

# I·N·F·O·M·A·T

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

Friday, November 25, 1988

### OVERVIEW

#### ■ Manufacturing Shipments Continue to Grow

The value of shipments rose 1% in September, continuing the trend of stronger growth noted in recent months.

#### ■ Components of Personal Savings

A recent study identifies the components of personal savings - the most important source of funds for the rest of the economy.

#### ■ Wholesale Merchants Report Moderate Gain

Wholesale merchants' sales were up 5% on a year-over-year basis in September, continuing the slowing trend evident in 1988.

#### ■ Strong Advance in Retail Sales

Retail sales rose 1.6% in September, the largest gain registered since May. Generally, retail sales have strengthened throughout the year.

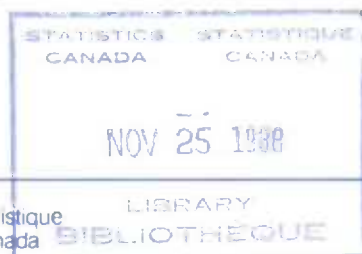
#### ■ Department Store Sales Maintain Rising Trend

Following sharp declines in January and February, department store sales have generally been rising. A 0.7% increase in September extended the trend.

#### ■ Larger Advance in Consumer Prices

In October the consumer price index rose 0.5% over September, following two months of slower growth.

This issue also includes articles on **Employment, Earnings and Hours**, the **New Housing Price Index**, **Trusted Pension Plans** and charts outlining **Current Economic Trends**.



### Manufacturing Shipments Continue to Grow

The seasonally adjusted value of shipments rose 1.0% in September to \$24.4 billion, following up on the 3.3% advance in August. Over the last four months, the average monthly increase has been close to 0.5%, contrasting with weaker growth at the beginning of the year.

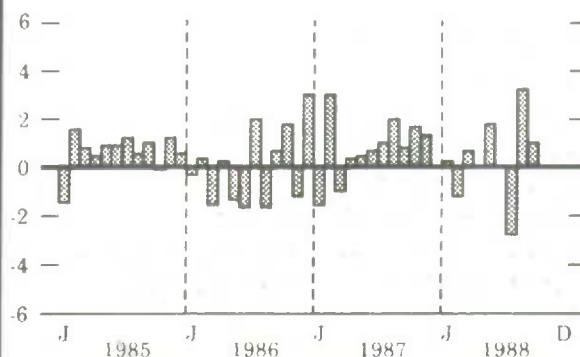
The backlog of unfilled orders increased by 0.9% in September to reach \$28.3 billion. Unfilled orders have now risen for five consecutive months, with growth in the last four months averaging 1.0%.

Inventories were also up in September, gaining 0.8% over August. Inventories have increased for the last year, but the rate of growth has accelerated in the last few months, pushing the level of inventories to new highs. However, the ratio of inventories to shipments was down to 1.55:1 in September from 1.56:1 in August. This ratio has hovered around 1.55:1 for most of 1988.

(continued on page 2)

#### Shipments

(% change, previous month)



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### ... Manufacturing Shipments Continue to Grow

slightly higher than in the closing months of 1987 when shipments grew at a faster rate than inventories, reducing the ratio to a low of 1.52:1.

For further information, order *Monthly Survey of Manufacturing* (catalogue number 31-001) or contact Industry Division at (613) 951-9832.

### Manufacturing Activity

	May	June	July	Aug.	Sept.
	% change, previous month				
Shipments	1.7	0.1	-2.7	3.3	1.0
New orders	4.6	-1.8	-2.4	3.0	0.9
Unfilled orders	2.7	1.0	1.2	1.0	0.9
Inventory to shipments ratio	1.55	1.54	1.60	1.56	1.55

## Components of Personal Savings

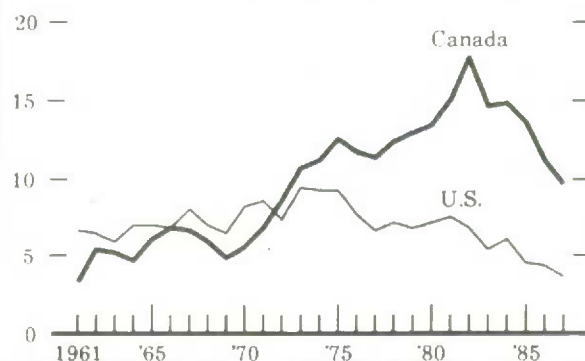
Personal savings and its ratio to personal disposable income – the personal savings rate – are key statistics produced in the National Accounts. Changes in the rate have important implications since personal saving is the most important source of funds for the rest of the economy.

