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I•N•F•O•M•A•T

A WEEKLY REVIEW

Friday, August 19, 1988

OVERVIEW

- **Large Jump in Merchandise Trade Surplus**

  The merchandise trade surplus was up by slightly more than $1 billion in June. The rise to $1.6 billion was primarily the result of lower imports from the U.S. and higher exports to Japan.

- **Manufacturers' Optimism Declines Sharply**

  At the start of the third quarter, Canadian manufacturers were less enthusiastic about production prospects and showed growing concern with their levels of finished product inventory.

- **Housing Starts Dip in June**

  Housing starts were down 8% on a month-over-month basis in June. However, starts have recovered in recent months, attaining the same annual rate as was registered in December 1987.

- **Mid-year Review of Labour Market Conditions**

  Employment growth in the first six months of 1988 was substantial (194,000 jobs) with most of this increase occurring in January and February.

This issue **also** includes articles on **Shipping in Canada**, **Farm Cash Receipts**, the **Farm Product Price Index** and the **Machinery and Equipment Price Index**.

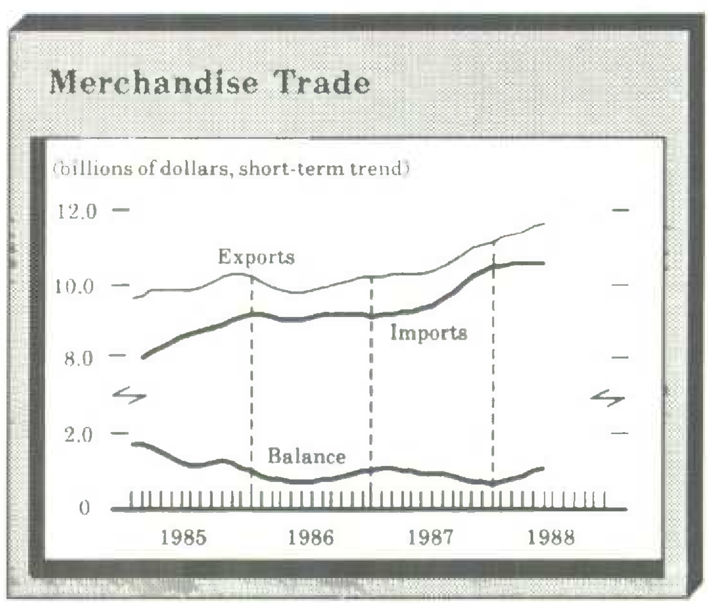
Large Jump in Merchandise Trade Surplus

Canada's international trade surplus registered a large jump in June to $1.6 billion, more than double the surplus in May and the average surplus of $760 million recorded for the first five months of 1988. The June surplus, the highest recorded in 33 months, was primarily the result of a substantial decrease in imports from the United States and a record level of exports to Japan.

Exports continued to advance in June, bringing the cumulative total in the first half of 1988 to $68.3 billion, 11.0% higher than in the same period in 1987. Higher exports of raw materials and fabricated materials contributed to the growth in total exports in June. Wheat exports totalled $2.4 billion for the first half of 1988, $706 million more than the same period in 1987.

Imports declined 2.7% in June, for a cumulative January to June total of $62.9 billion, 13.1% higher than the corresponding period in 1987. The marked decrease in imports in June was caused primarily by a drop in imports of automotive products from the United States. Higher imports of machinery and equipment were reported for June.

(continued on page 2)



Merchandise Trade

... Trade Surplus

The accompanying chart shows the short-term trend of exports, imports and the trade balance. The short-term trend is the result of a 13-term weighted moving average, calculated to give a clearer indication of the trend in the series than the seasonally adjusted data, which can vary considerably month to month. Although the latest month's data is used in the calculation, it is excluded from the analysis as it is subject to large revisions.

The short-term trend for exports rose 0.9% in May, posting its twenty-fourth consecutive increase. Wheat, passenger automobiles and organic chemicals led the advance, while declines were noted for exports of iron ore, trucks, petroleum and coal products and electricity.

