

# I·N·F·O·M·A·T

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

Friday, December 9, 1988

### OVERVIEW

#### ■ Federal Deficit Continues to Decline

Estimates for 1988-89 indicate that the federal government deficit will fall for the fourth consecutive year, dropping to \$25.2 billion.

#### ■ Borrowing on Credit Markets Moderates

During the third quarter of 1988, Canadian non-financial sectors borrowed \$21 billion on credit markets. This represents an increase of 2.4%.

#### ■ Slower Growth in Composite Leading Indicator

The growth rate of the composite leading indicator decelerated for the third consecutive month in September. Declines in the manufacturing components held the overall indicator to a gain of only 0.3%.

#### ■ Sharp Jump in Employment

Following five months of marginal growth, the level of employment registered a substantial advance of 66,000 in November.

#### ■ Help-wanted Index Continues to Climb

A notable improvement in Quebec pushed the help-wanted index up for the second consecutive month in November.

#### ■ Wages and Salaries Post Larger Increases

In September, wages and salaries rose 0.7% for the second month in a row. Monthly advances had slowed from May to July.

### Federal Government Deficit Continues to Decline

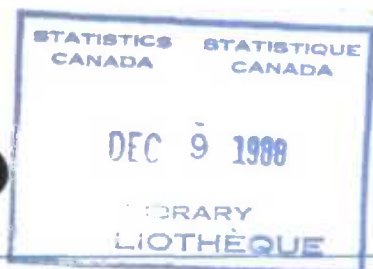
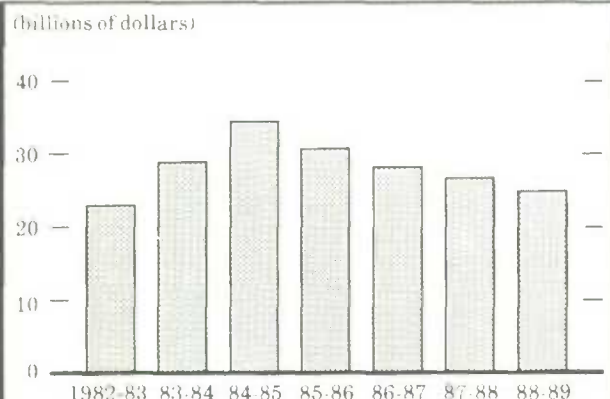
Budgetary plans and estimates for the fiscal year 1988-89 indicate that the federal government deficit will fall for the fourth consecutive year. It is estimated that the deficit will drop to \$25.2 billion, down from its peak of \$34.5 billion reached in 1984-85.

Gross general revenue will rise 7.4% to reach \$113.8 billion, a slower rate of growth than the average increase over the last five years. The principal sources of growth are expected to be consumption taxes and personal and corporate income taxes.

Consumption tax receipts are expected to rise by almost 20%, with nearly a third of this increase coming from the acceleration of sales and excise tax remittances announced in the February 1988 budget. Other budget measures which will contribute to the growth are the one cent per litre increase in the excise tax on gasoline and the increase in the federal sales tax rate on tobacco products and alcoholic beverages.

(continued on page 2)

### Federal Government Deficit



Statistics Canada  
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Canada

### ... Federal Deficit

Estimated revenues from personal income tax are expected to increase at a much slower rate than the 13% growth experienced in the previous five years. These revenues will rise 3.7% in 1988-89. The restrained growth expected in 1988-89 can be attributed to the effects of the first stage of tax reform and a moderation in the rate of economic growth.

Gross general expenditure is also expected to increase at a slower rate in 1988-89. Expenditure will rise 4.5% to \$139 billion. The average growth in the previous five years was 8%.

## Borrowing on Credit Markets Moderates

During the third quarter of 1988, the non-financial sectors of the Canadian economy borrowed an additional \$21 billion on credit markets. This represents a year-to-year increase of 2.4%. Increased demand for funds by the private sector and by provincial and municipal governments exceeded reductions by the federal government.

