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Statistics Canada Statistique Canada

infomat Weekly Bulletin

May 27, 1983

Canadian Leading Indicator

According to the record increase of the composite leading indicator in February 1983, the recovery in economic activity will maintain its momentum during the next few months. In February the composite leading index (1971=100) rose for the fifth consecutive month to 121.33 from a level of 117.85 in January, a gain of 2.96%. The sources of strength were widespread as all 10 component indicators increased, something that has not occurred for 10 years. While the initial signs of recovery last October were confined to the financial and housing sectors, the gains had spread to leading indicators of household demand and exports by December, and then to the manufacturing sector in January, when the non-filtered index climbed by a record 5.2%. The non-filtered index increased a more moderate 2.5% in February to 131.7, mainly because of a transitory slackness in household demand, most likely related to strikes and wage rollbacks in Quebec that month. The outlook for personal income remains favourable, however, particularly in light of the strong growth in employment through April which, along with a continued reduction in interest rates, should assure further growth in consumer demand.

In February the indicators of real personal expenditure on goods continued to signal an appreciable growth of consumer demand, although since January the non-filtered versions of these indicators have indicated some slackness in this sector. The trend for sales of furniture and appliances and for new motor vehicles advanced 2.60% and 0.06%, respectively, despite drops in the non-filtered data of 5.1% for furniture and appliances and 2.9% for motor vehicles. Data on retail sales in total indicates that the slackening occurred mainly in Eastern Canada, in particular in Quebec following the wage rollbacks and strikes in the public sector, and in the Atlantic provinces. In addition, there was some fallback in sales of durable goods following an unusual surge in the fourth quarter of 1982. Consumer demand should be firmer in the second quarter of 1983 as the effect of these transitory factors disappears, as consumers will likely react favourably to the general improvement in labour market conditions and real incomes. Employment increased a substantial 0.6% in April.

(continued on next page)

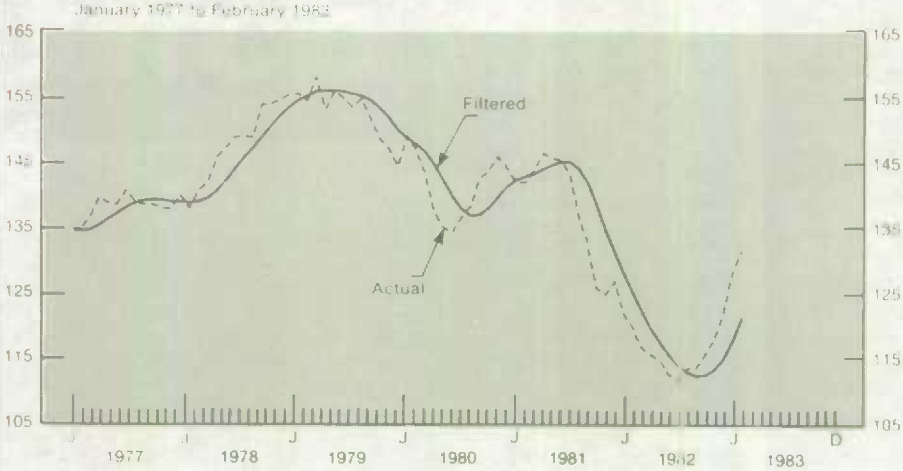
LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	Feb.	405.67p	405.13p	6.2
Labour Income ($ million)	Jan.	16,173.3p	16,479.5p	1.5
Persons with Jobs (million)	Apr.	10.33	10.24	-1.0
Unemployed	Apr.	1,570,000	1,658,000	27.3
INVENTORIES				
Department Store ($ million)	Feb.	2,686.8	2,724.4	2.6
Manufacturers' Owned ($ million)	Mar.*	31,863.7p	31,934.7r	-8.5
ORDERS				
Manufacturers' New Orders ($ million)	Mar.*	16,726.4p	14,963.1r	-0.2
Manufacturers' Unfilled Orders ($ million)	Mar.*	17,292.8p	17,263.3r	-7.7
PRICES				
Consumer Price Index (1981=100)	Apr.*	115.8	115.8	6.6
New House Price Index (1976=100)	Mar.	129.6	129.5	-4.1
Raw Materials Price Index (1977=100)	Mar.	208.5p	208.6p	5.9
Excl. coal, crude oil, nat. gas	Mar.	148.8p	149.1p	0.1
Industry Selling Price Index (1971=100)	Mar.	295.6p	293.4p	3.8
CONSTRUCTION			**Year-to-date**	
Building Permits ($ million)	Feb.	826.4p	*1,488.7p*	*-6.3*
Housing Starts — Urban Centres (units)	Mar.	8,403	*23,578*	*-10.2*
ENERGY				
Coal Production (thousand tonnes)	Feb.	3 223	*7 219*	*4.4*
Electricity Generation (terawatt hours)	Jan.	36.7	*36.7*	*-7.8*
Natural Gas Production (million cubic metres)	Feb.*	8 515.1	*18 407.7*	*-6.4*
Petroleum Refining (million cubic metres)	Mar.	7.1p	*21.3p*	*-8.4*
FOREIGN TRADE				
Exports — Balance of Payments Basis ($ million)	Mar.	7,509p	*20,571p*	*1.0*
Imports — Balance of Payments Basis ($ million)	Mar.	6,174p	*16,563p*	*-2.8*
PRODUCTION				
Railway Carloadings (million tonnes)	Apr.	16.4p	*61.7p*	*-10.1*
Steel (ingots — thousand tonnes)	Mar.	1 079.7p	*2 659.6p*	*-27.3*
SALES				
Department Store Sales ($ million)	Mar.	787.6	*2,015.1*	*7.6*
Manufacturers' Shipments ($ million)	Mar.*	16,696.8p	*45,123.5p*	*-0.2*
New Motor Vehicle Sales ($ million)	Mar.	1,138.3	*2,399.5*	*5.6*
Retail Sales ($ million)	Feb.	6,760.2p	*13,642.5p*	*3.6*

