

I·N·F·O·M·A·T

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

Friday, January 23, 1987

OVERVIEW

■ Annual Rate of Inflation Edges Up in 1986

The annual average of the consumer price index rose 4.1%, up slightly after a four-year deceleration.

■ Notable Increase in Share Capital

The rise in industrial corporations' share capital (\$3.0 billion) in the third quarter was the second largest advance in three years.

■ Manufacturing Indicators Mixed

After two consecutive increases, Canadian manufacturers reported little change in their value of shipments, but new orders and the backlog of unfilled orders were both down in November.

■ Growth in the Composite Leading Indicator Accelerates

In October, the indicator posted an increase of 0.5%, its largest gain in five months.

■ Mortgage Rates and the Housing Market

Total housing sales and construction starts have changed as mortgage rates have shifted, but the average dollar value of homes has not been affected.

- **This issue also includes** information on the interim population and dwelling counts from the 1986 Census, retail trade, and department store sales and stocks.

Annual Rate of Inflation Edges Up in 1986

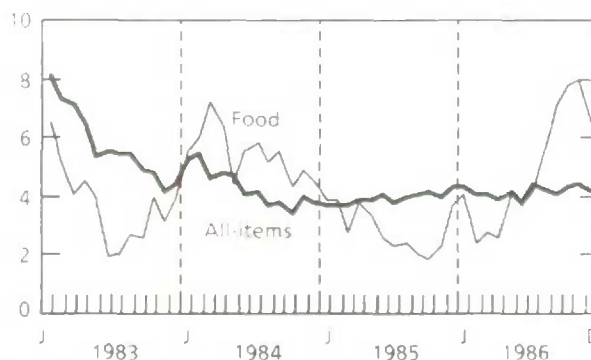
In 1986, the annual average of the consumer price index rose 4.1%, a slight rise from the 1985 increase in the annual average of 4.0%. The rate of increase in the index had slowed from a peak of 12.5% in 1981, to the low record in 1985.

Following a gain of 0.5% in both October and November, the consumer price index (1981=100) advanced by 0.1% in December. Only three of the seven major components increased, led by housing and transportation which were up 0.4% each. These increases were largely offset by declines in food and clothing of 0.2%.

The increase in the transportation index stemmed mainly from advances in public transportation. Rising air fares on southern and trans-Atlantic flights and higher rail fares were the principal source of this increase.

(continued on page 2)

Consumer Price Index
(% change, previous year)



Statistics
Canada

Statistique
Canada

Canada

... Consumer Price Index

The food index fell 0.2%, the first decrease since February 1986 and a reversal of the trend to sharp increases evident since July. The decline posted for food purchased from stores resulted largely from lower prices for fresh vegetables, fresh fruit, poultry, coffee and soft drinks. The year-over-year increase in the food index dropped to 6.5%, from 8.1% in November.

Although new housing prices, rental rates and homeowners' insurance premiums contributed to the increase in the housing index, these gains were partially offset by decreases in hotel and motel rates and natural gas prices. A sharp increase of 1.7% in

new housing prices continued the upward trend which is now running at a rate of 13.6% on a year-over-year basis.

Consumer Price Index

	Aug	Sept	Oct	Nov	Dec
	% change, previous month				
All-items	0.3	0.0	0.5	0.5	0.1
Food	0.4	0.5	0.4	0.6	-0.2
All-items, excl. food	0.3	-0.1	0.6	0.4	0.3
Energy	-0.4	-1.5	-0.7	1.0	0.4
All-items, excl. energy	0.4	0.2	0.6	0.4	0.1
All-items, excl. food & energy	0.4	0.0	0.7	0.4	0.2

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

Notable Increase in Share Capital

Final results for the third quarter of 1986 confirm that on a seasonally adjusted basis industrial corporations' pre-tax profits remained at about the same level as they were in the first and second quarters. At \$9.1 billion, pre-tax profits were 13% lower than the average level recorded in 1985.

