

I·N·F·O·M·A·T

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

Friday, December 16, 1988

OVERVIEW

■ Trade Surplus Edges Down

The merchandise trade surplus totalled \$457 million in October, down slightly from the level in September as the growth of imports outpaced that of exports.

■ Energy Policy Influence on External Trade

The feature article in the *Canadian Economic Observer* examines the effect of Canada's energy policy in the 1970s and early 1980s on our international trade.

■ International Travel Relatively Stable

Following an increase in September, the number of foreign travellers to Canada was unchanged in October.

■ New Motor Vehicle Sales Weaken

Unit sales of new motor vehicles dropped 4.6% in October, a sharp contrast with the strong rising trend noted in the three preceding months.

■ New Housing Price Increases Moderate

The new housing price index was up 0.7% in October, a lower monthly advance than those posted since February.

■ Family Incomes Continue to Rise

The average family income was \$43,604 in 1987, 1.3% higher than it was a year earlier. Incomes have risen for three consecutive years, following four years of declines.

This issue also includes an article on **Farm Income and Debt**.

Trade Surplus Edges Down

Canada's merchandise trade with all its trading partners showed a surplus of \$457 million in October, down slightly from the level in September. Imports rose faster than exports, contributing to this drop in the trade balance. Consequently, the cumulative trade surplus for the first ten months of 1988 was \$8.6 billion, down \$1.3 billion from the same period last year.

Exports totalled \$11.5 billion in October, only \$81 million more than the level in September. However, the slight increase was a marked change from the drop of over \$600 million in September. This recovery of exports coincided with an increase in several indicators of the performance of the American economy, which is the main market for Canadian products. A marginal increase was recorded in American industrial production and there was a significant increase in retail sales in the U.S., notably automobiles. Higher prices for certain commodities, such as wheat, zinc ore and newsprint also contributed to this turnaround.

(continued on page 2)

Merchandise Trade

(billions of dollars, short-term trend)



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... Trade Surplus Edges Down

Imports rose \$186 million or 1.7% over September. Totalling \$11.1 billion, imports in October were substantially higher than the average level for the first nine months of the year. The automotive sector was the main contributor to this increase, rising almost \$190 million over September. Imports had retreated sharply in September, falling by almost \$450 million from August.

Merchandise Trade

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
Imports	3.3	-9.3	12.3	-5.5	0.7
Exports	-6.4	-15.0	27.3	-4.0	1.7
	change, previous month				
Balance (millions \$)	1,093	457	-1,109	-216	-105

For further information, order the *Preliminary Statement of Canadian International Trade* (catalogue number 65-001P) or contact *International Trade Division* at (613) 951-1711.

Energy Policy Influence on External Trade

The recent debate on the free trade accord brought back into the public domain a discussion of energy pricing as a tool in economic development. In particular, it was suggested that the ability to lower the domestic price of energy relative to world prices could be used to influence economic growth, either regionally or nationally.

During the 1970s and early 1980s Canada had an explicit policy of keeping domestic energy prices below world levels. The feature article in this month's *Canadian Economic Observer* by Kirk Hamilton examines the effects of this policy on our external trade during this period.

Highlights include:

- Canadian energy prices rose steadily in relation to other prices in the economy. They were, however, considerably lower than world prices, which took large jumps relative to other prices in 1973 and 1979, and were constant relative to other prices in the intervening years.

- The aggregate energy intensity of the Canadian economy is among the highest in the OECD and the decline in this intensity in percentage terms was among the lowest in the years after 1971.
- The energy intensities of industries displayed considerable variation. The particular mix of outputs that was exported was more energy intensive than 72% of all individual industry outputs. Imports were also above the median energy intensity. In the years following 1973 imports to Canada shifted towards less energy intensive goods, while energy intensity of exports changed to a smaller extent.
- There is only weak evidence of highly energy intensive primary and semi-finished industries experiencing higher export growth rates through the 1970s and early 1980s.
- There is moderate evidence of energy intensive secondary industries displacing imports in the domestic market over this period, especially for those that face significant market penetration by foreign producers.

