

I·N·F·O·M·A·T

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

Friday, March 2, 1990

OVERVIEW

■ Economy Continues to Expand

Real gross domestic product increased by a moderate 0.5% in the fourth quarter of 1989, while the implicit price index rose 0.9%.

■ Record Current Account Deficit

The current account deficit totalled a record \$19.7 billion in 1989, nearly double the level of the previous three years.

■ Retail Sales Show Moderate Growth

Retail trade advanced a moderate 4.6% in 1989, down considerably from the increases of 7.5% and 9.8% recorded in the two preceding years.

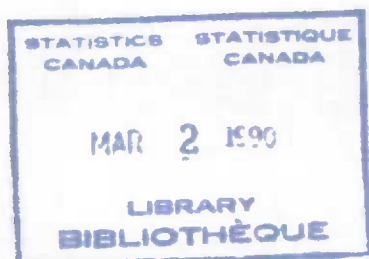
■ Industrial Product Prices Stable

The IPPI edged up 0.1% in January, its first increase in the last six months. Year-over-year the index decreased 0.3%.

■ Growth in Average Weekly Earnings Accelerates

In December, earnings posted a 5.8% year-over-year increase. For the first 11 months of 1989 the average increase was 5.0%.

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



Economy Continues to Expand

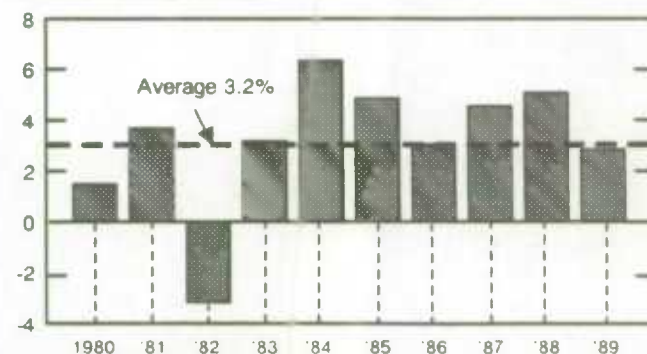
Gross domestic product at market prices grew 1.4% in the fourth quarter of 1989, reaching a seasonally adjusted annual rate of \$663 billion. GDP at 1981 prices rose 0.5% (equivalent to a compound annual rate of 2.0%) while the implicit price index increased 0.9%.

In calendar year 1989, gross domestic product at market prices grew 7.8% to \$649 billion. After adjusting for inflation, GDP at 1981 prices advanced 2.9%. It was the seventh consecutive year of economic expansion since the recession in 1982, although the pace of growth was substantially slower in 1989 than in the previous two years. The GDP implicit price index rose 4.8% in 1989, the highest economy-wide inflation rate since 1983.

(continued on page 2)

GDP at 1981 Prices

Annual percentage change



Statistics Canada
Statistique Canada

Canada

... Economy Continues to Expand

The economy continued to expand in the fourth quarter, by 0.5% in volume terms. The growth was accounted for by a large 1.7% increase in final domestic demand, a drop in net exports equivalent to 0.9% of real GDP, and reduced farm inventory accumulation. The increase in final domestic demand reflected strong consumer spending and continued sprightliness in business investment. Business non-farm inventory investment also picked up.

Consumer spending rose 1.3% in real terms during the fourth quarter. The increase was related to large gains in personal disposable income earlier in the year. Growth in current dollar spending was 8.4% on a year-over-year basis, about the same as for disposable income. Expenditure on electricity,

gas and other heating fuels rose particularly rapidly because of abnormally cold weather. Purchases of new passenger cars declined, but the drop was more than offset by higher outlays for new trucks and vans, car parts and repairs.

All major components of residential investment advanced in the fourth quarter. New construction increased 1.5%, spending for alterations and improvements rose 1.7% and transfer costs jumped 14.2%, all in volume terms. A large part of the growth in residential investment activity occurred in Western Canada.

