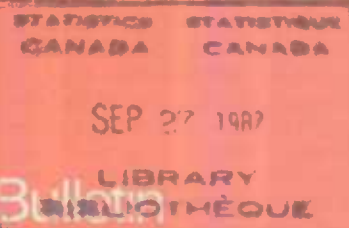


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Weekly Bulletin



September 24, 1982

## Current Economic Analysis

The release of the second quarter 1982 National Accounts reveals that aggregate real output fell at a quarterly rate of 2.0%, following a 2.2% drop in the first quarter. The recession in Canada, which has reduced production by slightly over 6.0% since its onset in mid-1981, has been the steepest among the major industrialized nations, as household and business demand have declined at rates unprecedented in the post-war era. Economy-wide inflation in the second quarter slowed significantly due to lower export prices, but consumer price inflation has eased only marginally despite the contraction of domestic economic activity.

The weakness in the second quarter was concentrated in business fixed investment and inventories, as export demand rose sharply and there were signs of a firming of consumer spending. The monthly data on economic activity in June and July suggest that the limited stimulus given to the economy by the consumer and external sectors has not been sustained, particularly in the motor vehicle industry. The signs of a slackening of demand in these sectors, and an ongoing retrenchment in corporate outlays and residential construction, reflect the self-reinforcing nature of the contraction of aggregate demand. The hefty cutbacks in employment, investment, and inventories by firms in the second quarter of 1982 have led to a virtual standstill in nominal labour income and to a pronounced slowdown in average earnings. Together with an upturn in interest rates early in the summer, this has led to a renewed contraction of retail sales and housing starts.

The short-term performance of the American economy has also been dominated by a renewed downturn of consumer demand, particularly for motor vehicles, and by an ongoing reduction in business investment. This reflects the disappointing effect of the stimulus hoped for retail sales from the mid-year 1982 tax cut, and has led in particular to a significant build-up of auto inventories relative to sales. An inventory correction in this sector will dampen production in the short term in the U.S., although a cutback in the Canadian auto industry may be delayed by stockbuilding against the eventuality of a strike. The prospects for a sustained upturn in the U.S. economy beginning in the fall

(continued on next page)

## LATEST MONTHLY STATISTICS

### EMPLOYMENT, INCOME

			Previous Month	% Change From Year Ago
Average Weekly Earnings (\$)	June	389.57p	387.25p	9.3
Labour Income (\$ million)	June	16,922.1p	16,523.1p	4.9
Persons with Jobs (million)	Aug.	10.91	11.00	-5.0
Unemployed	Aug.	1,388,000	1,386,000	75.7

### INVENTORIES

Department Store (\$ million)	July	3,006.6	2,909.1	-1.1
Manufacturers' Owned (\$ million)	July*	33,093.5p	33,537.3r	4.7

### ORDERS

Manufacturers' New Orders (\$ million)	July*	13,939.6p	16,322.4r	-10.0
Manufacturers' Unfilled Orders (\$ million)	July*	17,426.1p	17,512.2r	-10.9

### PRICES

Consumer Price Index (1971=100)	Aug.*	266.1	264.8	10.6
New House Price Index (1976=100)	July	132.2	133.1	-2.2
Raw Materials Price Index (1977=100)	July	204.9p	200.1p	7.3
Excl. coal, crude oil, nat. gas	July	151.8p	153.5p	-3.3
Industry Selling Price Index (1971=100)	July	290.3p	289.8p	5.9

### CONSTRUCTION

Building Permits (\$ million)	June	987.3p	6,028.6p	-32.6
Housing Starts — Urban Centres (units)	July	8,065	60,970	-27.4

### ENERGY

Coal Production (thousand tonnes)	June	3,722	22,441	11.7
Electricity Generation (terawatt hours)	June	26.2	194.4	1.5
Natural Gas Production (million cubic metres)	May	7,336.3	44,326.8	3.6
Petroleum Refining (million cubic metres)	July*	8.0p	51.9p	-16.0

### FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	July*	6,880p	49,701p	1.0
Imports — Balance of Payments Basis (\$ million)	July*	5,549p	40,441p	-12.0

### PRODUCTION

Railway Carloadings (million tonnes)	Aug.*	14.5p	138.6p	-9.5
Steel (Ingots — thousand tonnes)	June	964.6	7,243.7	-15.5