For further information order the *December issue of the Canadian Economic Observer* (catalogue number 11-010) or contact *International and Financial Economics Division* at (613) 951-9162.

International Travel Relatively Stable

The seasonally adjusted volume of foreign travellers to Canada remained relatively unchanged in October, after posting an increase in September. A declining trend in non-resident traffic persisted until September after the number of foreign visitors peaked in January at the onset of the Calgary Olympics.

In October, the number of trips to Canada by United States residents was approximately the same level as registered in September. Total trips by U.S. residents, which had generally been climbing during the second half of 1987, also reached a peak in January. A declining trend has persisted since then. The volume of trips by overseas residents to Canada rose 1.4% in October, reaching its highest level in six months.

(continued on page 3)

... International Travel Relatively Stable

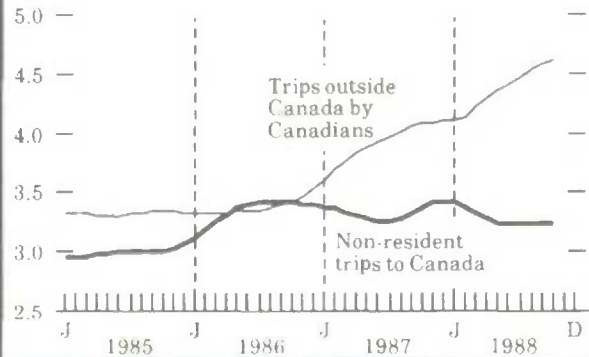
Total international trips by Canadian residents were off slightly, edging down 0.7% from September. Despite this decrease, the number of Canadians travelling abroad has generally been rising since March. Trips to the United States, the most favoured destination, were 1.1% lower than in the previous month. However, the overall trend has been upward.

Trips by Canadians to overseas countries posted an increase for the third consecutive month in October, rising 6.6% over September. The recent gains may indicate a reversal from the declining trend noted earlier in the year.

For further information, order *International Travel - Advance Information* (catalogue number 66-001P) or contact Education, Culture and Tourism Division at (613) 951-8933.

International Travel

(millions of trips, short-term trend)



New Motor Vehicle Sales Weaken

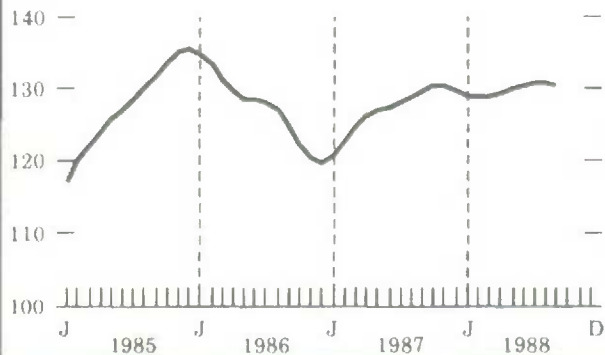
Adjusted for seasonal fluctuations and the number of trading days, unit sales of new motor vehicles totalled 128,000 in October, dropping 4.6% from the previous month. This decline contrasts with a rising trend observed in the three previous months, when sales advanced an average of 2.7% a month. Lower sales were posted for passenger cars (-5.9%) and commercial vehicles (-1.7%).

Passenger car sales were down for the first time in four months, as imported car sales dropped sharply. A decline of 22% in October followed two months of higher import sales. For the first ten months on this year, import sales were down from 1987; Japanese-built cars have posted marginal growth, while sales of cars imported from other countries are down substantially (27%).

Sales of North American manufactured passenger cars, on the other hand, rose for the second consecutive month in October, to reach 62,587 units. For the first ten months of 1988, sales growth has been marginal, but

New Motor Vehicle Sales

(thousands of units, short-term trend)



these manufacturers have captured a larger share of the passenger car market. North American-built cars accounted for 73% of the cars sold in October, the largest market share recorded since September 1986.

