

# I·N·F·O·M·A·T

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

Friday, December 5, 1986

### OVERVIEW

#### ■ Expansion of Gross Domestic Product Slows

In the third quarter, real GDP rose by 0.3%, lower than the growth of 0.6% and 0.8% in the first and second quarters.

#### ■ Current Account Continues to Record Sizable Deficits

The deficit in the third quarter was the fifth consecutive and reflects a weakening merchandise trade balance.

#### ■ Growth of GDP at Factor Cost Remains Low

The year-over-year advance was 2.3% but growth in the past seven months has been negligible.

#### ■ Young Canadians are Postponing Formal Marriages

However, with marriages and common-law unions combined, they are forming unions at about the same rate as their parents.

#### ■ Canadian Bond Sales to Non-residents Remain High

At \$469 million, net sales of outstanding Canadian bonds were close to the average monthly value in the first eight months of 1986.

#### ■ Industrial Corporations' Profits Flat in the Third Quarter

Pre-tax profits have shown little change since the start of the year and remain some 10% below the average level recorded in 1985.

#### ■ This issue also includes articles on the industrial product price index and the raw materials price index.

### Gross Domestic Product

Gross domestic product at market prices grew by 1.5% in the third quarter. After allowing for price changes, real GDP expanded by 0.3%, lower than the growth of 0.6% and 0.8% in the first and second quarters.

The growth in real GDP reflected a sharp gain in final domestic demand, spearheaded by higher household spending, and increased exports. Most of the advance, however, was met by higher imports and a decline in inventory accumulation. Output from the goods-producing industries declined for the second consecutive quarter, while output from the service-producing industries continued to rise.

Consumer demand for goods and services continued to accelerate, rising 1.8% in volume in the third quarter. Purchases of goods jumped by 2.2%.

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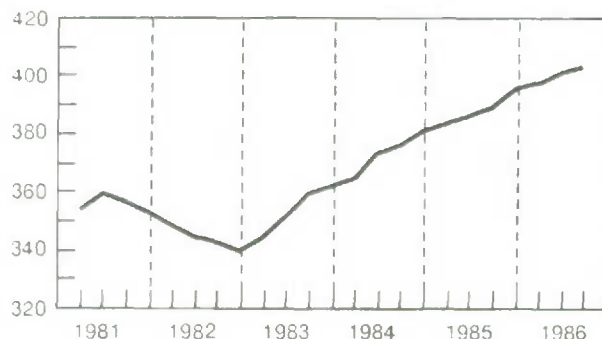
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### Gross Domestic Product

(Billions of 1981 dollars)



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Canada

## ... Gross Domestic Product

while consumption of services rose at the same rate as in the second quarter (1.4%). New car and truck sales rose 10.6%. Motor vehicle inventories were used to meet the sharp increase in demand for motor vehicles. Outlays for furniture and appliances also strengthened, in line with the gain in housing.

Investment in housing grew by 3.9% in volume. The increase was led by sharply higher transfer costs on sales of existing homes, along with further gains in new construction. The demand for housing was concentrated in central Canada, where price increases have been larger than in the rest of Canada.

Business investment in plant and equipment which was up significantly in the first quarter of 1986, dropped for the second consecutive quarter. However, the decrease in the third quarter (-1.3%) was not as severe as the 3.9% reduction in the second quarter.

On an industry basis, virtually all of the growth in production originated among the service-producing industries, as was the case in the second quarter. In both the second and third quarters, the goods-producing industries posted declines in output, marking the first occasion in the current expansion that consecutive quarterly output decreases were recorded.

*For further information, contact Income and Expenditure Accounts Division at (613) 990-9158.*

## Current Account Continues to Record Sizable Deficits

In the third quarter, current account transactions, on a seasonally adjusted basis, produced a deficit for the fifth consecutive quarter. The deficits registered in 1986 were approximately double the size of those recorded in the last two quarters of 1985. A weakening merchandise trade surplus has been unable to absorb the continuing deficit on the trade in services.

