

I·N·F·O·M·A·T

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

Friday, August 14, 1987

OVERVIEW

■ Merchandise Trade Surplus Declines

The merchandise trade surplus declined by \$300 million in the second quarter of 1987. The value of exports was down (-2.3%) for the first time in a year and imports decreased for the second consecutive quarter (-1.4%), despite exceptional growth in May and June.

■ Motor Vehicle Sales Show Minor Improvement

Sales were up slightly (0.9%) in the first six months of 1987. Higher sales of Japanese cars, and commercial vehicles offset a decrease in North American-built cars.

■ Growth in the Composite Leading Indicator Continues

The leading indicator rose 0.7% in May, continuing the trend of strong increases evident since January 1987.

■ Steady Growth in Wages and Salaries

In May, wages and salaries rose 0.6% over the previous month, similar to the month-over-month gains recorded since the start of the year.

■ Employment Down Slightly in July

After 11 successive months of growth, the level of employment was reduced by 25,000 in July.

■ New Housing Prices Still Registering Strong Gains

In June, the new housing price index was up 0.5%. Demand for housing continued to be quite strong, although there were areas, such as Toronto, where builders experienced lower sales volumes.

This issue **also** includes an article on **Capital Expenditures by Foreign and Domestic Controlled Firms.**

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Merchandise Trade Surplus Declines

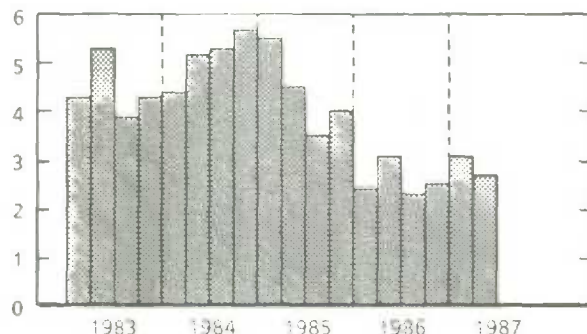
The seasonally adjusted merchandise trade surplus (on a balance of payments basis) dropped from \$3.0 billion in the first quarter of 1987 to \$2.7 billion in the second, a decrease of \$300 million. The value of exports was down (-2.3%) for the first time in a year and imports decreased for the second consecutive quarter (-1.4%), despite exceptional growth in May and June.

In the second quarter, seasonally adjusted exports totalled \$30.2 billion, \$718 million less than in the previous quarter. The value of exports had risen in each of the three preceding quarters, mainly on the strength of automotive exports. The slowing of automobile sales in the United States contributed to the most notable declines in exports in the second quarter. Exports of passenger autos fell by \$822 million and motor vehicle parts dropped by \$198 million. Total exports to the U.S. in the first 6 months of 1987 were down slightly (-0.3%), while Canadian exports to all other principal trading areas rose.

(continued on page 2)

Merchandise Trade Balance

(billions of dollars, seasonally adjusted)



Statistics
Canada

Statistique
Canada

Canada

... Merchandise Trade Surplus Declines

Imports were down for the second consecutive quarter, dropping 1.4% to \$27.5 billion. However, imports rose by more than \$1.6 billion during May and June, after falling by \$1.0 billion in April. For the quarter, the largest decreases were in imports of motor vehicle parts (-\$321 million), crude petroleum (-\$149 million) and other industrial machinery (-\$137 million).

In addition to balance-of-payments basis trade statistics, which are compiled using the principle of change in ownership of goods between residents and non-residents, and customs-basis trade statistics,

Merchandise Trade

	1986			1987	
	Q2	Q3	Q4	Q1	Q2
	% change, previous quarter				
Imports	-5.2	4.3	1.8	-0.9	-1.4
Exports	-2.5	1.1	2.2	1.0	-2.3
	change, previous quarter				
Balance (millions \$)	692	-809	160	578	-332

which represent the value of goods moving across the borders, Statistics Canada is now producing reconciled custom-basis statistics on the trade between Canada and the United States, our largest trading partner.

The reconciled trade balance is agreed to by both Statistics Canada and the U.S. Bureau of the Census. It is the single best measure of merchandise trade, on a customs basis, between the two countries. It has been adjusted to remove differences such as non-receipt of export documents, transportation charges, trade definition and valuation. It is not seasonally adjusted.

For the first six months of 1987, the reconciled value of Canadian exports to the United States on a customs-basis was \$47.8 billion, while imports amounted to \$39.7 billion. There was a surplus of \$8.1 billion in Canadian dollars for Canada in the trade balance between the two countries. This is a decrease of \$490 million from the first six months of 1986.

For further information, contact International Trade Division at (613) 990-9787 or order the Preliminary Statement of Canadian International Trade (catalogue number 65-001P).