For further information, order *National Income and Expenditure Accounts* (catalogue number 13-001) or contact *National Income and Expenditure Accounts Division* at (613) 951-0439.

Record Current Account Deficit

In the fourth quarter of 1989, the current account deficit, on a seasonally adjusted basis, remained large for the third consecutive quarter, reaching a new record (\$5.6 billion). The merchandise trade surplus continued to decline, to reach its lowest level since the mid-1970s. The deficit on non-merchandise transactions declined, reflecting lower net dividend payments.

For the year 1989, the current account deficit approached \$20 billion, nearly double that of the previous year. The surplus on merchandise trade was halved, dropping to its lowest level since 1979. Exports edged up whereas imports continued to advance at a relatively higher rate. Among service transactions, the travel deficit rose considerably, especially with the United States. Higher interest payments accounted for the larger deficit on the investment income account.

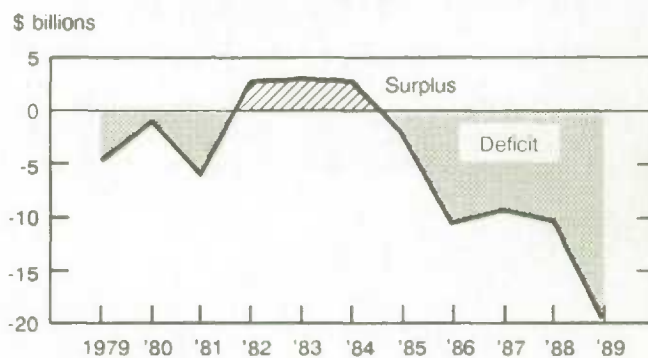
For further information, order *Canada's Balance of International Payments* (catalogue number 67-001), or contact *International and Financial Economics Division* at (613) 951-9050.

Retail Sales Show Moderate Growth

Seasonally adjusted retail sales increased 0.4% in December 1989, to \$14.6 billion. Excluding new and used motor vehicle dealers, retail trade rose 0.9%, following a 0.7% increase in November.

The overall increase in December was primarily attributable, in order of dollar impact, to increases reported by automotive, parts and accessories stores (+7.6%), service stations (+2.2%) and combination stores (+0.7%). Partly offsetting these increases were declines by motor vehicle dealers (-1.7%) and furniture, TV, radio and appliance stores (-5.8%).

Current Account Balance, Annual



Annual 1989 preliminary estimates indicate that retail sales advanced a moderate 4.6%, to \$172.7 billion. This is down considerably from the 7.5% growth recorded in 1988 and the 9.8% increase registered in 1987. Excluding new and used motor vehicle dealers, retail trade increased 5.3% in 1989, compared to 6.3% in 1988.

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

Industrial Product Prices Stable

The Industrial Product Price Index (IPPI, 1981=100) edged up 0.1% to 130.4 in January 1990, from December's revised level of 130.3. This was the first monthly increase in the last six months.

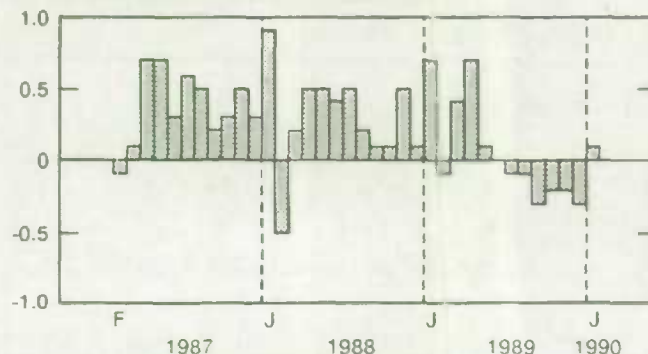
A decline of 2.0% in January for primary metal products was more than offset by an estimated increase of 1.0% for petroleum and coal products and a gain of 0.8% for fruits, vegetables, feeds and other food products, as well as by the large number of smaller increases shown by most groups of finished goods.

Since January 1989, the IPPI has fallen 0.3%. From 3.9% in March 1989, the year-to-year rate of change has steadily declined during the past 10 months. Excluding petroleum and coal products, the 12-month change was -1.3%.