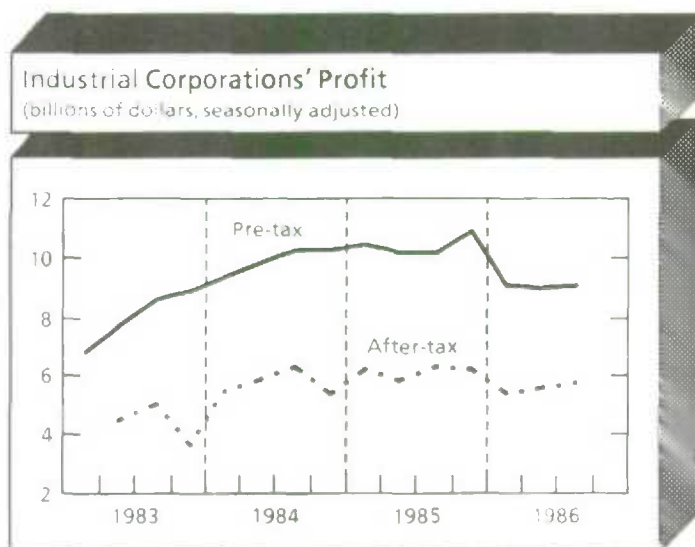
The most notable change in balance sheet data was an increase of \$3.0 billion in share capital. This was the second largest increase in share capital in the last three years, only exceeded by the advance of \$3.4 billion in the first quarter of 1986. About two-thirds of this increase was accounted for by the mineral fuels, pipelines, paper and allied products, real estate developers, other services and tobacco industries.

The same six industries accounted for more than half of the increase in long-term investments. An advance of \$2.5 billion in the current quarter and \$4.0 billion in the second quarter both exceeded the average quarterly advance over the last five years of \$1.6 billion.

Long-term debt has risen steadily over the last four quarters. The most commonly used borrowing vehicle was bonds, which have increased to \$42.8 billion in the current quarter, from \$38.2 billion in the fourth quarter of 1985. The average quarterly increase in bond debt over the last five years was \$0.7 billion. Long-term bank loans have remained relatively stable since the fourth quarter of 1985.

Profitability, as measured by the rate of return on shareholders' equity, remained at 8.8%, unchanged from the second quarter but up from 8.4% in the first quarter. During 1984 and 1985, the average rate of return was 10.6%. Over the last 10 years the rate of return has ranged from a low of 5.3% during the 1982 recession, to a high of 18.6% in the last quarter of 1979.

Liquidity, as measured by the ratio of long-term debt to shareholders' equity, has fallen marginally in each quarter of 1986, sliding to 59.7% in the third quarter. This ratio has remained virtually constant since the fourth quarter of 1984 despite a considerable increase in the relative debt load for the petroleum-related industries. Excluding these industries, the ratio for the remaining industries has gradually declined from 67.2% in late 1983, to 58% in the third quarter of 1986.



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

Manufacturing Indicators Mixed

Following increases of 2.5% in October and 0.6% in September, the seasonally adjusted value of shipments by Canadian manufacturers was virtually unchanged in November. Shipments have fluctuated throughout 1986, but have generally been following a downward trend.

Manufacturing Activity

	July	Aug.	Sept.	Oct	Nov
% change, previous month					
Shipments	3.8	-3.2	0.6	2.5	0.1
New orders	4.0	-5.1	2.8	2.9	-0.6
Unfilled orders	-0.2	-1.7	-0.4	-0.3	-0.6
Inventory to shipments ratio	1.64	1.68	1.68	1.63	1.63

The value of new orders received decreased 0.6%, after two consecutive increases. Estimated at \$20.8 billion, new orders were 4.4% below the February 1986 peak.

