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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, March 13, 1987

OVERVIEW

- **Moderate Rise in Capital Investment Expected in 1987**
  Capital spending on new fixed assets has risen each year since 1984, but the rate of increase is expected to decline to 3.8% in 1987.

- **Sales of Motor Vehicles Continue to Slide**
  Passenger car sales (-17.9%) continued to lead the decline, but commercial vehicle sales (-4.9%) also weakened in January.

- **Pace of Domestic Borrowing Slows**
  During 1986, funds raised by domestic non-financial sectors increased by only 5%, down sharply from increases of more than 25% in 1984 and 1985.

- **Growth Rate of Labour Income Slows**
  The decline in the growth rate of labour income to 5.7% in 1986 from over 7% in the two preceding years was mainly attributable to the goods-producing industries.

- **Composite Leading Indicator Registers Steady Growth**
  In December, the leading indicator rose 0.4%, equal to the average monthly gain in the previous two months.

- **Value of Building Permits Still Over $2 Billion**
  The value of non-residential building permits rose 7.6% in November, offsetting a decline of 3.9% in the residential sector.

This issue also includes an article on Canadian industrial employment and the new housing price index.

Moderate Rise in Capital Investment Expected in 1987

Total capital expenditures on new fixed assets in Canada are expected to amount to $99.0 billion in 1987, a current dollar increase of 3.8% over 1986. With this advance, capital spending will have increased each year since 1984, but the rate of increase will have declined. Most of the advance in 1987 is due to a 6.0% rise in expenditures on machinery and equipment. Spending on construction is expected to rise 2.6%.

The number of industries reporting increases is greater than in 1986, when four industries accounted for most of the growth in total investment. In 1987, the industries planning the most notable advances in capital spending are utilities, manufacturing, the trade-finance-commercial group, and institutions and governments. Mining and the other primary industries expect to continue reducing their investment in fixed assets.

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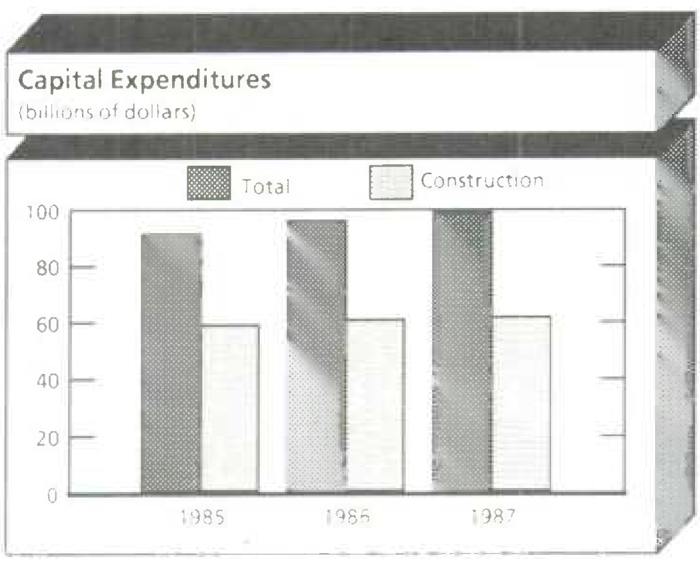


... Capital Expenditures

- The intended 8.7% increase in spending by the manufacturing sector, to a new level of $15.1 billion, is mainly due to increases in the paper products, petroleum refining, electrical products, primary metals and food and beverage industries. These increases more than offset decreases in metal fabrication, chemical products and in the transportation equipment industry.

- The advance of 9% in utilities to a new level of $14.9 billion results from higher capital spending in electric power and the communications group.

- The expected 6.4% gain in the trade-finance-commercial industries to a new level of $18.2 billion is concentrated in real estate development and trade.

- The expected decrease for the primary industries is dominated by an 18.6% drop for petroleum and gas wells. Never the less, this decline is less severe than the 37.4% decline registered in 1986. Agriculture and fishing are expected to decline by 5.4%.

