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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, September 5, 1986

OVERVIEW

- **Gross Domestic Product**
  The expansion in real Gross Domestic Product in the second quarter (+0.8%) originated mainly in household demand.

- **Raw Materials Price Index Turns Down Again**
  The July decrease in the RMPI was mainly attributable to a renewed plunge in the mineral fuels component.

- **Sizable Current Account Deficit**
  In the second quarter, the current account deficit was $1.8 billion, but it was significantly lower than the record deficit of the first quarter.

- **Index of Farm Production Rises**
  After two consecutive declines, the index of farm production rose 7.3% in 1985.

- **Industrial Product Price Index Up Slightly**
  In July, the IPPI rose 0.1% over the previous month and was up 0.3% from the level recorded in July 1985.

- **Housing Starts Increase in July**
  Housing starts in urban centres rose 10.2% in July, as construction activity in both the single and multiple dwelling sectors increased.

- This issue also includes articles on Advance Statistics of Education and Construction Building Materials .

Gross Domestic Product

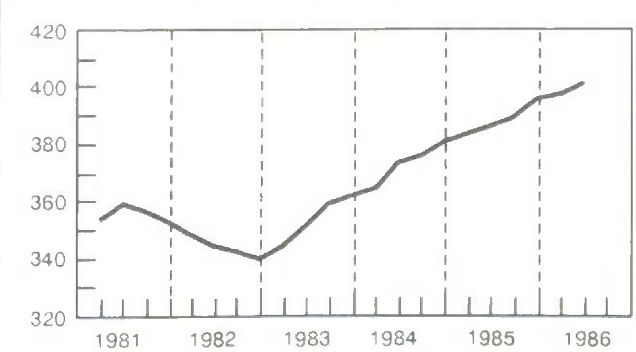
Gross Domestic Product, seasonally adjusted at annual rates, rose to $501.7 billion in the second quarter, up 1.2% from the previous quarter. Allowing for an increase of 0.5% in prices, real GDP advanced by 0.8%. Real GDP has registered an average quarterly gain of 0.7% in 1986, compared to an average of 1.0% in 1985. At the end of the second quarter, GDP was 3.9% higher than a year earlier.

The expansion in the second quarter originated mainly in household demand. Consumer demand for goods and services expanded by 1.0%. Spending on most semi-durable (+1.8%) and non-durable (+1.5%) goods increased, while expenditures for durable goods fell (-0.7%). Demand for services continued to grow, rising 1.1% in the second quarter, following a gain of 1.0% in the first.

Spending on residential construction rebounded by 2.0%, following a comparable decline in the first quarter. This increase was evident in both higher house resales and work-put-in-place. The latter reflects the sharp growth in new housing starts.

(continued on page 2)

Gross Domestic Product
(Billions of 1981 dollars)



... Gross Domestic Product

Business investment in plant and equipment recorded a drop of 4.6%, after showing little change in the previous quarter. Sharp cutbacks in oil and gas exploration and development drilling activity were mainly responsible for the severity of the decline. Excluding the energy sector, investment weakened only slightly in the quarter.

Non-farm inventory accumulation eased from a $5.8 billion annual rate in the first quarter, to $4.4 billion in the second. All of the slowdown originated in retail trade stocks, which registered a large increase in the first quarter. A large accumulation in farm inventories, grain stocks in particular, offset the non-farm movement. Overall, total inventory accumulation changed very little from the first quarter rate.

Real net exports of goods and services rose by $2.7 billion, to recoup a decline of similar magnitude that occurred in the first quarter. Most of this change was due to variations in the volume of imports. Imports were up 2.6% in the first quarter and fell by 4.4% in the second. Exports on the other hand edged up slightly in the first quarter and were down by 1.8% in the second quarter.

Real Gross Domestic Product

	1985			1986	
	II	III	IV	I	II
	% change, previous quarter				
Personal expenditure	1.1	1.8	1.1	0.3	1.0
Durable goods	4.6	3.9	2.5	-0.3	-0.7
Semi-durable goods	1.5	2.1	2.4	-0.2	1.8
Non-durable goods	-0.5	1.5	1.0	-0.4	1.5
Services	0.8	1.2	0.3	1.0	1.1

For further information, contact Gross National Product Division (613) 990-9158.

