

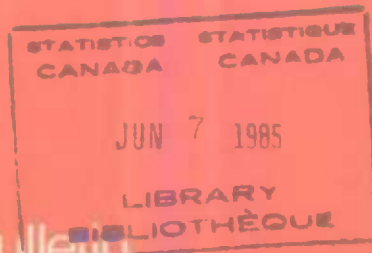


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Weekly Bulletin



June 7, 1985

Gross National Product

Gross National Product at market prices rose by 2.4% in the first quarter of 1985 to a level of \$441.0 billion, seasonally adjusted at annual rates. After allowing for a 1.5% increase in prices, this represented a 0.9% rise in the volume of GNP, following increases of 1.6% and 0.8% in the third and fourth quarters of 1984 respectively.

The principal sources of growth occurred in higher consumer spending on goods and housing and an accumulation of inventories. The upturn of consumer demand followed a drop in interest rates in the second half of 1984 and coincided with unusually large income tax refunds in March. A marginal decline in exported goods largely originated in the United States.

Total labour income rose 1.5% in line with the average increase in the past four quarters. Corporate profits increased 1.9% in the first quarter, comparable to the average of the past four quarters.

Consumer expenditure on goods and services rose 1.1% in volume in the first quarter, as a 1.7% increase for goods outweighed sluggish spending on services (0.3%). The first quarter gain in expenditure on goods was concentrated in spending on automotive goods, clothing, food, and home heating fuels. The weakness in outlays on services was widespread.

Real gross fixed capital formation rose 0.9% in total in the first quarter, with virtually all of the gain originating in residential construction. Housing expenditures increased 5.1%, the largest gain since mid-1983. Sharply higher real estate commissions on sales of existing houses, reflecting a second consecutive quarterly gain, outweighed a small decline in new housing construction.

Business investment in plant and equipment was little changed in volume for the fifth consecutive quarter. Higher outlays for machinery and equipment were counterbalanced by lower spending on non-residential construction. Total business investment in plant and equipment has recovered only 2.1% since the trough attained in mid-1983, and, in the first quarter, remained 21% below the pre-recession peak.

(continued on page 2, col. 1)

LATEST MONTHLY STATISTICS

EMPLOYMENT, INCOME

			Previous Month	% Change From Year Ago
Average Weekly Earnings (\$)	Mar.	414.20	412.67	3.3
Labour Income (\$ million)	Feb.	19,655.6	19,599.6	7.1
Persons with Jobs (million)	Apr.	11.02	10.86	3.2
Unemployed	Apr.	1,437,000	1,546,000	-2.1

INVENTORIES

Department Store (\$ million)	Mar.*	3,275.6	2,970.2	-3.6
Manufacturers' Owned (\$ million)	Mar.	33,913.0	33,713.3	5.0

ORDERS

Manufacturers' New Orders (\$ million)	Mar.	20,383.7	18,443.9	2.7
Manufacturers' Unfilled Orders (\$ million)	Mar.	22,533.0	22,304.7	5.0

PRICES

Consumer Price Index (1981=100)	Apr.	126.2	125.7	3.9
New House Price Index (1981=100)	Apr.*	95.3	95.2	-0.2
Raw Materials Price Index (1977=100)	Apr.*	223.2	223.1	2.2
Excl. coal, crude oil, nat. gas	Apr.*	158.6	158.2	-3.8
Industry Selling Price Index (1971=100)	Apr.*	317.8	317.6	2.4

CONSTRUCTION

Building Permits (\$ million)	Mar.*	1,184.8	2,788.7	5.2
Housing Starts — Urban Centres (units)	Apr.*	11,714	32,715	6.9

ENERGY

Coal Production (thousand tonnes)	Jan.*	4,658	4,658	-12.7
Electricity Generation (terawatt hours)	Jan.*	41,722	41,722	-5.1
Natural Gas Production (million cubic metres)	Jan.*	9,542	9,542	-5.0
Petroleum Refining (thousand cubic metres)	Jan.*	7,955	7,955	11.7

FOREIGN TRADE

Exports — Balance of Payments Basis (\$ million)	Mar.	10,511	28,781	11.2
Imports — Balance of Payments Basis (\$ million)	Mar.	8,447	23,674	8.1

PRODUCTION

Railway Carloadings (million tonnes)	Apr.*	20.5	76.2	2.5
Steel (ingots — thousand tonnes)	Mar.	1,296	3,589	-4.7