- Capital spending by municipalities is expected to increase by 12.3% to a new level of $4.7 billion. This is the only significant increase reported by any level of government in 1987.

- Hospitals, schools and universities are expected to spend more in 1987 than in 1986. The institutions group as a whole is expected to show a gain of 5.4%.

- Saskatchewan is expected to post the highest increase in capital spending at 8.1%, reflecting increased spending by the manufacturing sector.

- Ontario and Quebec also expect to exceed the national average with increases of 6.2% and 4.8%.

- The impact of reductions in drilling programs for petroleum and gas was most evident in Newfoundland, Nova Scotia, Alberta and in the Northwest Territories; only Nova Scotia expects to register an increase in total capital expenditures by all industries.

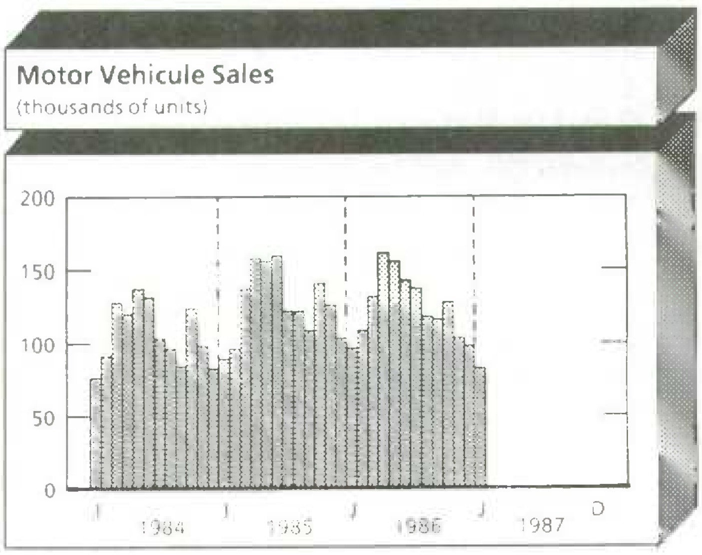
For further information, contact Science, Technology and Capital Stock Division at (613) 991-2209.

Sales of Motor Vehicles Continue to Slide

Sales of new motor vehicles totalled 83,038 units in January, 14.2% lower than in the same month of 1986. Unit sales generally reach their lowest levels in December and January. However, they have been down on a year-over-year basis for four consecutive months. Passenger car sales continued to lead the decline but commercial vehicle sales also weakened in January.

North American-built passenger car sales registered the largest of four consecutive drops. Down 21.9% from January 1986, unit sales totalled 37,548, the lowest January level since 1983. North American manufacturers held 66.4% of the passenger car market, compared to 69.8% a year earlier.

Unit sales of imported passenger cars have been lower on a year-over-year basis since April 1986. In January, they were down 8.7% with Japanese, South Korean and European manufacturers all reporting declining sales. South Korean car sales were the main source of falling import sales in 1986. Japanese manufacturers held 19.4% of the passenger car market in January 1987, compared to 17.6% a year earlier. Manufacturers in countries other than Japan accounted for 14.2% of the market, up from 12.6% in January 1986.



Commercial vehicle sales decreased on a year-over-year basis for the second time in three months. Down 4.9%, unit sales were 26,522 in January.

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

Pace of Domestic Borrowing Slows

During 1986, funds raised by domestic non-financial sectors increased by only 5% in nominal value, down sharply from increases of more than 25% for each of 1984 and 1985. Government financing requirements decreased 24% from a peak reached in 1985, while personal sector borrowing increased 43%.