The short-term trend for imports, up since January 1987, rose marginally in May. Higher imports of fabricated materials, notably iron products, were recorded. The largest declines were posted for imports of motor vehicle parts and aircraft. A seventh consecutive decline was recorded for imports of passenger automobiles.

The trade surplus between Canada and the United States fell to \$7.2 billion in the first half of 1988, \$2.7 billion less than in 1987.

For further information, order Preliminary Statement of Canadian Trade (H.S. based) (catalogue number 65-001p) or contact International Trade Division at (613) 951-9647.

Manufacturers' Optimism Declines Sharply

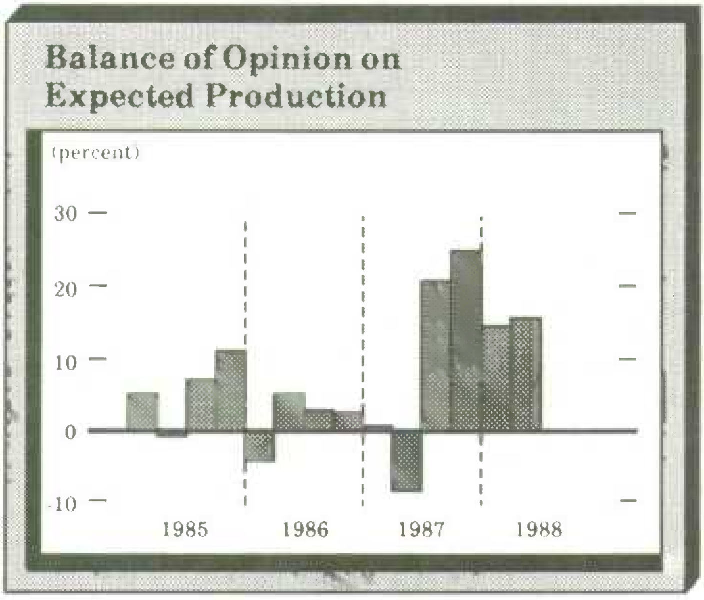
Canadian manufacturers were less optimistic about the business conditions they expect in the third quarter of 1988 than in the second quarter. There was a sharp decline in optimism about production prospects and growing concern about the level of finished product inventory. Shortages of skilled labour and a lack of new orders or sales were cited as the main sources of production difficulties.

A significant rise in the proportion of manufacturers expecting lower production levels continues a trend evident since the start of the fourth quarter of 1987. The proportion expecting higher production levels dropped to 28%, similar to the proportion registered in January 1988. The proportion anticipating similar production levels was down for a second consecutive quarter.

The accompanying chart represents the balance of opinion for expected volume of production during the next three months compared with the last three months. The balance of opinion is the difference between the proportion of manufacturers anticipating higher production and those expecting lower production.

A growing proportion of manufacturers think their finished product inventory is too high. The proportion jumped to 28% in the third quarter after hovering around 20% for three quarters. However, the proportion who feel their inventory levels are too low was unchanged.

Shortage of skilled labour reached an historical high, as 12% of manufacturers identified it as the most significant source of production difficulties. Other difficulties increased three percentage points with a shortage of orders/sales being mentioned most often.



