

I·N·F·O·M·A·T

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

STATISTICS CANADA
STATISTIQUE CANADA

Friday, December 4, 1987

OVERVIEW

JEC 4 1987

LIBRARY
BIBLIOTHÈQUE

■ Economic Growth Continues, But Pace is Slower

Real GDP expanded 1.1% in the third quarter, following advances of 1.5% in the first two quarters of 1987. Once again, higher domestic demand spurred the growth and was partly met by increased imports.

■ Current Account Deficit Up Sharply

In the third quarter, the current account deficit totalled \$2.6 billion, its third-highest level on record. This increase from the second quarter was the result of a reduction in the merchandise trade surplus and an increase in net payments of dividends to non-residents.

■ Growth of Industrial Profits Also Slows

Operating profits of industrial corporations rose 4.9% in the third quarter, compared to growth rates in excess of 11% in the first two quarters. The current advance was the result of improving profit margins and sales. In the three preceding quarters rising profit margins were the main source of growth.

■ Sales of Canadian Stocks Remain High

Net foreign investment in outstanding Canadian stocks amounted to \$519 million in September, continuing the strong investment trend which began early in the year.

■ Gross Domestic Product at Factor Cost Continues to Advance

Gross domestic product by industry was up 0.6% in September, slightly lower than the gain registered in August. A large advance in the manufacturing sector accounted for much of the increase in the goods-producing industries.

This issue also includes an article on the **Raw Materials Price Index**.

Economic Growth Continues, But Pace is Slower

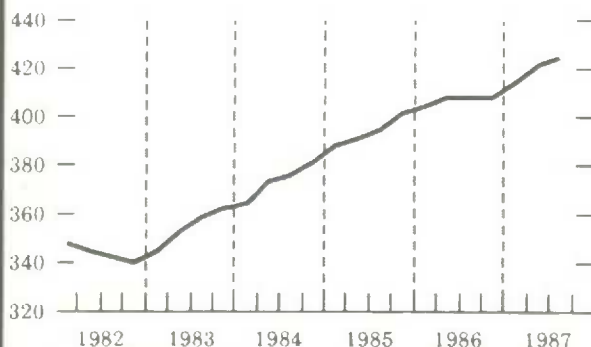
Gross Domestic Product rose 1.8% in the third quarter to a level of \$558.6 billion in current dollars, seasonally adjusted at annual rates. After allowing for price changes, real GDP expanded by 1.1%, compared to 1.5% in the first two quarters of the year. In the third quarter, real GDP in 1981 dollars totalled \$425 billion. Higher domestic demand led growth again and was partly met by higher imports.

In real terms, domestic demand grew at a rapid rate for the third consecutive quarter, up 1.7%. Consumer spending continued to rise steadily, while business investment in plant and equipment accelerated. Housing demand slowed from the frenetic pace of recent quarters. Exports and imports both increased after declines in the second quarter despite continued sluggishness in the auto industry. On an industry basis, growth was led by a 1.7% gain for goods-producing industries, notably mining and manufacturing, while services grew by 1.1%.

(continued on page 2)

Gross Domestic Product

(billions of 1981 dollars)



Statistics
Canada

Statistique
Canada

Canada

... Economic Growth Continued, But Pace is Slower

Consumer spending expanded by 1.3% in volume and contributed almost three-quarters of the overall increase in GDP. Outlays for durable goods eased to 2.4% growth, compared to 5.1% last quarter, as demand for autos and furniture and appliances decelerated. Spending on semi- and non-durable goods grew by over 1%. Overall, spending on goods rose 1.5%, while spending on services was up 1.1%.

Investment in residential construction slowed to 2.8% growth from around 5% in each of the two preceding quarters. The slowdown was evident in all components. New housing construction growth fell from 9.7% to 5.5%, as housing starts slowed during the quarter. Outlays for alterations and improvements also grew more slowly. The resale market for homes declined, as a dampening of demand in central Canada more than offset a further recovery in Western Canada.

Business investment in plant and equipment continued to post strong growth in the third quarter. The 5% gain in volume was slightly faster than in the previous two quarters. Business investment was 14% above the level of a year ago, the largest gain in the current expansion. Outlays for machinery and equipment rose sharply, up 6.4% in the quarter, reflecting higher imports.

The volume of exports rose by 0.7%, following a slight decline in the second quarter. The gain in exports originated in crude materials and in end products, with particularly large gains in office machinery, natural gas and refined petroleum products. These increases offset a sharp decline in wheat exports and continued low export levels for motor vehicles and related products. Exports of services also continued to decline, reflecting lower tourist receipts and sales of business services.