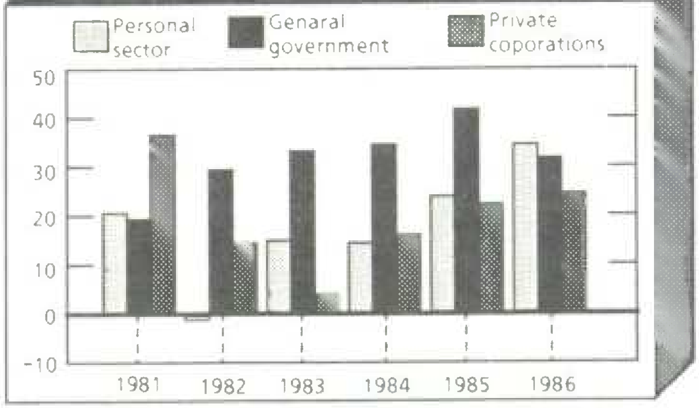
During the fourth quarter, domestic non-financial sectors raised $35.4 billion on conventional credit markets, an increase of 29% over the fourth quarter of 1985. The bulk of that increase originated in the personal sector which showed strength throughout the year. In addition, there was a resurgence of demand for funds by both non-financial private corporations and the government sector that reversed the weaker demand which prevailed in the first three quarters of 1986.

During 1986 increases in residential construction and strong resale markets spurred by favorable interest rates explained an increase of 15% in the level of mortgages outstanding. Mortgage debt outstanding, expressed as a percenage of personal disposable income, increased from under 65% at the end of 1985 to over 70% at the end of 1986 (a peak of 73% was reached in 1979). Similarly, continued growth in expenditure on consumer durables and semi-durables was reflected in demand for consumer credit. As a percentage of personal disposable income, consumer credit outstanding increased from 18% to 20% in the course of the year, but remained somewhat below levels reached during the 1970s.

Financial Market Summary

	1986 Q1	Q2	Q3	Q4
	billions of dollars			
Non-financial sectors				
Personal Sector	2,583	8,916	8,366	14,719
Private Corporations	7,271	7,505	4,669	5,407
Government Enterprises	2,471	-43	834	613
General Government	4,099	8,432	4,515	14,680
Total Domestic	16,424	24,810	18,384	35,419

Domestic Non-financial Borrowings
(billions of dollars)



Financing requirements for all levels of government were reduced as the federal government's deficit decreased to $24.8 billion (in current dollars, on a National Accounts basis) from $32.3 billion in 1985. Federal borrowing on credit markets (excluding issues of bonds to the Canada Pension Plan) fell to $18.5 billion from $34 billion in 1985. For the first time since 1980, net issues of Canada Savings Bonds for the year declined (by $4.4 billion); encashments were high, especially early in the year when interest rates on competing instruments rose.

The provincial government sector deficit rose to $8.2 billion from $5.3 billion in 1985. Borrowing on credit markets by the sector doubled to over $13 billion, with a pronounced increase in issues of treasury bills and short-term paper.

A moderate increase in borrowing by non-financial private corporations during 1986 probably met requirements for balance sheet restructuring as there was little change in inventory accumulation and investment in plant and equipment. Reflecting attractive markets, net new issues of bonds and shares accounted for 72% of funds raised, up from 57% in 1985. The predominance of issues of common shares over preferred, begun in the last quarter of 1985, continued throughout 1986; common shares made up 75% of new issues.

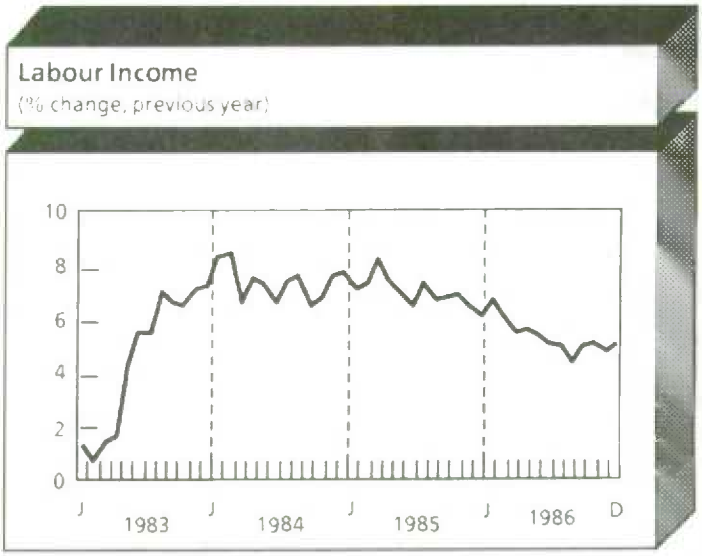
For further information, contact International and Financial Economics Division at (613) 990-9043.

