

# I·N·F·O·M·A·T

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

Friday, September 8, 1989

### OVERVIEW

#### ■ Pace of Economic Growth Slackens

Gross domestic product rose 0.2% in the second quarter, the lowest real growth rate posted since the fourth quarter of 1986.

#### ■ Constant Demand for Labour

In August, the help-wanted index was unchanged, continuing the trend of little or no change evident since January.

#### ■ Downturn in Raw Materials Prices

The raw materials price index declined for a second consecutive month in July, following a six-month upturn.

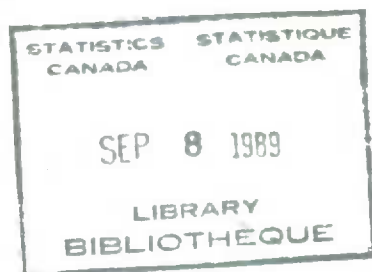
#### ■ Industrial Product Prices Weaken

The industrial product price index was down 0.2% in July, the first decline since February 1988.

#### ■ Level of Borrowing Swings Up Again

The level of borrowing by the non-financial sectors of the Canadian economy increased 5% in the second quarter, following a significant reduction in the first quarter.

This issue **also** includes information on the **Use and Sources of Business Services**.



### Pace of Economic Growth Slackens

Gross domestic product in 1981 prices rose 0.2% in the second quarter, the lowest real growth since the fourth quarter of 1986. The 1988 average quarterly growth in GDP was 0.8%, about half the 1.5% average posted in 1987.

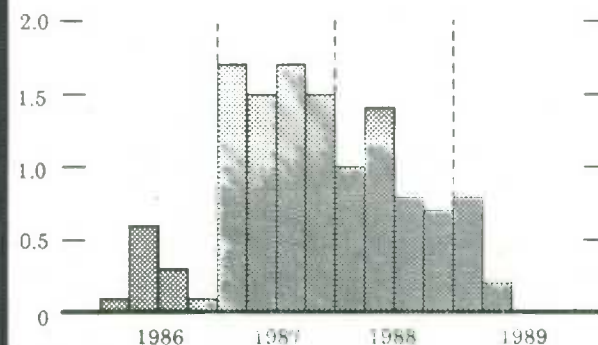
There were a number of signs that suggest the economy is entering a period of slower growth. Along with lower output, there was a halt in employment growth during the second quarter. Housing starts dropped and there was a weakening in the resale housing market. Real exports fell 0.5%, reflecting lower wheat shipments and weaker demand for some Canadian products in the United States. Corporations' profits also declined.

Although production growth slowed, demand continued to increase substantially. After adjustment for inflation, the advance in final domestic demand was 0.8%. The increase was attributable to a second quarter acceleration in consumer spending, following a small

*(continued on page 2)*

### Real GDP Growth

(% change from previous quarter)



Statistics  
Canada

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Canada

Canada

### ... Pace of Economic Growth Slackens

first quarter increase, and to the continuing surge in business outlays on plant and equipment. Business inventories accumulated more rapidly. This build-up, combined with the continued growth in final domestic demand, was reflected in higher imports of goods and services.

Inflation, as measured by the GDP implicit price index, moderated in the second quarter. The index rose

1.2%, after a jump of 1.8% in the first quarter. About half of this apparent slowing was attributable to compositional changes in expenditures.

For further information, order *National Income and Expenditure Accounts* (catalogue number 13-001) or contact *Income and Expenditure Accounts Division* at (613) 951-9155.

## Constant Demand for Labour

- In August, the seasonally adjusted help-wanted index was unchanged. 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.
- There has been little movement in the index since the start of the year, despite continuing changes in regional components. Slow but steady growth in the Atlantic region and Western Canada continues to offset a downturn in the index for Ontario.
- The index for the Atlantic region continued to register growth, indicating a constantly expanding demand for labour.
- In Quebec, the index rose slightly for the second month in a row. The index has moved within a narrow range since October 1988.
- In Ontario, the help-wanted index declined for the seventh consecutive month, continuing the downturn noted since January when a record level of 180 was reached.

