

I·N·F·O·M·A·T

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

Friday, March 9, 1990

OVERVIEW

■ Planned Capital Investment Remains Strong

Capital expenditures on new fixed assets are expected to rise 7.4% in 1990, slightly lower than the 9.3% increase registered in 1989.

■ Upward Trend in Leading Indicator

The composite leading indicator rose for the fourth consecutive month in December.

■ Third Consecutive Decline in Corporate Profits

Industrial corporations reported a drop in operating profits of 7% in the fourth quarter.

■ Downturn in Building Permits Continues

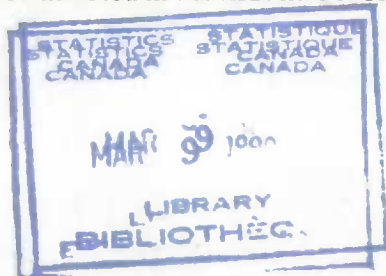
In November, the value of building permits was down for the third month in a row.

■ Help-wanted Index Still Declining

The help-wanted index dropped four points in February, extending the downturn evident since September.

■ Marginal Advance in Gross Domestic Product

The 0.2% growth in real gross domestic product in December was in line with the pattern of sluggish growth noted in the first half of 1989.



Planned Capital Investment Remains Strong

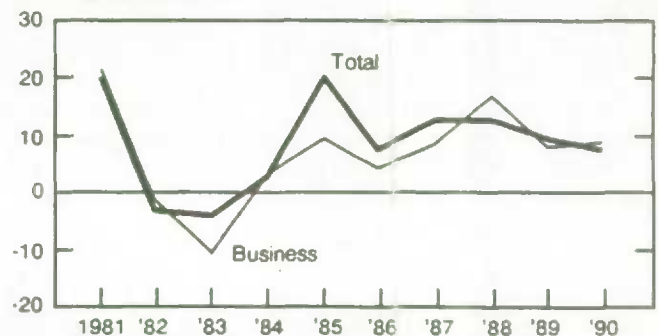
Capital expenditures on new fixed assets are expected to total \$144.3 billion in 1990, a current dollar increase of 7.4%. This gain is slightly lower than the 9.3% advance recorded for 1989. Capital investment has increased each year since 1984, but the rate of growth has decelerated in the last two years. Expenditures on machinery and equipment will continue to grow at a faster rate than spending on construction, as they did in the two previous years.

Two sectors, utilities and manufacturing, account for over 50% of the \$10.0 billion increase in intended investment expenditures. Neither of these industries realized their spending intentions in 1989. Much of the shortfall in manufacturing (\$2.2 billion) and utilities (\$1.0 billion) was deferred to 1990.

(continued on page 2)

Capital Expenditure

% change, previous year



Statistics Canada / Statistique Canada

Canada

... Capital Investment Remains Strong

Utilities are planning to increase their investment sharply for the third consecutive year. Electric power, air transport and gas pipeline companies were contributors to the 17.9% increase anticipated for 1990. However, over half of the \$3.6 billion increase in spending is due to the electric power industries.

Manufacturers also plan to increase their expenditures for the third consecutive year with substantial growth of 11.0%.

The mining industry intends to increase capital spending by 6.1%, following a cut of 16.5% in 1989. Most of the increase should come from the petroleum industry.

All levels of government anticipate an increase in capital expenditures, but much of the 8.5% increase is due to growth in municipal spending. The federal and provincial governments plan to increase investment by less than 3%.

Investment in residential construction is expected to increase 3.6% following a substantial advance of 10.8% in 1989. Housing starts are expected to drop 6.0% in 1990, but higher prices in all regions and the value of renovations should offset the decline.

For further information, order *Private and Public Investment in Canada* (catalogue number 61-205) or contact *Investment and Capital Stock Division* at (613) 951-2591.

