

I·N·F·O·M·A·T

A W E E K L Y R E V I E W

Friday, August 29, 1986

OVERVIEW

■ Industrial Corporations' Profits Down 1.3%

In the second quarter of 1986, pre-tax profits of industrial corporations stood at \$9.0 billion, down slightly from the previous quarter.

■ Business Conditions in the Third Quarter

Canadian manufacturers had mixed opinions about the economic conditions they anticipated in the third quarter.

■ Wholesale Trade Up 12.7%

The year-over-year rise in June follows a moderate gain of 6.9% registered in May and was comparable to the change in cumulative sales for 1986.

■ International Travel Account Deficit Reduced

In the second quarter of 1986, the travel account deficit was \$282 million, about half the size of second quarter deficits in the three previous years.

■ Building Construction Activity Continues to Advance

The filtered leading indicator of building construction activity rose 1.3% in April, its fifth consecutive monthly increase.

■ Canadian Industrial Employment Increases Slightly

In June, the advance in industrial employment was smaller than usual.

■ This issue also contains information on Unemployment Insurance Statistics.

Industrial Corporations' Profits Down 1.3%

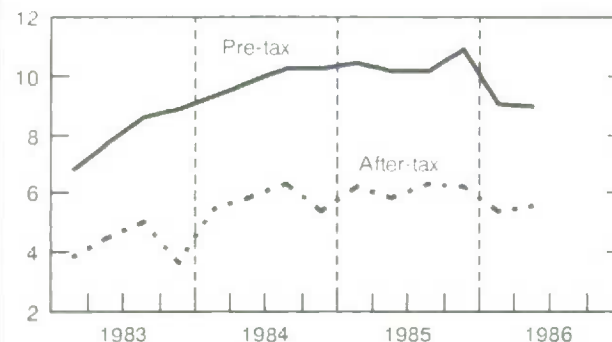
In the second quarter of 1986, seasonally adjusted pre-tax profits of industrial corporations stood at \$9.0 billion, down slightly from the previous quarter. This followed two sharp changes: a 16.6% decline in the first quarter of 1986 and an increase of 7.3% in the final quarter of 1985. Much of the current weakness in profits originated in the mineral fuels and petroleum products industries and reflects the continuing fall in crude oil prices.

Excluding the mineral fuels and petroleum industries, the remaining industries registered a 6.5% increase in pre-tax profits. This follows a decline of 4.6% recorded in the first quarter and a minor decrease in the fourth quarter of 1985. In dollars, the largest increases in the current quarter were in transportation equipment (\$165 million) and paper and allied industries (\$144 million).

(continued on page 2)

Industrial Corporations' Profits

(billions \$, seasonally adjusted)



Statistics
Canada

Statistique
Canada

Canada

... Industrial Corporations Profits Down 1.3%

Industry Highlights

Mineral fuels: A drop in the prices of crude oil was mainly responsible for declines in pre-tax profits and sales for the second consecutive quarter. Profits were \$0.4 billion in the second quarter, compared to \$0.8 in the first quarter, and \$1.8 in the fourth quarter of 1985. This was the lowest level of profits in more than 10 years. Sales were down to \$4.6 billion in the second quarter of 1986, from \$6.0 billion in the preceding quarter.

Petroleum products: Pre-tax profits declined to \$542 million from \$676 million in the first quarter, and \$1.2 billion in the fourth quarter of 1985. About half of

the decrease in profits this quarter was due to a decline in dividends received from affiliated corporations in the mineral fuels industry.

Transportation equipment: Pre-tax profits rebounded to \$709 million in the second quarter, from \$544 million in the first quarter, but remained below the level recorded in the fourth quarter of 1985. Bolstered by a rise in exports of passenger cars, sales in the industry increased to \$14.5 billion, up from \$13.9 billion in the first quarter.

Paper and allied products: Pre-tax profits rose to \$525 million, while sales grew by 2.9%. Industry profits were at their highest level since the third quarter of 1980.

For further information, contact Industrial Organization and Finance Division (613) 990-9843.