SALES

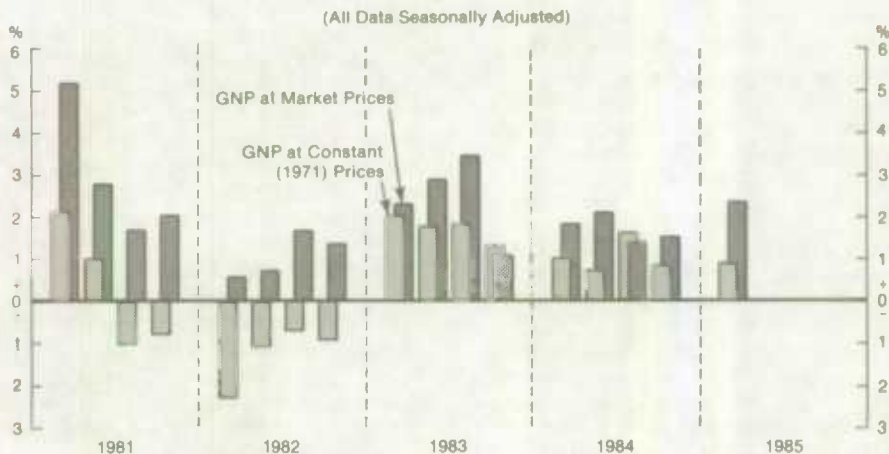
Department Store Sales (\$ million)	Mar.*	849.1	2,188.3	3.4
Manufacturers' Shipments (\$ million)	Mar.	20,155.4	56,730.6	4.5
New Motor Vehicle Sales (\$ million)	Mar.	1,741.4	4,096.8	14.7
Retail Sales (\$ million)	Mar.*	9,971.9	26,955.2	8.4

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

Following a small decumulation in the fourth quarter, non-farm business inventories swung up \$1.2 billion in the first quarter. Much of the swing occurred in automobile stocks at the retail level, coincident with the sharp increase in passenger car imports.

Real exports of goods and services rose marginally, and the volume of merchandise exports edged down 0.8% in the first quarter. Most of the flattening-out in export demand over the last two quarters originated in shipments to the United States, with little offset forthcoming from overseas demand.

Imports of goods and services rose 4.5%, more than recoup a 1.6% decline in the previous quarter. Nearly all of the first quarter rebound in merchandise imports was in passenger cars.

The implicit price index for GNE rose by 1.5% in the first quarter, while the year-over-year rate of increase remained stable at about 3.3%. A large part of the increase originated in export prices, which recovered 2.6%.

Personal disposable income expanded 3.2%, as personal income taxes declined by 6.6%. The drop in taxes reflected unusually fast processing of income tax refunds, which almost doubled from the level in the first quarter of 1984, with the result that the personal savings rate rose to 14.4%.

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

A printout containing all tables is now available from the Gross National Product Division (\$35/\$140).

Retail Trade

Unadjusted Sales

In March 1985, total retail trade, not seasonally adjusted, recorded an increase of 8.8% over the same month last year to \$9,971.9 million in current dollars. Most types of businesses surveyed reported increased sales in March 1985 as compared to March 1984, with the most notable increases registered by used car dealers and specialty shoe stores, (both at 23.2%), motor vehicle dealers (+20.7%) and household appliance stores (+18.9%).

Cumulative retail sales for the first three months of 1985 were \$26,955.2 million, up 8.4% over the same quarter last year.

Seasonally Adjusted Sales

Adjusted for seasonal fluctuations, holidays and the number of trading days, retail sales totalled \$10,561.3 million in current dollars in March 1985, an increase of 3.4% over the preceding month's revised total of \$10,216.2 million. The largest sales increases were recorded by general merchandise stores (+10.4%), motor vehicle dealers and household furniture stores, (both at 8.6%), and furniture, T.V., radio and appliance stores (+7.8%). The most notable decreases were reported by sporting goods and accessories stores (-2.7%), florists (-2.4%) and general stores (-1.5%).

Order the March 1985 issue of Retail Trade (63-005, \$14/\$140), or contact Michael Kwieckl (613) 990-9665, Industry Division.

Balance of Payments

Current account transactions, on a seasonally adjusted basis, resulted in a reduced surplus, amounting to about half the record level registered in the fourth quarter of 1984. The decline was largely attributable to merchandise transactions, as imports increased at twice the rate of exports.

Capital account transactions, which are not seasonally adjusted, produced a substantial rise in the net outflow from direct investment transactions and a large net inflow from the foreign currency operations of the chartered banks. The overall net inflow from capital transactions was much higher than in the previous quarter. There was a sharp depreciation in the external value of the Canadian dollar, which touched a historical low of 71.07 U.S. cents in early March. This was accompanied by a substantial decline in net official monetary assets.

Current Account, Seasonally Adjusted

The main quarterly features were:

- a current account surplus of \$650 million, down from \$1,186 million in the previous quarter. This resulted from a \$427 million reduction in the merchandise trade surplus to \$5,402 million and an increase of \$109 million in the non-merchandise trade deficit to \$4,752 million;
- an increase of over 4% to \$24.3 billion in merchandise imports compared to an increase of 2% to \$29.7 billion in exports;
- an increase of \$268 million in the deficit on service transactions to \$5.1 billion.

