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Statistics Canada Statistique Canada

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June 25, 1982

Gross National Product

Gross National Product rose 0.6% in the first quarter of 1982 to reach a level of $344.6 billion, seasonally adjusted at annual rates. After allowing for an overall price rise of almost 2.7%, real GNP fell 2.0%. The quarterly decline was the third in a row and left total real output 4% below the peak reached in the second quarter of 1981.

Declines occurred in all major categories of demand except government as the recession spread through the economy, weakening income, output and employment in virtually all major industrial groups. Employment as measured by the Labour Force Survey has fallen nearly 2% since the second quarter of 1981. Business expenditure on non-residential construction, which had recently been a source of strength, declined sharply in the first quarter. With long lags in the planning to work-put-in-place process, low rates of capacity utilization, and continuing weakness in business liquidity and corporate profits, off in the neighbourhood of 40% year-over-year, there is little likelihood of a turnaround here in the near future. As there are few signs for growth in new housing expenditures, as stock-to-sales ratios are not low enough to imply expanded production, and as government expenditure appears to be under continuing restraint, any immediate prospects for recovery in the economy are probably dependent upon increased consumer expenditure and improved export markets.

In the first quarter, personal expenditure declined in volume for the third consecutive three-month period, with spending down 1.5% on goods and 1% on services. Demand was lower in a majority of components, with the most pronounced declines occurring in purchases of durable and semi-durable goods, especially automobiles, furniture, appliances and household furnishings. The decline in spending on services, the first since the first quarter of 1981, was widespread.

Business fixed investment was reduced 6% in real terms, as residential construction fell 2% and expenditure on plant and equipment declined 7%. With prices for fixed investment goods up a moderate 1% to 2%, nominal expenditure by businesses on non-residential construction and machinery and equipment declined nearly

(continued on next page)

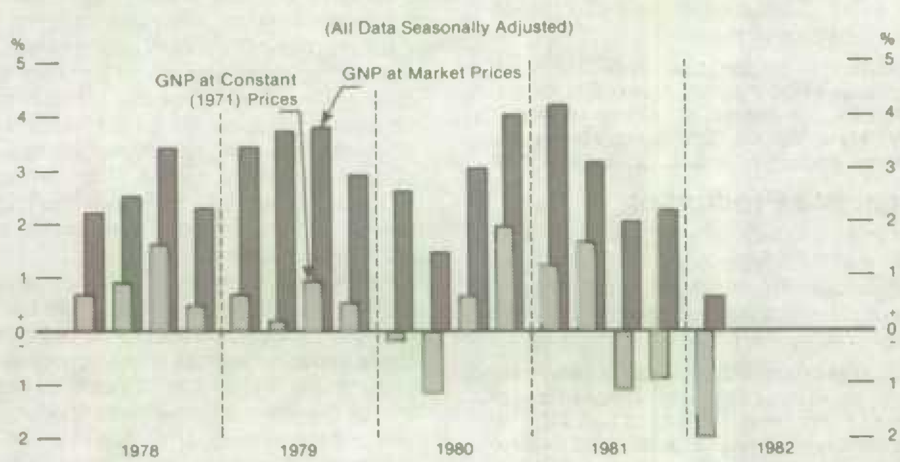
LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	Mar.	381.87	381.00p	10.9
Labour Income ($ million)	Feb.	15,[illegible]5.2p	15,630.9p	11.0
Persons with Jobs (million)	May	10.70	10.43	-2.9
Unemployed	May	1,241,000	1,233,000	45.3
INVENTORIES				
Department Store ($ million)	Apr.*	3,324.8	2,784.0	7.0
Manufacturers' Owned ($ million)	Apr.*	34,235.4p	34,527.6r	10.0
OROERS				
Manufacturers' New Orders ($ million)	Apr.*	15,158.9p	16,464.2r	-8.0
Manufacturers' Unfilled Orders ($ million)	Apr.*	18,032.0p	18,013.0r	-8.6
PRICES				
Consumer Price Index (1971=100)	Apr.	257.3	255.9	11.3
New House Price Index (1976=100)	Apr.	134.9	135.2	2.0
Raw Materials Price Index (1977=100)	Apr.	198.5p	196.8p	12.6
Excl. coal, crude oil, nat. gas	Apr.*	151.3p	148.6p	-2.9
Industry Selling Price Index (1971=100)	Apr.	286.5p	284.5p	6.9
CONSTRUCTION			**Year-to-date**	
Building Permits ($ million)	Mar.	1,232.8p	*2,821.7p*	*-13.1*
Housing Starts — Urban Centres (units)	Apr.	9,061	*35,327*	*-5.5*
ENERGY				
Coal Production (thousand tonnes)	Mar.	4 061.8	*10 991.1*	*5.6*
Electricity Generation (terawatt hours)	Mar.	34.8	*108.8*	*4.4*
Natural Gas Production (million cubic metres)	Mar.*	9 127.4	*28 801.6*	*5.0*
Petroleum Refining (million cubic metres)	Apr.*	6.1p	*28.6p*	*17.5*
FOREIGN TRAOE				
Exports — Balance of Payments Basis ($ million)	Apr.	7,121p	*27,506p*	*1.4*
Imports — Balance of Payments Basis ($ million)	Apr.	6,017p	*23,011p*	*-9.5*
PROOUCTION				
Railway Carloadings (million tonnes)	May*	20.0	*88.5*	*-6.9*
Steel (ingots — thousand tonnes)	Mar.	1 246.3	*3 654.3*	*-12.5*
SALES				
Department Store Sales ($ million)	Apr.*	791.7	*2,664.2*	*-1.1*
Manufacturers' Shipments ($ million)	Apr.*	15,139.9p	*60,110.9p*	*-1.0*
New Motor Vehicle Sales ($ million)	Apr.	999.5	*3,272.0*	*-21.3*
Retail Sales ($ million)	Apr.	8,048.7p	*28,629.7p*	*2.8*

