

I·N·F·O·M·A·T

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

Friday, September 29, 1989

OVERVIEW

■ Non-residents Increase Their Holdings of Canadian Bonds

In July, foreign investment in outstanding Canadian bonds topped \$1.1 billion, but new issues showed a large disinvestment which almost matched the net purchases of outstanding bonds.

■ Manufacturing Shipments Steady

Canadian manufacturers' shipments were relatively steady in July, rising only 0.1% from June.

■ Decelerating Growth in Wholesale Trade

Wholesale merchants' sales were up 3.4% on a year-over-year basis in July, continuing the deceleration in sales growth evident since December 1987.

■ Downturn in Building Permits Continues

Building permits issued in June amounted to \$2.6 billion, down 11% from May and continuing the trend of sharp decreases.

■ Strong Decrease in Number of UI Beneficiaries

The seasonally adjusted number of beneficiaries receiving regular benefits dropped 2.4% from June to July.

This issue also includes articles on **Average Weekly Earnings** and **International Tourism**.

Non-residents Increase Their Holdings of Canadian Bonds

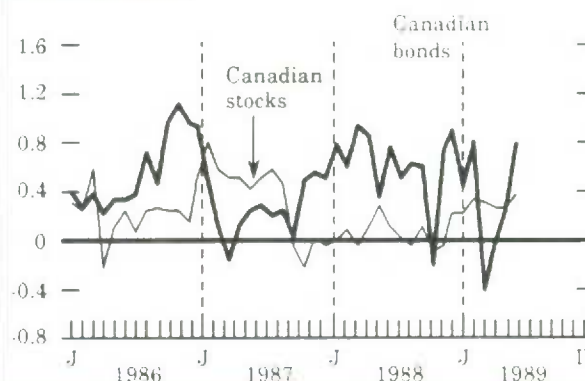
In July, non-residents increased their holdings of outstanding Canadian bonds by \$1.1 billion, contrasting with a net disinvestment of a similar size in the three previous months. The interest rate differential widened to its highest level in 18 months in July. The net investment came mostly from the United Kingdom, whose residents made their largest placements in more than a year. Residents of the United States were also net investors. They increased their holdings by \$230 million, down from the substantial investment of \$800 million in June but in line with their average monthly investment in 1989.

Foreign investment in new issues moved in an opposite direction. Net of retirements in July, there was a sizeable disinvestment during the month. The disinvestment in new issues almost entirely offset the investment in outstanding bonds. As a result, the total foreign investment in Canadian bonds dropped to \$190 million in July from \$1.9 billion in June.

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Net Sales of Outstanding Securities to Non-Residents

(billions of dollars)



Statistics
Canada

Statistique
Canada

Canada

... Non-residents Increase Their Holdings of Canadian Bonds

Foreign investment in Canadian stocks increased sharply over the previous month to \$556 million, its highest level this year. Sales of new Canadian stocks totalled \$220 million, while net investment in outstanding stocks amounted to \$336 million. Net investment in outstanding stocks continued to come from the United States.

Canadian residents continued to add to their holdings of foreign stocks. They made a net investment (\$353 million) for the third consecutive month. The gross value of stocks traded dropped by one-quarter from the previous month, but remained in line with earlier months. Residents reduced their holdings of foreign bonds for a second month in a row.

Security Transactions

	Mar.	Apr.	May	June	July
Net sales	millions of dollars				
Canadian Securities					
Bonds	1,650	-1,304	-222	1,899	190
Stocks	313	289	160	208	556
Total	1,963	-1,015	-62	2,106	745
Foreign Securities					
Bonds	196	240	-148	348	526
Stocks	60	-149	281	-434	-353
Total	255	91	133	-86	174

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

Manufacturing Shipments Steady

Canadian manufacturers' shipments were relatively steady in July, rising only 0.1% from June. The rate of growth in the short-term trend for shipments slowed down from an increase of 0.4% in March to 0.2% in May and June.

Increases in 14 of the 22 major industry groups were largely offset by decreases in the others. Refined petroleum and coal products industries experienced a jump of 9.5% in July, comparable to the large increases observed from January to April.

Leading the decreases in shipments were the transportation equipment industries, with a 3.3% decline in July, and the machinery industries, whose shipments plunged 13.1%, the largest monthly decline in several years.