Growth Rate of Labour Income Slows

The preliminary estimate of total labour income in 1986 was up 5.7% from the previous year. The decline in the growth rate from over 7% in the two preceding years was attributable to the goods-producing industries. The annual growth rate for these industries was 4.3% in 1986, compared to 7.5% in 1985. Labour income from the service-producing industries, on the other hand, continues to expand at a steady pace.

Overall, the growth rate of wages and salaries in the service-producing industries, which account for approximately 60% of total labour income, has been relatively stable throughout 1986. The year-over-year increase in December was 6.1%, similar to the rates of growth observed throughout the year. Since July 1986, the trade industry has shown stronger rates of increase in wages and salaries than those recorded in the first two quarters, while transportation, communication and other utilities have shown smaller increases.

The goods-producing industries have restricted the growth of total labour income. They have registered progressively smaller increases in wages and salaries since January 1986, dropping to 1.6% in November from 8.4% in January. In December, wages and salaries were up 2.7% from a year earlier, the highest rate of increase since July 1986. Particularly notable during the year was the drop in labour income from mines, quarries and oil wells and from the forestry industry.



For further information, contact Labour Division at (613) 991-4051

Canadian Industrial Employment

In December, the total number of Canadian industrial employees was estimated to have risen 3.6% from December 1985. Not adjusted for inflation, average weekly earnings were estimated at $434.99, up 2.5% from the same month a year earlier.

Employment in industries that produce tangible commodities and products (the goods-producing industries) was 1.6% higher than it was in December 1985. Following progressively smaller growth rates from January to July, employment in these industries was actually lower in August, September and November than it was a year earlier. Average weekly earnings in the goods-producing indusries were up 3.6% from a year earlier, the highest yearly growth rate registered since February 1986.

The industries that produce services rather than tangible goods (the service-producing industries) have recorded steadily increasing employment growth rates since July 1986. In December, the year-over-year growth rate for employment was 4.2%. However, the growth of average weekly earnings in the service-producing industries has displayed an opposite trend in recent months. In December the year-over-year change in earnings was 2.2%, the lowest it has been in 1986.

Industrial Employment in December

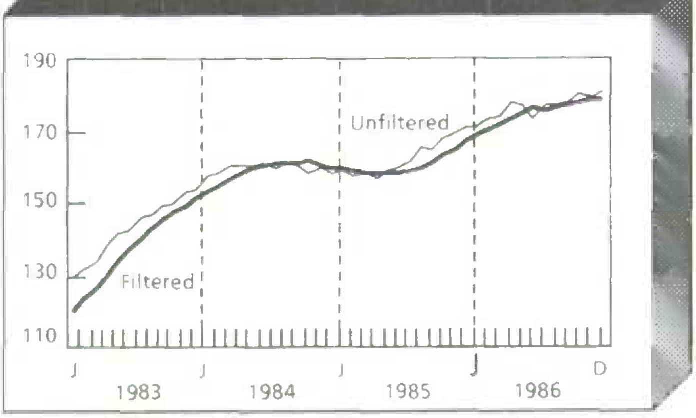
	1983	1984	1985	1986
Employment (millions)	8.4	8.7	8.9	9.2
Average weekly earnings	395.72	407.99	424.32	434.99
Average weekly hours	32.0	31.8	31.9	31.8

For further information, contact Labour Division at (613) 991-4095.

Composite Leading Indicator Registers Steady Growth

- The filtered composite leading indicator posted an increase of 0.4% in December, equal to the average monthly gain in the previous two months. In the first six months of 1986, the composite leading indicator rose an average of 0.8% in each month.
- Household demand indicators continued to weaken, but manufacturing indicators improved for the third consecutive month.
- Retail trade advanced 0.7% in December, continuing the trend to slower growth evident since October.
- The index for residential construction also rose at a more moderate rate. Its increase of 0.3% in December was the smallest monthly advance since March 1986.
- The index for new motor vehicle sales decreased (-0.5%) for the second month in a row.
- Large monthly gains were recorded for the Toronto Stock Exchange stock price index up to August. Over the next four months, this index registered progressively larger decreases. It was down 0.6% in December.