Raw Materials Price Index Turns Down Again

The Raw Materials Price Index (RMPI, 1981 = 100) turned down again in July, after advancing in June. Of the seven components making up the RMPI, four registered decreases, two were unchanged and one increased. However, the 1.4% decline in the total index was mainly attributable to a renewed plunge in the mineral fuels component. Excluding mineral fuels, the RMPI showed an increase of 1.2% over the month.

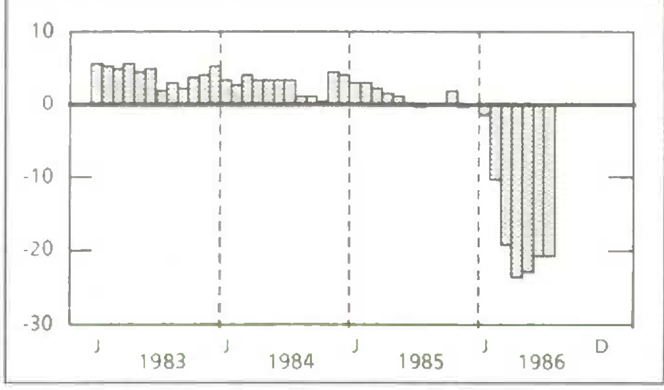
In July, the mineral fuels component fell 5.7%, completely negating the advance in the previous month. Crude oil prices were estimated to have dropped 7.1% over the month, to a level 51.8% lower than a year ago. Of the two other commodities in this component, thermal declined (1.4%) and natural gas was unchanged.

The only component to increase was the animal and animal products, which was up (4.3%) for the third consecutive month in July. Hog prices continued to be a source of upward pressure, rising 12.2% in July. Higher cattle for slaughter prices, up 6.3%, also contributed to the increase.

The non-ferrous metals component decreased 1.3%, following a jump of 3.2% in June. In the two preceding years, this component climbed to a maximum level in April and then declined until the late fall or winter. A run-up of lead and zinc prices was the main contributor to the advance in June that disrupted this pattern.

Raw Materials Price Index

(% change, previous year)



Raw Materials Price Index

	Mar	Apr	May	June	July
	% change, previous month				
Total	-8.7	-7.7	-0.1	1.7	-1.4
Mineral fuels	-18.9	-16.7	-1.2	3.7	-5.7
Excluding mineral fuels	0.7	-1.1	0.5	0.6	1.2

For further information, contact Prices Division (613) 990-9609.

Sizable Current Account Deficit

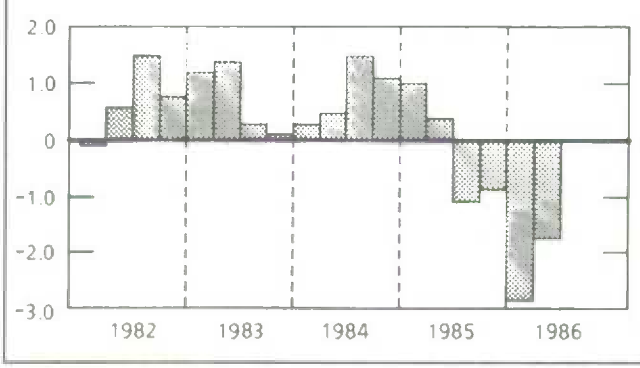
In the second quarter, current account transactions, on a seasonally adjusted basis, produced a deficit for the fourth consecutive quarter. While remaining substantial, the $1.8 billion deficit in the current quarter was more than one-third lower than the record deficit of $2.9 billion in the previous quarter. This reduction was due to the combination of a higher merchandise trade surplus and a lower deficit on non-merchandise transactions.

The higher merchandise trade surplus resulted entirely from a sharp decrease in imports, which were down by $2.0 billion or 7% in the second quarter. The decline in imports was notable because it represents an abrupt reversal from the steady advances (except for a small decline in the fourth quarter of 1984) recorded since 1982. While decreasing at a lower rate than imports, merchandise exports fell steeply to their lowest level since the fourth quarter of 1984. The drop of $1.3 billion (4%) in exports was three times the decrease of the first quarter.

The decrease in the deficit on non-merchandise transactions was largely attributable to the investment income and travel accounts. The deficit on the investment income account was reduced by $326 million, a result of lower payments of dividends and miscellaneous income. On the international travel account, a surplus of $60 million with the United States (the first surplus since 1974) was more than offset by a deficit of $363 million with other countries. However, at $303 million the travel account recorded its lowest deficit since the fourth quarter of 1982.