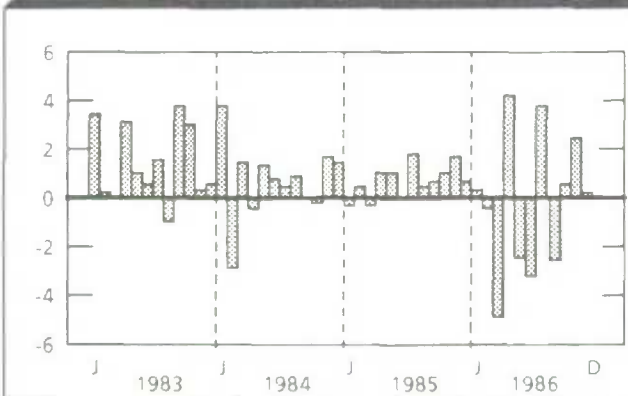
The seasonally adjusted backlog of unfilled orders decreased 0.6% in November, to \$23.9 billion. Aside from October, when unfilled orders were

essentially unchanged, the backlog has been decreasing since June 1986 and has reached its lowest level since April 1985.

Inventories owned by manufacturers have remained fairly stable since March 1986. In November, they were valued at \$34.1 billion.

Shipments

(% change, previous month)



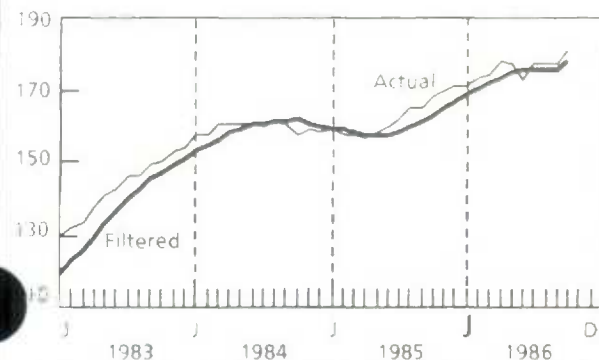
For further information, contact Industry Division at (613) 990-9832.

Growth in the Composite Leading Indicator Accelerates

- The filtered composite leading indicator posted an increase of 0.5% in October, the largest gain in five months.
- Household demand indexes continued to lead the advance.

The Canadian Composite Leading Index

(1971 = 100)



- Retail trade has risen each month since March 1985, but in October the index registered its fourth consecutive increase of 1% or more.
- The index for new motor vehicle sales continued to rise but at a slower rate than in the two preceding months.
- The Toronto Stock Exchange price index, which has slowed in recent months, dropped by 0.3% in October.
- The money supply registered a second increase, after declining from January to August.
- The growth rate of manufacturing indicators, while still registering negative values, improved from the two previous months.
- The United States composite leading indicator continued to register slower growth. Dropping from a rise of 0.7% in April, it was up 0.3% in October.

For further information, contact International and Financial Economics Division at (613) 990-9162.

Mortgage Rates and The Housing Market

Mortgage rates in Canada over the last decade and a half have been characterized by two quite distinct phases. Between June, 1969 and July, 1979, mortgage rates were relatively stable, ranging from 9% to 12%. Throughout the 1980s, however, mortgage rates have been characterized by large and fairly rapid swings. Beginning in the latter part of 1979, mortgage rates escalated rapidly to a peak of 21% in early 1981. In the spring of 1982, rates began a not always smooth descent which saw them fall back to levels similar to those of the 1970s. In May 1986, the five-year rate had fallen below 11%.

A comparison of housing sales with mortgage rates reveals a braiding effect. Generally speaking, as mortgage rates rise, housing sales taper off. When mortgage rates decline, housing sales increase. The effect was particularly noticeable during the 1980s. In the recession period of 1981-82, mortgage rates escalated rapidly, while unit sales dropped in roughly the same proportion. The decline in mortgage rates after 1982 was followed by a 50% increase in the number of housing unit sales between 1983 and 1985.