During the current quarter, merchandise trade transactions produced the lowest surplus in the last five years. Following a decline in the previous quarter, merchandise imports increased by \$1.4 billion in the third quarter, returning to the pattern of steadily

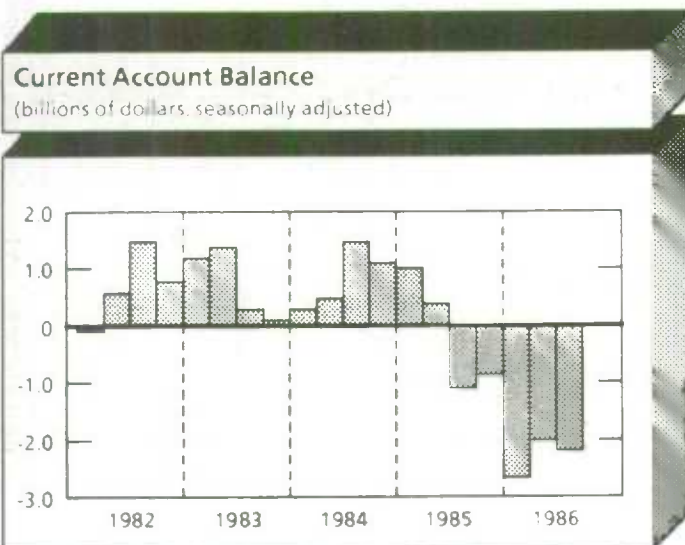
growing imports recorded since 1982. Merchandise exports, which had declined in the first two quarters, registered a moderate advance of 2.4%.

The effect of the decrease in the merchandise trade surplus was reduced by higher receipts on the dividend and travel accounts. Higher travel receipts, which were mostly generated by Expo 86, along with lower payments by Canadians travelling abroad virtually eliminated the customary deficit on travel.

Capital account transactions, which are not seasonally adjusted, showed a record net inflow from bond borrowings abroad. The total net inflow for this year is already much larger than the previous record set in 1982. Approximately 40% of the borrowings in the third quarter originated from Japan. There was also a substantial decline in bond retirements from the high level of the previous quarter when favourable market conditions led to major refinancing.

A net inflow was also recorded for foreign direct investment in Canada. This represents a sharp increase from the previous quarter when there were offsetting outflows related to residents purchasing foreign interests in Canada. Substantial net outflows arose from residents increasing both their direct investment and their deposits abroad.

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



## GDP at Factor Cost

In September, real gross domestic product at factor cost rose 0.7% over August. However, it was only 2.3% above the level recorded in September 1985, with more than 80% of this growth taking place between September 1985 and January 1986. Since February, growth of real GDP has slowed, as advances have been partially offset by declines.

The service-producing industries continued to be the main contributor to overall growth in GDP. Output from these industries was up 1.4% in September, well above the average monthly increase for 1986 (0.5%). In total, it has risen 5.0% from September 1985. The finance, insurance and real estate industry and the wholesale trade industry, in particular, have generally shown strength throughout the year.

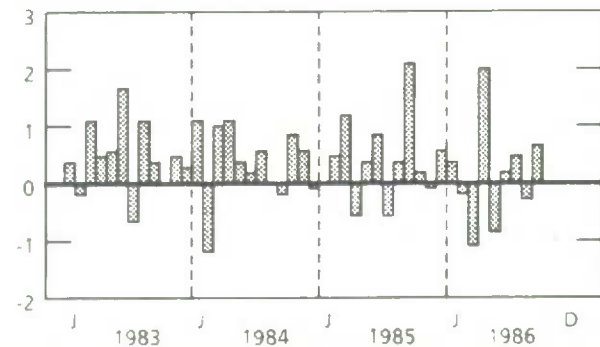
### Real Gross Domestic Product

	May	June	July	Aug.	Sept.
	% change, previous month				
Real Gross Domestic Product	-0.9	0.2	0.5	-0.3	0.7
Goods industries	-2.1	-1.2	1.1	-0.4	-0.4
Service industries	-0.1	1.0	0.0	-0.3	1.4
Industrial production	-1.8	-0.9	1.3	-1.5	-0.5

#### Note to Users:

It should be noted that real GDP at factor cost differs from the comprehensive measure, GDP at market prices, in that the former does not include the value of indirect taxes less subsidies. The movements of the two may not exactly coincide due to conceptual and statistical difference.