Capital transactions, which are not seasonally adjusted, showed a much lower net inflow than in the first quarter. The Government of Canada did not borrow foreign currencies abroad in the current quarter. Although not as sizable as in the previous quarter, foreign direct and portfolio investments in Canada continued on a significant scale. These inflows were largely offset by outflows arising from residents purchasing companies in Canada from their foreign shareholders. The Canadian non-bank sector reduced its deposits abroad, following a substantial increase of these deposits in the first quarter.

Current Account Balance
(billions of dollars, seasonally adjusted)



For further information, contact International and Financial Economics Divison (613) 990-9050.

Index of Farm Production Rises

In 1985, the index of farm production in Canada rose 7.3%, after two consecutive year-over-year declines. The increase in 1985 was almost entirely due to a 15% advance in the index of crop production. The crop production index which accounts for 41% of the total index, also registered year-over-year decreases in 1983 and 1984.

Several factors contributed to the increase in the crop production index in 1985.

- Grain production rose 20.5%, due to an increase in crop area and higher yields of wheat, oats, barley and corn.
- Oilseed production increased 9.5% and reached a record level in 1985.
- Vegetable production rose 3.2%.

The index of livestock and animal product production increased slightly for the third consecutive year in 1985. It was up 0.4%.

- Livestock production gained 0.6%, as an increase in cattle and calf production was almost offset by decreases in hog and lamb production.
- Dairy production declined by 2.4% despite higher fluid milk deliveries.
- A 4.8% increase in poultry and egg production was the result of expanded quotas.

For further information, contact Agricultural Natural Resources Division (613) 990-8706.

PUBLICATIONS RELEASED AUGUST 29 TO SEPTEMBER 4

AGRICULTURAL AND NATURAL RESOURCES

August Forecast of Production of Principal Field Crops, Canada Catalogue number 22-002 (Canada: $7/$48; Other Countries: $8/$54)
Shorn Wool Production, 1986 Catalogue number 23-204 (Canada: $10; Other Countries: $11)
The Dairy Review, June 1986 Catalogue number 23-001 (Canada: $10/$100; Other Countries: $11/$110)

CANSIM

Canadian Statistical Review, August 1986 Catalogue number 11-003E (Canada: $20/$200; Other Countries: $21.50/$215)

EDUCATION, CULTURE AND TOURISM

Advance Statistics of Education, 1986-87 Catalogue number 81-220 (Canada: $15; Other Countries: $16)

HEALTH

Hospital Annual Statistics, 1983-84 Catalogue number 83-232 (Canada: $100; Other Countries: $113)

INDUSTRY

Construction Statistics Service Bulletin, Vol. 9, No. 6 Catalogue number 64-003 (Canada: $5/$30; Other Countries: $6/$36)
Department Store Sales and Stocks, April 1986 Catalogue number 63-002 (Canada: $13/$130; Other Countries: $14/$140)
Electric Lamps (Light Bulbs and Tubes), July 1986 Catalogue number 43-009 (Canada: $4/$40; Other Countries: $5/$50)
Factory Sales of Electric Storage Batteries, June 1986 Catalogue number 43-005 (Canada: $4/$40; Other Countries: $5/$50)
Monthly Production of Soft Drinks, July 1986 Catalogue number 32-001 (Canada: $2/$20; Other Countries: $3/$30)
New Motor Vehicle Sales, May 1986 Catalogue number 63-007 (Canada: $8/$80; Other Countries: $9/$90)
Oils and Fats, June 1986 Catalogue number 32-006 (Canada: $4/$40; Other Countries: $5/$50)
Particleboard, Waferboard and Hardboard, May 1986 Catalogue number 36-003 (Canada: $4/$40; Other Countries: $5/$50)
Particleboard, Waferboard and Hardboard, June 1986 Catalogue number 36-003 (Canada: $4/$40; Other Countries: $5/$50)

INDUSTRY – Concluded

Primary Iron and Steel, June 1986 Catalogue number 41-001 (Canada: $4/$40; Other Countries: $5/$50)
Production and Disposition of Tobacco Products, July 1986 Catalogue number 32-022 (Canada: $4/$40; Other Countries: $5/$50)
Specified Domestic Electrical Appliances, June 1986 Catalogue number 43-003 (Canada: $4/$40; Other Countries: $5/$50)
Stocks of Frozen Meat Products, August 1986 Catalogue number 32-012 (Canada: $10/$100; Other Countries: $11/$110)