Business Conditions in the Third Quarter

Manufacturers had mixed opinions about the economic conditions they anticipated in the third quarter of 1986. Compared to the second quarter, the seasonally adjusted results of the Business Conditions Survey indicated that they anticipated an improvement in their receipts of new orders. The signals for the state of unfilled orders, inventories of finished products and volume of production were less positive.

Manufacturers of 59% of the goods shipped thought that their level of new orders would stay about the same in the third quarter; a further 22% thought the level would rise and 19% that the level would fall. From the second quarter of 1983 until the second quarter of 1986, the proportion of manufacturers expecting rising orders exceeded that expecting declining orders. Although the optimists dominated once again in the third quarter, the difference between the two proportions was smaller than it was prior to the second quarter of 1986.

Business Conditions, Manufacturing

	July '85	Oct. '85	Jan. '86	Apr. '86	July '86
% of response, seasonally adjusted					
Production					
Higher	28	31	26	29	28
Lower	21	20	30	24	27
New Orders					
Rising	27	38	22	19	22
Declining	17	19	16	20	19
Unfilled orders					
Higher	16	12	14	12	9
Lower	21	18	16	18	18

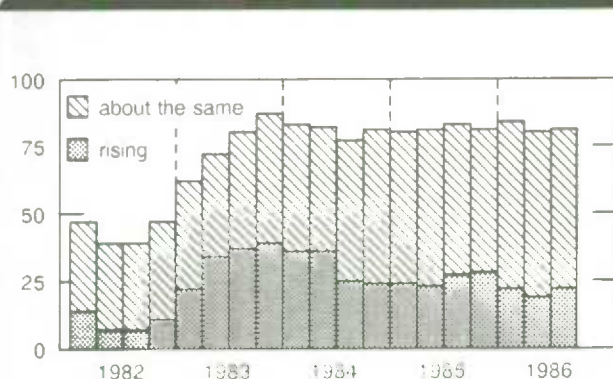
At least 70% of manufacturers felt that their backlog of unfilled orders was about normal and their finished product inventories were about right. For the remainder, the balance of opinion (levels higher than normal minus levels lower than normal) on unfilled orders was -9 in the third quarter. This was more pronounced than the negative balance in the two previous surveys, but much lower than those recorded during the last recession. The balance of opinion on inventories of finished goods continued to reflect a very cautious attitude towards inventory accumulation.

The difference between the proportions of manufacturers expecting higher volume of production over the next three months and the proportion expecting lower production was +1 percentage point. This was lower than both the second quarter balance of +5 percentage points and the 1985 average balance of +6. Slightly less than half the manufacturers expect the volume of production to remain about the same.

For further information, contact Industry Division (613) 991-3554.

Receipt of New Orders

(% of total response, seasonally adjusted)

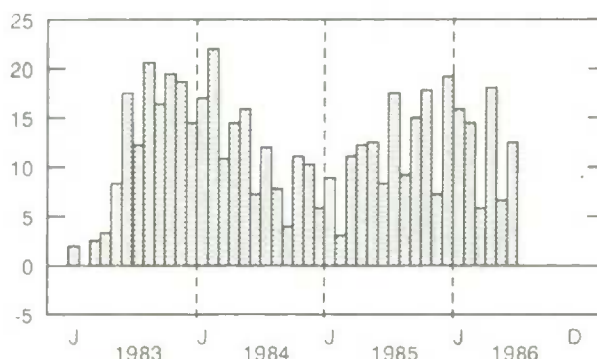


Wholesale Trade Up 12.7%

- Wholesale merchants sales for June 1986 stood 12.7% higher than June 1985.
- This year-over-year rise follows a moderate gain of 6.9% registered in May.
- The June increase compared favourably with the change in cumulative sales for 1986.
- Sales in the first six months of 1986 were up 12.1% over the corresponding period of 1985.
- Between June 1985 and June 1986, wholesale inventories rose by 9.2%.
- There have been significant year-over-year increases in monthly inventories since the beginning of the year, ranging from 10.3% in May, to 8.2% in January.

Sales

(% change, previous year)



For further information, contact Industry Division (613) 991-3537.

