

I · N · F · O · M · A · T

A WEEKLY REVIEW

Friday, September 1st, 1989

OVERVIEW

■ Economic Growth Flat After Consecutive Gains

Following consecutive gains of 0.2% in both May and April, gross domestic product was flat in June.

■ Current Account Posts Record Deficit

The current account deficit climbed to \$5.7 billion in the second quarter, up sharply from \$3.7 billion in the first quarter.

■ Profits of Industrial Corporations Fall

In the second quarter, operating profits of industrial corporations fell 11.9% from the previous quarter to \$8.4 billion. Profits have declined in three of the last four quarters.

■ Foreign Investment in Canadian Bonds Rises

In June, non-residents increased their holdings of Canadian bonds by \$1.9 billion, following a small net disinvestment in the previous month.

■ Earnings Continue to Grow

In June, average weekly earnings were up 5.2% from the same month a year earlier. Year-over-year growth in earnings has been increasing since January.

This issue **also** includes information on **wholesale trade, refined petroleum products, crude oil and natural gas and unemployment insurance beneficiaries.**

Economic Growth Flat After Consecutive Gains

Following consecutive gains of 0.2% in both April and May, real gross domestic product was unchanged in June. Since January, the monthly growth rate has averaged 0.1%. Output of goods-producing industries declined 0.2% in June after being unchanged in May, while output of services-producing industries grew slightly from the May level.

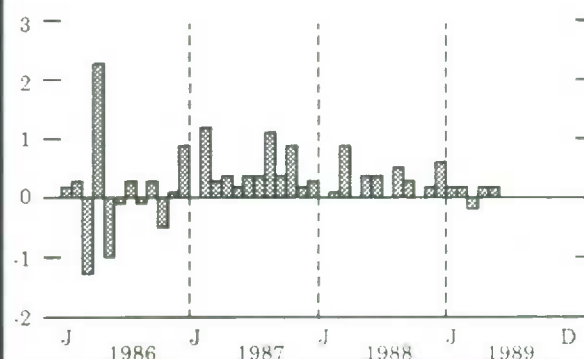
In the goods-producing sector, a significant decline in the output of the construction industry and a smaller decline in public utilities was only partially offset by gains in agriculture, mining and forestry. Manufacturing output was little changed.

The decline in construction, the third consecutive monthly decrease, was primarily due to a 5.8% drop in residential building construction, as construction of single-family dwellings fell sharply. Public utilities

(Continued on page 2)

Gross Domestic Product

(% change, previous month)



... Economic Growth Flat After Consecutive Gains

declined by 0.9%, the fourth consecutive monthly decline, due to decreased electric power generation and decreased natural gas distribution.

Agricultural output increased as a projected recovery in grain production more than offset a decline in livestock and dairy production. Mining output rose 0.4% following no growth in May and a 0.3% decline in April. Most of the gain originated from increased oil and gas development and exploration activity. Forestry advanced 1.7%, the second increase in six months.

In the services-producing sector, community, business and personal services, communication industries and wholesale trade were the major sources of growth; transportation and storage and retail trade output fell.

Increases in the accommodation and food service industry accounted for most of the growth in community, business and personal services. Growth in the communication industries resulted mainly from increased output by telecommunication carriers.

Real Gross Domestic Product

	Feb.	Mar.	Apr.	May	June
	% change, previous month				
Real Gross Domestic Product	0.2	-0.2	0.3	0.1	0.0
Goods-producing Industries	0.6	-0.3	0.7	0.1	-0.2
Service-producing Industries	-0.1	-0.2	0.1	0.1	0.1

Wholesale activity rose 0.4% on the strength of increased sales of lumber and building materials, farm products, and food products.

Following growth of 1.1% in May, the output of transportation and storage industries declined 1.2% as water, air, railway and truck transport declined. Retail trade declined 0.5% primarily as the result of lower sales by new motor vehicle dealers.