INTERNATIONAL AND FINANCIAL ECONOMICS

Financial Flow Accounts, First Quarter 1986 Catalogue number 13-002 (Canada: $35/$140; Other Countries: $36/$144)
Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1986 Catalogue number 67-001P (Canada: $8/$32; Other Countries: $9/$36)

INTERNATIONAL TRADE

Exports by Countries, January-June 1986 Catalogue number 65-003 (Canada: $75/$300; Other Countries: $85/$340)
Imports by Commodities, June 1986 Catalogue number 65-007 (Canada: $50/$500; Other Countries: $60/$600)

LABOUR

Labour Force Information, August 1986 Catalogue number 71-001P (Canada: $5/$50; Other Countries: $6/$60)

SERVICES

Computer Service Industry, 1984 Catalogue number 63-222 (Canada: $20; Other Countries: $21)

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Building Permits, May 1986 Catalogue number 64-001 (Canada: $20/$200; Other Countries: $21/$210)

TRANSPORTATION

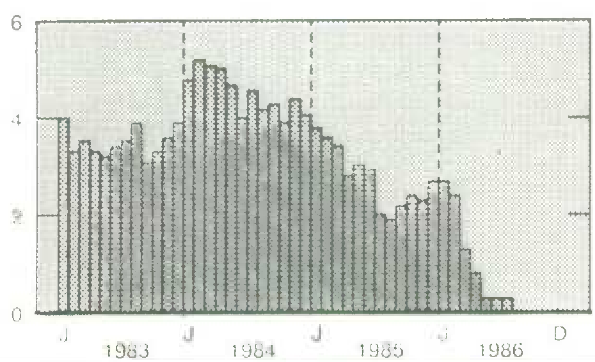
Railway Carloadings, 7-day Period Ending August 14, 1986 Catalogue number 52-005 (Canada: $75; Other Countries: $100)

Industrial Product Price Index Up Slightly

In July, the Industrial Product Price Index (IPPI, 1981 = 100) rose 0.1% over June, as price increases for meat and wood-pulp were almost completely offset by price decreases for petroleum and coal products, motor vehicles and primary metal products. The year-over-year change was 0.3%, comparable to the annual advances observed since May 1986.

Increasing for the third consecutive month, prices for meat products were 4.2% higher than they were in June. This was the largest monthly advance since May 1982. Substantial gains were recorded for most meat products but the most notable were for pork, chicken, beef and cured meat.

Industrial Product Price
(% change, previous year)



Industrial Product Price Index

	Mar.	Apr.	May	June	July
	% change, previous month				
Total	-0.6	-0.6	-0.7	0.2	0.1
Products					
Meat	-0.4	-0.4	0.6	3.4	4.2
Pulp	-0.2	6.9	0.0	1.2	5.8
Primary metal	0.9	0.3	0.7	0.8	-0.5
Motor vehicles	-0.4	1.7	-0.5	0.5	-0.6
Petroleum and coal	-6.8	-10.4	-6.1	-1.3	-0.9

Beginning in the fall of 1984, wood-pulp prices retreated for 11 months. The recent upturn which began in November 1985 is marked by two large advances in the last four months. The 5.8% increase in July was the result of strengthening prices on both the domestic and export markets.

Prices for motor vehicles posted a monthly decrease of 0.6%. The main source of this decline was the decrease in export prices (quoted in US currency) caused by an increase in the Canadian dollar. Over the past seven months, this index has registered a number of large monthly increases and decreases. The July level was only 0.4% higher than the January level.

Primary metal product prices were down 0.5% in July, following seven consecutive monthly increases. The main features of the decline were falling copper, nickel and aluminum prices.

Prices for petroleum and coal products (-0.9%) continued to drop, falling for the seventh consecutive month. However, the rate of descent has slowed in the last three months.

For further information, contact Prices Division (613) 990-9606.

Housing Starts Increase in July

Seasonally adjusted at annual rates, housing starts in urban centres rose 10.2% in July, to 173,000 units. This increase followed two consecutive monthly declines. Construction activity increased in both the single and the multiple dwelling sectors. The number of single dwelling starts was 12.8% higher than in June and reached the highest level since April 1986. Multiple dwelling starts rose to an annual rate of 76,000, up 7% from June.

