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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, September 2, 1988

OVERVIEW

Pace of Economic Growth Maintained in Second Quarter

Real gross domestic product rose 1.0% in the second quarter, slightly higher than the rate of growth recorded in the first quarter. The compound annual rate of growth for the first six months of 1988 was 4.2%.

Current Account Registers Sizeable Deficit

Following a relatively small deficit in the first quarter, the balance of payments registered a deficit in the second quarter similar to those recorded since 1986.

Foreign Investment in Canadian Bonds Reduced

In June, net foreign investment in Canadian bonds dropped to $295 million, well below the average monthly investment of $900 million recorded in the previous five months.

Continued Strength in Average Weekly Earnings

Average weekly earnings were up 5.1% on a year-over-year basis in June, the fourth consecutive month that the increase was over 5%.

Industrial Corporations' Profits Rebound

Following a drop in profits in the first quarter, industrial corporations reported a 7.2% gain in operating profits for the second quarter of 1988.

This issue also includes articles on Unemployment Insurance Statistics and Monthly Gross Domestic Product.

Pace of Economic Growth Maintained in Second Quarter

Gross Domestic Product in 1981 prices advanced 1.0% in the second quarter, up from the 0.8% gain registered in the previous quarter. Real output grew at an compound annual rate of 4.2% in the first half of 1988, relative to the last six months of 1987.

Real demand growth strenghtened in the second quarter. Domestic demand picked up as consumer spending rebounded after a weak first quarter. Business investment and exports continued to grow robustly. The inventory build-up among non-farm businesses, and stock liquidation in the farm sector continued at a pace similar to that recorded in the first quarter. The volume of imports increased very substantially, accounting for half of total demand growth.

Personal expenditures on goods and services advanced 0.9% in real terms in the second quarter, a rebound from the slight decline in the first quarter. Spending on trucks, appliances and home entertainment equipment grew strongly in the quarter,

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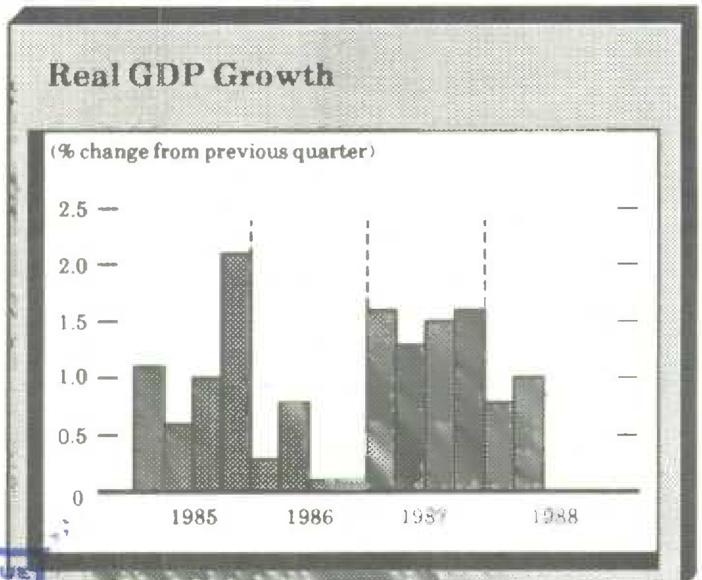


... Pace of Economic Growth

while outlays on clothing remained relatively weak. Higher spending on restaurants, hotels and foreign travel boosted consumer services.

The investment boom continued in the second quarter as business spending advanced 4%, the fifth quarter of substantial growth. Strong capital spending was evident in the forestry, mining, manufacturing and utilities industries.

Residential investment expenditure fell 0.4% in real terms in the quarter. New construction activity declined for the third consecutive quarter. The drop in new construction was partially offset by increased spending on alterations and improvements to existing dwellings and on real estate commissions.