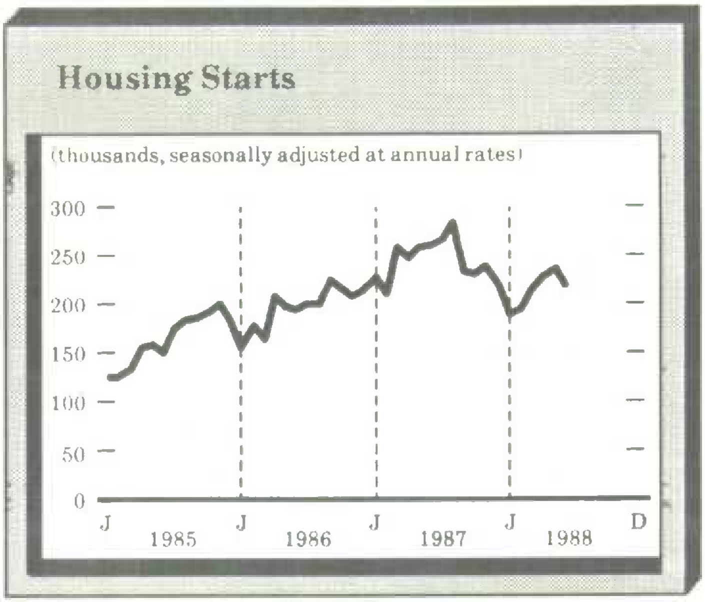
The proportion of manufacturers reporting rising levels of new orders fell to 20% for the third quarter from an average of 26% in the preceding four quarters. The proportion reporting declining levels rose to 15%. The largest percentage of manufacturers thought their levels of new orders were about the same, essentially unchanged from the proportion registered since the third quarter of 1987.

For further information, contact Industry Division at (613) 951-9834.

Housing Starts Dip in June

Housing starts, seasonally adjusted at annual rates, totalled 218,000 units in June, a decrease of 8% from May. The decline in June reflected a 25% drop in starts within the multiple housing sector. Starts on single-family dwellings, which have generally declined more than multiples in 1988, advanced in June, following two consecutive monthly declines.

For the first six months of 1988, starts have averaged 214,000 units, a decrease of 12% from the 243,000 units recorded for the same period last year. In the Atlantic region, only Nova Scotia reported a decline in starts compared with last year. Quebec and Ontario both registered a 16% year-over-year drop in housing starts for the first six months of 1988. In the Prairies, lower starts in Manitoba and Saskatchewan more than offset higher starts in Alberta thus far in 1988. British Columbia also posted higher starts this year.



For further information, order Housing Starts and Completions (catalogue number 64-002) or contact Science, Technology and Capital Stock Division at (613) 951-2583.

Mid-year Review of Labour Market Conditions

The number of Canadians with jobs rose by 194,000 in the first six months of 1988 with most of this increase occurring in January and February. Employment growth moderated considerably from March to June. Although the total gain was below the advance of 226,000 registered in the first two quarters of 1987, employment growth has been substantial so far this year.

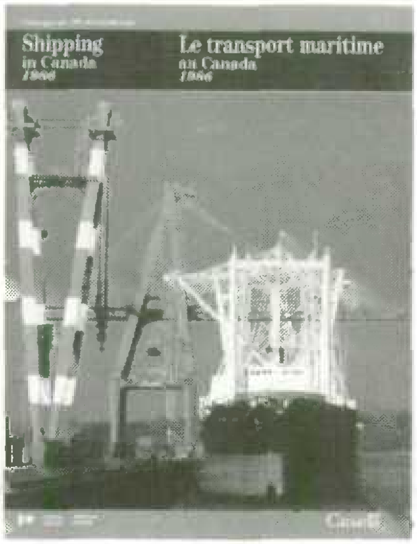
Employment developments during the first half of 1988 differed sharply from those of the same period last year, but resembled those observed in the first half of 1986. Employment growth this year, as in 1986, was concentrated in certain demographic, industrial and occupational groups, in contrast with the more pervasive growth in 1987. Almost all of the jobs have been gained by workers 25 years of age and older. Also, all of the growth has occurred in "white collar" occupations. Jobs in "blue collar" occupations have actually declined (-0.6%) in the first six months of the year. Ontario, Alberta and Newfoundland benefited the most from employment growth.

Improvements in unemployment continued this year, although not evenly across the country. The national unemployment rate fell to 7.7% in the second quarter of 1988 from 8.2% in the last quarter of 1987. The unadjusted (actual) number of unemployed Canadians stood at 973,000 in June, the first time since 1982 the figure has fallen below one million. Long-term unemployment has also declined. In addition, other forms of labour under-utilization have been less prevalent this far in 1988; notably the numbers of "discouraged" and "involuntary part-time" workers have decreased.