### SALES

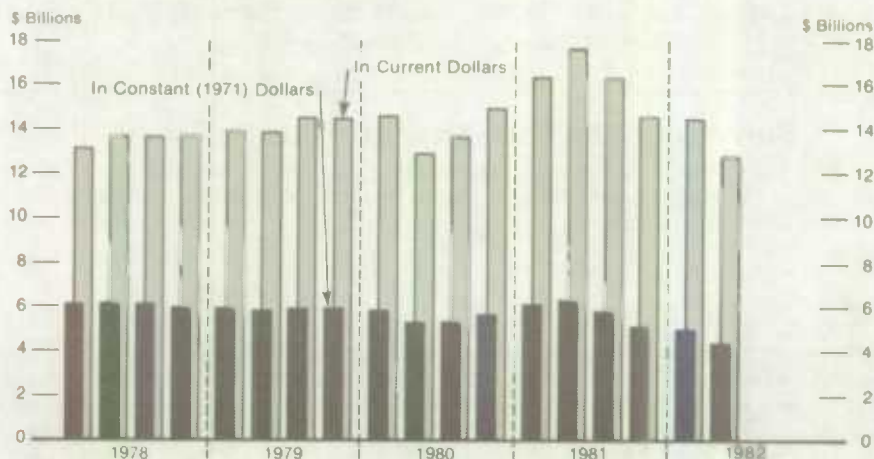
Department Store Sales (\$ million)	July	759.2	5,025.2	-1.7
Manufacturers' Shipments (\$ million)	July*	14,025.7p	106,207.3p	-3.4
New Motor Vehicle Sales (\$ million)	July	679.1	6,056.9	-19.5
Retail Sales (\$ million)	July	8,388.4p	53,896.2p	2.7

Statistics are in current dollars and are not seasonally adjusted.

p - preliminary. r - revised. \* - new this week.

## Residential Construction Expenditures

Data Seasonally Adjusted at Annual Rates



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

Canada



improved, however, as the leading index strengthened significantly in July, and interest rates moved sharply lower in August. The drop in interest rates is potentially of importance, as it sparked a considerable rally in stock and commodity markets. This is encouraging for the short-term prospects of U.S. demand for Canadian exports, although there is little direct evidence to date that the improvement in the financial markets has been matched by a reversal in consumer and business demand.

The implicit price index for GNE rose 1.5% in the second quarter compared to 3.0% increases recorded in each of the three previous quarters. Virtually all of the slowdown in this measure of economy-wide inflation originated in export prices. In particular, the Consumer Price Index has not significantly responded to the year-long slump in demand. Prices rose rapidly in the first half of 1982 for energy, food, and housing, while excise and sales tax rates were boosted in most government budgets. Aside from the July 1 increase in the well-head price of oil, which will be reflected in retail consumer prices in September, most of these inflationary factors should ease in the second half of 1982. The chances of holding to the moderate rates of increase observed in the price indices in July are improved, moreover, by the distinct slowdown in average hourly earnings and the easing of wages negotiated under collective bargaining in the second quarter. At the same time, the recent drop in financing costs and an improvement in the external value of the Canadian dollar should also foster an easing trend for inflation.

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 Division, Statistics Canada, Ottawa K1A 0T6*.

## Railway Operating Statistics

The seven major railways in Canada reported a combined net income from operations of \$34.7 million in April 1982, down 15.8% from a year earlier. Operating revenues of \$534.9 million were up 11.7% from the 1981 level.

## Publications

### Order through:

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## Railway Commodity Origin/Destination

Province of origin and destination statistics for 320 commodities shipped by rail are now available. Data for the leading 15 commodities are published annually in *Railway Transport, Railway Commodity Origin and Destination Statistics* (catalogue no. 52-214, \$8 in Canada, \$9.60 elsewhere). Quantities and revenues are both shown, and destinations also include the Northwest Territories, U.S.A. and marine export/import. Four years of data are provided, 1977-1980.

In 1980 the top five commodities ranked in order of metric tonnes were: wheat; bituminous coal; muriate of potassium; pulpwood chips and lumber.

For more detailed information, contact Murray McRae (613-996-9271), *Transportation and Communications Division, Statistics Canada, Ottawa K1A 0V1*.

## Population/Housing Profiles, 1981 Census of Canada

Now available is a compendium of the most frequently used characteristics collected on a 100% basis, for all census subdivisions in Canada, packaged in a series of 12 provincial bulletins. These are non-catalogued products identified as E559 through E570, and bear handling charges ranging from \$3.50 to \$10.

To obtain copies or for further information, contact the nearest Statistics Canada regional reference centre, or Publication Sales and Services, Statistics Canada, Ottawa K1A 0T6.

## Survey of Child Care Arrangements Released

Just over one-half of the 2.2 million children in Canada under the age of six in 1981 spent some time each week in the care of persons other than their parents. For these children, care was provided in:

- Nursery school or kindergarten, 43%
- Another private home, 36%
- Own home, 36%
- Day-care centre, 11%.

These are some of the data obtained through a household sample survey, the results of which are released in *Initial Results From the 1981 Survey of Child Care Arrangements* (uncatalogued). For further information, contact Ian Macredie or Jean-Marc Lévesque (613-995-9381), Labour Force Activity Section, Statistics Canada, Ottawa K1A 0T6.