Statistics are in current dollars and are not seasonally adjusted.
*p - preliminary. r - revised. * - new this week.*

Canada's Gross National Product (GNP)

Quarter-to-Quarter Change



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

5.5%. This suggests rather strongly that investment intentions for 1982 as formulated last January and February will be under-realized.

The volume of non-farm inventories fell $2 billion as production and imports fell faster than demand for the second quarter in a row. The two-quarter decline is still $1 billion less than that which took place during the second half of 1980 and was concentrated mainly in retail and wholesale trade, notably in the automotive sector. The ratio of manufacturers' inventories to shipments remains high in historical terms.

The nominal trade deficit in goods and services shrank dramatically for the second straight quarter to reach $328 million, largely because of a rising surplus on merchandise trade. The latter was due to a second steep decline in the volume of merchandise imports, 11% in the first quarter, as real merchandise exports themselves fell nearly 4%. The sharp drop in imports was led by reduced demand for crude petroleum, coal, rolling mill products and industrial and agricultural machinery. On the export side, firmer U.S. demand for motor vehicles was more than offset by lower exports of metal ores and wood-based products.

The implicit price index of overall GNE rose 2.7%, compared to 3.1% in the previous quarter.

Wages, salaries and supplementary labour income rose only 1.6% in the first quarter compared to 2.7% in the fourth, largely reflecting declines in employment but also some slowing in average weekly earnings by quarter's end.

The largest decline in the income categories was in corporate profits before taxes which fell 16%. This was the fourth quarter in a row in which profits have fallen and is the largest decline since 1947, the date from which quarterly estimates are available.

Oil Pipeline Transport

Net receipts of crude oil, condensates, pentanes plus, liquefied petroleum gases and petroleum products through Canadian oil pipelines during April 1982 fell 21.6% to 9 624 711 cubic metres from 12 275 486 cubic metres a year earlier.