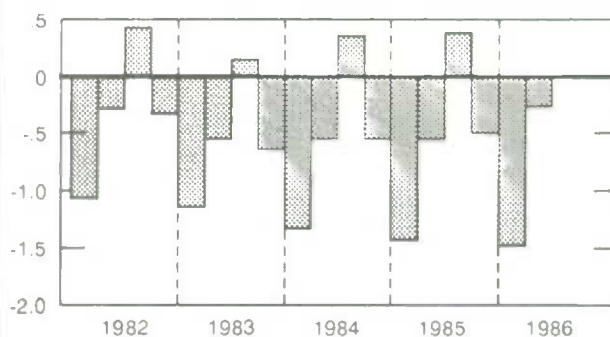
International Travel Account Deficit Reduced

In the second quarter of 1986, preliminary estimates show that Canada incurred a deficit of \$282 million on the travel account. This was about half the size of second quarter deficits in the three previous years. Receipts from international travel increased by 23% or \$291 million over the same period of 1985, a very strong increase by historical standards. Payments by Canadians travelling abroad advanced by only 1.3%, the smallest increase since 1980. It should be noted that a major development in this quarter was the opening of Expo 86 in May.

The overall improvement was mainly due to a substantial decline in the travel account deficit with the

Travel Account Balance

(billions \$)



Second Quarter Travel Account

	1984	1985	1986
	millions \$		
United States			
Receipts	760	876	1,093
Payments	1,089	1,091	1,111
Balance	-329	-215	-18
All other countries			
Receipts	364	380	454
Payments	602	714	718
Balance	-238	-334	-264
Countries - balance	-567	-549	-282

United States, which registered the lowest second quarter level since 1975. In 1983, the second quarter deficit with the U.S. was at a record level; since then receipts have grown faster than payments. In the second quarter of 1986, the difference between year-over-year changes in receipts and payments was even greater than in recent years. Receipts from United States residents were up 24.8%, to \$1,093 million, while payments by Canadians travelling in the U.S. rose by 1.8%, to \$1,111 million.

For more information, contact International and Financial Economics Division (613) 990-8933.

PUBLICATIONS RELEASED AUGUST 22-28

AGRICULTURAL AND NATURAL RESOURCES

Farm Cash Receipts, January-June 1986 Catalogue number 21-001 (Canada: \$7/\$70; Other Countries: \$8/\$80)

Farm Input Price Index, Second Quarter 1986 Catalogue number 62-004 (Canada: \$10/\$40; Other Countries: \$11/\$44)

Field Crop Reporting Series, No. 5: Stocks of Grain at July 31 Catalogue number 22-002 (Canada: \$7/\$48; Other Countries: \$8/\$54)

EDUCATION, CULTURE AND TOURISM

Survey of Dancers and Choreographers, Preliminary Results, Catalogue number 87-001 (Canada: \$4/\$40; Other Countries: \$5/\$50)

INDUSTRY

Canned and Frozen Fruits and Vegetables, March 1986 Catalogue number 32-011 (Canada: \$4/\$40; Other Countries: \$5/\$50)

Cereals and Oilseeds Review, June 1986 Catalogue number 22-007 (Canada: \$10/\$100; Other Countries: \$11/\$110)

Construction Type Plywood, June 1986 Catalogue number 35-001 (Canada: \$4/\$40; Other Countries: \$5/\$50)

Department Store Monthly Sales, by Province and Metropolitan Area, June 1986 Catalogue number 63-004 (Canada: \$2/\$20; Other Countries: \$3/\$30)

Gas Utilities, April 1986 Catalogue number 55-002 (Canada: \$10/\$100; Other Countries: \$11/\$110)

Industrial Chemicals and Synthetic Resins, June 1986 Catalogue number 46-002 (Canada: \$5/\$50; Other Countries: \$6/\$60)

Inventories, Shipments and Orders in Manufacturing Industries, May 1986 Catalogue number 31-001 (Canada: \$15/\$150; Other Countries: \$16/\$160)

Production of Selected Biscuits, Quarter Ended June 1986 Catalogue number 32-026 (Canada: \$5/\$20; Other Countries: \$6/\$24)

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, May 1986 Catalogue number 35-002 (Canada: \$8/\$80; Other Countries: \$9/\$90)

