-996-2545), Balance of Payments Division, Statistics Canada, Ottawa K1A 0Z8.

## Steel Ingot Production

Preliminary estimates show steel ingot production for July 1981 reached 1,516,500 short tons (1 375 949 t), up from 1,305,206 short tons (1 184 063 t) a year earlier.

For further information, order the July 1981 issue of Steel Ingots and Pig Iron (41-002, \$1.50/\$15).



## Foreign Direct Investment

The book value of foreign direct investment in Canada rose by 10% to \$48,228 million at the end of 1978, up from increases of 8% during the previous two years. Capital payments for foreign direct investment in Canada, as recorded in the balance of payments series, registered a net inflow of only \$85 million during 1978. Purchases by Canadian residents of the holdings of foreign direct investors in direct investment enterprises in the petroleum and mining industries, which resulted in significant outflows, largely offset the net inflows for other direct investments. These transactions included the acquisition by Kaiser Resources Ltd. of Ashland Oil Inc.'s holding in Ashland Oil Canada Limited, the purchase by Petro Canada of Phillips Petroleum Company's holding in Pacific Petroleums Ltd. and takeovers of several potash companies by the province of Saskatchewan. Present estimates indicate that the growth in undistributed earnings accruing to foreign direct investors was about \$3.3 billion. Other factors, such as investment abroad, revaluations, reclassifications and similar accounting adjustments, also contributed to the increase in these external liabilities. Preliminary estimates produced on the basis of available data indicate that, at the end of 1979, foreign direct investment in Canada amounted to \$51 billion rising to \$54.5 billion at 1980 year-end.

Foreign direct investment represents the book value of foreign-owned capital by foreign direct investors in an incorporated or unincorporated enterprise in Canada, which is referred to as a direct investment enterprise. The size and nature of the investment gives the direct investor the potential to influence or to have an effective voice in the management of the direct investment enterprise. Direct investment covers the long-term capital provided by or accruing to foreign direct investors, comprising long-term debt (bonds, debentures, loans, advances, etc.) and equity (common and preferred shares, and retained earnings).

### Geographical Distribution

Direct investment by residents of the United States rose by 10% to reach \$38,348 million, accounting for 80% of total foreign direct investment. Investment by investors in the United Kingdom increased by 9% to \$4,476 million at the end of 1978 to comprise 9%, while direct investment owned by residents of all other countries grew by 11% to \$5,404 million to represent 11% of the total.

### Industrial Distribution

Foreign direct investment in manufacturing enterprises in Canada amounted to \$20,265 million or about 42% of total direct investment at 1978 year-end. Manufacturing rose by 10% or \$1,868 million with the whole increase due to residents of the U.S. U.K. long-term capital in manufacturing remained unchanged from 1977 at \$1,429 million and investment in this sector by residents of all other countries declined

marginally to \$1,233 million. Among the nine manufacturing subsectors, foreign investment was by far the largest at \$6,695 million, in iron and products, including enterprises fabricating such products as motor vehicles, aircraft and parts, railway rolling stock, agricultural implements and industrial machinery. The bulk, almost 95%, of the capital in the iron and products subsector was owned by investors in the U.S. Manufacturing industries with the next large foreign direct investment were chemicals and allied products, at \$3,309 million, followed closely by wood and paper products, at \$3,208 million.

Direct investment in the extractive industries in Canada comprised almost one-third of total direct investment split between petroleum and natural gas at \$11,329 million and mining and smelting at \$4,219 million.

### Foreign-Controlled Investment

The book value of total long-term capital employed in foreign-controlled enterprises in Canada at the end of 1978 amounted to \$70,232 million, an increase of 7% over the previous year. Foreign-controlled investment comprises total long-term capital employed in Canada of foreign-controlled Canadian enterprises. This includes capital supplied by foreign direct investors as well as portfolio capital from Canadian and foreign investors in Canadian enterprises deemed to be controlled by foreigners.

United States-controlled investment in Canada rose by 6%, down from increases of about 9% in the previous two years, to \$52,073 million. Capital in United States-controlled enterprises comprised almost three-fourths of total foreign-controlled investment in Canada. United Kingdom-controlled investment grew by 9% to \$7,446 million to represent about 11% of total foreign-controlled investment. The third largest was French-controlled investment at \$2,484 million. Long-term capital invested in West German-controlled enterprises rose sharply by 31% to \$1,746 million at 1978 year-end.

For further information, contact F. Chow (613-996-2545), Balance of Payments Division, Statistics Canada, Ottawa K1A 0Z8. The publication *Canada's International Investment Position, 1978* (67-202, \$8), will be released later this year.

## Farm Cash Receipts

Farm cash receipts for the first six months of 1981 reached \$9.4 billion, an increase of 29% over the January-June 1980 figure of \$7.3 billion. Cash receipts were higher in all provinces.

Receipts from crop sales were up 53% in the latest period with higher prices for wheat, barley and potatoes all contributing to the increase. Livestock receipts rose 10% as higher receipts for hogs (+30%), dairy products (+15%), poultry (+15%) and eggs (+16%) more than offset a 3% drop for cattle and calves.

For further information, order the January-June 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.

## The Labour Force

Canada's seasonally adjusted unemployment rate edged down to 7.2% in July from 7.3% the previous month; the rate in July 1980 was 7.5%. The seasonally adjusted participation rate dropped to 64.7% from 64.9% in June. The employment/population ratio also declined slightly to 60.0% from 60.2%.

