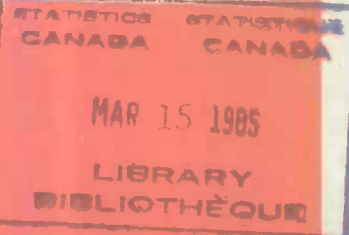


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Weekly Bulletin



March 15, 1985

Leading Indicator

The leading indicator declined again in December at the same moderate rate (-0.6%) as in the previous two months, to a level of 156.6. The size of the drop was attributable to the proxy of manufacturers' profit margins, which continued its five-month slide, and the residential construction index, which declined for the third straight month.

Six of the leading indicator's 10 components were up in December, compared with four in November and two in October. The non-filtered indicators of consumer demand and manufacturers' orders received, along with the Toronto Stock Exchange index, were up substantially in the month. Overall, the non-filtered index was virtually unchanged (-0.1%) following a rise in November (+0.8%).

Sales of new motor vehicles and furniture and appliances continued to rise in December, increasing by 1.8% and 0.9%, respectively. Although small by historical comparison, these increases were the largest since March 1984. The residential construction index declined at about the same rate (-2.2%) as in November, although there was a slight gain in the non-filtered version. Housing starts climbed from 95,000 to 102,000 units in urban centres. A steady decline since September in the indicators for multiple and single-family housing in most regions was followed by a decrease in construction employment in January, which accounted for almost half of the drop in non-agricultural employment (-57,000).

A 1.0% growth in new orders for durable goods reflected the increase in consumer demand in the fourth quarter, especially motor vehicle sales. The proxy of profit margins fell 0.1% in December to 0.7%. A cutback in inventory build-up while shipments were firming resulted in an increase in the shipments-to-stocks-of-finished-goods ratio to a level of 1.67. The average work week increased slightly in December (+0.05) following a decline of similar magnitude in November (-0.05%).

The leading indicator for the United States declined for the sixth consecutive month in December (-0.3%), and this was reflected in a decline in total exports to the United States in the fourth quarter. Inventory accumulation slowed appreciably.

(continued page 2, col. 1)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

Average Weekly Earnings (\$)	Dec	408.55	410.80	3.2
Labour Income (\$ million)	Dec.*	19,716.7	19,919.7	6.2
Persons with Jobs (million)	Feb.*	10.77	10.68	2.1
Unemployed	Feb.*	1,455,000	1,483,000	-1.4

INVENTORIES

Department Store (\$ million)	Dec.	3,142.7	3,950.5	-2.5
Manufacturers' Owned (\$ million)	Dec.	33,195.8	32,770.3	8.3

ORDERS

Manufacturers' New Orders (\$ million)	Dec.	17,830.2	19,827.3	8.7
Manufacturers' Unfilled Orders (\$ million)	Dec.	22,110.3	22,210.4	10.0

PRICES

Consumer Price Index (1981=100)	Jan.	124.6	124.1	3.7
New House Price Index (1981=100)	Dec.	94.7	94.5	-0.1
Raw Materials Price Index (1977=100)	Jan.	222.0	221.7	3.6
Excl. coal, crude oil, nat. gas	Jan.	156.7	156.3	0.6
Industry Selling Price Index (1971=100)	Jan.	315.5	314.3	3.3

CONSTRUCTION

Building Permits (\$ million)	Dec.*	1,217.7	15,505.3	6.4
Housing Starts — Urban Centres (units)	Jan.	7,662	7,662	-11.3

ENERGY

Coal Production (thousand tonnes)	Dec.	5,008	57,428	28.2
Electricity Generation (terawatt hours)	Dec.	40.9	424.6	7.4
Natural Gas Production (million cubic metres)	Dec.	9,772	89,865	7.9
Petroleum Refining (million cubic metres)	Dec.	7.7	87.6	1.5

FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	Jan.*	9,128	9,128	10.3
Imports — Balance of Payments Basis (\$ million)	Jan.*	7,608	7,608	17.2

