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Weekly Bulletin

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December 7, 1984

External Trade

On a seasonally adjusted balance of payments basis, preliminary estimates indicate the value of Canada's total exports was virtually unchanged at \$9.8 billion in October following a decline in September from the record level of \$10.2 billion in August.

Imports fell a further 4.4% or \$350 million to \$7.5 billion in October following a sharp decline in September from the record level in August of \$8.0 billion. The net effect of these movements was a rise in the merchandise trade surplus to a record level of \$2.3 billion in October, surpassing the previous record of \$2.0 billion set in July of this year.

Total exports remained at virtually the same level in October as recorded in September. Exports of crude materials grew strongly (+\$345 million) but were almost completely offset by declines in end products (-\$200 million) and fabricated materials (-\$94 million). Within crude materials, the strength

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Gross National Product

Gross National Product rose 1.4% in the third quarter of 1984 to a level of \$425.4 billion, seasonally adjusted at annual rates. After allowing for a 0.5% decline in overall prices, real GNP increased 1.9%, more than double the 0.8% average increase of the first two quarters. Available monthly evidence suggests that most of the growth occurred early in the quarter. Real GNP, which completed its recovery in the fourth quarter of 1983, has since expanded 3.6% beyond its pre-recession peak in the second quarter of 1981.

About half of the strong growth in economic activity in the third quarter was due to increased real net exports of goods. Gross fixed capital formation contributed about one-fifth of the growth and advanced in all its major components. Personal expenditure rose marginally while the level of inventory accumulation was essentially unchanged. On the income side, most of the strength came from labour income as profit growth was weak for the second successive quarter. The fall in the implicit price index for GNE reflected declines in some prices and weight-shift effects among exports. More indicative of price movements in the domestic economy was the moderate 0.8% increase in the implicit price of final domestic demand.

(continued page 2, col. 2)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

		Previous Month	% Change From Year Ago
Average Weekly Earnings (\$)	Sept.	407.97	2.9
Labour Income (\$ million)	Aug.	19,619.2	5.5
Persons with Jobs (million)	Oct.	11.15	2.3
Unemployed	Oct.	1,305,000	4.2

INVENTORIES

Department Store (\$ million)	Sept.	3,325.5	0.5
Manufacturers' Owned (\$ million)	Sept.	32,685.4	8.6

ORDERS

Manufacturers' New Orders (\$ million)	Sept.	18,939.9	-12.8
Manufacturers' Unfilled Orders (\$ million)	Sept.	22,077.0	8.7

PRICES

Consumer Price Index (1981=100)	Oct.	123.2	3.4
New House Price Index (1981=100)	Oct.*	94.8	0.0
Raw Materials Price Index (1977=100)	Oct.*	212.5	0.6
Excl. coal, crude oil, nat. gas	Oct.*	154.7	1.3
Industry Selling Price Index (1971=100)	Oct.*	312.1	3.5

CONSTRUCTION

Building Permits (\$ million)	Sept.*	1,120.2	11,328.1	4.0
Housing Starts — Urban Centres (units)	Sept.	9,545	84,572	-19.1

ENERGY

Coal Production (thousand tonnes)	Sept.	4,871	41,684	30.7
Electricity Generation (terawatt hours)	Sept.	31.5	311.1	8.7
Natural Gas Production (million cubic metres)	Sept.	6,560	64,040	8.5
Petroleum Refining (million cubic metres)	Sept.	6.2	65.6	3.5

FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	Oct.*	10,244	93,765	27.2
Imports — Balance of Payments Basis (\$ million)	Oct.*	8,241	77,484	29.5

PRODUCTION

Railway Carloadings (million tonnes)	Aug.	20.9	158.3	20.4
Steel (ingots — thousand tonnes)	July	1,117	8,696	24.6