Motor Vehicle Sales Show Minor Improvement

In the first six months of 1987, sales of new motor vehicles totalled 811,960 units, up 0.9% over the same period of 1986. Japanese cars and North American commercial vehicles registered strong sales, rising 23.1% and 11.0% respectively over the first two quarters of 1986. Sales of North American-built passenger cars were down 6.7%. The quarter-to-quarter movement showed no growth in the first quarter, but a jump of 6.3% in the second.

In the second quarter of 1987, commercial vehicles recorded their largest year-over-year sales increase (14.2%) since the first quarter of 1986. Generally commercial vehicle sales have been advancing since the first quarter of 1983.

Motor Vehicle Sales

	1986			1987	
	Q2	Q3	Q4	Q1	Q2
	% change, previous year				
Passenger cars	-5.2	3.4	-13.6	-6.2	0.2
North American	-7.6	7.6	-13.0	-9.0	-5.1
Japan	6.1	8.6	-7.3	13.4	30.6
Other countries	1.4	-4.8	-14.7	0.7	13.7
Commercial vehicles	5.7	9.8	-0.5	4.0	14.2

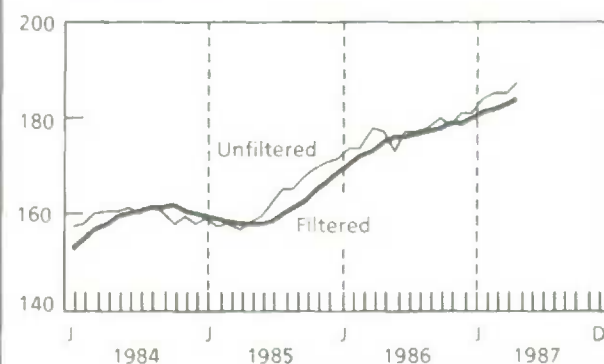
Based on unit sales of 389,515, North American manufacturers held 68% of the passenger car market in the January to June period, down from 71% last year. The Japanese share of the passenger car market was 21%, up from 17% in 1986.

For further information, contact Industry Division at (613) 990-9682 or order New Motor Vehicles Sales (catalogue number 63-007).

Growth in the Composite Leading Indicator Continues

- The composite leading indicator rose 0.7% in May, compared to 0.6% in April and continued the trend to strong increases evident since January 1987.
- Gains were widespread as nine of the ten component indexes advanced in May.
- The largest increases were registered for housing, sales of durable goods, and the stock market.
- The index for residential construction rose 5.4%, the fifth solid advance in as many months.
- Furniture and appliance sales continued to advance in tandem with increased demand for housing, gaining 1.0% during the month, while new motor vehicle sales rose 2.0%.
- Continuing an upturn which began in January, the Toronto Stock Exchange stock price index rose 2.4% in May.

Canadian Composite Leading Indicator
(1971 = 100)



- The United States composite leading indicator rose 0.5%, slightly below the levels recorded in preceding months.

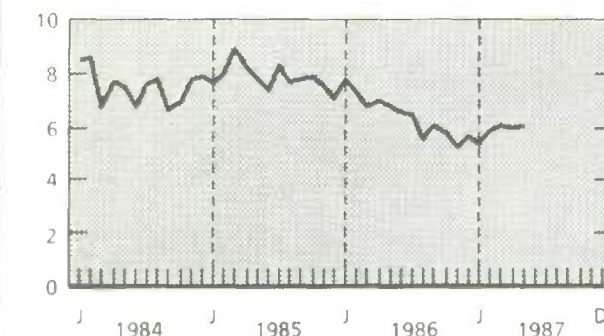
For further information, contact International and Financial Economics Division at (613) 990-9162 or order *Current Economic Indicators* (catalogue number 13-005).

Steady Growth in Wages and Salaries

The preliminary estimate of total labour income in May 1987 was \$24.0 billion, up 6.1% from the same month a year earlier. Year-over-year increases in total labour income have been rising since August 1986 when the growth rate was 5.6%. The seasonally adjusted estimate of wages and salaries rose 0.6% over the previous month. Wages and salaries have been growing at a steady pace as similar increases have been recorded since the start of the year.

On a year-over-year basis, wages and salaries in the goods-producing industries were up 6.4% in May 1987, the largest increase recorded since April 1986. The most significant change in May was a 1.0% advance in mines, quarries and oil wells. Although the gain was small, it was the first year-over-year increase for these industries in more than a year. The rate of growth in construction wages and salaries was exceptionally large in May when compared to the first four months of the year, but the increase was due to smaller growth a year ago which was caused by work stoppages.