Capital Accounts, Not Seasonally Adjusted

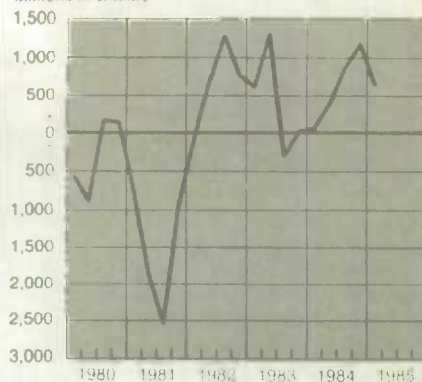
The main quarterly features were:

- a net outflow of \$550 million in foreign direct investment in Canada, largely resulting from an acquisition by residents of a company in the energy sector and the secondary offering of common shares in a Canadian company by the United States parent;
- a continuation of large net outflows on Canadian direct investment abroad. More than a third of the \$1,250 million investment abroad in the current quarter involved the acquisition of foreign companies, principally in the United States;
- a net inflow of \$1 billion from foreign investment in outstanding Canadian bonds, compared to a record net investment of \$1.4 billion in the fourth quarter;
- an increase of \$0.6 billion to \$2.8 billion in foreign purchases of new Canadian bonds;
- an inflow of some \$0.5 billion from syndicated loan borrowings in the Japanese capital market (recorded in "other long-term capital transactions");
- among short-term capital transactions a net inflow of \$2.0 billion from the foreign currency operations of the chartered banks. This borrowing was used partly to finance U.S. dollar loans to residents;
- an increase of \$2.1 billion in holdings of United States dollar deposits abroad by the Canadian non-bank sector;
- foreign investments totalling \$0.9 billion in Government of Canada treasury bills;

Canadian Balance of International Payments

Current Account — Seasonally Adjusted

Millions of Dollars



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

Raw Materials Price Index

The Raw Material Price Index (RMPI) attained a preliminary level of 223.2 (1977=100) in April 1985, virtually unchanged from the revised March level of 223.1. The increase brings the index 2.2% above its level of April 1984. The Raw Materials Price Index, excluding coal, crude oil and natural gas increased 0.3% in April. Compared to one year ago this index has decreased 3.8%, the fourth consecutive month that the yearly movement has dropped. Of the eight major components making up the Raw Materials Price Index, six registered increases and two decreases.

Order the April 1985 issue of Industry Price Indexes (62-011, \$15/\$150), or contact the Information Unit (613-990-9606/07), Prices Division.

New Housing Price Indexes

The New Housing Price Index (1981=100) for Canada stood at 95.3 in April, up 0.1% from its March 1985 level of 95.2. This index of Canadian housing contractor's selling prices now stands 0.2% lower than the year-earlier level of 95.5. Between March 1985 and April 1985, the estimated House Only index remained steady at 97.9, while the estimated Land Only index increased by 0.1% to 90.9.

Order Construction Price Statistics (62-007, \$15/\$60), or contact Prices Division (613-990-9601).

- a decline of \$1.1 billion in net official monetary assets. Official monetary liabilities increased by \$1.9 billion. The latter reflected drawings of U.S. \$400 million and U.S. \$1 billion from Canadian and foreign banks, respectively, to bolster reserve holdings.

Contact J. Motala (613-990-9051), or C. Spiteri (613-990-9048), Balance of Payments, International and Financial Economics Division.

Department Store Sales

Unadjusted department store sales totalled \$849.1 million in March 1985, up 5.2% from the March 1984 level. Sales were higher in 29 of the 40 departments, with the largest increases reported in girls' and teenage girls' wear (+19.8%), boys' clothing and furnishings (+16.3%) and women's and misses' dresses, housedresses, aprons and uniforms (+15.8%). The most notable decreases were recorded in gasoline, oil, auto accessories, repairs and supplies (-25.4%), plumbing, heating and building materials (-19.2%) and furs (-16.8%).

Sales by major department stores in March 1985 reached \$537.1 million, up 1.4% from the corresponding month a year earlier, while junior department stores had sales of \$312.0 million, up 12.5% over the same period last year. In March 1985, total department store sales constituted 8.5% of all retail sales in Canada, a decrease from the 8.8% share held in March 1984.

Order the March 1985 issue of Department Store Sales and Stocks (63-002, \$13/\$130), or contact Michael Kwilecki (613-990-9665), Industry Division.

Unemployment Insurance

Unemployment insurance benefits paid to claimants during March 1985 totalled \$981 million, down 0.8% from a month earlier. For the first quarter of this year payments totalled \$3,143 million. This is 6.3% more than was paid out over the same period last year. In the main, this increase was the result of a 5.9% gain in the average weekly benefit which, averaged for the three-month period, rose to \$171.62.

