

I·N·F·O·M·A·T

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

Friday, June 2, 1989

OVERVIEW

■ Downturn in Gross Domestic Product

Real gross domestic product was down 0.3% in March, the first significant decline since October 1986.

■ Foreign Investment in Canada Regains Strength

Net foreign investment in Canadian securities was up \$809 million in March, returning to investment levels registered in December and January.

■ Realized Net Farm Income Climbs Higher

Realized net farm income rose 11% in 1988.

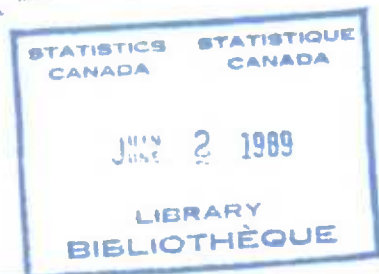
■ Travel Account Registers a Sizeable Deficit

Canada's travel account posted a deficit of \$2.0 billion in the first quarter of 1989, an increase of 11.9% from a year earlier.

■ Industrial Corporations' Profits Rise

First quarter profits of industrial corporations moved up 2.7%, the first increase since the second quarter of 1988.

This issue also contains information on the raw materials price index, the industrial products price index, farm cash receipts, and unemployment insurance beneficiaries.



Downturn in Gross Domestic Product

Following four consecutive months of growth, real GDP was down 0.3% in March. This was the first significant monthly decline in economic activity since October 1986. Output from both the goods- and services-producing industries fell in March.

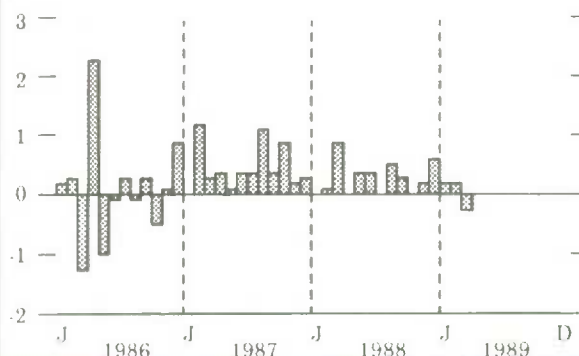
Despite the decrease in March, GDP rose 0.8% in the first quarter, equal to the average growth rate posted in 1988. However, about one-third of this growth was due to increased agricultural output. The advance in agriculture stemmed from a projected recovery of grain production.

In March, output of the goods-producing industries dropped 0.3%, after posting advances in the three preceding months. The decline was mainly due to lower production in the manufacturing and construction industries. Manufacturing production was off for a

(Continued on page 2.)

Gross Domestic Product at Factor Cost

(% change, previous month)



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Canada

... Downturn in Gross Domestic Product

second month, with the transportation equipment industries recording the largest decline in production. Output of the construction industry dropped 0.4%, the first decrease registered in eight months. A decline in non-residential construction more than offset a slight increase in the residential sector.

Output of the services-producing industries also dropped 0.3% in March, the first monthly decline noted since April 1988. The slowdown was widely spread among the services-producing industries, but the most substantial decline was registered by the finance, insurance and real estate industry. The resale housing market was down sharply as was trading activity on

Real Gross Domestic Product

	Nov.	Dec.	Jan.	Feb.	Mar.
	% change, previous month				
Real Gross Domestic Product	0.3	0.6	0.2	0.2	-0.3
Goods-producing industries	-0.3	0.8	0.3	0.4	-0.3
Services-producing industries	0.5	0.5	0.2	0.1	-0.3

stock exchanges. Retail trade posted another decrease (-1.0%), dropping for the third consecutive month as motor vehicle sales continued to weaken. Wholesalers serving the construction and food industries reported significant declines in March.

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

Foreign Investment in Canada Regains Strength

In March, net foreign investment in Canadian securities (stocks and bonds) totalled \$1.4 billion, up \$809 million from February, and closer to the levels reported in December and January.