The Canadian Composite Leading Index
(1971 = 100)



- The money supply increased for the fourth consecutive month (0.7%), after declining from January to August.
- The United States composite leading indicator rose 0.6%, the largest monthly gain since May 1986.

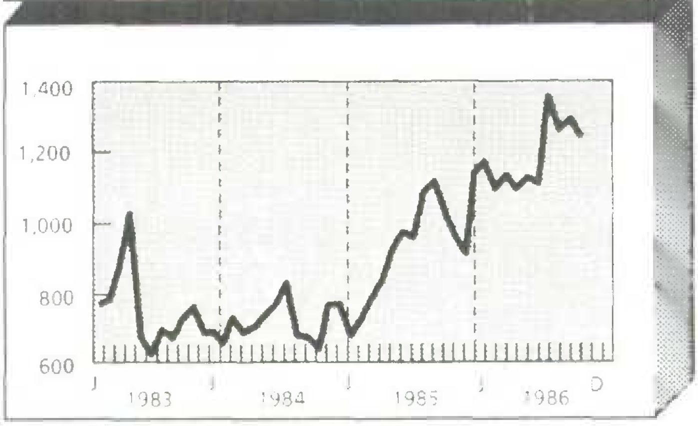
For further information, contact International and Financial Economics Division at (613) 990-9162.

Value of Building Permits Still Over $2 Billion

In November, the seasonally adjusted value of building permits issued by Canadian municipalities was more than $2 billion for the sixth consecutive month. Planned construction has been especially strong in the residential sector (28.8%), while the cumulative value of non-residential building permits was up a more moderate 19% over the same period of 1985. Following decreases in September and October, the overall value of permits was up slightly (0.7%) over October, as a decrease in residential permits was offset by an increase in non-residential permits.

The seasonally adjusted value of residential permits dropped 3.9%, but sustained a relatively high level of $1.2 billion in November. A slowdown in construction intentions for multi-family dwellings and to a lesser extent single family dwellings were responsible for this decline. The number of units approved was down from October, reaching an annual rate of 210.6000.

Residential Construction
(millions of dollars, seasonally adjusted)



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... Building Permits

The value of non-residential building permits has generally been following an uptrend since the start of the year. The value of projects in this sector tends to be higher than in the residential sector, so large month-to-month swings in total value are common. Following a drop of 17.4% in October, the commercial component rose 15.6% in November offsetting decreases in the industrial (-1.0%) and governmental (-3.8%) components. The value of non-residential permits increased in Western Canada, while all other regions recorded decreases.

Building Permits

	July	Aug.	Sept.	Oct.	Nov.
	% change, previous month				
Residential	-1.6	22.7	-6.6	2.5	-3.9
Non-residential	6.2	-13.4	6.1	-5.5	7.6
Total	1.9	5.6	-1.7	-0.9	0.7

For further information, contact Science, Technology and Capital Stock Division at (613) 991-2583.

