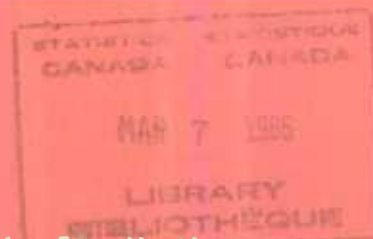


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Weekly Bulletin



March 7, 1986

## Private and Public Investment

Total capital expenditures in Canada during 1986 are expected to reach \$85,852 million, an increase of 4.6% over the \$82,091 million in 1985. This follows an increase last year of 8.9% over the \$75,378 million in 1984. (All amounts are in current dollars without adjustment for price changes during the years covered.)

More strength is shown in 1986 in acquisitions of machinery and equipment than in new construction. The 1986 total of \$33,809 million is 6.0% above the \$31,994 million of 1985, which in turn was 7.7% higher than the \$29,608 million of 1984. Total construction, on the other hand, is expected to increase by only 3.7% in 1986 to \$52,043 million, after a gain of 9.7% in the 1985 total of \$50,197 million (compared with \$45,770 million in 1984). Housing is expected to be the main contributor to the 1986 increase in construction with a projected total of \$16,601 million. The 15% increase in housing in 1986 is almost unchanged from the 14.8% increase last year (\$14,437 million for 1985 and \$12,580 million for 1984). The housing starts used in these calculations are 168,000 for 1986, 165,800 for 1985 and 134,900 for 1984. Non-residential construction is expected to total \$35,443 million in 1986, following the estimated \$35,760 million in 1985 and \$33,190 million in 1984. These amounts represent a decrease of 0.9% in 1986, after an increase of 7.7% in 1985.

The current estimate for business capital spending at \$56,495 million is 2.5% above the 1985 total of \$55,091 million, which represented an increase of 8.4% over the 1984 figure of \$50,810 million. Social capital spending of institutions and governments is projected to increase by 1.5% in 1986 to \$12,757 million.

Manufacturing dominates the anticipated increases in business capital outlays for 1986; the estimated total of \$12,887 million is 17.1% above the \$11,004 million in 1985. Last year the increase was 23.8% over the 1984 total of \$8,887 million. Most industries in 1986 are projecting increases, notably transportation equipment (71.5%), paper products (14.4%), chemicals (13.4%) and electrical products (13.7%). An increase of \$64 million for petroleum refineries follows a decrease of \$145 million in 1985.

In other sectors, the trade-finance-commercial group also shows continuing strength in 1986 with an expected total of \$15,171 million, up 5.4% from the \$14,386 million in 1985. In contrast, the mining (continued on page 2, col. 2.)

