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Weekly Bulletin

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Canada's Merchandise Trade

On a seasonally adjusted balance-of-payments basis, preliminary results show that Canada's total exports increased 2.9% or \$280 million to \$9.8 billion in July 1984, following a decline of \$60 million in June and an increase of \$650 million in May. Imports increased 3.9% or \$290 million to \$7.7 billion, after declining \$475 million in June and increasing \$680 million in May. As a result, the merchandise trade surplus remained at a record high level of \$2.1 billion in July, following a \$415 million increase in June and a \$30 million decline in May.

For the first seven months of 1984, the merchandise trade surplus was at a \$12.0 billion level, \$1.1 billion higher than in the corresponding period last year.

Commodity Analysis

The main contributors to the overall \$280 million increase in total exports in July 1984 were iron ores, concentrates and scrap, motor vehicle parts and aircraft. Other contributors were wheat; fish and fish preparations; copper ores; and other ores, concentrates and scrap. These increases were partly offset by declines in exports of passenger cars, petroleum and coal products and other transportation equipment.

The \$290 million increase in imports in July 1984 reflected a \$255 million pickup in end products, originating from aircraft, motor vehicle parts and truck imports.

Trading Partner Analysis

Canada's exports to the United States, after continuous increases over a six-month period ending in January 1984 to a level of \$6.8 billion, fluctuated widely up to May, then declined \$90 million in June and \$60 million in July. Total exports to the rest of the world, which had remained stable at \$2.0 billion a month from February to April, started to pick up again, mainly as a result of recent gains in exports to Japan, "other O.E.C.D." countries and "other countries".

The trend for imports from the United States, despite wide fluctuations in recent months up to July, was still increasing but at a much slower pace, down from a 3.3%

(continued on page 2)

Gross National Product

Gross National Product at market prices rose 2.0% in the second quarter of 1984 to a level of \$418.9 billion, seasonally adjusted at annual rates. After allowing for a 1.2% increase in overall prices, real GNP increased 0.7%, the same rate of increase as in the first quarter.

(continued on page 2)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

Average Weekly Earnings (\$)	June	404.56	402.34	3.6
Labour Income (\$ million)	May	19,281.3	18,735.0	5.4
Persons with Jobs (million)	July	11.56	11.32	2.6
Unemployed	July	1,326,000	1,362,000	-6.3

INVENTORIES

Department Store (\$ million)	June	3,146.7	3,341.9	5.3
Manufacturers' Owned (\$ million)	June	35,510.2	32,610.4	9.5

ORDERS

Manufacturers' New Orders (\$ million)	June	20,469.1	20,403.9	14.0
Manufacturers' Unfilled Orders (\$ million)	June	22,366.7	22,028.6	38.7

PRICES

Consumer Price Index (1981=100)	July	122.9	122.2	4.2
New House Price Index (1981=100)	June	95.3	95.5	0.8
Raw Materials Price Index (1977=100)	July*	217.4	217.5	3.4
Excl. coal, crude oil, nat. gas	July*	162.5	162.5	7.3
Industry Selling Price Index (1971=100)	July*	312.3	310.8	4.0

CONSTRUCTION

Building Permits (\$ million)	June	1,291.2	6,989.9	-2.8
Housing Starts — Urban Centres (units)	July*	9,922	63,998	-25.1

ENERGY

Coal Production (thousand tonnes)	June*	4,666	27,702	28.4
Electricity Generation (terawatt hours)	June*	31.1	214.1	9.5
Natural Gas Production (million cubic metres)	May	6,722	39,250	7.9
Petroleum Refining (million cubic metres)	May	7.0	35.7	10.0

FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	June	9,515	54,817	26.4
Imports — Balance of Payments Basis (\$ million)	June	7,445	44,923	32.8

PRODUCTION

Railway Carloadings (million tonnes)	July*	19.4	137.4	21.2
Steel (Ingots — thousand tonnes)	July	1,117	8,696	24.6