SALES

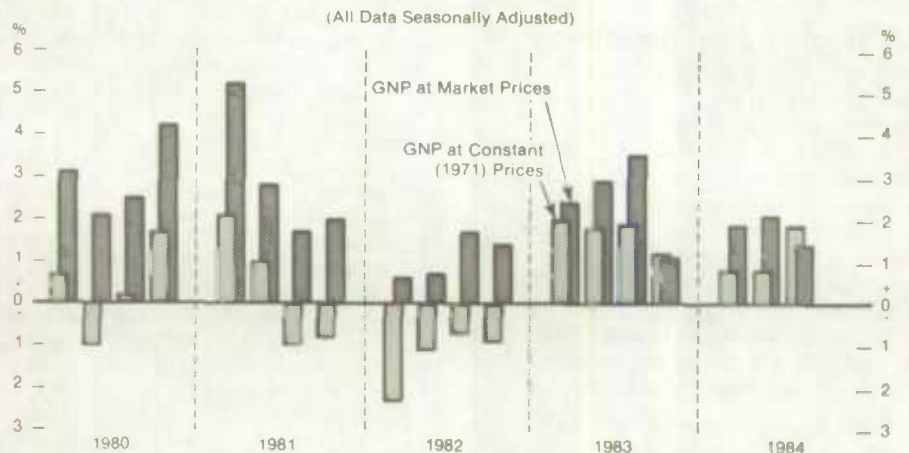
Department Store Sales (\$ million)	Sept.	947.9	7,454.4	4.4
Manufacturers' Shipments (\$ million)	Sept.	19,128.1	167,986.3	14.7
New Motor Vehicle Sales (\$ million)	Oct.*	1,532.2	13,340.3	32.1
Retail Sales (\$ million)	Sept.	9,281.7	82,738.0	8.8

Statistics are in current dollars and are not seasonally adjusted.

* - new this week.

Canada's Gross National Product (GNP)

Quarter-to-Quarter Change



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

Canada

... External Trade

was primarily attributable to crude petroleum, other ores and other crude minerals. The decline in end products was accounted for by the continuing decline in exports of automotive products.

The \$350 million decline in total imports was completely attributable to a decline in imports of automotive products, primarily parts. The large decline in demand for automotive parts reflected the results of strike action in the automotive industry in Canada during the last two weeks of October.

Following a \$620 million surge in August, Canada's exports to the United States dropped \$360 million in September and continued to decline by a further \$110 million in October. The jump in August reflected an increase in auto exports in anticipation of strikes. The decline in October, due to automotive products, was lessened by an increase in shipments of other ores, primarily radioactive ores to the United States. The trend in exports to the United States has been losing momentum since December 1983, reflecting the slow-down in the U.S. economy over the past three quarters. Exports to Japan increased 35% or \$155 million in October to a level of \$590 million which more than offset the decline in American demand. Rapeseed and coal were the principal commodities shipped. Total exports to the rest of the world fluctuated marginally.

Imports from the United States fell a further \$290 million in October following a \$625 million decline in September. The trend for imports from the U.S. has slowed steadily since December 1983 to 0.6% currently. The October decline in the value of imports from the United States reflected the abrupt curtailment of shipments of automotive parts due to production cutbacks in September and expected weakness in October primarily related to strike activity. Imports from Japan declined 17.8% or \$100 million to a level of \$450 million, while those from other OECD countries increased 33.3% or \$55 million to a level of \$220 million.

Order the October 1984 issue of Summary of External Trade (65-001, \$3.30/\$33), or contact G. Blaney (613-990-9647) or Judith Frederick (613-990-9784), External Trade Division.

Unemployment Insurance

Unemployment insurance benefits paid out during the month of September 1984 totalled almost \$646 million, a 16.9% decline from August 1984 and down 2.5% from September 1983.

The number of beneficiaries for the week ending September 15, 1984 stood at 969,000, a decrease of 7.2% from August 1984 and down 1.2% from September of last year.

During September, 271,000 claims were received, 12.5% more than in August 1984 but 2.1% fewer than in September 1983.

Order the Statistical Report on the Operation of the Unemployment Insurance Act (73-001, \$6.65/\$26.60), or contact H. Stiebert or J.P. Maynard (613-990-9900).

... Gross National Product

Real merchandise exports rose 8.6% in the third quarter, following a marginal increase in the second quarter. This strength was most notable in motor vehicles and parts. Merchandise imports, which also rose marginally in the second quarter, recorded a 5.3% growth in the third. As was the case in exports, motor vehicles and parts again predominated. The relatively greater increase of goods exports caused the real merchandise balance to increase \$1.5 billion from the second quarter, half of which was auto-related. The nominal merchandise trade balance did not increase but rather fell \$0.2 billion to \$21.5 billion at annual rates. This was offset by a small improvement in the non-merchandise deficit so that the surplus on both goods and services increased to \$1.9 billion from \$1.7 billion.