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

Industrial Product Price Index

% change, previous month



Growth in Average Weekly Earnings Accelerates

The preliminary December 1989 estimate of average weekly earnings for all employees in the industrial aggregate was \$497.47, an increase of 0.4% over November. Average weekly earnings increased 5.8% over December 1988. For the first 11 months of 1989, the average year-over-year increase was 5.0%.

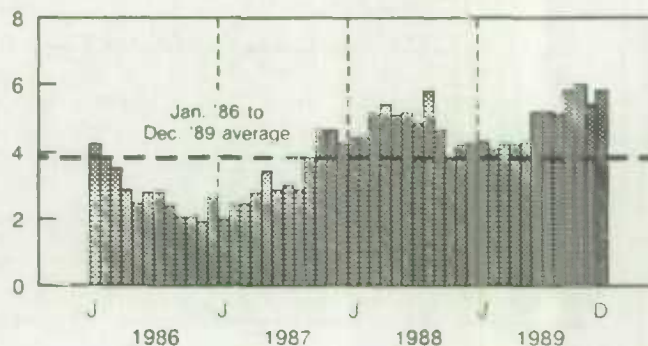
In December, mines, quarries and oil wells, manufacturing, community, business and personal services and public administration had higher year-to-year increases than the industrial aggregate.

The year-to-year growth of average weekly earnings in community, business and personal services has accelerated during the past four months and reached 7.0% in December. This increase was the highest observed in this industry since the inception of the survey in 1983 and was concentrated in commercial services.

Compared to December 1988, growth in earnings in construction (+5.6%) decelerated for the fourth consecutive month. For the first time this year, the construction growth rate is smaller than the industrial aggregate.

Year-over-Year Change in Average Weekly Earnings - Canada

%

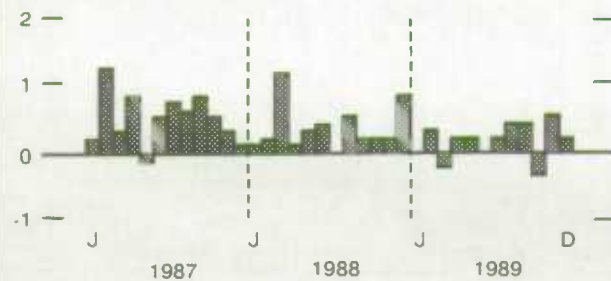


For further information, order *Employment, Earnings and Hours* (catalogue number 72-002) or contact *Labour Division* at (613) 951-4090.

CURRENT TRENDS*

Gross Domestic Product

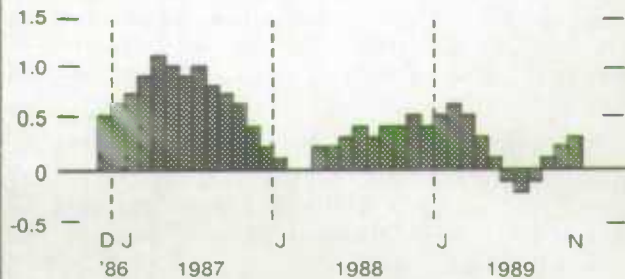
% change, previous month



Real gross domestic product increased by a moderate 0.5% in the fourth quarter of 1989, while the implicit price index rose 0.9%.

Composite Leading Indicator

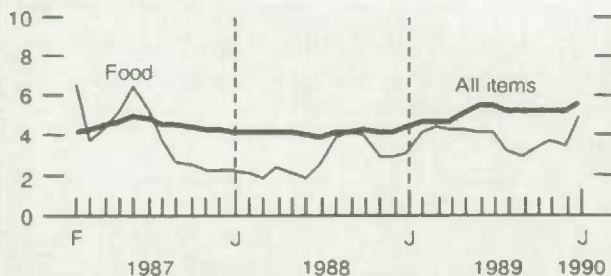
% change, previous month



The composite leading indicator in November indicated continued slow growth in the short-term.