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

The Canadian Composite Leading Index (1971=100)

January 1977 to February 1983



Source: **Statistics Canada**, Current Economic Analysis (13-004E)

Canada

The residential construction index accelerated to a 12.32% gain in February. The signs of strength have become more widespread geographically so that the non-filtered index maintained a high level in January and February in spite of some weakening in Quebec. Indicators of construction of single dwelling units point to continued strength in this sector as lower mortgage rates replace the beneficial effect of government programs, which were responsible for the strength in Central Canada in the fourth quarter. Indicators of multiple unit activity have remained weak, however, as vacancy rates have remained high across the country, particularly in the West. This situation may be reversed if economic activity picks up in Western Canada. Employment improved considerably in April in Alberta (+0.5%) and British Columbia (+1.4%), while the rate of increase for men in both provinces was 1.5%.

Recovery in the indicators of manufacturing became more robust in February, following the relatively weak contribution of these indicators to growth of the leading index up to January. Increased consumer and export demand throughout the autumn has finally reversed the trend of new orders for durable goods (+0.56%), while the ratio of shipments to finished goods inventories registered a second consecutive increase, climbing to 1.39. The acceleration in the upward trend of the average workweek (+0.27%) indicates that the trend in employment in manufacturing should begin to pick up. According to the Labour Force Survey, employment in manufacturing has shown little strength in the first quarter, mainly because of a large number of layoffs in industries related to fixed investment expenditures in Ontario. The trend of output in manufacturing increased for the first month in February (+0.62%).

The improvement in profit margins continued in February as the percentage change in price per unit labour cost increased by +0.14 to -0.13%. The improvement continued to be more evident in the non-filtered series (up +0.27 to +0.25%) which, combined with increased sales, suggests that profits will increase in manufacturing in the first quarter. The improvement in profit margins appears to be mainly due to an increase in output per employee in January and February, as selling prices have increased only marginally. Unit labour costs posted the largest decline since 1964, and the non-filtered series is 1.3% lower than a year earlier. This phenomenon may partly explain the moderation in increases of industry selling prices in spite of increased demand.

The United States leading index accelerated in February (+1.37% compared to 1.09% in January) suggesting that the recovery of our exports to that country should continue through the second quarter, following a gain of 10.3% in the first quarter.

For further information, order Current Economic Analysis (13-004E, Canada: $2.65/$26.50; other countries: $3.20/$31.80).

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Farm Cash Receipts

Farm cash receipts for the January-March period of 1983 totalled an estimated $4,939.4 million, down by 2.2% from the previous year's estimate of $5,048.7 million.

Receipts from the sale of field crops declined marginally from the corresponding period in 1982 to $2,680.8 million during January-March 1983. Increases in wheat, rapeseed and soybeans receipts were offset by lower receipts for rye, flaxseed, corn and potatoes.

Cash receipts from the sale of livestock and livestock products were also down slightly from the January-March 1982 level to $2,177.4 million in the latest period.

For further information, order the January-March 1983 issue of Farm Cash Receipts (21-001, $1.55/$15.50), or contact John Lanthier (613-995-4895), Agriculture Statistics Division, Statistics Canada, Ottawa K1A 0T6.