Labour Income
(% change, previous year)



Wages and salaries in the service-producing industries increased by 5.8%, compared to an average growth rate of 6.6% in the preceding 12 months. All industries in this group showed little change in their yearly growth rate of wages and salaries, with the exception of federal administration which decreased by 2.6%.

For further information, contact Labour Division at (613) 991-4051 or order *Estimates of Labour Income* (catalogue number 72-005)

Capital Expenditures by Domestic and Foreign Controlled Firms

According to the survey of investment intentions, capital spending in the manufacturing sector for 1987 was expected to advance 8.7% from 1986, to \$15.1 billion. Domestically controlled firms, who planned a 13.4% increase to \$8.1 billion, were largely responsible for the overall advance in capital spending on manufacturing. Following two years when they bumped their investment by more than 20%, United States controlled firms intended to increase their expenditures by a moderate 6.2% in 1987. Firms controlled by other foreign countries planned to reduce their capital spending slightly in 1987.

Investment in mining (including crude petroleum and natural gas) was expected to fall for the second consecutive year. Planned spending in 1987 was set at \$6.1 billion, a decrease of 14.5%. Firms controlled by countries other than the United States planned the largest decrease in spending (-32%). However, these firms registered the smallest decrease in 1986

(-4.0%). Canadian controlled firms planned to reduce spending by 16%, while U.S. controlled firms were expecting to cut back by 5%.

While planned investment in all mining industry groups was down, the most dramatic reduction was in the petroleum and natural gas industry. At \$4.4 billion, expected capital spending was \$1 billion below the 1986 level. This follows an even more extreme drop of \$3.2 billion the previous year. The most significant impact came from plans by Canadian controlled firms to reduce their investment by 28.5% to \$2 billion. Foreign controlled firms intended to reduce spending to \$2.3 billion, down 7% from 1986.

It should be noted that this report is based on overall capital expenditure figures already published in *Private and Public Investment in Canada, Intentions 1987* and not on the more recent mid-year review.

For further information, contact Structural Analysis Division at (613) 991-3611 or order Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry (catalogue number 61-215).

PUBLICATIONS RELEASED FROM AUGUST 7 - 13

AGRICULTURE

Production and Stocks of Eggs and Poultry, May 1987. Catalogue number 23-003 (Canada: \$10/\$100; Other Countries: \$11/\$110).

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

COMMUNICATIONS

Telephone Statistics, May 1987. Catalogue number 56-002 (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85).

INDUSTRY

Beverage and Tobacco Products Industries, Soft Drink Industry, 1985 Census of Manufactures. Catalogue number 32-251B 1111 (Canada: \$4; Other Countries: \$5)

Fabricated Metal Products Industries, Metal Dies, Moulds and Patterns Industry, 1985 Census of Manufactures. Catalogue number 41-251B 3062 (Canada: \$4; Other Countries: \$5)

INTERNATIONAL TRADE

Exports by Commodity, May 1987. Catalogue number 65-004 (Canada: \$50/\$500; Other Countries: \$60/\$600)

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Building Permits, April 1987. Catalogue number 64-001 (Canada: \$20/\$200; Other Countries: \$21/\$210).

Construction in Canada, 1985-1987. Catalogue number 64-201 (Canada: \$35; Other Countries: \$36).

STRUCTURAL ANALYSIS

Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry, 1987. Catalogue number 61-215 (Canada: \$15; Other Countries: \$16).

TRANSPORTATION

Surface and Marine Transport Service Bulletin, Vol. 3, No. 4. Catalogue Number 50-002. (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85)

Employment Down Slightly in July

Estimates from the Labour Force Survey show that after 11 successive months of growth, the level of employment declined slightly (-25,000) in July. Unemployment rose by an estimated 15,000, increasing the unemployment rate to 9.1%.

Employment in Alberta, which rose significantly from January to May, was down for the second consecutive month in July. In British Columbia, employment dropped by 18,000, following increases registered in the preceding five months. The other provinces showed little change in their employment levels.

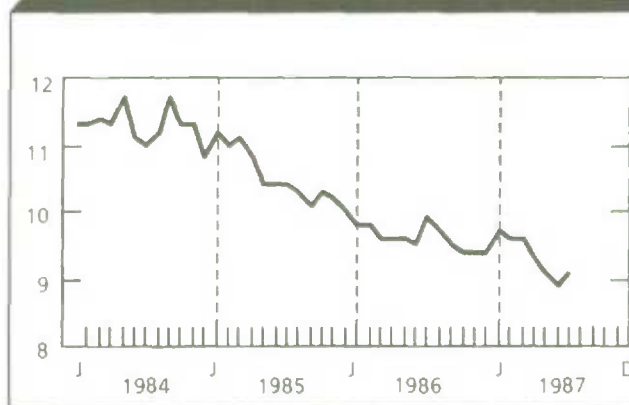
The decline was primarily centered in the service-producing industries (-23,000) as employment in the trade industries fell by 15,000 and community, business and personal services decreased by 14,000. Employment gains in primary industries other than agriculture were largely offset by a decrease of an estimated 9,000 in manufacturing. This was the first decline in manufacturing employment since January 1987.

