

# I·N·F·O·M·A·T

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

Friday, September 23, 1988

### OVERVIEW

#### ■ Sharp Decline in Manufacturing Shipments

Manufacturing shipments declined 2.1% in July, following four consecutive monthly increases. The closure of several automobile plants for retooling was a major factor in this decrease.

#### ■ Steady Increase in Capacity Utilization

Canada's manufacturing industries operated at 81.5% of capacity during the second quarter of 1988. Registering a sixth consecutive increase, capacity utilization reached its highest level in more than eight years.

#### ■ Rising Consumer Prices

The consumer price index rose 0.3% in August, a slightly smaller increase than the average monthly advance for 1988. On a year-over-year basis, prices were up 4.0%.

#### ■ Retail Sales Continue to Register Moderate Growth

With the 1.2% increase in July, retail sales registered an average monthly advance of 0.4% for the first seven months of 1988. This compares to average monthly growth of 1% in 1987.

#### ■ Drop in Department Store Sales

In July, department store sales were down 3.6% from June. This decline follows two consecutive monthly increases.

This issue also includes articles on **Construction Prices** and **Financial Institutions' Financial Statistics**.

### Sharp Decline in Manufacturing Shipments

The seasonally adjusted value of shipments dropped 2.1% in July to \$23.5 billion. The decrease follows four consecutive increases and pushes the level of shipments down to the value recorded in February.

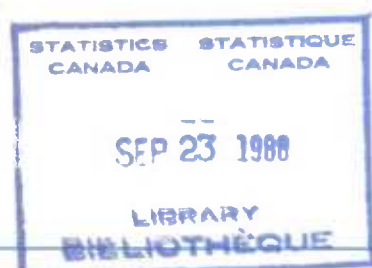
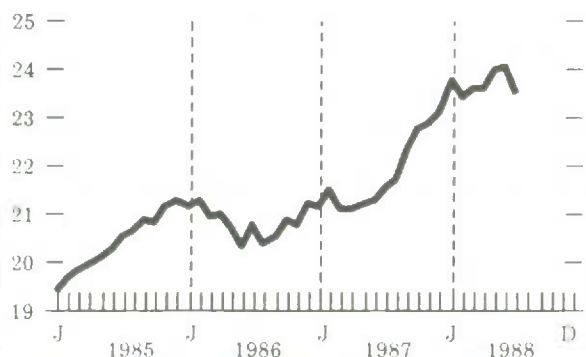
The transportation equipment industries, notably motor vehicles and parts, contributed most to the decline in July. A large number of automotive plants closed for retooling in July. The Canadian Automobile Manufacturers Association estimates that production of motor vehicles fell by over 40%. Shipments in the transportation equipment industries were down by 21.7%.

Following a sharp rise in May, the value of new orders declined for the second month in a row, with a decrease of 2.2% in July to \$23.8 billion. The drop was particularly noticeable in the transportation equipment industries. This decrease was partially offset by increases for the machinery (except electrical) and the electrical and electronic products industries.

(continued on page 2)

### Manufacturers' Shipments

(billions of dollars, seasonally adjusted)



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### ... Sharp Decline in Manufacturing Shipments

The backlog of unfilled orders increased 1.2% in July, following similar strong advances in May and June. Once again, the machinery (except electrical) industry and the transportation equipment industries have contributed most to the recent increases.

The value of manufacturers' inventories was unchanged in June, but rose 0.8% in July to resume the rising trend noted since October 1987. The increase in inventories combined with the drop in shipments caused the inventories to shipments ratio to rise to 1.59:1 in July.

Cumulative shipments for the first seven months of 1988 were estimated at \$166.2 billion, 8.5% higher than the value for the corresponding period of 1987.