Personal sector borrowing was in line with continued strength in consumption expenditures. Net new borrowing in consumer credit, at \$2.6 billion, was roughly equal to the third quarter of 1987. Renewed strength in residential construction was one of the factors contributing to mortgage demand. The volume of mortgage borrowing was similar to the level recorded a year earlier.

## Slower Growth in Composite Leading Indicator

The growth rate of the composite leading indicator decelerated for the third consecutive month in September. The gain of only 0.3% stemmed from declines in the manufacturing indicators and slowdowns in four other indicators. However, seven out of ten components were up, with the largest increases being registered for sales of furniture and the stock market index.

Furniture and appliance sales were up for the third month in a row, following a six-month downturn. New motor vehicle sales were also up for the third month, advancing 0.3% over August. The residential construction component was flat, after growing 1% or better in the preceding four months. House sales declined slightly, but the price index for housing continued to rise sharply in most cities.

New orders for durable goods manufactured in Canada dropped for the third consecutive month (-0.5%). The shipments to inventories ratio also continued to decline in response to decreasing exports. However, unfilled orders continued to rise sharply despite large production increases in investment-related industries.

The data in this article is a product of the System of Financial Management Statistics which provides a standardized presentation of government accounting for the federal, provincial and local governments in Canada. The FMS adjusts data from government budgets, estimates, Public Accounts and other records to provide detailed, inter-governmentally comparable data as well as consistent national aggregates.

Therefore, FMS data will not accord precisely with figures released from governments' Public Accounts.

For further information, contact Public Institutions Division at (613) 951-1820.

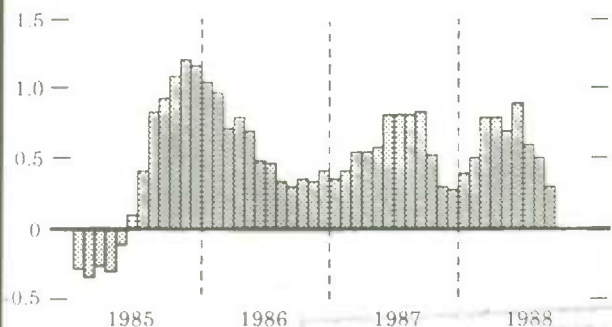
The \$6.6 billion raised by non-financial corporations during the quarter was a slight increase from the previous year, reflecting the sustained investment in plant and equipment. The sector's borrowing showed an apparent shift from negotiated loans to short-term paper and bonds. However, most of the decrease in bank and other loans, and most of the net new issues of bonds were the result of debt restructuring due to a takeover.

Federal government borrowing registered a sharp decrease from the previous year, and favoured long-term over short-term borrowing instruments. Other levels of governments also switched to long-term issues in line with a flattening of the yield curve.

For further information, order *Financial Flow Accounts* (catalogue number 13-014) or contact International and Financial Economics Division at (613) 951-9043.

### Composite Leading Indicator

(% change, previous month)



For further information, order the *Canadian Economic Observer* (catalogue number 11-010) or contact International and Financial Economics Division at (613) 951-3627.



## Sharp Jump in Employment

Estimates from the Labour Force Survey show that the level of employment moved up sharply in November. This gain of 66,000 followed five months of marginal growth. The unemployment rate declined slightly to 7.8% as an increase in the labour force almost entirely offset the advance in employment.

The growth in employment was fairly evenly split between young persons (15-24 years old) and older

### Labour Force

	July	Aug.	Sept.	Oct.	Nov.
	Change, previous month				
Labour force ('000)	71	115	-13	17	61
Employment ('000)	25	3	8	4	66
15-24 years ('000)	17	-38	10	27	30
25 years & over ('000)	8	41	-2	31	36
Unemployment ('000)	46	12	-21	13	-5
Unemployment rate	7.9	8.0	7.8	7.9	7.8

workers. Employment in the 15-24 year old age group rose by 30,000 in November, recovering almost one-third of the decrease registered between May and October. Employment for persons 25 years of age and over continued to grow, advancing by an additional 36,000 in November.

