

# I·N·F·O·M·A·T

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

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Friday, October 23, 1987

### OVERVIEW

OCT 23 1987

#### ■ Manufacturing Shipments Maintain Rising Trend

In August, shipments by Canadian manufacturers increased for a fifth consecutive month, but new orders decreased for the first time since March 1987.

#### ■ Building Permits Continue to Slide

In August, building permits dropped for the fifth consecutive month, as construction intentions in the non-residential sector were down once again.

#### ■ Notes on Corporate Concentration and Canada's Income Tax

Statistics drawn from a sample of 1983 corporate income tax returns have been analysed to determine the relationships between firm size, the utilization of various corporate income tax provisions and effective tax rates.

#### ■ Declining Food Prices Offset Increases in Other CPI Items

In September, the consumer price index was unchanged for the first time in 12 months. Measures of the annual rate of change also suggested that the overall trend was either stable or decelerating.

#### ■ Trends in Government Employment Examined

The level of government employment has been less sensitive to economic swings than employment in the private sector, but its growth rate over the last ten years has been much lower.

#### ■ Retail Trade Records Strong Gain

The advance in August of 1.8% was in line with the average growth in retail sales since the start of the year.

This issue also includes an article on Wholesale Trade.

### Manufacturing Shipments Maintain Rising Trend

Canadian manufacturing industry shipments increased for the fifth consecutive month in August, but at a slower pace than in July. New orders decreased for the first time since March 1987. Cancellations accounted for a substantial portion of this decline.

In August, the seasonally adjusted value of shipments rose 0.5% over July, reaching \$21.7 billion. This increase plus those recorded since April 1987 produced a record value of shipments. The rate of increase was lower than in July, but similar to the gains registered in the three preceding months.

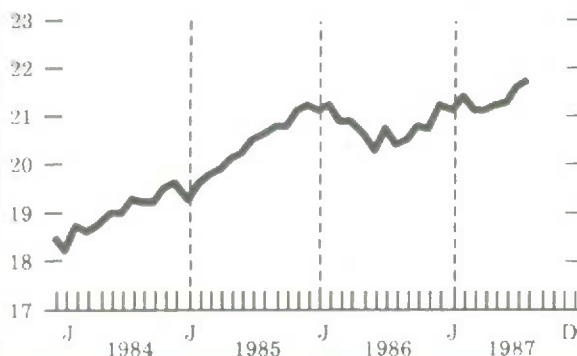
Most of the August improvement in shipments originated in the industries producing durable goods. Shipments by manufacturers of durable goods (automobiles, household appliances, etc.) were relatively stable in the five preceding months, after peaking in February.

The seasonally adjusted level of new orders and the backlog of unfilled orders both fell in August following four consecutive increases. New orders were down

(continued on page 2)

### Manufacturers' Shipments

(billions of dollars, seasonally adjusted)


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### ... Manufacturing Shipments

1.7%, to \$21.4 billion. The backlog of unfilled orders was valued at \$24.3 billion, 1.0% lower than in the previous month.

Seasonally adjusted inventories owned by manufacturers increased 0.3%, to \$33.9 billion in August. This was the fourth increase in the last five months and contrasts with the gently declining trend experienced throughout 1986.

The ratio of inventory owned to shipments was unchanged in August. This ratio has remained at about the same level since the beginning of the year, averaging 1.57:1 in 1987, compared to 1.61:1 in 1986.

### Manufacturing Activity

	Apr.	May	June	July	Aug.
	% change, previous month				
Shipments	0.1	0.3	0.5	1.3	0.5
New orders	1.3	0.6	0.7	1.1	-1.7
Unfilled orders	0.7	1.0	1.0	0.9	-1.0
Inventory to shipments ratio	1.58	1.59	1.58	1.56	1.56

For further information, contact Industry Division at (613) 951-9832 or order *Inventories, Shipments and Orders in Manufacturing Industries* (catalogue number 31-001).

## Building Permits Continue to Slide

In August, the seasonally adjusted value of building permits issued by Canadian municipalities was \$2.2 billion, down 5.6% from July. This was the fifth consecutive drop in the value of building permits and it was entirely due to reduced intentions in the non-residential sector.