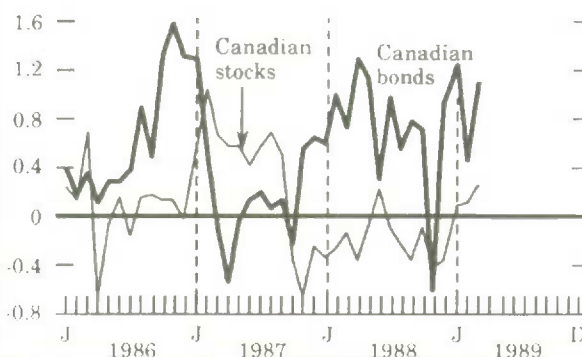
Net foreign investment in outstanding Canadian bonds rebounded from the low levels recorded in February to a total of \$1.1 billion. The increase was widely distributed geographically, with major buyers being the United States, Japan, the United Kingdom, and West Germany. Residents of Japan have acquired, on a net basis, over \$600 million of outstanding Canadian bonds in the last three months, following a small net disinvestment in the previous quarter.

Net foreign investment in outstanding Canadian stocks totalled \$265 million. This marks the third consecutive month in which non-residents have been net buyers of Canadian stocks, in contrast to the large net disinvestments recorded throughout 1988. The United States purchased \$281 million worth of stocks. Continental Europe increased its holdings by \$46 million.

Canadian residents reduced their holdings of foreign bonds by \$196 million. The disinvestment, mainly affecting U.S. government bonds, contrasts with a net investment totalling over \$700 million in the first

Net Sales of Outstanding Securities to Non-Residents

(billions of dollars)



two months of the year. Canadian residents also reduced their holdings of foreign stocks by \$33 million in March, mainly by selling U.S. securities.

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

Realized Net Farm Income Climbs Higher

Realized net farm income rose 11% in 1988 to reach \$4.9 billion. Higher farm cash receipts offset a slight rise in operating expenses and depreciation charges.

Farm cash receipts were up 4% over 1987 due largely to stronger cereal and oilseed prices in the second half of 1988 (see related article on page 4). Livestock and

animal product receipts rose marginally while direct program payments, which had been at record high levels, remained unchanged.

Farm operating expenses and depreciation charges were 2.4% higher as a result of increases in feed costs and stabilization premiums. A decline in crop-related input costs, stemming from last summer's drought, moderated the increase in operating expenses.

(Continued on page 3.)

... Net Farm Income Climbs Higher

The value of inventory change was lower as inventories were reduced for all major cereals and oilseeds. Wheat stocks fell 57% during the year, in part, as a result of the drought and also due to international

demand. For the second consecutive year, cattle and calf inventories edged up, resulting in a slightly higher value of inventory change for livestock and poultry.

For further information, order *Supplement 1 of Agriculture Economic Statistics* (catalogue number 89-001) or contact Agriculture Division at (613) 951-8707.

Travel Account Deficit Moves Up

Canada's travel account for the first quarter of 1989 (unadjusted for seasonal variation) reached a record deficit of \$2.0 billion, up 11.9% from a year earlier. During the January to March period, the travel account historically registers its largest quarterly deficit as Canadians travel south.

A large part of the increase was due to a 17.7% rise in travel payments to the United States as same-day automobile trips showed a marked increase (25.4%) over

the same period for 1988. Spending by United States visitors declined 2.8%. The 1988 Winter Olympics were largely responsible for last year's record high level.

During the first quarter, non-United States visitors accounted for 41% of travel receipts. This record high level was likely a result of increased promotional activity and greater awareness of Canada's appeal as a winter destination. Residents from Asia represented a third of all non-United States visitors compared to 26.8% a year earlier.

For further information order *Travel Between Canada and Other Countries* (catalogue number 66-001) or contact Education, Culture and Tourism Division at (613) 951-8933.

Unemployment Insurance Beneficiaries Increase

In March, the number of beneficiaries receiving regular unemployment insurance benefits totalled 900,000, up 0.9% from the preceding month. This continues the rising trend in the number of beneficiaries noted since the start of the year.

Total benefit payments decreased 3.9% to \$923 million. The number of benefit weeks decreased 5.4% to 4.2 million.