PRODUCTION

Railway Carloadings (million tonnes)	Dec	16.9	240.0	15.9
Steel (ingots — thousand tonnes)	Feb.*	1,150	2,298	-5.6

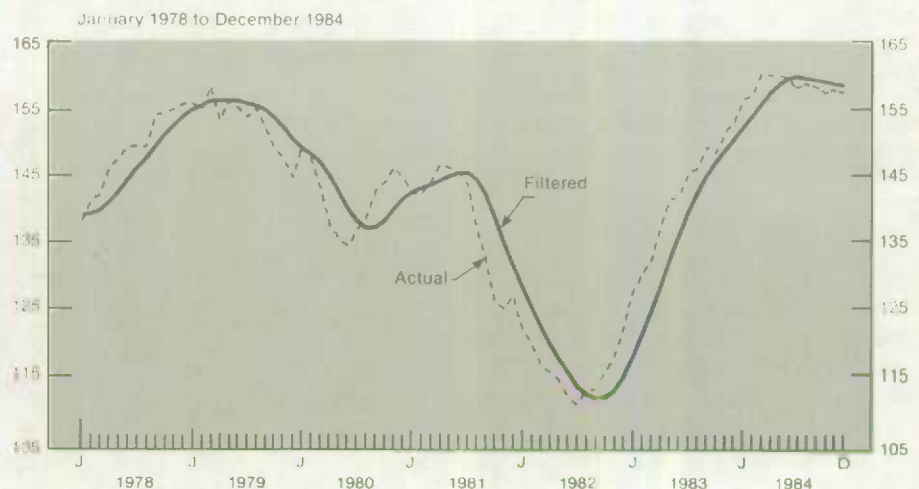
SALES

Department Store Sales (\$ million)	Dec.	1,718.0	11,384.7	4.2
Manufacturers' Shipments (\$ million)	Dec.	17,930.3	225,817.1	13.2
New Motor Vehicle Sales (\$ million)	Jan.*	1,140.8	1,140.8	23.5
Retail Sales (\$ million)	Dec.	11,854.0	114,917.3	8.2

Statistics are in current dollars and are not seasonally adjusted.

* - new this week.

The Canadian Composite Leading Index (1971=100)



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

...Leading Indicator

white orders for investment goods dropped from \$16.0 billion to \$14.0 billion in December. Preliminary data for January, however, continued to indicate a firming of household demand, which was evident in the non-filtered version of the indicator in November and December.

The financial market indicators continued to firm in December; the Toronto Stock Exchange index posted its fourth straight gain (+2.0%), and the decline in the real money supply (M1) continued to ease (-0.3%).

Contact D. Rhoades (613-990-9161), Econometric Analysis Division.

Private and Public Investment

The total capital expenditures in Canada are expected to amount to \$80,127 million during 1985. This represents an increase of 6.7% and follows a gain of only 2.1% in the 1984 total of \$75,070 million.

More strength is shown this year in acquisitions of machinery and equipment than in new construction. The 1985 total of \$32,435 million is 9.6% above the 1984 figure of \$29,594 million, which in turn was 6.3% higher than the \$27,843 million registered in 1983. By comparison, total construction is shown at \$47,692 million (+4.9%) in 1985, at \$45,475 million (-0.4%) in 1984 and \$45,676 million in 1983. The residential portion of construction is expected to increase moderately in 1985 to \$12,683 million (+1.8%) over the estimated 1984 total of \$12,453 million (down 4.2% from 1983). The 1983 housing program is shown at \$12,994 million; housing starts used for these calculations were 135,000 in 1985, 134,900 in 1984 and 162,645 in 1983. The increases for non-residential construction in 1985 and 1984 registered 6.0% and 1.0% respectively.