For the week ending July 18, 1981, the seasonally adjusted employment level was 10,991,000, down very slightly from the June estimate of 11,003,000. The employment level decreased for both men and women in the 15-24 age group (especially among the 15-19-year-olds), with the largest decline occurring among women (-15,000). The employment level increased for men 25 years and older (+11,000), but showed no change for women in the same age group. On a provincial basis, employment declined in Quebec (-10,000) and Ontario (-13,000).

The seasonally adjusted unemployment level was 850,000, down 16,000 from June. Unemployment decreased for both men and women in the 15-24 age group, with the largest decline occurring among persons 15-19 years of age. The level of unemployment increased slightly for men 25 years and older (+7,000), but showed no change for women in this age group. Provincially, unemployment decreased in Ontario (-11,000) while showing little or no change in the remaining provinces.

Seasonally adjusted unemployment rates for the provinces in July were as follows, with June figures in brackets: Newfoundland, 14.4% (13.5%); Prince Edward Island, 11.1% (10.5%); Nova Scotia, 10.1% (10.1%); New Brunswick, 10.8% (11.4%); Quebec, 10.1% (9.9%); Ontario, 6.1% (6.3%); Manitoba, 6.3% (5.9%); Saskatchewan, 4.0% (4.4%); Alberta, 3.4% (3.4%); and British Columbia, 6.1% (6.1%).

The unadjusted employment level for Canada in July was estimated at 11,460,000, up 348,000 (3.1%) from July 1980. The unemployment level was 835,000, down 17,000 from last July. The unemployment rate was 6.8%, down from 7.1% the previous year. The participation rate was 67.2%, up from 66.4%, while the employment/population ratio was 62.6%, up from last year's estimate of 61.7%.

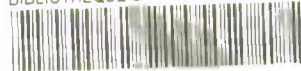
For further information, order the July 1981 issue of *The Labour Force* (71-001, \$3.50/\$35).

## Farm Prices

The Canada index number of farm prices of agricultural products (1971=100) for June 1981 stood at 295.6, an increase of 1.5% from the revised May level of 291.3.

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). For further information, contact George Beelen (613-995-4895), Agriculture Statistics Division, Statistics Canada, Ottawa K1A 0T6.





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## These publications released August 7 — 13

	Cata- logue No.	In Canada: Price per issue/year	Elsewhere: Price per issue/year
<b>AGRICULTURE STATISTICS</b>			
Stocks of Frozen Meat Products, July 1981	32-012	\$2.50/\$25	\$3/\$30
<b>BALANCE OF PAYMENTS</b>			
Security Transactions with Non-residents, April 1981	67-002	\$2.50/\$25	\$3/\$30
<b>CONSTRUCTION</b>			
Building Permits, May 1981	64-001	\$3.50/\$35	\$4.20/\$42
Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry, 1981	61-215	\$6	\$7.20
The Highway, Road, Street and Bridge Contracting Industry, 1979	64-206	\$6	\$7.20
<b>CONSUMER INCOME AND EXPENDITURE</b>			
Family Incomes, Census Families, 1979	13-208	\$6	\$7.20
<b>LABOUR</b>			
Employment, Earnings and Hours, March 1981	72-002	\$4/\$40	\$4.80/\$48
<b>MANUFACTURING AND PRIMARY INDUSTRIES</b>			
Cement, June 1981	44-001	\$1.50/\$15	\$1.80/\$18
Cemented Tungsten Carbide Blanks and Tools, Quarter Ended June 1981	41-013	\$2.50/\$10	\$3/\$12
Construction Type Plywood, June 1981	35-001	\$1.50/\$15	\$1.80/\$18
Domestic Refrigerators and Freezers, June 1981	43-001	\$1.50/\$15	\$1.80/\$18
Electric Lamps (Light Sources), June 1981	43-009	\$1.50/\$15	\$1.80/\$18
Gypsum Products, June 1981	44-003	\$1.50/\$15	\$1.80/\$18
Hardboard, June 1981	36-001	\$1.50/\$15	\$1.80/\$18
Inventories, Shipments and Orders in Manufacturing Industries, May 1981	31-001	\$3.50/\$35	\$4.20/\$42
Manufacturers of Lighting Fixtures, 1979	43-211	\$4.50	\$5.40
Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, May 1981	35-002	\$2.50/\$25	\$3/\$30
Production, Shipments and Stocks on Hand of Sawmills in British Columbia, May 1981	35-003	\$2.50/\$25	\$3/\$30
Slaughtering and Meat Processors, 1979	32-221	\$4.50	\$5.40
<b>MERCHANDISING AND SERVICES</b>			
Department Store Sales by Regions, June 1981	63-004	\$1.50/\$15	
New Motor Vehicle Sales, May 1981	63-007	\$2.50/\$25	\$3/\$30
<b>PRICES</b>			
Industry Price Indexes, May 1981	62-011	\$3.50/\$35	\$4.20/\$42
<b>TRANSPORTATION AND COMMUNICATIONS SERVICE BULLETIN</b>			
Aviation Statistics Centre, Vol. 13, No. 7, Canadian Air Transport Industry, Summary Statistics	51-004	\$1.50/\$15	\$1.80/\$18