Unfilled orders, which are the cumulative value of orders awaiting full or partial delivery of goods at month's end, turned up 1.6% after three consecutive declines. These declines contrasted with the usual upward trend in unfilled orders. Transportation equipment industries accounted for most of the increase in the current month. Unfilled orders of export-oriented industries continued the decline noted since February.

Manufacturing Activity

	Mar.	Apr.	May	June	July
	% change, previous month				
Shipments	-0.6	1.0	0.8	-0.6	0.1
New orders	0.7	-4.4	2.2	-0.1	4.2
Unfilled orders	1.2	-3.0	-2.0	-1.7	1.6

Inventories were up 0.6% in July. The rate of growth in the short-term trend has slowed from 0.6% a month in July 1988 to 0.2%.

The inventories-to-shipments ratio rose slightly in July but remained within the narrow range (around 1.55:1) held over the last eleven months.

New orders rose 4.2% in July, reflecting the developments in shipments and unfilled orders.

For further information, order *Monthly Survey of Manufacturing* (catalogue number 31-001) or contact Industry Division at (613) 951-9834 or (613) 951-9832.

Decelerating Growth in Wholesale Trade

In July, wholesale merchants' sales were up 3.4% over the same month a year earlier, continuing the deceleration in sales growth evident for the last 19 months. Two of the three largest trade groups registered increases, while three of the remaining six groups reported declining sales. In the first seven months of 1989, cumulative sales were up 3.7% from the corresponding period of 1988.

- Food wholesalers reported a sales increase of 3.2%, the lowest increase noted since April 1988. The food component of the CPI has also been posting slower growth in the last few months.
- Wholesalers of electrical and non-electrical machinery, equipment and supplies reported no change, maintaining the trend to slower sales growth noted in recent months.

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... Decelerating Growth in Wholesale Trade

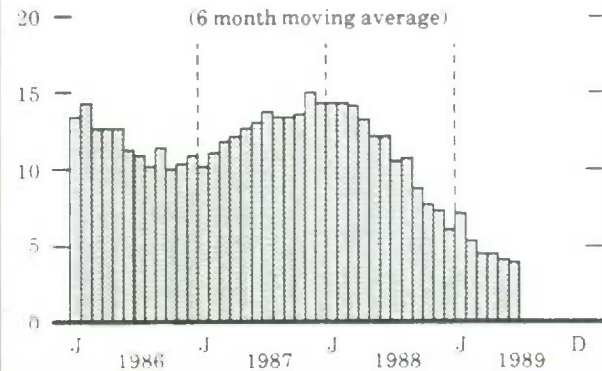
- Wholesalers of lumber and building materials registered an increase in sales for the second consecutive month, following a nine-month downturn. Their sales were down on a year-over-year basis from October to May and they have reduced their inventories since January. Coinciding with these declines was a downturn in housing starts that began in April and a slowdown in the value of building permits.

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

Wholesale Merchants' Sales

(% change, previous year)

(6 month moving average)



Downturn in Building Permits Continues

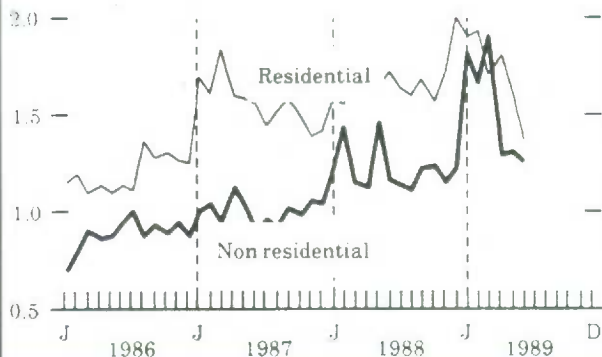
The value of building permits issued in June totalled \$2.6 billion, down 11.0% from May. The value of building permits has dropped sharply in recent months as both residential and non-residential activity slowed down.

Residential permits fell 15.9% in June, continuing the sharp downturn noted since the first of the year. The value of residential permits dropped to \$1.4 billion in the current month, from the peak of \$1.9 billion recorded in December. Permits for both single- and multiple-dwelling units contributed to this downturn. However, the number of multiple-dwelling units began declining in January 1988, while the number of permits issued for single dwellings remained high until January 1989.

