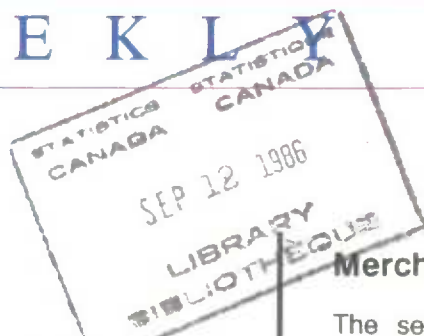


# I·N·F·O·M·A·T

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

Friday, September 12, 1986



### OVERVIEW

#### ■ Merchandise Trade Deficit in July

For the first time in ten years, the merchandise trade balance registered a deficit. Imports were up 11.4% over the previous month, while exports increased by 3.3%

#### ■ Motor Vehicle Sales Rebound 11.4%

Sales of commercial vehicles (+ 19.4%) and North American-built passenger cars (+ 17.3%) were responsible for the increase in July.

#### ■ Foreign Investment in Canadian Securities

The gross value of trading in outstanding Canadian securities with non-residents remained strong in June, although it was down considerably from the peak reached in April.

#### ■ Unemployment Rate Drops in August

The unemployment rate was 9.7% but overall labour market conditions appear to be almost unchanged from January 1986.

#### ■ Leading Indicator Continues to Advance

The 0.5% rise in June was the smallest monthly increase since July 1985.

#### ■ Tourism Up 17.3%

Large increases in the number of foreign tourists have been evident since January but exceptional levels have been common since the opening of Expo 86 in May.

- This issue also includes articles on Financial Activity, Labour Income, the Education Price Index and New Housings Prices.

### Merchandise Trade Deficit in July

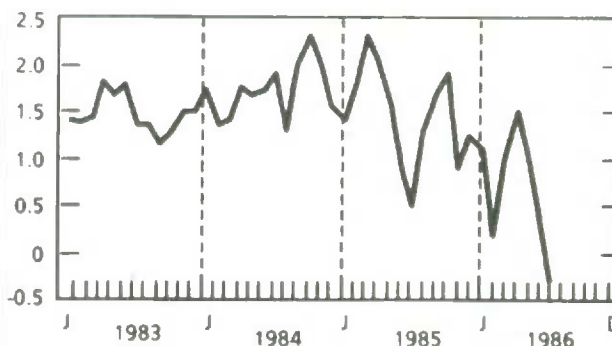
The seasonally adjusted merchandise trade balance declined for the third consecutive month in July. The drop of \$709 million in July resulted in a deficit (\$267 million) for the first time in ten years. A large reduction in Canada's trade surplus with the United States was the most important contributing factor. It fell from \$1.2 billion in June to \$328 million in July. Exports to the U.S. were down 2.8% from June, falling to a 12 month low of \$7.3 billion, while imports from the U.S. rose for the third consecutive month.

In July, total exports were valued at \$9.7 billion, up 3.3% from June. This was the first increase since April 1986. Close to 60% of this growth was in exports of machinery and equipment, as exports of aircraft, T.V. and telecom, and other end products increased. The value of exported agricultural and fishing products, and industrial goods and materials also rose, while all other commodity groups showed modest declines. The short-term trend, which excludes the latest month, recorded its seventh month of steady declines.

(continued on page 2)

### Merchandise Trade Balance

(Billions of dollars, seasonally adjusted)



Statistics Canada  
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Canada

## ... Merchandise Trade Deficit

The value of imports advanced 11.4%, to a record \$10.0 billion. The \$1.0 billion rise in July was by far the largest of four consecutive monthly increases. The advances in the three preceding months were 1.5% or less. All major commodity groupings registered gains in July but the most significant were automotive products (+27%), machinery and equipment (+12%), and other consumer goods (+18%).

## Merchandise Trade

	Mar.	Apr.	May	June	July
% change, previous month					
Imports	-13.4	1.5	0.9	1.3	11.4
Exports	-5.1	6.0	-3.5	-4.7	3.3
change, previous month					
Balance (millions \$)	816	448	-434	-577	-709

*For further information, contact International Trade Division (613) 990-9647.*

## Second Quarter Financial Activity

Funds raised on conventional credit markets by non-financial, domestic sectors amounted to \$22.3 billion in the second quarter, representing 18% of the value of goods and services produced in the quarter (data are not seasonally adjusted). The comparable figures for the same period in 1985 were \$19.4 billion and 17% of GDP.