Real imports rose by 3.7% in the third quarter, after a slight decline in the second. There were large increases in machinery and equipment and in crude petroleum. Imports of automotive products continued to decline, as domestic auto production and inventories were cut back.

Wages, salaries, and supplementary labour income rose by 1.4% in the third quarter. The gain was evenly distributed between the goods- and services-producing industries. A slowdown in employment growth checked the overall increase in labour income. The growth in personal income slowed considerably, largely reflecting irregular movements in net farm income caused by the timing of subsidy payments. With personal spending up 2.3%, the savings rate fell from 9.1% to 8.0%.

For further information, contact *Income and Expenditure Accounts Division* at (613) 951-9158 or order *National Income and Expenditure Accounts* (catalogue number 13-001).

Current Account Deficit Up Sharply

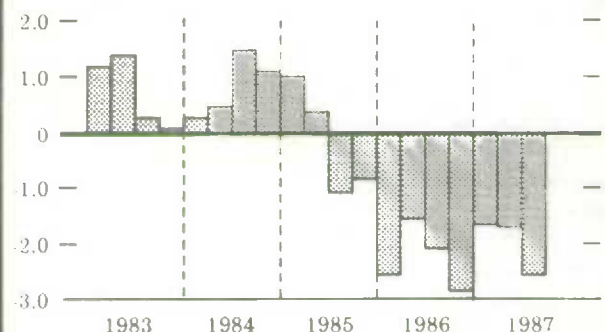
In the third quarter of 1987, the deficit in the seasonally adjusted current account increased sharply to reach its third highest level on record. The current account has registered sizeable deficits since the third quarter of 1985. In the current quarter, the deficit totalled \$2.6 billion, about \$900 million higher than its level in the second quarter. This increase resulted from a reduction in the merchandise trade surplus and an increase in net payments of dividends to non-residents.

The merchandise trade surplus decreased by almost half a billion dollars to \$2.8 billion. Merchandise exports grew by about 1.3% over the second quarter and totalled \$31.1 billion. Exports had dropped in the second quarter of 1987 when trade in automotive products shifted to a deficit for the first time since 1981. In the third quarter of 1987, gains were recorded for exports of forestry and energy products as well as machinery and equipment. Wheat exports fell significantly during the quarter.

Following declines in the two previous quarters, merchandise imports grew by more than 3%. Higher purchases of machinery and equipment more than offset a decrease in automotive imports and helped to push the level of imports to \$28.3 billion. The advance in imports of machinery and equipment was in line with domestic demand for capital goods.

Current Account Balance

(billions of dollars, seasonally adjusted)



The deficit for non-merchandise transactions rose to \$5.4 billion, \$397 million higher than in the second quarter. Non-merchandise transactions include transactions for services, investment income and transfers.

(continued on page 3)

... Current Account Deficit Up Sharply

The investment income account, which accounts for more than a third of non-merchandise transactions, registered a deficit of \$4.5 billion, up \$314 million over the second quarter. Primarily, this increase was the result of several large dividend payments in the manufacturing sector. At the same time, a drop in dividend income reflected the timing of several large dividends during the previous quarter.

The capital account consists of transactions in claims on and liabilities to non-residents and is not seasonally adjusted. In the third quarter of 1987, it showed a large foreign portfolio investment in Canadian stocks, continuing the trend evident since the start of the year. Net foreign investment in Canadian stocks reached a new high of \$2.8 billion in the quarter, bringing the net investment for the year to \$8 billion.

There was also a substantial increase in the net inflow from foreign investment in Canadian bonds and short-term paper, which amounted to \$2.7 billion and

\$0.9 billion. This renewed interest in Canadian securities followed a widening of yield differentials in favour of the Canadian markets.

In contrast to a substantial reduction in the second quarter, official international reserves were built up during the quarter and resulted in a net outflow of \$1.4 billion. Non-bank holdings of deposits and short-term investments outside the country also rose. This net outflow of \$1.4 billion was channelled largely to the United States and to a lesser extent the United Kingdom.

Canadian direct investment abroad was down sharply in the third quarter to \$896 million. Net investment in affiliated enterprises, which is normally the dominant contributor to direct investment abroad, was negligible in the current quarter.

For further information, contact International and Financial Economics Division at (613) 951-9050.