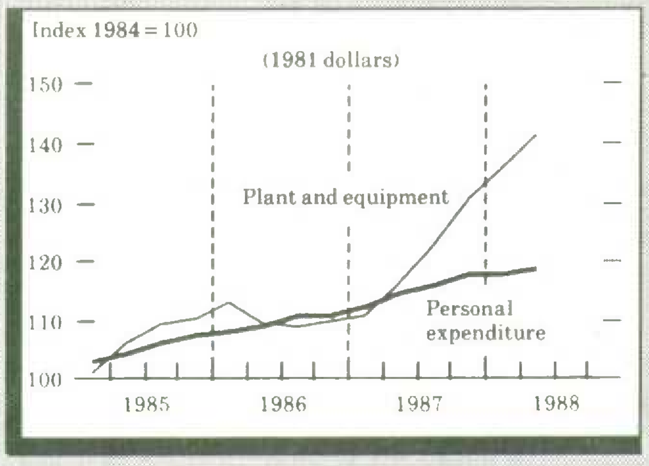
The rate of business non-farm stockbuilding was relatively high in the second quarter, maintaining the pattern of the previous two quarters. The second quarter buildup was particularly strong in manufacturing, where several industries accumulated stocks of raw materials in response to a rising backlog of unfilled orders.

Export and import volumes rose substantially in the quarter. Merchandise exports increased at a slightly lower rate than merchandise imports, while service exports fell and service imports rose.

The GDP implicit price index rose 0.8%, moderating from the 1.0% increase recorded for the first quarter. The year-over-year inflation rate was 3.6%. Lower import prices, largely as a result of the continuing strong Canadian dollar appreciation vis-à-vis the U.S. dollar, dampened the increase in domestic prices.

The slowdown in labour income growth to 1.6% in the second quarter reflected, in part, weaker employment growth. Corporation profits strengthened, rising 3.3%, to remain 12% above their year-earlier level. Higher interest rates boosted investment income 2.8%. Continuing strong wheat sales, rising prices and large government subsidies contributed to keeping farm incomes at a similar level to that reported in the first quarter.

Personal and Business Spending



Government sector revenues rose 2.5% in the second quarter, led by higher retail sales taxes and increased interest and royalty revenues. Total government expenditures including transfers, on the other hand, recorded almost no increase in the quarter, resulting in a substantial drop in government net borrowing. Most of the drop occurred at the provincial government level.

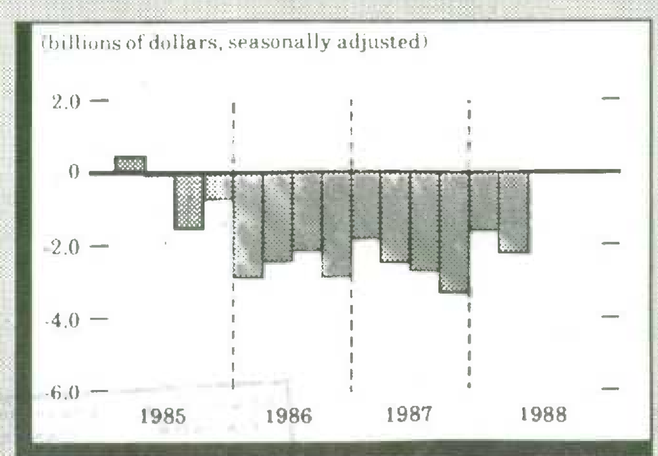
For further information, order National Income and Expenditure Accounts (catalogue number 13-001) or contact the Income and Expenditure Accounts Division at (613) 951-9155.

Current Account Registers Sizeable Deficit

Following a relatively small deficit in the first quarter, the seasonally adjusted current account deficit increased in the second quarter to a level similar to those registered since 1986. Dividend receipts, which were exceptionally high in the first quarter, declined sharply. In addition, there was a sharp increase in the deficit on travel. These movements were partially offset by increases on both merchandise trade and unilateral transfers.

The current account deficit rose to $2.3 billion, up substantially from the previous quarter. This increase stemmed entirely from a sizeable advance in the deficit on non-merchandise transactions.

Current Account Balance



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... Current Account Registers

The deficit in the investment income account ($4.3 billion) was up sharply from the unusually low level that was recorded in the first quarter. Dividend receipts contracted markedly, but were still a substantial $1.3 billion in the second quarter, the second highest level onrecord. The widening deficit also reflected higher payments of both dividends and miscellaneous income. A change in the travel account also made a significant contribution to the increase in the deficit on non-merchandise transactions. Higher payments by Canadians travelling in the United States and lower receipts pushed the travel deficit to $700 million.