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

Current Account Posts Record Deficit

The seasonally adjusted current account registered a record deficit of \$5.7 billion in the second quarter, sharply higher than the \$3.7 billion deficit in the first quarter. The deficit has generally grown since the first quarter of 1988. In the current quarter, a marked decline in the merchandise trade surplus was the main factor in the substantial growth in the current account deficit. Other contributing factors included a record deficit on the travel account and a sharp decline in receipts of immigrants' funds.

The surplus on the merchandise trade account fell to \$0.9 billion in the second quarter, dropping to its lowest level in more than a decade. Imports and exports both remained at high levels, but growing imports and declining exports reduced the surplus. In the current quarter, imports were up 3.0% to \$34.3 billion, rising for the third consecutive quarter. Exports were down (-1.5%), contrasting with a sharp gain in the first quarter and a period of no growth in the last half of 1988.

Canadian residents travelling abroad spent about \$0.9 billion more than foreign travellers to Canada. The number of residents travelling abroad continued to grow during the quarter, particularly short-term travel to the United States, while growth in the number of visitors to Canada slowed.

The deficit on investment income amounted to \$5.5 billion, down from \$5.8 billion in the first quarter. This was the first decrease since the fourth quarter of 1987, it stemmed from lower dividend payments. Unilateral transfers dropped to \$0.9 billion as receipts of immigrants' funds declined. In the last three quarters of 1988, transfers were relatively stable at \$1.1 billion.

The capital account, which is not seasonally adjusted, showed that non-residents reduced their holdings of Canadian interest-bearing securities, contrasting with strong build-ups in the preceding five quarters. The net sell-off, which coincided with a decline in interest rates, was concentrated in Government of Canada bonds and treasury bills. Japanese investors were heavy sellers of bonds maturing within three years. Non-residents increased their level of direct investment in Canada substantially, and banks reduced their stocks of foreign currency abroad.

For further information, order *Quarterly Estimates of the Canadian Balance of International Payments* (catalogue number 67-001P) or contact the *International and Financial Economics Division* at (613) 951-9050.

Profits of Industrial Corporations Fall

In the second quarter of 1989, operating profits of industrial corporations fell 11.9% from the previous quarter to a level of \$8.4 billion. Profits have now decreased in three of the last four quarters; the current level of profits is the lowest since the second quarter of 1987.

Of the 47 industry classes, 27 recorded profit declines while 20 posted increases. The profits in the metal mining sector fell \$364 million to \$656 million after steadily increasing over the past several quarters.

Transportation equipment profits fell to \$324 million from \$503 million in the previous quarter. Chemicals sector profits declined \$139 million to \$650 million.

The electrical products industry posted a profit increase of \$66 million to a level of \$232 million, following a decline of \$147 million last quarter.

Pre-tax profits (which unlike operating profits include investment income and other gains) fell 7.6% to \$12.7 billion, compared to \$13.7 billion in the first quarter of 1989.

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

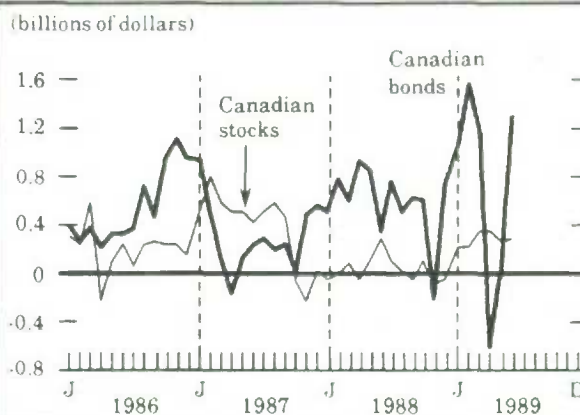
Foreign Investment in Canadian Bonds Rises

In June, non-residents increased their holdings of Canadian bonds by \$1.9 billion, following a small net disinvestment in the previous month. On a year-to-date basis, non-residents have acquired a net \$5.9 billion worth of Canadian bonds. While the United States investment was strong at over \$800 million, overseas investors, mainly Japan, reduced their holdings for the third consecutive month. Japanese investors sold off over \$400 million of Canadian bonds in June, bringing the net disinvestment in the last three months to \$1.2 billion.