Persons and unincorporated business accounted for somewhat over 40% or \$9.6 billion of the funds raised in these markets. Mortgages totalled \$5.3 billion, accounting for the lion's share of borrowings by this sector. This development reflected the strong housing markets for new houses and resales. In the second quarter of 1985, mortgages amounted to \$3.1 billion. Consumer credit did not register the kind of increase recorded in the same period of 1985. Totalling \$1.8 billion, the relative weakness in consumer credit appeared to have been related to reduced consumer expenditures on durable goods.

Hospitals, federal, provincial and local governments borrowed \$7.9 billion, down from \$9.6 billion a year earlier. This represents 35% of the funds raised, down sharply from the 49% share in the second quarter of 1985. All of this reduction was attributable to the reduced borrowing requirement of the federal government. Provincial governments increased their recourse to capital markets, to finance sharply higher deficits.

Non-financial private corporations' share of funds raised was a moderate \$4.9 billion, compared to \$5.3 billion a year earlier. There was substantial switching of instruments. Short-term paper, particularly bankers' acceptances, provided \$9.9 billion. These funds appear to have been used primarily to repay bank loans.

*For further information, contact International and Financial Economics Division (613) 990-9043.*

## Labour Income \$22.7 Billion In June

The preliminary estimate of labour income for June was \$22.7 billion, up 4.9% over June 1985. This year-over-year increase is lower than the average increase for the first five months of 1986 (+6.0%). The seasonally adjusted estimate of wages and salaries showed a minimal month-over-month change (+0.4%) at the all industry level for the sixth consecutive month.

In June, seasonally adjusted wages and salaries in the goods-producing industries were up slightly (+0.4%) from the previous month. With the exception of a decline in January, this industry grouping has shown little or no change in the first half of 1986. The

construction industry recorded a month-over-month decrease for the fifth time since December 1985; wages and salaries in this industry were down 2.3% from May 1986. The remaining goods-producing industries registered little change from May to June.

Seasonally adjusted wages and salaries in the service-producing industries were virtually unchanged, rising only slightly (+0.2%) from May 1986. Similar monthly changes have been observed since the start of the year.

*For more information, contact Labor Division (613) 990-9900.*

## Motor Vehicle Sales Rebound 11.4%

Sales of new motor vehicles totalled 137,970 units in July, up 11.4% from the same month in 1985. This is the largest year-over-year increase since February. In the first seven months of 1986, sales increased 1.9% over the same period of last year.

### Motor Vehicle Sales

	Mar.	Apr.	May	June	July
	% change, previous year				
Passenger cars	-6.0	-0.3	-4.5	-11.7	8.5
North American	-12.4	-7.2	-2.9	-12.5	17.3
Overseas	12.2	26.3	-8.4	-9.7	-7.0
Commercial vehicles	4.7	11.9	12.9	-6.8	19.4

An increase of 8.5% in passenger car sales was entirely due to a jump of 17.3% in North American-built passenger car sales. Commercial vehicle sales also recorded strong growth. The number of units sold (38,425) increased 19.4% from July 1985. Sales of imported cars were 7.0% below the level in July 1985.

North American manufacturers held 69.1% of the Canadian passenger car market, up from the 64.0% share recorded in July 1985. The share held by Japanese manufacturers dropped from 20.2% last July to 18.5% in July 1986. Manufacturers from "other countries" held 12.3%, compared to 15.8% a year earlier.

For further information, contact Industry Division (613) 990-9682.

## Foreign Investment in Canadian Securities

In June, net sales of outstanding Canadian securities to non-residents resulted in a net inflow of \$546 million, double the inflow recorded in May. The gross value of trading (sales and purchases) remained strong in June (\$6.9 billion), although it was down considerably from the peak of \$11.3 billion reached in April.

Non-residents continued to increase their holdings of Canadian bonds, producing a net inflow of \$245 million in June. This inflow was nearly a third lower than the level recorded in May. The reduction was largely attributable to lower investments by Japanese residents.