This current assessment for business capital spending is more bullish in 1985 than in 1984. An estimated total of \$54,399 million is 8.2% above the 1984 figure of \$50,261 million; the latter represented an increase of only 1.9% over the \$49,338 million in 1983. Additions to social capital in institutions and governments are expected to increase at a lower rate of 5.6% during 1985, following the 10.4% increase during 1984.

Manufacturing supports a large part of the business strength in the anticipated 1985 total of \$11,462 million (+26.1%) compared with \$9,089 million (+2.6%) during 1984. Industries dominating the 1985 increase were transportation equipment, primary metals and the paper products group. Outside manufacturing, the initial expectations for the drilling or petroleum and gas wells amount to \$8,593 million, an increase of 19.7% over the \$7,177 million in 1984. That gain is not supplemented by the metal and non-metal mining groups, where an increase for metal mining is more than offset by a decrease for non-metal mining.

In other areas, the trade-finance-commercial group of industries shows a total capital spending program of \$12,351

External Trade

On a seasonally adjusted balance of payments basis, preliminary estimates indicate that the value of Canada's total exports rose 2.6% or \$245 million in January, following declines of 1.4% and 3.9% in December and November respectively. The level of exports now stands at \$9.6 billion.

Imports posted an increase of \$195 million or 2.5% in January to a level of \$8.1 billion. The rise follows increases of 4.5% in December and 2.1% in November.

The net effect of these movements is a marginal increase of \$50 million in the merchandise trade surplus to a level of \$1.5 billion. This represents a substantial 40% decrease from the record level registered in October 1984, but closely matched the average monthly surplus recorded in both 1982 and 1983.

Commodity Analysis

Extreme volatility within commodity groupings marked the January net advance of \$245 million in total exports. Gains in automotive products and to a lesser extent, precious metals and aircraft, contributed to the \$195 million increase in total imports. Partially offsetting the gains were declines in energy products and miscellaneous chemicals.

Trading Partner Analysis

Following four consecutive monthly declines of an average \$150 million, Canada's exports to the United States increased 1.4% or \$100 million in January. The recovery from the effects of auto strikes combined with the third month of moderate growth (0.5%) in American industrial production contributed to this turnaround. The January level of \$7.3 billion for the United States accounts for close to 76% of total exports. Japan, the U.K. and Other E.E.C. posted more moderate increases.

Imports from the United States rose a further \$160 million in January following a \$495 million advance in December. A decline in imports from the U.K. and an offsetting increase in imports from "other countries" appears to have been associated with the source country for imports of crude petroleum.

Order the January 1985 issue of Summary of External Trade (65-001, \$3.30/\$33), or contact G. Blaney (613-990-9647) or Judith Frederick (613-990-9784), International Trade Division.

million, 8.2% above 1984. Utilities no longer show the strength of previous years; this is particularly evident for electric power. The 1985 total of \$13,787 million for utilities is 4.4% below the \$14,425 million in 1984, which in turn was 6.7% below the 1983 total of \$15,457 million.

In the social capital group, capital expenditures by the three levels of government are expected to reach \$10,152 million in 1985, 6.2% above the \$9,559 million in 1984. Institutions, registering \$2,894 million, are up by only 3.5% in 1985.

Order Private and Public Investment in Canada. Outlook 1985 (61-205, \$6.65), or contact D. Lusick and J. Lacroix (613-990-9815), Science, Technology and Capital Stock Division.

New Motor Vehicle Sales

Sales of all new cars, trucks and buses in January 1985 registered a gain of 17.2% over the year-earlier total, rising to 90,229 units. Compared to January 1984, sales of North American manufactured passenger cars and commercial vehicles increased by 10.8% and by 28.0%, totalling 49,077 and 21,529 units respectively. Sales of passenger cars built overseas rose by 31.3% to 17,165 units, however, sales of overseas-built commercial vehicles decreased by 12.0% to 2,458 units.

The share of the Canadian passenger car market held by North American manufacturers in January 1985 was 74.1%, down from the 77.2% recorded in January 1984. Japanese manufacturers held a market share of 15.8% compared to 16.9% a year earlier, while manufacturers from other countries held 10.1% of the passenger car market compared to 5.9% in January 1984.

