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Friday, June 17, 1988

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OVERVIEW

■ Trade Surplus Shrinks

Canada's international merchandise trade surplus fell to \$602 million in April from \$724 million in March. The April level was approximately \$200 million lower than the average for the preceding 12 months.

■ Industrial Profits Decline

In the first quarter of 1988, profits of industrial corporations declined 4.7% from the previous quarter. This decrease follows five quarters of strong growth.

■ Employment Jumps in May

Labour Force Survey estimates for May indicated a jump in employment of 68,000 from April. When averaged with the previous two months, the trend was consistent with that observed since mid-1986.

■ New Motor Vehicle Sales Fall

In April, sales of new motor vehicles decreased 3.1% from March, continuing the declining trend noted since October 1987.

■ Manufacturing Shipments Recover from February Decline

In March, the value of manufacturing shipments increased 1.4%, following marginal growth in January and a 1.4% decline in February. New orders rose 10.8% in March, largely reflecting increases in the shipbuilding industry.

■ Capacity Utilization Edges Down

Capacity utilization in the manufacturing industries edged down 0.5% in the first quarter of 1988. Utilization rates had risen in each of the previous four quarters.

■ This issue also includes articles on **Department Store Sales**, **Assets of Trusteed Pension Funds**, the **Farm Products Price Index**, and **Energy Supply and Demand**.

Trade Surplus Shrinks

Canada's international trade surplus was reduced in April as a result of a larger decline in exports than in imports. The trade surplus fell to \$602 million in April from \$724 million in March. The April level was approximately \$200 million lower than the average for the preceding 12 months. The short term trend in both exports and imports (see chart) has levelled off after the substantial growth recorded during the second half of 1987.

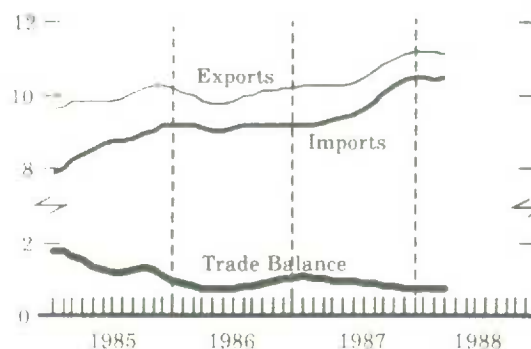
Exports fell 4.2% in April after an increase of 2.6% in March. Three-quarters of the April decline resulted from lower exports of fabricated materials, mainly newsprint paper and coal. Increases were posted for exports of wheat, aircraft and passenger automobiles. Despite a decline in exports of trucks, automotive products as a whole rose to \$3 billion in April, 27.2% of total exports.

Following a strong 5.8% increase in March, imports reversed in April, posting a decline of 3.4% similar to the declines observed in January and February of this year. The April decline was attributable to the end

(continued on page 2)

Merchandise Trade

(billions of dollars, short term trend)


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... Trade Surplus Shrinks

products sector, with notable decreases in motor vehicle parts, aircraft and equipment and tools. These decreases were partially offset by increases in imports of passenger automobiles, ores and crude petroleum.

Merchandise exports to the U.S. were down by \$488 million in April, whereas imports from the U.S. fell by \$68 million. Our trade surplus with the U.S. dropped to under \$900 million from the \$1.3 billion recorded in March. Our trade balance improved with the European Economic Community (excluding the U.K) in April but worsened with Japan.

The accompanying chart shows the short term trend for exports, imports and the trade balance. The short term trend gives a clearer picture of the direction and rate of change of trade by averaging the substantial monthly fluctuations which frequently occur in trade. The trend for the last month is not shown as it frequently changes significantly with the addition of succeeding months of data.

For further information, order *Preliminary Statement of Canadian International Trade (H.S.Based)* (catalogue number 65-001P) or contact *International Trade Division* (613-951-1711).

Industrial Profits Decline

In the first quarter of 1988, operating profits of Canadian industrial corporations declined 4.7% from the previous quarter. This was in sharp contrast with the strong growth of the previous five quarters when increases ranged from 4.4% to 14.5% for a cumulative increase in operating profits of 50% from the third quarter of 1986. On a year-over-year basis, operating profits were up 25% in the first quarter.