The housing market responds slowly to changing mortgage rates. For example, mortgage rates increased dramatically in both 1979 and 1980, but unit sales of houses did not begin to decline until 1981. Similarly, housing sales did not rebound until 1984, even though mortgage rates had fallen substantially in 1982 and 1983.

Trends in construction starts are also related to changes in mortgage rates, following a pattern similar to sales and mortgage rates.

While total housing sales and construction starts have changed as mortgage rates shifted, the average dollar value of Canadian homes has been insulated from changes in the mortgage climate. Average house values have risen gradually and steadily to almost \$90,000 in 1986, from \$25,000 in the early 1970s. The only noticeable exception occurred during the 1981-82 recession when average house values dropped to \$70,500 in September 1982 from \$81,600 in December 1981. When the impact of inflation is eliminated, the average value has increased by just under 10% between 1969 and 1985.

This article was extracted from the Winter issue of *Canadian Social Trends*.

For further information, contact Housing, Family and Social Statistics Division at (613) 991-2557.

Interim Population and Dwelling Counts 1986 Census

Preliminary data on the size of the population and the number of occupied dwellings, derived from the 1986 Census of Canada, are now available. These data, referred to as "interim population and dwelling counts", are incomplete measures of the population, which exclude certain small population groups for which data are not yet available. Final counts, incorporating the population not included in the interim counts, are scheduled for publication in April.

Population

	1981 Final Population	1986 Interim Population
Canada	24,343,181	25,116,102 *
Newfoundland	567,681	564,360
Prince Edward Island	122,506	125,379
Nova Scotia	847,442	865,442 *
New Brunswick	696,403	703,474 *
Quebec	6,438,403	6,478,190 *
Ontario	8,625,107	9,042,433 *
Manitoba	1,026,241	1,054,909 *
Saskatchewan	968,313	1,000,227 *
Alberta	2,237,724	2,348,021 *
British Columbia	2,744,467	2,859,261 *
Yukon	23,153	23,022
Northwest Territories	45,741	51,384

* contains one or more incompletely enumerated Indian reserves.

The interim counts exclude the following segments of the population:

- persons enumerated at a temporary address (at a hotel, motel, general hospital, etc.), and not at their usual place of residence;
- persons enumerated outside Canada (e.g., persons on military or diplomatic service outside Canada), instead of at their usual place or residence in Canada;
- persons not enumerated because their usual place of residence was erroneously classified as unoccupied;
- a number of persons in households where information could not be collected by the Census Representative.

The interim population and dwelling counts provide close approximations of the final Census results, and are helpful to many data users in preparing for the final data to be released in April. At the national level, the final counts are not expected to be more than 2% greater than the interim counts, although larger differences may occur for smaller geographic areas.

For further information, contact one of Statistics Canada's regional offices, or Communications Division at (613) 991-4636.

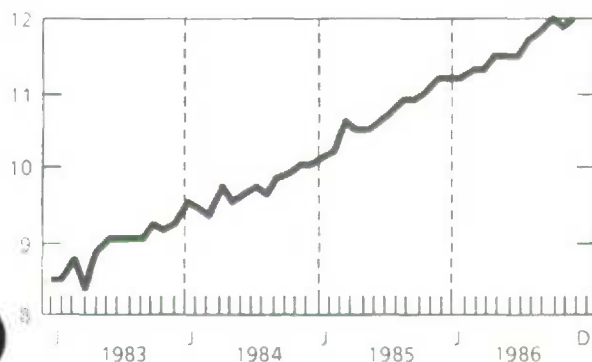
Retail Trade Maintains Momentum

In November, retail sales rose 3.7% over the same month last year.

- Cumulative sales for the first 11 months of year amounted to \$125.4 billion, up 7.9% over the corresponding period in 1985.
- Year-over-year comparisons indicate a moderate rise of 4.4% for all food stores and a marginal increase of 0.7% for motor vehicle dealers.

