

## I·N·F·O·M·A·T

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

Friday, July 22, 1988

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## OVERVIEW

■ **Manufacturing Activity Strengthens in May**

New and unfilled orders both rose sharply, while the advance in manufacturing shipments was the largest monthly increase recorded since November 1987.

■ **Retail Sales Still Fluctuating**

The May increase in retail trade (1.8%) follows a decline in April and further extends the fluctuating trend noted since January.

■ **Rise in Consumer Price Index Steady**

In June, the year-over-year increase in the CPI was 3.9%, similar to the advances registered in the preceding six months.

■ **Labour Market Conditions Improved More Quickly in the United States**

In the 1980s, the labour force has grown at a faster pace in Canada than in the United States, and employment growth has been weaker in Canada.

■ **Help-wanted Index Maintains Gently Rising Trend**

The index rose six points in June, returning to a level slightly higher than that observed in April.

This issue also includes articles on Industrial Corporations and Department Store Sales.

**Manufacturing Activity Strengthens in May**

Seasonally adjusted shipments of Canadian manufacturers rose 1.4% in May, recording the largest monthly increase since November 1987. This advance follows five months of virtually no growth. Thirteen of the 22 major industry groups recorded higher shipments during May. The largest increases in value were for food, machinery, paper and allied products, and fabricated metal products industries.

For the second time in three months, new orders rose sharply, increasing 4.2% to a level of \$24.8 billion. Transportation equipment industries, notably aircraft and railroad rolling stock industries, were responsible for most the rise in May. New orders in all manufacturing industries excluding transportation equipment rose for the second consecutive month, following four months of declines. The transportation equipment industries were also responsible for most of the large jump in new orders during March.

Large increases in the transportation equipment industries also accounted for most of the 3.0% rise in the backlog of unfilled orders, pushing the level to \$27.4 billion. Unfilled orders for all industries

*(continued on page 2)***Manufacturers' Shipments**

(billions of dollars, seasonally adjusted)

Statistics  
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### ... Manufacturing Shipments

excluding transportation equipment have shown some gains in April and May, following declines in two of the first three months of 1988.

Inventories increased 1.1% in May, continuing the rising trend evident over the last eight months. However, the inventories to shipments ratio remained at 1.56:1, as the growth in shipments kept pace with the growth in inventories.

Cumulative shipments for the first five months of 1988 were estimated at \$119 billion, 10% higher than the value for the corresponding period of 1987.

### Manufacturing Activity

	Jan.	Feb.	Mar.	Apr.	May
% change, previous month					
Shipments	0.2	-1.3	0.8	0.2	1.3
New orders	0.0	-0.1	10.4	-8.8	4.2
Unfilled orders	-0.2	1.0	10.4	0.5	3.0
Inventory to shipments ratio	1.52	1.55	1.54	1.56	1.56

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

### Retail Trade Still Fluctuating

- Adjusted for seasonal fluctuations and the number of trading days, preliminary estimates indicate that retail sales totalled \$13.6 billion in May, up 1.8% from the previous month.
- This advance follows a decline in April and extends the fluctuating but gently rising trend observed since the start of the year.
- In May, 19 of the 28 trade groups recorded higher sales. The most significant increases in value of sales were reported by motor vehicle dealers, service stations and food stores.
- Sales by motor vehicle dealers rose 2.4%, the second monthly advance in 1988.
- Service stations reported a sales increase for the second consecutive month, halting the downward trend noted since September 1987.

### Retail Trade

	Jan.	Feb.	Mar.	Apr.	May
% change, previous month					
Grocery & meat stores	-2.2	0.5	0.4	-2.2	1.5
Department stores	-5.4	-0.8	3.9	-2.2	1.4
Motor vehicle dealers	-1.8	-2.9	7.3	-1.6	2.4
All stores	-1.4	-1.0	2.8	-1.2	1.8
All stores excl. motor	11.1	-1.3	1.6	-1.0	1.6

- Food store sales were up 1.5% in May, following sluggish growth since the start of the year.
- Sales of household appliance stores and those retail outlets selling furniture, radios and televisions either declined or registered marginal advances, following two months of strong growth.

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

### Industrial Corporations

Total assets of industrial corporations increased \$9.3 billion (1.8%) in the first quarter, down slightly from average increases of \$10.2 billion (2.1%) in the last three quarters of 1987. Increases during 1986 and the first quarter of 1987 averaged \$5.3 billion (1.1%). In the current quarter, the largest contributors to the growth in assets were long-term investments and fixed assets.