Commercial vehicle sales decreased 1.7% in October from the level a month earlier. Sales of these vehicles have fluctuated throughout 1988, but the size of the fluctuations has moderated in the last three months. Total sales were 9.5% higher than in the first ten months of 1987.

For further information, order *New Motor Vehicle Sales* (catalogue number 63-007) or contact Industry Division at (613) 951-3552.

Motor Vehicle Sales

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
Passenger cars	-8.4	3.3	1.8	3.1	-5.9
North American	-10.3	7.9	-0.8	2.7	1.8
Imported	-4.3	-5.9	7.9	4.2	-21.9
Commercial vehicles	-10.5	10.2	-3.2	1.9	-1.7

New Housing Price Index

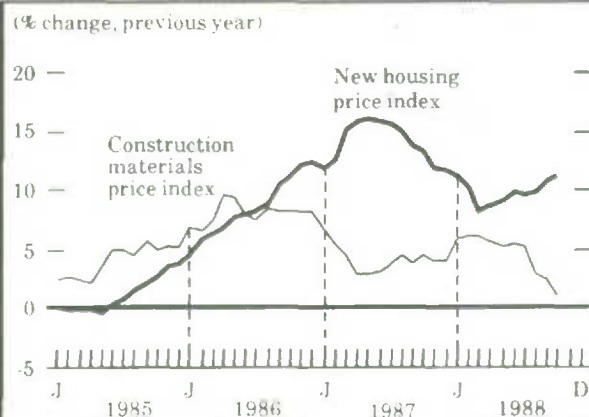
The new housing price index rose 0.7% in October, moderating somewhat from the pattern of strong advances noted since February. However, on a year-over-year basis, the index was up 11.1%.

An index of residential construction building material prices shows only marginal growth on a year-over-year basis. Its advance of 1.1% in October was the smallest registered since July 1984.

The St. Catharines-Niagara region exhibited the largest monthly increase in new housing prices for all cities surveyed, but its year-over-year advance (7.0%) was in line with those recorded for urban centres (other than Toronto) in Southern Ontario and Quebec. Prices in Toronto were up 1.1% over September, continuing the trend of strong gains noted since February 1988.

Growth rates of new housing prices were well under 10% for the rest of Canada. In the Western provinces, Calgary recorded the highest year-over-year increase (7.7%) and has finally surpassed the 1981 reference level for housing prices. Increases in other western cities ranged from 0.3% in Winnipeg to 6.2% in Victoria.

New Housing and Building Material Price Indexes



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

Family Incomes Continue to Rise

In 1987, average family income adjusted for inflation rose 1.3% over the previous year to reach \$43,604. This was the third consecutive increase in family income, following a four-year downturn. The advances in recent years have pushed family income up to the level recorded in 1980. Since family size was somewhat lower in 1987 than it was in 1980, per capita family income reached its highest level on record.

The trend in the proportion and number of persons below Statistics Canada's low income cut-offs continued downward in 1987. The proportion of low income persons declined to 14.1% from 14.5% in 1986.

An estimated 17.3% of elderly persons 65 years of age and over were below the low income cut-offs in 1987, continuing the downward trend in rates for the elderly observed during the 1970s and 1980s.

Lone-parent families and elderly unattached individuals continued to have a substantially higher than average incidence of low income. For female lone-parent families, the 1987 rate was 56.6%, little changed from 1986. The rate for unattached elderly improved from 1986.

For further information, order *Income Distributions by Size in Canada* (catalogue number 13-207) or contact Household Surveys Division at (613) 951-9775.

Farm Net Income and Debt

Realized farm net income rose 14% in 1987 to reach \$4.8 billion. Higher farm cash receipts combined with lower operating expenses and depreciation charges were responsible for the increase.

Farm cash receipts were up 2%, following a drop of 6% in 1986. Higher direct program payments and livestock and animal product receipts were the primary sources of the advance in 1987.

Farm operating expenses and depreciation charges edged down 1%. Lower farm rent, feed, interest and fertilizer costs, and depreciation contributed to the decline.

