

I·N·F·O·M·A·T

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

Friday, December 22, 1989

OVERVIEW

■ Large Investments in Bonds Continue

Non-residents continued to be major buyers of Canadian bonds, with a net investment of \$2 billion in October.

■ Shipments Weaken in October

Following two consecutive increases, manufacturers' shipments were down 1.6%.

■ Downturn in Retail Trade

Retail sales decreased 1.3% in October, the largest monthly decline since April 1988.

■ Wholesale Trade Registers Marginal Growth

In October, wholesale merchants' sales rose a scant 0.2% higher than the same month a year earlier.

■ Growth in Consumer Prices Slows

The consumer price index was up 0.3% in November, higher than the advances posted in August and September but lower than the increase in October.

■ Number of Tourists Edges Up Again

The number of foreign tourists visiting Canada rose for the third consecutive month in October.

This issue also includes information on **Unemployment Insurance Statistics**.



Large Investments in Bonds Continue

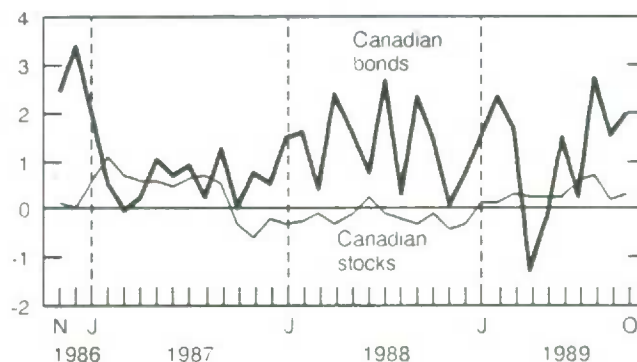
In October, non-residents continued to be major buyers of Canadian bonds, with a net investment of \$2 billion. Investment was strong in both the secondary and primary markets.

In the secondary market, non-residents acquired \$1.3 billion of outstanding Canadian bonds, bringing their net investments in the last four months to \$5.2 billion. The Japanese were major buyers in the current month. Net investment was also recorded from the United Kingdom and Asia. Residents of the United States reduced their holdings by about \$400 million. Interest rate differentials between Canada and the United States continued to widen, especially for two- and four-year federal issues. The gross value of bonds traded jumped by over 75%, following a sharp contraction in trading activity in September.

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Security Transactions

Billions of dollars



Statistics
Canada

Statistique
Canada

Canada

... Large Investments in Bonds Continue

In the primary market, new issues of Canadian bonds sold to non-residents exceeded \$2 billion, up from \$1.5 billion in the two preceding months. After

Security Transactions

	June	July	Aug.	Sept.	Oct.
Net sales	millions of dollars				
Canadian Securities					
Bonds					
- outstanding	119	1,051	1,893	1,046	1,260
- new issues	1,324	-818	825	487	701
Stock	198	549	677	179	254
Total	1,641	782	3,395	1,712	2,216
Foreign Securities					
Bonds	348	526	-1,441	-462	51
Stocks	-403	-336	-17	-485	-98
Total	-55	190	-1,458	-947	-47

redemptions, the net investment was \$700 million. Over half of the new bonds sold were denominated in U.S. dollars and were placed in both the U.S. and European markets.

Net foreign investment in Canadian stocks amounted to \$254 million in October. Investment from the U.S. doubled to \$400 million, but was partially offset by a net disinvestment by overseas investors.

Canadian residents invested \$98 million in foreign stocks, compared to nearly \$500 million in the previous month. For the last five months, the net investments by Canadian residents totalled \$1.3 billion, most of which was channelled into the United States market. Trading in foreign bonds reduced Canadian holdings by \$51 million, following large investments in the previous two months.

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

Shipments Weaken in October

Manufacturers' shipments were down 1.6% in October, following two consecutive increases. Most of this decline was accounted for by a drop in shipments of durable goods. Hardest hit were the transportation equipment and the electrical and electronic products industries.

