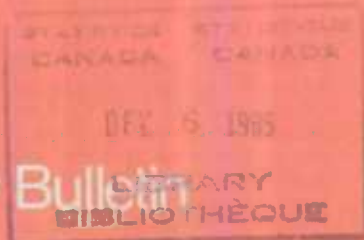


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Weekly Bulletin
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December 6, 1985

Financial Activity

Accompanying the strength of economic performance in the third quarter, activity on conventional credit markets by non-financial domestic sectors rose strongly to \$24.3 billion, representing 20% of the value of goods and services produced in the quarter, up from 12% in the same period of 1984. Strength in consumer expenditures (particularly on durables), the housing market, personal balance sheets, inventories and business fixed capital formation appeared to underlie the upsurge.

Households raised their mortgage debt outstanding by \$5.1 billion, in line with increases in residential construction and secondary market housing transactions. Consumer credit rose \$1.4 billion during the quarter, reflecting the strength of expenditures on durables, notably on autos, bringing the growth to 11.4% over the 12-month period ending in September.

Order the Third Quarter 1985 issue of *Financial Flow Accounts* (13-002P, \$10/\$40), or contact John Joisse (613-990-9043).

Gross National Product

Preliminary estimates indicate that Gross National Product rose 2.1% to a level of \$458.3 billion, seasonally adjusted at annual rates, in the third quarter. After allowing for a continued moderate price change of 0.4%, this represented an increase of 1.6% in real GNP.

The gain in real GNP follows growth of about 1% in each of the previous three quarters. Over this period, final domestic demand strengthened, rising 1.6% in the third quarter, driven by household demand for consumer goods and housing. As is usual in such circumstances, the gains in domestic demand were accompanied by rising imports. Together with little change in exports, this moved the real external trade balance on goods and services into a deficit.

Consumer spending on goods and services expanded 1.6% in volume in the third quarter, compared to an average quarterly growth rate of 1.4% in the first half of the year. Spending on durable goods (+3.1%) continued to lead the increase; the most notable gains were in purchases of autos and home entertainment equipment. Demand for non-durable goods rose by 1.2% while spending on semi-durable goods was up 2.2%.

Outlays on residential construction surged by 13% in constant dollars, after an 8% increase in the second quarter. New

(continued on page 2, col. 1)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

Average Weekly Earnings(\$)	Sept.	423.02	420.08	3.4
Labour Income (\$ million)	Sept.*	21,393.7	21,089.6	7.2
Persons with Jobs (million)	Oct.	11.48	11.47	2.9
Unemployed	Oct.	1,200,000	1,183,000	-8.0

INVENTORIES

Department Store (\$ million)	Sept.	3,392.8	3,481.8	2.1
Manufacturers' Owned (\$ million)	Sept.	34,072.5	34,132.2	3.7

ORDERS

Manufacturers' New Orders (\$ million)	Sept.	20,928.1	20,249.2	11.9
Manufacturers' Unfilled Orders (\$ million)	Sept.	22,565.5	22,764.5	3.1

PRICES

Consumer Price Index (1981 = 100)	Oct.	128.4	128.0	4.2
New House Price Index (1981 = 100)	Oct.*	97.3	96.9	2.6
Raw Materials Price Index (1977 = 100)	Oct.*	217.4	215.5	2.2
Excl. coal, crude oil, nat. gas	Oct.*	155.2	152.5	0.0
Industry Selling Price Index (1971 = 100)	Oct.*	320.2	319.4	2.5

CONSTRUCTION

Building Permits (\$ million)	Aug.	1,915.1	12,432.9	21.8
Housing Starts - Urban Centres (units)	Oct.*	13,697	112,740	20.7

ENERGY

Coal Production (thousand tonnes)	Sept.*	4 780	45 290	8.6
Electricity Generation (gigawatt hours)	Sept.*	33 065	325 746	4.8
Natural Gas Production (million cubic metres)	Aug.	6 430	62 238	8.5
Petroleum Refining (thousand cubic metres)	Sept.	6 790	59 184	-4.8

FOREIGN TRADE

Exports - Balance of Payments Basis (\$ million)	Sept.	10,488	88,310	6.7
Imports - Balance of Payments Basis (\$ million)	Sept.	8,411	75,861	10.5

PRODUCTION

Railway Carloadings (million tonnes)	Oct.*	22.8	199.4	-0.9
Steel (ingots - thousand tonnes)	Oct.	1 280	12 109	-1.3

SALES

Department Store Sales (\$ million)	Sept.	964.8	7,828.9	5.0
Manufacturers' Shipments (\$ million)	Sept.	21,138.1	179,799.7	6.9
New Motor Vehicle Sales (\$ million)	Sept.	1,454.7	14,856.2	25.8
Retail Sales (\$ million)	Sept.	10,305.9	92,223.7	10.2

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)

...Gross National Product

housing construction rose sharply, up 18%, while real estate commissions continued to grow strongly. Household spending, as reflected in personal expenditure and residential construction, has contributed about three-quarters of the gain in final domestic demand to date in 1985.