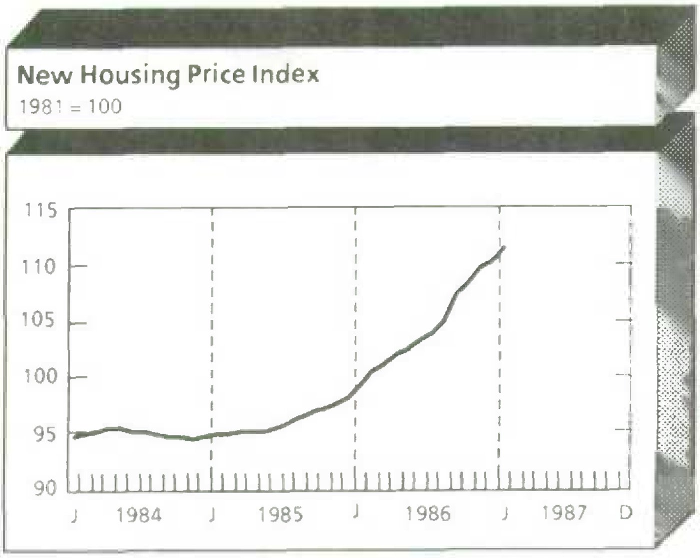
New Housing Price Index

In January, the new housing price index was up 0.9% over December, continuing the rising trend evident since mid-1985. The main source of upward pressure has been the house only portion of the index. In the current month, it rose an estimated 1.1%, while the land only index advanced a moderate 0.3%.

There has been a distinct regional element to the changes in contractors' selling prices. Large monthly and yearly gains have generally prevailed in southwestern Ontario cities where lower interest rates and the strong performance of the local economy has stimulated the demand for residential housing. Major cities in Quebec have also registered substantial increases, but outside of Central Canada advances have been more modest.

Housing Price Indexes

	Sept.	Oct.	Nov.	Dec.	Jan.
	% change, previous month				
New Housing	2.1	0.9	1.4	0.5	0.9
land only	1.5	0.0	0.9	0.0	0.3
house only	2.2	1.3	1.7	0.7	1.1



Increases can be attributed, in large part, to higher costs of building materials and labour. Also, longer construction periods have increased construction costs.

For further information, contact Prices Division at (613) 991-3386.

PUBLICATIONS RELEASED FROM MARCH 6 – MARCH 12

AGRICULTURE AND NATURAL RESOURCES

Cereals and Oilseeds Review, December 1986. Catalogue number 22-007 (Canada: $10/$100; Other Countries: $11/$110).

Livestock Report – Pigs, January 1, 1987. Catalogue Number 23-008 (Canada: $15/$60; Other Countries: $16/$64).

Production and Stocks of Eggs and Poultry, December 1986. Catalogue Number 23-003 (Canada: $10/$100; Other Countries: $11/$110).

CANSIM

Canadian Statistical Review, February 1987. Catalogue number 11-003E (Canada: $20/$200; Other Countries: $21.50/$215).

EDUCATION, CULTURE AND TOURISM

Culture Communiqué – Periodical Publishing, 1984. Catalogue Number 87-001 (Canada: $4/$40; Other Countries: $5/$50).

PUBLICATIONS RELEASED FROM MARCH 6 – MARCH 12

HOUSEHOLD SURVEYS

Earnings of Men and Women, 1985. Catalogue number 13-217 (Canada: $10; Other Countries: $11).

INDUSTRY

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

Department Store Sales and Stocks, November 1986. Catalogue number 63-002 (Canada: $13/$130; Other Countries: $14/$140).

Fruit and Vegetable Preservation, Vol. 15, No. 9 - Pack of Processed Plums, 1986. Catalogue number 32-023 (Canada: $6/$100; Other Countries: $7/$110).

Fruit and Vegetable Preservation, Vol. 15, No. 11 – Pack of Processed Peaches, 1986. Catalogue number 32-023 (Canada: $6/$100; Other Countries: $7/$110).

Fruit and Vegetable Preservation, Vol. 15, No. 12 – Pack of Processed Apricots, 1986. Catalogue number 32-023 (Canada: $6/$100; Other Countries: $7/$110).

Fruit and Vegetable Preservation, Vol. 15, No. 14 – Pack of Processed Beets, 1986. Catalogue number 32-023 (Canada: $6/$100; Other Countries: $7/$110).

Primary Iron and Steel, December 1986. Catalogue Number 41-001 (Canada: $4/$40; Other Countries: $5/$50).

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, November 1986. Catalogue number 35-002 (Canada: $8/$80; Other Countries: $9/$90).

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

Stocks of Frozen Meat Products, February 1987. Catalogue Number 32-012 (Canada: $10/$100; Other Countries: $11/$110).