## LATEST MONTHLY STATISTICS

		Previous Month	From Year Ago	
<b>EMPLOYMENT, INCOME</b>				
Average Weekly Earnings(\$)	Dec.*	425.55	425.33	4.3
Labour Income (\$ million)	Nov.	21,253.9	21,384.3	6.9
Persons with Jobs (million)	Jan.	11.20	11.34	4.8
Unemployed	Jan.	1,347,000	1,238,000	-9.2
<b>INVENTORIES</b>				
Department Store (\$ million)	Dec.	3,536.6	4,332.8	12.7
Manufacturers' Owned (\$ million)	Dec.	33,786.6	33,983.2	2.1
<b>ORDERS</b>				
Manufacturers' New Orders (\$ million)	Dec.	19,667.3	21,180.9	12.2
Manufacturers' Unfilled Orders (\$ million)	Dec.	22,207.9	22,339.0	1.9
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	Jan.	130.1	129.5	4.4
New House Price Index (1981 = 100)	Dec.	98.2	97.8	3.7
Raw Materials Price Index (1981 = 100)	Jan.*	115.7	118.0	-1.5
Excl. coal, crude oil, nat. gas	Jan.*	103.3	101.6	3.0
Industrial Product Price Index (1981 = 100)	Jan.*	120.5	119.7	2.6
<b>CONSTRUCTION</b>				
Building Permits (\$ million)	Nov.	1,466.6	18,022.8	26.2
Housing Starts - Urban Centres (units)	Jan.*	9,335	9,335	21.8
<b>ENERGY</b>				
Coal Production (thousand tonnes)	Nov.	5 123	55 871	6.6
Electricity Generation (gigawatt hours)	Dec.*	44 491	446 412	5.1
Natural Gas Production (million cubic metres)	Nov.*	9 194	86 120	7.5
Petroleum Refining (thousand cubic metres)	Dec.	7 331	86 216	-1.7
<b>FOREIGN TRADE</b>				
Exports - Balance of Payments Basis (\$ million)	Dec.*	9,835	120,095	7.1
Imports - Balance of Payments Basis (\$ million)	Dec.*	8,042	103,278	12.9
<b>PRODUCTION</b>				
Railway Carloadings (million tonnes)	Dec.*	19.7	251.5	-0.9
Steel (ingots - thousand tonnes)	Dec.*	1 200	14 553	-0.1
<b>SALES</b>				
Department Store Sales (\$ million)	Dec.	1,835.4	12,056.7	5.9
Manufacturers' Shipments (\$ million)	Dec.	19,798.4	242,862.7	7.5
New Motor Vehicle Sales (\$ million)	Dec.*	1,453.3	19,890.1	26.9
Retail Sales (\$ million)	Dec.	13,210.3	128,424.5	10.6

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)

## Balance of Payments

### Fourth Quarter 1985

Current account transactions, on a seasonally adjusted basis, resulted in a large deficit for a second consecutive quarter. While there was a substantial increase in the merchandise trade surplus, it was largely offset by a higher deficit on the investment income account. The increase in the trade surplus resulted from a substantial increase in merchandise exports, which advanced at a much higher rate than imports.

Among capital transactions, which are not seasonally adjusted, there was a lower net inflow from non-resident investment in Canadian bonds. A small net outflow was recorded on foreign direct investment in Canada following additional acquisitions by residents of foreign interests in Canada. Residents increased both their direct and portfolio investments abroad, giving rise to net outflows. Throughout the quarter, the Canadian dollar depreciated against most of the major currencies.

### Current Account, Seasonally Adjusted

The main quarterly features were:

- a current account deficit of \$1.3 billion, compared to \$1.6 billion in the previous quarter. An increase (\$1 billion) in the merchandise trade surplus to \$4.0 billion was largely offset by an increase (\$743 million) in the deficit on non-merchandise transactions to \$5.3 billion;
- a strong increase of 5% to \$31.0 billion in merchandise exports. Imports increased by 2% to \$27.0 billion;
- among non-merchandise transactions, an increase of \$731 million in the deficit on services to \$5.5 billion due mostly to a higher deficit on investment income.

### Capital Account, Unadjusted

- a reduction in the net inflow from non-resident investment in Canadian bonds from \$3.7 billion in the third quarter to \$2.3 billion. In spite of this decline, the inflow of the current quarter remained large;
- a net outflow of \$75 million in foreign direct investment in Canada compared to \$2.1 billion in the previous quarter as residents continued to purchase, although on a lower scale, foreign interests in the Canadian petroleum industry;
- a reduction of \$315 million to \$900 million in the net outflow for Canadian direct investment abroad;
- a shift of \$962 million to a net outflow of \$788 million as Canadian residents purchased, on a net basis, foreign securities in the current quarter;
- a statistical discrepancy (the balancing item between the recorded estimates of current and capital accounts) equivalent to a net debit of \$1.7 billion.