## Consumer Price Index

The Consumer Price Index (CPI) for Canada (1971=100) advanced by 0.5% in August 1982 to 266.1 from 264.8 in the previous month. The 12-month rise between August 1981 and August 1982 stood at 10.6%, the third consecutive month in which the year-over-year percentage increase has registered a deceleration. The latest monthly rise of 0.5% was entirely attributable to advances in the non-food components. After registering an increase of 0.6% in July, the food index dropped by 0.8%, the first monthly decline in 1982. In contrast, the all-items-excluding-food index increased by 0.9% in the latest month, up from the 0.5% rise registered between June and July.

Significantly lower prices for fresh vegetables, down on average 22.2% as a result of the increased availability of domestically grown produce, were largely responsible for the 1.3% decline in the food-purchased-from-stores index. In August, the index stood 6.4% above its level for August 1981. The food-purchased-from-restaurants index advanced 0.5%, up 10.8% above its level for August 1981. As a result, the aggregate food index increased 7.3% over the level of August 1981, down from the 8.6% increase registered between July 1981 and July 1982.

Higher shelter charges, most notably for rented accommodation in the province of Quebec, coupled with increased gasoline prices resulting both from the increase in the provincial gasoline tax in the province of Quebec and from the ending of price wars in several urban centres in Ontario, were largely responsible for the 0.9% increase in the all-items-excluding-food index. Between August 1981 and August 1982, the index advanced 11.5%, unchanged from the increase registered between July 1981 and July 1982.

Viewed in terms of goods and services, the price level for goods advanced by 0.3% while that for services increased 0.8%. As a result, between August 1981 and August 1982, the price level for goods advanced 9.0% while that for services rose by 13.0%.

On a seasonally adjusted basis, the all-items CPI rose 0.7% in August; this comprised a decline of 0.3% in the food index and an increase of 1.0% in the all-items-excluding-food index.

### City Highlights

Between July and August, consumer prices rose in all cities for which CPIs are produced with increases ranging from 0.1% in Halifax to 0.9% in Quebec City; 12 of the 15 cities registered increases equal to or less than the national average. Between August 1981 and August 1982, consumer price increases ranged from 7.6% in Saskatoon to 12.1% in Quebec City. Nine of the 15 cities registered year-over-year increases of less than 10.0%.

For further information, order the August 1982 issue of *The Consumer Price Index* (62-001, \$2.50/\$25), or contact Sandra Shadlock or Suzanne Lavoie (613-995-4078).



## Manufacturing Activity

Preliminary estimates show the value of new orders received in Canadian manufacturing industries fell 1.1% in July 1982 to \$15,252.1 million, seasonally adjusted, from \$15,423.4 million (revised) in June, and was 9.4% below the year-earlier level of \$16,837.6 million. In durable goods industries, new orders dropped 3.0% to \$6,260.9 million from \$6,452.8 million, reflecting a large decrease in primary metals industries and smaller decreases in machinery and transportation equipment industries; partly offsetting were increases of 6.0% for metal fabricating and 4.2% for electrical products industries. New orders in non-durable goods industries at \$8,991.2 million were up 0.2% from \$8,970.6 million (revised) in June.

The seasonally adjusted preliminary estimate of the value of manufacturers' shipments in July was \$15,225.1 million, 1.3% lower than the revised June estimate of \$15,429.1 million. Shipments of durable goods industries fell 3.5% to \$6,222.1 million from \$6,449.7 million in June; all industry groups except furniture and fixtures showed declines, losses ranging from 5.4% in metal fabricating to 0.5% in electrical products. Shipments of non-durable goods industries were up 0.3% to \$9,003.0 million from \$8,979.4 million.

The backlog of unfilled orders for July 1982 was \$17,497.7 million, seasonally adjusted, 0.2% higher than the revised value of \$17,470.7 million a month earlier.

Although seasonally adjusted values of total inventory owned declined in 12 of the 20 major industry groups in July, the all-industry total was slightly higher for the first time since March. The turnaround in the trend was caused by the unseasonably high levels of goods in process and finished products inventories of motor vehicle manufacturers.