**Gross Domestic Product**  
(% change, previous month)



Output from the goods-producing industries, on the other hand, has fallen 3.7% below its most recent peak in February. Output from these industries was down 0.4% for the second consecutive month in September. A brief rally in oil and gas exploration, and construction of oil and gas facilities in August was reversed in September and accounted for much of the overall decline in the goods-producing industries. Manufacturing slipped 0.1%, to reach its lowest level to date in 1986.

For further information, contact Industry Measures and Analysis Division at (613) 990-9145.

## Young Canadians Postponing Formal Marriage

The Family History Survey was undertaken by Statistics Canada in February 1984. The survey addressed questions about the occurrences and timing of different family events such as marriage, living together, childbirth, adoption, divorce, remarriage and labour force participation.

Highlights from *Union Formation and Dissolution: Results from the 1984 Family History Survey* include:

- Young Canadians are postponing formal marriages, but this is being offset by common-law unions. If the data for marriages and common-law unions are combined, it appears that young Canadians are forming "unions" at about the same rate as their parents.

- Among young Canadians, 25% of the men and 29% of the women participating in the survey reported that they entered into a common-law union by age 25.
- Marriages preceded by a common-law union appear to have a slightly higher rate of breakup than those not preceded by a common-law union.
- Most common-law unions tend to be short-lived (less than five years), but they have become a temporary alternative for many Canadians in the 18 to 29 year age group. The couples involved either marry, or end the relationship quickly. The majority of them marry.

For further information, contact Social Statistics Division at (613) 991-2542.



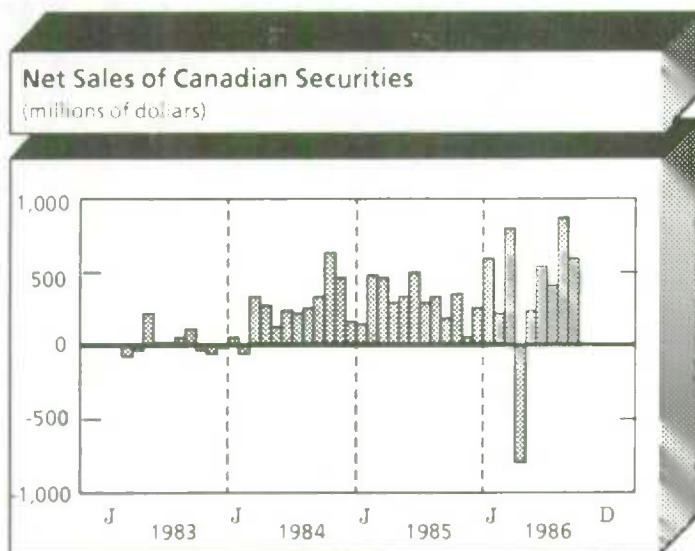
## Canadian Bond Sales to Non-residents Remain High

At \$469 million, net sales to non-residents of outstanding Canadian bonds remained high in September. Although some \$300 million lower than the record set in August, net sales in September were close to the average monthly sales in the first eight months of 1986. These sales were largely due to Japanese investment, which climbed to record levels for the second month. The net inflow from Japan was some \$900 million and included sizable investments in provincial bonds. This inflow was partially offset by a sharp reduction in holdings of Canadian bonds by residents of the United States.

### Security Transactions

	May	June	July	Aug.	Sept.
Net sales	millions of dollars				
Canadian Securities					
Bonds	355	245	365	773	469
Common and preferred stocks	-102	301	-19	77	104
<b>Total</b>	<b>253</b>	<b>546</b>	<b>346</b>	<b>850</b>	<b>573</b>
Foreign Securities					
Bonds	-203	-8	-38	135	255
Common and preferred stocks	-196	22	-102	63	-118
<b>Total</b>	<b>-399</b>	<b>14</b>	<b>-140</b>	<b>198</b>	<b>137</b>

Canadian residents reduced their holdings of outstanding foreign bonds by a substantial amount in September, the second consecutive monthly decrease. This activity was a reversal of the net outflows which were recorded from April to July as Canadians increased their holdings of foreign bonds. Canadian residents continued to accumulate foreign stocks in September with net purchases of \$118 million in the month. Net purchases of overseas stocks have been rising throughout the year (exceeding \$600 million for the year-to-date), whereas holdings of United States stocks have been declining in recent months.