Highlights of a feature article appearing in the November issue of *Canadian Economic Observer* include:

- In recent years, the savings rate has fluctuated markedly, rising throughout the 1970s to a peak of over 17% in the 1981-82 recession, before declining steadily to just under 10% in 1987.
- Savings in the form of life insurance and trustee pension plans grew slowly, to 5% of disposable income in 1987. Savings through RRSPs have grown more rapidly, to just over 2% of disposable income.
- The high level of savings through pension plans and RRSPs suggests that savings will not fall back to the rates posted in the 1960s.
- In 1987, of personal savings totalling \$34.8 billion, \$8.0 billion was invested in RRSPs, \$8.2 billion in life insurance, \$11.0 billion saved through trustee pension plans and \$6.1 billion was available for other uses.

### Personal Savings

(% of personal disposable income)



- Savings available for other uses is the most volatile component, accounting for most of the growth from 1971 to 1975 and most of the drop after 1982.

For further information, order the November issue of *Canadian Economic Observer* (catalogue number 11-010) or contact National Accounts Development at (613) 951-0262.

## Wholesale Merchants Report Moderate Gain

- Preliminary estimates for September indicate that wholesale merchants' sales were up 5.0% over the same month a year earlier. Year-over-year sales growth has slowed throughout 1988.
- For the first nine months of 1988, cumulative sales were 10.1% higher than in the corresponding period of 1987.

- All of the major trade groups registered increases over September 1987, except for wholesalers of farm machinery and equipment, who reported a year-over-year decline in sales for the fifth consecutive month, and wholesalers of motor vehicles and accessories.

(continued on next page)

### ... Wholesale Merchants Report Moderate Gain

- Wholesalers of electrical and non-electrical machinery, equipment and supplies reported an increase of 10.2%. Although growth is still substantial, it has moderated in 1988.
- Lumber and building material wholesalers have reported a deceleration in sales in 1988 which coincides with a slowing in construction activity.

- Other wholesalers, a trade group that includes dealers in farm products, paper products and scrap materials, reported a year-over-year increase of 7.6% in September. Sales by this group have also slowed in recent months.

For further information, order *Wholesale Trade* (catalogue number 63-008) or contact Industry Division at (613) 951-3541.

## Strong Advance in Retail Sales

- Retail sales rose 1.6% in September to reach a level of \$14.0 billion.
- The September increase was the largest gain registered since May, when sales were also up by 1.6%. Generally, retail sales have strengthened as the year has progressed.
- During the third quarter, retail sales advanced 2.2% compared to an increase of 1.5% in the second quarter and a decrease of 0.2% in the first quarter.
- Sales by new motor vehicle dealers rose 3.6% in September, accounting for one-half of the overall growth in retail sales. Excluding new motor vehicle dealers, sales advanced 1.1%, the fifth consecutive monthly increase.

- Combination stores and general merchandise stores posted significant increases in September, after registering declines in August.

- With the exception of the Yukon and Northwest Territories, which recorded a decline of 4.2%, all regions posted increases in September. These ranged from 2.3% in Newfoundland and Manitoba to 0.6% in Prince Edward Island and Ontario.

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

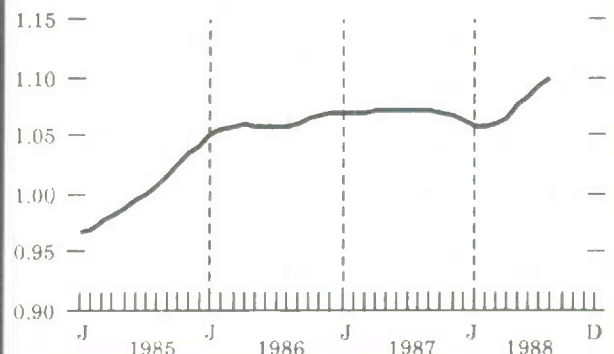
## Department Store Sales Maintain Rising Trend

- In September, department store sales increased 0.7% over August to reach a level of \$1,113 million.
- Department store sales have generally been rising since March, following a sharp decline in sales during January and February.
- Sales of furniture and major appliances were the main contributors to the September increase, contrasting with the widespread sales increases observed in August.
- Department store stocks (at selling value) totalled \$4.7 billion at the end of September, an increase of 2.8% over August. This constitutes the second consecutive monthly increase.
- The ratio of inventories to sales stood at 4.23 : 1 in September, 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) 951-3548.