The merchandise trade surplus increased to $2.8 billion as the growth of exports continued to outpace the growth of imports. Higher foreign sales of wheat, transportation equipment (notably automobiles) and chemicals were primary contributors to the 2.8% advance in the value of exports. A rise in imports (1.3%) stemmed from higher imports of industrial goods which were partly offset by lower purchases of auto parts and aircraft.

Unilateral transfers during the quarter amounted to $1.1 billion, the second consecutive quarter of record levels. This strength was the result of continuing advances in the total value of immigrants' funds transferred to Canada and a decline in Canada's official contribution.

In the capital account, which is not seasonally adjusted, large net flows of funds continued to be recorded in the major accounts. Non-residents continued to invest massive amounts in interest-bearing instruments, notably Government of Canada paper. Official purchases of foreign exchange brought the reserve assets to a new record of $16.2 billion (US).

For further information, order Quarterly Estimates of the Canadian Balance of International Payments (catalogue number 67-001P) or contact International and Financial Economics Division at (613) 951-9050.

Foreign Investment in Canadian Bonds Reduced

In June, net foreign investment in outstanding Canadian bonds dropped to $295 million. Although substantial, the net investment in the current month was well below the average of $900 million a month recorded in the previous five months. Much of the decline came from lower net investments from Japan. Japanese residents have been net investors for three consecutive months, contrasting sharply with the preceding 12 months when they reduced their holdings of outstanding Canadian bonds.

Non-residents increased their holdings of Canadian stocks in June for the first time since September 1987. The net investment amounted to more than $200 million. United States residents were the primary investors.

Canadian residents continued to invest in outstanding foreign bonds in June. Including $100 million in the current month, the net investment over the last three months amounts to $800 million. Once again U.S. government securities were the favoured investment vehicle.

Security Transactions

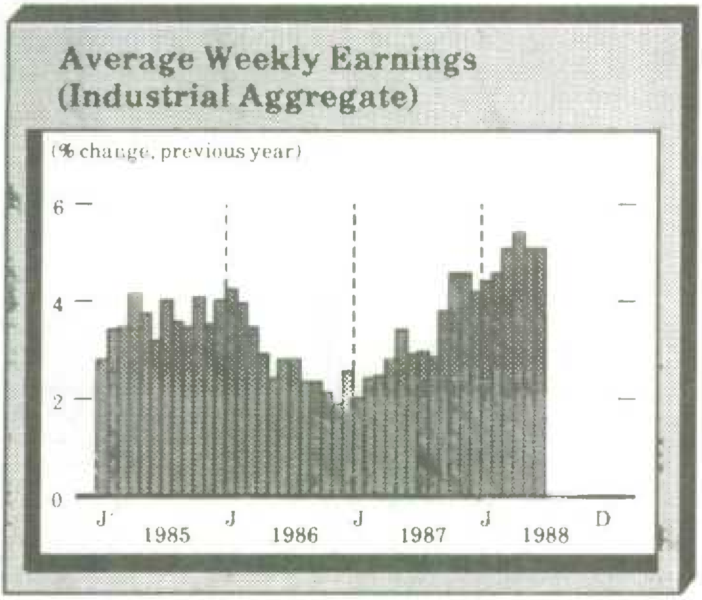
Net sales	Feb.	Mar.	Apr.	May	June
	millions of dollars				
Canadian Securities					
Bonds	1,004	600	1,053	1,088	295
Common and preferred stocks	-281	-154	-379	-110	210
Total	**723**	**446**	**673**	**978**	**505**
Foreign Securities					
Bonds	-454	105	-334	-381	-99
Common and preferred stocks	68	-155	-319	324	17
Total	**-387**	**-49**	**-653**	**-57**	**-82**

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

Continued Strength in Average Weekly Earnings

Average weekly earnings increased 5.1% in June from a year earlier. This represents the fourth consecutive month of annual growth over 5%. Industrial aggregate employment grew 1.2% from June 1987, lower than the 1.9% year-over-year increase recorded in May.