### Security Transactions

	Feb.	Mar.	Apr.	May	June
Net sales	millions of dollars				
Canadian Securities					
Bonds	187	296	78	355	245
Common and preferred stocks	44	502	-851	-102	301
Foreign Securities					
Bonds	-9	95	-89	-222	-8
Common and preferred stocks	-1	-91	53	-184	82

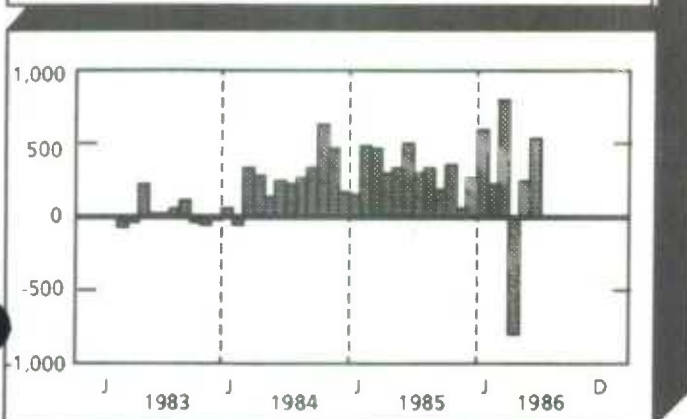
Transactions involving Canadian stocks generated a net inflow of \$301 million, contrasting sharply with the outflows of the previous two months. The outflows occurring in April and May were related to the take-over of Canadian companies by residents.

Canadians trading foreign securities generated an inflow of \$74 million in June, following a record outflow of \$406 million in May.

In the foreign bond market, Canadian residents were net purchasers for a third consecutive month. However, the net outflow (\$8 million) was down substantially from the outflow of \$222 million recorded in May. A large increase in Canadian holdings of U.S. bonds was mainly responsible for the outflow in May. Canadian investors decreased their holdings of foreign stocks, generating a net inflow of \$82 million.

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

**Net Sales of Outstanding Canadian Securities**  
(millions of dollars)





## Moderate Rise in the Education Price Index

The Education Price Index (EPI, 1981 = 100), which measures the price movement of goods and services purchased by Canadian school boards rose 3.2% in 1985. This rise was the smallest recorded since 1972 and continues the trend of modest advances which began in 1983.

Restrictive budgetary measures in many provinces have had the greatest impact on teachers' salaries. (Teachers' salaries accounted for slightly more than 72% of the EPI inputs in 1984.) Throughout the late seventies and early eighties, increases in the component that tracks teachers' salaries reflected the growth rates of the Consumer Price Index (CPI). Since 1983, annual increases in teachers' salaries have been below those of the CPI.

## Annual Growth Rates

	1979	1980	1981	1982	1983	1984	1985
	% change, previous year						
Consumer Price Index	9.2	10.2	12.5	10.8	5.8	4.4	4.0
Education Price Index	8.4	9.7	12.2	13.3	5.4	4.4	3.2
Salaries and wages	7.7	9.0	11.1	13.4	5.2	4.0	3.0
Teaching	8.0	8.7	10.2	12.5	4.7	3.9	2.9
Non-teaching	4.8	11.8	19.1	20.6	9.0	5.0	3.8
Non-salary	12.0	12.8	16.9	12.8	6.2	6.2	4.0

The growth rate of non-teaching salaries has also slowed markedly since 1983, but continues to record yearly increases greater than those of the teachers' salaries. Relatively large price gains for oil and electricity have kept the growth rate of non-salary items above that of salaries and wages.

For further information, contact Education, Culture and Tourism Division (613) 991-1509.

## Unemployment Rate Drops in August

The Labour Force Survey for August showed that seasonally adjusted employment rose by 48,000, while unemployment declined by 17,000. Following an increase in July, the unemployment rate dropped 0.2 percentage points, to 9.7% in August. There have been fluctuations in employment and unemployment levels since the start of the year but overall labour market conditions appear to be almost unchanged.

Employment gains were concentrated among persons aged 25 and over, with increases of 21,000 for males and 19,000 for females in this age group. Males accounted for all of the increase (8,000) recorded for persons aged 15 to 24. The level of employment was estimated as 11,615,000 in August. Employment rose by 38,000 in Québec and 18,000 in Ontario but fell by 8,000 in Alberta. Little or no change was noted in the other provinces.