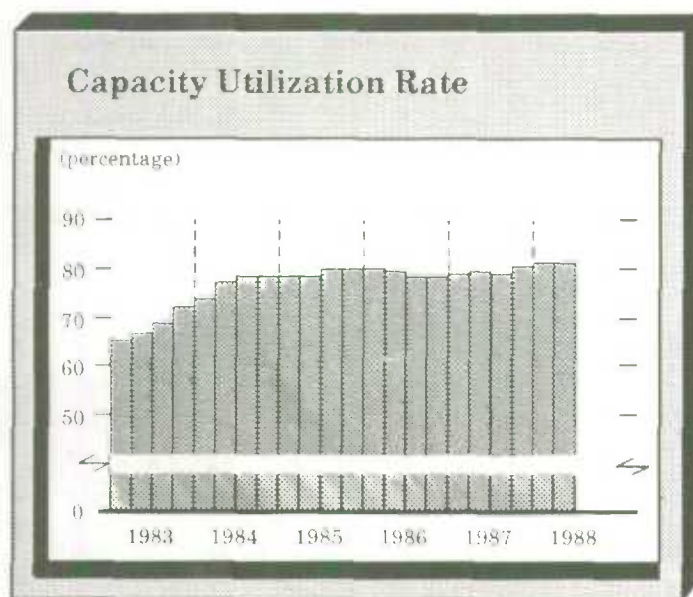
### Manufacturing Activity

	Mar.	Apr.	May	June	July
	% change, previous month				
Shipments	0.7	0.2	1.2	0.7	-2.1
New orders	10.1	-8.6	4.3	-1.5	-2.2
Unfilled orders	10.2	-0.2	2.9	1.3	1.2
Inventory to shipments ratio	1.54	1.56	1.55	1.54	1.59

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

### Steady Increase in Capacity Utilization

Canada's manufacturing industries operated at 81.5% of capacity during the second quarter of 1988, the highest level in more than eight years. Capacity utilization has risen for six consecutive quarters.



Capacity utilization rates for durable goods manufacturers advanced to 78.9% in the second quarter, almost five percentage points higher than the level a year earlier. Export-intensive industries, particularly transportation equipment and primary metals industries, led the increase.

Following a levelling off in the growth of construction activity, manufacturers of construction materials such as cement, glass, insulation, and fabricated metal products saw their rates of capacity utilization drop. Expenditures on machinery and equipment have increased, but so have imports of machinery and equipment, leaving the machinery industries showing a decrease of 1.1% in capacity utilization.

For non-durable industries, after relatively steady capacity utilization in recent years, rates declined by 0.5% in the second quarter, down to 84.3%.

The weakness in consumer spending on semi-durable goods thus far in 1988 was felt by the semi-durable goods manufacturers and their suppliers. For example, capacity utilization in the leather products industries decreased 1.7%, primary textiles and clothing were both down 1.8% and textile products saw a decline of 2.9%.

Capacity utilization rates are derived from the ratio of actual output of an industry during a given time period to the estimated potential output during the same period.

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

## Rising Consumer Prices

In August, the Consumer Price Index (1981=100) was up 0.3%, slightly lower than the average increase for the previous seven months. Advances in the housing, clothing and food components had a significant impact on the total index in August. On a year-over-year basis, the CPI increased 4.0%.

The housing component advanced 0.3% in August and was the greatest source of upward pressure on the total CPI. Monthly increases in the housing component have varied since January, but the year-over-year rate of increase appears to have stabilized compared to 1987 when it was accelerating.

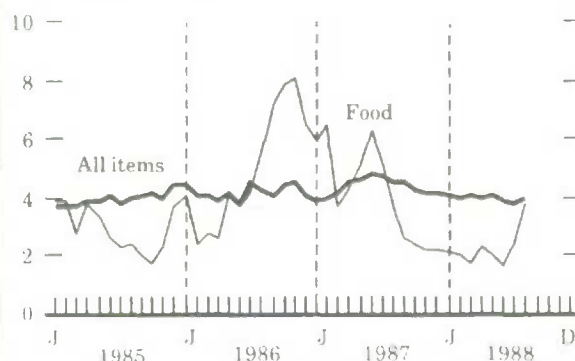
Following a decrease of 0.6% in July, the clothing component increased 1.2% in August. Most of the advance was due to the end of summer sales and the introduction of new fall lines. In each of the last three years, clothing prices have jumped by more than 1.0% in August following a decrease in July.