The transportation equipment industry reported lower shipments after two months of growth. The electrical and electronic products industries registered a decline in shipments after a notable increase in September. This industry recorded strong growth in the first quarter which was partially offset by a weakening trend in the second and most of the third quarter.

Inventory levels rose marginally from the levels posted in September. The growth rate of inventories has been slowing since the Spring and declined on a month-over-month basis in August and September. The inventories-to-shipments ratio increased to 1.56 in October.

Manufacturing Activity

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
Shipments	-0.6	-0.9	0.8	0.8	-1.6
New orders	-1.0	3.4	-2.0	0.1	3.4
Unfilled orders	-1.8	1.7	-0.7	-1.3	2.7
Inventory to shipments ratio	1.55	1.57	1.55	1.54	1.56

The downward trend in unfilled orders was interrupted in October. The level jumped 2.7% over the preceding month. New orders were up for the second month in a row. Generally new orders have fluctuated during the last 12 months.

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

Downturn in Retail Trade

- Seasonally adjusted retail sales decreased 1.3% in October. This was the largest monthly decline since April 1988. Except for September, retail sales have been weak since June.
- In total, retail sales for the year were 5.0% higher than in the first ten months of 1988. Most of this growth occurred in the first half of 1989.

- Sales by motor vehicle dealers dropped 6.2% from September. Their sales had risen for two consecutive months with a sharp gain in September. Generally, sales of motor vehicles have been edging down in 1989.

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... Downturn in Retail Trade

- Food store sales edged up marginally following a significant increase in September. Overall, sales have not advanced since July.
- Department store sales were up 2.0% from the previous month, continuing the trend of fluctuating sales noted since May.

For further information, order *Retail Trade* (catalogue number 63-005) or contact Industry Division at (613) 951-3552.

Retail Trade

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
Grocery & meat stores	0.5	0.6	-1.2	1.2	0.1
Department stores	-0.4	-1.0	1.4	-1.4	2.0
Motor vehicle dealers	-1.4	-2.3	0.5	8.2	-6.2
All stores	0.1	-0.5	-0.1	2.0	-1.3

Wholesale Trade Registers Marginal Growth

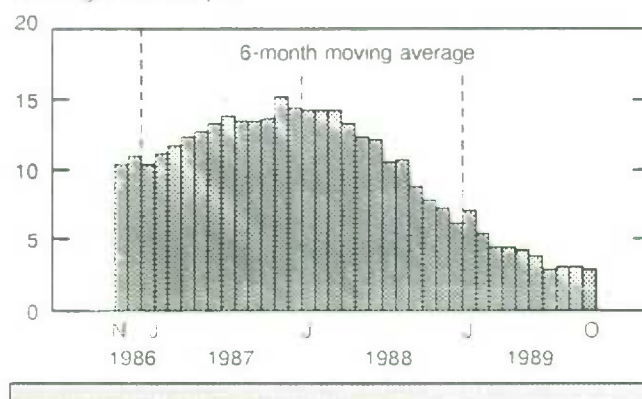
In October, wholesale merchants' sales were only marginally higher (0.2%) than in the same month a year earlier. Sales growth has been decelerating for nearly two years, but generally the growth rates posted for the last nine months have been lower than the year-over-year change in the consumer price index. Five of the nine major trade groups posted lower sales. In the first ten months of 1989, cumulative sales were up 2.5% from the corresponding period of 1988.

Wholesalers of electrical and non-electrical machinery, equipment and supplies reported sales that were 1.4% lower than in October 1988. Wholesalers of apparel, dry goods and furniture continued to show declining sales, registering a year-over-year decrease for the fifth month. Motor vehicles and accessories dealers also showed lower sales, dropping for the second consecutive month. Wholesalers of farm machinery and equipment haven't posted an increase in sales since March 1988. Sales of hardware, plumbing and heating equipment were down for the third month in a row.

Food wholesalers reported a sales increase of 6.2%, significantly higher than the gains posted in the four

Wholesale Merchants' Sales

% change, previous year



preceding months. Their stock-to-sales ratio was down slightly from October 1988.

