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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, August 4, 1989

OVERVIEW

- **Capital Investment Stronger Than Originally Planned**

  Total capital expenditurers of new fixed assets are expected to be up 11.1% in 1989, an improvement on the initial estimate of 8.2%.

- **Manuafacturers Have Mixed Expectations For the Third Quarter**

  Manufacturers indicated that they were more optimistic about orders received, but more manufacturers were concerned about production levels, unfilled orders and inventory levels.

- **Consistent Demand for Labour**

  The help-wanted index was unchanged in July.

- **Decelerating Growth in Wholesale Trade**

  Wholesale merchants' sales were only up 1.8% in May, continuing the deceleration in sales growth evident for the last 17 months.

- **Moderate Price Increases for Industrial Products Continue**

  The industrial product price index rose 0.1% in June, extending the trend of little or no change noted since the start of 1989.

- **Six-month Upturn in Raw Material Prices Interrupted**

  The raw materials price index declined (-1.6%) for the first time in seven months in June.

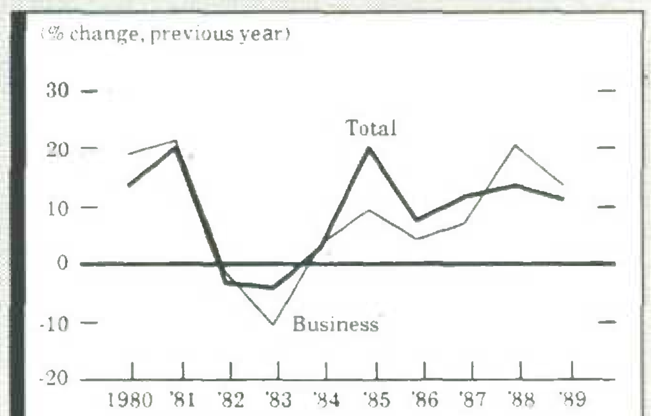
Capital Investment Stronger Than Originally Planned

Total capital expenditures on new fixed assets are expected to total $136.9 billion in 1989, a current dollar increase of 11.1% over 1988. This gain is slightly lower than the 12.8% advance recorded for 1988, but it is an improvement on the preliminary estimates released in March 1989 that indicated spending would grow by 8.2% in 1989. Capital spending has increased each year since 1984.

Expenditures on machinery and equipment will grow at a faster rate than spending on construction in 1989, as they did in 1988. Except for mining, all sectors and industries expect to increase spending in 1989. Two sectors account for about half of the $13.7 billion increase in capital spending; manufacturing and utilities.

(Continued on page 2)

Capital Expenditure



... Capital Investment Stronger Than Originally Planned

Manufacturers intend to increase their spending by 27.9%, the second consecutive year of substantial growth. Increases in paper products, primary metals and the chemical industries were the main sources of this advance. Part of the upward revision was the result of new investment projects which were not included in the original estimates for 1989

Utilities are also planning to increase expenditures sharply for the second consecutive year Electric power, gas pipeline and telephone companies have high spending intentions for 1989, although the telephone industry has reduced its intentions slightly from the first estimates.

The mining industry is planning to decrease its capital spending by 11.6%, with most of the intended decrease coming from the petroleum industry. The petroleum industry had boosted its capital spending in 1988.

An expected gain in the trade, finance and commercial industries (10.2%) was concentrated in commercial services, banks and wholesale trade.

All levels of government anticipate an increase in capital expenditures, but the federal government has reduced its planned expenditures since March.

Investment in residential construction is expected to increase 5.0% instead of the 1.2% gain originally planned. Increased housing prices and the value of renovation were factors in this increase.

For further information, order Private and Public Investment Intentions in Canada, Revised Intentions 1989 (catalogue number 61-206) or contact Science, Technology and Capital Stock at (613) 951-2290.

Manufacturers Have Mixed Expectations for the Third Quarter

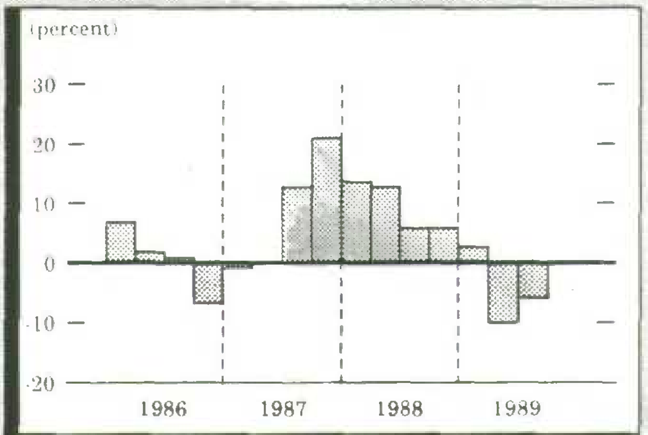
Manufacturers indicated uncertainty about the business conditions they expect in the third quarter of 1989. While there was increased optimism over orders received, more manufacturers expressed concern about lower production levels, the backlog of unfilled orders and higher inventory buildup