Long-term investments grew by \$3.1 billion in the first quarter of 1988, after a \$2.3 billion advance in the final quarter of 1987. During the earlier quarters of

1987, two declines and an increase of \$1.2 billion were registered. Long-term investments often show very large changes in their quarter-to-quarter movements.

Total liabilities grew \$6.9 billion in the first quarter, following average increases of \$5.8 billion in the previous three quarters. These increases compare with average increases of \$2.1 billion in 1986 and early in 1987. In the current quarter, bonds, debentures and short-term commercial paper contributed most to the overall advance of liabilities. The growth in share capital slowed for the second consecutive quarter, following the October 1987 decline in stock market prices.

(continued on page 3)



### ... Industrial Corporations

Bonds and debentures rose \$5.0 billion in the first quarter of 1988, compared to an increase of \$270 million in the fourth quarter of 1987 and a decrease of \$643 million in the third quarter. Approximately one-half of the increase in the current quarter was caused by corporate re-organizations which affected balance sheet levels.

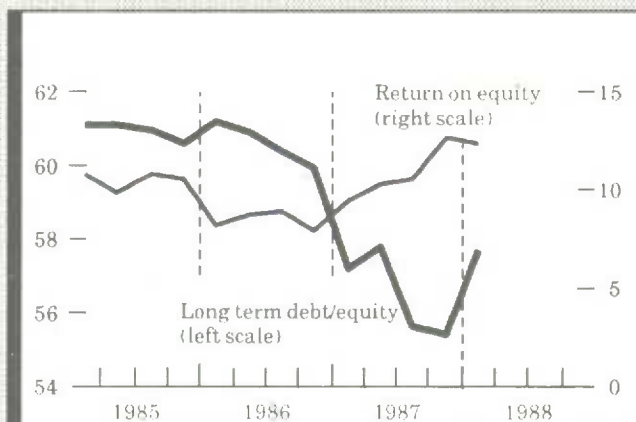
Short-term commercial paper was up \$3.5 billion in the first quarter of 1988, compared to an average quarterly change of \$562 million during the 1986-1987 period.

Share capital only increased by \$653 million, following a \$1.2 billion rise in the previous quarter. Both increases were well below the \$3.9 billion registered in the third quarter of 1987, before the October decline in stock market values. The average increase for the preceding six quarters was \$3.2 billion.

Profitability, as measured by the rate of return on shareholders' equity, fell to 12.3% in the first quarter, of 1988 from 12.7% in the previous quarter. However, it still compared favorably to the average of 9.6% over the 1986-1987 period. Historically, it compares to a low of 5.3% registered during the 1982 recession and a high of 18.6% recorded in 1979.

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

### Industrial Corporations - Financial Ratios



The ratio of long-term debt to equity, a measure of corporate liquidity, rose to 57.7% in the first quarter of 1988 from 55.4% in the final quarter of 1987. This represented the first significant increase in this ratio over the past several years. The average long-term debt to equity ratio over the 1986-1987 period was 58.6%.

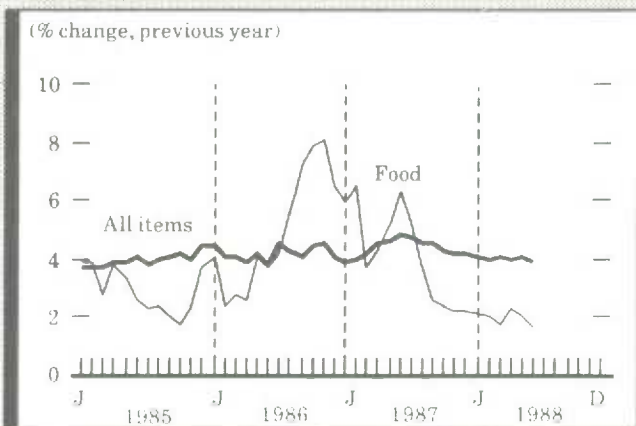
### Rise in Consumer Price Index Steady

In June, the year-over-year increase in the Consumer Price Index (1981 = 100) was 3.9%, down from the rise of 4.1% in May. Generally, the year-over-year movement in the CPI has fluctuated around 4% for seven months. The compounded annual rate of increase decreased sharply. Based on seasonally adjusted index levels between March and June the compound rate was 3.7%, down from the 4.9% observed for the three-month period ending in May.