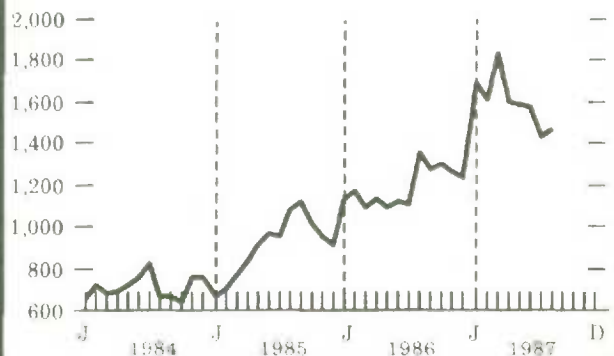
- After four consecutive decreases, the estimated value of residential building permits rose 2.9% in August, to \$1.5 billion.
- This increase was entirely due to the single-family dwelling sector gaining 6.6% during the month to reach \$1.0 billion. Permits issued for multi-family dwellings amounted to \$423 million, a decrease of 5.3% from July.
- On a regional basis, the value of residential building permits rose in the Atlantic region, Ontario and British Columbia, while Quebec and the Prairies registered decreases.
- The number of dwelling units authorized was down slightly in August. However, the annual rate (227,600) remained above 200,000 for the eighth consecutive month.

### Building Permits

	Apr.	May	June	July	Aug.
	% change, previous month				
Residential	-12.7	-1.2	-1.7	-8.1	2.9
Non-residential	20.1	-8.5	-12.5	4.7	-18.6
Total	-1.7	-4.2	-5.9	-3.4	-5.6

### Residential Construction

(millions of dollars, seasonally adjusted)



- The estimated value of non-residential building permits dropped 18.6%.
- All non-residential components recorded declines in August. The governmental sector dropped by 31.0%, to \$140 million. The industrial sector was down 16.3% to \$122 million, while the commercial sector declined by 14.9%, to \$501 million.

For further information, contact Science, Technology and Capital Stock Division at (613) 951-2583 or order *Building Permits* (catalogue number 64-001).

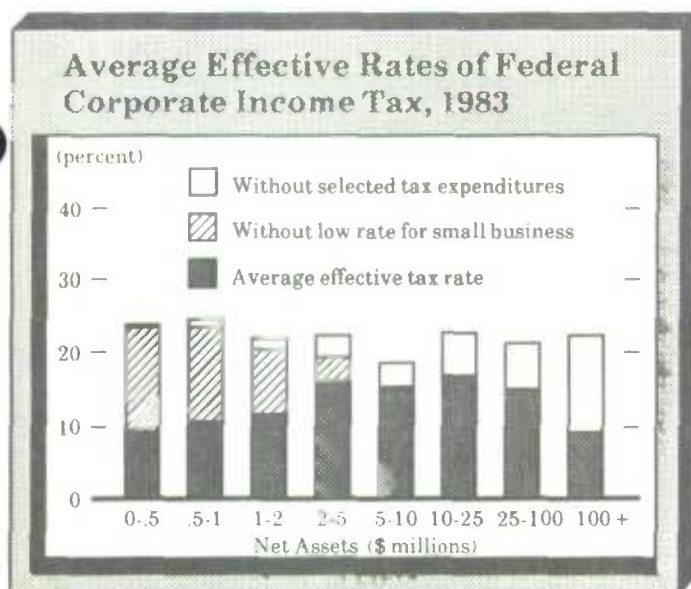


## Notes on Corporate Concentration and Canada's Income Tax

The federal corporate income tax is nominally a flat rate tax on corporate profits. However, taxes actually paid by companies as a proportion of their income (known as their effective tax rate) typically diverge from the basic statutory rate. This difference is largely the result of various tax provisions, often called tax expenditures.

"Notes on Corporate Concentration and Canada's Income Tax", a research paper from the Social and Economic Studies Division, presents an analysis of effective tax rates in relation to the size of corporations. Statistics drawn from a sample of 1983 corporate income tax returns were analysed to determine the relationships between firm size, the utilization of various corporate income tax provisions and effective tax rates.