Growth of Industrial Profits Also Slows

Estimates for the third quarter of 1987 show that seasonally adjusted operating profits (which exclude investment income and other gains) of industrial corporations rose 4.9% to a level of \$8.0 billion, following increases of 11.4% in the first quarter and 12.2% in the second quarter. The overall increase in profits in the third quarter resulted from both increased sales (+2.4%) and improved profit margins. In the preceding three quarters, increased profit margins were a more important factor than sales growth in the large profit rises.

Pre-tax profits (which include investment income and other gains) were up 3.1% in the third quarter to \$11.4 billion. Similar to operating profits, the growth rate of pre-tax profits has slowed in the current quarter. Previous increases were 8.0% in the second quarter and 13.4% in the first quarter of 1987.

The metal mining industry was a major factor in the overall profit increase for the second consecutive quarter. This industry accounted for three-fifths of the third quarter advance. Other industries recording significant profit gains were wood, paper, chemicals, real estate developers, and primary metals. The industries recording the largest profit decreases were wholesale machinery, transportation equipment and electrical products.

Industry Highlights

In metal mining, operating profits rose sharply to \$316 million in the third quarter from \$83 million in the second quarter. In the first quarter, this industry reported a loss of \$38 million. Improved metal prices were a major factor in the profit improvement in the

latest two quarters. Depressed metal prices had contributed to the losses recorded in 17 of the 20 quarters preceding 1987.

Operating profits for the wood industries increased 18.9% in the third quarter, spurred by continued strength in the housing sector in both Canada and the United States. Sales were 4.1% higher than in the second quarter. Strong U.S. demand was reflected in an almost 20% increase in lumber exports in the third quarter.

Paper products manufacturers reported an advance of 9.5% in operating profits for the quarter, spurred by a 3.9% sales increase. A 6.6% advance in exports of newsprint contributed to the improved sales and profits.

Operating profits in the chemicals industry advanced for the fourth consecutive quarter, rising by \$56 million to \$534 million in the third quarter. Improved operating margins were largely responsible for the gain.

In the primary metals industry, operating profits rose strongly for the third successive quarter to a level of \$296 million, about double the average level of 1986. Price increases for both steel and aluminium were a major factor in the improvement in profits.

Operating profits in the transportation equipment industries fell sharply to \$55 million in the third quarter, continuing a downward trend which started in the second quarter of 1984. Although a sales drop of 7% contributed to the profit decline, decreasing operating margins were the major factor in the decrease (as they have been since profits peaked in 1984).

For further information, contact Industrial Organization and Finance Division at (613) 951-9843 or order Industrial Corporations: Financial Statistics (catalogue number 61-003P).

Sales of Canadian Stocks Remain High

In September, net foreign investment in outstanding Canadian stocks amounted to \$519 million, continuing the strong investment trend which began early in the year. This brought the net investment for the year-to-date to a new high of \$5.7 billion. The net investment in the current month was widespread geographically.

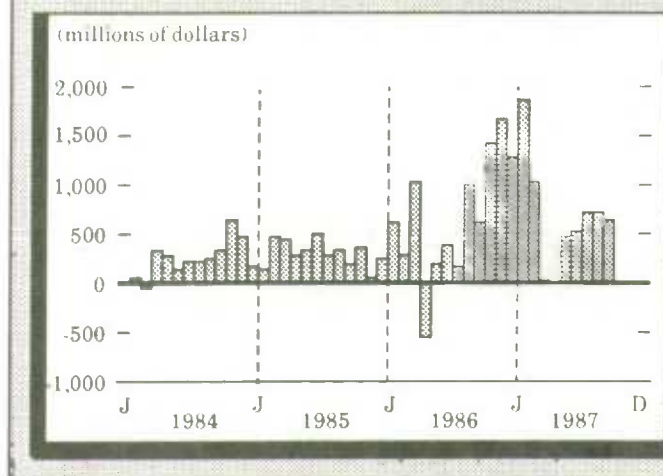
Net foreign investment in outstanding Canadian bonds of \$124 million in September was low for the fourth consecutive month. This investment came largely from Europe, while a small net investment was also recorded from Japan, which had reduced its holdings of Canadian bonds in recent months.