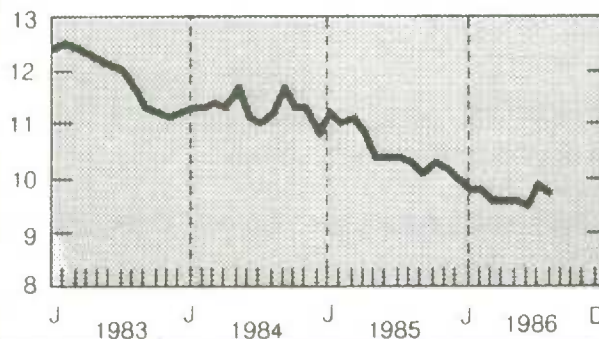
Unemployment declined to 1,250,000 in August. Among young people, the number of unemployed males decreased by 9,000, while the number of unemployed females dropped by 5,000. For persons 25 years of age and over, there was little change in unemployment levels from the previous month. Ontario and Newfoundland registered decreases in unemployment of 13,000 and 3,000 respectively.

## Labour Force

	Apr.	May	June	July	Aug.
	Change, previous month				
Labour force ('000)	53	-79	52	-60	31
Employment ('000)	56	-68	49	-96	48
15-24 years ('000)	52	-41	49	-62	8
25 years & over ('000)	2	-27	0	-34	40
Unemployment ('000)	1	-11	3	36	-17
Unemployment rate %	9.6	9.6	9.5	9.9	9.7

## Unemployment Rate

(percentage, seasonally adjusted)



The decline in the unemployment rate reflected decreases in both of the main age groups. The rate for persons aged 15 to 24 went down 0.4 percentage points from July and stood at 15%. For persons aged 25 or older, the rate decreased 0.1 percentage points from the previous month, to 8.2%.

For further information, contact Household Surveys Division (613) 991-4720.

## New Housing Price Index Up 0.7% in July

In July, the new housing price index was up 0.7% over June, continuing the upward movement evident for the last 14 months. Of the 19 metropolitan areas for which data are published, ten increased, eight were unchanged and one decreased. With the exception of St. John's and Winnipeg, all of the areas reporting increases were in Québec and Ontario. London registered the largest month-over-month increase, rising 3.2% over June. This was the fourth notable advance for this area since January 1986. Victoria, on the other hand, recorded its fourth decrease since the beginning of the year, continuing the downward movement evident for the last several years.

On a year-over-year basis, this index of Canadian housing contractors' selling prices stood 8.3% higher than in July 1985. Increases ranged from 15% in Toronto to 1.1% in Vancouver. Victoria, down 3.4%, was the only area to register a decrease. Large year-over-year advances have prevailed in southwestern Ontario cities during 1986.

**New Housing Price Indexes**  
(1981 = 100)

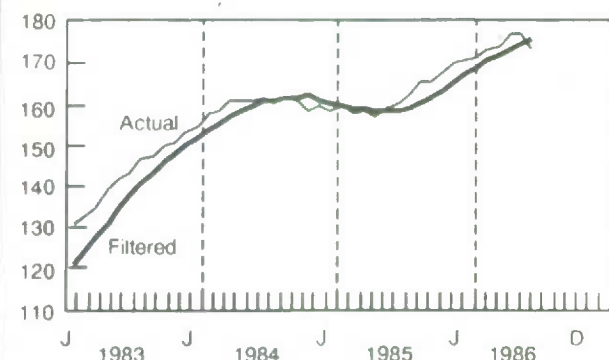


For more information, contact Prices Division (613) 990-9601.

## Leading Indicator Continues to Advance

- The filtered composite leading indicator posted its thirteenth straight increase in June, but the 0.5% rise was the smallest monthly advance since July 1985.
- The unfiltered leading indicator decreased for the second consecutive month, falling below the level of the filtered indicator for the second time since June 1981.

**The Canadian Composite Leading Index**  
(1971 = 100)



- Retail trade has risen each month since March 1985, the increase in June was 0.6%.
- Residential construction advanced 0.5%, following gains of 1.4% in April and 1.2% in May.
- The United States leading indicator continued to advance, the 0.6% increase in June was equivalent to the average monthly increase in the previous five months.
- The Toronto Stock Exchange price index registered a gain of 2.8%, its seventh month of strong growth.
- The money supply decreased for a fifth month, dropping to \$10.2 billion in 1971 dollars.
- New orders for durable goods registered its largest decline (-1.1%) of six in 1986.