Real business investment in plant and equipment rose by 2.7%, to bring the cumulative gain to date in 1985 to 8%. Expenditures on non-residential construction were little changed, following a jump of 5% last quarter. Led by motor vehicle purchases, spending on machinery and equipment rose 5%, following gradual increases in the first half of 1985.

Non-farm business inventories rose about \$2.3 billion in volume in the third quarter. About a third of the increase originated in motor vehicles, although increases were spread over all industries. There were also sizeable gains in most industries related to business investment, such as machinery and electrical products.

Following a decline of 1% in the first half of 1985, real exports of goods and services edged up by 0.9% in the third quarter. The slight increase in export demand was largely concentrated in end products, dominated by higher auto shipments to the United States. There was pronounced weakness in exports of crude and fabricated materials, and this was reflected in lower prices for these goods. Total imports increased 5% in volume, as merchandise imports jumped by 7%; the major part of this increase originated in motor vehicles and parts.

Personal income was up by only 1%, in the third quarter, as a gain in labour income was partly offset by a drop in net farm income. Disposable income was virtually unchanged, as income tax collections continued to rebound following a large decline early in 1985. With personal expenditure up 2.5%, the personal savings rate dropped from 13.3% to 11.3% in the quarter.

Corporate profits before taxes were unchanged in the third quarter, following a slight drop in the previous quarter. Over the past four quarters, corporate profits rose about 3%, the slowest gain since the recovery began in 1983. Lower profits in mining and manufacturing in the third quarter offset gains in other industries.

Order the third quarter 1985 issue of National Income and Expenditure Accounts (13-001, \$15/\$60) or contact Barbara Clift (613-990-9158), Gross National Product Division.

Labour Income

Labour income for the month of September 1985 was estimated at \$21,393.7 million, an increase of \$1,434.6 million or 7.2% from September 1984.

Adjusted for seasonal variation, wages and salaries decreased by \$95.8 million between August 1985 and September 1985 to \$18,826.7 million.

Order the July-September 1985 issue of Estimates of Labour Income (72-005, \$15/\$60), or contact Georgette Gauthier (613-990-9900), Labour Income Section, Labour Division.

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Unemployment Insurance Statistics

Unemployment insurance benefit payments in September 1985 totalled \$685 million, declining 5.1% from the previous month, but increasing 6.1% from September 1984. For the first three quarters of 1985, benefit payments amounted to \$7,982 million, up 4.4% from the disbursements made during the same period in 1984.

During the month of September, 272,000 claims for unemployment insurance benefits were received, increasing 25.7% from August 1985 and 0.4% as compared with September 1984. Since the beginning of this year, Commission offices have received 2.32 million claims, down 3.8% from the number of claims received during the same period last year.

Adjusted for seasonal variation, the number of beneficiaries receiving regular unemployment insurance benefits decreased by 1.6% between August and September 1985 to 984,000. The decline in the number of beneficiaries has been observed since January of this year.

Order the September 1985 issue of Unemployment Insurance Statistics (73-001, \$12/\$120), or contact H. Stiebert or J.-P. Maynard (613-990-9900), Labour Division.

Trusteed Pension Plans

The book value of assets of trusteed pension funds at December 31, 1984 amounted to \$96.1 billion, an increase of 13.6% from a year earlier. This represents an increase of \$11.5 billion in assets. These assets were held for 3.3 million pension plan members, equivalent to an average of \$29,478 of invested reserves for each member. The market value of these assets increased from \$92.1 billion in 1983 to \$102.5 billion in 1984, an increase of 11.3%.

Order the 1984 edition of Trusteed Pension Plans, Financial Statistics (74-201, \$35). Contact Jessica Dunn or Diane Galarneau (613-990-9900), Pensions Section, Labour Division.

Gross Domestic Product and Industrial Production

Gross Domestic Product in 1971 prices advanced 0.4% in September 1985 following a 0.2% gain in August. Most of the September gain in GDP originated among service-producing industries which increased 0.6%, the strongest monthly gain to date this year. Output of goods-producing industries was up 0.1% from the August level.

In the goods-producing industries, substantial output gains in mining and construction were offset to a large degree by declines in forestry, manufacturing and agriculture.

Construction activity rose 3.0% in September, primarily due to a 10.4% increase in residential building. The output gain in mining resulted from increased production in metal mines and non-metal mines.