A principal observation when effective tax rates are charted by firm size (measured in terms of net assets) is that mid-sized firms had the highest effective tax rates; although tax rates were lower for small firms, they were lower still for the largest firms. The heavily shaded portion of the bars on the following chart illustrates this pattern.



In 1983, the overall effective tax rate of net federal income taxes exclusive of transfers received was 11.5%. This average included effective tax rates ranging from 9.7% in the smallest asset size group, to 17.1% in the \$10-25 million asset size group and 9.6% in the \$100 + million asset size group. This can be compared to the statutory corporate income tax rate of 36.9% in 1983 (including the surtax then in effect).

There are two main groups of tax provisions that account for this inverted "U" shaped pattern of effective tax rates.

First is the special low tax rate for small business. This is the most important tax provision related either directly or indirectly to firm size. Without it, effective tax rates would decline steadily as asset size increases. Its impact is clearly demonstrated on the accompanying bar chart by the lightly shaded portion of the bars.

The second group of tax provisions relate to capital intensity. Large firms tend to be more capital intensive than smaller firms, and a significant portion of the tax provisions that lower the effective tax rate are designed to encourage capital investment. Their impact is shown by the unshaded portion of the bars in the chart.

Specifically, this second group includes:

- In the resource sector, accelerated write-offs of exploration and development expenses and the additional earned depletion deduction which were clearly tilted toward larger firms.
- The former 3% inventory deduction which tended to be most important to medium-sized firms.
- Accelerated depreciation for tax purposes and the investment and scientific research tax credits which were of greatest benefit to larger firms.

The paper goes on to discuss the possible connections between this pattern of effective tax rates and tendencies toward corporate concentration.

For further information, contact Dr. M. Wolfson at (613) 951-8216.

## Declining Food Prices Offset Increases in Other CPI Items

The all-items consumer price index (1981=100) was unchanged in September, maintaining a level of 139.3. This was the first time in 12 months that consumer prices have remained stable. Measures of the annual rate of price change also suggested that the overall trend was either stable or decelerating.

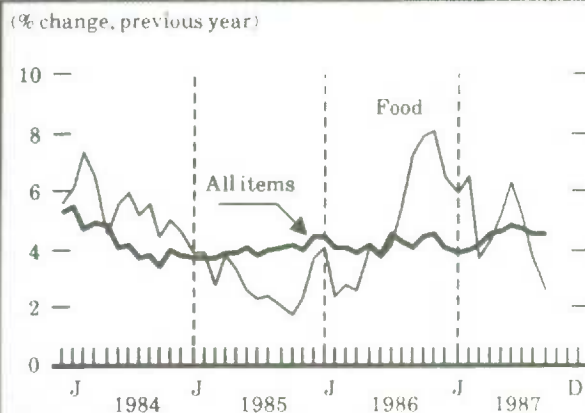
Five of the seven major component indexes advanced in September, with the largest upward contribution coming from the housing index. However, the upward pressure was offset by declines in both the food and transportation indexes.

(continued on page 4)

### ... Consumer Price Index

The food index continued to moderate in September, dropping 0.5% largely as a result of price decreases for fresh meats, fruits and vegetables. Falling prices for beef, pork and chicken accounted for most of the overall decline in meat prices. Price gains for salad vegetables were more than offset by reductions for storage vegetables, resulting in a 3.0% drop in fresh vegetable prices. Price decreases were registered for most fruits.

#### Consumer Price Index



#### Consumer Price Index

	May	June	July	Aug.	Sept.
	% change, previous month				
All-items	0.6	0.3	0.7	0.1	0.0
Food	0.9	1.1	0.2	-1.0	-0.5
All-items, excl. food	0.5	0.1	0.9	0.3	0.2

The transportation index also continued a downward trend in September, falling 0.6% from the previous month. A seasonal drop in air fares accounted for the decline registered by public transportation index (-6.4%). However, this decrease was moderated somewhat by an increase recorded by the private transportation index. This advance was the result of price gains for gasoline, and for rental and leasing of automotive vehicles.

The housing index rose 0.3% in September. The main sources of upward pressure were new housing prices, cost of fuel oil, rent and mortgage interest costs.