For further information, order the April 1982 issue of Oil Pipeline Transport (55-001, $2.50/$25), or contact R. Godin (613-996-3139), Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

Cigarette Production

Canadian production of cigarettes in May 1982 was 5.9 billion, down from 6.3 billion a year earlier. Production of cigars rose to 32.4 million in the latest month from 30.0 million in May 1981.

For further information, order the May 1982 issue of Production and Disposition of Tobacco Products (32-022, $1.50/$15), or contact Sharon Boyer (613-996-3226), Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

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Current Economic Analysis

The rate of descent of real economic activity accelerated in the first quarter of 1982. The index of domestic production declined 1.7% in the quarter as virtually all sectors of the economy have been affected by the deterioration in the domestic and international economic environment. The retrenchment sharply reduced profits and cash flow of business firms, and unemployment rose to post-war record levels. Inflation slowed marginally as firms restrained price increases and sold off inventories in an attempt to improve liquidity and profits. Wage increases eased in the first quarter, raising the chances for a sustained reduction in inflation.

Although the reduction in inventories and the slight improvement in inflation are positive signs, the indicators of real activity remained emphatically negative in the data released in May. Consumer demand for retail goods and housing displayed further weakness, while firms appear to have rapidly curtailed spending on fixed investment. The pronounced weakness in these sectors of the economy appears to be self-reinforcing, as employment cutbacks by firms, to align inventory and labour costs with lower sales, have in the short-run accentuated the downturn in household spending. At the same time, the squeeze on corporate liquidity has contributed to continued strong demand for credit in Canada. Together with a slowdown in capital flows into Canada, this has resulted in upward pressure on domestic interest rates.

- **Exports** rose 2.3% in April, which helped to raise the short-term trend for exports after six months of decline. **Imports** continued to slump, off 2.1% in April, to push the nominal merchandise trade surplus to $1,459 million. The strong recovery in the trade balance in the first quarter led the **current account** to a $288 million surplus.
- **Employment** declined 0.7% in April and 0.2% in May, as the unemployment rate rose to 10.2% of the labour force. **Labour force growth** itself has slowed considerably for the first time in 15 years, as the steady decline in employment opportunities and the extended duration of unemployment has eroded labour force participation by 0.7% over the last eight months. New wage agreements decelerated to a gain of 11.2% in the first quarter from 12.7% in the fourth.
- **Retail sales** dropped by about 1.6% in volume in March due to widespread declines, leaving sales off 3.0% for the first quarter.
- **Real Domestic Product** declined 1.0% in March, as the percentage of industries exhibiting declining trends rose to 65%.

Consumer Price Index

The All-items Consumer Price Index (CPI) for Canada (1971=100) increased by 1.4% in May 1982 to 260.8 from 257.3 in April. The 12-month rise between May 1981 and May 1982 stood at 11.8%, up from the 11.3% increase registered between April 1981 and April 1982. The latest monthly increase was largely attributable to higher food prices, increased housing charges and to higher transportation costs. After advancing by 0.6% in April, the food index increased by 2.2% in May, the largest monthly advance since June 1980. The all-items-excluding-food index rose 1.1% between April and May, up significantly from the increase of 0.5% registered in the previous month.

Higher prices for beef and pork cuts, up 8.3% and 9.3% respectively in May, reflecting increased seasonal demand for certain beef cuts and reduced North American supplies for pork, were largely responsible for the 2.7% increase in the food-purchased-from-stores index. In May, the index stood 8.9% above its level for May 1981. The food-purchased-from-restaurants index advanced 0.6% in May, up 9.6% over the corresponding month of 1981. As a result, the aggregate food index stood 8.9% above its level of May 1981, up from the 6.1% increase registered between April 1981 and April 1982.

Higher shelter charges, increased gasoline prices and higher air fares (most notably on international routes), coupled with provincial budget changes affecting retail prices, were largely responsible for the 1.1% increase in the all-items-excluding-food index. Between May 1981 and May 1982, the index advanced 12.7%, down marginally from the 12.9% increase registered between April 1981 and April 1982.