Non-residents did, however, acquire Canadian stocks, with a net investment of \$208 million in June, in line with the net investments recorded since the beginning of the year. The net investment in outstanding stocks was more than accounted for by the United States, while overseas investors continued to reduce their holdings. On a year-to-date basis, non-residents have acquired a net \$1.2 billion worth of Canadian stocks.

In June, Canadian residents reduced their holdings of foreign bonds by nearly \$350 million, while increasing their investment in foreign stocks by over \$400 million.

Net Sales of Outstanding Securities to Non-Residents



The investment in stocks was mostly channelled into the United States, where stock prices have risen by over 14% this year.

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.

Earnings Continue to Grow

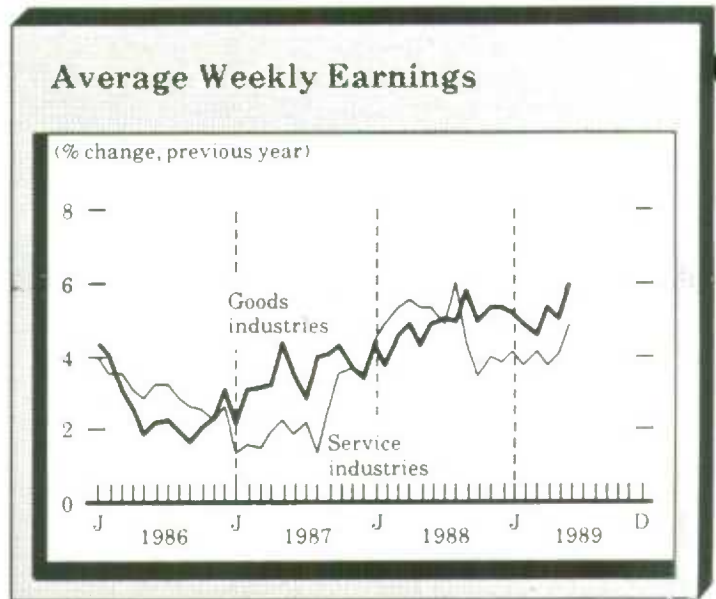
In June, average weekly earnings were up 5.2% from the same month a year earlier. Year-over-year growth in earnings has been increasing since January. Growth in the goods-producing sector reached 6.0% in June, the highest rate since October 1985. Year-over-year growth in the services sector was 4.8%, the highest rate since August 1988.

In June, most industries contributed to the growth of earnings in the goods-producing sector. Forestry posted a year-over-year growth rate of over 8% for the third consecutive month. Earnings in manufacturing, the largest group in the goods sector, rose more than usual (5.3%). Construction experienced its highest ever year-over-year increase (8.2%).

(Continued on page 4.)

In the services sector, all industries contributed to the year-over-year earnings growth in June. The largest group in the sector (community, business and personal services) remained steady at 4.3%. Transportation, communication and other utilities posted its largest ever year-over-year increase (6.4%), a large jump from 3.0% in May. Due to a contract settlement in the federal public service, public administration increased more than usual.

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



Merchants' Sales Increase

Wholesale merchants' sales for June were \$18.2 billion, an increase of 4.7% from the same month a year earlier. In the first six months of 1989, cumulative sales were up 4.1% from the corresponding period in 1988.

The three largest trade groups recorded increases: other wholesalers (16.4%), wholesalers of food (7.0%) and wholesalers of electrical and non-electrical machinery (3.6%).

Four of the remaining trade groups registered decreases from a year earlier: wholesalers of farm machinery (-23.2%), wholesalers of tobacco, drugs and

toilet preparations (-5.7%), wholesalers of apparel, dry goods, furniture and general merchandise (-3.0%) and wholesalers of lumber and building materials (-0.7%).

Inventory levels were 2.4% higher than those reported in June of last year. The ratio of inventories to sales stood at 1.30, down from 1.33 recorded in June 1988.

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

Sales of Refined Petroleum Products Decline

In July, sales of refined petroleum products totalled 6.8 million cubic metres, a decrease of 0.4% from the month of June, and the third consecutive monthly decline.