The value of non-residential permits issued in the first three months of the year was substantial. In the next three months, the value dropped back to levels slightly higher than those registered in the last half of 1988 and stood at \$1.2 billion in June. The industrial sector was the main source of the strong growth in the first quarter, as commercial and institutional sectors fluctuated within a relatively narrow range. The value

Building Permits

(billions of dollars, seasonally adjusted)



of industrial building permits was unchanged for the third consecutive month in June, while institutional permits registered a sizeable decrease.

For further information, order *Building Permits* (catalogue number 64-001) or contact Science, Technology and Capital Stock Division at (613) 951-1664.

Strong Decrease in Number of UI Beneficiaries

The seasonally adjusted number of beneficiaries receiving regular benefits dropped 2.4% from June to July. This is the largest monthly decrease registered in the past few years. The number of beneficiaries had remained within a relatively narrow range during the previous ten months.

Manitoba, Saskatchewan, the Northwest Territories, Ontario and Quebec all registered declines of more than 2.0% in the number of beneficiaries. No province registered a large increase.

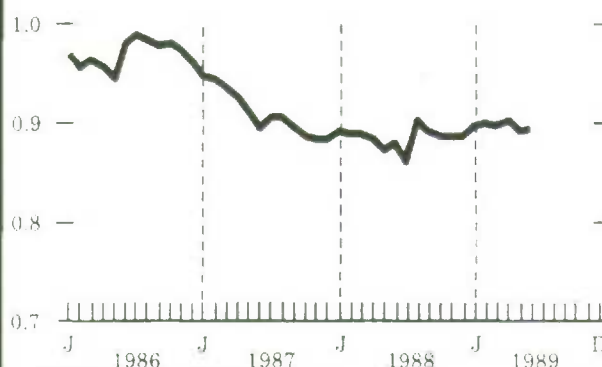
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... Strong Decrease in Number of UI Beneficiaries

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

U.I. Beneficiaries Receiving Regular Benefits

(millions, seasonally adjusted)



Average Weekly Earnings Post Faster Growth

In July, average weekly earnings were up 5.0% over the same month a year earlier. This compares with an average year-over-year increase of 4.5% for the first seven months of 1989 and 4.8% for all of 1988. Following a six-month period when the year-over-year change was relatively stable, particularly in the service industries, both the goods and service industries have shown faster growth in the last two months.

All of the goods industries registered higher year-over-year increases in July than their average increase for the first seven months of the year. Manufacturers, the largest employer in the goods sector, posted an advance of 4.9% in July. This increase was just slightly above the average for the January to July period and equal to the annual average for 1988. Forestry showed a notable jump of 9.7%, up substantially from the January to July average and the annual average for 1988 (0.5%).

In the service industries, only community, business and personal services and public administration showed any acceleration in average weekly earnings growth. Community, business and personal services continued

Average Weekly Earnings

(% change, previous year)



the trend of accelerating increases noted since February, while earnings in public administration posted a relatively constant increase from February to June.

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

Tourism to Canada Continues to Decline

The seasonally adjusted volume of foreign travellers to Canada decreased 1.1% in July 1989, after rising slightly in June (0.2%). The decline in July suggests a continuation of the general downward trend noted since the beginning of the year.

Trips of one or more nights by Canadian residents to the United States reached a record level in July after rising 3.3% from the June level.

Day trips, on the other hand, declined significantly, so that the total number of trips by Canadian residents to the United States fell slightly in July (-0.1%). With a few exceptions such as this, total trips to the United States have been rising sharply since the end of 1986.

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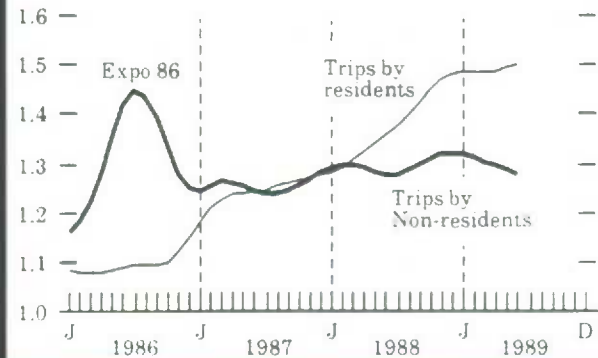
... Tourism to Canada Continues to Decline

Trips by Canadian residents to overseas countries edged down in July (-0.1%) for the second consecutive month.