The year-over-year growth in average weekly earnings in the service-producing industries has outpaced that of the goods-producing industries for eight consecutive months. In June, the higher growth in services was led by community, business and personal services. Transportation, communication and other utilities reported an acceleration in its year-to-year growth for the fifth consecutive month. Among goods-producing industries, manufacturing registered its highest year-to-year growth in earnings since December 1985. The mining industry continued to report large increases.



Newfoundland, Prince Edward Island and New Brunswick experienced larger than usual increases in average earnings in June, whereas smaller than usual increases were observed in Nova Scotia, Quebec, Alberta, Saskatchewan and British Columbia. Prince Edward Island and Ontario reported their highest year-to-year increases since the survey began in 1983.

Trends in average weekly earnings are affected not only by changes in underlying rates of pay, but also by changes in the length of the workweek , monthly variations in the amount of overtime worked, the proportion of part-time to full-time workers, work stoppages, as well as movements between industries, provinces and occupations.

Employment registered its lowest yearly increase since January, with the deceleration evident in both the goods- and services-producing industries. Mining and manufacturing led this trend among goods-producing industries, while transportation, communication and other utilities contributed to weaker employment growth in services. Community, business and personal services reported its third consecutive year-to-year decline. Some strengthening in construction was noted in June.

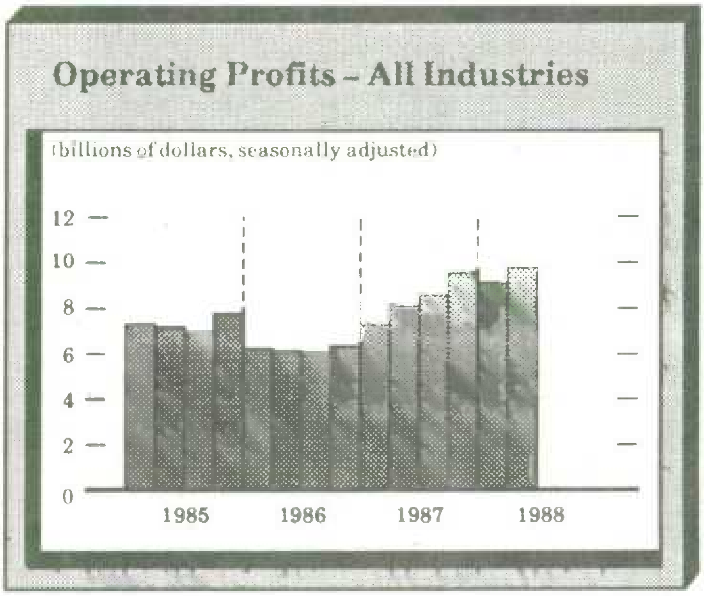
Weaker employment growth was observed in Prince Edward Island, New Brunswick and Ontario, whereas some strengthening was evident in Manitoba.

For further information, order Employment, Earnings and Hours (catalogue number 72-002) or contact Labour Division at (613) 951-4090.

Industrial Corporations' Profits Rebound

In the second quarter, operating profits of industrial corporations were 7.2% higher than in the previous quarter. Profits had slipped in the first quarter (-4.5%) after growing an average of 10.8% in each quarter of 1987. Sales also rallied (1.2%) after recording slower growth in the first quarter.

The transportation equipment and metal mining industries accounted for almost half of the second quarter increase in operating profits. Operating profits in the transportation equipment industries climbed to $472 million, continuing the pattern of large gains recorded in the two preceding quarters. The metal mining industries recorded a profit of $647 million in the second quarter. Significant advances in base metal prices were the main contributors to the turnaround in this industry which registered a loss of $58 million in the first quarter of 1987.



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... Industrial Corporations' Profits Rebound

Pre-tax profits (which include investment income and other gains) remained vitually flat following a drop of 1.9% in the first quarter and average quarterly increases of 10.2% in 1987. A decrease in foreign dividend receipts prevented any growth in pre-tax profits in the second quarter of 1988.