Three of the four main products contributed to the July decrease. Motor gasoline sales, down 1.6%, posted their third decrease in the last four months. Diesel fuel sales, down 0.9%, registered their third consecutive decline, while light fuel sales decreased for the fourth time in as many months, falling 3.4% below June levels. Following consecutive declines in May and June, July sales of heavy fuel oil were up 16.0% over last month.

Refined Petroleum Products

	Apr.	May	June	July	% change, previous month
(millions of cubic metres)					
Total, all products	7.4	7.2	6.9	6.8	-0.4
Motor gasoline	2.9	2.9	2.9	2.9	-1.6
Diesel fuel oil	1.5	1.4	1.4	1.4	-0.9
Light fuel oil	0.6	0.6	0.6	0.5	-3.4
Heavy fuel oil	0.9	0.7	0.6	0.7	16.0

For further information, order *Refined Petroleum Products* (catalogue number 45-004) or contact the Industry Division at (613) 951-3562.

Number of Unemployment Insurance Beneficiaries Unchanged

In June, the number of beneficiaries receiving regular unemployment insurance benefits totalled 893,000, virtually unchanged from the preceding month. The number of beneficiaries rose steadily from January to April, then declined in May.

Total benefit payments declined 4.4% to \$957 million, following a rise of similar magnitude in May. The number of benefit weeks, remaining practically unchanged at 4.6 million in June 1989, has fluctuated about this level since May 1987.

Unemployment Insurance Statistics

	Beneficiaries (thousands)	Amount paid (\$ millions)	Weeks of benefit (million)
June	893	957	4.6
May	892	1,001	4.5
April	902	962	4.4
March	900	923	4.2

For further information, order Unemployment Insurance Statistics (catalogue number 73-001) or contact the Labour Division at (613) 951-4054

PUBLICATIONS RELEASED FROM AUGUST 25 TO 31

AGRICULTURE

Agriculture - A Profile of Canadian Agriculture, 1986 Census. Catalogue number 96-113 (Canada: \$50; Other Countries: \$51).

Farm Cash Receipts, January-June 1989. Catalogue number 21-001 (Canada: \$10.50/\$42; Other Countries: \$12.50/\$50).

INDUSTRIAL ORGANIZATION AND FINANCE

Financial Institutions - Financial Statistics, First Quarter 1989. Catalogue number 61-006 (Canada: \$42/\$168; Other Countries: \$50.50/\$202).

INDUSTRY

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

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

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

General Review of the Mineral Industries, 1987. Catalogue number 26-201 (Canada: \$21; Other Countries: \$25).

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

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

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

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

INTERNATIONAL AND FINANCIAL ECONOMICS

Canadian Balance of International Payments, Second Quarter 1989. Catalogue number 67-001P (Canada: \$9.25/\$39; Other Countries: \$11.75/\$47).

INTERNATIONAL TRADE

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

LABOUR

Quarterly Estimates of Trusteed Pension Funds, First Quarter 1989. Catalogue number 74-001 (Canada: \$10.50/\$42; Other Countries: \$12.50/\$50).

PRICES

Farm Input Price Index, Second Quarter 1989. Catalogue number 62-004 (Canada: \$11.75/\$47; Other Countries: \$14/\$56).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Building Permits, February 1989. Catalogue number 64-001 (Canada: \$21/\$210; Other Countries: \$25.20/\$252).

Private and Public Investment in Canada, Revised Intentions 1989. Catalogue number 61-206 (Canada: \$29; Other Countries: \$35).

Science Statistics Service Bulletin, Vol. 13, No. 7, The Regional Distribution of R&D in Canada, 1979 to 1987. Catalogue number 88-001 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

SERVICES

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

SOCIAL AND ECONOMIC STUDIES

Giving Freely: Volunteers in Canada. Catalogue number 71-602 (Canada: \$28; Other Countries: \$31).

Production of Crude Oil Down, Natural Gas Up

Production of crude oil and equivalent hydrocarbons amounted to 8.2 million cubic metres in May, a decrease of 1.9% from May 1988. The year-over-year trend has fluctuated widely this year.