The total dollar value of all new motor vehicles sold in January 1985 increased by 23.5% from a year earlier to \$1,140.8 million. Sales of North American passenger cars reached \$567.8 million up 14.1% over the corresponding month of the previous year. The total sales of commercial vehicles built in North America totalled \$344.3 million, up 39.6%. Sales of overseas passenger cars rose by 32.8% to \$201.8 million, while those of commercial vehicles were 1.4% lower at \$26.9 million.

Adjusted for seasonal fluctuations and the number of trading days, preliminary estimates of unit sales of passenger cars built in North America increased 7.4% in January 1985 from the December 1984 level. Seasonally adjusted sales of passenger cars built overseas decreased 5.4% from the previous month, while total sales of commercial vehicles, both domestic and overseas, were higher by 0.2%.

Order the January 1985 issue of New Motor Vehicle Sales (63-007, \$2.75/\$27.50), or contact Michael Kwilecki (613-990-9665), Industry Division.

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Weekly Bulletin

Published by the Communications Division, Statistics Canada.

Senior Editor: Vicki Crompton (613-993-7644)

Editor: Lyne Bélanger-Paré (613-993-7644), R.H. Coats Building, Tunney's Pasture, Ottawa K1A 0T6.

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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Financial Activity

Expenditure in the fourth quarter of 1984, demand for funds by non-financial domestic sectors (the ultimate borrowers) remained subdued. These sectors raised \$23 billion through conventional credit market instruments, representing 21.4% of expenditures on goods and services produced in the quarter.

Households raised \$5.4 billion through these instruments. The strong growth in consumer durable expenditure in the fourth quarter of 1984 was reflected in the continuing strength in demand for consumer credit, which rose \$1.6 billion. Individuals also increased their bank loans by \$1.5 billion, largely for purchases of Canada Savings Bonds. Net mortgage borrowing was \$2.0 billion.

Non-financial private corporations' recourse to capital market remained at the relatively modest levels that have characterised their financial activity in recent quarters. With a slight decline in capital formation, these corporations continued the process of restructuring their balance sheets. Share issues raised \$2.5 billion, and bonds \$1.2 billion. Bank borrowing rose a moderate \$700 million, while short-term paper fell \$1.4 billion. The effect of these financings was to broaden the equity base and lengthen maturity schedules.

General government (the federal, provincial and local governments and hospitals) raised \$13.4 billion in these markets. Sales of Canada Savings Bonds produced net receipts of \$9.3 billion, allowing the Government of Canada to reduce its Treasury bills outstanding by \$1.4 billion.

Review of 1984

Financial markets reflected the situation in the "real" economy. Recourse to conventional credit markets by the non-financial domestic sectors produced \$69.7 billion in net new funds, amounting to 16.6% of GNE. The equivalent figures for 1983 were \$57.6 billion and 14.8%.

Most of the increase was attributable to non-financial private corporations. They raised \$13.8 billion in these markets, up strongly from only \$4.1 billion in 1983. The single most important item was in the demand for bank loans: in 1983, \$7.6 billion was repaid while in 1984, there was an increase of \$1.0 billion. Share issues raised \$7.4 billion, with common and preferred shares dividing about equally. In 1983, share issues produced \$6.1 billion, with common shares accounting for the major portion. Bond issues raised \$2.7 billion, a small drop from \$3.0 billion the year earlier.

Household borrowing, while unchanged at \$16.7 billion, underwent a change in its composition. Consumer credit grew rapidly, up \$4.9 billion, compared with only \$2.0 billion in 1983. Whereas the growth in consumer durable expenditure was comparable for the two years, it would appear that in 1984, people seemed more prepared to finance these

The Labour Force

Estimates from the Labour Force Survey for February 1985 indicate little change in labour market conditions from the previous month. There was a marginal increase in the estimated level of employment and the unemployment rate declined 0.2% to 11.0%. Increases in employment were limited to females, among whom an increase of an estimated 27,000 was registered in the level of full-time employment.