Viewed in terms of goods and services, the price level of goods advanced 1.7% while that for services increased 0.8%. As a result, between May 1981 and May 1982, the price level for goods advanced by 10.8%, while that for services rose by 13.4%.

On a seasonally adjusted basis, the all-items CPI rose 1.2% in May: this comprised a 2.2% increase in the food index and a 0.9% increase in the all-items-excluding-food index.

For further information, order the May 1982 issue of The Consumer Price Index (62-001, $2.50/$25), or contact Sandra Shadlock or Suzanne Lavoie (613-995-4078), Consumer Prices Section, Prices Division, Statistics Canada, Ottawa K1A 0T6.

Manufacturing Activity

Preliminary estimates show the value of new orders received in all Canadian manufacturing industries rose 0.2% in April 1982 to $14,976.9 million, seasonally adjusted, from $14,940.2 million (revised) in March. In durable goods industries, new orders rose 5.4% to $6,313.1 million from $5,991.1 million, reflecting large increases in the metal fabricating, transportation equipment and electrical products industries; partly offsetting were decreases of 8.0% in primary metal industries and 19.5% in machinery industries. New orders in non-durable goods industries were estimated at $8,663.8 million, 3.2% below the revised March level of $8,949.1 million.

The seasonally adjusted preliminary estimate of the value of Canadian manufacturers' shipments in April was $14,961.1 million, down 3.1% from March's revised $15,436.0 million. Among the 20 major groups of industries, shipments were lower in 16 and higher in four. Shipments of durable goods industries dropped 2.3% to $6,325.9 million from $6,477.7 million in March, with all industry groups except transportation equipment showing decreases (transportation equipment industries shipments increased 6.9%). Shipments of non-durable goods industries were down 3.6% to $8,635.2 million from $8,958.3 million with the major influence on the change a decrease of $218.6 million in petroleum and coal products industries.

The preliminary estimate of the backlog of unfilled orders in April was $17,673.9 million, seasonally adjusted, up 0.1% from the revised value of $17,658.1 million a month earlier.

At the end of April, the total value of inventory owned by manufacturers was $33,677.9 million, seasonally adjusted, 1.0% lower than the $34,029.4 million revised estimate for March. Total inventory held decreased 0.9% to $35,297.7 million from $35,634.9 million with decreases in raw materials of 2.7% and goods in process of 0.2% and an increase of 0.8% in finished products.

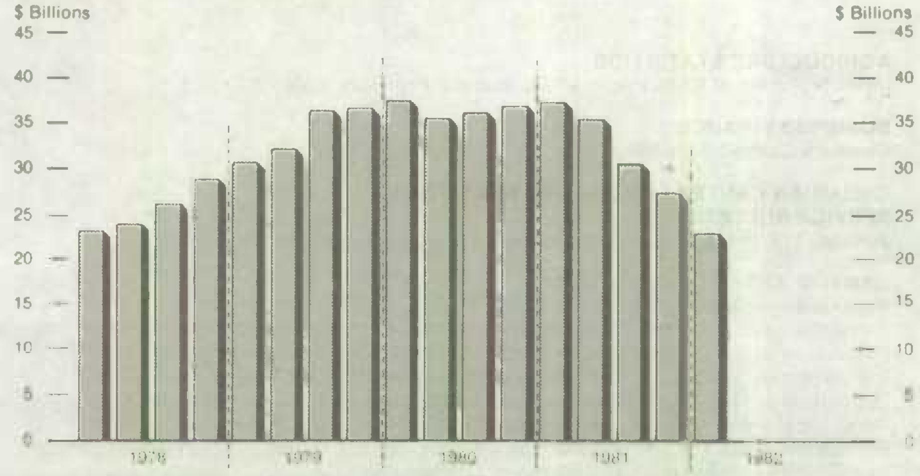
The seasonally adjusted ratio of total inventory owned to shipments at the end of April was 2.25:1, up from 2.20:1 in March. The ratio of finished products to shipments rose to 0.77:1 from 0.74:1.