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

Trips of One or More Nights

(millions of trips, short-term trend)



PUBLICATIONS RELEASED FROM SEPTEMBER 22 TO 28

AGRICULTURE

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

EDUCATION, CULTURE AND TOURISM

Community Colleges and Related Institutions: Postsecondary Enrolment and Graduates, 1987. Catalogue number 81-222 (Canada: \$26; Other Countries: \$31).

Radio and Television Broadcasting, 1988. Catalogue number 56-204 (Canada: \$25; Other Countries: \$30).

Touriscope - International Travel, July 1989. Catalogue number 66-001P (Canada: \$5.80/\$58; Other Countries: \$6.40/\$64).

HOUSEHOLD SURVEYS

Canadian Social Trends, Autumn 1989. Catalogue number 11-008E (Canada: \$8/\$32; Other Countries: \$9/\$36).

INDUSTRY

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

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

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

Monthly Survey of Manufacturing, July 1989. Catalogue number 31-001 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

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

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

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

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

INDUSTRY - Concluded

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

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

INTERNATIONAL AND FINANCIAL ECONOMICS

Security Transactions with Non-residents, June 1989. Catalogue number 67-002 (Canada: \$15/\$150; Other Countries: \$18/\$180).

INTERNATIONAL TRADE

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

LABOUR

Corporations and Labour Unions Returns Act: Part II - Labour Unions, 1987. Catalogue number 71-202 (Canada: \$32; Other Countries: \$38).

PRICES

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

SERVICES

Business, Leisure and Personal Services, 1987 Preliminary Estimates. Catalogue number 63-015 (Canada: \$6.75/\$40.50; Other Countries: \$8.20/\$49).

Restaurant, Caterer and Tavern Statistics, May 1989. Catalogue number 63-011 (Canada: \$5.80/\$58; Other Countries: \$7/\$70).

Restaurant, Caterer and Tavern Statistics, June 1989. Catalogue number 63-011 (Canada: \$5.80/\$58; Other Countries: \$7/\$70).

TRANSPORT

Aviation Statistics Centre Service Bulletin, September 1989. Catalogue number 51-004 (Canada: \$8.90/\$89; Other Countries: \$10.70/\$107).

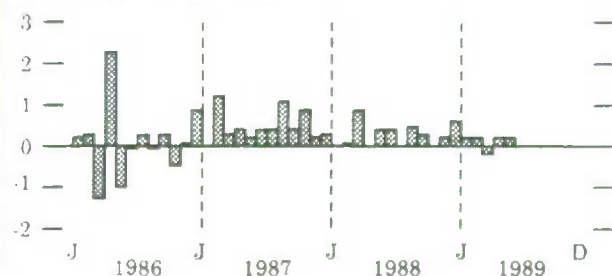
Road Motor Vehicles - Fuel Sales, 1988. Catalogue number 53-218 (Canada: \$16; Other Countries: \$19).

Trucking in Canada, 1987. Catalogue number 53-222 (Canada: \$41; Other Countries: \$49).

CURRENT TRENDS*

Gross Domestic Product

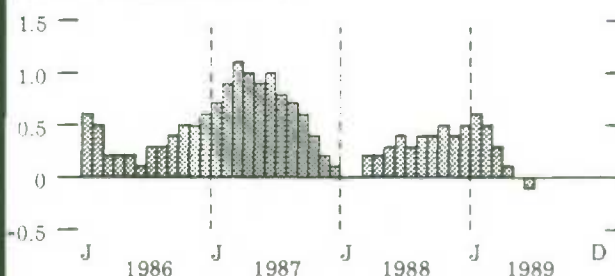
(% change, previous month)



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

Composite Leading Indicator

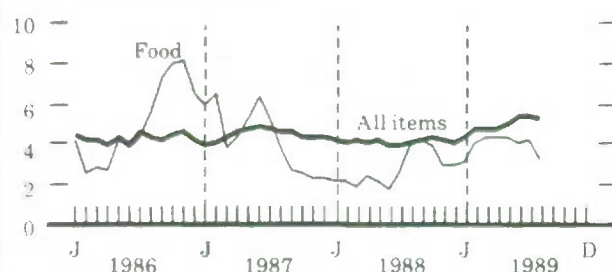
(% change, previous month)



The composite leading indicator edged down 0.1% in June, its first decrease since September 1984.