Exports of crude oil were also down, for the fifth consecutive month. Imports fell 3.7% after a rise of 37.0% in April. Refinery receipts, however, stood at 7.4 million cubic metres, up 0.4%.

Marketable production of natural gas stood at 7.4 billion cubic metres, 8.5% higher than in May 1988. Exports registered their third consecutive yearly increase, climbing 10.2% in May to 2.9 billion cubic metres. Sales in Canada were also up, climbing 12.6%.

For further information, order *Crude Oil and Natural Gas Production* (catalogue number 26-006) or contact the Industry Division at (613) 951-3562.

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	June*	410	0.0%	2.4%
Composite Leading Indicator (1981 = 100)	May	145.3	0.0%	4.8%
Profits of Industrial Corporations (\$ billion)	2nd Q*	8.4	11.9%	3.3%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	June	14.5	0.0%	8.1%
New Motor Vehicle Sales ('000 units)	June	122	-7.0%	0.0%
Housing Starts ('000, annual rates)	June	206	-2.0%	-5.5%
LABOUR				
Employment (millions)	July	12.5	-0.1%	1.9%
Unemployment Rate (%)	July	7.5	0.2	-0.3
Participation Rate (%)	July	67.0	0.0	0.2
Labour Income (\$ billion)	May	28.9	0.2%	7.9%
Average Weekly Earnings (\$)	June*	489.02	1.4%	5.2%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	June	11.1	11.0%	-0.1%
Merchandise Imports (\$ billion)	June	11.0	8.0%	0.1%
Merchandise Trade Balance (\$ billion)	June	0.1	0.4	-1.3
MANUFACTURING				
Shipments (\$ billion)	June	24.8	-0.6%	2.5%
New Orders (\$ billion)	June	24.3	-0.3%	-0.3%
Unfilled Orders (\$ billion)	June	30.3	-1.8%	2.6%
Inventory/ Shipments Ratio	June	1.55	0.0%	0.03
Capacity Utilization (%)	1st Q	83.7	-0.4	-1.6
PRICES				
Consumer Price Index (1981 = 100)	July	152.3	0.7%	5.4%
Industrial Product Price Index (1981 = 100)	July*	131.1	-0.2%	1.9%
Raw Materials Price Index (1981 = 100)	July*	101.7	-0.3%	4.5%
New Housing Price Index (1981 = 100)	June	150.0	0.5%	13.9%

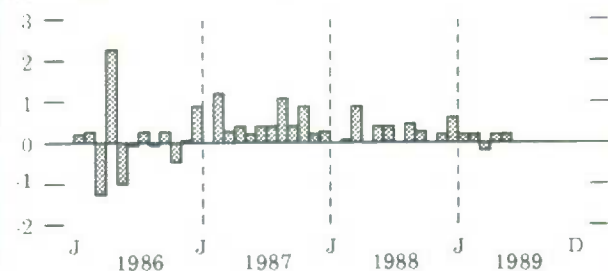
Note: All series are seasonally adjusted with the exception of average weekly earnings and the price indexes.

* New this week.

CURRENT TRENDS*

Gross Domestic Product

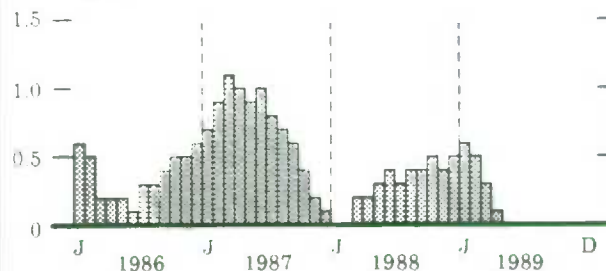
(% change, previous month)



Real gross domestic product was flat in June, after two consecutive gains of 0.2%.