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

Unemployment Insurance Statistics

1989	Beneficiaries	Amount paid	Weeks of benefit
	(000)	(\$million)	(million)
March	900	923	4.2
February	892	961	4.4
January	895	966	4.3

Raw Materials Price Index Shows Moderate Gain

- The raw materials price index (RMPI, 1981=100) rose 1.4% in April to 101.7. The index has moved steadily upward since November. The RMPI excluding the mineral fuels component declined by 1.2%.
- The mineral fuels sector rose 5.9%, mainly as a result of a 7.9% increase in crude mineral oil prices.
- Non-ferrous metals decreased 3.1%, due to lower prices for concentrates of nickel and zinc.
- A slight decline in animal and animal products (-1.4%) checked the moderate rise evident since December.

Raw Materials Price Index

	Dec.	Jan.	Feb.	Mar.	Apr.
	% change, previous month				
Animal products	-0.9	2.3	1.6	0.3	-1.4
Non-ferrous metals	3.2	-0.1	-5.5	3.6	-3.1
Mineral fuels	2.9	7.6	6.1	1.3	5.9
Total	1.3	3.0	1.5	1.4	1.4

For further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9607.

Industrial Corporations' Profits Rise

During the first quarter of 1989, operating profits of industrial corporations moved up 2.7% from the previous quarter to \$9.5 billion. This is the first increase since the second quarter of 1988. Growth in sales continued for the twelfth consecutive quarter, although at a slower rate (0.7%).

Just under half of the industries reported increases in operating profits. Of the 47 major industry groups, 21 recorded higher levels. The largest increase was registered by the mineral fuels industry (\$249 million),

reflecting improved crude oil prices. Higher profits were also posted for transportation equipment (\$166 million) and metal mining (\$120 million).

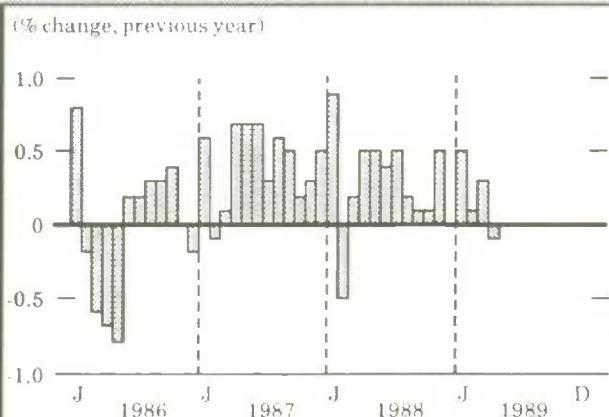
Pre-tax profits (which unlike operating profits include investment income and other gains) were down \$670 million to \$13.6 billion, falling below the 1988 average level of \$14.0 billion. Reduced dividend receipts more than offset the increase in operating profits, resulting in lower pre-tax profits.

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

Industrial Products Price Index Posts Slight Decline

- The industrial products price index (IPPI) declined 0.1% in April to 130.9 but has maintained a relatively stable level since January. The IPPI has risen 3.2% from April 1988.
- The slight decrease in the IPPI was mainly due to a moderate decline in prices of primary metal products, which fell 2.8% in April after being stable for the first three months of 1989.
- The index for automobiles, trucks and other transportation equipment edged down 0.2%. This downward movement was moderated by a 0.4% price increase for motor vehicle parts.
- The petroleum and coal index edged up by 1.4%, continuing the trend recorded since November.
- The paper and paper products index continued to increase in 1989, posting a 0.4% gain in April.
- The beverages index rose 0.3%, sustaining the strong growth noted so far this year.

Industrial Product Price Index



For further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9607.

Higher Crop Receipts Lead to Rise in Farm Cash Receipts

Farm cash receipts for the first quarter of 1989 were estimated at \$5.9 billion, up 11% from a year earlier. A large increase in crop receipts (42%) offset reductions in both livestock receipts and government program payments.