For further information, contact International and Financial Economics Division (613) 990-1789.

## Tourism Up 17.3%

In the first seven months of 1986, the number of foreign travellers entering Canada for one or more nights was 17.3% greater than in the same period of 1985, reaching a record level of 8.9 million. The number of United States residents increased by 18.2% in July, to reach the highest level since 1975. Visitors from countries other than the U.S. totalled 372,000 (+33.1%), the greatest number since 1972. Large increases in the number of foreign tourists have been evident since January but exceptional levels have been common since the opening of Expo 86 in May.

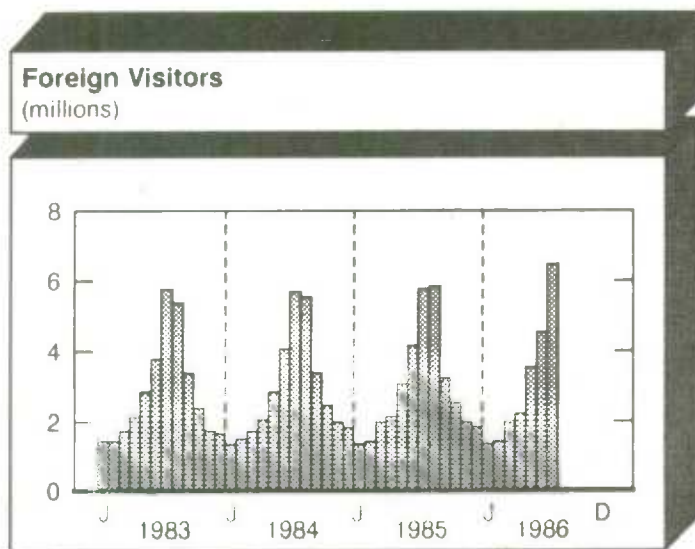
Expo 86 has drawn a phenomenal number of foreign visitors to British Columbia. International travellers entering the province for one or more nights was up 74.3% in July from the level a year earlier. Day trips by U.S. residents showed similar advances: entries by automobile increased 80.4%, to 337,339, while entries by bus totalled 18,029, almost 400% higher than in July 1985. Altogether, British Columbia entertained 1.1 million foreign visitors in July.

The number of Canadian residents travelling abroad for one or more nights decreased on a year-over-year basis for the first time since February 1986. Compared to July 1985, long-term trips to the United States declined by 3.9%, while trips to other foreign countries dropped by 10.6%.

### Tourist Entries by Province\*

	Mar.	Apr.	May	June	July
	% change, previous year				
New Brunswick	-4.6	0.9	3.7	5.1	2.0
Québec	12.7	4.1	8.2	5.3	-1.1
Ontario	13.0	2.5	4.7	-1.5	5.1
Manitoba	1.3	0.7	-10.9	-13.0	-4.6
Saskatchewan	2.4	-14.8	6.3	2.9	4.2
Alberta	2.5	1.6	4.8	-5.1	9.5
British Columbia	9.3	4.1	89.4	91.0	73.7

\*provinces directly accessible by land from the United States



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



## PUBLICATIONS RELEASED

SEPTEMBER 5 - 11

### AGRICULTURAL AND NATURAL RESOURCES

**Greenhouse Industry**, 1984 and 1985 Catalogue number 22-202 (Canada: \$20; Other Countries: \$21)

**Production and Stocks of Eggs and Poultry**, June 1986 Catalogue number 23-003 (Canada: \$10/\$100; Other Countries: \$11/\$110)

### EDUCATION, CULTURE AND TOURISM

**Education Price Index - Selected Inputs, Elementary and Secondary Levels**, 1985 Catalogue number 81-002 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**University Finance - Trend Analysis**, 1975-76 to 1984-85 Catalogue number 81-260 (Canada: \$40; Other Countries: \$41.50)

### INDUSTRY

**Crude Petroleum and Natural Gas Production**, May 1986 Catalogue number 26-006 (Canada: \$8/\$80; Other Countries: \$9/\$90)