Largely due to lower crude oil prices, the mineral fuels industry accounted for half of the first quarter profit decline. First quarter profits were down to \$101 million from \$325 million in the fourth quarter. They were at their lowest levels since 1986, when losses averaging \$110 million were recorded for the last three quarters. During the 1983-85 period, profits were much higher, averaging \$1.2 billion per quarter. As might be expected, the pattern of change for profits has closely followed the movement in world crude oil prices.

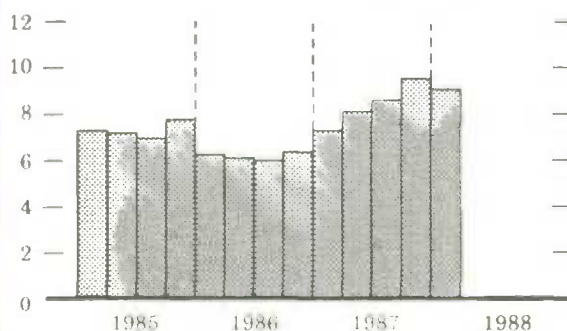
The remaining decline in profits was widely distributed amongst 24 of the 47 industry groups, with the largest decreases registered in retail (20%), construction (15%), electrical products (14%) and petroleum and coal (12%) industries.

Twenty industry groups registered increases in profits, although most increases were small. The transportation industry (carriers) registered an increase of 33% in profits, profit increases of 14% were observed among transportation equipment manufacturers, and losses in the real estate rental sector were reduced 40%. Profits in the two remaining industry groups remained unchanged.

Sales of industrial corporations were relatively flat, increasing only 0.7% in the first quarter of 1988, following quarterly increases averaging 3% in 1987.

Operating Profits - All Industries

(billions of dollars, seasonally adjusted)



Following the same trend as profits, operating margins (profits divided by sales) fell to 4.1% in the first quarter compared to 4.4% in the final quarter of 1987. Operating margins had been steadily expanding over the previous five quarters from an average of 3.2% in the first three quarters of 1986.

Industrial corporations are defined to include all corporations in Canada except government-owned corporations and those in agriculture, fishing and finance industries. All figures quoted refer to seasonally adjusted data.

For further information, order *Industrial Corporations: Financial Statistics* (61-003, \$50/\$200) or contact *Industrial Organization and Finance Division* (613-951-9843).

Employment Jumps in May

Labour Force Survey estimates for May indicated a jump in employment of 68,000 from the previous month following little change in March and April. The number of persons seeking work also increased during the month, and as a result the unemployment rate edged up to 7.8% in May from 7.7% in April.

The gain in employment in May, when averaged with the two previous months, was consistent with the

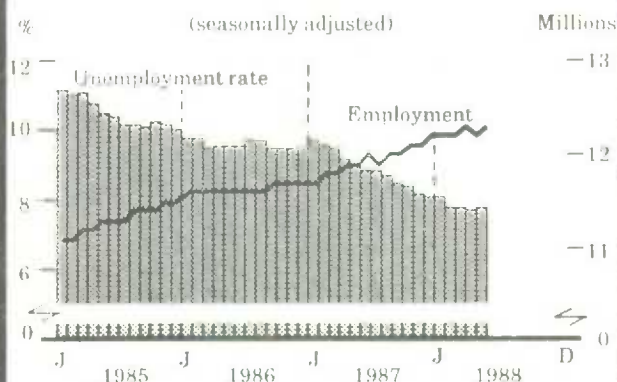
rising trend noted during the 20 months prior to March. Full-time employment increased by 123,000 in May, the largest monthly change in the history of the survey. Partly offsetting this increase was a decline in part-time employment of 54,000, mainly among women. Half of the overall employment gain in May occurred among those aged 15 to 24, the first increase for this group in three months.

Employment gains in public administration and construction in May largely offset the declines noted in those industries for April. Advances in community, business and personal services continued a generally rising trend observed since September. Employment in manufacturing declined in May after moderate gains in March and April. Among the provinces, Quebec accounted for over half of the May employment growth, with widespread increases.