The balance of opinion (which is the difference between the proportion of manufacturers giving a negative reply from those giving a positive response) for new orders received improved slightly from the second quarter, but still remained negative. The rise to -6 from -10 was mainly due to an increase in transportation equipment orders.

The balance for expected production over the next three months was down from 4 to -2. This was the first negative balance since the second quarter of 1987. The proportion expecting reduced production continued to grow, while the proportion expecting higher production decreased. Those expecting production levels to be similar to the previous quarter declined.

More manufacturers were concerned with a decline in the backlog of unfilled orders. The balance of opinion dropped to -14 from -8 in the second quarter. The finished product inventories balance was also down from -19 to -23, level with the first quarter of 1987.

Balance of Opinion on Orders Received



Skilled labour shortages continued to be the major source of production difficulties; however, three-quarters of the manufacturers reported no difficulties.

For further information, contact Industry Division at (613) 951-3508)

Consistent Demand for Labour

In July, the help-wanted index (1981 = 100) was unchanged at 152. There has been no movement in the index over the past two months despite continued changes in regional components.

The help-wanted index serves as an early indicator of the demand for labour by monitoring changes in the number of help-wanted advertisements published in 20 metropolitan newspapers.

Strong growth continued in the Atlantic region as the index rose to 215. Since March, the index has risen 5 points each month.

(Continued on page 3)

... Consistent Demand for Labour

In Quebec, the index declined for the fourth straight month to 172. This was 5 points below the recent March high of 177.

In Ontario the index declined, for the sixth consecutive month, to 162. This was down from 180 recorded throughout 1988.

After increasing in early 1989, the index for the Prairies was unchanged from the previous month (88).

In British Columbia, the index reached 132. It has risen without interruption since February 1988.

Help-wanted Index (1981 = 100) – Revised

	Mar.	Apr.	May.	June	July
	seasonally adjusted				
Canada	**154**	**154**	**153**	**152**	**152**
Atlantic Region	195	200	205	210	215
Quebec	177	176	175	174	172
Ontario	174	170	167	164	162
Prairie Region	89	89	88	88	88
British Columbia	118	123	126	129	130

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

Decelerating Growth in Wholesale Trade

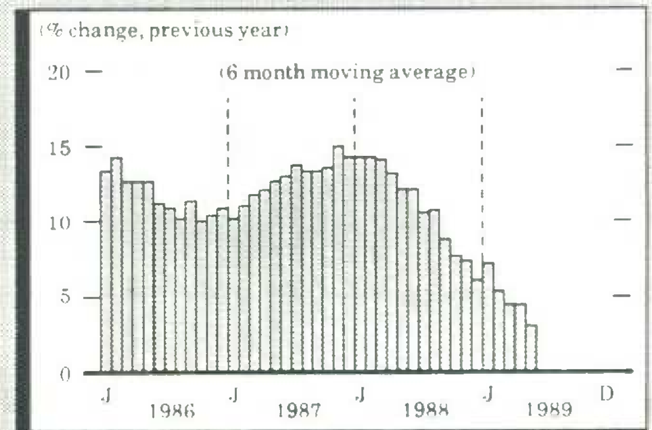
Wholesale merchants' sales were only up 1.8% in May over the same month a year earlier, continuing the deceleration in sales growth evident for the last 17 months. In the first five months of 1989, cumulative sales were up 2.5% from the coresponding period of 1988. Two of the three largest trade groups registered increases, while four of the remaining six groups reported declining sales.

Wholesalers of electrical and non-electrical machinery, equipment and supplies reported an increase of 9.0%, reversing the trend to slower sales growth noted in recent months.

Food wholesalers reported a sales increase of 6.3%, slightly lower than the increases posted earlier in the year. The food index of the CPI has also been posting slower growth in the last few months.

Wholesalers of lumber and building materials continued to register decreases in sales. Their sales have been down on a year-over-year basis since October 1988 and they have been reducing their inventories since January. Coinciding with these declines was a downturn in housing starts that began in April.