### Consumer Price Index

	Apr.	May	June	July	Aug.
	% change, previous month				
All-items	0.4	0.6	0.1	0.6	0.3
Food	0.5	0.6	0.9	0.9	0.3
All-items, excl. food	0.3	0.6	0.0	0.5	0.3

### Consumer Price Index

(% change, previous year)



In August, the food component rose 0.3%, a smaller increase than those registered in the four preceding months. Higher prices for chicken, fresh fruit and soft drinks were primary contributors to the gain in August. On a year-over-year basis, this component was up 3.8%, a noticeably sharper rise than the increase of 2.4% recorded in July.

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

## Retail Sales Continue to Register Moderate Growth

Adjusted for seasonal fluctuations and the number of trading days, preliminary estimates indicate that retail sales totalled \$13.8 billion in July, 1.2% above the previous month. Retail sales have fluctuated markedly in 1988, largely due to sharp movements in auto sales, but overall they have advanced an average of 0.4% a month.

In July, the most significant increase in sales was registered by motor vehicle dealers with sales 4.1% higher than in June. Sharp swings in car sales account for most of the uneven growth in total retail trade in 1988. Following two consecutive increases, department store sales were down 3.6% in July. Clothing stores continued to register strong growth. Sales of food stores rose 1.2%, the second advance of this size in three months. Household appliance stores and retailers of furniture, radios and televisions registered strong growth for the second consecutive month.

### Retail Trade

	Mar.	Apr.	May	June	July
	% change, previous month				
Grocery & meat stores	0.5	-2.2	1.5	0.6	1.2
Department stores	4.1	-1.9	1.3	4.5	-3.6
Motor vehicle dealers	6.7	-1.7	2.4	-4.0	4.2
All stores	3.2	-2.0	2.1	0.2	1.2
All stores excl. motor	1.6	-0.9	1.5	1.5	0.4

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

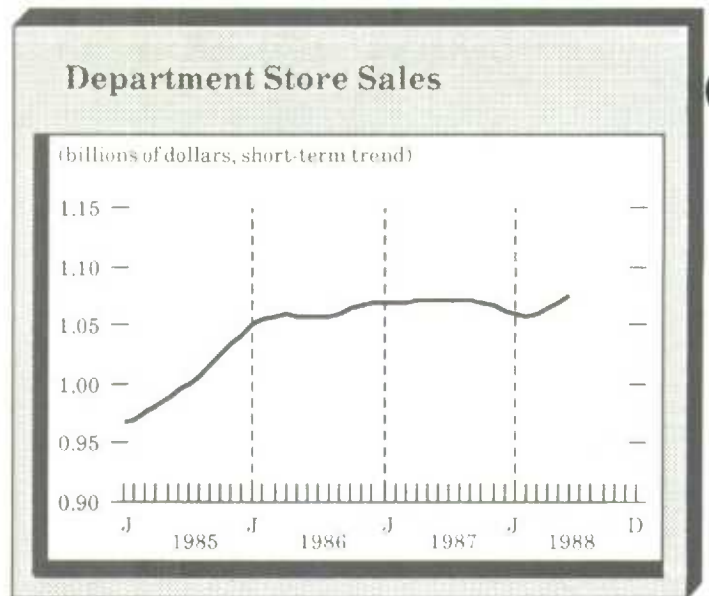


## Drop in Department Store Sales

In July, department store sales totalled \$1,078 million, down 3.6% from June. This decline followed two consecutive monthly increases. Department store sales have shown a generally rising trend since March, mostly because of a strengthening in sales of clothing, household furniture and home furnishings.