### Department Store Sales

(billions of dollars, short-term trend)





## Larger Advance in Consumer Prices

In October, the Consumer Price Index (1981 = 100) rose 0.5% over September, following two months of slower growth. Five of the seven major component posted increases, with the greatest upward pressure coming from the housing component. The food component was unchanged, while the transportation component declined.

The housing component was up for the third month in a row, rising 1% over the September level. Almost half of this advance was due to an annual increase in property taxes (5.6%), which are conventionally reported in October. In addition to this increase, there were noticeable increases in new housing prices and mortgage interest cost.

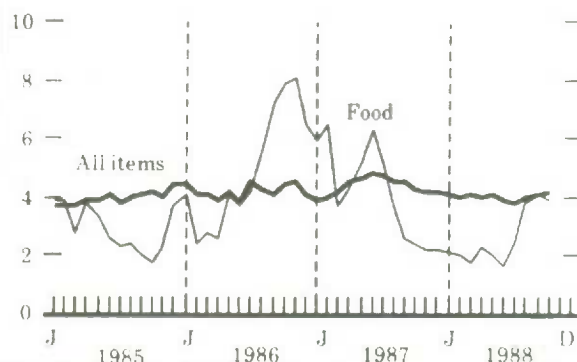
Following a six-month climb in prices and a decrease in September, the food component was unchanged in October. However, a number of offsetting price movements took place during the month. Lower prices for fresh fruit, poultry, some dairy products and sugar counterbalanced higher prices for beef, bakery products, fresh vegetables and soft drinks.

### Consumer Price Index

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
All-items	0.1	0.6	0.3	0.1	0.5
Food	0.9	0.9	0.3	0.2	0.0
All-items, excl. food	0.0	0.5	0.3	0.1	0.5

### Consumer Price Index

(% change, previous year)



The transportation component fell (-0.3%) for the third consecutive month and the fifth time in six months. Most of the drop in the current month was due to lower prices for gasoline and air fares.

On a year-over-year basis the CPI was up 4.2%, the largest 12-month change registered in 1988. This rate is slightly higher than the average for 1988 (4.0%). The year-over-year increase in the food component decelerated to 3.9% in October from 4.1% in the previous month.

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

## Slower Gains in Pension Plan Assets

The book value of trustee pension funds was estimated to be \$143.6 billion at the end of 1987, an increase of 12.7% over the previous year. These assets represent approximately 55% of the reserves of all employer-sponsored pension plans, the remaining 45% being held by insurance companies or under the consolidated revenue arrangements used for certain public service plans.

The growth in assets has had an important impact on the amount of capital available for investment. During the ten-year period ending in 1987, asset growth was 383% in current dollars or 137% when adjusted for inflation. Bonds and stocks continued to be the most prominent investment vehicles, representing 47% and 27% respectively of assets at book value.

In 1987, the book value of assets was 12.7% higher than at the end of 1986, but the market value only advanced a modest 4.9%. The relatively low growth in market value was primarily due to the stock portion of the asset portfolio and reflects the drop in stock prices that took place in 1987.

From 1977 to 1987, there was a gradual reversal in the relative importance of the sources of income for trustee pension plans. In 1977, the combined contribution of employees and employers represented 64% of total income, while investment income and profit on the sales of securities amounted to 35%. By the end of 1987, these proportions had reversed to 31% and 68%.

For further information, order *Trusteed Pension Funds: Financial Statistics* (catalogue number 74-201) or contact Labour Division at (613) 951-4034.

## Strong Growth in Housing Prices Continue

The new housing price index, which measures changes in prices for particular models of new residential houses, rose 1.8% in September, continuing the pattern of strong advances noted since February. On a year-over-year basis, the index was up 10.8%.

Toronto showed the largest monthly increase (3.9%) as values of serviced lots continued to rise. Victoria also registered a significant monthly rise (1.8%), as builders passed on higher construction costs and increased land costs in a favourable market.

On a year-over-year basis, Toronto continued to show the largest price increase of all cities surveyed. House prices in this area continue to be influenced by strong economic conditions and higher construction costs. In Alberta and British Columbia, new house prices continued to strengthen but remained below the record levels reached in 1981 (the price reference year).

*For further information, order Construction Price Statistics (catalogue number 62-007) contact Prices Division at (613) 951-9601.*

## Employment, Earnings and Hours

Average weekly earnings were up 5.9% in August over the same month a year earlier, the largest annual growth rate recorded since the start of the survey in 1983. An unusually high increase in the transportation, communications and other utilities industries was a major contributor to the overall growth in earnings.