Upward Trend in Leading Indicator

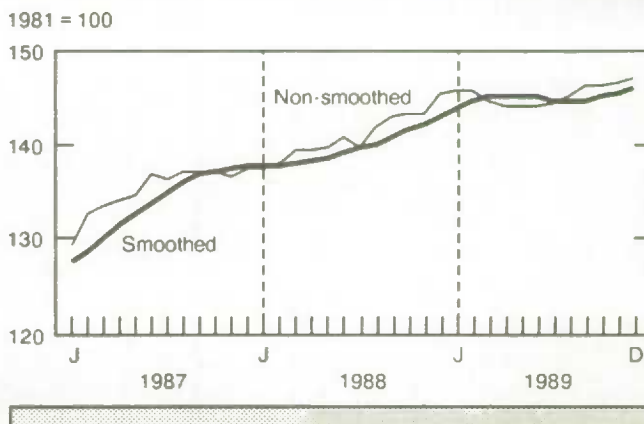
The composite leading indicator continued to rise in December, advancing for the fourth consecutive month. The gain of 0.3% matched the increase posted in November, but was slightly higher than those recorded in the two preceding months. Out of the components posting increases, the strongest advances continued to be associated with housing demand.

The housing component recorded its largest increase since early 1987. Western Canada continues to lead the country in growth of house sales, replacing Central Canada. Since April, housing sales in Alberta and British Columbia have risen twice as fast as the rest of Canada. Furniture and appliance sales posted a moderate gain once again. An upturn in car sales contributed to the second consecutive increase in sales of durable goods, which had declined throughout most of 1989.

New orders of durable goods were down after five months of growth. However, the drop was mostly due to orders for capital goods which are highly volatile on a monthly basis. The ratio of shipments to inventories was unchanged.

The leading indicator for the United States recorded an increase in December, after a brief period of decline. This rise coupled with higher employment in January partially allayed the concerns of a recession in the U.S.

Composite Leading Indicator



The trend of financial indicators remained mixed, with a modest gain in stock market prices and a small decline in the money supply.

For further information, order *Canadian Economic Observer* (catalogue number 11-010) or contact *International and Financial Economic Division* at (613) 951-3627.

Third Consecutive Decline in Corporate Profits

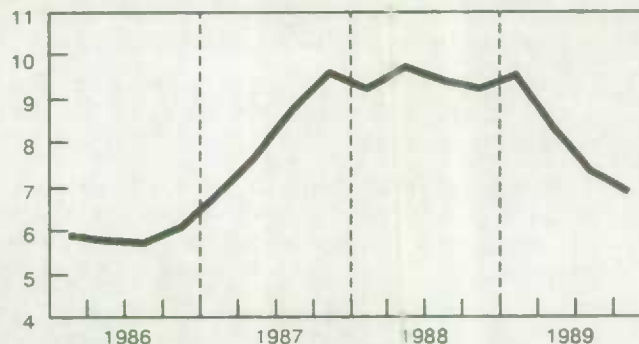
In the fourth quarter, the operating profits of industrial corporations fell 7% below the level recorded in the previous quarter. This decrease, combined with declines of about 12% in each of the two preceding quarters, reduced profits to their lowest level since the last quarter of 1986. The decline was widespread as 28 of 46 industry groups registered lower profits.

The most significant decline was in metal mining where operating profits tumbled by nearly 50% to \$260 million. Profits have dropped in each of the last three quarters largely due to lower metal prices. Weaker markets and a stronger Canadian dollar also contributed to a \$178 million reduction in profits in the paper industry. Operating profits in the paper industry have declined steadily since the fourth quarter of 1987.

Higher profits were recorded by sixteen industries with the transportation industry registering the largest advance, followed by petroleum and coal. In the transportation industry, profits rebounded sharply after three consecutive losses.

Operating Profits

Billions of dollars, seasonally adjusted



Sales were down marginally in the quarter to \$240.3 billion. The decline of 0.2% followed advances averaging 1.0% in the first three quarters of 1989.

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

Downturn in Building Permits Continues

The value of building permits issued by municipalities edged down 2.9% on a month-over-month basis in November. This was the third consecutive decrease and was consistent with the downturn in the value of building permits noted in the first six months of the year.