Composite Leading Indicator

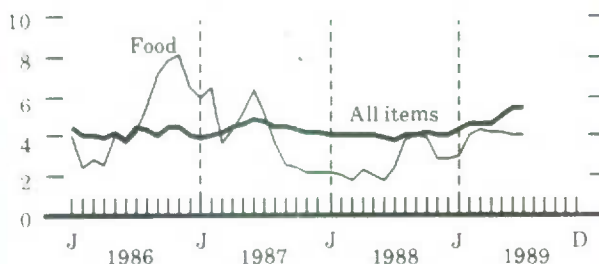
(% change, previous month)



The leading indicator was unchanged in May, after posting marginal growth in March and April.

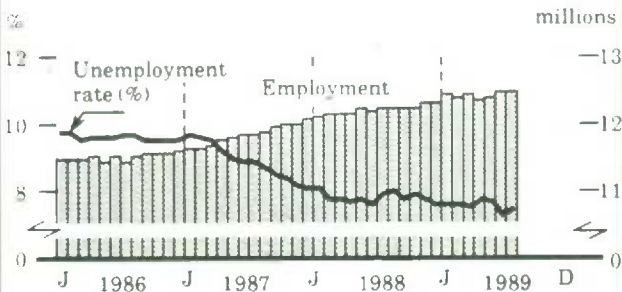
Consumer Price Index

(% change, previous year)



The consumer price index rose 0.7% in July, up from 0.5% in June.

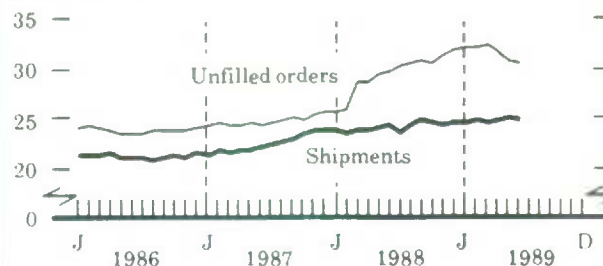
Unemployment Rate and Employment



Employment declined slightly in July, continuing the pattern of fluctuating growth evident since January.

Manufacturing

(billions of dollars)



In June, the value of manufacturing shipments fell for the first time in three months.

Merchandise Trade

(billions of dollars, short-term trend)



A greater decline in merchandise exports than in imports reduced the trade balance in June.

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



1010717916

KEY RELEASE CALENDAR: SEPTEMBER 1989*

Monday	Tuesday	Wednesday	Thursday	Friday
4	5 Composite Leading Indicator, June	6 Help-wanted Index, August	7 Housing Starts, July	8 Labour Force Survey, August New Housing Price Index, July Estimates of Labour Income, June
11 Farm Product Price Index, July Department Store Sales by Province and Metropolitan Area, July New Motor Vehicle Sales, July	12	13	14 Preliminary Statement of Canadian International Trade, July Travel Between Canada and Other Countries, July Capacity Utilization Rates in Canadian Manufacturing Industries, 2nd Q.	15 Consumer Price Index, August
18	19	20 Retail Trade, July	21 Financial Institutions, Financial Statistics, 2nd Q.	22 Department Store Sales and Stocks, July Monthly Survey of Manufacturing, July Building Permits, June
25	26 Security Transactions with Non-residents, July	27 Unemployment Insurance Statistics, July	28 Employment, Earnings and Hours, July Industrial Product Price Index, August Raw Materials Price Index, August	29 Wholesale Trade, July Gross Domestic Product at Factor Cost by Industry, July Sales of Refined Petroleum Products, August Crude Petroleum and Natural Gas, June Major Release dates, October

* 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

Published by the Communications Division
Statistics Canada.

Senior Editor: Greg Thomson (613) 951-1116
Editor: Arun S. Maini (613) 951-0434

R.H. Coats Building, Tunney's Pasture, Ottawa, Ontario K1A 0T6.

Catalogue: 11-002E. Price: Canada, \$2/\$100; other countries, \$3/\$150. To subscribe: send money order or cheque payable to the Receiver General for Canada/Publication Sales, Statistics Canada, Ottawa, Ontario K1A 0T6. To order by telephone; dial 1-800-267-6677 within Canada or 613-951-9276 from all other countries.

Published under the authority of the Minister of Supply and Services Canada. Statistics Canada should be credited when reproducing or quoting any part of this document.