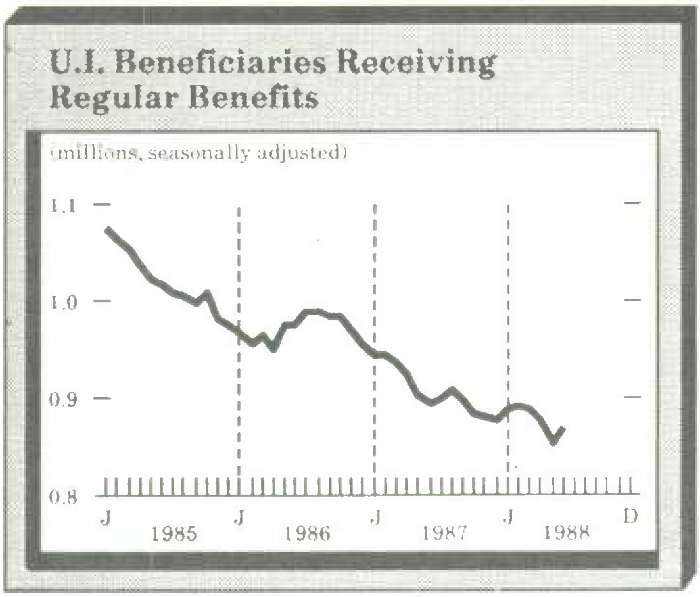
For further information, order Industrial Corporations: Financial Statistics (catalogue number 61-003P) or contact Industrial Organization and Finance Division at (613) 951-9843.

Unemployment Insurance Statistics

The number of beneficiaries receiving regular unemployment insurance benefits totalled 870,000 in June, a 1.9% increase from the preceding month. While the number of beneficiaries has remained generally on a downward trend since August 1986, the rate of decrease has been slowing since last fall.

Most provinces registered an increase in the number of beneficiaries in June, with notable increases reported in the Yukon (11.5%), Ontario (3.0%), Saskatchewan (2.7%) and Alberta and Manitoba (2.4%).

Benefits paid during the first half of 1988 totalled $6,002 million, up 4.4% from the corresponding period in 1987. The year-to-date change resulted from a 6.1% increase in the average weekly benefit payment to $202.58, which was partially offset by a 1.6% decrease in the number of benefit weeks.



For further information, order Unemployment Insurance Statistics (catalogue number 73-001) or contact Labour Division at (613) 951-4045.

Monthly Gross Domestic Product by Industry

Gross domestic product by industry (1981 prices) rose 0.2% in June, the third advance in four months. The average monthly growth rate for the last three months was 0.2%. Output in the service-producing industries grew at a pace similar to the previous month. Production dropped in the goods-producing industry, after registering a significant increase in May.

Real Gross Domestic Product

	Feb.	Mar.	Apr.	May	June
	% change, previous month				
Real Gross Domestic Product	0.2	0.7	-0.1	0.6	0.2
Goods-producing industries	0.2	0.0	-0.1	0.9	-0.3
Service-producing industries	0.3	1.1	-0.2	0.4	0.5

Output in the service-producing industries increased 0.5% in June, slightly higher than the average monthly advance in the first five months of the year.

Output in the goods-producing industries fell 0.3% during the month, following a large increase in May. Declines were registered in the mining, construction and forestry industries, but a 0.7% rise in the manufacturing industries partially offset the effect of these decreases in production. Output in manufacturing has risen for three consecutive months. Most of the growth in the current month was due to increased production of durable goods.

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

PUBLICATIONS RELEASED FROM AUGUST 26 - SEPTEMBER 1

AGRICULTURE

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

Farm Product Price Index, June 1988. Catalogue number 62-003 (Canada: $6.50/$65; Other Countries: $7.50/$75).

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

EDUCATION, CULTURE AND TOURISM

Minority and Second Language Education, Elementary and Secondary Levels, 1986-87. Catalogue number 81-257 (Canada: $24; Other Countries: $25).

HOUSEHOLD SURVEYS

Income Estimates for Subprovincial Areas, 1986. Catalogue number 13-216 (Canada: $25; Other Countries: $26).