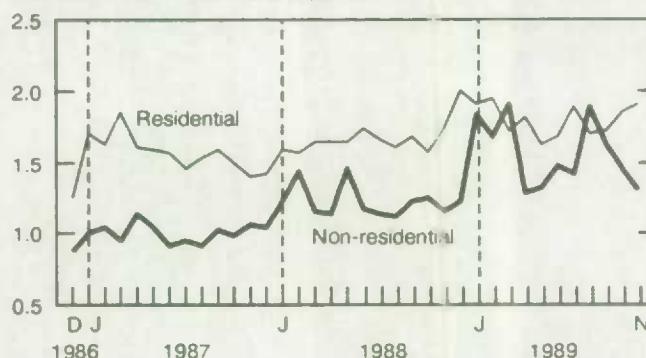
Following exceptional growth in July and August, the value of non-residential permits decreased for the third consecutive month (-11.0%), dropping below the levels posted earlier in the year. A drop in the value of permits issued for industrial and commercial construction account for all of this change.

Residential permits, on the other hand, increased 3.6% over October levels. The multi-family sector showed the greatest strength, rising 6.6% over the previous month. The single-family dwelling sector was up 2.3%.

For further information, order *Building Permits* (catalogue number 64-001) or contact Investment and Capital Stock Division at (613) 951-2583.

Building Permits

Billions of dollars, seasonally adjusted



Help-wanted Index Still Declining

- The seasonally adjusted help-wanted index fell for the sixth consecutive month in February. Except for the Prairie provinces, all regions contributed to the four-point drop in February.
- The index for the Prairie region edged up to 88, reversing the downward trend posted in the previous four months.
- In British Columbia, the index slipped one point to 124. It has followed a downward trend in the last six months, but the overall decline has been marginal.
- The index for the Atlantic region continued to drop, but the rate of decline slowed further in February.
- Quebec registered the largest monthly decline once again, dropping by six points to 142.

Help-wanted Index (1981 = 100)

	Oct.	Nov.	Dec.	Jan.	Feb.
	seasonally adjusted				
Canada	148	143	139	135	131
Atlantic Region	193	184	177	173	171
Quebec	167	161	154	148	142
Ontario	154	151	147	143	140
Prairie Region	91	89	88	87	88
British Columbia	129	127	126	125	124

- The index for Ontario continued to decline, but at a more moderate pace than Quebec. After decreasing by three points, the index was 140 in February.

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

Marginal Advance in Gross Domestic Product

Real gross domestic product posted an increase of 0.2% in December. This modest gain was in line with the pattern of sluggish growth noted in the first half of 1989. In December, output was up 2.0% over the same month a year earlier. Most of this growth occurred in the last six months of the year.

Output from the goods-producing industries rose 0.2% in December, significantly lower than the growth of 0.4% recorded in November. The major contributor to the advance in December was electric power systems. Extremely cold temperatures throughout most provinces produced a sharp increase in the demand for electricity. Gas distribution systems also noted an increase in consumption.

Real Gross Domestic Product

	Aug.	Sept.	Oct.	Nov.	Dec.
	% change, previous month				
Real Gross Domestic	0.5	0.3	-0.3	0.5	0.2
Goods-producing	0.7	0.3	-0.8	0.4	0.2
Service-producing	0.4	0.4	0.0	0.5	0.1

Activity in the service industries edged up 0.1%, contrasting with the trend to stronger growth in recent months. Wholesalers registered substantial gains, but finance, insurance and real estate and retail trade were flat.

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

PUBLICATIONS RELEASED FROM MARCH 2 TO 8

AGRICULTURE

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

INCOME AND EXPENDITURE

Financial Flow Accounts, Fourth Quarter 1989. Catalogue number 13-014 (Canada: \$12/\$48; Other Countries: \$14.50/\$58).

INDUSTRY

Cement, January 1990. Catalogue number 44-001 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Gypsum Products, January 1990. Catalogue number 44-003 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production and Inventories of Process Cheese and Instant Skim Milk Powder, January 1990. Catalogue number 32-024 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Production, Sales and Stocks of Major Appliances, January 1990. Catalogue number 43-010 (Canada: \$47; Other Countries: \$56).