Security Transactions

Net sales	May	June	July	Aug.	Sept.
	millions of dollars				
Canadian Securities					
Bonds	-54	114	191	61	124
Stocks	558	423	573	685	519
Total	504	537	764	746	642
Foreign Securities					
Bonds	-234	-62	141	129	-26
Stocks	-14	-369	307	437	-143
Total	-248	-431	448	566	-170

For further information, contact International and Financial Economics Division at (613) 951-9052 or order Security Transactions with Non-residents (catalogue number 67-002).

Net Sales of Canadian Securities



In September, Canadian residents acquired, on a net basis, \$143 million of outstanding foreign stocks, in contrast to a large net disinvestment in the previous two months. This net investment in the current month was directed to the United States market.

Canadian residents also made a small net investment (\$26 million) in outstanding foreign bonds in September, following a net disinvestment in the previous two months. Gross trading activity (sales and purchases) in outstanding foreign bonds declined from the high levels recorded in the last three months.

Gross Domestic Product at Factor Cost Continues to Advance

Gross Domestic Product by industry (in 1981 prices) increased 0.6% in September following gains of 0.7% in August and 0.1% in July. Output from the goods-producing industries rose 0.8% during the month, down slightly from the advance registered in August. The output in the services-producing industries grew at the same rate (0.5%) in September as it did in August.

GDP has grown quite steadily throughout 1987, and in September stood 4.9% above the corresponding month in 1986.

The September growth in goods-producing industries resulted mainly from a significant increase in manufacturing, while moderate output declines were recorded in public utilities, agriculture, forestry, mining and construction.

Manufacturing output advanced 2.0% in September following a 1.1% gain in August. The September increase was the largest monthly gain in manufacturing since last December. About three-quarters of the growth

Real Gross Domestic Product

	May	June	July	Aug.	Sept.
	% change, previous month				
Real Gross Domestic	0.1	0.7	0.1	0.7	0.6
Goods-producing	0.3	1.3	-0.2	1.0	0.8
Service-producing	0.0	0.3	0.3	0.5	0.5

in the current month was due to increased output by producers of durable goods, particularly transportation equipment, electrical products, primary metals, machinery and wood products. Motor vehicle production increased significantly in September, as it had in August.

Output of non-durable manufacturing industries rose 1.2% in September, following a 0.9% decline in August. Most of the September growth originated in the

(continued on page 5)

... Gross Domestic Product at Factor Cost Continues to Advance

paper and allied products industry where both newsprint and woodpulp production recorded gains. Exports of newsprint and woodpulp grew substantially in September.

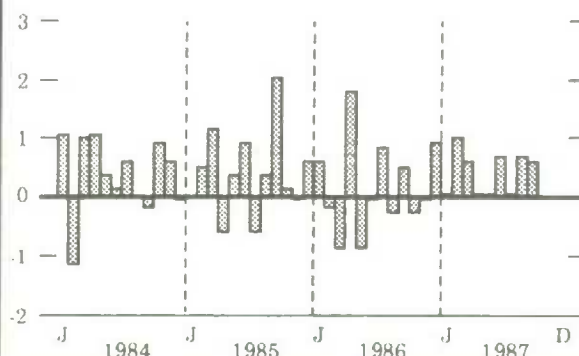
The most significant declines during September occurred in crude petroleum and natural gas production, and residential construction. Residential construction activity declined 2.3%, marking the first monthly decrease since last January.

Growth in transportation, storage, communication, wholesale trade, and retail trade industries accounted for most of the September gain among services-producing industries.

For further information, contact Industry Measures and Analysis Division at (613) 951-3673 or order *Gross Domestic Product by Industry* (catalogue number 15-001).

Gross Domestic Product at Factor Cost

(% change, previous month)



Raw Materials Price Index

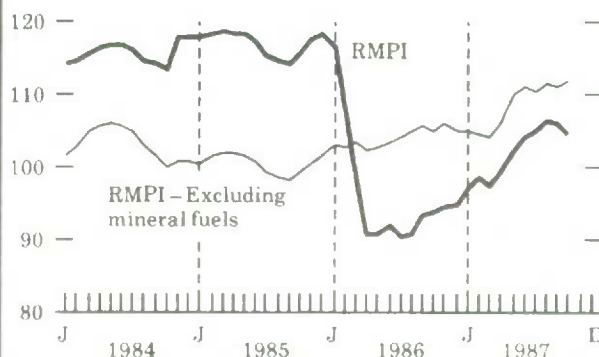
Declining crude oil prices triggered a 1.5% decrease in the raw materials price index in October. This was the second consecutive monthly decline in the index and contrasts with the generally rising trend it had exhibited since August 1986. In recent months, the most active components have been mineral fuels, animal and animal products, and non-ferrous metals.