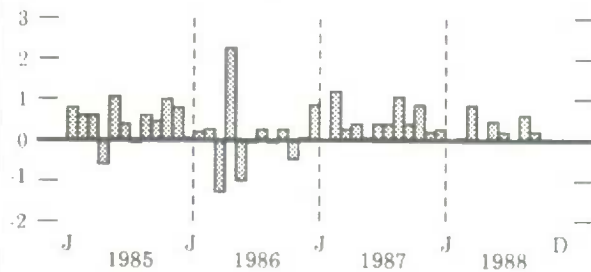
The debt owed by Canadian farmers totalled \$22.7 billion, down 1.6% from 1986. Although this decline was modest, it is the first decline registered since the initiation of the farm debt series in 1971. Despite the decrease, the level of debt was 43% higher than it was in 1980. Over the same time-period, farm capital has fallen by 11%.

For further information, order *Agricultural Economic Statistics - Supplement II* (catalogue number 21-603) or contact Agriculture Division at (613) 951-8706.

CURRENT TRENDS

Gross Domestic Product

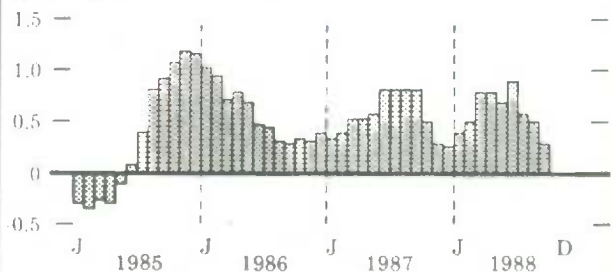
(% change, previous month)



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

Composite Leading Indicator

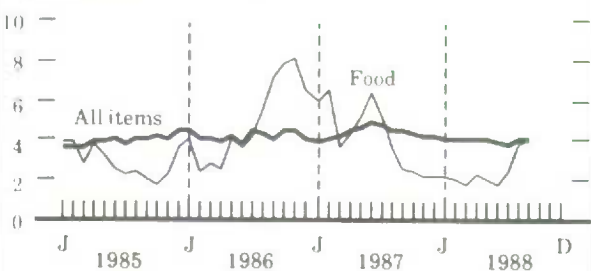
(% change, previous month)



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

Consumer Price Index

(% change, previous year)



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

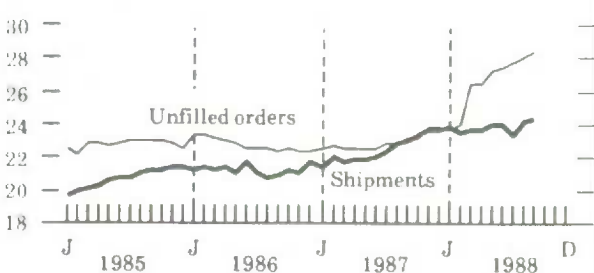
Unemployment Rate and Employment



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.

Merchandise Trade

(billions of dollars, short-term trend)



The growth of imports outpaced exports in October, resulting in a slight decrease in the trade balance.

PUBLICATIONS RELEASED FROM DECEMBER 9 TO DECEMBER 15

AGRICULTURE

Farm Cash Receipts, January-September 1988. Catalogue number 21-001 (Canada: \$10/\$40; Other Countries: \$11/\$44).

Production and Value of Honey and Maple Products, 1987-88. Catalogue number 23-211 (Canada: \$11; Other Countries: \$12).

CENSUS

Profiles - Census Tracts - Kitchener: Part 2, 1986 Census. Catalogue number 95-122 (Canada: \$29; Other Countries: \$31).

Profiles - Census Tracts - Regina: Part 2, 1986 Census. Catalogue number 95-144 (Canada: \$27; Other Countries: \$28).

Profiles - Census Tracts - Victoria: Part 2, 1986 Census. Catalogue number 95-170 (Canada: \$27; Other Countries: \$29).