Reflecting the continuation of favourable labour market conditions, the number of "discouraged" workers (jobless people who have given up looking for work and have withdrawn from the labour force because they believe that no suitable work is available) continues to decline. During the first half of 1988, they averaged 39,000, down from 49,000 a year earlier and just about one-third of the peak level reached in 1983. Discouraged workers were evenly split between males and females. However, relative to their share in the work force, young people (15-24 years) and older persons (55 years and over) were over-represented among "discouraged" workers.

For further information, order the July issue of The Labour Force (catalogue number 71-001) or contact Labour and Household Surveys Analysis Division at (613) 951-4624.

NEW FROM STATISTICS CANADA



Shipping in Canada

Water transport is an industrial activity of prime importance for Canada. As a major trading nation, Canada relies heavily on ocean shipping for the export and import of commodities.

Shipping in Canada, 1986 is a new publication which integrates data previously contained in three distinct publications. It presents a comprehensive overview of domestic and international shipping. It also provides vessel traffic data and commodity detail by points of loading and unloading. With the use of charts, graphs and summary tables, the publication highlights trends in port traffic, containerization, commodity movements and transport markets.

Shipping in Canada also provides key indicators on the size and structure of the Canadian water carrier industry. Included are financial and operational statistics on revenues and expenditures, services, employees, property value and fleet composition. Designed to serve both industry members and the interested public, it reveals developments in the marine transport sector and points the way to a wealth of additional data.

Order Shipping in Canada (catalogue number 54-205) or contact Transportation Division at (613) 951-8699.

Farm Cash Receipts Rise

Farm cash receipts for the first six months of 1988 totalled $10.7 billion, up 4% over the same period of 1987. Improved crop, livestock and animal product receipts, and higher direct program payments contributed equally to the increase.

Crop receipts rose 2% (to $4.0 billion) as higher Canadian Wheat Board payments and oilseed receipts more than offset a drop in wheat and barley receipts. This was the first increase in crop receipts since 1984.

Wheat board payments totalled $217 million in the first half of 1988, compared to $28 million during the same period of 1987. Seventy percent of the increase came from an adjustment payment on 1987-88 initial wheat prices, which was prompted by rising export prices, and was the first upward adjustment in prices since February 1984.

Barley receipts dropped 30%, while wheat receipts decreased 24% due to lower marketings. Sales of wheat have returned to a level near the average of the previous five years, after having reached a record high of 12.4 million tonnes in the same period last year.

Livestock and animal product receipts increased 2% to a record level of $5.3 billion in the first half of 1988. Higher receipts were registered for all major livestock categories except hogs. Dairy product receipts rose 7% to $1.5 billion, as both prices and marketings increased. Dairy product receipts for the January-June period have trended up since 1983. Due entirely to a rise in prices, cattle and calf receipts increased 4%. Hog receipts declined 9% to $941 million, as an increase in marketings was more than offset by a 17% decline in hog prices over the same period in 1987.

Direct program payments rose 6% to $2.1 billion. Agriculture Stabilization Act payments for corn, wheat and potatoes totalled $115 million, five times the payments made in 1987. Payments made under the 1987 Special Canadian Grains Program were up during the first half of 1988 as the size of the 1987 program was larger than in 1986.

For further information, order the January-June 1988 issue of Farm Cash Receipts (Catalogue number 21-001) or contact Agriculture Division at (613) 951-8706.