Consumer Price Index

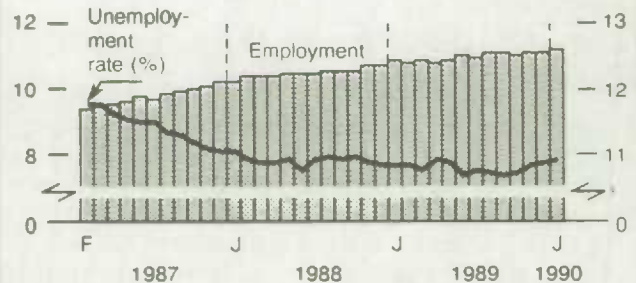
% change, previous year



In January, the CPI posted a year-over-year rise of 5.5%, up noticeably from 5.1% in December.

Unemployment Rate and Employment

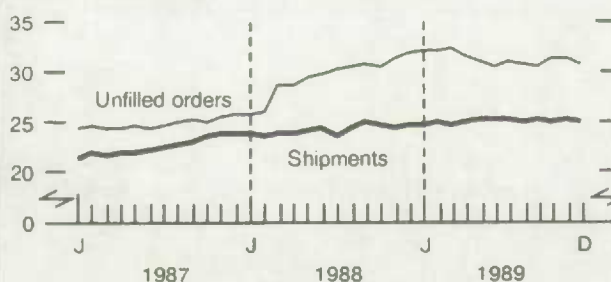
%



Employment rose by 42,000 in January, but an even larger gain in the size of the labour force pushed the unemployment rate up slightly.

Manufacturing

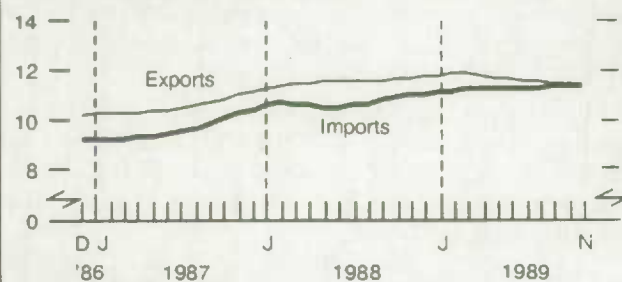
Billions of dollars



The value of shipments decreased 0.5% in December, while unfilled orders fell 1.4%.

Merchandise Trade

Billions of dollars, short-term trend



As a result of a marked drop in imports and a slight increase in exports, the trade balance showed a surplus of \$679 million in November.

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

PUBLICATIONS RELEASED FROM FEBRUARY 23 TO MARCH 1

AGRICULTURE

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

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

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

HOUSEHOLD SURVEYS

Fuel Consumption Survey - Passenger Cars, February 1990. Catalogue number 53-226 (Free).

INDUSTRY

Corrugated Boxes and Wrappers, January 1990. Catalogue number 36-004 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Mineral Wool Including Fibrous Glass Insulation, January 1990. Catalogue number 44-004 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Primary Iron and Steel, December 1989. Catalogue number 41-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production and Stocks of Tea, Coffee and Cocoa, Quarter Ended December 1989. Catalogue number 32-025 (Canada: \$6.70/\$26; Other Countries: \$7.75/\$31).

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies (Excluding Newfoundland and Prince Edward Island), December 1989. Catalogue number 35-002 (Canada: \$9.50/\$95; Other Countries: \$11.40/\$114).

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

Quarterly Shipments of Office Furniture Products, Quarter Ended December 31, 1989. Catalogue number 35-006 (Canada: \$6.50/\$26; Other Countries: \$7.75/\$31).

The Sugar Situation, January 1990. Catalogue number 32-013 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

INTERNATIONAL TRADE

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

LABOUR

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

Pension Plans in Canada, 1988. Catalogue number 74-401 (Canada: \$35; Other Countries: \$42).

SERVICES

Leisure and Personal Services, 1985-1987. Catalogue number 63-233 (Canada: \$29; Other Countries: \$35).