Labour Force

	Mar.	Apr.	May	June	July
	Change, previous month				
Labour force ('000)	25	7	39	37	-10
Employment ('000)	23	50	62	50	-25
15-24 years ('000)	13	12	-3	12	-26
25 years & over ('000)	36	38	65	38	1
Unemployment ('000)	2	-43	-23	-13	15
Unemployment rate	9.6	9.3	9.1	8.9	9.1

Unemployment Rate

(percent, seasonally adjusted)



During the month, there was little change in the employment levels for persons aged 25 and over. The decline mainly affected persons aged 15 to 24, particularly young men. The employment levels for males 15 to 24 fell 19,000 from May 1987.

The overall increase in unemployment of 15,000 was the first rise in four months. It was evenly split between females over 25 (8,000) and persons aged 15 to 24 (7,000). The level of unemployment increased by an estimated 21,000 in Quebec, 4,000 in Alberta and 8,000 in British Columbia.

For further information, contact Household Surveys Division at (613) 991-4720 or order Labour Force Information (71-001P) for summary data.

New Housing Price Index

In June, the new housing price index was up 0.5% over May, continuing the rising trend evident since mid-1985. The main source of upward pressure was the house only portion of the index. In the current month, it rose an estimated 0.6%, while the land only index advanced 0.3%. This index of housing contractors' selling prices was 15.9% higher than it was a year earlier.

The largest monthly increase in new housing prices was recorded in Kitchener-Waterloo where prices rose by 2.3%. In June, the index for Toronto rose by only 0.3%, the third consecutive month in which price increases have slowed.

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 and Montreal. Demand for

Housing Price Indexes

	Feb.	Mar.	Apr.	May	June
	% change, previous month				
New Housing	1.7	3.0	1.2	0.8	0.5
land only	0.5	3.3	0.8	1.1	0.3
house only	2.2	3.1	1.4	0.8	0.6

housing continued to be quite strong in June, although there were areas, such as Toronto, where builders experienced lower sales volumes. In other areas of the country, year-over-year changes were generally in the 3% to 7% range except in Victoria where prices were 4.8% lower than in June 1986.

For further information, contact Prices Division at (613) 990-9601 or order Construction Price Statistics (catalogue number 62-007).



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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	May	440.24	437.90	3.5
Labour Income (\$ million)	May*	24,027	23,330	6.1
Persons with Jobs (million)	July*	12.42	12.32	3.0
Unemployed (million)	July*	1.2	1.1	-5.9
INVENTORIES				
Department Store (\$ million)	May	4,540	4,678	7.1
Manufacturers' Owned (\$ million)	May	33,811	33,767	0.3
ORDERS				
Manufacturers' New Orders (\$ million)	May	22,147	21,484	1.8
Manufacturers' Unfilled Orders (\$ million)	May	24,319	23,957	-1.8
PRICES				
Consumer Price Index (1981 = 100)	June	138.2	137.8	4.8
New House Price Index (1981 = 100)	June*	119.6	119.0	15.9
Raw Materials Price Index (1981 = 100)	June	103.9	101.8	13.2
Excl. mineral fuels	June	110.7	110.0	7.2
Industrial Product Price Index (1981 = 100)	June	122.3	121.7	3.1
CONSTRUCTION				
			Year-to-date	
Building Permits (\$ million)	May	2,907	12,143	38.0
Housing Starts - Urban Centres (units)	May	24,944	82,734	36.6
ENERGY				
Coal Production (thousand tonnes)	May	4,694	23,606	-2.9
Electricity Generation (gigawatt hours)	May	36,839	209,948	6.2
Natural Gas Production (million cubic metres)	Apr.	8,912	39,035	2.0
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	June*	10,732	61,746	1.7
Imports - Balance of Payments Basis (\$ million)	June*	10,631	56,847	1.6
SALES				
Department Store Sales (\$ million)	May	1,033	4,438	0.0
Manufacturers' Shipments (\$ million)	May	21,786	105,142	0.4
New Motor Vehicle Sales (\$ million)	June*	2,568	12,480	10.6
Refined Petroleum Products (thousand cubic metres)	May	6,484	31,646	2.6
Retail Sales (\$ million)	May	13,469	58,081	7.6

Statistics are in current dollars and are not seasonally adjusted.

* new this week.

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