Third Quarter 1985

Gross Domestic Product in 1971 prices advanced 1.7% over the second quarter of 1985. Goods-producing industries grew 2.6%, compared to 1.2% for the service-producing industries.

The large third quarter gain among goods-producing industries was due primarily to substantial output increases in manufacturing and construction. Manufacturers' output increased 3.3% in the third quarter, double the rate of growth recorded in the previous quarter.

Output of service-producing industries increased 1.2% in the third quarter of 1985, a slightly higher rate of growth than in the first two quarters of the year. Retail trade activity remained relatively strong, increasing 2.0% this quarter, compared to gains of 1.9%, 1.7% and 2.3% in the three preceding quarters. Strong advances by motor vehicle dealers, and food, department, drug and miscellaneous stores contributed most of the third quarter growth. Wholesalers increased output by 3.9% in the third quarter.

Order the September 1985 issue of Gross Domestic Product by Industry (61-005, \$10/\$100), or contact Ron Kennedy (613-990-9145), Industry Measures and Analysis Division.

Farm Debt Outstanding

Farm debt outstanding at the end of 1984 increased by 3.7% to \$21.6 billion from the revised 1983 level of \$20.83 billion. Debt outstanding increased in all provinces except British Columbia, where the level remained unchanged.

The amount of debt outstanding by source of lender included \$9.04 billion from chartered banks (+4.5% from a year earlier); \$4.73 billion from federal government agencies (+0.8%); \$2.38 billion from provincial government agencies (+9.3%); \$2.27 billion from credit unions (+9.8%); \$0.105 billion from insurance, trust and loan companies (-10%); and \$3.06 billion from private individuals and other sources (-1.4%).

Order Farm Net Income (21-202, \$32), or contact George Beelen (613-990-8706), Agriculture and Natural Resources Division.

Industry Selling Price Index

Preliminary estimates show that the Industry Selling Price Index (ISPI) for manufacturing (1971=100) stood at 320.2 in October 1985, up 0.3% from the revised level of 319.4 for September. With this increase, the year-over-year advance, calculated by comparing the level for October 1985 with the level for October 1984, was 2.5%. In relation to the downward trend that generally prevailed between December 1984 and August 1985, the annual rate of change was up for the second straight month. The 0.3% increase for the month was primarily due to upturns in the food and beverage industry (0.9%), the petroleum and coal products industry (0.5%) and "other major groups" (0.7%). Declines in the wood (-0.9%) and primary metals (-0.9%) industries had a moderating effect on the overall index.

The food and beverage industry index jumped 0.9% in October, up 1.9% from a year earlier. The monthly rise stemmed chiefly from increases of 2.9% in the slaughtering and meat processors index, 2.8% in the breweries index and 0.5% in the dairy products index. These gains were partly counterbalanced by a 1.7% drop in the feed industry index. Price increases of 6.5% for fresh or frozen beef and 3.4% for fresh or frozen pork were major factors in the upswing of the slaughtering and meat processors index for the month.

According to preliminary estimates, the petroleum and coal products index rose 0.5% in October, primarily as a result of an increase in gasoline prices. The year-over-year advance was estimated at 5.8%.

The wood industry index fell 0.9% in October, but remained 6.6% higher than in October 1984. The main factors in the monthly decline were dips of 5.1% in the shingle mills index and 1.5% in the sawmills and planing mills index.

The primary metals index dropped 0.9% in October, but was up 0.2% from a year earlier. A 2.4% decline in the smelting and refining index, partly due to a 5.6% decrease in zinc prices, was responsible for most of the monthly downturn in the group index.

Order the October 1985 issue of *Industry Price Indexes* (62-011, \$15/\$150), or contact the Information and Current Analysis Unit (613-990-9606/7), Prices Division.

Electric Power Statistics

The net generation of electricity in Canada in September 1985 increased by 5.6% to 33 065 gigawatt hours from 31 316 gigawatt hours a year earlier.

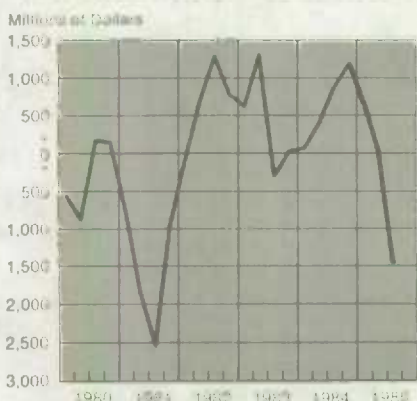
Exports of electric power increased 5.0% to 3 854 gigawatt hours from 3 671 gigawatt hours, and imports increased by 93.7% to 199 gigawatt hours from the September 1984 level of 103 gigawatt hours.