As a result of more people entering the labour force and looking for work, the unemployment rate edged up to 7.8% in May from 7.7% in April. This rate is identical to that reported for February and March of this year but down from 9.0% a year earlier. The unemployment rate increased marginally to 12.3% for the age group 15 to 24 and to 6.6% among those in the 25 and older age group. Unemployment increased slightly in Ontario and Quebec but declined in Saskatchewan.

For further information order *The Labour Force* (catalogue number 71-001) or contact Household Surveys Division at (613) 951-4720.

Unemployment Rate and Employment (Labour Force Survey)



Department Store Sales Rise Sharply

Department store sales, adjusted for seasonal fluctuations and the number of trading days, totalled \$1,076 million in March, an increase of 4.1% from February. The occurrence of Easter in early April may have contributed to the increased sales in March.

The increase in March follows declines in February (-0.8%) and January (-5.4%). Overall, department store sales have declined 3.4% during the first quarter of 1988 compared to an increase of 2.0% in the last quarter of 1987.

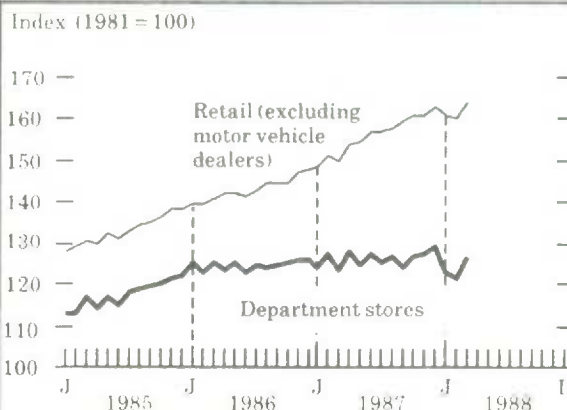
On a year-over-year basis, department store sales increased 10.3% in March. Sales for the first three months of 1988 were 4.9% higher than the corresponding period in 1987. This compared to a year-over-year increase of 7.9% for total retail sales excluding motor vehicle dealers. The accompanying chart, using seasonally adjusted data, shows the diverging trends in these two series. Independent stores, particularly since early 1987, have grown significantly faster than chain stores including department stores.

Department store stocks (at selling value) totalled \$4,458 million at the end of March 1988, a modest decrease of 0.2% over February. This decline followed

an increase of 3.7% in February and a decrease of 1.3% in January. The ratio of inventories to sales stood at 4.14:1 in March, a modest decrease from the average ratio of 4.15:1 observed in the previous three months.

For further information, contact Industry Division at (613) 951-3552 or order *Department Store Sales and Stocks* (catalogue number 63-002).

Retail and Department Store Sales



For further information order Inventories, Shipments and Orders (catalogue number 31-001) or contact Industry Division at (613) 951-9497.

Capacity Utilization Edges Down

Capacity utilization in the manufacturing industries edged down 0.5% to 80.3% in the first quarter of 1988. This decline is consistent with the slowdown in manu-

facturing production and a weakening in retail and merchandise export sales recorded for the first quarter. Utilization rates had risen in each of the previous four quarters.

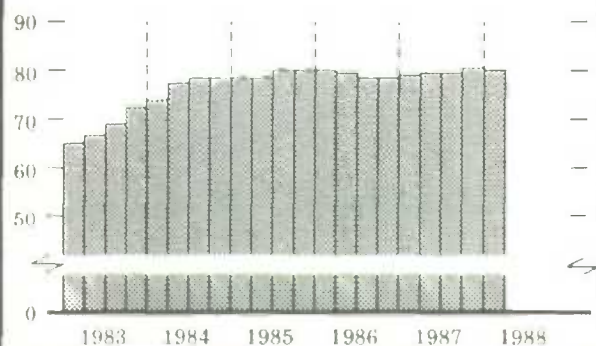
Utilization rates in durable manufacturing industries decreased by 0.9% in the first quarter, led by declines in wood industries and producers of transportation equipment. Coincident with higher business spending, manufacturers of most types of machinery and equipment posted higher rates in the first quarter. Machinery industries recorded a five-year peak, while record highs were registered in the electrical and electronic products industries.