### Help-wanted Index (1981 = 100)

	Apr.	May	June	July	Aug.
	seasonally adjusted				
<b>Canada</b>	<b>154</b>	<b>153</b>	<b>153</b>	<b>152</b>	<b>152</b>
Atlantic Region	200	200	203	205	206
Quebec	176	176	175	176	177
Ontario	170	167	163	160	158
Prairie Region	89	88	88	90	91
British Columbia	126	129	131	131	132

- The index for the Prairies resumed a gentle rising trend observed since early 1989.
- The index for British Columbia indicates a steadily increasing demand for labour - although recent advances were smaller than those registered early this year.

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

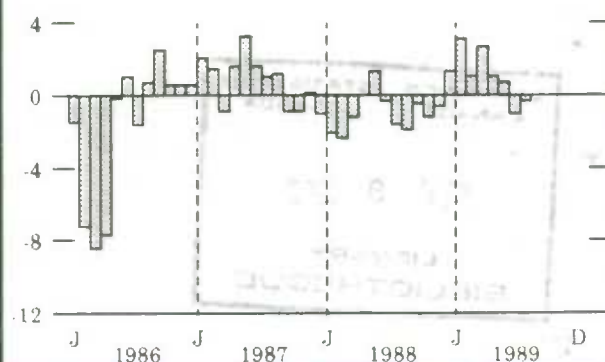
## Downturn in Raw Material Prices

- In July, the raw materials price index declined for the second month in a row (-0.3%), following a six-month period of increases.
- In the current month, rising mineral fuels prices offset decreases in ferrous and non-ferrous metals and vegetable and wood products.
- The mineral fuels component increased 0.3% in July, continuing the strong rising trend noted from December to May.
- Non-ferrous metal prices registered a significant decline for the fifth time in six months. This decrease was mainly caused by lower prices for copper and aluminum materials.

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

### Raw Materials Price Index

(% change, previous month)



## Industrial Product Prices Weaken

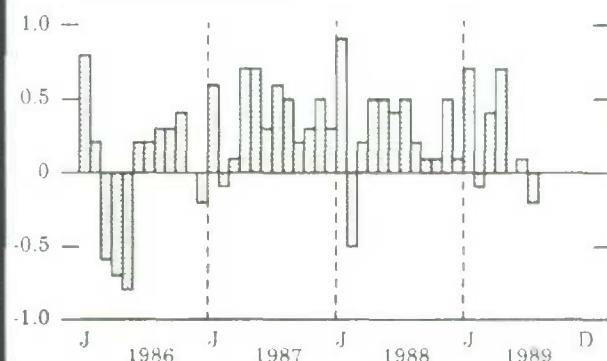
- The industrial product price index (IPPI, 1981 = 100) was down 0.2% in July, the first decline since February 1988. The index has shown little or no change on a month-to-month basis since the start of the year.
- On a year-over-year basis, the IPPI was up 1.9%. A slowdown or decline in prices for non-ferrous base metals has contributed to the deceleration in prices for intermediate-stage goods as well as first-stage goods.
- In the current month, primary metal prices fell (-1.6%) for the fourth consecutive month. Prices had been relatively stable in the first three months of 1989, but had dropped sharply in the last half of 1988.

### Industrial Product Price Index

	Mar.	Apr.	May	June	July
	% change, previous month				
<b>Total</b>	<b>0.4</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.2</b>
Primary metal	0.3	-2.8	-2.5	-2.7	-1.6
Petroleum and coal products	1.3	1.4	2.1	1.7	0.4
Total, excluding coal and petroleum products	0.4	-0.1	-0.1	-0.1	-0.1

### Industrial Product Price Index

(% change, previous month)



- Chemical product prices were down 0.4%, registering a moderate decline for the third month in a row.
- Prices for petroleum and coal products increased 0.4%, extending the rising trend evident since November 1988.