Oil Pipeline Transport

Net receipts of crude oil, condensates, pentanes plus, liquefied petroleum gases and petroleum products through Canadian oil pipelines fell 6.6% in March 1983 to 11 129 183 cubic metres from 11 911 601 cubic metres a year earlier.

For further information, order the March 1983 issue of Oil Pipeline Transport (55-001, $2.65/$26.50).

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Weekly Bulletin

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Consumer Price Index

The Consumer Price Index (CPI) for Canada stood at 115.8 in April, unchanged from the level registered in March. The year-over-year increase decelerated to 6.6% from the 7.2% increase recorded between March 1982 and March 1983. The latest year-over-year change is the smallest increase recorded since January 1977 and continues the deceleration witnessed since June 1982. In the latest month, a decline in transportation costs — largely due to a decrease in gasoline prices — offset price increases in all of the other major components. The all-items-excluding-food index declined 0.3% in April, after increasing by 1.4% in March. In contrast, the food index, which had declined 0.3% in March, registered an increase of 1.0% in April.

Higher prices for fresh produce, largely reflecting the effects of adverse weather conditions in the United States and Central America, and beef cuts were largely responsible for the 1.2% increase in the food-purchased-from-stores index. In April 1983, the index stood 3.5% above its level a year ealier. The food-purchased-from-restaurants index increased 0.3% and stood 7.1% above its level of April 1982. As a result, the aggregate food index advanced 4.6% on an annual basis.

The decline of 0.3% in the all-items-excluding-food index was virtually entirely attributable to a drop in gasoline prices, most notably in Ontario, resulting from the impact of "price wars". Widespread price increases among the other components in the all-items-excluding-food index only partially offset the effect of the decline in gasoline prices. Electricity charges rose in the provinces of Nova Scotia, New Brunswick, Alberta and British Columbia while telephone rates rose in Alberta. Increased prices for tobacco products reflected, in part, higher manufacturers' prices as well as increased provincial tobacco taxes in the provinces of Prince Edward Island, Manitoba, Saskatchewan and Alberta. Between April 1982 and April 1983, the all-items-excluding-food index advanced 7.2%.

Viewed in terms of goods and services, the price level for goods declined 0.3%, largely reflecting the decline in gasoline prices, while that for services advanced by 0.3%. As a result, between April 1982 and April 1983, the price level for goods advanced by 6.0% while that for services increased by 7.5%.

On a seasonally adjusted basis, the all-items CPI rose 0.3% in April; this comprised an increase of 0.9% in the food index and no change in the all-items-excluding food index.

For further information, order the April 1983 issue of Consumer Price Index (62-001, $2.65/$26.50), or contact Sandra Shadlock or Suzanne Gratton (613-995-4078), Prices Division, Statistics Canada, Ottawa K1A 0T6.

Industrial Corporations

The long awaited recovery in corporate profits finally has begun with a healthy surge in the first quarter of 1983: book profits of Canadian industrial corporations before taxes and extraordinary items jumped 21.1% over the previous quarter on a seasonally adjusted basis. Even more dramatically, profits after taxes soared 36.2% in the quarter reflecting reduced capital losses. The current improvement in profitability is a result of higher sales (up 2.8%) coupled with savings from leaner operating expenses, "pared to the bone" inventories, and reduced interest costs.

A full recovery remains several quarters away, however, as profit levels (before taxes) are still more than one-third below those of the second quarter of 1981, just before the recession began. The current quarter's encouraging results have been preceded by four quarters of sharp declines in seasonally adjusted profits (before taxes) up to mid-1982, and a moderate 6.5% increase over the last half of the year.

It should be noted that seasonally adjusted profits data are highlighted because elimination of seasonal fluctuations permits a more valid comparison on a quarter-to-quarter basis. This in turn can better reveal the current profit picture as distinct from the effects of last year's situation.

On a year-to-year basis, unadjusted data also reveal a stronger first quarter, with profits before taxes rising to $5.7 billion in the current quarter from $5.1 billion in the first quarter of 1982, an increase of 12.1%. This is the first year-over-year increase in profits before taxes since the second quarter of 1981.

On the same basis, profits after taxes and extraordinary items rose 4.2% in the first quarter of 1983 over the first quarter of 1982. Excluding the effects of large extraordinary items in the first quarter of 1982, however, year-over-year net profits increased 20.9%.

The recent decline in interest rates was a prime factor in this quarter's improved results. First quarter 1983 interest expense of $3,842 million showed a 12.6% decline from the $4,326 million incurred in the 1982 period.

The strongest performers this quarter were the mineral fuels sector and the transportation equipment industry. The manufacturing sector as a whole provided the weakest profit performance, with 10 of the 22 industries still registering declines in year-to-year profits before taxes.