Retail Trade

(billions of dollars, seasonally adjusted)



Retail Trade

	July	Aug.	Sept.	Oct.	Nov.
% change, previous month					
Grocery and meat stores	1.2	2.2	-0.6	0.0	2.9
Department stores	0.8	-0.1	-0.8	2.2	1.1
Motor vehicle dealers	7.0	0.1	6.2	-4.5	-3.8
All stores	2.3	1.1	1.3	-1.1	1.2
All stores excl. motor	1.0	1.4	-0.3	0.4	2.6

- Department store sales, which totalled \$1.4 billion, were down 0.2% from the same month a year earlier.
- Service station sales declined for the eighth consecutive month on a year-over-year basis and totalled \$887 million. They were down 8.4% from November 1985.
- This downturn was mainly due to the decline in prices for gasoline. Seasonally adjusted data indicate that sales have improved in recent months, as gasoline prices have risen.

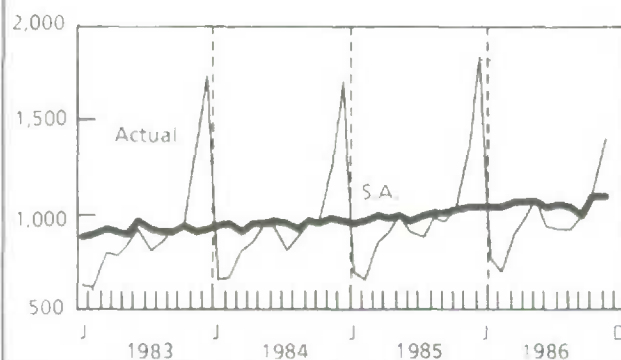
For further information, contact Industry Division at (613) 991-3551.

Department Store Sales Rally

- Large increases in the last two months contrast with the trend in the first nine months of 1986, when sales fluctuated but showed no overall growth.
- Adjusted for seasonal fluctuations and the number of trading days, department store sales increased for the second consecutive month.
- Rising 1.1% from the previous month, department store sales totalled \$1.1 billion in November.
- Department store stocks were down for the second consecutive month, after rising 7.0% in September.
- Dropping 2.6%, the selling value of stocks totalled \$4.1 billion at the end of November.

Department Store Sales

(millions of dollars)



For further information, contact Industry Division at (613) 991-3551.

PUBLICATIONS RELEASED FROM JANUARY 16 - 22

AGRICULTURE AND NATURAL RESOURCES

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

Farm Product Price Index (1981 = 100), November 1986. Catalogue number 62-003 (Canada: \$6/\$60; Other Countries: \$7/\$70)

Farm Wages in Canada, November 1986. Catalogue number 21-002 (Canada: \$7/\$70; Other Countries: \$8/\$32)

EDUCATION, CULTURE AND TOURISM

Education in Canada, A Statistical Review for 1984-85. Catalogue number 81-229 (Canada: \$40; Other Countries: \$41.50)

HEALTH

Vital Statistics Quarterly, July-September 1986. Catalogue number 84-001 (Canada: \$5/\$20; Other Countries: \$6/\$24)

HOUSING, FAMILY AND SOCIAL ANALYSIS

Canadian Social Trends. Fourth Quarter 1986. Catalogue number 11-008E (Canada: \$12.50/\$44; Other Countries: \$15/\$50)

INDUSTRY

Cement, November 1986. Catalogue number 44-001 (Canada: \$4/\$40; Other Countries: \$5/\$50)

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

Corrugated Boxes and Wrappers, November 1986. Catalogue number 36-004 (Canada: \$4/\$40; Other Countries: \$5/\$50)

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

Merchandising Inventories, September 1986. Catalogue number 63-014 (Canada: \$12/\$120; Other Countries: \$13/\$130)

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

Production and Shipments of Blow-moulded Plastic Bottles, Quarter Ended September 30, 1986. Catalogue number 47-006 (Canada: \$5/\$20; Other Countries: \$6/\$24)