On a month-over-month basis, the CPI was up 0.1% in June. This advance reflects a considerable number of offsetting price movements, both between and within the major component indexes. The overall upward pressure was mainly attributable to the food index, but three other components registered increases. Two components were unchanged, while the transportation component fell.

The food index advanced 0.9%, its third consecutive monthly increase. The June advance was mostly due to seasonal factors that resulted in higher prices for fresh fruit, beef, pork, soft drinks, bakery products and breakfast cereals. On a year-over-year basis, the food index was up 1.7%, the smallest advance in more than 11 years. Generally, year-over-year increases have been moderating since mid-1987.

### Consumer Price Index



The transportation component fell 0.4%, following a decline of 0.2% in May. Most of the latest decline resulted from a drop of 7% in the air transportation index which was attributable to a greater impact of "seat sale" prices on air fares. The year-over-year increase in the transportation index (2.4%) continued the trend to slower growth noted since November 1987.

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

## Help-wanted Index Maintains Gently Rising Trend

The seasonally adjusted help-wanted index (1981 = 100) rose to a level of 150 in June. This was an increase of six points from May and was a return to a level similar to that observed in April.

The overall trend of the index is slightly upward even though it has fluctuated since the start of the year. In 1987, the index recorded steady increases.

The help-wanted index monitors the space devoted to help-wanted ads published in 18 major metropolitan area newspapers and serves as an indicator of the demand for labour.

In Quebec, the index reached a record level, jumping to 172 from 153 in May. The index for British Columbia rose to 60, returning to the level observed in April. The

## Help-wanted Index (1981 = 100)

	Feb.	Mar.	Apr.	May	June
	seasonally adjusted				
<b>Canada</b>	<b>146</b>	<b>143</b>	<b>149</b>	<b>144</b>	<b>150</b>
Atlantic Region	154	172	209	189	183
Quebec	163	160	155	153	172
Ontario	197	194	201	198	196
Prairie Region	58	60	70	66	64
British Columbia	58	56	60	56	60

index for the Atlantic region decreased for the second consecutive month, declining to 183. There was little or no change in the remaining regions.

*For further information, contact Labour Division at (613) 951-4045.*

## PUBLICATIONS RELEASED FROM JULY 15 TO 21

### AGRICULTURE

**Apparent per Capita Food Consumption in Canada, Part 1, 1987.** Catalogue number 32-229 (Canada: \$25; Other Countries: \$26).

### EDUCATION, CULTURE AND TOURISM

**Culture Statistics - Book Publishing in Canada, 1986-87.** Catalogue number 87-210 (Canada: \$15; Other Countries: \$16).

### INDUSTRY

**Canned and Frozen Fruits and Vegetables, January 1988.** Catalogue number 32-011 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Electric Power Statistics, April 1988.** Catalogue number 57-001 (Canada: \$9/\$90; Other Countries: \$10/\$100).

**Footwear Statistics, May 1988.** Catalogue number 33-002 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Industrial Chemicals and Synthetic Resins, May 1988.** Catalogue number 46-002 (Canada: \$5/\$50; Other Countries: \$6/\$60).

**Particleboard, Waferboard and Hardboard, May 1988.** Catalogue number 36-003 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Primary Metal Industries, Aluminum Rolling, Casting and Extruding Industry, 1986 Census of Manufactures.** Catalogue number 41-250B 2961 (Canada: \$4; Other Countries: \$5).

**Production and Sales of Phonograph Records and Pre-recorded Tapes in Canada, May 1988.** Catalogue number 47-004 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, April 1988.** Catalogue number 35-002 (Canada: \$9/\$90; Other Countries: \$10/\$100).

**Pulpwood and Wood Residue Statistics, May 1988.** Catalogue number 25-001 (Canada: \$5.50/\$55; Other Countries: \$6.50/\$65).

**Transportation Equipment Industries, Mobile Home Industry, 1986 Census of Manufactures.** Catalogue number 42-251B 3244 (Canada: \$4; Other Countries: \$5).

**Transportation Equipment Industries, Other Transportation Equipment Industries, 1986 Census of Manufactures.** Catalogue number 42-251B 3299 (Canada: \$4; Other Countries: \$5).

### INDUSTRY - Concluded

**Wood Industries, Particle Board Industry, 1986 Census of Manufactures.** Catalogue number 35-250B 2592 (Canada: \$4; Other Countries: \$5).