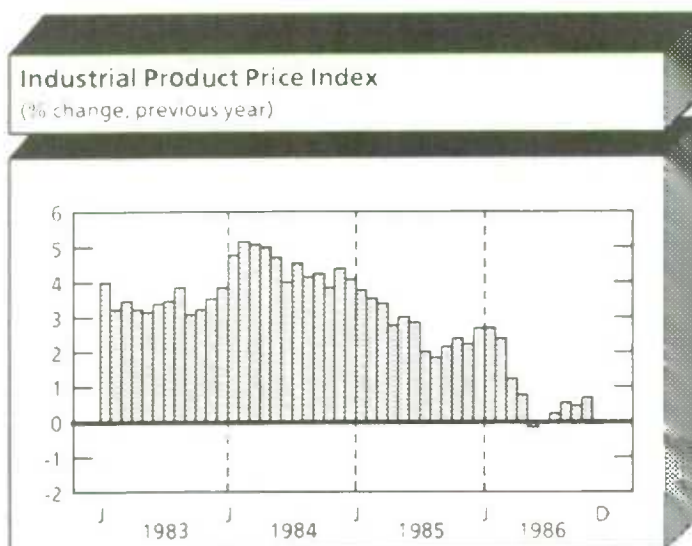
For further information, contact International and Financial Economics Division at (613) 990-9052.

## Industrial Product Price Index

Preliminary estimates show that the Industrial Product Price Index (IPPI, 1981=100) rose 0.5% in October, the fifth consecutive monthly advance. This index decreased 2.2% between January and May 1986, largely owing to the decline in petroleum product prices, but has posted a 1.2% increase since May. In October 1986, the IPPI was 0.7% higher than its level a year earlier.

The advance in the current month was primarily due to higher prices for wood pulp, newsprint and motor vehicles. However, price decreases registered for meat products and in the wood and primary metals sectors had a moderating effect on the overall index.

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



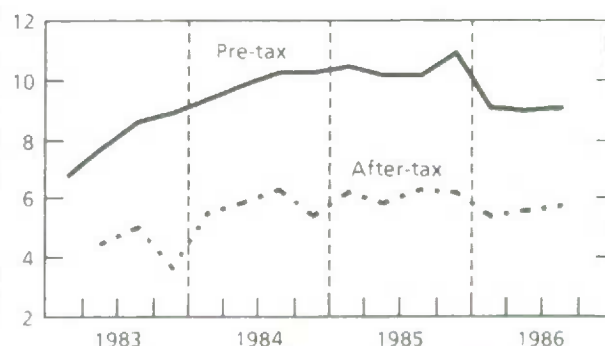
## Industrial Corporations' Profits Flat in Third Quarter

In the third quarter of 1986, seasonally adjusted pre-tax profits of industrial corporations stood at \$9.1 billion, up slightly from the previous quarter. Pre-tax profits have shown little change since the start of the year, remaining at a level some 10% below the average recorded in 1985. Net profits after taxes (seasonally adjusted) rose for the second consecutive quarter, but at \$5.8 billion they were also down significantly from the levels recorded in 1985.

In the current quarter, some unusually large foreign dividend receipts were responsible for significant increases in pre-tax profits for distilleries (\$492 million) and the printing and publishing industry (\$150 million). The largest decreases in pre-tax profits were registered by the transportation equipment and mineral fuels industries.

At \$461 million, pre-tax profits in the transportation equipment industry were down substantially from the second quarter and equalled those of the first quarter. This contrasted with 1984 and 1985, when profits were generally between \$800 and \$900 million. Profit margins (operating income as a percentage of sales) for the first three quarters were 3.1%, compared to 5.0% in 1985 and 6.2% in 1984.