Following a small decline in the second quarter, real business spending on plant and equipment continued its slow recovery in the third quarter. Non-residential construction spending grew 1.9% following a 3.0% increase in the previous quarter. Building activity continues to be supported by a myriad of small and medium-sized projects. Real expenditure on machinery and equipment increased after a decline in the second quarter.

Concurrent with the lack of growth in personal disposable income, the volume of expenditure on goods and services increased fractionally in the third quarter. Personal spending thus contributed about 8% to the growth of GNP in contrast to an average contribution of almost 50% in the previous six quarters. The sources of weakness were declines in outlays on durable goods (down 1.2%) and on semi-durable goods (down 0.4%).

The implicit price index for GNE has been distorted in the quarter by weight-shift effects among exports. If these effects are discounted, overall prices appear to have risen about 0.4%, compared to the 0.5% decline currently shown for the GNE implicit price index. The implicit deflator for final domestic demand, a measurement more reflective of price movements in the domestic economy, increased 0.8% in the third quarter and the growth continued to decrease to 3.7% on a year-over-year basis.

Labour income rose 1.9% in the third quarter, basically unchanged from the rate of growth in the previous quarter. Much of the increase reflected a 1.0% advance in employment. Personal disposable income was virtually unchanged in the quarter, as dividend payments declined and income tax collections rose sharply. As a result, the personal savings rate fell from 13.8% in the second quarter to 12.7% in the third. There was little change in corporation profits before taxes. Profits of industrial corporations continued to grow slowly while those of financial corporations recorded a second consecutive decline.

The government sector deficit, on a national accounts basis, decreased \$3.1 billion to a seasonally adjusted rate of \$26.1 billion in the third quarter. Government

Raw Materials Price Index

Further extending the trend of monthly price decreases observed since May 1984, the Raw Materials Price Index (1977=100) in October declined to a preliminary level of 212.5, down 0.4% from its revised level of 213.4 in September. Between October 1983 and October 1984, the Raw Materials Price Index increased 0.6%, down slightly from the 1.1% annual increase in September. Excluding coal, crude oil and natural gas, the Raw Materials Price Index decreased 1.1% in October and now stands 1.3% above its level of a year earlier.

Of the eight component indexes in the Raw Materials Price Index, four registered decreases over the month, while two increased and two were unchanged overall. The principal factors in the 0.4% drop in the index between September and October were the component indexes for vegetable products, down 5.4%, and non-ferrous metals, down 1.7%. Both the vegetable products and non-ferrous metals indexes have now posted seven consecutive monthly decreases. Although the animal and animal products index were unchanged overall in October, some large, but offsetting price changes occurred within this index.

The 5.4% decline in the vegetable products index was mainly caused by price decreases of 9.1% for grains and 17.1% for fresh fruits. The 1.7% decrease in the non-ferrous metals index was mainly attributable to a downturn in base metal prices.

Order the October 1984 issue of Industry Price Indexes (62-011, \$3.85/\$38.50), or contact the Information Unit (613-990-9615).

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Weekly Bulletin

Published by the Federal and Media Relations Division, Statistics Canada.

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Catalogue 11-002E. Price: Canada \$27.75 a year, other countries, \$33.30 a year. To subscribe, send money order or cheque payable to the Receiver General for Canada to Publication Sales and Services, Statistics Canada, Ottawa K1A 0T6.

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revenues advanced 3.4%, mainly due to higher personal direct taxes. The increase in total expenditure was 1.4% and reflected increased payments on the public debt, spending on goods and services and transfers to persons.

Contact B. Clift (613-990-9158), Gross National Product Division.