Non-durable manufacturing industries, while posting no change in utilization rates at the overall level, recorded mixed results at the industry level. Manufacturers of tobacco, rubber, textile and chemical products registered declines in rates during the first quarter. Notable increases in rates were posted for producers of paper and allied products and refined petroleum and coal products. Utilization rates for clothing industries increased in the first quarter, while the rate decreased for food industries.

For further information contact Science, Technology and Capital Stock Division at (613) 951-9685.

Capacity Utilization Rate

(percentage)



Farm Product Price Index Up Slightly in April

The Farm Product Price Index for Canada (1981 = 100), stood at 89.4 in April, up 2.1% from March. This was the first increase in three months and was the result of higher crop and livestock prices. However, the April 1988 index still stood 0.8% below the year-earlier level. As shown in the accompanying chart, the index has been following a downward trend since mid-1984, mainly due to weak crop prices.

Among the provinces, the largest April increases occurred in Saskatchewan (4.7%) and Alberta (3.9%). The index decreased in three provinces with the largest decrease in New Brunswick (1.2%).

The index for crops increased 4.0% in April, the first gain in three months and the largest monthly gain since October 1986. Increases in the initial prices that the Canadian Wheat Board pays to producers resulted in a rise of 6.1% in cereal prices over the previous month. The full impact of the higher initial prices was not felt in April as the adjustment took effect approximately halfway through the month. Despite this increase, the cereals index was 8.5% below its year-earlier level.

The total livestock and animal products index increased in April for only the second time since reaching its peak in August 1987. Despite the 1.1%

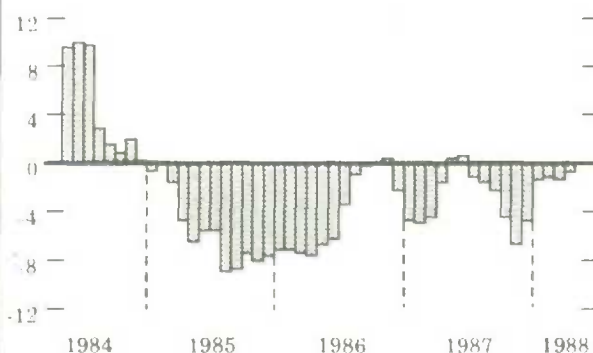
increase in April 1988, the index has fallen 5.9% from the record level reached in August 1987.

The index is designed to measure changes in prices received by producers when ownership of a commodity first changes hands. It measures the prices of those products comprising 95% of farm cash receipts.

For further information, order *Farm Product Price Index* (catalogue number 62-003, \$6.50/\$65) or contact Agriculture Division (613-951-2437).

Farm Product Price Index

(% change from previous year)



Trusted Pension Funds

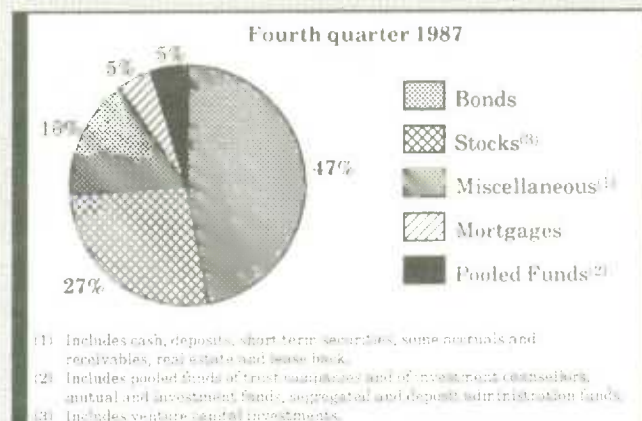
The book value of assets held in trusted pension funds at the end of the fourth quarter of 1987 was estimated at \$142.9 billion, up 3.5% from the previous quarter and 12.3% from the amount held one year earlier. Year-to-year increases in assets, at the end of the fourth quarter, have ranged between 12.3% and 21.2% since 1977, resulting in an overall growth of just over 400% during that period. Viewed in constant 1981 dollars (i.e. adjusted to account for inflation), assets grew by 140% from 1977 to 1987.