For further information, contact Prices Division at (613) 951-9606 or order the September issue of *The Consumer Price Index* (62-001).

### Trends in Government Employment Examined

Government employment in the past decade (1976-86) has been more stable than non-government employment. It has been less sensitive to economic swings, but the 18% growth rate in government employment is well below the rate achieved by the non-government sector (23%).

"Trends in Government Employment, 1976-1986", the feature article published in the September issue of *The Labour Force*, examines characteristics of government employees at the federal, provincial and local levels, making comparisons to workers in non-government industries. The article also looks at the different ways of defining government.

Highlights from the article include:

- In 1986, government workers (excluding those in Crown Corporations or regulated private companies) accounted for 6.9% of total employment, a slight decrease from 7.2% in 1976.
- Government workers in general tend to be older; in 1986, 29% were 45 years of age or older, compared to 24% outside government. Except for local government employees, they also tend to have a higher level of education.

- Provincial and local governments have both grown more rapidly than their federal counterpart. Provincial government employment rose by 30% over the decade, and local government by 27%. In contrast, federal government employment has only grown 4%.
- As a result the federal government share of all government employees has dropped to 35% in 1986, from 40% in 1976.
- While the percentages of women in the federal and provincial governments were similar to the non-government sector, the local level employed a considerably smaller percentage of women (28%, compared to 44% outside government in 1986).
- Part-time workers (those working under 30 hours per week) are much less common in government than in non-government industries. Among federal and provincial government employees, just 5% worked part-time in 1986, compared to over 15% of non-government paid workers.

For further information, contact Labour and Household Surveys Analysis Division at (613) 951-4616 or order the September 1987 issue of *The Labour Force* (catalogue number 71-001).



## Retail Trade Records Strong Gain

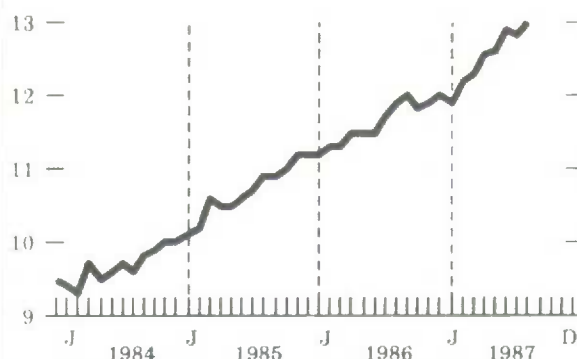
- Adjusted for seasonal fluctuations and the number of trading days, preliminary estimates indicate that retail sales totalled \$13.0 billion in August, up 1.8% from the previous month.
- This advance was in line with the generally strong sales observed during the year. From January to August, retail sales have grown an average of 1.1% a month.
- The overall increase in August was primarily attributable to increases reported by the three largest sales groups: motor vehicle dealers (3.4%), combination stores (3.2%) and department stores (2.0%). These three groups reported sales decreases in July.
- Excluding new and used motor vehicle dealers, retail rose 1.3% in August, following a slight decrease in July (-0.1%).

### Retail Trade

	Apr.	May	June	July	Aug.
	% change, previous month				
Grocery & meat stores	0.6	1.4	1.6	-2.5	3.2
Department stores	2.1	-2.6	3.0	-2.2	2.0
Motor vehicle dealers	3.4	-2.8	6.3	-2.6	3.4
All stores	1.9	-0.2	2.5	-0.7	1.8
All stores excl. motor	1.5	0.5	1.6	-0.1	1.3

### Retail Trade

(billions of dollars, seasonally adjusted)



- With the exception of New Brunswick, which recorded a decrease of 0.4%, all provinces and territories reported higher sales in August. Increases ranged from 5.1% in Alberta to 0.4% in Nova Scotia.
- Actual sales for the first eight months of the year totalled \$97.7 billion, an increase of 9.0% over the corresponding period of 1986.

For further information contact Industry Division at (613) 951-3549 or order Retail Trade (catalogue number 63-005).

## Wholesale Trade

In August, wholesale merchants' sales were up 12.3% over the same month a year earlier. The advance in the current month was slightly lower than the change in year-to-date sales. Cumulative sales for the first eight months of 1987 were 12.9% higher than in 1986.