The level of unemployment was down slightly (-5,000), extending the string of marginal monthly changes to seven. Unemployment among 15 to 24 year olds, however, dropped significantly for the first time in four months.

A steady decline in the unemployment rate halted in June, after the rate dropped to a low of 7.6%. Since then the unemployment rate has ranged between 7.8% and 8.0%. The rate for 15 to 24 year olds, which had been rising since June, was down 0.4 percentage points to 12%. The rate for older workers edged up slightly to 6.8%, similar to the rates recorded for the last six months.

For further information, order *Labour Force Information* (catalogue number 71-001P) for summary data or contact *Household Surveys Division* at (613) 951-4720.

## Help-wanted Index Continues on Climb

- The seasonally adjusted help-wanted index moved up to 167 in November, rising for the second consecutive month.
- The strengthening in November was attributable to a notable increase in Quebec.
- Following two monthly decreases, the index for Quebec rose sharply in November to reach 189.

- In the Atlantic region, a four-month rally was interrupted as the index decreased to 187, almost the same level as that observed in May.
- After increasing for three consecutive months, the Prairie region decreased to 63.
- In British Columbia, the index declined for a second consecutive month, dropping to 64.
- The Ontario index, which jumped 20 percentage points to a new peak last month, was practically unchanged in November.

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

## Wages and Salaries Post Larger Increases

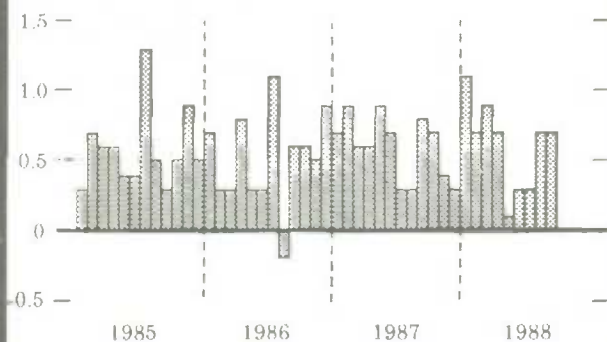
In September, the seasonally adjusted estimates of wages and salaries rose 0.7% for the second month in a row. The rate of growth had slowed from May to July, but the recent increases are similar to the advances reported in the first four months of 1988.

Wages and salaries for federal administration employees were up 1.4%, one of only three advances in 1988. In the manufacturing industries, wages and salaries increased 1.1%, following two months of more moderate growth. Growth in the construction industries slowed for the second month in a row, rising 0.8% over August.

The most significant provincial changes in wages and salaries occurred in Ontario, Nova Scotia and Newfoundland. In Ontario, wages gained 1.2% over the previous month, the second month of stronger growth. The 0.9% advance in Nova Scotia was the fifth consecutive increase, but the pace has accelerated in the last two months. The change in Newfoundland was negative; wages and salaries dropped 0.9%, the second decline in three months.

### Wages and Salaries

(% change, previous month)



For further information, order *Estimates of Labour Income* (catalogue number 72-005) or contact *Labour Division* at (613) 951-4051.

# PUBLICATIONS RELEASED FROM DECEMBER 2 TO DECEMBER 8

## AGRICULTURE

**Farm Input Price Index, Third Quarter 1988.** Catalogue number 62-004 (Canada: \$11.25/\$45; Other Countries: \$12.25/\$49).

**The Dairy Review, September 1988.** Catalogue number 23-001 (Canada: \$11/\$110; Other Countries: \$12/\$120).

## CENSUS

**Profiles - Census Tracts - Calgary: Part 2, 1986 Census.** Catalogue number 95-104 (Canada: \$32; Other Countries: \$34).

**Profiles - Census Tracts - Montreal: Part 2, 1986 Census.** Catalogue number 95-130 (Canada: \$85; Other Countries: \$98).

**Profiles - Census Tracts - Ottawa-Hull: Part 2, 1986 Census.** Catalogue number 95-136 (Canada: \$39; Other Countries: \$41).