**Wood Industries, Wooden Box and Pallet Industry, 1986 Census of Manufactures.** Catalogue number 35-250B 2561 (Canada: \$4; Other Countries: \$5).

### INTERNATIONAL AND FINANCIAL ECONOMICS

**Canada's International Investment Position, 1985.** Catalogue number 67-202 (Canada: \$35; Other Countries: \$36.50).

**Canadian Economic Observer, July 1988.** Catalogue number 11-010 (Canada: \$20/\$200; Other Countries: \$22.50/\$225).

**Security Transactions with Non-residents, April 1988.** Catalogue number 67-002 (Canada: \$15/\$150; Other Countries: \$16/\$160).

### LABOUR

**The Labour Force, June 1988.** Catalogue number 71-001 (Canada: \$22/\$220; Other Countries: \$24/\$240).

### PRICES

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

### PUBLIC INSTITUTIONS

**Federal Government Employment, October-December 1987.** Catalogue number 72-004 (Canada: \$22/\$88; Other Countries: \$23/\$92).

**Local Government Employment, October-December 1987.** Catalogue number 72-009 (Canada: \$11.50/\$46; Other Countries: \$12.50/\$50).

### SCIENCE, TECHNOLOGY AND CAPITAL STOCK

**Housing Starts and Completions, January 1988.** Catalogue number 64-002 (Canada: \$16.50/\$165; Other Countries: \$17.50/\$175).



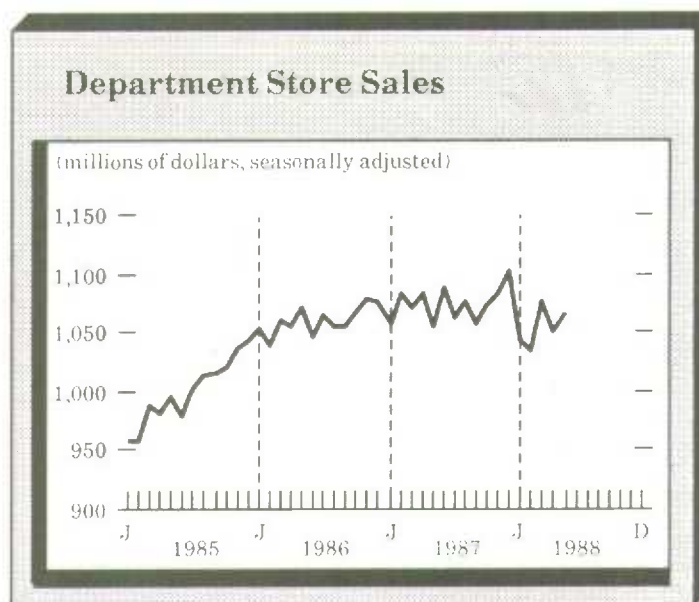
## Department Store Sales Increase

Adjusted for seasonal fluctuations and the number of trading days, department store sales in May totalled \$1,066 million, an increase of 1.4% from the previous month. A 3.7% increase in March, a 2.2% decrease in April and the slight advance in May further extend the trend of weak sales observed since the beginning of 1988.

Department store stocks totalled \$4,451 million at the end of May, an increase of 0.5% over April. This reverses the 0.5% decrease in stocks recorded in April. Stocks have been generally declining since September 1987. The ratio of inventories to sales stood at 4.18:1 in May, a decrease from the average ratio of 4.22:1 observed in the three previous months.

Adjusted for the sale of Woodward Stores Ltd.'s food department to Canada Safeway Ltd. but unadjusted for seasonality, department store sales decreased a marginal 0.3% over May 1987. (Not adjusted for structural changes, department store sales decreased 2.5%.) Year-to-date sales are up 2.8% from last year.

On a provincial basis, adjusted for structural changes but not for seasonality, five provinces posted increases in May 1988 over the corresponding month in



1987. Increases were recorded in Newfoundland (8.6%), Prince Edward Island (8.0%), Quebec (2.2%), New Brunswick (1.0%) and Ontario (0.4%).