INCOME AND EXPENDITURE

Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1988. Catalogue number 67-001P (Canada: $9.25/$37; Other Countries: $10.25/$41).

INDUSTRIAL ORGANIZATION AND FINANCE

Industrial Corporations, Financial Statistics, First Quarter 1988. Catalogue number 61-003 (Canada: $50/$200; Other Countries: $60/$240).

INDUSTRY

Corrugated Boxes and Wrappers, July 1988. Catalogue number 36-004 (Canada: $4.50/$45; Other Countries: $5.50/$55).

Department Store Sales and Stocks, December 1988. Catalogue number 63-002 (Canada: $13/$130; Other Countries: $14/$140).

Fabricated Metal Products Industries - Custom Coating of Metal Products Industry, 1986 Census of Manufactures. Catalogue number 41-251B 3041 (Canada: $4; Other Countries: $5).

INDUSTRY - Concluded

Fabricated Metal Products Industries - Power Boiler and Heat Exchanger Industry, 1986 Census of Manufactures. Catalogue number 41-251B 3011 (Canada: $4; Other Countries: $5).

Inventories, Shipments and Orders in Manufacturing Industries, April 1988. Catalogue number 31-001 (Canada: $16.50/$165; Other Countries: $17.50/$175).

Merchandising Inventories, March 1988. Catalogue number 63-014 (Canada: $13/$130; Other Countries: $14/$140).

Mineral Wool Including Fibrous Glass Insulation, July 1988. Catalogue number 44-004 (Canada: $4.50/$45; Other Countries: $5.50/$55).

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

Primary Metal Industries - Other Rolled, Cast and Extruded Non-ferrous Metal Products Industries, 1986 Census of Manufactures. Catalogue number 41-250B 2999 (Canada: $4; Other Countries: $5).

Production and Inventories of Process Cheese and Instant Skim Milk Powder, July 1988. Catalogue number 32-024 (Canada: $4.50/$45; Other Countries: $5.50/$55).

Production and Stocks of Tea, Coffee and Cocoa, Quarter ended June 1988. Catalogue number 32-025 (Canada: $6.25/$25; Other Countries: $7.25/$29).

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

Shipments of Plastic Film and Bags Manufactured from Resin, Quarter Ended June 30, 1988. Catalogue number 47-007 (Canada: $6.25/$25; Other Countries: $7.25/$29).

LABOUR

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

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

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

SERVICES

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

Regional Reference Centres

Statistics Canada's regional reference centres provide a full range of the bureau's products and services. Each reference centre is equipped with a library and a sales counter where users can consult or purchase our publications, microcomputer diskettes, microfiche, maps and more.

Each centre has facilities to retrieve information from Statistics Canada's computerized data retrieval systems CANSIM and Telichart. A telephone inquiry service is also available with toll free numbers for regional clients outside local calling areas. Many other valuable services – from seminars to consultations – are offered. Call or write your regional reference centre for information.

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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	June*	464.39	462.11	5.1
Labour Income ($ 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)	June	4,320	4,530	1.2
Manufacturers' Owned ($ million)	June	37,205	37,577	6.1
ORDERS				
Manufacturers' New Orders ($ million)	June	26,255	26,320	10.8
Manufacturers' Unfilled Orders ($ million)	June	28,034	27,813	22.9
PRICES				
Consumer Price Index (1981 = 100)	June	144.5	143.6	3.8
New House Price Index (1981 = 100)	June	131.2	130.0	9.7
Raw Materials Price Index (1981 = 100)	July*	100.1	100.3	-4.7
Excl. minerals fuels	July*	115.6	116.1	4.6
Industrial Product Price Index (1981 = 100)	July*	127.8	127.6	3.7
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)	May	9,535	**54,569**	**15.0**
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)	June	26,033	**144,937**	**9.7**
New Motor Vehicle Sales (units, thousands)	June	151	**836**	**2.7**
Refined Petroleum Products (thousand cubic metres)	July*	6,706	**46,103**	**1.0**
Retail Sales ($ million)	June	14,403	**77,608**	**8.2**

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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