Refined Petroleum Products, May 1986 Catalogue number 45-004 (Canada: \$15/\$150; Other Countries: \$16/\$160)

Steel Wire and Specified Wire Products, June 1986 Catalogue number 41-006 (Canada: \$4/\$40; Other Countries: \$5/\$50)

INTERNATIONAL AND FINANCIAL ECONOMICS

Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry, 1986 Catalogue number 61-215 (Canada: \$15; Other Countries: \$16)

Security Transactions with Non-residents, May 1986 Catalogue number 67-002 (Canada: \$15/\$150; Other Countries: \$16/\$160)

INTERNATIONAL TRADE

Exports by Commodities, June 1986 Catalogue number 65-004 (Canada: \$50/\$500; Other Countries: \$60/\$600)

Summary of Canadian International Trade, June 1986 Catalogue number 65-001 (Canada: \$15/\$150; Other Countries: \$16/\$160)

LABOUR

Employment, Earnings and Hours, May 1986 Catalogue number 72-002 (Canada: \$35/\$350; Other Countries: \$36.50/\$365)

PRICES

Industry Price Indexes, June 1986 Catalogue number 62-011 (Canada: \$15/\$150; Other Countries: \$16/\$160)

PUBLIC INSTITUTIONS

Provincial and Territorial Government Employment, January-March 1986 Catalogue number 72-007 (Canada: \$15/\$60; Other Countries: \$16/\$64)

SERVICES

Restaurant, Caterer and Tavern Statistics, May 1986 Catalogue number 63-011 (Canada: \$5/\$50; Other Countries: \$6/\$60)

TRANSPORTATION

Passenger Bus and Urban Transit Statistics, June 1986 Catalogue number 53-003 (Canada: \$6.50/\$65; Other Countries: \$7.50/\$75)

Railway Carloadings, June 1986 Catalogue number 52-001 (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85)

Railway Carloadings, 10-day Period Ending July 31, 1986 Catalogue number 52-005 (Canada: \$75; Other Countries: \$100)

Railway Carloadings, 7-day Period Ending August 7, 1986 Catalogue number 52-005 (Canada: \$75; Other Countries: \$100)

Surface and Marine Transport, Vol. 2, No. 6: Service Bulletin, Catalogue number 50-002 (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85)

Building Construction Activity Continues to Advance

In April, the filtered leading indicator of building construction activity in Canada (1981 = 100) rose 1.3%, its fifth consecutive monthly increase. Both the non-residential and, to a lesser extent, the residential sectors contributed to the increase.

Building Construction Activity

	Dec.	Jan.	Feb.	Mar.	Apr.
	% change, previous month				
Total Index	1.0	1.3	1.3	1.4	1.3
Residential	1.0	1.3	0.9	1.0	1.0
Non-residential	1.0	1.2	1.6	1.8	1.9
Industrial	-0.3	-0.5	-0.4	-0.3	0.1
Commercial	1.0	1.9	1.7	1.9	1.8
Public	2.2	0.3	1.9	2.4	2.4

The index of residential construction was up 1.0% from March. This increase was the result of higher building intentions in both the multi-family and single family components. The trend-cycle of residential permits increased in Québec and Ontario, declined in Western Canada and remained relatively stable in the Atlantic provinces.

The index of non-residential construction (excluding engineering projects) recorded a monthly gain of 1.9% in April. The governmental (+2.4%) and commercial (+1.8%) components were primarily responsible for the overall rise. The industrial component was up slightly (+0.1%) after ten consecutive monthly declines. The trend-cycle for non-residential permits remained stable in Québec and rose in the rest of the country.

For further information, contact Science, Technology and Capital Division (613) 990-9689.

Canadian Industrial Employment Increases Slightly

Preliminary data on employment, payroll and hours for June 1986 showed an estimated 9.3 million employees, a increase of 55,000 from the previous month. This represents a smaller than usual increase from May to June and leaves the industrial aggregate employment level only 1.3% above the estimate of a year earlier.

The number of employees in the goods-producing industries was up 2.1% from May, a smaller than usual increase when compared to the same period in previous years. Continuing the downward trend observed in the growth rate of the goods-producing industries over the last five months, smaller than usual

increases in employment in mines, quarries and oil wells and construction were registered in June. Employment in the service-producing industries showed little change from May 1986.