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

Growth in Consumer Prices Slows

The Consumer Price Index (1981=100) was up 0.3% in November. This increase was higher than the advances posted in August and September but was lower than the increase recorded in October. Increases in five of the seven major components were almost entirely offset by declines in food and clothing prices.

The largest part of the upward pressure on the CPI resulted from a rise of 1.3% in the transportation component. The introduction of the 1990 model year had

a noticeable impact on the average new car prices (2.6%). The transportation component had dropped or been unchanged for the preceding three months.

The food component fell 0.1% in November, the third decrease in four months. Declining prices for fresh meat, poultry and fruit and soft drinks contributed to the decrease in November. The decline in the clothing component was the first in five months.

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... Growth in Consumer Prices Slows

The year-over-year increase in the CPI was 5.2%, up slightly from the increase registered in October, but equal to those recorded for August and September. The year-over-year change in the CPI has moderated since June.

For further information, order *The Consumer Price Index* (catalogue number 62-001) or contact Prices Division at (613) 951-9606.

Consumer Price Index

	July	Aug.	Sept.	Oct.	Nov.
	% change, previous month				
All-items	0.7	0.1	0.1	0.4	0.3
Food	0.9	-0.6	-0.4	0.4	-0.1
Transportation	1.2	-0.4	0.0	-0.2	1.3

Number of Tourists Edges Up Again

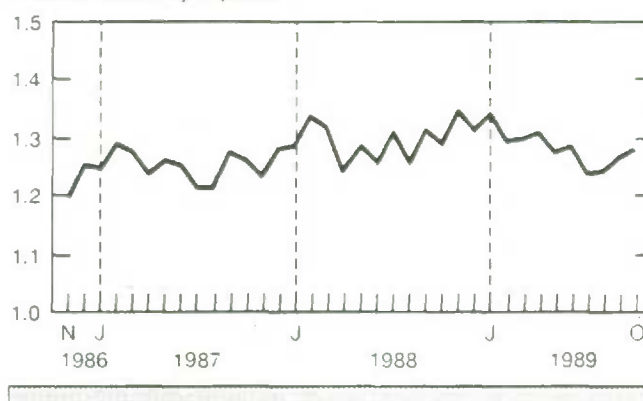
The seasonally adjusted volume of foreign travellers to Canada staying for one or more nights rose for the third consecutive month in October. Generally, the number of international tourists had declined from January to June. The increase in September was the result of larger numbers of visitors from the United States. The number of tourists from other countries was down after increasing for two months in a row.

Trips of one or more nights by Canadian residents to the United States continued to follow a rising trend in October. Travel to all other overseas countries increased, after declining during the summer.

The volume of trips lasting less than 24 hours continued to rise at a steady pace, increasing by more than 100,000 in October. With a few exceptions, trips to the United States have been rising sharply since the end of 1986 and now total 5.3 million a month.

Foreign Visitors

Millions, seasonally adjusted



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

Marginal Advance in Number of UIC Beneficiaries

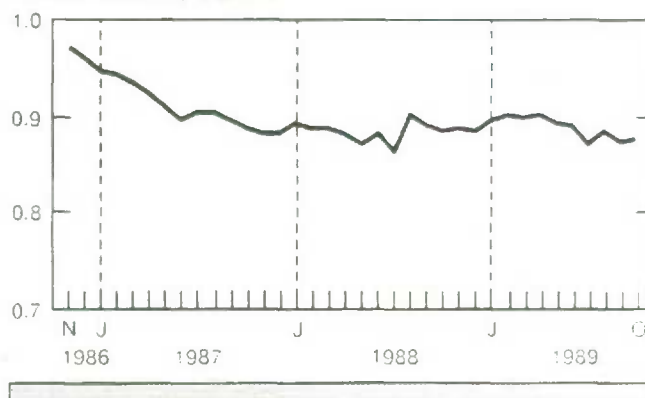
In October, the seasonally adjusted number of beneficiaries receiving regular unemployment insurance benefits rose marginally (0.2%) over the level recorded in September. A marginal downward trend was evident until August. Seasonally adjusted benefit payments were also up following an increase in September.