During 1985, the net generation of electricity totalled 325 746 gigawatt hours, up 4.7% from the January-September 1984 level of 310 964 gigawatt hours. Exports of electricity rose 6.1% to 32 767 gigawatt hours from 30 890 gigawatt hours and imports rose 13.4% to 2 116 gigawatt hours from 1 866 gigawatt hours.

Order the September 1985 issue of *Electric Power Statistics* (57-001, \$8/\$80), or contact Dave Madsen (613-991-3565), Energy Section, Industry Division.

Canadian Balance of International Payments

Current Account — Seasonally Adjusted



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

Raw Materials Price Index

The Raw Materials Price Index (RMPI, 1977=100) stood at a preliminary level of 217.4 in October 1985, up 0.9% from the revised September level of 215.5. Compared to October 1984 the RMPI has risen 2.2%. The Raw Materials Price Index excluding coal, crude oil and natural gas increased 1.8% over the month. Of the eight components making up the Raw Materials Price Index, four showed increases between September and October, three registered decreases and one remained unchanged. The most significant increase in October was for the animal and animal products component index, up 5.0%. The vegetable products component index registered a decrease of 2.1%.

The animal and animal products component index was up 5.0% in October to stand at a level only 0.5% higher than a year ago. An 11.7% increase over the month for the cattle and calves price index was the major factor for the rise in the component index.

The vegetable products component index level fell 2.1% in October and was down 9.2% from its October 1984 level. Lower prices for feed grains were mainly responsible for the 2.9% drop in the wheat and other grains index.

Order the October 1985 issue of *Industry Price Indexes* (62-011, \$15/\$150), or contact the Information and Current Analysis Unit (613-990-9606/7), Prices Division.

Housing Starts

Housing starts in October were at a seasonally adjusted rate of 192,000 dwelling units, down 2.5% from the level of 197,000 in September.

This decline is entirely attributable to weakened activity in small localities. In contrast, urban centres with populations of 10,000 or more reported increased activity during October 1985.

Order the October 1985 issue of *Housing Starts and Completions* (64-002, \$15/\$150), or contact P. Pichette (613-990-9689), Science, Technology and Capital Stock Division.

Balance of International Payments

Current account transactions, on a seasonally adjusted basis, resulted in a large \$1.5 billion deficit. This was in sharp contrast to the quarterly surpluses recorded since 1981 (except for two small deficits) due to merchandise trade. While still high by historical standards, the merchandise trade surpluses were, however, substantially reduced during the first three quarters of 1985 as imports continued to advance while exports remained sluggish.

Among capital account transactions, which are not seasonally adjusted, an unusually large net outflow was recorded on foreign direct investment in Canada as residents acquired foreign interests in the petroleum sector. The net outflow for Canadian direct investment abroad remained high. The Canadian dollar in terms of the United States currency declined over the quarter.

Current Account, Seasonally Adjusted

The main quarterly features were:

- a current account deficit of \$1.5 billion, as opposed to a small surplus of \$32 million in the second quarter. This resulted from a decline of \$1.4 billion in the merchandise trade surplus to \$3.1 billion. There was also a slight increase of \$71 million in the deficit on non-merchandise transactions to \$4.6 billion;
- an increase of 4% to \$26.4 billion in merchandise imports, while exports declined by 1% to \$29.6 billion;
- among merchandise imports, substantial increases in automotive products. Decreases were recorded in petroleum and in coal products;
- on service transactions, a slight decline of \$87 million in the deficit to \$4.8 billion due to lower net payments on investment income. Receipts of dividends increased by \$167 million while payments declined by \$163 million. This change was partially offset by higher interest charges on bond borrowings;

Current and Capital Accounts, Not Seasonally Adjusted

The main quarterly features were:

- a current account deficit of \$703 million, in contrast to a current account surplus of \$1.9 billion in the third quarter of 1984;
- a net outflow of \$2.1 billion on foreign direct investment in Canada compared to a net inflow of \$225 million in the previous quarter. The outflow was attributable to the acquisition by residents of foreign direct investment interests in the petroleum sector;
- for the second consecutive quarter, a net inflow of nearly \$4 billion from the sale of new bonds to non-residents. The Government of Canada and the chartered banks raised funds in the foreign bond markets in the current quarter (accounting for half of total borrowings), but there was a reduction in bond borrowings abroad by the other sectors, notably the provinces and their enterprises.

Order Quarterly Estimates of the *Canadian Balance of International Payments, Third Quarter 1985* (67-001P, \$8/\$32), or contact L. Laliberté (613-990-9050), Balance of Payments, International and Financial Economics Division.



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