First Quarter Results: 1983 Compared to 1982

The **mining sector** posted a strong first quarter 1983 performance, particularly in the mineral fuels industry where price increases and extensive cost-cutting programs led to a 65% increase in net profits. Falling interest rates contributed $84 million to profits on a year-over-year basis.

The **manufacturing sector** as a whole showed a 1.3% decline in profits before taxes on a year-to-year basis. However, one bright spot was the transportation equipment industry where first quarter sales increased 25% and before-tax profits rose to $322 million in the current quarter from a $42 million loss in the first quarter of 1982. A strong marketing push including discount financing programs and a solid demand from the United States for larger Canadian models have boosted the first quarter results significantly.

The **paper industry** provided the largest drop in year-over-year profits before taxes, falling to a loss of $106 million currently from a profit of $187 million in the first quarter of 1982. While demand for lumber products is picking up, pulp and paper remain severely depressed, with massive excess capacity and depressed prices persisting.

Also slow to recover has been the **primary metals** industry, where sales declined 19.0% and profit before taxes fell to a loss of $66 million from a $177 million profit in the first quarter of 1982. Although demand for consumer-related items such as home appliances and automobiles is on the rise, the larger capital goods market has generally been slow to respond.

While profits before taxes in the **trade and services sector** increased 11.4% year-over-year, net profit declined 13.8% over the same period. This anomaly is caused by the retail department store industry, where large extraordinary gains in the first quarter of 1982 render a rather distorted year-over-year comparison of net profits. Excluding the effects of extraordinary items, net profits in the trade and services sector increased 8.8% in the current quarter.

For further information, contact Tom Maxwell (613-995-9751), Business Finance Division, Statistics Canada, Ottawa K1A 0T6.

Historical Statistics of Canada — Second Edition

A unique reference volume, depicting in text and extensive statistical series the growth and development of Canada from Confederation in 1867 to the modern era, was released recently by Statistics Canada.

The compendium, published jointly by the Social Science Federation of Canada and Statistics Canada, provides professionals and students alike with an important new source for historical research and analysis. Besides offering time series for such vital factors as employment, housing, health care, education and the national accounts, it includes descriptions designed to aid interpretation and use of the data and draws together references to the many original sources.

The art of statistical collection and interpretation has changed significantly since the 1965 publication of the first edition of ***Historical Statistics of Canada*** which contained data running to 1960. But while new series have been added to this 1983 edition, every effort has been made to link these in a usable way with the statistics from earlier times, including revisions to some of the previously published data.

The second edition of ***Historical Statistics of Canada***, catalogue CS-11-516E (CS-11-516F in French), may be ordered from Publication Sales and Services, Statistics Canada, Ottawa K1A 0V7, or the Canadian Government Publishing Centre, Hull, Quebec K1A 0S9. Cost of the hard bound book is $60 in Canada, $72 in other countries. For further information, contact Mary Fraser (613-593-7444), Federal and Media Relations Division, Statistics Canada, Ottawa K1A 0T6.

Industrial Production

Preliminary seasonally adjusted data indicate that Industrial Production, in constant 1971 prices, declined 0.5% to a level of $30,131.0 million in March 1983 from $30,296.5 million in February. Industrial production for March 1983 stood 2.6% below the corresponding month of 1982.

The main contributors to the latest month's output decrease included manufacturers of motor vehicles, sawmills and shingle mills, and the food and beverage industries; production increases were recorded in iron and steel mills and motor vehicle parts manufacturing.

Health Report

Female reproductive surgical procedures are the most common elective surgical operations performed in Canada, at a rate of approximately 550 per 100,000 women.

According to ***In Sickness and in Health: Health Statistics at a Glance*** (catalogue 82-541, Canada: $4.75; other countries: $5.70), released this week by Statistics Canada, this is a significant change from the early 1970s, when tonsillectomy and adenoidectomy rates were far higher, and were the most frequently performed operations for both sexes. Operations to repair hernias are now the most common elective surgical procedures performed on men (450 per 100,000).

The report indicates that women are admitted to psychiatric facilities for neurotic conditions at a higher rate than men but men are admitted for alcoholism at twice the rate of women. (With neuroses, a person is generally handicapped from living effectively by impairment of judgment or thinking.)

The report also notes that men, far more often than women, are involved in accidents, which account for significant demands on health facilities. Each year, accidents kill twice as many men as women. In the period between 1969 and 1980, more than 70% of all accidental deaths involved men, and half of these were due to automobile accidents.

For further information, contact Deirdre Gillieson (613-995-7808), Health Division, or Kathy Kennedy (613-593-7644), Federal and Media Relations Division, Statistics Canada, Ottawa K1A 0T6.

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