Year-to-date figures show that benefits payments were up 7.0% over the same period in 1988. Higher average weekly benefits (6.5%) were the primary contributor to this advance as the average number of beneficiaries and the number of benefit weeks have only risen slightly in 1989.

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

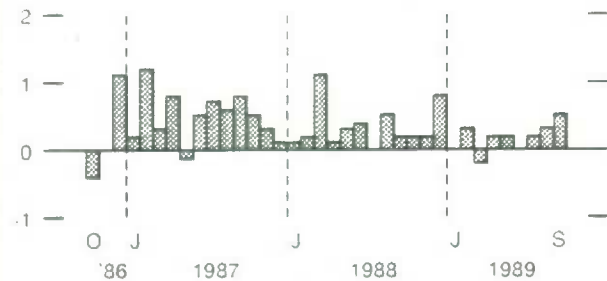
Millions, seasonally adjusted



CURRENT TRENDS*

Gross Domestic Product

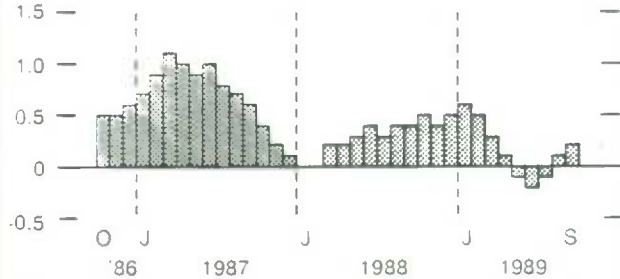
% change, previous month



Gross domestic product by industry rose 0.5% in September, the largest monthly increase recorded in 1989.

Composite Leading Indicator

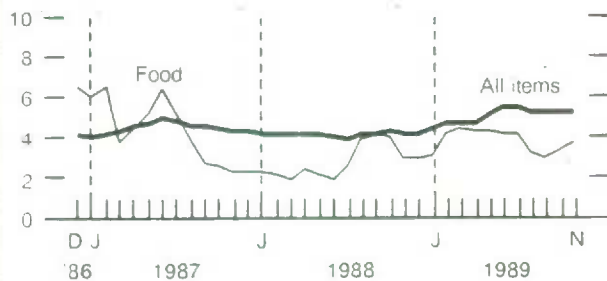
% change, previous month



The composite leading indicator posted a small gain (0.2%) for the second consecutive month in September.

Consumer Price Index

% change, previous year



The year-over-year increase in the CPI was 5.2%, up slightly from the advance registered in October.

Unemployment Rate and Employment



Labour market conditions altered slightly in November.

Manufacturing

Billions of dollars



Manufacturing shipments rose 1.0% in September, posting a significant increase for the second month in a row.

Merchandise Trade

Billions of dollars, short-term trend



Strong growth pushed the value of imports above exports and resulted in a merchandise trade deficit in October.

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

PUBLICATIONS RELEASED FROM DECEMBER 15 TO 21

EDUCATION, CULTURE AND TOURISM

Focus on Culture, Vol. 1, No. 2: Electronic Media Play a Major Role in Canadians' Lives, Winter 1989. Catalogue number 87-004 (Canada: \$6/\$24; Other Countries: \$7.20/\$28.80).

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

HOUSEHOLD SURVEYS

Earnings of Men and Women, 1988. Catalogue number 13-217 (Canada: \$20; Other Countries: \$24).

INCOME AND EXPENDITURE

System of National Accounts - National Income and Expenditure Accounts, 1977-1988. Catalogue number 13-201 (Canada: \$37; Other Countries: \$44).

INDUSTRIAL ORGANIZATION AND FINANCE

Industrial Corporations, Financial Statistics, Third Quarter 1989. Catalogue number 61-003 (Canada: \$15.75/\$63; Other Countries: \$19/\$76).