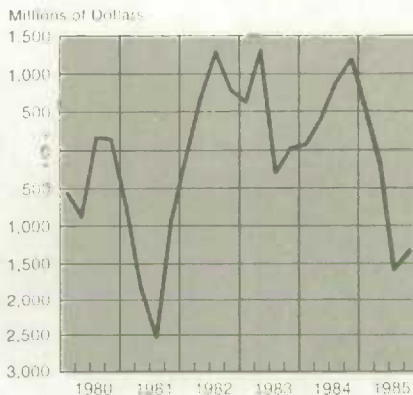
### 1985

Current account transactions reverted to a significant deficit (\$2.6 billion), following three consecutive years of surpluses. While remaining high by historical standards, the merchandise trade surplus was reduced significantly in 1985. In addition, the deficit on services widened, led by larger interest payments on bond borrowings abroad.

Order Quarterly Estimates of Canadian Balance of International Payments, 1985 (67-001P, \$8/\$32).

## Canadian Balance of International Payments

Current Account — Seasonally Adjusted



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

## ... Private and Public Investment

group is down by 7.6% following reductions in programs for coal, potash, metal mining and for petroleum and gas wells. The 1986 total for petroleum and gas is estimated at \$8,125 million, 4.6% below the \$8,521 million in 1985. Other reductions are shown for agriculture and fishing (-7.0%) and for utilities (-1.8%). In the latter group, communications show an increase of \$221 million (7.6%) but that gain is more than offset by decreases for transportation (-\$281 million, -7.2%) and for electric power (-\$151 million, -2.6%).

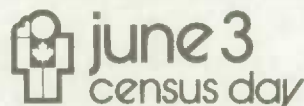
In the social capital group, capital expenditures by the three levels of government are expected to be up marginally in 1986 to a total of \$9,575 million while institutions will gain 5.2% to \$3,181 million. The 1985 totals were \$9,537 million for governments and \$3,025 million for institutions.

Regionally, increases in 1986 are shown for Ontario, 12.2%; Alberta, 9.0%; Manitoba, 8.9% and Quebec, 3.6%. Decreases are shown for the Territories, 24.5%; Nova Scotia, 14.5%; British Columbia, 6.7%; New Brunswick, 6.3%; Newfoundland, 4.8%; Saskatchewan, 3.3% and Prince Edward Island, 0.2%.

Order Private and Public Investment in Canada, Intentions 1986 (61-205, \$25), or contact Duncan Lusick (613-990-9815).

## Income Tax Incentives for R&D

Two numbers of Science Statistics with information on company claims for tax credits and allowances for R&D will soon be published. "The Investment Tax Credit for Research and Development, 1979 to 1983" will appear in Volume 10, No. 1; "The Additional Allowance for Scientific Research, 1979 to 1983" will appear in No. 2. Each number costs \$6 in Canada, \$7 abroad.



## Gross Domestic Product

(seasonally adjusted data)

Gross Domestic Product in 1971 prices increased 1.4% in the fourth quarter of 1985, following increases of 0.7%, 1.1% and 1.5% in the first three quarters of the year. On a quarterly basis, the Canadian economy has now increased for 12 consecutive quarters at an average quarterly growth rate of 1.3%. During the final quarter of 1985, output growth was widespread; only agriculture declined. Output of goods-producing industries increased 1.5%, while service-producing industries advanced 1.3%.

Gross Domestic Product expanded by 4.3% in 1985 compared with 4.9% in 1984. Both years exceeded the average growth of 3.3% over the 1972-1985 period. Goods-producing industries increased 4.4% in 1985 compared to a 6.2% growth rate in 1984. Service-producing industries advanced 4.3% in 1985, about the same rate of growth as in 1984.

In the fourth quarter, trade advanced 2.9% following a 2.7% gain in the third. Within wholesale trade, wholesalers of electrical machinery and equipment, farm products, farm machinery and miscellaneous machinery and equipment all reported substantial growth. A 2.3% output advance in retail trade in this quarter was the strongest quarterly increase since the fourth quarter of 1984. Growth in retail trade was widespread, with particular strength in furniture, food, department and sporting goods stores, as well as service stations and garages, and new motor vehicle dealers.