Starts in Urban Centres

	Mar.	Apr.	May	June	July
Newfoundland	16	132	298	169	167
Prince Edward Island	10	92	118	81	86
Nova Scotia	79	395	583	356	573
New Brunswick	91	158	406	373	352
Quebec	2,091	5,027	6,752	4,826	4,161
Ontario	3,831	6,830	7,179	8,030	6,586
Manitoba	453	680	385	688	1,076
Saskatchewan	169	465	376	362	462
Alberta	553	532	671	496	534
British Columbia	1,224	1,879	1,628	2,026	1,646

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

Advance Statistics of Education, 1986-87

- Pre-elementary enrolment has shown an upward trend since 1978. This growth is partly due to greater participation in pre-school programs and partly to increases in the population of four- and five-year-olds. A rise of 1.4%, to 430,000 is anticipated for 1986.
- The enrolment decline at the elementary-secondary level, which began in the early 1970s, is expected to level off. Estimated at 4.9 million, enrolment for 1986 should remain the same as in 1985.

Expenditures on Education

	1983-1984	1984-1985	1985-1986*	1986-1987*	Enrol-ment[1]
	millions of dollars				number
Newfoundland	715	654	676	712	154,570
Prince Edward Island	119	129	143	139	27,745
Nova Scotia	978	1,043	1,093	1,134	201,870
New Brunswick	774	800	827	863	159,150
Québec	8,578	8,803	9,111	9,341	1,436,400
Ontario	10,304	11,031	11,506	12,299	2,127,400
Manitoba	1,226	1,338	1,360	1,416	243,679
Saskatchewan	1,205	1,295	1,352	1,431	237,700
Alberta	3,107	3,304	3,452	3,618	540,970
British Columbia	3,070	3,069	3,063	3,159	582,560
Territories and others	455	456	472	491	22,290

*estimates
[1] 1986-1987.

- After many years of steady increases, community college enrolment will level off at 319,000, while full-time university enrolment will continue to rise.
- Spending on all levels of education (in current dollars) is expected to rise 4.7%, to $34.6 billion in 1986-87.
- The elementary and secondary levels will account for 65% of total educational spending and the post-secondary level 29%. The remainder will be spent on vocational training.
- Total educational expenditures, expressed as a percentage of Canada's Gross National Product, rose each year from 1950, reaching a high of 9% in 1970. Since then, the proportion has declined to an estimated 7.3% in 1985.

Advance Statistics of Education, 1986-87 is an annual publication that summarizes data on institutions, teachers, enrolment, degrees and finance at all levels of education in Canada. The current edition presents actual figures for 1984-85, preliminary figures for 1985-86 and estimates for 1986-87.

For further information, contact Education, Culture and Tourism Division (613) 990-9167.

Construction Building Material Price Indexes

In July, the price index of residential construction building materials (1981 = 100) was 7.2% above its July 1985 level. It was down 0.2% from June, registering its second consecutive monthly decrease. This decline stemmed from a price decrease in architectural and structural materials, as prices for mechanical and electrical materials remained relatively stable. The largest decreases were reported for lumber and plywood.

The price index for non-residential building materials was down 0.1% from June, to stand 5.0% higher than its level in July 1985. Decreases were reported in prices of structural and architectural materials, while mechanical and electrical material prices rose slightly.

For further information, contact Prices Division (613) 990-9606.

Construction Building Material Price Indexes

Residential	Mar.	Apr.	May	June	July
	% change, previous month				
Total materials	**1.1**	**2.3**	**0.2**	**-0.2**	**-0.2**
Architectural	0.4	2.3	0.1	0.0	-0.2
Structural	3.7	3.0	0.3	-0.9	-0.4
Mechanical	0.6	1.8	0.1	0.2	0.0
Electrical	0.1	1.3	0.8	-0.2	0.1

Construction Building Material Price Indexes

Non-residential	Mar.	Apr.	May	June	July
	% change, previous month				
Total materials	**0.3**	**1.6**	**0.2**	**-0.1**	**-0.1**
Architectural	0.2	2.2	0.1	0.0	-0.1
Structural	1.1	1.4	0.0	-0.2	-0.2
Mechanical	0.5	0.9	0.1	0.1	0.1
Electrical	0.2	1.2	0.8	0.0	0.1

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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)	July*	91.0	92.4	-21.1
Excl. coal, crude oil, natural gas	July*	104.5	102.9	5.3
Industrial Product Price Index (1981 = 100)	July*	118.9	118.8	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)	June*	4,781	**29,549**	**-5.5**
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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