INDUSTRY

Footwear Statistics, October 1989. Catalogue number 33-002 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

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

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

Oils and Fats, October 1989. Catalogue number 32-006 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

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

Production and Shipments of Blow-moulded Plastic Bottles, Quarter Ended September 30, 1989. Catalogue number 47-006 (Canada: \$6.50/\$26; Other Countries: \$7.75/\$31).

The Crude Petroleum and Natural Gas Industry, 1988. Catalogue number 26-213 (Canada: \$25; Other Countries: \$30).

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

INTERNATIONAL AND FINANCIAL ECONOMICS

Canadian Economic Observer, December 1989. Catalogue number 11-010 (Canada: \$21/\$210; Other Countries: \$25.20/\$252).

JUSTICE

The Juristat Service Bulletin, Vol. 9, No. 5: Impaired Driving Statistics, 1988. Catalogue number 85-002 (Canada: \$3.70/\$37; Other Countries: \$4.40/\$44).

LABOUR

Employment, Earnings and Hours, September 1989. Catalogue number 72-002 (Canada: \$38.50/\$385; Other Countries: \$46.20/\$462).

The Labour Force, November 1989. Catalogue number 71-001 (Canada: \$17/\$170; Other Countries: \$20.40/\$204).

Unemployment Insurance Statistics, September 1989. Catalogue number 73-001 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Work Injuries, 1986-1988. Catalogue number 72-208 (Canada: \$23; Other Countries: \$28).

PRICES

Consumer Prices and Price Indexes, July-September 1989. Catalogue number 62-010 (Canada: \$17.25/\$69; Other Countries: \$20.75/\$83).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Science Statistics Service Bulletin, Vol. 13, No. 11: R&D Expenditures of Private Non-Profit Organizations, 1988. Catalogue number 88-001 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

SERVICES

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

SOCIAL

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

TRANSPORT

Passenger Bus and Urban Transit Statistics, October 1989. Catalogue number 53-003 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

Railway Carloadings, October 1989. Catalogue number 52-001 (Canada: \$7.90/\$79; Other Countries: \$9.50/\$95).

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

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LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	Sept.	414	0.5%	2.6%
Composite Leading Indicator (1981 = 100)	Sept.	145.1	0.2%	3.2%
Profits of Industrial Corporations (\$ billion)	3rd Q	7.5	-9.8%	-20.2%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Oct.*	14.5	-1.3%	3.5%
New Motor Vehicle Sales ('000 units)	Oct.	119	-11.8%	-7.5%
Housing Starts ('000, annual rates)	Sept.	226	10.2%	-4.6%
LABOUR				
Employment (millions)	Nov.	12.6	0.3%	1.9%
Unemployment Rate (%)	Nov.	7.6	0.2	-0.1
Participation Rate (%)	Nov.	67.2	0.3	0.3
Labour Income (\$ billion)	Sept.	29.5	0.2%	8.1%
Average Weekly Earnings (\$)	Sept.	494.42	1.0%	5.6%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	Oct.	11.4	0.6%	-1.3%
Merchandise Imports (\$ billion)	Oct.	11.8	5.5%	-7.1%
Merchandise Trade Balance (\$ billion)	Oct.	-0.4	-0.5	-1.3
MANUFACTURING				
Shipments (\$ billion)	Oct.*	24.7	-1.6%	1.0%
New Orders (\$ billion)	Oct.*	25.5	3.4%	4.7%
Unfilled Orders (\$ billion)	Oct.*	31.1	2.7%	1.9%
Inventory/ Shipments Ratio	Oct.*	1.56	0.02	0.02
Capacity Utilization (%)	3rd Q	81.7	-0.7	-2.0
PRICES				
Consumer Price Index (1981 = 100)	Nov.*	153.7	0.3%	5.2%
Industrial Product Price Index (1981 = 100)	Oct.	130.8	-0.1%	1.3%
Raw Materials Price Index (1981 = 100)	Oct.	100.4	1.2%	6.9%
New Housing Price Index (1981 = 100)	Oct.	151.3	0.3%	11.2%

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

* New this week.

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