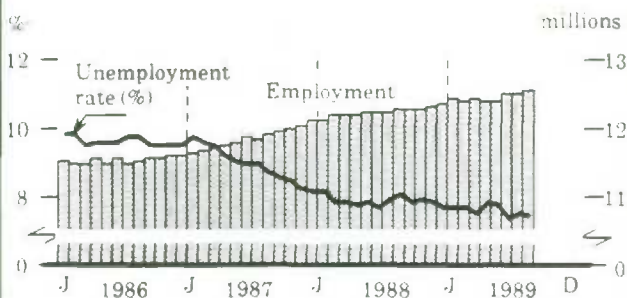
Consumer Price Index

(% change, previous year)



The CPI was up 0.1% in August, a much smaller increase than those registered in the preceding three months.

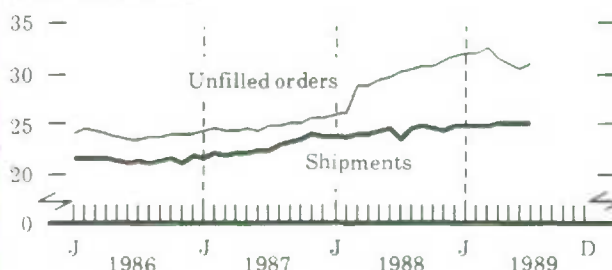
Unemployment Rate and Employment



In August, the level of employment posted a significant advance for the third time in four months.

Manufacturing

(billions of dollars)



Canadian manufacturers' shipments were relatively steady in July, rising only 0.1% from June.

Merchandise Trade

(billions of dollars, short-term trend)



Exports and imports both declined in July, but the drop in imports was much sharper.

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)	June	145.0	-0.1%	4.3%
Profits of Industrial Corporations (\$ billion)	2nd Q	8.4	-11.9%	3.3%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	July	14.4	-0.3%	5.1%
New Motor Vehicle Sales ('000 units)	July	121	0.0%	-7.4%
Housing Starts ('000, annual rates)	July	208	1.0%	-3.2%
LABOUR				
Employment (millions)	Aug.	12.6	0.6%	2.4%
Unemployment Rate (%)	Aug.	7.4	-0.1	-0.5
Participation Rate (%)	Aug.	67.2	0.2	0.4
Labour Income (\$ billion)	June	30.2	1.7%	9.4%
Average Weekly Earnings (\$)	July*	487.20	-0.4%	5.0%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	July	11.0	-1.0%	1.8%
Merchandise Imports (\$ billion)	July	10.0	-8.4%	6.9%
Merchandise Trade Balance (\$ billion)	July	1.0	0.8	-0.4
MANUFACTURING				
Shipments (\$ billion)	July*	24.9	0.1%	6.5%
New Orders (\$ billion)	July*	25.3	4.2%	5.4%
Unfilled Orders (\$ billion)	July*	30.8	1.6%	1.9%
Inventory/ Shipments Ratio	July*	1.56	0.01	-0.04
Capacity Utilization (%)	2nd Q	82.2	-0.5	-1.5
PRICES				
Consumer Price Index (1981 = 100)	Aug.	152.4	0.1%	5.2%
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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KEY RELEASE CALENDAR: OCTOBER 1989*

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4 Help-wanted Index, September	5 Industrial Corporations: Financial Statistics, 2nd Quarter Composite Leading Indicator, July	6 Labour Force Survey, September Housing Starts, August
9	10 New Housing Price Index, August Labour Income, July Motor Vehicle Sales, August	11 Department Store Sales, August	12 Farm Product Price Index, August	13 International Travel, August
16	17 International Trade, August	18	19	20 Consumer Price Index, September
23 Retail Trade, August Department Store Sales and Stocks, August Building Permits, July	24	25 Survey of Manufacturing, August Unemployment Insurance Statistics, August	26 Security Transactions, August	27 Employment, Earnings and Hours, August
30	31 Gross Domestic Product, August Industrial Product Price Index, September Raw Material Price Index, September Refined Petroleum Products, September Crude Petroleum and Natural Gas, July			

* 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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