The construction industry recorded its third consecutive quarter of growth with a 2.0% increase in the fourth quarter of 1985. All of the fourth quarter gain was due to a 13.6% rise in residential building activity, the strongest quarterly increase since the second quarter of 1983.

Order the December 1985 issue of Gross Domestic Product by Industry (61-005, \$10/\$100).

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## Gross National Product

Gross National Product rose 1.9% in the fourth quarter of 1985 to a level of \$466.8 billion, seasonally adjusted at annual rates. After allowing for a 0.6% increase in prices, the volume of GNP rose 1.3% in the fourth quarter. For 1985 as a whole, nominal GNP increased 7.8%. Excluding a moderate overall price increase of 3.2%, real GNP rose 4.5%, compared to 5.0% in 1984 and 3.2% in 1983.

Following a 1.7% gain in the third quarter, the volume of GNP expanded by a further 1.3% in the fourth quarter. Increased spending on consumer goods and services and residential construction continued to account for most of the gain in aggregate demand. Business investment in plant and equipment was essentially unchanged, while there was a slowdown in the rate of inventory accumulation. Following four quarters of little change, exports edged up in the fourth quarter, accompanied by stable import demand.

The 1½% gain in the volume of personal expenditure was broadly based. Spending on durable goods led the gain, up 3%, with significant increases in sales of furniture and appliances and motor vehicles. Relatively large increases in food and gasoline prices in the quarter slowed the rise in consumption of these non-durable goods.

Total gross fixed capital formation rose over 1% in constant dollars, after gains of about 4% in each of the two preceding quarters. Residential construction was up in volume, 8%, a slight slowdown from the gains in the second and third quarters of the year. Business real investment in plant and equipment was essentially unchanged. Outlays for non-residential construction declined for the second straight quarter, after a surge of almost 8% in the second quarter. This drop offset further gains in spending on machinery and equipment.

Business non-farm inventory accumulation slowed from \$1.9 billion in the third quarter to \$1.0 billion in the fourth quarter. The slow-down occurred in all industries, except in retail trade where there was a large increase in inventories of motor vehicles.

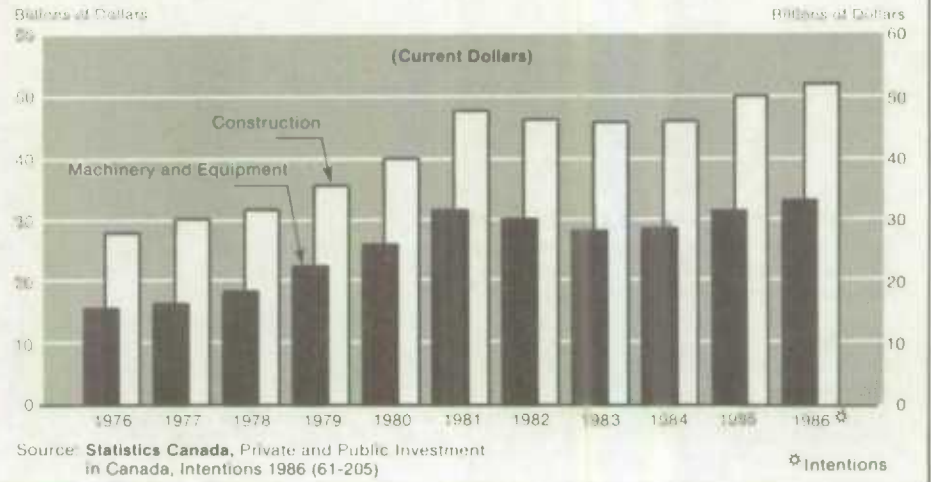
Within the external sector, exports rose by more than 2% while import growth slowed from 5% to under 1%. The gain in exports was largely confined to motor vehicle products and wheat, with little change in shipments of crude and fabricated materials. Imports of motor vehicles and parts rose marginally in the quarter, following substantial gains in the previous quarter.

Corporate profits before taxes rose by over 10% in the fourth quarter, following several quarters of little growth. The upturn in profits originated mainly in the manufacturing and financial industries.