Profiles - Census Tracts - Windsor: Part 2, 1986 Census. Catalogue number 95-172 (Canada: \$27; Other Countries: \$29).

Profiles - Census Tracts - Winnipeg: Part 2, 1986 Census. Catalogue number 95-174 (Canada: \$37; Other Countries: \$39).

HEALTH

Therapeutic Abortions, 1986. Catalogue number 82-211 (Canada: \$25; Other Countries: \$26).

INDUSTRY

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

Fabricated Metal Products Industries - Heating Equipment Industry, 1986 Census of Manufactures. Catalogue number 41-251B 3071 (Canada: \$4; Other Countries: \$5).

Fabricated Metal Products Industries - Other Hardware and Cutlery Industries, 1986 Census of Manufactures. Catalogue number 41-251B 3069 (Canada: \$4; Other Countries: \$5).

Fabricated Metal Products Industries - Other Stamped and Pressed Metal Products Industries, 1986 Census of Manufactures. Catalogue number 41-251B 3049 (Canada: \$4; Other Countries: \$5).

Fruit and Vegetable Preservation Service Bulletin, Vol. 17, No. 4, Pack of Processed Peas, 1988. Catalogue number 32-023 (Canada: \$7/\$115; Other Countries: \$8/\$125).

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

INDUSTRY

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, September 1988. Catalogue number 35-002 (Canada: \$9/\$90; Other Countries: \$10/\$100).

Refined Petroleum Products, August 1988. Catalogue number 45-004 (Canada: \$16.50/\$165; Other Countries: \$17.50/\$175).

Rigid Insulating Board, October 1988. Catalogue number 36-002 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

INTERNATIONAL AND FINANCIAL ECONOMICS

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

INTERNATIONAL TRADE

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

Summary of Canadian International Trade (H.S. Based), September 1988. Catalogue number 65-001 (Canada: \$16.50/\$165; Other Countries: \$17.50/\$175).

LABOUR

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

PRICES

Consumer Price Index, November 1988. Catalogue number 62-001 (Canada: \$8.50/\$85; Other Countries: \$9.50/\$95).

Consumer Prices and Price Indexes, July-September 1988. Catalogue number 62-010 (Canada: \$16.50/\$66; Other Countries: \$18.50/\$74).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Building Permits, August 1988. Catalogue number 64-001 (Canada: \$20/\$200; Other Countries: \$21/\$210).

Directory of Federal Government Scientific and Technological Establishments, 1987. Catalogue number 88-206E (Canada: \$25; Other Countries: \$26).

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.

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Toll free service: 1-800-563-4255

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Advisory Services
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1770 Market Street
Halifax, Nova Scotia
B3J 3M3

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Toll free service: 1-800-565-7192

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Guy Favreau Complex
Suite 412 East Tower
Montreal, Quebec
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Local calls: 283-5725
Toll free service: 1-800-361-2831

Ontario

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10th Floor
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25 St. Clair Avenue East
Toronto, Ontario
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Local calls: 973-6586
Toll free service: 1-800-268-1151

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Statistical Reference Centre (NCR)
Statistics Canada
Lobby
R.H. Coats Building
Holland Avenue
Ottawa, Ontario
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Local calls: 951-8116
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Statistics Canada
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Sturgeon Falls, Ontario
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Local calls: 292-6717
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LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
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%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Sept.	14.0	1.6%	7.0%
New Motor Vehicle Sales ('000 units)	Oct.*	128	-4.6%	-3.0%
Housing Starts ('000, annual rates)	Nov.*	224	3.2%	-6.7%
LABOUR				
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%
EXTERNAL TRADE				
Merchandise Exports (\$ billion)	Oct.*	11.5	0.7%	6.3%
Merchandise Imports (\$ billion)	Oct.*	11.1	1.7%	12.4%
Merchandise Trade Balance (\$ billion)	Oct.*	0.5	-0.1	-0.5
MANUFACTURING				
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
PRICES				
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)	Oct.*	136.1	0.7%	11.1%

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

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