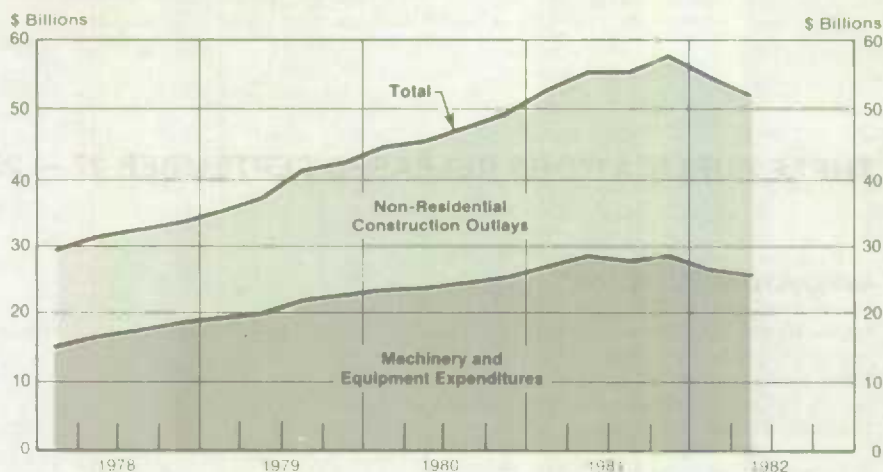
The seasonally adjusted ratio of inventory owned to shipments in July was 2.19:1, up from 2.16:1 (revised) in June, reflecting slightly higher total inventories owned and the decline in the value of shipments. Although the ratio has changed direction after two months of decline, it remains significantly below the April level of 2.27:1. The ratio of finished products inventories to shipments was 0.76:1 in July compared with a revised 0.75:1 in June.

Not adjusted for seasonal variation, manufacturers' shipments in July 1982 were estimated at \$14,025.7 million, down 15.5% from the revised June 1982 value of \$16,604.5 million. Cumulative shipments for the first seven months of 1982 at \$106,207.3 million showed a decrease of 3.4% from the January-July 1981 level of \$109,896.4 million.

For further information, order the July 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*.

## Business Investment in Plant and Equipment

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 plummeted 15.4% in July 1982 to 6 707.7 thousand cubic metres from 7 927.4 thousand cubic metres a year earlier. Net sales in the first seven months of 1982 at 49 123.4 thousand cubic metres were down 10.5% from the January-July 1981 level of 54 903.4 thousand cubic metres.

Canadian refineries produced 7 971.5 thousand cubic metres of refined petroleum products in the latest month, down 13.0% from 9 172.2 thousand cubic metres in July 1981.

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

## Franchising in Canada

Preliminary estimates show net sales of franchising operations in Canada for the years 1976-1981 were as follows:

- 1981 — \$38,674.5 million
- 1980 — \$32,266.1 million
- 1979 — \$26,993.8 million
- 1978 — \$23,578.4 million
- 1977 — \$19,960.7 million
- 1976 — \$17,661.3 million

For further information, contact W.H. Birbeck (613-996-9301), *Merchandising and Services Division, Statistics Canada, Ottawa K1A 9Z9*.

## Security Transactions

Non-resident investment in outstanding Canadian securities gave rise to a net inflow of capital from abroad of \$17 million in July 1982, almost the same as in June (\$13 million). Non-residents acquired, on a net basis, \$59 million of Canadian bonds during the month, compared to an unusual net disinvestment in June. In the current month, there were net bond sales of \$22 million to residents of the United States fol-

lowing a trend of monthly net purchases (disinvestment) since the fall of last year. Bond trading with residents of Japan produced a small net outflow, the first in over two years. Transactions with non-residents in Canadian equities returned to a net outflow of \$42 million in July, following a net inflow of \$53 million in the previous month.

Residents of Canada decreased their portfolio holdings of foreign securities during the month resulting in a net inflow of \$37 million — \$13 million from bonds and \$24 million from equities. The bulk of the trading activity continued to be in the United States equity market.

## Wholesale Trade

Sales by Canadian wholesale merchants in July 1982 dropped by 13.0% from the year-earlier level. Wholesalers' sales rose 6.9% in Prince Edward Island but fell in the other nine provinces, losses ranging from -2.3% for New Brunswick to -17.8% for British Columbia.

Wholesale inventories in July 1982 were up 3.6% from July of last year.

For further information, order the July 1982 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*.

## Farm Products Prices

The Canada index number of farm prices of agricultural products (1971=100) was 295.4 in July 1982, down 1.0% from the June level of 298.3 and 4.8% lower than the July 1981 index of 309.7.

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).

Sub-indexes for livestock, crops and their components and further information are available from Ed Hamilton (613-995-4895).



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## THESE PUBLICATIONS RELEASED SEPTEMBER 17 — 23

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<b>AGRICULTURE STATISTICS</b>			
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Production of Maple Products 1982 and Value of Maple Products 1981	22-204	\$3	\$3.60
Report on Livestock Surveys: Pig, July 1, 1982	23-008	\$4/\$16	\$4.80/\$19.20
Shorn Wool Production, 1982	23-204	\$3	\$3.60
Survey of Canadian Nursery Trades Industry, 1980 and 1981	22-203	\$4.50	\$5.40
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