The seasonally adjusted participation rate was unchanged at 64.9% in February 1985; the employment/population ratio remained at 57.7%.

The seasonally adjusted level of employment for the week ending February 16, 1985 was an estimated 11,137,000, an increase of 20,000 over the level of the previous month. Employment rose by 18,000 to 4,709,000 for females and was virtually unchanged for males at 6,428,000.

Employment increased in trade (+23,000), public administration (+17,000) and construction (+13,000); a decline of 16,000 was observed in the finance, insurance and real estate industry. Marginal changes in employment levels were noted in the remaining industries.

Seasonally adjusted unemployment declined by 17,000 in February, to a level of 1,383,000. Unemployment fell by 23,000 to 795,000 for men, and rose slightly to 588,000 for women. The number of males unemployed decreased by an estimated 9,000 among those aged 15 to 24 and by 14,000 among those aged 25 and older.

The seasonally adjusted unemployment rate declined by 0.2% to 11.0% in February. The rate decreased by 0.2% to 17.4% for those aged 15 to 24 and by 0.1% to 9.2% for those aged 25 and over.

The unadjusted level of unemployment for the month was 1,455,000, a decrease of 21,000 (-1.4%) from a year ago. Not adjusted for seasonal variation, the unemployment rate was 11.9%, down 0.4% from February 1984.

Order the February 1985 issue of The Labour Force (71-001, \$3.85/\$38.50), or contact Ken Bennett (613-990-9448), Labour Force Survey.

expenditures through credit. Net new mortgage demand, however, fell from \$12.8 billion in 1983 to \$9.1 billion in 1984.

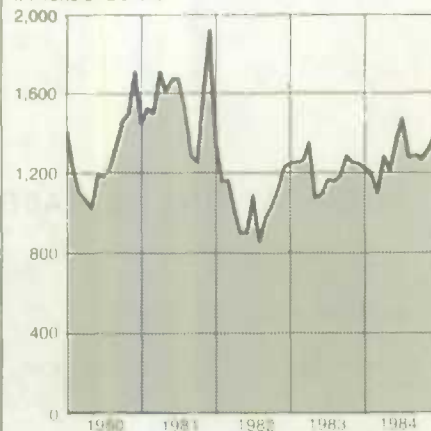
The Government of Canada's deficit in 1984 was \$29.6 billion (on a National Accounts basis) amounting to 7% of GNE, up from \$24.1 billion, or 6.2% of GNE, in 1983. The financing was provided largely through net sales of Treasury bills (\$10.7 billion), Canada Savings Bonds (\$3.6 billion) and issues of marketable bonds (\$11.1 billion). These borrowings accounted for one-third of all non-financial domestic sectors' borrowings on conventional credit markets.

Contact John Joice, Gerry Gravel or Christian Lajule (613-990-9043), International and Financial Economics Division.

Building Permits, Canada

(Seasonally Adjusted)

Millions of Dollars



Source: Statistics Canada, Building Permits (64-001)

Building Permits

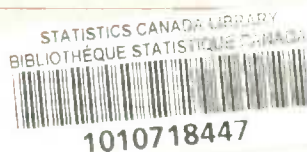
The seasonally-adjusted value of building permits issued by Canadian municipalities reached \$1,394.8 million in December, up 5.0% over November and 12.1% higher than the December 1983 level of \$1,244.7 million. This increase resulted from a substantial recovery in the non-residential sector which largely offset the slight drop in the residential sector.

The value of residential construction in December slipped 1.2% to \$762.7 million. On a seasonally-adjusted basis, 12,529 units were approved during the month, 3.0% fewer compared to the November total of 12,921 units. Translated into annual terms, the December approvals represented a seasonally-adjusted rate of 150,300 units compared to 155,000 in November.