The August growth rate in earnings for the transportation and communications industries (9.7%) was affected by a labour dispute which occurred in August 1987. All provinces were affected, but the most notable changes were in New Brunswick, Manitoba and Saskatchewan.

Industrial aggregate employment was estimated at 10.2 million in August, 1.9% higher than the level recorded in August 1987. Increases in employment in July and August were higher than the average advance of 1.6% registered in the first six months of the year.

Wholesale and retail trade showed higher than average employment gains for the second consecutive month in August, while manufacturing continued to register its lowest year-over-year growth since May 1987. Employment in the construction industries was also weaker than normal for the second month in a row.

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

## PUBLICATIONS RELEASED FROM NOVEMBER 18 TO 24

### INDUSTRY

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

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

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

**Monthly Production of Soft Drinks, September 1988.** Catalogue number 32-001 (Canada: \$2.50/\$25; Other Countries: \$3.50/\$35).

**Monthly Production of Soft Drinks, October 1988.** Catalogue number 32-001 (Canada: \$2.50/\$25; Other Countries: \$3.50/\$35).

**Monthly Survey of Manufacturing, September 1988.** Catalogue number 31-001 (Canada: \$16.50/\$165; Other Countries: \$17.50/\$175).

**New Motor Vehicle Sales, June 1988.** Catalogue number 63-007 (Canada: \$9/\$90; Other Countries: \$10/\$100).

**Production and Disposition of Tobacco Products, October 1988.** Catalogue number 32-022 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Steel Wire and Specified Wire Products, September 1988.** Catalogue number 41-006 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

### LABOUR

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

**Unemployment Insurance Statistics, August 1988.** Catalogue number 73-001 (Canada: \$13/\$130; Other Countries: \$14/\$140).

### PUBLIC INSTITUTIONS

**Provincial Government Finance, Fiscal Year Ended March 31, 1987.** Catalogue number 68-209 (Canada: \$30; Other Countries: \$31).

### TRANSPORT

**Aviation Statistics Centre Service Bulletin, August 1988.** Catalogue number 51-004 (Canada: \$8.50/\$85; Other Countries: \$9.50/\$95).

**Passenger Bus and Urban Transit Statistics, September 1988.** Catalogue number 53-003 (Canada: \$6.50/\$65; Other Countries: \$7.50/\$75).

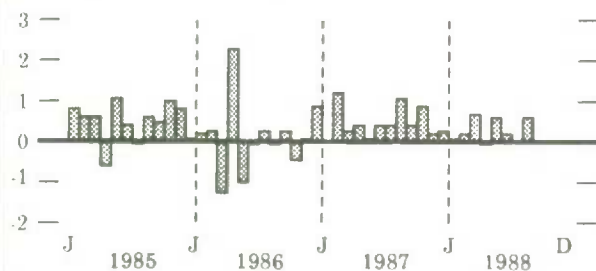
**Railway Operating Statistics, August 1988.** Catalogue number 52-003 (Canada: \$9.50/\$95; Other Countries: \$10.50/\$105).



## CURRENT TRENDS

## Gross Domestic Product

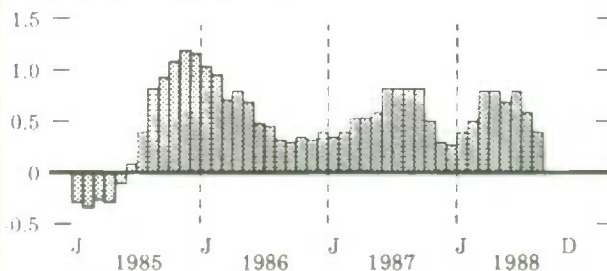
(% change, previous month)



Following two months of minimal growth, gross domestic product rose 0.6% in August.

## Composite Leading Indicator

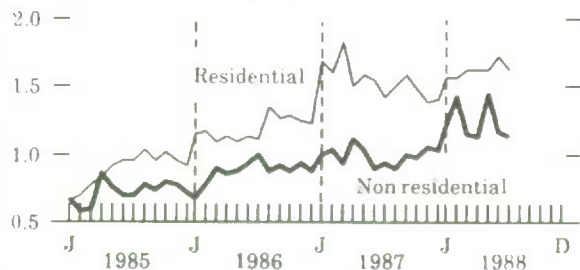
(% change, previous month)



The deceleration in the growth rate of the leading indicator in August was the result of declines in the manufacturing industry indicators.