Until September, rising crude oil prices were the main source of upward pressure on the mineral fuels component. In September and October, crude oil prices dropped an estimated 0.8% and 3.9%. These decreases followed a four-month period when monthly advances were 2.0% or greater.

The animal and animal products component also dropped for the second consecutive month. Down 2.0% from the previous month, this component was influenced by declining prices for hogs, poultry, cattle and calves.

Raw Materials Price Index

(1981 = 100)



Raw Materials Price Index

	June	July	Aug.	Sept.	Oct.
% change, previous month					
Total	2.0	0.9	1.3	-0.7	-1.5
Mineral fuels	3.4	3.0	2.0	-1.7	-3.9
Excluding mineral fuels	0.8	-0.7	0.9	0.0	0.2

The non-ferrous metals component rose 2.3% in October, its eighth consecutive monthly advance. Since March 1987, the continuing recovery in base metals prices has produced increases ranging from 1.3% to 9.0% a month in the non-ferrous metals component.

Further information, contact Prices Division at (613) 951-9606 or order *Industry Price Indexes* (catalogue number 62-011).

PUBLICATIONS RELEASED FROM NOVEMBER 27 TO DECEMBER 3

AGRICULTURE

Canadian Potato Production, November 1987. Catalogue number 22-008 (Canada: \$7/\$21; Other Countries: \$8/\$24).

Farm Input Price Index, Third Quarter 1987. Catalogue number 62-004 (Canada: \$10/\$40; Other Countries: \$11/\$44).

Field Crop Reporting Series, No. 8, Production of Principal Field Crops, Canada, November 1987. Catalogue number 22-002 (Canada: \$7/\$48; Other countries: \$8/\$58).

Production and Value of Honey and Maple Products, 1986-87. Catalogue number 23-211 (Canada: \$11; Other Countries: \$12).

The Dairy Review, September 1987. Catalogue number 23-001 (Canada: \$10/\$100; Other Countries: \$11/\$110).

EDUCATION, CULTURE AND TOURISM

Culture Statistics - Book Publishing in Canada, 1985-86. Catalogue number 87-210 (Canada: \$10; Other Countries: \$11).

Salaries and Salary Scales of Full-time teaching Staff at Canadian Universities, 1985-86. Catalogue number 81-258 (Canada: \$15; Other Countries: \$16).

GEOGRAPHY

Geographic Reference - Enumeration Area Reference Lists, 1986 Census. Catalogue number 99-121 (Canada: \$32; Other Countries: \$33.50).

Geographic Reference - Maps - Census Divisions and Subdivisions, 1986 Census. Catalogue number 99-115 (Canada: \$35; Other Countries: \$55).

Standard Geographical Classification Vol. II, 1986. Catalogue number 12-572 (Canada: \$35; Other Countries: \$55).

INDUSTRY

Construction Type Plywood, September 1987. Catalogue number 35-001 (Canada: \$4/\$40; Other Countries: \$5/\$50).

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

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

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

Pulpwood and Wood Residue Statistics, September 1987. Catalogue number 25-001 (Canada: \$5/\$50; Other Countries: \$6/\$60).

Refined Petroleum Products, August 1987. Catalogue number 45-004 (Canada: \$15/\$150; Other Countries: \$16/\$160).

Retail Trade, August 1987. Catalogue number 63-005 (Canada: \$14/\$140; Other Countries: \$15/\$150).

INTERNATIONAL AND FINANCIAL ECONOMICS

Quarterly Estimate of Canadian Balance of International Payments, Third Quarter 1987. Catalogue number 67-001P (Canada: \$8/\$32; Other Countries: \$9/\$36).

INTERNATIONAL TRADE

Summary of Canadian International Trade, September 1987. Catalogue number 65-001 (Canada: \$15/\$150; Other Countries: \$16/\$160).

LABOUR

Labour Force Information, November 1987. Catalogue number 71-001P (Canada: \$5/\$50; Other Countries: \$6/\$60). Available December 4th at 7:00 a.m.

METHODOLOGY

Survey Methodology - A Journal of Statistics Canada, Vol. 13, No. 1, June 1987. Catalogue number 12-001 (Canada: \$20; Other Countries: \$23).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Capacity Utilization Rates in Canadian Manufacturing, Second Quarter 1987. Catalogue number 31-003 (Canada: \$20/\$80; Other Countries: \$21/\$84).