Balance of Payments

Current Account, Seasonally Adjusted

The main quarterly features were:

- A current account surplus of \$688 million, compared to \$614 million in the previous quarter. This comprised a surplus of \$5.4 billion on merchandise trade and a deficit of \$4.7 billion on non-merchandise transactions;
- An increase of \$1,718 million (8%) in the value of imports to \$24.4 billion, coupled with an increase in exports of \$1,668 million (6%) to \$29.7 billion, resulting in a \$5.4 billion trade surplus;
- A record surplus of \$1.3 billion was reached in automotive products, representing an 8% increase from the previous quarter;
- A small decline of \$91 million to \$4.9 billion was observed in the deficit on service transactions. This was largely attributable to a higher surplus on freight and shipping transactions and a lower deficit on dividends.

Current and Capital Accounts, Not Seasonally Adjusted

The main quarterly features were:

- A current account surplus of \$1,394 million, up from a \$333 million surplus in the third quarter of 1983. The increase in the surplus resulted from a higher merchandise trade surplus;
- A decline of \$548 million in the net inflow from foreign investment in Canadian bonds to \$1.5 billion. This decline was caused by a reduction in August of new issue activity abroad by Canadian borrowers. However, foreign investment in the secondary Canadian bond market rose substantially;
- A decline of \$225 million in the net inflow of foreign direct investment in Canada to \$450 million. The decline was widespread for all industries, except the petroleum sector;
- An increase of \$400 million in the net outflow of Canadian direct investment abroad to \$900 million;
- No major net movement of funds from the chartered banks was observed as the net inflow of \$888 million from their foreign currency transactions was partially offset by a net outflow of \$661 million caused by the redemption of Canadian dollar deposits from non-residents;
- A net inflow of one billion dollars was registered as the Canadian non-bank sector reduced its holdings of short-term funds abroad, in contrast to the \$4.3 billion build-up of foreign funds in the first half of the year;
- A reduction of \$878 million to \$524 million in the net inflow from non-residents investing in Canadian money market instruments. Non-residents decreased substantially their net purchase of Government of Canada treasury bills;
- An increase of \$1.4 billion in net official monetary assets was registered, compared to three consecutive quarterly declines totalling \$3.3 billion.

Contact Lucie Laliberté (613-990-9048), International and Financial Economics Division.

Canadian Balance of International Payments

Current Account — Seasonally Adjusted



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

Current Economic Analysis

Real output continued to expand during the summer months, with over half the net gain in value-added output during July and August originating in the motor vehicle industry. Growth has also been evident in some sectors related to investment and export demand, notably machinery and paper products. These gains more than offset a weakening trend of demand evident in the household sector and in exports of many crude and fabricated materials. A downturn in commodity prices has been reflected in a decline of the terms of trade for Canada since April. The easing of raw materials prices has been evident in continued moderate inflation in most sectors of the economy.

A review of the recovery to date is useful to put current conditions in perspective. Aggregate output in the first year of recovery rose at an average rate for post-war cyclical upturns, as relatively rapid growth for export and domestic auto and housing demand and inventory replenishing offset sluggish business investment and a relatively slow upturn of household demand for non-durable goods and services. The more moderate growth of domestic demand was reflected in an initial deceleration of the rate of economic growth in the last quarter of 1983 and early into 1984, despite the continued rapid growth of demand in the United States economy. The slowing growth of the Canadian economy at this particular point of the recovery was notable in two respects: first, the deceleration was more pronounced than is typically the case after the first four quarters of recovery, and secondly, it occurred at a time of still-robust growth in United States demand. Business fixed investment has been the major relative source of weakness within Canadian demand in the current cyclical upturn, compared to previous recoveries and the current upturn in the United States.

Economic developments to date in 1984 appear to have added to the constraints on growth already evident for the Canadian

Building Permits

The value of building permits issued in September decreased marginally (0.7%) to \$1,265.2 million from the level of \$1,274.1 million registered in August. The non-residential sector remained stable while a small decline occurred in the residential sector.

The value of residential construction authorized in September reached \$674.6 million, 1.6% below the \$685.6 million recorded in August. On a seasonally-adjusted basis, 11,114 units were approved in September (6,800 single-detached and 4,314 multiple dwellings), a 1.2% increase from 10,981 units in August (6,611 single-detached and 4,370 multiple dwellings). Translated into annual terms, the September approvals represent a seasonally-adjusted rate of 133,400 units compared to the August level of 131,700 units. On a regional basis, the Atlantic provinces recorded a 9% rise while approvals in Quebec declined 10%. A levelling-off was observed in other provinces.