Bonds and stocks continued to be the two most important investment vehicles. As shown in the accompanying chart, bonds accounted for 47% of total assets and stocks for 27%. The proportion held in bonds has fluctuated between 45% and 50% over the past 10 years. The percentage invested in stocks, which had been generally increasing from a low of 19% in the second quarter of 1979 to 28% in the third quarter of 1987, declined by 1% in the fourth quarter of 1987.

The impact on pension funds of the October 19, 1987 drop in the stock market indexes can be seen clearly. Stocks, which have accounted for between one quarter and one third of quarterly growth in assets during the last five years, grew by only 7.6% in the fourth quarter. Cash and various short-term investments accounted for the largest proportion of asset growth in the fourth quarter of 1987.

Total income of trusted pension funds in the fourth quarter of 1987 was estimated at \$6.6 billion, 5.9% higher than in the same quarter of 1986. More than offsetting lower profits on the sale of securities, attributable to the drop in the stock market, were increases

Assets of Trusted Pension Funds



in employer contributions and higher investment income. Employer contributions, at \$1.6 billion, were nearly 22% higher than in the fourth quarter of 1986. Investment income at \$3.4 billion, grew by 10.8% on a year-over-year basis and continued to account for more than half of total revenue.

These estimates are based on a survey of 224 pension funds, which constitute approximately 6% of all trusted pension funds and hold almost 87% of the total assets.

For further information, order *Quarterly Estimates of Trusted Pension Funds* (catalogue number 74-001) or contact Labour Division, (613-951-4034).

Quarterly Report On Energy Supply-Demand In Canada

Canada's domestic requirements for energy have changed over the last five years in terms of their absolute amounts and more importantly in their composition. Total requirements in 1987 stood at 8 083 petajoules (PJ), up 10% from 1983. The estimates reveal that the importance of coal and coke declined from 15.2% to 14.1%, while that of oil products and liquified petroleum gases fell from 45.4% to 41.2%. Offsetting these declines were increases in natural gas, from 24.9% to 29.2% and in primary steam and electricity (hydro and nuclear), from 14.4% to 15.6%.

With domestic requirements increasing by 3.0% in 1987 over the 1986 level, per capita consumption (based on population estimates at the middle of each year) grew 1.9%, to a level of 315 gigajoules.

Production of primary energy in 1987 reached 10 247 PJ, up 5.2% from the level of 1986. Most of the

growth came from an increase in exports, the rise in natural gas exports accounting for two-thirds of the overall increase in energy exports. Partly counterbalancing these export increases were moderate increases in imports of coal and crude oil. As a result, Canada's trade surplus in primary energy forms rose 11% to 2 144 PJ.

Final demand by Canadian consumers of energy (including non-energy use, e.g. for petrochemical production) rose 2.0%. Within this total, industrial demand was up 6.0%, transportation was up 5.3%, the residential/farm sector fell 3.7% and consumption in the government/commercial sector fell 6.1%. The decreases in the latter two sectors reflect the fact that 1987 was warmer than 1986. The number of heating degree days below 18 degrees celsius were 6.1% fewer than in 1986.

For further information, order *Quarterly Report on Energy Supply-Demand in Canada* (catalogue number 57-003) or contact Industry Division (613-951-3566).

PUBLICATIONS RELEASED FROM JUNE 10 - 16

AGRICULTURE

Cereals and Oilseeds Review, February 1988. Catalogue number 22-007 (Canada: \$11.50/\$115; Other Countries: \$12.50/\$125).

Farm Cash Receipts, January-March 1988. Catalogue number 21-001 (Canada: \$10/\$40; Other Countries: \$11/\$44).

Production of Poultry and Eggs, 1987. Catalogue number 23-202 (Canada: \$30; Other Countries: \$31).

Stocks of Frozen Meat Products, May 1988. Catalogue number 32-012 (Canada: \$11.50/\$115; Other Countries: \$12.50/\$125).

The Dairy Review, March 1988. Catalogue number 23-001 (Canada: \$11/\$110; Other Countries: \$12/\$120).

INDUSTRY

Cement, April 1988. Catalogue number 44-001 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Department Store Monthly Sales, by Province and Metropolitan Area, March 1988. Catalogue number 63-004 (Canada: \$2.50/\$25; Other Countries: \$3.50/\$35).