**Industrial Corporations, Profit**  
(billions of dollars, seasonally adjusted)



A slowdown in the rate of decline in crude oil prices was reflected in the decline of pre-tax profits in the mineral fuels industry. Following decreases of \$929 and \$534 million in the first and second quarters, pre-tax profits dropped \$115 million in the third quarter.

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

## Raw Materials Price Index

The Raw Materials Price Index (RMPI, 1981 = 100) rose 1.1% in October, continuing the upward trend evident since the last major decline in April. Most of this increase was attributable to the main component of this index, mineral fuels. In October, the mineral fuels component advanced for the third consecutive month, as crude oil prices rose again.

### Raw Materials Price Index

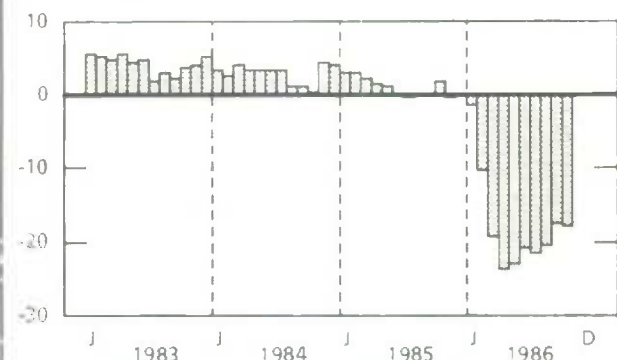
	June	July	Aug.	Sept.	Oct.
% change, previous month					
Total	1.1	-1.5	0.7	3.1	1.1
Mineral fuels	2.0	-5.5	-0.5	7.4	3.3
Excluding mineral fuels	0.6	1.0	0.8	0.6	-0.3

Excluding the mineral fuels component, the RMPI had increased steadily since April 1986. The month-over-month decrease of 0.3% in October was contrary to this trend. Two components were the main contributors to the decrease; animal and animal products and vegetable products.

The animal and animal products component was down (-0.5%) for the second month in a row, following substantial monthly increases from May to August. Lower prices for hogs and poultry were the main reasons for the drop. The vegetable products component declined (-1.1%) for the sixth time in seven months.

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

**Raw Materials Price Index**  
(% change, previous year)



## PUBLICATIONS RELEASED FROM NOVEMBER 28 TO DECEMBER 4

### AGRICULTURE/NATURAL RESOURCES

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

**Field Crop Reporting Series**, No. 8: Estimate of Production of Principal Field Crops, Canada, November 1986 Catalogue number 22-002 (Canada: \$7/\$48; Other Countries: \$8/\$54)

**Index Numbers of Farm Prices of Agricultural Products**, September 1986 Catalogue number 62-003 (Canada: \$6/\$60; Other Countries: \$7/\$70)

**The Dairy Review**, September 1986 Catalogue number 23-001 (Canada: \$10/\$100; Other Countries: \$11/\$110)

### CANSIM

**Canadian Statistical Review**, November 1986 Catalogue number 11-003E (Canada: \$20/\$200; Other Countries: \$21/\$21.50)

### EDUCATION, CULTURE AND TOURISM

**Teachers in Universities**, 1984-85 Catalogue number 81-241 (Canada: \$20; Other Countries: \$21)

### HOUSEHOLD, FAMILY AND SOCIAL SURVEYS

**Household Facilities and Equipment**, May 1986 Catalogue number 64-202 (Canada: \$20; Other Countries: \$21)

**Lone Parenthood - Characteristics and Determinants**, Results from the 1984 Family History Survey Catalogue number 99-961 (Canada: \$20; Other Countries: \$21)

**Union Formation and Dissolution** - Results from the 1984 Family History Survey Catalogue number 99-963 (Canada: \$16; Other Countries: \$17)