After two consecutive drops, the value of non-residential building permits increased slightly (0.4%) in September to a seasonally-adjusted \$590.6 million. The industrial (+9.3%) and governmental sectors (+1.3%) contributed to this rise despite the drop recorded in the commercial sector (-3.3%). Translated into annual terms, the September approvals showed a seasonally-adjusted value of \$7,087.2 million compared to \$7,062.0 million in the previous month. Regionally, non-residential construction activity increased substantially in the Atlantic provinces (+47%) and Quebec (+30%), while Ontario experienced a 28% drop and the Western provinces registered a 7% decline.

Order the September 1984 issue of Building Permits (64-001, \$3.85/\$38.50), or contact G. Lemay (613-990-9689), Construction Division.

economy entering the year. In particular, the upturn of interest rates in the United States in the first half of 1984 was accompanied by a drop in raw materials prices as well as slowing demand for household goods. An increase in interest rates in Canada, and indeed in most large industrial nations, occurred at the same time as the upturn in the United States. This upturn appears to have contributed to the recent weakness in cyclically-sensitive sectors such as domestic housing and auto sales. A deceleration of growth in the third quarter has been evident in the United States, where real GNP growth eased markedly from 2.4% to 1.7% to 0.4% over the first three quarters of 1984.

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: \$2.75/\$27.50; Other Countries: \$3.30/\$33). Contact D. Rhoades (613-990-9161), Current Economic Analysis Division.



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Farm cash receipts, January-September 1984	21-001	\$1.60/\$16	\$1.90/\$19
Fruit and vegetable production, November 1984	22-003	\$2.75/\$27.50	\$3.30/\$33
Production and stocks of eggs and poultry, September 1984	23-003	\$2.75/\$27.50	\$3.30/\$33
CONSTRUCTION			
Housing starts and completions, September 1984	64-002	\$3.30/\$33	\$3.95/\$39.50
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Culture statistics: Performing arts, 1981	87-524	\$6.65	\$7.95
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Exports by commodities, September 1984	65-004	\$5.55/\$55.50	\$6.65/\$66.50
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Gross domestic product by industry, August 1984	61-005	\$3.85/\$38.50	\$4.60/\$46
INPUT-OUTPUT			
Aggregate productivity measures, 1983	14-201	\$6.65	\$7.95
LABOUR			
Preliminary unemployment insurance statistics, August 1984	73-001P	free	free
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Canned and frozen fruits and vegetables, September 1984	32-011	\$1.60/\$16	\$1.90/\$19
Electric lamps, October 1984	43-009	\$1.60/\$16	\$1.90/\$19
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Primary iron and steel, September 1984	41-001	\$2.75/\$27.50	\$3.30/\$33
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Refined petroleum products, August 1984	45-004	\$3.85/\$38.50	\$4.60/\$46
The sugar situation, October 1984	32-013	\$1.60/\$16	\$1.90/\$19
MERCHANDISING AND SERVICES			
Campus book stores, Academic year 1983-84	63-219	\$5	\$6
Department store sales and stocks, September 1984	63-002	\$3.30/\$33	\$3.95/\$39.50
New motor vehicle sales, September 1984	63-007	\$2.75/\$27.50	\$3.30/\$33
Retail trade, September 1984	63-005	\$3.85/\$38.50	\$4.60/\$46
Wholesale trade, September 1984	63-008	\$1.60/\$16	\$1.90/\$19
PRICES			
Farm input price index, Third quarter 1984	62-004	\$4.40/\$17.60	\$5.25/\$21.10
SCIENCE AND TECHNOLOGY			
Service Bulletin			
Science Statistics, Vol. 8, No. 12, R&D expenditures of private non-profit organizations, 1983	88-001	\$1.60/\$16	\$1.90/\$19
TRANSPORTATION AND COMMUNICATION			
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International air charter statistics, 1983	51-207	\$6.65	\$7.95
Radio and television broadcasting, 1983	56-204	\$6.65	\$7.95
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Telephone statistics, 1983	56-203	\$6.65	\$7.95

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