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

## Level of Borrowing Swings Up Again

In the second quarter, total funds raised on financial markets by non-financial sectors of the Canadian economy rose 5% over the first quarter. Borrowing by persons and unincorporated businesses decreased after two consecutive quarterly advances. All other sectors increased their demand for funds.

Although borrowing by persons and unincorporated businesses decreased in total, borrowing by households in the form of consumer credit and mortgages rose by about 10%. Other borrowing (by unincorporated business or to finance investment) was reduced.

Borrowing by private non-financial corporations rose 8%, continuing the strong growth noted since the third quarter of 1988. The increase in the current quarter reflected takeover financing as well as inventory accumulation and continued strength in capital investment. Share issues showed renewed strength in favourable markets with about 60% of the new issues being related to takeover activity. Loans from domestic banks and bond issues were major sources of funds. Borrowing on short-term paper retreated to previous

### Financial Market Summary

	1988		1989	
	Q3	Q4	Q1	Q2
	millions of dollars			
<b>Non-financial sectors</b>				
Personal sector	43,156	45,728	47,572	41,292
Private corporations	33,500	35,668	49,152	53,156
Government enterprises	224	4,036	5,184	5,896
Federal government	8,308	38,112	13,324	21,092

\* Seasonally adjusted at annual rates.

levels, following three quarters of exceptionally high demand.

New issues of treasury bills accounted for all of the sharp gain in federal government borrowing. The funds raised were partly offset by continued, although lower, encashments of Canada Savings Bonds.

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

## PUBLICATIONS RELEASED FROM SEPTEMBER 1 TO 7

### AGRICULTURE

**Farm Product Price Index**, June 1989. Catalogue number 62-003 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

**Field Crop Reporting Series No 6, August Estimate of Production of Principal Field Crops, Canada**, 1989. Catalogue number 22-002 (Canada: \$72; Other Countries: \$78).

**Livestock Report**, July 1, 1989. Catalogue number 23-008 (Canada: \$15.75/\$63; Other Countries: \$19/\$76).

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

### EDUCATION, CULTURE AND TOURISM

**Advance Statistics of Education**, 1989-1990. Catalogue number 81-220 (Canada: \$21; Other Countries: \$25).

**Culture Service Bulletin**, Vol. 12, No. 3, **Heritage Institutions**, 1985-86. Catalogue number 87-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

**Education Statistics Bulletin**, Vol. 11, No. 4, **Continuing Education in Canadian Universities**, 1986-87. Catalogue number 81-002 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

**Education Statistics Bulletin**, Vol. 11, No. 3, **Federal Expenditures in Support of Education and Training**, 1982-83 to 1988-89. Catalogue number 81-002 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

**Tuition and Living Accommodation Costs at Canadian Universities**, 1988-89 and 1989-90. Catalogue number 81-219 (Canada: \$21; Other Countries: \$25).

### INDUSTRY

**Asphalt Roofing**, July 1989. Catalogue number 45-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

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

**Gypsum Products**, July 1989. Catalogue number 44-003 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

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

**Production, Sales and Stocks of Major Appliances**, July 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**, June 1989. Catalogue number 35-002 (Canada: \$9.50/\$95; Other Countries: \$11.40/\$114).

**Quarterly Shipments of Office Furniture Products**, Quarter Ended June 30, 1989. Catalogue number 35-006 (Canada: \$6.50/\$65; Other Countries: \$7.75/\$31).

**Rigid Insulating Board (Wood Fibre Products)**, July 1989. Catalogue number 36-002 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

**Wholesale Trade**, May 1989. Catalogue number 63-008 (Canada: \$5.80/\$58; Other Countries: \$7/\$70).

### LABOUR

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

### PRICES

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

### SCIENCE, TECHNOLOGY AND CAPITAL STOCK

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

## Use and Source of Business Services

As part of a new initiative, Statistics Canada conducted a pilot survey to determine to what extent businesses in Canada relied on their own facilities for legal, financial and other services or whether they tended to purchase them from outside. Responses were received from 512 businesses, which had a total revenue of \$20 billion in 1987 and accounted for about 2% of estimated revenue from all corporations.