Farm Product Price Index Up

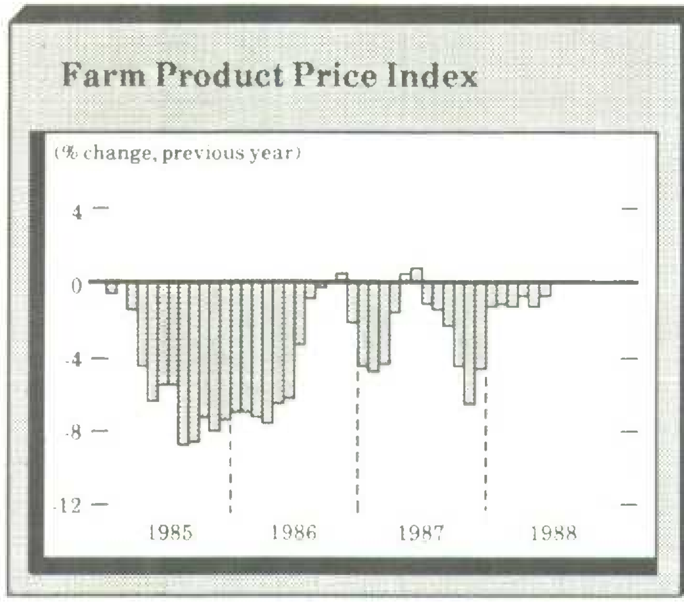
The Farm Product Price Index (1981 = 100) for Canada stood at 93.4 in June, up 2.1% from May. This was the third consecutive increase in the index. Crop prices rose in June, while livestock prices remained almost unchanged from their May level. The June FPPI stood 0.8% below the year-earlier level.

Farm prices rose in most provinces, the largest increases taking place in Ontario (2.8%) and Alberta (2.4%). The index decreased in Prince Edward Island (-1.1%) and remained unchanged in British Columbia.

A 6.0% increase in the crops index in June was the largest gain since August 1983. This advance was mainly due to higher oilseed and cereal prices which have risen for three consecutive months. The combined effect of the rise in oilseed and cereal prices pushed the crops index 5.5% above its level in the preceding year.

Oilseed prices rose 21% with the prospect of tight supplies brought about by dry weather. This was the eighth increase in nine months and the largest monthly gain since May 1984. The oilseeds index has risen 66% since September 1987 and reached its highest point since May 1985.

The cereals index rose 4.5% over the previous month. Continued dry weather caused prices for feed grains to rise sharply, leading the increase in the cereals index. With the price increases, the cereals index stood 0.2% above its year-earlier level. This was the first time since July 1984 that the cereals index was above its year-earlier level.



The livestock and animal products index decreased marginally in June. Lower prices for cattle offset higher prices for hogs, poultry and eggs. The cattle index decreased 3.4%, mainly due to lower slaughter and feeder cattle prices, while hog prices rose 6.0%. The hog index has risen in June in nine of the past ten years. In total, the livestock and animal products index was 5.0% below the record level reached in August 1987.

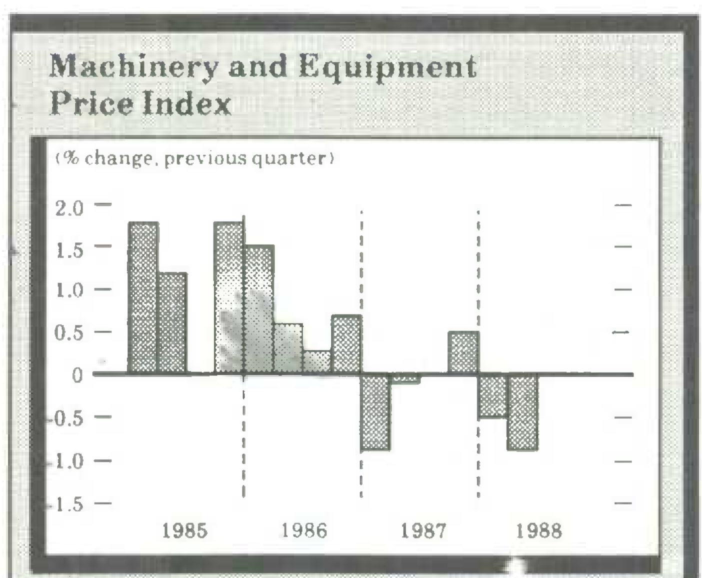
For further information, order the Farm Product Price Index (catalogue number 62-003) or contact Agriculture Division at (613) 951-2437.

Machinery and Equipment Price Index

The machinery and equipment price index (1971 = 100) reached a level of 306.1 in the second quarter of 1988, down 0.9% from its revised first quarter level. This was the fifth decrease in the last six quarters.