Average weekly earnings for all employees were estimated at \$429.86 for June, essentially unchanged from May but up 2.4% over June 1985. The annual rate of change in the service-producing industries was 2.6% in June; it has been declining steadily since January 1986 when it was 3.9%. Earnings in the goods-producing industries were 2.3% higher than a year earlier. Compared to May 1986, average weekly earnings were higher in construction, and finance, insurance and real estate, and lower in trade.

For further information, contact Labour Division (613-990-9900).

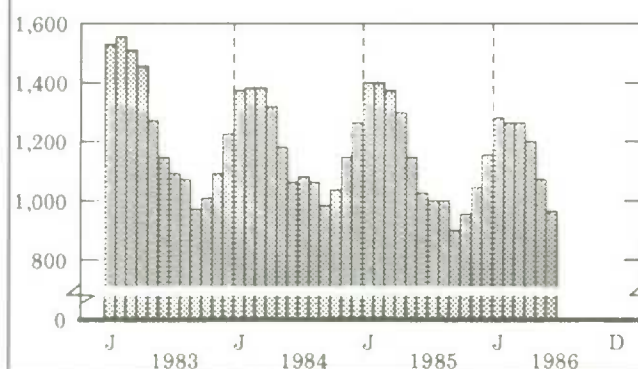
Unemployment Insurance Payments Drop

In June, total unemployment insurance payments dropped to \$777 million, down 8.5% from May, but up 8.8% from June 1985. On a year-to-date basis, payments totalled \$5.8 billion, a decrease of 0.6% from 1985. An increase of 5.6% in the average weekly benefit has partially offset a decrease (5.9%) in the number of benefit weeks paid.

The number of beneficiaries stood at 965,000, down 10.6% from the previous month and 6.4% from June 1985. The number of males receiving benefits dropped 16.3% from the previous month, while the number of female beneficiaries declined by 3.1%.

Beneficiaries

(thousands)



For further information, contact Labour Division (613) 990-9900.



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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	June*	429.86	427.58	2.4
Labour Income (\$ million)	May	22,080.0	21,616.5	4.9
Persons with Jobs (million)	July	12.06	12.00	1.9
Unemployed	July	1,231,000	1,205,000	-3.2
INVENTORIES				
Department Store (\$ million)	June	3,644	4,373	13.3
Manufacturers' Owned (\$ million)	June	33,997	34,230	-0.1
ORDERS				
Manufacturers' New Orders (\$ million)	June	21,501	21,759	1.1
Manufacturers' Unfilled Orders (\$ million)	June	24,594	24,845	1.6
PRICES				
Consumer Price Index (1981 = 100)	July	132.9	131.9	4.2
New House Price Index (1981 = 100)	June	103.2	102.6	7.9
Raw Materials Price Index (1981 = 100)	June	92.4	90.9	-21.0
Excl. coal, crude oil, natural gas	June	102.9	102.7	2.1
Industrial Product Price Index (1981 = 100)	June	118.9	119.0	0.3
CONSTRUCTION				
			Year-to-date	
Building Permits (\$ million)	May	2,331	8,463	23.1
Housing Starts - Urban Centres (units)	June	17,470	77,981	28.5
ENERGY				
Coal Production (thousand tonnes)	May	4,440	24,770	-5.3
Electricity Generation (gigawatt hours)	May	34,727	197,599	2.7
Natural Gas Production (million cubic metres)	Mar.	9,258	30,132	-0.3
Petroleum Refining (thousand cubic metres)	June	7,438	40,390	-1.0
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	June	10,172	60,601	0.1
Imports - Balance of Payments Basis (\$ million)	June	9,563	56,409	11.0
SALES				
Department Store Sales (\$ million)	June	939	5,358	7.3
Manufacturers' Shipments (\$ million)	June	21,751	126,362	5.1
New Motor Vehicle Sales (\$ million)	June	2,045	11,272	10.6
Retail Sales (\$ million)	June	11,758	65,484	8.1

Statistics are in current dollars and are not seasonally adjusted.
* new this week.

Infomat

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