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

TRANSPORTATION

Air Carrier Operations in Canada, October-December 1988. Catalogue number 51-002 (Canada: \$23/\$92; Other Countries: \$27.50/\$110).

Surface and Marine Transport Service Bulletin, Vol. 6, No. 1: **For-hire Trucking: Canada-U.S.**, 1987. Catalogue number 50-002 (Canada: \$8.90/\$71; Other Countries: \$10.60/\$85).

Unemployment Insurance Statistics

Seasonally adjusted estimates show that the number of beneficiaries receiving regular unemployment insurance benefits totalled 900,000 in December, up 1.5% over the preceding month.

Total benefit payments, adjusted for seasonal variations and the number of working days, increased 8.3% over November to \$1,048 million.

For the year 1989, payments to beneficiaries totalled \$11,528 million, up 6.2% over 1988. The increase in the annual benefit payments is attributable to a 6.5% rise in the average weekly payment, to \$215.88.

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

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	Dec.*	416	0.2%	2.0%
Composite Leading Indicator (1981 = 100)	Nov.	145.4	0.2%	2.3%
Profits of Industrial Corporations (\$ billion)	3rd Q	7.4	-11.1%	-21.4%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Dec.*	14.6	0.4%	2.5%
New Motor Vehicle Sales ('000 units)	Dec.	117	-2.8%	-15.4%
Housing Starts ('000, annual rates)	Dec.	226	8.6%	1.3%
LABOUR				
Employment (millions)	Jan.	12.6	-0.3%	1.2%
Unemployment Rate (%)	Jan.	7.8	0.1	0.2
Participation Rate (%)	Jan.	67.3	0.2	0.1
Labour Income (\$ billion)	Nov.	29.9	0.6%	7.8%
Average Weekly Earnings (\$)	Dec.*	497.47	0.4%	5.8%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	Dec.	11.0	-4.9%	-4.3%
Merchandise Imports (\$ billion)	Dec.	11.0	1.5%	1.7%
Merchandise Trade Balance (\$ billion)	Dec.	-0.1	-0.7	-0.7
MANUFACTURING				
Shipments (\$ billion)	Dec.	24.7	-0.6%	0.4%
New Orders (\$ billion)	Dec.	24.2	-2.5%	-3.1%
Unfilled Orders (\$ billion)	Dec.	30.8	-1.4%	-3.0%
Inventory/ Shipments Ratio	Dec.	1.55	0.01	0.01
Capacity Utilization (%)	3rd Q	81.7	-0.7	-2.0
PRICES				
Consumer Price Index (1981 = 100)	Jan.	154.9	0.8%	5.5%
Industrial Product Price Index (1981 = 100)	Jan.*	130.4	0.1%	-0.3%
Raw Materials Price Index (1981 = 100)	Jan.*	100.3	1.2%	3.0%
New Housing Price Index (1981 = 100)	Dec.	152.8	0.4%	9.2%

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

* New this week.

Regional Reference Centres

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KEY RELEASE CALENDAR: MARCH 1990*

Monday	Tuesday	Wednesday	Thursday	Friday
			1	2 Building Permits, December
5 Composite Leading Indicator, December	6 Industrial Corporations: Financial Statistics, Fourth Quarter 1989	7 Help-wanted Index, February Private and Public Investment in Canada, Intentions 1990	8	9 Labour Force Survey, February New Housing Price Index, January Labour Income, December New Motor Vehicle Sales, January
12 Department Store Sales, January Farm Product Price Index, January	13	14 International Travel, January	15	16 Consumer Price Index, February
19	20 International Trade, January Survey of Manufacturing, January	21 Field Crop Reporting Series: No. 2	22	23 Security Transactions, January
26 Department Store Sales and Stocks, January	27 Employment, Earnings and Hours, January	28 Unemployment Insurance, January	29 GDP at Factor Cost by Industry, January	30 Industrial Product Price Index, February Raw Materials Price Index, February

* 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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