INTERNATIONAL AND FINANCIAL ECONOMICS

System of National Accounts: Financial Flow Accounts, Third Quarter 1986. Catalogue Number 13-002 (Canada: $35/$140; Other Countries: $36/$144).

INTERNATIONAL AND FINANCIAL ECONOMICS – Concluded

System of National Accounts: Financial Flow Accounts: Fourth Quarter 1986. Catalogue number 13-002P. (Canada: $10/$40; Other Countries: $11/$44).

INTERNATIONAL TRADE

Exports by Countries, January-December 1986. Catalogue number 65-003 (Canada: $75/$300; Other Countries: $85/$340).

Preliminary Statement of Canadian International Trade, January 1987. Catalogue number 65-001P (Canada: $5/$50; Other Countries: $6/$60).

LABOUR

Labour Force Information, February 1987. Catalogue number 71-001P (Canada: $5/$50; Other Countries: $6/$60).
Available March 13 at 7:00 a.m.

Quarterly Estimates of Trusteed Pension Funds, Second Quarter 1986. Catalogue number 74-001 (Canada: $10/$40; Other Countries: $11/$44).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

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

SOCIAL SURVEY METHODS

Survey Methodology: A Journal of Statistics Canada, Vol. 12, No. 2, December 1986. Catalogue number 12-001 (Canada: $10/$20; Other Countries: $11.50/$23).

TRANSPORTATION

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

Railway Carloadings, 7-day Period Ending February 14, 1987. Catalogue number 52-005 (Canada: $75; Other Countries: $100).

Railway Transport in Canada – Commodity Statistics, 1985. Catalogue number 52-211 (Canada: $42.50; Other Countries: $44).

Railway Transport in Canada, 1985. Catalogue number 52-215 (Canada: $32; Other Countries: $33).

LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	Dec.	434.99	433.58	2.5
Labour Income ($ million)	Dec.*	22,556	22,683	5.2
Persons with Jobs (million)	Jan.	11.33	11.56	1.2
Unemployed (million)	Jan.	1.3	1.2	-0.4
INVENTORIES				
Department Store ($ million)	Dec.	4,282	4,749	21.2
Manufacturers' Owned ($ million)	Dec.	33,620	33,912	-1.4
ORDERS				
Manufacturers' New Orders ($ million)	Dec.	19,897	20,461	2.0
Manufacturers' Unfilled Orders ($ million)	Dec.	23,585	23,786	-0.5
PRICES				
Consumer Price Index (1981 = 100)	Dec.	134.9	134.7	4.2
New House Price Index (1981 = 100)	Jan.*	111.3	110.3	12.0
Raw Materials Price Index (1981 = 100)	Jan.	97.7	95.0	-16.1
Excl. mineral fuels	Jan.	105.0	104.9	1.9
Industrial Product Price Index (1981 = 100)	Jan.	119.9	119.8	-0.9
CONSTRUCTION			**Year-to-date**	
Building Permits ($ million)	Dec.*	1,789	**1,789**	**24.8**
Housing Starts – Urban Centres (units)	Jan.	14,286	**14,286**	**53.0**
ENERGY				
Coal Production (thousand tonnes)	Dec.	4,994	**56,508**	**-6.9**
Electricity Generation (gigawatt hours)	Dec.	44,783	**455,834**	**2.1**
Natural Gas Production (million cubic metres)	Nov.	9,894	**94,328**	**-3.0**
FOREIGN TRADE				
Exports – Balance of Payments Basis ($ million)	Dec.	10,030	**121,079**	**0.7**
Imports – Balance of Payments Basis ($ million)	Dec.	8,672	**111,516**	**8.5**
SALES				
Department Store Sales ($ million)	Dec.	1,945	**12,668**	**5.2**
Manufacturers' Shipments ($ million)	Dec.	20,098	**241,541**	**2.2**
New Motor Vehicle Sales ($ million)	Jan.*	1,277	**1,277**	**-4.7**
Refined Petroleum Products (thousand cubic metres)	Dec.	7,229	**77,999**	**0.4**
Retail Sales ($ million)	Dec.	14,426	**139,676**	**7.8**

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

Infomat

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