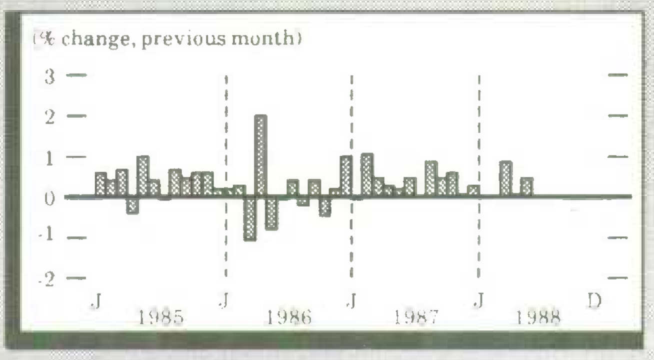
The domestic price component rose 0.1% in the latest quarter, but the more heavily weighted imported goods component fell 1.9%. In the latter case, the higher value of the Canadian dollar versus its U.S. counterpart more than offset a slight increase in prices.

For further information, order Construction Price Statistics (catalogue number 62-007) or contact Prices Division at (613) 951-9615.

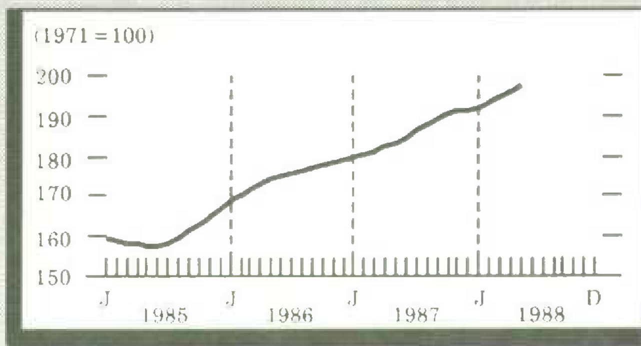


CURRENT TRENDS

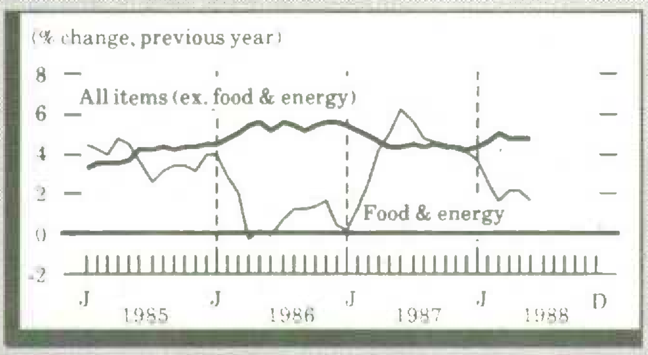
Gross Domestic Product



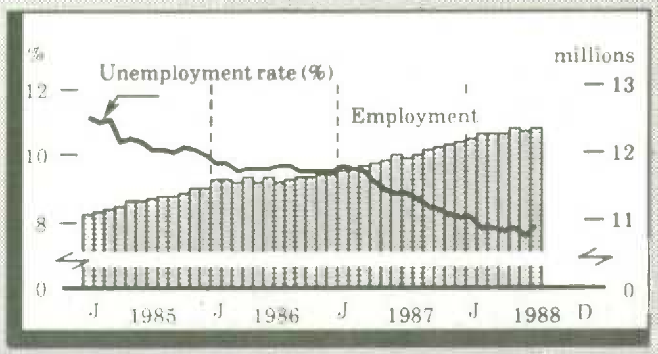
Composite Leading Indicator



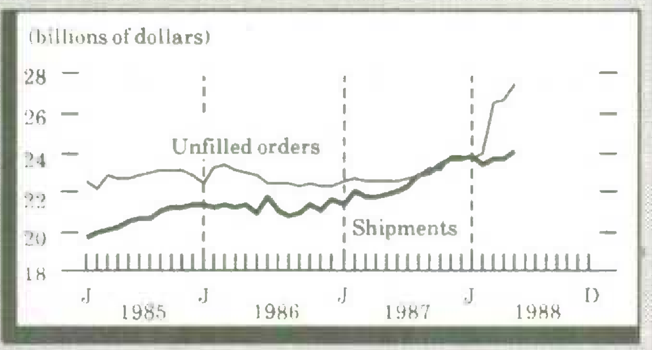
Consumer Price Index



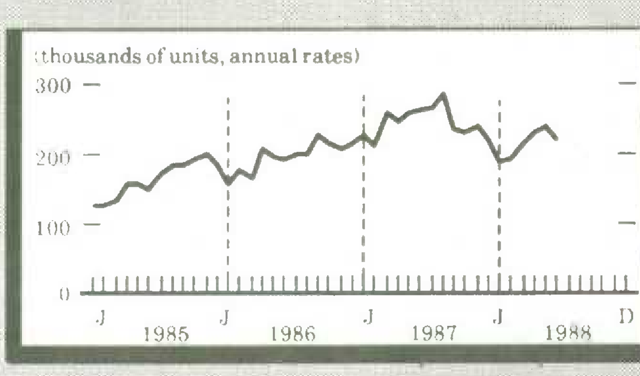
Unemployment Rate and Employment



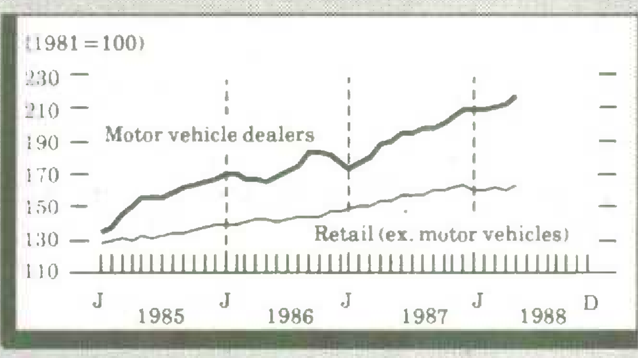
Manufacturing



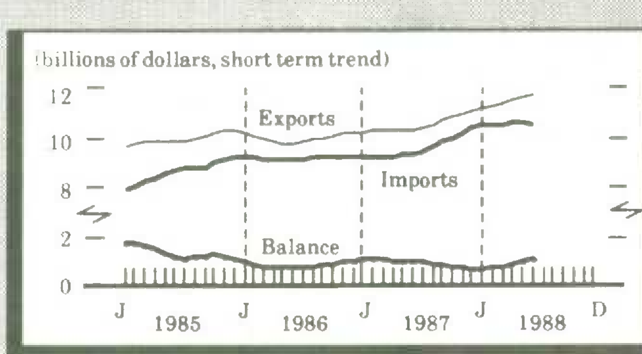
Housing Starts



Retail Trade Indexes



Merchandise Trade



PUBLICATIONS RELEASED FROM AUGUST 12 – 18

EDUCATION, CULTURE AND TOURISM

Touriscope, International Travel, June 1988. Catalogue number 66-001P (Canada: $5.50/$55; Other Countries: $6.50/$65).

INDUSTRY

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

Coal and Coke Statistics, May 1988. Catalogue number 45-002 (Canada: $9/$90; Other Countries: $10/$100).

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

Non-metallic Mineral Products Industries – Asbestos Products Industry, 1986 Census of Manufactures. Catalogue number 44-250B 3592 (Canada: $4; Other Countries: $5).

Non-metallic Mineral Products Industries – Clay Products Industry (From Domestic Clay), 1986 Census of Manufactures. Catalogue number 44-250B 3511 (Canada: $4; Other Countries: $5).

Other Manufacturing Industries – Other Instruments and Related Products Industry, 1986 Census of Manufactures. Catalogue number 47-250B 3912 (Canada: $4; Other Countries: $5).

Other Manufacturing Industries – Toys and Games Industry, 1986 Census of Manufactures. Catalogue number 47-250B 3932 (Canada: $4; Other Countries: $5).

Printing, Publishing and Allied Industries – Newspaper, Magazine and Periodical (Combined Publishing and Printing) Industry, 1986 Census of Manufactures. Catalogue number 36-251B 2841 (Canada: $4; Other Countries: $5).