Crop receipts rose \$748 million mainly due to higher Canadian Wheat Board payments and liquidations of deferred grain receipts. Final payments totalled \$389 million and reflected higher export prices earned on the 1987-88 crop. Deferred grain receipts received during the first quarter reached \$615 million, up 42% from 1988 as prices rebounded to levels of four years ago largely in response to last summer's drought.

Livestock and animal product receipts declined 3% to \$2.6 billion due to lower cattle and hog receipts. Lower cattle sales reflected rebuilding of cattle herds, as receipts were down 10% from the first quarter of 1988. Hog receipts fell 10% as prices continued an 18-month downward trend.

Government program payments dropped 9% to \$835 million despite increases in crop insurance and tripartite payments. During the first quarter of 1988, this component was heavily influenced by the Special Canadian Grains Program which resulted in payments to producers of \$686 million, compared to 1989 payments of \$0.8 million.

For further information order *Farm Cash Receipts* (catalogue number 21-001) or contact Agriculture Division at (613) 951-8706.

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	Mar. *	403	-0.3%	2.5%
Composite Leading Indicator (1981 = 100)	Feb.	144.2	0.5%	4.8%
Profits of Industrial Corporations (\$ billion)	1st Q*	9.5	2.7%	3.3%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Mar.	14.0	-0.6%	3.1%
New Motor Vehicle Sales ('000 units)	Mar.	121	-2.3%	-15.9%
Housing Starts ('000, annual rates)	Mar.	226	2.3%	4.6%
LABOUR				
Employment (millions)	Apr.	12.4	-0.4%	1.6%
Unemployment Rate (%)	Apr.	7.8	0.3	0.1
Participation Rate (%)	Apr.	66.9	-0.1	0.3
Labour Income (\$ billion)	Feb.	27.6	1.1%	7.5%
Average Weekly Earnings (\$)	Mar. *	477.21	0.5%	4.0%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	Mar.	11.8	0.0%	0.1%
Merchandise Imports (\$ billion)	Mar.	11.4	0.3%	0.1%
Merchandise Trade Balance (\$ billion)	Mar.	0.4	-0.5	-0.4
MANUFACTURING				
Shipments (\$ billion)	Feb.	24.8	0.5%	5.9%
New Orders (\$ billion)	Feb.	24.5	-3.2%	3.5%
Unfilled Orders (\$ billion)	Feb.	29.7	-1.1%	23.9%
Inventory/ Shipments Ratio	Feb.	1.56	0.00	0.01
Capacity Utilization (%)	4th Q	83.0	-0.7	-1.1
PRICES				
Consumer Price Index (1981 = 100)	Apr.	149.0	0.3%	4.6%
Industrial Product Price Index (1981 = 100)	Apr. *	130.9	-0.1%	3.2%
Raw Materials Price Index (1981 = 100)	Apr. *	101.7	1.4%	3.9%
New Housing Price Index (1981 = 100)	Mar.	147.1	1.7%	16.7%

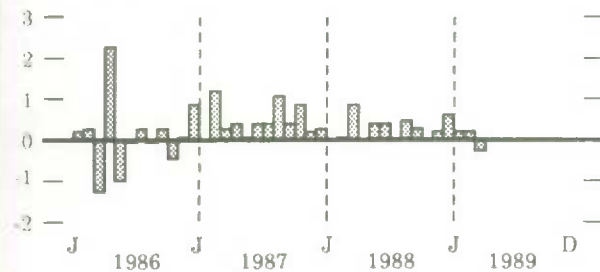
Note: All series are seasonally adjusted with the exception of average weekly earnings and the price indexes.

** New this week.*

CURRENT TRENDS*

Gross Domestic Product

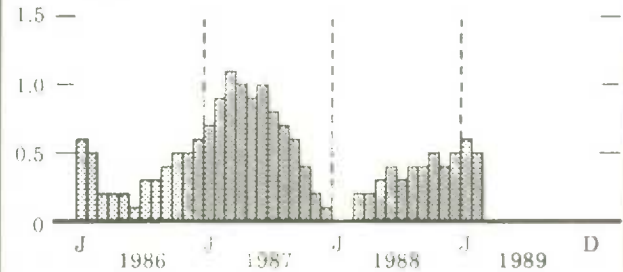
(% change, previous month)



Gross domestic product was up 0.2% in February, one of the smallest of four consecutive increases.