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

**Gypsum Products**, July 1986 Catalogue number 44-003 (Canada: \$4/\$40; Other Countries: \$5/\$50)

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

**Mineral Wool Including Fibrous Glass Insulation**, July 1986 Catalogue number 44-004 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**Production and Inventories of Process Cheese and Instant Skim Milk Powder**, July 1986 Catalogue number 32-024 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**Production and Sales of Phonograph Records and Pre-recorded Tapes in Canada**, June 1986 Catalogue number 47-004 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**Production and Shipments of Steel Pipe, Tubing and Fittings**, May 1986 Catalogue number 41-011 (Canada: \$4/\$40; Other Countries: \$5/\$50)

### INDUSTRY - Concluded

**Production, Sales and Stocks of Major Appliances**, July 1986 Catalogue number 43-010 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**Retail Trade**, May 1986 Catalogue number 63-005 (Canada: \$14/\$140; Other Countries: \$15/\$150)

**Shipments of Plastic Film and Bags Manufactured from Resin**, Quarter Ended June 30, 1986 Catalogue number 47-007 (Canada: \$5/\$20; Other Countries: \$6/\$24)

**Shipments of Solid Fuel Burning Heating Products**, Quarter Ended June 1986 Catalogue number 25-002 (Canada: \$3/\$12; Other Countries: \$4/\$16)

**The Sugar Situation**, July 1986 Catalogue number 32-013 (Canada: \$4/\$40; Other Countries: \$5/\$50)

### INTERNATIONAL AND FINANCIAL ECONOMICS

**Financial Flow Accounts**, Second Quarter 1986 Catalogue number 13-002P (Canada: \$10/\$40; Other Countries: \$11/\$44)

### INTERNATIONAL TRADE

**Imports by Countries**, January-June 1986 Catalogue number 65-006 (Canada: \$75/\$300; Other Countries: \$85/\$340)

**Preliminary Statement of Canadian International Trade**, July 1986 Catalogue number 65-001P (Canada: \$5/\$50; Other Countries: \$6/\$60)

### TRANSPORTATION

**Air Charter Statistics**, 1984 Catalogue number 51-207 (Canada: \$32; Other Countries: \$33)

**Passenger Bus and Urban Transit Statistics**, 1984 Catalogue number 53-215 (Canada: \$32; Other Countries: \$33)

**Railway Carloadings**, 7-day Period Ending August 21, 1986 Catalogue number 52-005 (Canada: \$75; Other Countries: \$100)



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**LATEST MONTHLY STATISTICS**

			Previous Month	% Change From Year Ago
<b>EMPLOYMENT, INCOME</b>				
Average Weekly Earnings (\$)	June	429.86	427.58	2.4
Labour Income (\$ million)	June*	22,721	22,202	4.9
Persons with Jobs (million)	Aug.*	12.08	12.06	2.1
Unemployed	Aug.*	1,201,000	1,231,000	-4.2
<b>INVENTORIES</b>				
Department Store (\$ million)	June	3,644	4,373	13.3
Manufacturers' Owned (\$ million)	June	33,997	34,230	-0.1
<b>ORDERS</b>				
Manufacturers' New Orders (\$ million)	June	21,501	21,759	1.1
Manufacturers' Unfilled Orders (\$ million)	June	24,594	24,845	1.6
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	July	132.9	131.9	4.2
New House Price Index (1981 = 100)	July*	103.9	103.2	8.3
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
<b>CONSTRUCTION</b>				
			<b>Year-to-date</b>	
Building Permits (\$ million)	May	2,331	8,463	23.1
Housing Starts - Urban Centres (units)	June	17,470	77,981	28.5
<b>ENERGY</b>				
Coal Production (thousand tonnes)	June	4,781	29,549	-5.5
Electricity Generation (gigawatt hours)	June*	32,724	230,333	2.6
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
<b>FOREIGN TRADE</b>				
Exports - Balance of Payments Basis (\$ million)	July*	9,159	70,138	1.4
Imports - Balance of Payments Basis (\$ million)	July*	9,805	66,234	11.4
<b>SALES</b>				
Department Store Sales (\$ million)	July*	928	6,286	7.1
Manufacturers' Shipments (\$ million)	June	21,751	126,362	5.1
New Motor Vehicle Sales (\$ million)	July*	1,970	13,241	12.2
Retail Sales (\$ million)	June	11,758	65,484	8.1

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

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