**Profiles - Census Tracts - Toronto: Part 2, 1986 Census.** Catalogue number 95-164 (Canada: \$85; Other Countries: \$95).

**Profiles - Census Tracts - Vancouver: Part 2, 1986 Census.** Catalogue number 95-168 (Canada: \$43; Other Countries: \$53).

## EDUCATION, CULTURE AND TOURISM

**Education Statistics Bulletin, Vol. 10, No. 8, Elementary - Secondary Teachers, 1986-87.** Catalogue number 81-002 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Touriscope, International Travel - Travel Between Canada and Other Countries, 1987.** Catalogue number 66-201 (Canada: \$30; Other Countries: \$31).

**Travel-log - Touriscope, November 1988.** Catalogue number 87-003 (Canada: \$10/\$40; Other Countries: \$11/\$44).

## INCOME AND EXPENDITURE

**National Income and Expenditure Accounts, 1976-1987.** Catalogue number 13-201 (Canada: \$35; Other Countries: \$36).

## INDUSTRY

**Asphalt Roofing, October 1988.** Catalogue number 45-001 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Crude Petroleum and Natural Gas Production, July 1988.** Catalogue number 26-006 (Canada: \$9/\$90; Other Countries: \$10/\$100).

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

**Fruit and Vegetable Preservation, Vol. 17, No. 3, Pack of Processed Strawberries, 1988.** Catalogue number 32-023 (Canada: \$7/\$115; Other Countries: \$8/\$125).

**Fruit and Vegetable Production, October 1988.** Catalogue number 22-003 (Canada: \$16.50/\$66; Other Countries: \$17.50/\$70).

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

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

**Heavy Engineering Contractors: The Construction Industry, 1986.** Catalogue number 64-209 (Canada: \$20; Other Countries: \$21).

**Highway, Road, Street and Bridge Contractors: The Construction Industry, 1986.** Catalogue number 64-206 (Canada: \$20; Other Countries: \$21).

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

**Oil Pipe Line Transport, August 1988.** Catalogue number 55-001 (Canada: \$9/\$90; Other Countries: \$10/\$100).

**Other Manufacturing Industries - Other Manufactured Products Industries, n.e.c., 1986 Census of Manufactures.** Catalogue number 47-250B 3999 (Canada: \$4; Other Countries: \$5).

**Primary Iron and Steel, September 1988.** Catalogue number 41-001 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

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

## INTERNATIONAL AND FINANCIAL ECONOMICS

**Financial Flow Accounts, Third Quarter 1988.** Catalogue number 13-014 (Canada: \$11.50/\$46; Other Countries: \$12.50/\$50).

## PRICES

**Industry Price Indexes, September 1988.** Catalogue number 62-011 (Canada: \$16.50/\$165; Other Countries: \$18.50/\$185).

## SERVICES

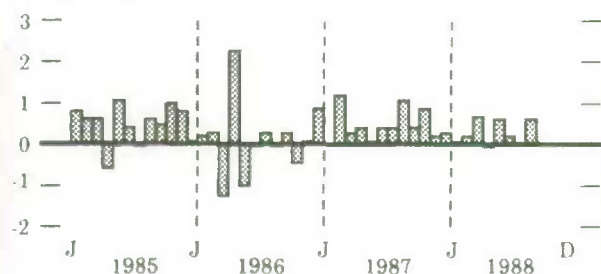
**Telephone Statistics, September 1988.** Catalogue number 56-002 (Canada: \$7.50/\$75; Other Countries: \$8.50/\$85).



## CURRENT TRENDS

### Gross Domestic Product

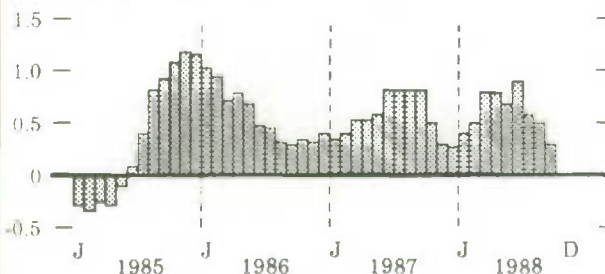
(% change, previous month)



Following a sizeable gain in August, real GDP edged up 0.2% in September.