Factory Sales of Electric Storage Batteries, April 1988. Catalogue number 43-005 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Gas Utilities, February 1988. Catalogue number 55-002 (Canada: \$11.50/\$115; Other Countries: \$12.50/\$125).

Oils and Fats, March 1988. Catalogue number 32-006 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Production and Shipments of Steel Pipe and Tubing, February 1988. Catalogue number 41-011 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Production and Shipments of Steel Pipe and Tubing, March 1988. Catalogue number 41-011 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Production, Sales and Stocks of Major Appliances, April 1988. Catalogue number 43-010 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Rigid Insulating Board, April 1988. Catalogue number 36-002 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

INTERNATIONAL TRADE

Imports by Commodity (H.S. Based), February 1988. Catalogue number 65-007 (Canada: \$50/\$500; Other Countries: \$60/\$600).

Preliminary Statement of Canadian International Trade, April 1988. Catalogue number 65-001P (Canada: \$5.50/\$55; Other Countries: \$6.50/\$65).

LABOUR

Estimates of Labour Income, October-December 1987. Catalogue number 72-005 (Canada: \$17.50/\$69; Other Countries: \$18.25/\$73).

Trusteed Pension Funds, Financial Statistics, 1986. Catalogue number 74-201 (Canada: \$35; Other Countries: \$36).

PRICES

Consumer Price Index, May 1988. Catalogue number 62-001 (Canada: \$8.50/\$85; Other Countries: \$9.50/\$95).

To be released Friday, June 17th at 7:00 a.m.

Industry Price Indexes, March 1988. Catalogue number 62-011 (Canada: \$16.50/\$165; Other Countries: \$18.50/\$185).

PUBLIC INSTITUTIONS

Provincial Government Enterprise Finance, 1985. Catalogue number 61-204 (Canada: \$25; Other Countries: \$26.50).

SERVICES

Telephone Statistics, March 1988. Catalogue number 56-002 (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85).

SOCIAL SURVEY METHODS

Survey Methodology, December 1987. Catalogue number 12-001 (Canada: \$20; Other Countries: \$23).

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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	Mar.	459.40	455.73	5.2
Labour Income (\$ million)	Feb.	24,221	24,217	6.6
Persons with Jobs (million)	May*	12.48	12.08	3.8
Unemployed (thousand)	May*	1,035	1,085	-12.1
INVENTORIES				
Department Store (\$ million)	Mar.*	4,549	4,172	0.1
Manufacturers' Owned (\$ million)	Mar.*	36,863	36,779	4.7
ORDERS				
Manufacturers' New Orders (\$ million)	Mar.*	28,245	23,410	22.9
Manufacturers' Unfilled Orders (\$ million)	Mar.*	26,462	23,843	16.8
PRICES				
Consumer Price Index (1981 = 100)	Apr.	142.5	142.0	4.0
New House Price Index (1981 = 100)	Apr.	128.3	126.0	8.7
Raw Materials Price Index (1981 = 100)	Apr.	97.9	98.3	-1.2
Excl. minerals fuels	Apr.	114.1	113.0	7.8
Industrial Product Price Index (1981 = 100)	Apr.	126.3	125.9	4.2
CONSTRUCTION				
Building Permits (\$ million)	Dec.	2,409	30,437	23.3
Housing Starts - Urban Centres (units)	Mar.	11,583	32,443	-15.4
ENERGY				
Coal Production (thousand tonnes)	Mar.	6,275	18,216	26.4
Electricity Generation (gigawatt hours)	Mar.	45,590	140,479	4.4
Natural Gas Production (million cubic metres)	Feb.	11,298	23,825	18.3
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	Apr.*	11,003	44,544	11.5
Imports - Balance of Payments Basis (\$ million)	Apr.*	10,312	44,973	21
SALES				
Department Store Sales (\$ million)	Mar.*	937	2,376	0.1
Manufacturers' Shipments (\$ million)	Mar.*	25,627	70,291	10.9
New Motor Vehicle Sales (\$ million)	Apr.*	2,695	8,383	7.7
Refined Petroleum Products (thousand cubic metres)	Apr.	5,960	26,036	37.8
Retail Sales (\$ million)	Mar.*	13,184	35,277	11.2

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

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