Composite Leading Indicator

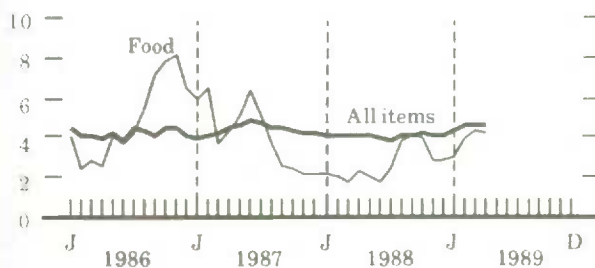
(% change, previous month)



In February, the composite leading indicator rose 0.5%, similar to the monthly increases posted since September.

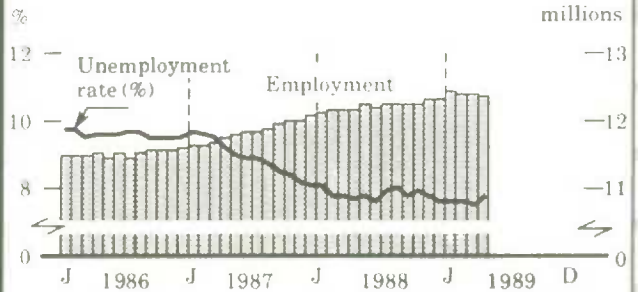
Consumer Price Index

(% change, previous year)



The CPI was 4.6% higher than in April 1988. This rate remains unchanged in three months.

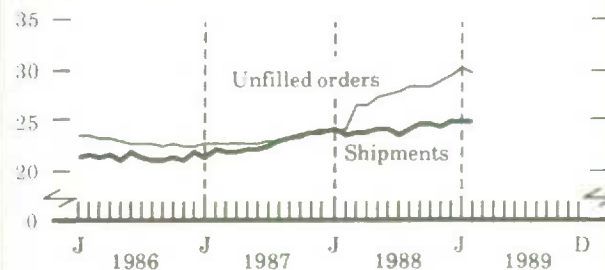
Unemployment Rate and Employment



The employment level fell by 54,000 in April, the largest decline in six months.

Manufacturing

(billions of dollars)



Manufacturing shipments rose in February, but both new and unfilled orders fell, while the level of inventories rose.

Merchandise Trade

(billions of dollars, short-term trend)



In March, merchandise exports remained virtually unchanged from February.

* All series are seasonally adjusted except the consumer price index.

PUBLICATIONS RELEASED FROM MAY 26 TO JUNE 1st

AGRICULTURE

Cereals and Oilseeds Review, February 1989. Catalogue number 22-007 (Canada: \$13.10/\$131; Other Countries: \$15.70/\$157).

EDUCATION, CULTURE AND TOURISM

Culture Communiqué, Periodical Publishing 1986-87. Catalogue number 87-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

INDUSTRY

Construction Type Plywood, March 1989. Catalogue number 35-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Corrugated Boxes and Wrappers, April 1989. Catalogue number 36-004 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Crude Petroleum and Natural Gas Production, January 1989. Catalogue number 26-006 (Canada: \$9.50/\$95; Other Countries: \$11.40/\$114).

Department Store Monthly Sales, by Province and Metropolitan Area, June 1989. Catalogue number 63-004 (Canada: \$2.60/\$26; Other Countries: \$3.10/\$31).

Department Store Sales and Stocks, December 1988. Catalogue number 63-002 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Electric Lamps (Light Bulbs and Tubes), April 1989. Catalogue number 43-009 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Factory Sales of Electric Storage Batteries, April 1989. Catalogue number 43-005 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Fuel Consumption Survey, October-December 1987. Catalogue number 53-007 (Free.)

Gas Utilities, January 1989. Catalogue number 55-002 (Canada: \$12.10/\$121; Other Countries: \$14.50/\$145).