### Composite Leading Indicator

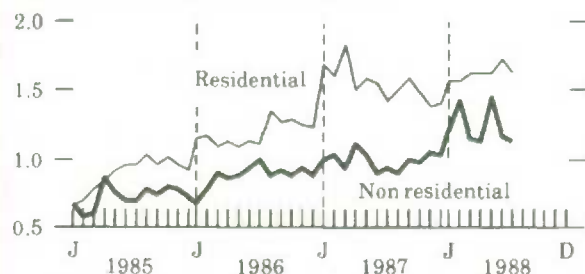
(% change, previous month)



The growth rate of the leading indicator decelerated for the third consecutive month in September.

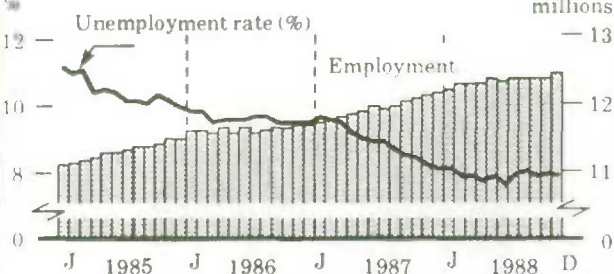
### Building Permits

(billions of dollars, seasonally adjusted)



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

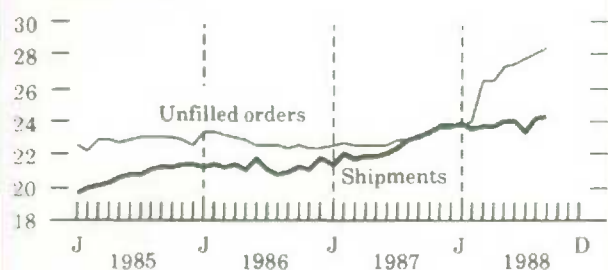
### Unemployment Rate and Employment



Following five months of marginal growth, the level of employment registered a substantial advance in November.

### Manufacturing

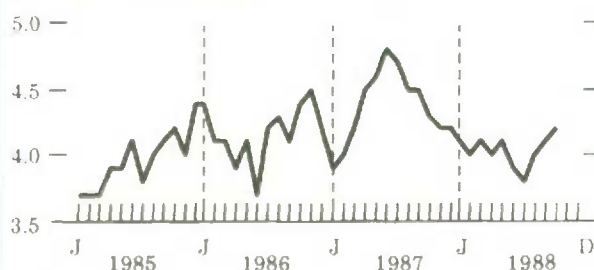
(billions of dollars)



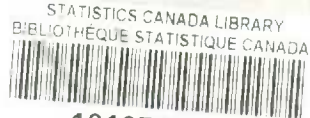
The value of shipments rose 1% in September, continuing the trend of stronger growth.

### Consumer Price Index

(% change, previous year)



In October, the year-over-year change in the CPI edged up to 4.2%.



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## LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (billion 1981 dollars)	Sept.	399	0.2%	3.9%
Composite Leading Indicator (1971 = 100)	Sept.*	202.2	0.3%	6.8%
Profits of Industrial Corporations (\$ billion)	3rd Q	9.30	-4.3%	10.5%
<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)	Nov.*	12.4	0.5%	2.6%
Unemployment Rate (%)	Nov.*	7.8	-0.1	-0.4
Participation Rate (%)	Nov.*	66.9	0.2	0.6
Labour Income (\$ billion)	Sept.*	27.0	0.7%	7.1%
Average Weekly Earnings (\$)	Sept.	468.28	0.6%	4.7%
<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)	Oct.	128.4	-0.1%	3.1%
Raw Materials Price Index (1981 = 100)	Oct.	93.7	-1.8%	-10.2%
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.

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### A Weekly Review

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