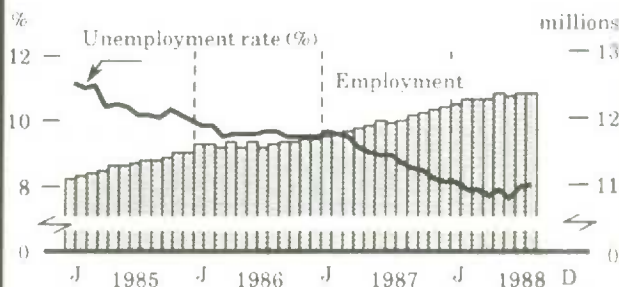
## Building Permits

(billions of dollars, seasonally adjusted)



Residential permits climbed slowly in the first six months of the year, before dropping sharply in July.

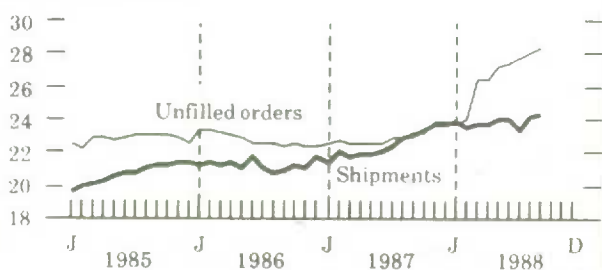
## Unemployment Rate and Employment



There has been little overall change in labour market conditions between May and October.

## Manufacturing

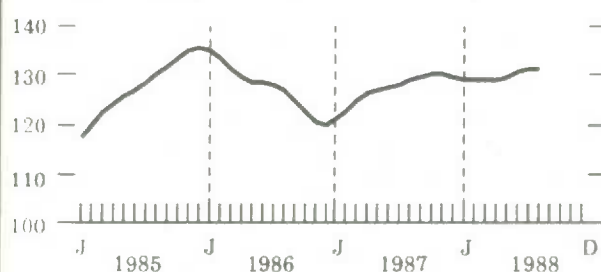
(billions of dollars)



The value of shipments rose 1% in September, continuing the trend of stronger growth.

## New Motor Vehicle Sales

(thousands of units, short-term trend)



Motor vehicles sales continued to follow a gently rising trend in August.

## Regional Reference Centres

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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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### Maritime Provinces

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Toll free service: 1-800-565-7192

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### National Capital Region

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**LATEST MONTHLY STATISTICS**

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (billion 1981 dollars)	Aug.	398	0.6%	3.9%
Composite Leading Indicator (1971 = 100)	Aug.	201.3	0.4%	7.2%
Profits of Industrial Corporations (\$ billion)	2nd Q	9.80	7.2%	20.2%
<b>DOMESTIC DEMAND</b>				
Retail Trade (\$ billion)	Sept. *	14.0	1.6%	7.0%
New Motor Vehicle Sales ('000 units)	Aug.	131	0.4%	-0.3%
Housing Starts ('000, annual rates)	Aug.	219	21.0%	-12.4%
<b>LABOUR</b>				
Employment (millions)	Oct.	12.4	0.0%	2.3%
Unemployment Rate (%)	Oct.	7.9	0.1	-0.5
Participation Rate (%)	Oct.	66.7	0.0	0.3
Labour Income (\$ billion)	Aug.	26.6	0.8%	7.0%
Average Weekly Earnings (\$)	Aug.	465.84	0.4%	5.9%
<b>EXTERNAL TRADE</b>				
Merchandise Exports (\$ billion)	Sept.	11.3	-6.5%	6.6%
Merchandise Imports (\$ billion)	Sept.	10.6	-6.5%	10.0%
Merchandise Trade Balance (\$ billion)	Sept.	0.7	0.0	-0.3
<b>MANUFACTURING</b>				
Shipments (\$ billion)	Sept. *	24.4	1.0%	6.1%
New Orders (\$ billion)	Sept. *	24.7	0.9%	5.6%
Unfilled Orders (\$ billion)	Sept. *	28.3	0.9%	21.8%
Inventory/ Shipments Ratio	Sept. *	1.55	-0.01	0.0
Capacity Utilization (%)	2nd Q	81.5	0.2	2.8
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	Oct. *	145.7	0.5%	4.2%
Industrial Product Price Index (1981 = 100)	Sept.	128.5	0.1%	3.5%
Raw Materials Price Index (1981 = 100)	Sept.	96.6	0.5%	-8.3%
New Housing Price Index (1981 = 100)	Sept.	135.2	1.8%	10.8%

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

\* New this week.

**I.N.F.O.M.A.T****A Weekly Review**

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