Wholesale Merchants' Sales



Following three consecutive year-over-year increases, wholesalers of motor vehicles and accessories reported a decline in May. This decrease may indicate a return to the downward trend evident in the last months of 1988 and the first two months of 1989.

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

Farm Input Price Index Edges Up

In the second quarter of 1989, the farm input price index (1981 = 100) was 116.0, up 0.5% from the previous period and 2.6% higher than a year earlier.

Six of the nine major group indexes increased and one declined. The interest index, up 5.0%, continued to lead the overall rise. Other major price movements were recorded in the crop production index, up 3.1% due to higher crop insurance premiums. The animal production index was down 2.6% due principally to lower cattle prices.

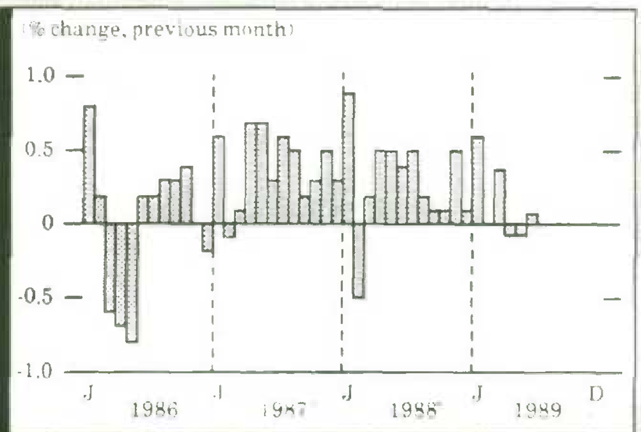
During the past year, the overall index showed little fluctuation. Most of the upward trend came from the interest index, up 19.8% over the first quarter of 1988.

For further information order Farm Input Price Indexes (catalogue number 62-004) or contact Prices Division at (613) 951-9607.

Moderate Price Increases in Industrial Products Continue

- The industrial product price index (IPPI, 1981 = 100) was up 0.1 in June, continuing the trend of little or no change on a month-to-month basis noted since the start of the year.
- Compared with June 1988, the index was only 2.3% higher, the lowest year-over-year advance since April 1987.
- Prices for petroleum and coal products increased 2.1%, extending the rising trend evident since November 1988 and offsetting price decreases for other commodities.
- Primary metal prices fell (-2.6%) for the third consecutive month, resuming the pattern of weakening prices noted in the last half of 1988. Prices had been relatively stable in the first three months of 1989.
- Chemical product prices were down 0.2%, dropping for the second month in a row.

Industrial Product Price Index



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

Six-Month Upturn in Raw Material Prices Interrupted

- The raw materials price index declined for the first time in seven months in June. The decrease was 1.6%.
- Mineral fuels prices were down (-1.6%), after six months of substantial advances. Strengthening crude oil prices had been offsetting declines in other commodities included in the RMPI.
- Non-ferrous metal prices registered a significant decline for the fourth time in five months. Prices dropped for most base and precious metals.

Raw Materials Price Index

	Feb.	Mar.	Apr.	May	June
	% change, previous month				
Total	**0.9**	**2.8**	**1.0**	**0.8**	**-1.6**
Mineral fuels	4.3	5.2	4.8	3.8	-1.6
Non-ferrous metals	-5.5	3.5	-3.2	-7.1	-3.5
Animal products	1.6	0.3	-1.4	0.9	-1.1
Total, excluding mineral fuels	-0.8	1.6	-1.1	-1.0	-1.4

- Prices for animal and animal products decreased, after rising in May.

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

PUBLICATIONS RELEASED FROM JULY 28 TO AUGUST 3

AGRICULTURE

The Dairy Review, May 1989. Catalogue number 23-001 (Canada: $11.60/$116; Other Countries: $13.90/$139).

HOUSEHOLD SURVEYS

Fuel Consumption Survey, January-March 1988. Catalogue number 53-007 (Free).

Fuel Consumption Survey, April-June 1988. Catalogue number 53-007 (Free).

Fuel Consumption Survey, July-September 1988. Catalogue number 53-007 (Free).

Fuel Consumption Survey, October-December 1988. Catalogue number 53-007 (Free).

INDUSTRY

Asphalt Roofing, June 1989. Catalogue number 45-001 (Canada: $4.70/$47; Ohter Countries: $5.60/$56).

Canned and Frozen Fruits and Vegetables - Monthly, May 1989. Catalogue number 32-011 (Canada: $4.70/$47; Other Countries: $5.60/$56).