Not adjusted for seasonal variation, manufacturers' shipments in April 1982 were estimated at $15,139.9 million, 9.5% lower than the revised March 1982 value of $16,735.7 million. Cumulative shipments for the first four months of 1982 at an estimated $60,110.9 million were down 1.0% from $60,724.6 million in the January-April 1981 period.

For further information, order the April 1982 issue of Inventories, Shipments and Orders in Manufacturing Industries (31-001, $3.50/$35), or contact H. D. Wightman (613-996-7008), Shipments, Inventories and Orders Section, Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0V6.

Corporation Profits (Before Taxes)

(Data Seasonally Adjusted at Annual Rates)



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

Refined Petroleum Products

Preliminary data show net sales in Canada of all refined petroleum products amounted to 6 552.3 thousand cubic metres in April 1982, a drop of 14.6% from 7 675.2 thousand cubic metres a year earlier.

Canadian refineries produced 6 124.3 thousand cubic metres of refined petroleum products in the latest month, down 28.0% from 8 503.0 thousand cubic metres in April 1981.

For further information, order the April 1982 issue of Refined Petroleum Products (45-004, $3.50/$35), or contact R. Godin (613-996-3139), Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

Petroleum/Natural Gas

Canadian production of crude petroleum and equivalent hydrocarbons in March 1982 amounted to 6 351 600 cubic metres, down 6.9% from 6 818 100 cubic metres a year earlier.

Net new production of natural gas amounted to 9 127.4 million cubic metres in the latest month, an increase of 2.7% from 8 887.1 million cubic metres in March 1981.

For further information, order the March 1982 issue of Crude Petroleum and Natural Gas Production (26-006, $2.50/$25), or contact R. Godin (613-996-3139), Energy Section, Manufacturing and Primary Industries Division, Statistics Canada, Ottawa K1A 0T6.

Municipal Governments

Gross general revenues of local governments in Canada reached an estimated $28,931 million in 1981, up $2,371 million or 8.9% over preliminary estimates for 1980. Own-source revenue increased by $1,431 million or 10.7% while total transfer payments received increased by $940 million or 7.1%.

Total estimated gross general expenditure for 1981 of $30,984 million was up $2,937 million or 10.5% over the corresponding preliminary data for 1980.

Pending publication of Local Government Finance, Preliminary 1980 and Estimates 1981 (68-203), copies of the principal revenue and expenditure tables which will appear in this publication are available upon request from G.A. Marr (613-995-9897), chief, Local Government Section, Public Finance Division, Statistics Canada, Ottawa K1A 0T6.

Foreign Trade/Automotive

Canada's balance on trade in automotive products with the United States swung to a $525 million surplus in the first quarter of 1982 from a deficit of $555 million in the January-March 1981 period.

The turnaround in the automotive trade balance came as a result of a $1,300 million increase in the surplus on vehicles (cars, trucks and other motor vehicles), along with a $200 million increase in the deficit on parts. Exports were up 32%, while imports were down 6.5%, despite an 11% increase in parts imports.

(The first quarter 1982 and fourth quarter 1981 surpluses of $525 and $350 million were the first to be recorded since a surplus of $60 million in the first quarter of 1973.)

On a unit basis, exports to the United States of passenger cars were up 38,000 units, while imports were down 45,000 units.

Trade with Overseas Countries

The trade deficit with overseas countries remained at a level of about $140 million in the first quarter of 1982, little changed from the year-earlier quarter. Increases in exports and imports of trucks and other motor vehicles were offset by decreases in the other components, resulting in marginal declines in exports and imports.

For further information, contact Gordon Blaney (613-995-6305), Trade Inquiries Unit, Pierre Pichette or François Bordé (613-995-6115), Trade Measures and Analysis Section, External Trade Division, Statistics Canada, Ottawa K1A 0Z9.

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