SALES

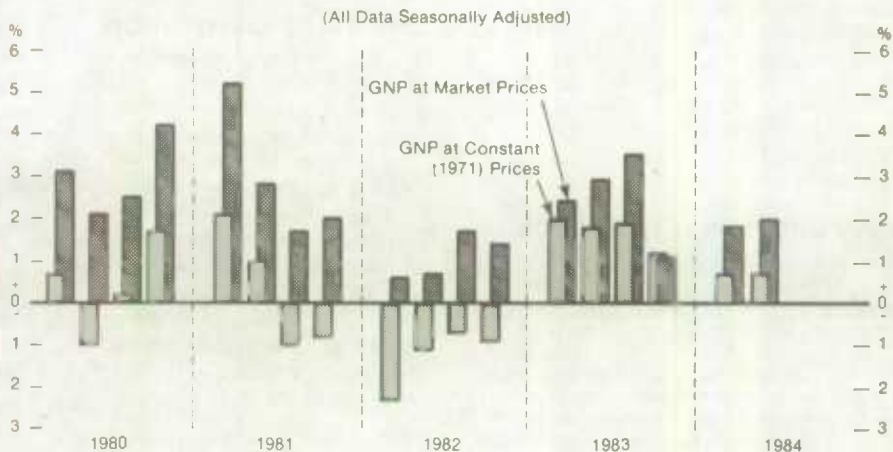
Department Store Sales (\$ million)	June	941.3	4,827.2	6.0
Manufacturers' Shipments (\$ million)	June	20,131.0	112,372.8	16.4
New Motor Vehicle Sales (\$ million)	June	1,620.6	8,347.7	37.2
Retail Sales (\$ million)	June	10,367.1	54,239.7	10.5

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)

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... Canada's Merchandise Trade

increase in January 1984 to one of 0.1% in May. Imports from "other countries" increased 11.3% or \$95 million to \$910 million, following a \$65 million decline in June and an \$85 million increase in May.

For further information, order the July 1984 issue of *Summary of External Trade* (65-001, \$3.30/\$3.9), or contact G. Blaney (613-990-9647), Trade Information Unit, or François Bordé (613-990-9784), Trade Measures and Analysis Section, External Trade Division, Statistics Canada, Ottawa K1A 0T6.

... Gross National Product

Some of the second quarter highlights were:

- The volume of personal expenditure on goods and services advanced 1.0% in the second quarter. In contrast to the dominance of auto and auto related purchases in the first quarter, expenditure growth was more diffuse in the second.
- Real residential construction activity increased 2.3% in the second quarter following three consecutive quarters of decline.
- Following three quarters of slow growth, real spending on business plant and equipment dropped 0.8% in the second quarter, due to a decline of almost 4% in machinery and equipment investment. The non-residential construction component of investment advanced almost 3% in real terms with the strength concentrated in small and medium-sized building projects.
- Inventory investment contributed to growth, as the rate of accumulation of non-farm inventories rose to \$1,040 million from \$676 million in the previous quarter. Stock accumulation was almost entirely in manufacturing and included durable goods related to machinery and equipment investment.
- Following an 8.9% growth in the first quarter, real merchandise exports declined marginally in the second quarter. Exports of autos and auto parts were the main source of the downturn as they fell by almost 9%.
- In line with the continued moderate rate of increase of major price indexes in the economy, the GNE implicit price index grew 1.2%, unchanged from the first quarter rate of growth. The implicit index for final domestic demand increased by only 0.6%.
- Corporate profits were little changed in the second quarter following a 10.8% growth in the first.
- Labour income rose 1.7% in the second quarter following a rate of increase of 0.8% in the first. This reflected primarily a faster pace of growth in employment during the second quarter.
- Total government sector deficit, on a national accounts basis, rose \$6.2 billion to a seasonally adjusted rate of \$27.6 billion.

Heavy Engineering Contractors

Construction output of firms classified as heavy engineering general contractors totalled \$6,833 million in 1982, an increase of 22.8% from \$5,566 million in 1981.

For further information, order the 1982 issue of *The Heavy Engineering Contracting Industry* (64-209, \$6.65), or contact C. Robillard (613-990-9812), Construction Census Section, Construction Division, Statistics Canada, Ottawa K1A 0T6.