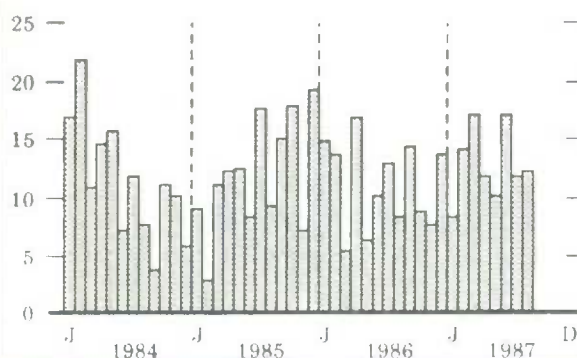
The trade groups having the most significant impact on the overall advance in sales included wholesalers of electrical and non-electrical machinery, equipment and supplies who recorded a sales increase of 28.1% from August 1986. Sales by these merchants were strong in the first six months of the year, rising 20% over the same period of 1986. Since June, year-over-year sales increases have been close to 30%. Commodities handled by these merchants include many types of capital assets such as office and store machinery and equipment.

Food wholesalers also made a major contribution to the overall advance in wholesale trade. However, the year-over-year increase of 6.2% in August was well below the advance in cumulative sales (12.9%). This moderation may be associated with very large price decreases for fresh vegetables which stemmed from a particularly good harvest.

Wholesalers of lumber and building materials registered a modest increase of 4.9% in August, contrasting sharply with the year-over-year change in cumulative sales of 16.1%.

### Wholesale Merchants' Sales

(% change, previous year)



Increases in wholesale trade were posted in all regions in August, ranging from 17.6% in the Atlantic provinces to 7.2% in Quebec. Generally, wholesale trade has been stronger in the Prairie and Atlantic provinces since June, while year-over-year sales advances in Ontario and Quebec have moderated.

For further information, contact Industry Division at (613) 951-3541 or order Wholesale Trade (catalogue number 63-008).

## PUBLICATIONS RELEASED FROM OCTOBER 16 - 22

### AGRICULTURE

**Apparent Per Capita Food Consumption in Canada** (Reference Manual for Catalogue 32-229 and 32-230). Catalogue number 32-509E (Canada: \$25; Other Countries: \$26).

### CENSUS

**Geographic Reference - Enumeration Area Reference Lists, Census Metropolitan Areas and Census Agglomerations, 1986.** Catalogue number 99-126 (Canada: \$26; Other Countries: \$27).

**Population and Dwelling Counts - British Columbia, 1986 Census.** Catalogue number 92-118 (Canada: \$36; Other Countries: \$37.50).

**Profiles - Northwest Territories: Part 1, 1986.** Catalogue number 94-123 (Canada: \$23; Other Countries: \$24).

**Profiles - Nova Scotia: Part 1, 1986 Census.** Catalogue number 94-105 (Canada: \$26; Other Countries: \$27).

### EDUCATION, CULTURE AND TOURISM

**International Travel - Advance Information, August 1987.** Catalogue number 66-001P (Canada: \$5/\$50; Other Countries: \$6/\$60).

### INDUSTRY

**Crude Petroleum and Natural Gas Production, June 1987.** Catalogue number 26-006 (Canada: \$8/\$80; Other Countries: \$9/\$90).

**Department Store Monthly Sales, by Province and Metropolitan Area, July 1987.** Catalogue number 63-004 (Canada: \$2/\$20; Other Countries: \$3/\$30).

**Department Store Sales and Stocks, April 1987.** Catalogue number 63-002 (Canada: \$13/\$130; Other Countries: \$14/\$140).

**Electric Lamps, August 1987.** Catalogue number 43-009 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Factory Sales of Electric Storage Batteries, August 1987.** Catalogue number 43-005 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Footwear Statistics, August 1987.** Catalogue number 33-002 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Gypsum Products, August 1987.** Catalogue number 44-003 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Industrial Chemicals and Synthetic Resins, August 1987.** Catalogue number 46-002 (Canada: \$5/\$50; Other Countries: \$6/\$60).