Capacity Utilization Rates in Canadian Manufacturing, First Quarter 1989. Catalogue number 31-003 (Canada: $10.50/$42; Other Countries: $12.50/$50).

Cement, June 1989. Catalogue number 44-001 (Canada: $4.70/$47; Other Countries: $5.60/$56).

Coal and Coke Statistics, May 1989. Catalogue number 45-002 (Canada: $9.50/$95; Other Countries: $11.40/$114).

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

Electric Power Statistics, May 1989. Catalogue number 57-001 (Canada: $9.50/$95; Other Countries: $11.40/$114).

Electric Power Statistics (Volume 1), 1988 Actual, 1989-1998 Forcast. Catalogue number 57-204 (Canada: $26; Other Countries: $31).

Merchandising Inventories, January 1989. Catalogue number 63-014 (Canada: $13.70/$137; Ohter Countries: $16.40/$164).

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

Other Manufacturing Industries, 1986. Catalogue number 47-250 (Canada: $32; Other Countries: $38).

Production of Selected Biscuits, Quarter Ended June 1989. Catalogue number 32-026 (Canada: $6.50/$26; Other Countries: $7.75/$31).

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

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

INTERNATIONAL AND FINANCIAL ECONOMICS

Quarterly Estimates of the Canadian Balance of International Payments, First Quarter 1989. Catalogue number 67-001 (Canada: $26/$105; Other Countries: $31.50/$126).

INTERNATIONAL TRADE

Exports by Commodity (H.S. Based), May 1989. Catalogue number 65-004 (Canada: $52.50/$525; Other Countries: $63/$630).

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

LABOUR

Labour Force Information, July 1989. Catalogue number 71-001P (Canada: $6/$60; Other Countries: $7.20/$72).

Unemployment Insurance Statistics, 1989. Catalogue number 73-202S Annual Supplement (Canada: $38; Other Countries: $46).

PRICES

Construction Price Statistics, First Quarter 1989. Catalogue number 62-007 (Canada: $17.25/$69; Other Countries: $20.75/$83).

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

SERVICES

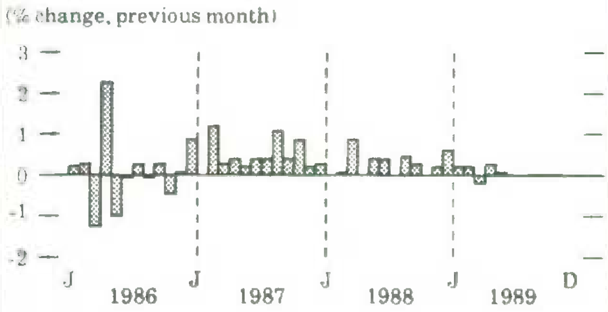
Telephone Statistics, May 1989. Catalogue number 56-002 (Canada: $7.90/$79; Other Countries: $9.50/$95).

TRANSPORT

Surface and Marine Transport Service Bulletin, Vol. 4, No. 5, Motor Carrier Freight Quarterly Trucking Survey, Quarters 3 and 4, 1988. Catalogue number 50-002 (Canada: $8.90/$71; Other Countries: $10.60/$85).

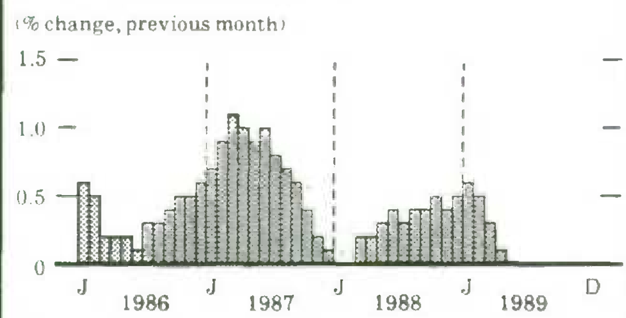
CURRENT TRENDS*

Gross Domestic Product



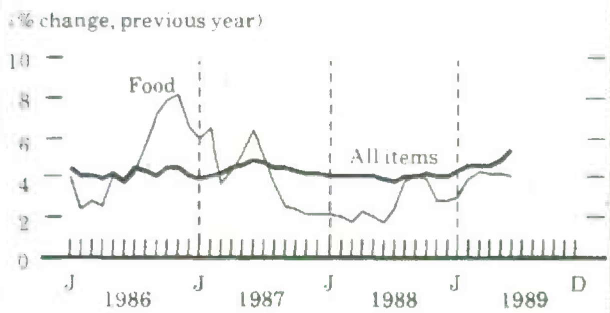
Real gross domestic product rose 0.1% in May, in line with the average monthly growth rate for 1989.