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Capacity Utilization Rates

Capacity utilization in Canadian manufacturing industries remained relatively unchanged in the second quarter of 1984, edging up 0.3% to a level of 72.3% from 72.1% in the first quarter of 1984.

In the latest quarter, higher capacity utilization rates were posted in 14 of the 20 industry groups but 10 of these industries recorded gains of less than 4%. These increases were almost completely offset by decreases in transportation equipment (-11.0%), tobacco products (-8.2%), electrical products (-6.5%) and furniture and fixtures (-6.3%). The most important gains registered in capacity utilization rates in the second quarter were 7.4% in the clothing industry, 7.4% in paper and allied products, 7.1% in wood, and 6.2% in machinery.

Utilization rates in durable manufacturing industries decreased 2.2% in the second quarter of 1984 to 65.5% of capacity from 67.0% in the first quarter of 1984. In the non-durable sector, capacity utilization increased 2.5% to 79.3% from 77.4%.

For further information, order the second quarter issue of *Capacity Utilization Rates in Canadian Manufacturing* (31-003, \$5.55/\$22.20).

Electricity Generation

Net generation of electricity in Canada increased by 6.4% in June 1984 to 31 054 gigawatt hours from 29 176 GW.h a year earlier. Exports of electric power climbed 7.1% to 3 207 GW.h from 2 996 GW.h and imports declined by 15.0% to 287 GW.h from 338 GW.h.

For the first six months of 1984, net generation of electricity totalled 214 114 GW.h, up 9.5% from the January-June 1983 level of 195 574 GW.h. Exports of electricity were up 5.8% to 18 882 GW.h from 17 852 GW.h while imports decreased by 30.5% to 1 384 GW.h from 1 990 GW.h.

For further information, order the June 1984 issue of *Electric Power Statistics* (57-001, \$2.75/\$27.50).

Gross Domestic Product

Gross Domestic Product in constant 1971 prices rose 0.8% during the second quarter of 1984, a rate similar to the first quarter gain (0.6%) but more moderate than the relatively strong 1.6% average quarterly increases posted during 1983. Total output of Canadian industry in the second quarter was 0.6% higher than the previous production peak attained in the second quarter of 1981, and 7.8% higher than the trough of the fourth quarter of 1982.

Service-producing industries contributed practically all the growth in the second quarter; notable increases were recorded for insurance and real estate agencies, accommodation and food services, transportation and trade.

Viewed from the perspective of final demand, output changes in the quarter were gains of 3% for industries producing capital goods and services, 0.1% for consumer goods and services and 1.2% for intermediate inputs.

Output of the construction industry increased strongly in the second quarter reflecting increased demand for residential and non-residential building and engineering structures. An increase in machinery and equipment investment in the United States led to increases in Canada: miscellaneous machinery and equipment and office and store machinery were two of the most noteworthy among a number of advances in machinery and equipment manufacturers. Output of wholesalers of machinery and equipment also increased strongly.

Even though consumer demand was relatively strong in both the U.S. (+1.7%) and Canada (+1.0%) in the second quarter, the output of industries producing consumer goods and services was up only 0.1%. Much of the weakness was in durable goods manufacturing: motor vehicles, household furniture, radio and TV and major appliances all showed lower output levels. The drop in motor vehicle manufacturing was particularly significant.

Output of industries producing intermediate goods and services increased 1.2% in the second quarter. The construction-oriented industries were up most in the quarter, increasing 3.9%; over three-quarters of the increase was for sawmills and planing mills and a number of other wood products manufacturers. (Sawmills output in the first quarter was depressed mainly due to the pulp and paper strikes in British Columbia.)

Energy-producing industries increased a strong 2.5% in the second quarter. Exports were a significant factor in many of the gains and losses in production reported in this group of industries. Crude petroleum and natural gas, petroleum refining and petroleum wholesalers all increased. For crude petroleum and natural gas, more than half the quarterly increase of 7% was due to increased exports. Electric power utilities were up 2.5%, with the increase coming from increased export demand. Reduced exports of coal to Japan were responsible for the drop in coal mining.

For further information, order the June 1984 issue of *Gross Domestic Product by Industry* (61-005, \$3.85/\$38.50).