During the month of March almost 232,000 claims for unemployment insurance benefits were received, declining by 2.7% from a month earlier and by 6.5% from March 1984. The number of claims received during the first quarter of 1985 stood at 863,000, a decrease of 3.0% as compared with the same period last year.

The number of beneficiaries for the week ending March 16, 1985 stood at 1.36 million, down by 2.1% from a month earlier and by 1.9% from March 1984.

The number of beneficiaries receiving regular benefits, adjusted for seasonal variation, decreased between February and March by 0.1% to 1.06 million.

Order the Statistical Report on the Operation of the Unemployment Insurance Act (73-001, \$6.65/\$26.60), or contact H. Stiebert (613-990-9900, ext. 238), Labour Division.

Industry Selling Price Index

Preliminary estimates show that the Industry Selling Price Index (ISPI) for manufacturing (1971=100) stood at 317.8 in April 1985, up 0.1% from the revised level of 317.6 for March. With this increase, the year-over-year advance, calculated by comparing the level for April 1985 with the level for April 1984, fell to 2.4%, maintaining the downward trend began in December 1984. The 0.1% monthly change was largely due to the combined effects of increases in the primary metals (1.4%), metal fabricating

Gross Domestic Product and Industrial Production

Gross Domestic Product in constant 1971 prices advanced 0.3% in March, similar to the 0.2% increases in January and February. The growth originated in the service-producing industries with wholesale and retail trade providing almost all of the strength. Goods-producing industries fell 0.8% and industrial production was down 0.6% in March.

Service-producing industries have now advanced for three consecutive months and have recorded a gain in output of 1.7% in the three-month period since December. This represents an acceleration compared to the increase of 0.9% in the previous three-month period from September to December.

In contrast, production of goods-producing industries has fallen for two consecutive months and is now down 0.9% since December. From September to December, output of goods-producing industries increased 1.6%. For goods-producing industries excluding agriculture, output has declined for three months, representing a drop of 1.4% from December.

First Quarter 1985

The first quarter of 1985 was the second consecutive quarter of relatively modest growth in Gross Domestic Product in constant prices. Total output rose 0.8% after a 0.6% increase in the previous three-month period. The increase represents the ninth consecutive quarterly increase in GDP since the beginning of the recovery. Industrial production was down 0.2% during the quarter, the first decrease since the recovery began.

The strength in the quarter originated in the service-producing industries, which grew 1.0%, a growth rate similar to that of the previous four quarters which ranged from 0.8% to 1.3%. Output of goods-producing industries excluding agriculture declined slightly in both the first quarter and the fourth quarter of 1984. Growth in this industry grouping averaged 2.4% a quarter from the beginning of 1983 to the third quarter of 1984. Much of the increase in output over this period can be traced to growth in the volume of merchandise exports which has averaged 5.9% per quarter over the same period. Merchandise exports increased only 1.1% in the first three months of 1985 after a 2.5% decline in the fourth quarter of 1984.

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

(0.9%) and tobacco products (3.0%) industries and declines in the food and beverage industries (-0.7%) and the paper and allied industries (-0.7%).

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

Building Permits

The seasonally-adjusted value of building permits issued by Canadian municipalities in March reached \$1,281.1 million from \$1,224.8 in February, up 4.6%. This rise was mostly supported by the strength that occurred in the residential sector in March. Jointly the value of building permits issued in the non-residential sector increased moderately.

The seasonally-adjusted value of residential construction rose 7.2% to \$727.0 million in March. On a seasonally-adjusted basis, 11,713 units were approved in March compared to 10,751 units in February.

The seasonally-adjusted value of non-residential building permits increased slightly in March to \$554.1 million, up 1.3%. After a weak level of intentions recorded in February, the industrial sector strongly recovered (+42.1%) in March. The commercial sector continued to drop (-4.8%) while the public sector decreased significantly (-9.3%).

Order the March 1985 issue of Building Permits (64-001, \$20/\$200), or contact G. Lemay (613-990-9689), Science, Technology and Capital Stock Division.

Farm Cash Receipts

Farm cash receipts for the period January-March 1985 reached an estimated \$5,693.0 million, up 6.3% from the revised January-March 1984 estimate of \$5,353.5 million.

Receipts from the sale of field crops were estimated at \$3,149.3 million, an increase of 8.4% over last year's estimate of \$2,905.2 million. Cash receipts from the sale of livestock and livestock products totalled \$2,418.4 million, up 5.1% from the revised 1984 level of \$2,300.6 million.

Other receipts were down 17.9% to \$125.3 million from the year-earlier total of \$147.7 million.

Order the January-March 1985 issue of Farm Cash Receipts (21-001, \$7/\$70), or contact Peter Lys (613-990-8706), Agriculture/Natural Resources Division.

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Weekly Bulletin

Published by the Communications 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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