Stocks of Frozen Meat Products, December 1986. Catalogue number 26-006 (Canada: \$10/\$100; Other Countries: \$11/\$110)

INDUSTRY - Concluded

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

Quarterly Shipments of Office Furniture Products, Quarter Ended September 30, 1986. Catalogue number 35-006 (Canada: \$5/\$20; Other Countries: \$6/\$24)

Wholesale Trade, October 1986. Catalogue number 63-008 (Canada: \$5/\$50; Other Countries: \$6/\$60)

INTERNATIONAL TRADE

Imports by Commodities, October 1986. Catalogue number 65-007 (Canada: \$50/\$500; Other Countries: \$60/\$600)

LABOUR

The Labour Force, December 1986. Catalogue number 71-001 (Canada: \$20/\$200; Other Countries: \$21.50/\$215)

PRICES

Consumer Price Index, December 1986. Catalogue number 62-001 (Canada: \$8/\$80; Other Countries: \$9/\$90)

PUBLIC INSTITUTIONS

Local Government Employment, April-June 1986. Catalogue number 72-009 (Canada: \$10/\$40; Other Countries: \$11/\$44)

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Science Statistics, January 1987. Catalogue number 88-001 (Canada: \$6/\$60; Other Countries: \$7/\$70)

TRANSPORTATION

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

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

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

Railway Operating Statistics, August 1986. Catalogue number 52-003 (Canada: \$9.50/\$95; Other Countries: \$10.50/\$105)

Regional Reference Centres

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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	Oct.	433.77	433.17	2.1
Labour Income (\$ million)	Oct.	22,852	22,854	5.1
Persons with Jobs (million)	Dec.	11.56	11.61	1.8
Unemployed	Dec.	1,180,000	1,173,000	-4.7
INVENTORIES				
Department Store (\$ million)	Nov. *	4,749	4,886	9.7
Manufacturers' Owned (\$ million)	Nov. *	33,855	33,833	-1.6
ORDERS				
Manufacturers' New Orders (\$ million)	Nov. *	20,495	21,917	-3.2
Manufacturers' Unfilled Orders (\$ million)	Nov. *	23,824	24,044	-0.7
PRICES				
Consumer Price Index (1981 = 100)	Dec. *	134.9	134.7	4.2
New House Price Index (1981 = 100)	Nov.	109.7	108.2	12.2
Raw Materials Price Index (1981 = 100)	Nov.	94.5	94.6	-19.4
Excl. mineral fuels	Nov.	81.4	82.1	4.9
Industrial Product Price Index (1981 = 100)	Nov.	119.8	119.8	0.4
CONSTRUCTION				
			Year-to-date	
Building Permits (\$ million)	Sept.	1,961	17,916	25.0
Housing Starts - Urban Centres (units)	Nov. *	15,536	156,647	23.3
ENERGY				
Coal Production (thousand tonnes)	Oct. *	5,175	46,404	-8.5
Electricity Generation (gigawatt hours)	Oct. *	37,355	369,976	2.2
Natural Gas Production (million cubic metres)	Sept.	7,579	75,416	-3.4
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	Nov.	10,705	110,892	0.5
Imports - Balance of Payments Basis (\$ million)	Nov.	9,436	102,704	8.6
SALES				
Department Store Sales (\$ million)	Nov. *	1,356	10,722	5.1
Manufacturers' Shipments (\$ million)	Nov. *	20,715	229,514	2.3
New Motor Vehicle Sales (\$ million)	Nov.	1,594	20,202	9.6
Refined Petroleum Products (thousand cubic metres)	Nov. *	6,346	70,580	-0.1
Retail Sales (\$ million)	Nov. *	12,378	125,400	7.9

Statistics are in current dollars and are not seasonally adjusted.

* new this week.

Infomat**A Weekly Review**

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