Retail Trade, April 1988. Catalogue number 63-005 (Canada: $16/$160; Other Countries: $17/$170).

Retail Trade, March 1988. Catalogue number 63-005 (Canada: $16/$160; Other Countries: $17/$170)

Rubber and Plastic Products Industries, Plastic Film and Sheeting Industry, 1986 Census of Manufactures. Catalogue number 33-250B 1631 (Canada: $4; Other Countries: $5).

Shipments of Solid Fuel Burning Heating Products, Quarter ended June 1988. Catalogue number 25-002 (Canada: $4.25/$17; Other Countries: $5.25/$21).

INTERNATIONAL AND FINANCIAL ECONOMICS

Canadian Economics Observer, August 1988. Catalogue number 11-010, vol. 1, no. 8 (Canada: $20/$200; Other Countries: $22.50/$225)

INTERNATIONAL TRADE

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

JUSTICE

Juristat Service Bulletin, Vol. 8, No. 3, **Police Personnel in Canada**, 1987. Catalogue number 85-002 (Canada: $3/$15; Other Countries: $4/$20).

LABOUR

Employment, Earnings and Hours, April 1988. Catalogue number 72-002 (Canada: $38.50/$385; Other Countries: $40.50/$405).

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

PUBLIC INSTITUTIONS

Provincial and Territorial Government Employment, July-September 1987. Catalogue number 72-007 (Canada: $16.50/$66; Other Countries: $17.50/$70).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Industrial Research and Development Statistics, 1986. Catalogue number 88-202 (Canada: $40; Other Countries: $41.50).

TRANSPORT

Railway Carloadings, June 1988. Catalogue number 52-001 (Canada: $7.50/$75; Other Countries: $8.50/$85).

Shipping in Canada, 1986. Catalogue number 54-205 (Canada: $32; Other Countries: $33).

LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	May	462.29	461.50	5.1
Labour Income ($ million)	May	26,058	25,395	6.6
Persons with Jobs (million)	July	13.87	13.67	2.2
Unemployed (thousand)	July	1,052	973	-9.2
INVENTORIES				
Department Store ($ million)	May	4,529	4,612	1.1
Manufacturers' Owned ($ million)	May	37,772	37,541	6.4
ORDERS				
Manufacturers' New Orders ($ million)	May	26,321	23,851	15.4
Manufacturers' Unfilled Orders ($ million)	May	27,785	26,803	21.3
PRICES				
Consumer Price Index (1981 = 100)	June	143.6	143.4	3.9
New House Price Index (1981 = 100)	June	131.2	130.0	9.7
Raw Materials Price Index (1981 = 100)	June	100.2	99.8	-3.6
Excl. minerals fuels	June	115.7	115.0	4.2
Industrial Product Price Index (1981 = 100)	June	127.1	127.2	3.8
CONSTRUCTION			**Year-to-date**	
Building Permits ($ million)	Mar.*	2,594	**6,305**	**7.5**
Housing Starts – Urban Centres (units)	June*	19,046	**91,319**	**-14.2**
ENERGY				
Coal Production (thousand tonnes)	May	5,553	**29,548**	**25.2**
Electricity Generation (gigawatt hours)	May	36,668	**216,106**	**2.9**
Natural Gas Production (million cubic metres)	Apr.	10,025	**45,034**	**15.1**
FOREIGN TRADE				
Exports – Customs Basis ($ million)	June*	12,593	**69,860**	**13.8**
Imports – Customs Basis ($ million)	June*	10,898	**67,996**	**18.6**
SALES				
Department Store Sales ($ million)	June	1,066	**5,461**	**0.2**
Manufacturers' Shipments ($ million)	May	25,339	**119,045**	**10.0**
New Motor Vehicle Sales (units, thousands)	June	151	**836**	**2.7**
Refined Petroleum Products (thousand cubic metres)	June	6,964	**39,397**	**2.3**
Retail Sales ($ million)	May	14,303	**63,241**	**8.9**

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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