Canadian Balance of International Payments

Current account transactions, on a seasonally adjusted basis, resulted in a significant \$631 million surplus in April-June 1984 compared to a virtual balance in the previous quarter. The surplus resulted from a record high merchandise trade balance; although at a slower pace, exports increased substantially while, with the relatively slow growth of the Canadian economy, imports increased only marginally.

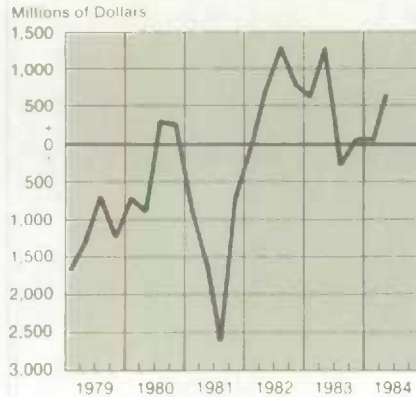
In the capital account, long-term transactions produced the largest quarterly net inflow of the last two years, most of which continued to be invested in Canadian bonds. This was supplemented by a quarterly net inflow from direct investment transactions, the first since the end of 1977. In short-term capital transactions, a large net inflow from foreign investment in Government of Canada treasury bills was more than offset by net outflows from foreign currency deposits abroad by residents (including banks). The Canadian dollar continued to depreciate vis-à-vis its United States counterpart, reaching a historical low towards the end of June. This was accompanied by a marked decline in net official monetary assets.

The main quarterly features were:

- On a seasonally adjusted basis, a current account surplus of \$631 million, up from \$39 million in the previous quarter. This consisted of a surplus of \$5.4 billion on merchandise trade and a deficit of \$4.8 billion on non-merchandise transactions;
- An increase of \$1,215 million (4%) in the value of exports to \$28.0 billion coupled with an increase in imports of only \$295 million (1%) to \$22.6 billion, resulting in a 20% higher trade surplus. The increase in the trade surplus arose mainly from trade with the United States;
- Among exports, a large increase for crude petroleum with smaller increases for woodpulp, newsprint, grains and railway equipment. Large decreases were recorded for automotive products and iron ores;
- Among imports, increases in office machinery, communication equipment and coal. There were declines in automotive products, crude petroleum and petroleum and coal products;
- For automotive products, a record surplus of \$1.2 billion. Both exports and imports declined, in contrast to the increases recorded in the previous five quarters. There was also a record surplus for crude petroleum as a result of higher exports and lower imports;
- An increase of \$332 million to \$4.9 billion in the deficit on services, spread among all service accounts except for dividends. While relatively large, dividend payments declined by \$100 million from the unusually high level of the previous quarter;
- Unadjusted for seasonal variations, a current account surplus of \$464 million, down from a \$1.1 billion surplus in the second quarter of 1983. This decline in the surplus was mostly attributable to larger net payments on investment income;
- An increase of \$790 million in the net inflow of foreign investment in Canadian bonds to \$2.2 billion, a third of which was invested in the secondary market. There

Canadian Balance of International Payments

Current Account — Seasonally Adjusted



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

Coal Production

Canadian production of coal advanced by 26.2% to 4 666 kilotonnes in June 1984 from 3 697 KT a year earlier. Exports of coal jumped 62.1% to 2 249 KT from 1 384 KT, while landed imports were up 37.9% to 2 333 KT from 1 692 KT in June 1983.

Production of coal in the first six months of 1984 totalled 27 702 KT, up 28.4% from 21 576 KT in the January-June 1983 period. Exports of coal rose 59.1% to 12 446 KT from 7 823 KT and landed imports were up 101.5% to 8 153 KT from 4 046 KT.

For further information, order the June 1984 issue of *Coal and Coke Statistics* (45-002, \$2.75/\$27.50).

Highway/Bridge Contractors

Construction output of firms classified as highway, road, street and bridge general contractors was valued at \$3,353 million in 1982, an increase of 2.1% from the 1981 total of \$3,282 million.