Refined Petroleum Products, November 1989. Catalogue number 45-004 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

Rigid Insulating Board (Wood Fibre Products), January 1990. Catalogue number 36-002 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Specified Domestic Electrical Appliances, January 1990. Catalogue number 43-003 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

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

INVESTMENT AND CAPITAL STOCK

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

LABOUR

Quarterly Estimates of Trusteed Pension Funds, Third Quarter 1989. Catalogue number 74-001 (Canada: \$10.50/\$42; Other Countries: \$12.50/\$54).

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

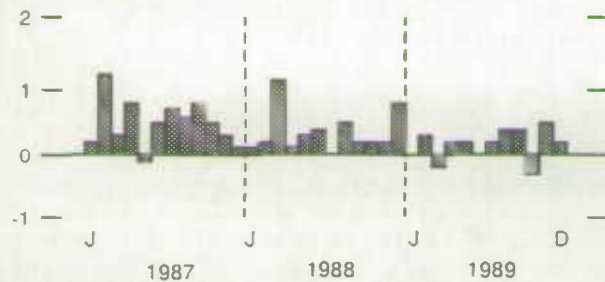
PRICES

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

CURRENT TRENDS*

Gross Domestic Product

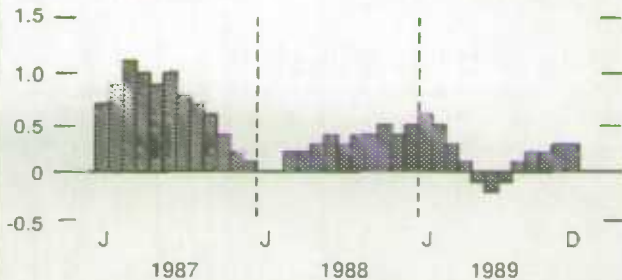
% change, previous month



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

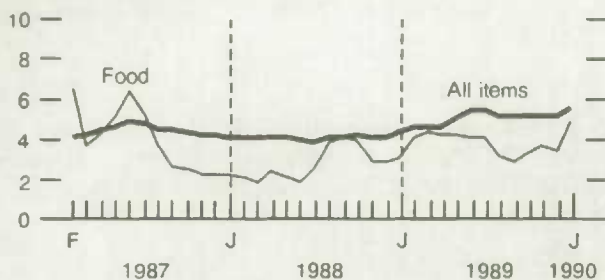
% change, previous month



The composite leading indicator rose for the fourth consecutive month in December.

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.

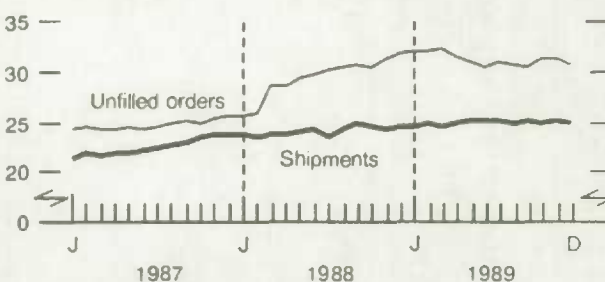
Unemployment Rate and Employment



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

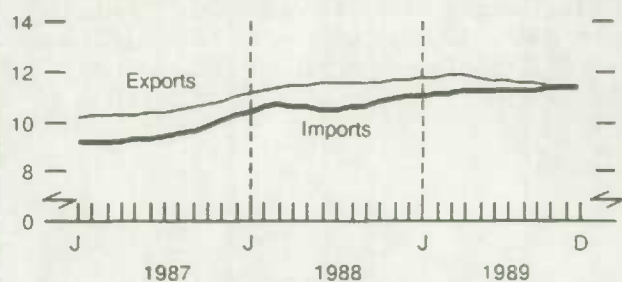
Billions of dollars



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.

Regional Reference Centres

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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)	Dec.*	145.9	0.3%	2.1%
Profits of Industrial Corporations (\$ billion)	4th Q*	6.8	-7.0%	-25.3%
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.

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