Department store stocks, at selling value, amounted to \$4,524 million at the end of July 1988, a modest decrease of 0.3% from June. This decline followed two consecutive monthly increases. Stocks of toys and games, books, household linens and domestics has risen in recent months.

The ratio of inventories to sales stood at 4.20:1 in July, an increase over the average ratio of 4.14:1 observed in the three previous months.



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

## Construction Prices

In July, the residential construction building material price index rose 0.8% to 141.1 (1981=100). Price increases for plywood, metal roofing and siding and polyethylene sheets more than offset decreases for copper pipe and fittings and gypsum wallboard.

While the year-over-year increase in the overall index was 5.0%, prices for electrical materials rose 10.3% and mechanical products including plumbing and heating equipment and materials were up 7.2%.

The non-residential building material price index also rose in July, up 0.5% to 138.8. The year-to-year change was 6.4%, led by higher prices for electrical materials, structural materials such as concrete blocks and cement, and mechanical materials including elevator, escalator and air conditioning equipment.

In July, the union wage rate index for construction trades remained unchanged from the June level of 141.1. On a year-over-year basis, the 18-city composite index increased a modest 0.3%.

*For further information, order Construction Price Statistics (catalogue number 62-007) or contact Prices Division at (613) 951-9607.*

## Financial Institutions' Financial Statistics

In the second quarter of 1988, property and casualty insurers reported income before taxes and extraordinary items of \$415 million compared to \$438 million for the same quarter of 1987. Net investment income rose to \$465 million from \$412 million a year earlier. Partially offsetting this gain was an underwriting loss of \$50 million for the second quarter compared to a gain of \$27 million reported for the previous year.

Sales of investment funds totalled \$2.5 billion in the second quarter of 1988, down sharply from the \$4.3 billion registered in the same quarter of 1987. With redemptions at about the same level as last year, net sales declined to \$394 million from \$2.2 billion recorded in the second quarter of 1987. Total assets of funds at market value were \$31 billion, unchanged from their value a year ago.

*For further information, order Financial Institutions (catalogue number 61-006) or contact Industrial Organization and Finance Division at (613) 951-2512.*

## PUBLICATIONS RELEASED FROM SEPTEMBER 16 - 22

### AGRICULTURE

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

**Livestock Report**, July 1, 1988. Catalogue number 23-008 (Canada: \$15/\$60; Other Countries: \$16/\$64).

**Shipments of Animal and Poultry Feeds**, Semi-annual Period Ended June 1988. Catalogue number 32-004 (Canada: \$6/\$12; Other Countries: \$7/\$14).

### DEMOGRAPHY

**Intercensal Annual Estimates of Population by Marital Status, Age and Sex for Canada, Provinces and Territories, 1981-1986**. Catalogue number 91-519 (Canada: \$41; Other Countries: \$42).

**Profiles, Census Divisions and Subdivisions, Northwest Territories: Part 2, 1986 Census**. Catalogue number 94-124 (Canada: \$30; Other Countries: \$31).

**Profiles, Census Divisions and Subdivisions, Nova Scotia: Part 2, 1986 Census**. Catalogue number 94-106 (Canada: \$37; Other Countries: \$39).

**Profiles, Census Divisions and Subdivisions, Prince Edward Island: Part 2, 1986 Census**. Catalogue number 94-104 (Canada: \$37; Other Countries: \$39).

### EDUCATION, CULTURE AND TOURISM

**Touriscope, International Travel, Advance Information, Vol. 4, No. 7**, July 1988. Catalogue number 66-001P (Canada: \$5.50/\$55; Other Countries: \$6.50/\$65).

### INDUSTRIAL ORGANIZATION AND FINANCE

**Industrial Corporations: Financial Statistics, Second Quarter 1988, Preliminary Data**. Catalogue number 61-003P (Canada: \$15/\$60; Other Countries: \$16/\$64).