Businesses were first asked which services they used. Virtually all used financial (100%) and legal services, and over 80% used computer and marketing services.

Businesses which reported using a service were asked to identify whether it came from in-house or outside the business, or from both sources. Respondents were also asked to estimate the growth in use of the services between 1984 and 1987, and projected growth of use from 1987 to 1990.

The leading services purchased from outside the business were legal (91%), architectural (75%) and taxation services (70%). Data processing (80%) and public relations (51%) were the principal services provided in-house.

*For further information, contact Services Division at (613) 951-3494.*

## CURRENT TRENDS\*

## Gross Domestic Product

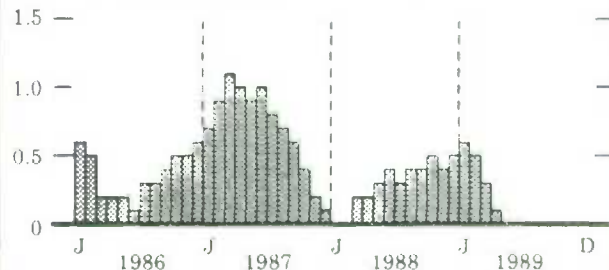
(% change, previous month)



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

## Composite Leading Indicator

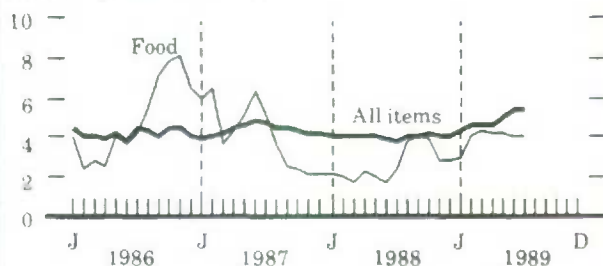
(% change, previous month)



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

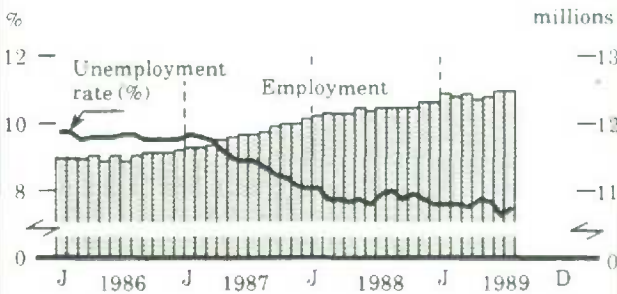
## Consumer Price Index

(% change, previous year)



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

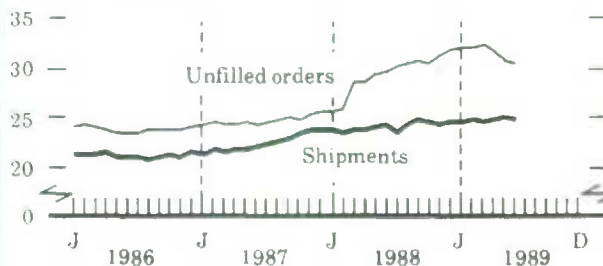
## Unemployment Rate and Employment



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.



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## LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (\$ billion, 1981)	June	410	0.0%	2.4%
Composite Leading Indicator (1981 = 100)	June*	145.0	-0.1%	4.3%
Profits of Industrial Corporations (\$ billion)	2nd Q	8.4	11.9%	3.3%
<b>DOMESTIC DEMAND</b>				
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)	July*	208	1.0%	-3.2%
<b>LABOUR</b>				
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)	June*	29.3	1.7%	9.5%
Average Weekly Earnings (\$)	June	489.02	1.4%	5.2%
<b>INTERNATIONAL TRADE</b>				
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
<b>MANUFACTURING</b>				
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
<b>PRICES</b>				
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)	July*	150.1	0.4%	14.1%

**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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