Housing Starts and Completions, February 1989. Catalogue number 64-002 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Merchandising Inventories, December 1988. Catalogue number 63-014 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Mineral Wool Including Fibrous Glass Insulation, April 1989. Catalogue number 44-004 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Monthly Production of Soft Drinks, April 1989. Catalogue number 32-001 (Canada: \$2.60/\$26; Other Countries: \$3.10/\$31).

New Motor Vehicle Sales, January 1989. Catalogue number 63-007 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Oil Pipe Line Transport, February 1989. Catalogue number 55-001 (Canada: \$9.50/\$95; Other Countries: \$11.40/\$114).

Primary Metal Industries, 1986. Catalogue number 41-250 (Canada: \$32; Other Countries: \$35).

INDUSTRY - Concluded

Printing, Publishing and Allied Industries, 1986. Catalogue number 36-251 (Canada: \$32; Other Countries: \$38).

Production and Disposition of Tobacco Products, April 1989. Catalogue number 32-022 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production and Inventories of Process Cheese and Instant Skim Milk Powder, April 1989. Catalogue number 32-024 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production and Stocks of Tea, Coffee and Cocoa, Quarter Ended March 1989. Catalogue number 32-025 (Canada: \$6.50/\$26; Other Countries: \$7.75/\$31).

Production, Sales and Stocks of Major Appliances, April 1989. Catalogue number 43-010 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, March 1989. Catalogue number 35-002 (Canada: \$9.50/\$95; Other Countries: \$11.40/\$114).

Production, Shipments and Stocks on Hand of Sawmills in British Columbia, March 1989. Catalogue number 35-003 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

Quarterly Shipments of Office Furniture Products, Quarter Ended March 31, 1989. Catalogue number 35-006 (Canada: \$6.50/\$26; Other Countries: \$7.75/\$31).

Retail Trade, January 1989. Catalogue number 63-005 (Canada: \$16.80/\$168; Other Countries: \$20.20/\$202).

Shipments of Plastic Film and Bags Manufactured from Resin, Quarter Ended March 31, 1989. Catalogue number 47-007 (Canada: \$6.50/\$26; Other Countries: \$7.75/\$31).

Steel Wire and Specified Wire Products, March 1989. Catalogue number 41-006 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

The Sugar Situation, April 1989. Catalogue number 32-013 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

INTERNATIONAL TRADE

Summary of Canadian International Trade (H.S. Based), March 1989. Catalogue number 65-001 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

LABOUR

Help-wanted Index, 1988. Catalogue number 71-204 (Canada: \$16; Other Countries: \$19).

PRICES

Industry Price Indexes, March 1989. Catalogue number 62-011 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

TRANSPORT

Railway Operating Statistics, January 1989. Catalogue number 52-003 (Canada: \$10/\$100; Other Countries: \$12/\$120).



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KEY RELEASE CALENDAR: June 1989*

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Industrial Corporations, 1st Quarter	2
5	6	7 Help-wanted Index, May	8 Housing Starts, April Survey of Manufacturing, March	9 Labour Force Survey, May International Travel, April New Housing Price Index, April
12 New Motor Vehicle Sales, April Department Store Sales, April Farm Product Price Index, April	13 Composite Leading Indicator, March	14	15	16 Consumer Price Index, May International Trade, April
19 Retail Trade, April Building Permits, February	20 Income and Expenditure Accounts, 1 st Quarter Balance of Payments, 1 st Quarter	21 Capacity Utilization Rates, 1 st Quarter	22	23 Wholesale Trade, April Survey of Manufacturing, April
26 Employment, Earnings and Hours, April	27 Financial Activity, 1 st Quarter	28 Unemployment Insurance Statistics, April	29 Refined Petroleum Products, May Crude Petroleum and Natural Gas, March	30 Gross Domestic Product, April Industrial Product Price Index, May Raw Materials Price Index, May

* Release dates for International Trade, the Consumer Price Index and the Labour Force Survey are fixed; dates for other data series may change.

I·N·F·O·M·A·T**A Weekly Review**

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