In December, the value of non-residential building permits increased 13.7% to \$632.1 million from \$556.1 million in November. A strong increase occurred in the public sector (+28.5%), followed by moderate recoveries in the industrial sector (+8.2%) and commercial sector (+8.5%). Translated into annual terms, the December approvals recorded a seasonally-adjusted value of \$7,585 million compared to \$6,673 million in the previous month. The recovery in the non-residential sector was sustained by the provinces of Ontario (+81.3%) and British Columbia (+21.7%), which recorded strong intentions in the commercial and industrial sectors.

In 1984, the value of building permits rose 6.4% to \$15.5 billion compared to the 1983 total of \$14.6 billion. The residential value fell 3.9% to \$8.5 billion, while non-residential construction rose to a level of \$7.0 billion from \$5.7 billion in 1983, up 22.4%. The industrial (+46.0%) and commercial (+34.5%) projects increased sharply while government-initiated projects (-5.2%) dropped slightly from 1983.

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



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	Cata- logue No.	In Canada: Price per issue/year	Elsewhere: Price per issue/year
AGRICULTURE STATISTICS			
Farm net income, 1983	21-202	\$32	\$38 40
Stocks of frozen meat products, February 1985	32-012	\$2.75/\$27 50	\$3 30/\$33
Stocks of fruit and vegetables, February 1, 1985	32-010	\$1 60/\$16	\$1 90/\$19
CONSTRUCTION			
Building permits, November 1984	64-001	\$3 85/\$38 50	\$4 60/\$46
Housing starts and completions, December 1984	64-002	\$3 30/\$33	\$3 95/\$39 50
EXTERNAL TRADE			
Imports by commodities, December 1984	65-007	\$5 55/\$55 50	\$6 65/\$66 50
MANUFACTURING AND PRIMARY INDUSTRIES			
Crude petroleum and natural gas production, November 1984	26-006	\$2 75/\$27 50	\$3 30/\$33
Inventories, shipments and orders in manufacturing industries, December 1984	31-001	\$3 85/\$38 50	\$4 60/\$46
Mineral wool including fibrous glass insulation, January 1985	44-004	\$1 60/\$16	\$1 90/\$19
Primary iron and steel, December 1984	41-001	\$2 75/\$27 50	\$3 30/\$33
Production and inventories of process cheese and instant skim milk powder, January 1985	32-024	\$1 60/\$16	\$1 90/\$19
Production and stocks of tea, coffee and cocoa, Quarter ended December 1984	32-025	\$2 75/\$11	\$3 30/\$13 20
Production, shipments and stocks on hand of sawmills in British Columbia, December 1984	35-003	\$1 60/\$16	\$1 90/\$19
Quarterly shipments of office furniture products, Quarter ended December 31, 1984	35-006	\$2 75/\$11	\$3 30/\$13 20
Shipments of plastic film and bags manufactured from resin, Quarter ended December 31, 1984	47-007	\$2 75/\$11	\$3 30/\$13 20
Specified domestic electrical appliances, January 1985	43-003	\$1 60/\$16	\$1 90/\$19
The sugar situation, January 1985	32-013	\$1 60/\$16	\$1 90/\$19
MERCHANDISING AND SERVICES			
Department store sales and stocks, December 1984	63-002	\$3 30/\$33	\$3 95/\$39 50
Department store sales by regions, January 1985	63-004	\$1 60/\$16	\$1 90/\$19
Wholesale trade, December 1984	63-008	\$1 60/\$16	\$1 90/\$19
PRICES			
Industry price indexes, December 1984	62-011	\$3 85/\$38 50	\$4 60/\$46
TRANSPORTATION AND COMMUNICATIONS			
Air carrier operations in Canada, July-September 1982	51-002	\$6 65/\$26 60	\$7 95/\$31 90
Service bulletin:			
Communications , Vol. 15, No. 1, Telecommunications statistics Third quarter 1984	56-001	\$1 60/\$16	\$1 90/\$19

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