Wages, salaries, and supplementary labour income grew by 1.4% in the fourth quarter. A growth of 1.6% in both personal income and personal disposable income, accompanied by a 2.5% rise in consumer spending resulted in a decline in the personal savings rate to 10.2%.

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

## Capital Expenditures, Canada, 1976-1985 and Intentions, 1986



## Industrial Product Price Indexes

Preliminary estimates show the Industrial Product Price Index (IPPI, 1981=100) stood at 120.5 in January 1986, up 0.7% from the revised level of 119.7 for December 1985. The year-over-year advance, calculated by comparing the level for January 1986 with the level for January 1985, was 2.6%, a rate higher than the 2.3% average yearly movement recorded for October to December 1985.

The first stage intermediate goods index rose 0.8% in January, but remained 1.2% lower than in January 1985. Prices for sulphate wood pulp posted a 1.4% rise, mainly attributable to the effect on export prices of a 1.0% increase in the U.S. dollar's exchange rate in Canadian currency.

The second stage intermediate goods index climbed 0.7% in January, up 2.7% from its January 1985 level. Following the Canadian Wheat Board's approval of a price increase for wheat sold to flour mills, prices for wheat flour surged 8.9% in January. Prices for softwood lumber rose 2.0% nationally, with particularly sharp advances in the Atlantic provinces (3.8%) and Quebec (3.5%). Newsprint prices were up 1.2%.

The finished foods and feeds index rose 0.6% in January to a level 3.7% higher than a year earlier. There were price declines of 1.8% for fresh or frozen beef, 2.5% for fresh or frozen pork and 2.0% for cured meat.

The capital equipment index climbed 0.5% in January, up 3.9% from January 1985. Most of the monthly increase in the group index stemmed from higher prices for motor vehicle products. Prices for passenger cars and trucks were up 1.0% and 0.7%, respectively, as a result of the impact of higher exchange rates on export prices. The index for all other finished goods advanced 0.7% in January to a level 3.2% higher than a year earlier.

Order the January 1986 issue of *Industry Price Indexes* (62-011, \$15/\$150), or contact the Information and Current Analysis Unit (613-990-9606/7), Prices Division.

## Raw Materials Price Index

The Raw Materials Price Index (RMPI, 1981=100) stood at a preliminary level of 115.7 in January 1986, down 1.9% from the December level of 118.0. Compared to January 1985 the RMPI was down 1.5%. The Raw Materials Price Index excluding the mineral fuels component increased 1.7% over the month to stand at a level 3.0% higher than a year ago. Of the seven components making up the Raw Materials Price Index, five registered increases and two showed decreases between December 1985 and January 1986. The most significant change was the estimated 5.2% decrease registered by the mineral fuels component. Notable increases were posted by the vegetable products component (6.1%) and the non-ferrous metals component (3.8%).

The mineral fuels component decreased 5.2% in January to a level 5.5% lower than in January 1985. The major factor for the lower index level was an estimated 6.2% decrease in crude oil prices.

The vegetable products component increased 6.1% in January. This put the index 5.1% higher than its year-earlier level. Higher prices for green coffee, attributable to the reported drought in Brazil, were the main reason for the higher component index. Wheat, up 12.9% in January, also had a significant impact on the component index (Canadian Wheat Board selling prices to the mills were up in January). Fresh vegetables, excluding potatoes were up 16.4% in the month and were up 28.3% over a 12-month period. Large increases were registered for vegetables such as tomatoes, cucumbers, cabbages and carrots.

A 3.8% increase in the non-ferrous metals component placed this index 5.8% higher than its year-earlier level. Copper concentrates increased 5.8% in January and are now 20.2% higher than in January 1985. Gold and alloys in primary forms were up 7.4% in January. This index is 17.6% higher than a year ago.

Order the January 1986 issue of *Industry Price Indexes* (62-011, \$15/\$150).