### INDUSTRY

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

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

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

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

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

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

**Gypsum Products**, July 1988. Catalogue number 44-003 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

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

**Production and Shipments of Blow-moulded Plastic Bottles**, Quarter Ended June 30, 1988. Catalogue number 47-006 (Canada: \$6.25/\$25; Other Countries: \$7.25/\$29).

**Production, Shipments and Stocks on Hand of Sawmills in British Columbia**, June 1988. Catalogue number 35-003 (Canada: \$6.50/\$65; Other Countries: \$7.50/\$75).

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

**Quarterly Shipments of Office Furniture Products**, Quarter Ended June 30, 1988. Catalogue number 35-006 (Canada: \$6.25/\$25; Other Countries: \$7.25/\$29).

**Retail Chain and Department Stores**, 1986. Catalogue number 63-210 (Canada: \$30; Other Countries: \$31).

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

**Specified Domestic Electrical Appliances**, July 1988. Catalogue number 43-003 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

### INTERNATIONAL AND FINANCIAL ECONOMICS

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

### INTERNATIONAL TRADE

**Canada's International Transactions in Services, 1986 and 1987**. Catalogue number 67-203 (Canada: \$28; Other Countries: \$29).

**Exports by Country**, January-June 1988. Catalogue number 65-003 (Canada: \$75/\$300; Other Countries: \$85/\$340).

**Exports by Commodity (H.S. Based)**, June 1988. Catalogue number 65-004 (Canada: \$50/\$500; Other Countries: \$60/\$600).

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

### LABOUR

**Quarterly Estimates of Trusteed Pension Funds**, First Quarter 1988. Catalogue number 74-001 (Canada: \$10/\$40; Other Countries: \$11/\$44).

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

### TRANSPORT

**Road Motor Vehicles, Fuel Sales**, 1987. Catalogue number 53-218 (Canada: \$15; Other Countries: \$16).

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## LATEST MONTHLY STATISTICS



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			Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (billion 1981 dollars)	June	396	0.2%	4.9%
Composite Leading Indicator (1971 = 100)	June	199.2	0.8%	7.9%
Profits of Industrial Corporations (\$ billion)	2nd Q	9.80	7.2%	20.2%
Consumer Price Index (1981 = 100)	July	144.5	0.6%	3.8%
Retail Trade (\$ billion)	June	13.6	-0.5%	4.9%
New Motor Vehicle Sales ('000 units)	July	131	5.9%	5.2%
Housing Starts ('000, annual rates)	July	211	-3.2%	-21.0%
<b>LABOUR</b>				
Employment (millions)	Aug.	12.4	0.0%	3.1%
Unemployment Rate (%)	Aug.	8.0	0.1	-0.7
Labour Income (\$ billion)	June	26.0	0.3%	6.7%
Average Weekly Earnings (\$)	June	464.39	0.4%	5.1%
<b>EXTERNAL TRADE</b>				
Merchandise Exports (\$ billion)	July	10.5	-12.4%	1.7%
Merchandise Imports (\$ billion)	July	9.0	-14.8%	-4.6%
Merchandise Trade Balance (\$ billion)	July	1.5	0.1	0.6
<b>MANUFACTURING</b>				
Shipments (\$ billion)	June	24.1	0.7%	9.2%
New Orders (\$ billion)	June	24.5	-1.5%	10.6%
Unfilled Orders (\$ billion)	June	27.8	1.2%	23.1%
Inventory/ Shipments Ratio	June	1.54	-0.01	-0.05
Capacity Utilization (%)	2nd Q	81.5	0.2	2.8
<b>PRICES</b>				
Industrial Product Price Index (1981 = 100)	July	127.8	0.2%	3.7%
Raw Materials Price Index (1981 = 100)	July	100.1	-0.2%	-4.7%
New Housing Price Index (1981 = 100)	July	131.6	0.3%	9.6%

Note: All series are seasonally adjusted with the exception of average weekly earnings and the price index series.

\* New this week.

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## A Weekly Review

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