**Monthly Production of Soft Drinks, September 1987.** Catalogue number 32-001 (Canada: \$2/\$20; Other Countries: \$3/\$30).

**Oils and Fats, August 1987.** Catalogue number 32-006 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Particleboard, Waferboard and Hardboard, August 1987.** Catalogue number 36-003 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Production, Sales and Stocks of Major Appliances, August 1987.** Catalogue number 43-010 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Production and Shipments of Steel Pipe and Tubing, August 1987.** Catalogue number 41-011 (Canada: \$4/\$40; Other Countries: \$5/\$50).

**Steel Wire and Specified Wire Products, August 1987.** Catalogue number 41-006 (Canada: \$4/\$40; Other Countries: \$5/\$50).

### LABOUR

**The Labour Force, September 1987.** Catalogue number 71-001 (Canada: \$20/\$200; Other Countries: \$21.50/\$215).

### PRICES

**Construction Price Statistics, Second Quarter 1987.** Catalogue number 62-007 (Canada: \$15/\$60; Other Countries: \$16/\$64).

### PUBLIC INSTITUTIONS

**Federal Government Finance, 1985.** Catalogue number 68-211 (Canada: \$20; Other Countries: \$21).

### TRANSPORT

**Air Carrier Operations in Canada, April-June 1986.** Catalogue number 51-002 (Canada: \$20/\$80; Other Countries: \$21/\$84).

**Aviation Statistics Centre Service Bulletin, Vol. 19, No. 10, January-July 1987.** Catalogue number 51-004 (Canada: \$8.50/\$85; Other Countries: \$9.50/\$95).

**Fuel Consumption Survey - Special Surveys Program, October 1981 - September 1982 and October 1982 - September 1983.** Catalogue number 53-226 (No charge).

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# LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
<b>EMPLOYMENT, INCOME</b>				
Average Weekly Earnings (\$)	July	443.29	441.81	3.2
Labour Income (\$ million)	July	24,714	24,911	6.3
Persons with Jobs (million)	Sept.	12.03	11.98	3.3
Unemployed (million)	Sept.	1.1	1.2	-7.5
<b>INVENTORIES</b>				
Department Store (\$ million)	July	4,292	4,179	9.1
Manufacturers' Owned (\$ million)	Aug. *	33,770	33,495	1.3
<b>ORDERS</b>				
Manufacturers' New Orders (\$ million)	Aug. *	20,790	20,568	7.6
Manufacturers' Unfilled Orders (\$ million)	Aug. *	24,389	24,426	0.9
<b>PRICES</b>				
Consumer Price Index (1981=100)	Sept. *	139.3	139.3	4.5
New House Price Index (1981=100)	Aug.	120.8	120.1	15.0
Raw Materials Price Index (1981=100)	Aug.	106.7	105.1	17.4
Excl. minerals fuels	Aug.	111.4	110.0	6.2
Industrial Product Price Index (1981=100)	Aug.	123.8	122.8	3.9
<b>CONSTRUCTION</b>				
Building Permits (\$ million)	July	2,398	17,985	32.3
Housing Starts - Urban Centres (units)	Aug.	21,052	148,952	37.8
<b>ENERGY</b>				
Coal Production (thousand tonnes)	June	4,963	28,569	-1.8
Electricity Generation (gigawatt hours)	June	36,174	246,122	6.9
Natural Gas Production (million cubic metres)	June	7,363	54,709	2.6
<b>FOREIGN TRADE</b>				
Exports - Balance of Payments Basis (\$ million)	Aug.	9,114	80,587	2.5
Imports - Balance of Payments Basis (\$ million)	Aug.	8,425	74,636	1.1
<b>SALES</b>				
Department Store Sales (\$ million)	July	937	6,391	1.2
Manufacturers' Shipments (\$ million)	Aug. *	20,826	169,658	2.4
New Motor Vehicle Sales (\$ million)	Aug.	1,931	16,307	8.7
Refined Petroleum Products (thousand cubic metres)	Aug. *	6,824	50,743	3.3
Retail Sales (\$ million)	Aug. *	12,837	97,672	9.0

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

## I.N.F.O.M.A.T

### A Weekly Review

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