Science Statistics Service Bulletin, Vol. 11, No. 11, R&D in the Petroleum Industries, 1988 Estimates. Catalogue number 88-001 (Canada: \$6/\$60; Other Countries: \$7/\$70).

SERVICES

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

LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	Aug.	439.13	442.17	2.7
Labour Income (\$ million)	Aug.	24,425	24,718	6.7
Persons with Jobs (million)	Oct.	12.16	12.03	3.8
Unemployed (million)	Oct.	1.0	1.0	-10.4
INVENTORIES				
Department Store (\$ million)	Sept.	4,764	4,445	5.5
Manufacturers' Owned (\$ million)	Sept.	33,887	33,804	1.9
ORDERS				
Manufacturers' New Orders (\$ million)	Sept.	23,329	21,090	9.6
Manufacturers' Unfilled Orders (\$ million)	Sept.	23,212	20,871	8.5
PRICES				
Consumer Price Index (1981=100)	Oct.	139.8	139.3	4.3
New House Price Index (1981=100)	Sept.	122.0	120.8	13.8
Raw Materials Price Index (1981=100)	Oct.*	104.4	106.0	11.3
Excl. minerals fuels	Oct.*	111.8	111.6	6.8
Industrial Product Price Index (1981=100)	Oct.*	124.3	124.0	3.7
CONSTRUCTION				
			Year-to-date	
Building Permits (\$ million)	Aug.	2,040	19,949	25.0
Housing Starts - Urban Centres (units)	Sept.	17,875	166,353	32.8
ENERGY				
Coal Production (thousand tonnes)	Aug.	4,646	38,194	3.1
Electricity Generation (gigawatt hours)	Aug.	37,031	298,492	7.3
Natural Gas Production (million cubic metres)	July	7,936	62,661	3.0
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	Sept.	10,534	91,084	2.0
Imports - Balance of Payments Basis (\$ million)	Sept.	9,083	83,799	1.3
SALES				
Department Store Sales (\$ million)	Sept.	1,029	8,412	1.0
Manufacturers' Shipments (\$ million)	Sept.	23,212	192,915	3.1
New Motor Vehicle Sales (\$ million)	Sept.	1,787	18,122	8.4
Refined Petroleum Products (thousand cubic metres)	Aug.	6,824	50,743	3.3
Retail Sales (\$ million)	Sept.	11,540	12,778	9.0

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



1010718258

KEY RELEASE CALENDAR: December 1987*

Monday	Tuesday	Wednesday	Thursday	Friday
	1 National Income and Expenditure Accounts, 3 rd quarter Balance of Payments, 3 rd quarter Security Transactions, September Gross Domestic Product, September		3	4 Labour Force, November
7 International Travel, October New Housing Price Index, October	8 Financial Activity in Canada, 3 rd quarter Labour Income, September	9 Composite Leading Indicator, September Department Store Sales, October	10 International Trade, October Help-wanted Index, November	11 New Motor Vehicle Sales, October Farm Product Price Index, October
14 Housing Starts, October	15 Capacity Utilization, 3 rd quarter	16 Financial Institutions, Financial Statistics, 3 rd quarter	17	18 Consumer Price Index, November Retail Trade, October Trade in Automotive Products, 3 rd quarter
21 Refined Petroleum Product Sales, October Crude Oil and Natural Gas, September Department Store Sales and Stocks, October	22 Inventories, Shipments and Orders, October Building Permits, October Wholesale Trade, October	23 Unemployment Insurance Statistics, October	24	25
28	29	30	31	

* Release dates for International Trade, the Consumer Price Index and the Labour Force Survey are fixed; dates for other data series may vary slightly.

I.N.F.O.M.A.T**A Weekly Review**

Published by the Communications Division
(Director: Tim Davis), Statistics Canada.

Senior Editor: Greg Thomson (613) 951-1103
Editor: Linda McCormick (613) 951-1088

R.H. Coats Building, Tunney's Pasture, Ottawa, Ontario K1A 0T6.

Catalogue: 11-002E. Price: Canada, \$2/\$100; other countries, \$3/\$150. To subscribe: send money order or cheque payable to the Receiver General for Canada/Publication Sales, Statistics Canada, Ottawa, Ontario K1A 0T6 or telephone Publication Sales at 1-800-267-6677.

Published under the authority of the Minister of Supply and Services Canada. Statistics Canada should be credited when reproducing or quoting any part of this document.