### INDUSTRY

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

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

**Miscellaneous Wood Industries**, 1984 Catalogue number 35-208 (Canada: \$20; Other Countries: \$21)

**Oils and Fats**, September 1986 Catalogue number 32-006 (Canada: \$4/\$40; Other Countries: \$5/\$50)

**Paper Box and Bag Industries**, 1984 Catalogue number 36-216 (Canada: \$20; Other Countries: \$21)

**Sash, Door and Other Millwork Industries**, 1984 Catalogue number 35-205 (Canada: \$20; Other Countries: \$21)

**Wholesale Trade Statistics - Wholesale Merchants: Agents and Brokers**, 1984 Catalogue number 63-226 (Canada: \$25; Other Countries: \$26)

### INTERNATIONAL AND FINANCIAL ECONOMICS

**Quarterly Estimates of the Canadian Balance of International Payments**, Third Quarter 1986 Catalogue number 67-001P (Canada: \$8/\$32; Other Countries: \$9/\$36)

### LABOUR

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

**Unemployment Insurance Statistics**, September 1986 Catalogue number 73-001 (Canada: \$12/\$120; Other Countries: \$13/\$130)

### PUBLIC INSTITUTIONS

**Federal Government Employment**, April-June 1986 Catalogue number 72-004 (Canada: \$20/\$80; Other Countries: \$21/\$84)

### SCIENCE, TECHNOLOGY AND CAPITAL STOCK

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

**Directory of Federal Government Scientific and Technological Establishments**, 1986 Catalogue number 88-206E (Canada: \$20; Other Countries: \$21)

**Directory of Industrial Research and Development Facilities in Canada**, 1986 Catalogue number 88-205E (Canada: \$30; Other Countries: \$31)

### SERVICES

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

### STANDARDS

**Survey Methodology**, Vol. 12, No. 1, June 1986 Catalogue number 12-001 (Canada: \$10/\$20; Other Countries: \$11.50/\$23)

### TRANSPORTATION

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

**Railway Carloadings**, 7-day Period Ending November 14, 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 (\$)	Sept. *	432.32	429.97	1.9
Labour Income (\$ million)	Aug.	22,446	22,740	4.5
Persons with Jobs (million)	Oct.	11.72	11.74	2.1
Unemployed	Oct.	1,116,000	1,127,000	-7.0
<b>INVENTORIES</b>				
Department Store (\$ million)	Sept.	4,206	3,996	24.0
Manufacturers' Owned (\$ million)	Sept.	33,863	33,886	-1.5
<b>ORDERS</b>				
Manufacturers' New Orders (\$ million)	Sept.	21,202	19,159	0.7
Manufacturers' Unfilled Orders (\$ million)	Sept.	24,095	24,179	-0.6
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	Oct.	134.0	133.3	4.4
New House Price Index (1981 = 100)	Sept.	107.2	105.0	10.6
Raw Materials Price Index (1981 = 100)	Oct. *	94.8	93.9	-17.9
Excl. mineral fuels	Oct. *	105.4	105.8	6.0
Industrial Product Price Index (1981 = 100)	Oct. *	119.8	119.4	0.7
<b>CONSTRUCTION</b>				
Building Permits (\$ million)	Aug.	1,897	15,487	23.8
Housing Starts - Urban Centres (units)	Sept.	17,106	125,228	26.4
<b>ENERGY</b>				
Coal Production (thousand tonnes)	Aug. *	4,342	37,522	-7.8
Electricity Generation (gigawatt hours)	July	33,618	263,942	2.3
Natural Gas Production (million cubic metres)	Aug. *	7,359	67,930	-3.4
Petroleum Refining (thousand cubic metres)	Aug.	7,781	56,451	-0.2
<b>FOREIGN TRADE</b>				
Exports - Balance of Payments Basis (\$ million)	Sept.	10,367	89,135	0.9
Imports - Balance of Payments Basis (\$ million)	Sept.	9,037	83,713	10.0
<b>SALES</b>				
Department Store Sales (\$ million)	Sept.	1,021	8,282	6.0
Manufacturers' Shipments (\$ million)	Sept.	21,286	186,764	3.2
New Motor Vehicle Sales (\$ million)	Sept.	1,710	16,684	12.3
Retail Sales (\$ million)	Sept.	11,496	100,800	8.3

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

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Senior Editor: Greg Thomson (613) 991-1103

Editor: Linda McCormick (613) 991-1088

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