For further information, order the 1982 issue of *The Highway, Road, Street and Bridge General Contracting Industry* (64-206, \$6.65).

was a marked decline in Canadian new issues abroad in June, in line with a general contraction in the international bond market:

- A net inflow of \$675 million from foreign direct investors, which went mostly to their existing interests in Canada. A reduction to \$500 million in the net outflow from Canadians investing abroad was related to a sale of a substantial interest in the petroleum sector. This resulted in a net inflow of \$175 million from direct investment transactions — the first quarterly net inflow since 1977.

For further information, contact A. Meguerditchian (613-990-9055), Balance of Payments, International and Financial Economics Division, Statistics Canada, Ottawa K1A 0T6.

Industry Selling Price Index

The Industry Selling Price Index (ISPI) for manufacturing (1971=100) reached a preliminary level of 312.3 in July 1984, up 0.5% above the revised June index of 310.8. As a result of this increase, the annual rate of change now stands at 4.0%. The monthly change of 0.5% mainly reflected increases in the component indexes for paper and allied industries (2.7%), petroleum and coal products industries (1.5%) and food and beverage industries (0.5%) that were moderated by a decline in the primary metals industries (-0.8%).

The paper and allied industries index rose 2.7% in July 1984 to stand 13.3% higher than in July 1983. This monthly rise resulted in large part from the 3.2% increase in the pulp and paper mills indexes.

According to initial estimates, the petroleum and coal products industries index increased 1.5% in July 1984, primarily because of a rise in gasoline prices. The index stood 2.3% above the year-earlier level.

The food and beverage industries index rose 0.5% in July 1984 to stand 6.8% above July 1983. This monthly increase was due largely to a 1.7% rise in the slaughtering and meat processors indexes, stemming mainly from price rises of 6.1% for pork and 1.1% for beef, along with a 4.8% increase in the fish products industry indexes.

The primary metals industries index fell 0.8% in July 1984, but still stood 1.6% above the July 1983 index. The 3.3% drop in the smelting and refining indexes, caused mainly by declines in the price of precious metals (-5.2%), copper (-3.5%) and zinc (-2.5%), was largely responsible for this decrease.

Raw Materials Price Index

Preliminary estimates indicate that the Raw Materials Price Index (1977=100) stood at 217.4 in July 1984, little changed from the revised June level of 217.5. The index excluding coal, crude oil and natural gas also remained unchanged from June to July.

Over the 12-month period from July 1983 to July 1984, the total Raw Materials Price Index increased 3.4% while the index excluding coal, crude oil and natural gas rose 7.3%. Since April 1984, year-over-year increases in the Raw Materials Price Index have stabilized within a range of 3.1% to 3.4%, while increases in the index excluding coal, crude oil and natural gas have been in a range of 6.4% to 7.6%.

Seven of the eight component indexes recorded modest to substantial decreases in the latest month, but one component — the animals and animal products index — posted an increase (2.8%) significant enough to offset the seven declines. This rise mainly reflected sharp advances in livestock prices: cattle and calf prices climbed 3.9% and hog prices jumped 9.6%. The animals and animal products index now stands 11.1% higher than a year ago.

The non-ferrous metals index fell 4.9% over the month and registered its largest year-over-year decline (-5.4%) since February 1982.

For further information, order the July 1984 issue of *Industry Price Indexes* (62-011, \$3.85/\$38.50).



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Survey of Canadian Nursery Trades Industry, 1982 and 1983	22-203	\$6.65	\$7.95
CENSUS			
Metropolitan Atlas Series: Halifax, 1981 Census of Canada	99-923	\$8.50	\$10.20
CONSTRUCTION			
Building Permits, May 1984	64-001	\$3.85/\$38.50	\$4.60/\$46
Fixed Capital Flows and Stocks, 1984	13-211	\$7.75	\$9.30
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Survey News: Notes on Statistical Survey Activity Within the Federal Government, Vol. 1, No. 1 — April-July 1984	11-007	\$3.30/\$19.80	\$3.95/\$23.70
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The Input-output Structure of the Canadian Economy in Constant Prices, 1971-1980	15-202E	\$16.70	\$20
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Production and Shipments of Floor Tiles, July 1984	47-001	\$1.60/\$16	\$1.90/\$19
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Railway Operating Statistics, February 1984	52-003	\$2.75/\$27.50	\$3.30/\$33
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