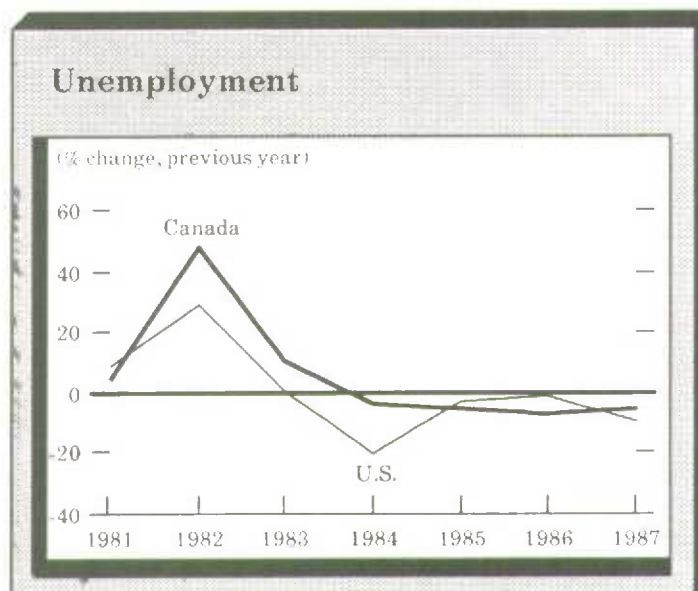
*For further information, order Department Stores Sales and Stocks (catalogue number 63-002) or contact Industry Division (613) 951-3549.*

## Labour Market Conditions Improved More Quickly in the United States

The feature article in the June issue of *The Labour Force* presents the findings of a recent study that compares labour market conditions in Canada and the United States from 1980 to 1987. This interval brackets the severe recession that occurred in both countries in the early 1980s. Showing the period immediately before the recession and the subsequent recovery, the study provides a picture of how the two countries were affected by the business cycle.

The results show that there were marked differences in labour market trends between Canada and the United States during the 1980s. The Canadian labour force expanded more rapidly over this period, but employment growth was stronger in the United States. Unemployment rose substantially in Canada, while it actually declined in the United States. The 1981-82 recession had a more lingering effect on the Canadian labour market, as evidenced by Canada's more slowly declining unemployment rate.

Both labour force participation and employment grew more quickly among Canadian women than among U.S. women. For men, however, U.S. growth rates were higher.



Finally, growth patterns by industry sector were somewhat different in the two countries. Employment gains in business and financial services were much more impressive in the U.S. than in Canada. In public and social services, however, employment growth was greater in Canada.

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



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## LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
<b>EMPLOYMENT, INCOME</b>				
Average Weekly Earnings (\$)	Apr.	461.06	458.74	5.3
Labour Income (\$ million)	Apr.	25,350	24,956	7.5
Persons with Jobs (million)	June	12.69	12.48	3.1
Unemployed (thousand)	June	973	1,035	-14.8
<b>INVENTORIES</b>				
Department Store (\$ million)	May*	4,529	4,612	1.1
Manufacturers' Owned (\$ million)	May*	37,772	37,541	6.4
<b>ORDERS</b>				
Manufacturers' New Orders (\$ million)	May*	26,321	23,851	15.4
Manufacturers' Unfilled Orders (\$ million)	May*	27,785	26,803	21.3
<b>PRICES</b>				
Consumer Price Index (1981=100)	June*	143.6	143.4	3.9
New House Price Index (1981=100)	May	130.0	128.3	9.2
Raw Materials Price Index (1981=100)	May	99.5	97.3	-2.7
Excl. minerals fuels	May	114.6	113.3	4.2
Industrial Product Price Index (1981=100)	May	126.9	126.7	3.9
<b>CONSTRUCTION</b>				
Building Permits (\$ million)	Feb.	1,915	3,335	15.9
Housing Starts - Urban Centres (units)	May	21,996	72,273	-12.6
<b>ENERGY</b>				
Coal Production (thousand tonnes)	Apr.	5,779	23,995	26.7
Electricity Generation (gigawatt hours)	Apr.	38,964	179,438	3.6
Natural Gas Production (million cubic metres)	Mar.	11,184	35,009	15.8
<b>FOREIGN TRADE</b>				
Exports - Customs Basis (\$ million)	May	11,872	56,995	12.6
Imports - Customs Basis (\$ million)	May	11,148	56,273	20.6
<b>SALES</b>				
Department Store Sales (\$ million)	May*	1,016	4,395	-0.9
Manufacturers' Shipments (\$ million)	May*	25,339	119,045	10.0
New Motor Vehicle Sales (\$ million)	May	2,864	11,547	15.1
Refined Petroleum Products (thousand cubic metres)	May	6,777	32,631	3.7
Retail Sales (\$ million)	May*	14,303	63,241	8.9

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

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