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## PUBLICATIONS RELEASED FEBRUARY 28 - MARCH 6

	Catalogue No.	In Canada: Price per issue/year	Elsewhere: Price per issue/year
<b>AGRICULTURE/NATURAL RESOURCES</b>			
Cereals and Oilseeds Review, December 1985	22-007	\$10/\$100	\$11/\$110
Fruit and Vegetable Production, February 1986	22-003	\$8/\$60	\$9/\$68
Livestock Report - Pigs, January 1, 1986	23-008	\$15/\$60	\$16/\$64
<b>CANSIM</b>			
Canadian Statistical Review, February 1986	11-003E	\$20/\$200	\$21.50/\$215
<b>EDUCATION, CULTURE AND TOURISM</b>			
Education Statistics Bulletin, Vol. 8, No. 1: Financial Statistics of Community Colleges and Vocational Schools, 1982-83	81-002	\$4/\$40	\$5/\$50
<b>HEALTH</b>			
Mortality, Vital Statistics, Vol. III, 1984	84-206	\$35	\$36.50
<b>INDUSTRY</b>			
Canned and Frozen Fruits and Vegetables, November 1985	32-011	\$4/\$40	\$5/\$50
Factory Sales of Electric Storage Batteries, December 1985	43-005	\$4/\$40	\$5/\$50
Footwear Statistics, December 1985	33-002	\$4/\$40	\$5/\$50
Fruit and Vegetable Preservation, Vol. 14, No. 16: Pack of Processed Lima Beans, 1985	32-023	\$6/\$100	\$7/\$110
Industrial Chemicals and Synthetic Resins, December 1985	46-002	\$5/\$50	\$6/\$60
Merchandising Inventories, November 1985	63-014	\$12/\$120	\$13/\$130
Oils and Fats, December 1985	32-006	\$4/\$40	\$5/\$50
Particleboard, Waferboard and Hardboard, December 1985	36-003	\$4/\$40	\$5/\$50
Production and Disposition of Tobacco Products, January 1986	32-022	\$4/\$40	\$5/\$50
Production and Shipments of Steel Pipe, Tubing and Fittings, December 1985	41-011	\$4/\$40	\$5/\$50
Production of Selected Biscuits, Quarter Ended December 1985	32-026	\$5/\$20	\$6/\$24
Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, November 1985	35-002	\$8/\$80	\$9/\$90
Production, Shipments and Stocks on Hand of Sawmills in British Columbia, December 1985	35-003	\$6/\$60	\$7/\$70
Steel Wire and Specified Wire Products, December 1985	41-006	\$4/\$40	\$5/\$50
Shipments of Plastic Film and Bags Manufactured from Resin, Quarter Ended December 31, 1985	47-007	\$5/\$20	\$6/\$24
Shipments of Solid Fuel Burning Heating Products, Quarter Ended December 1985	25-002	\$3/\$12	\$4/\$16
<b>INTERNATIONAL AND FINANCIAL ECONOMICS</b>			
Quarterly Estimates of Canadian Balance of International Payments, Fourth Quarter 1985	67-001	\$8/\$32	\$9/\$36
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Unemployment Insurance Statistics, December 1985	73-001	\$12/\$120	\$13/\$130
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Industry Price Indexes, December 1985	62-011	\$15/\$150	\$16/\$160
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Federal Government Employment, July-September 1985	72-004	\$20/\$80	\$21/\$84
Local Government Employment, July-September 1985	72-009	\$10/\$40	\$11/\$44
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Canadian Civil Aviation, 1984	51-206	\$32	\$33
Passenger Bus and Urban Transit Statistics, December 1985	53-003	\$6.50/\$65	\$7.50/\$75
Railway Carloadings, 7-day Period Ending February 14, 1986	52-005	\$75	\$100
Railway Carloadings, December 1985	52-001	\$7.50/\$75	\$8.50/\$85
Railway Operating Statistics, November 1985	52-003	\$9.50/\$95	\$10.50/\$105

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