Composite Leading Indicator



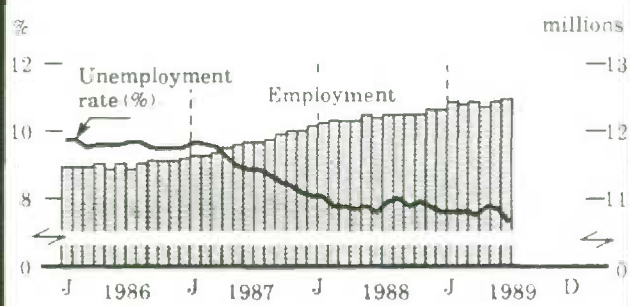
Growth in the composite leading indicator continued to slow in April, dropping to 0.1%.

Consumer Price Index



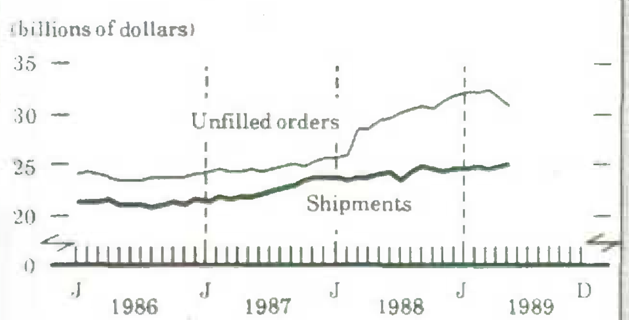
The consumer price index rose 0.5% in June, down from the substantial increase posted in May.

Unemployment Rate and Employment



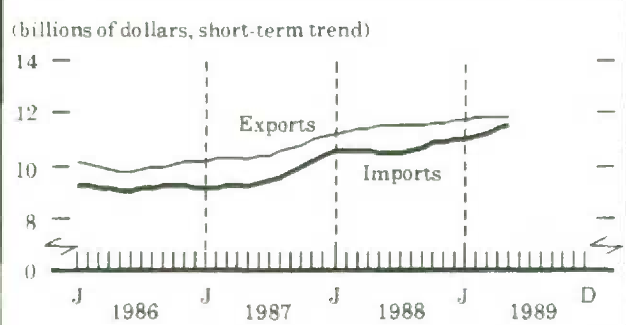
The employment level rose by 58,000 in June, an increase of similar magnitude to May.

Manufacturing



The value of manufacturing shipments rose for the second consecutive month in May.

Merchandise Trade



Growth in merchandise exports outpaced imports in May, leading to an improved trade balance.

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

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LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product ($ billion, 1981)	May	405	0.1%	2.6%
Composite Leading Indicator (1981 = 100)	Apr.	145.0	0.1%	4.9%
Profits of Industrial Corporations ($ billion)	1st Q	9.5	2.7%	3.3%
DOMESTIC DEMAND				
Retail Trade ($ billion)	May	14.5	0.4%	6.3%
New Motor Vehicle Sales ('000 units)	May	132	1.8%	-1.9%
Housing Starts ('000, annual rates)	June*	206	-2.0%	-5.5%
LABOUR				
Employment (millions)	June	12.5	0.5%	2.2%
Unemployment Rate (%)	June	7.3	-0.4	-2.7%
Participation Rate (%)	June	67.0	-0.1	0.8%
Labour Income ($ billion)	Apr.	28.6	0.2%	7.9%
Average Weekly Earnings ($)	May	481.70	0.2%	4.2%
INTERNATIONAL TRADE				
Merchandise Exports ($ billion)	May	12.1	6.2%	5.2%
Merchandise Imports ($ billion)	May	11.7	3.1%	6.7%
Merchandise Trade Balance ($ billion)	May	0.4	0.4	0.1
MANUFACTURING				
Shipments ($ billion)	May	24.9	0.5%	4.0%
New Orders ($ billion)	May	24.3	2.0%	1.6%
Unfilled Orders ($ billion)	May	30.8	-2.0%	5.0%
Inventory/ Shipments Ratio	May	1.55	0.0%	0.01
Capacity Utilization (%)	1st Q	83.7	-0.4	-1.6
PRICES				
Consumer Price Index (1981 = 100)	June	151.3	0.5%	5.4%
Industrial Product Price Index (1981 = 100)	June*	131.1	0.0%	2.3%
Raw Materials Price Index (1981 = 100)	June*	101.4	-1.6%	2.4%
New Housing Price Index (1981 = 100)	May	148.8	0.3%	14.5%

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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