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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, May 11, 1990

OVERVIEW

- **Leading Indicator Shows No Growth**

  The composite leading indicator was unchanged in February, after increases of 0.1% in January and 0.3% in each of the preceding three months.

- **Manufacturers Less Optimistic About Business Conditions**

  Manufacturers were more concerned about their levels of orders and inventories at the start of the second quarter.

- **Help-wanted Index Resumes Downturn**

  The help-wanted index was down in April, following a moderate increase in March.

- **Growing Investment in Computer-Assisted Equipment**

  Computer-assisted processing equipment continued to account for a larger portion of total investment in 1988.

- **Growth in New Housing Prices Slow**

  The new housing price index rose 0.2% in March, indicating slower growth for the second consecutive month.

- **Rising Trend in Farm Product Prices Maintained**

  The farm product price index was up 0.9% in March, extending the pattern of moderate growth evident since September.

This issue also includes information on **Raw Materials Prices** and **Labour Income.**

Leading Indicator Shows No Growth

The composite leading indicator was unchanged in February, after increases of 0.1% in January and 0.3% in each of the preceding three months. Manufacturing was the principal source of weakness in February, as it was in January. The indicators of final demand remained firm, as did the growth of income. Import demand rose sharply, while domestic output was sluggish.

For the first time since 1986, all of the manufacturing indicators were down in February. New orders for durable goods continued to decline rapidly, with capital goods replacing autos as the main source of weakness. This decline in domestic demand occurred as imports rebounded sharply. Non-durable goods industries were also weak.

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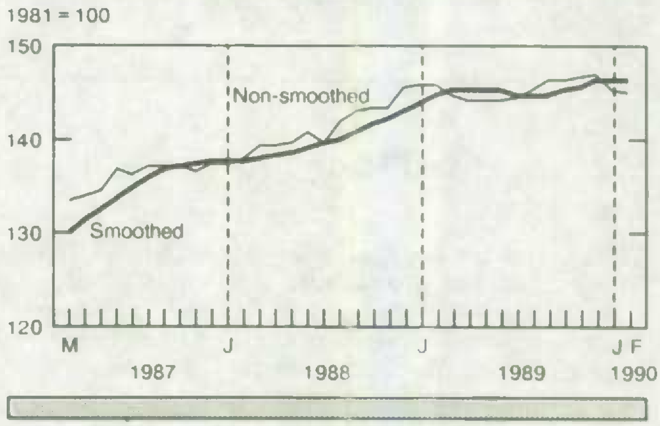
Composite Leading Indicator



Statistics Canada Statistique Canada

Canada

... Leading Indicator Shows No Growth

The components related to household demand continued to post steady growth. In particular, sales of durable goods rose as car sales recovered. The housing index registered a smaller gain in February, continuing the trend to slower growth. Recent gains in housing were reflected in rising furniture and appliance sales.

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

Less Optimism on Business Conditions in Second Quarter

Canadian manufacturers continued to express pessimistic views on the business conditions they expected in the second quarter of 1990. Concerns over order levels and finished product inventories remained high, while expectations for production improved slightly.

This information is collected on a qualitative survey conducted prior to the start of each quarter. A sample of Canadian manufacturers are asked whether they expect production levels to rise or fall, if their order and finished product inventory levels are satisfactory and if they are experiencing any production difficulties. A manufacturer's response is weighted by the value of shipments as reported to the annual Census of Manufacturers.

The proportion of manufacturers who feel their backlog of unfilled orders is about right dropped for the third consecutive quarter. At the same time, there has been a notable increase in the proportion stating that their backlog of orders is lower than normal.

The attitude towards orders received was unchanged from the first quarter; just under 50% responded that order levels (new) are about the same. The proportion stating that levels were declining registered a large jump between the fourth quarter of 1989 and the first quarter of 1990, but was essentially unchanged from the first to the second quarters.

Manufacturing Attitudes

	Q2	Q3	Q4	Q1	Q2
	1989			1990	
Balance of opinion* on:					
Production	4	0	5	-13	-3
New orders	-10	-5	-9	-23	-23
Unfilled orders	-8	-15	-18	-28	-35
Inventories	-19	-23	-16	-27	-29

* *The balance between the proportion of positive responses, such as higher volumes of production, and negative responses, such as fewer orders received.*

There was no significant change in attitudes towards finished product inventory levels from the first quarter; 57% think levels are about right and 36% think they are too high. The proportion stating that inventories are too high posted a significant rise in the first quarter.

The proportion of manufacturers expecting production to remain the same in the second quarter was below 50% for the third quarter in a row. However, the proportion expecting output to be higher increased slightly, while that expecting lower levels dropped marginally to 30%.

For further information, contact Industry Division at (613) 951-3507.

Help-wanted Index Resumes Downturn

The seasonally adjusted help-wanted index dropped in April, resuming a six-month downturn that was interrupted by an increase in March. The indexes for the regions indicated strengthening demand for labour in the West, but continued weakness in Central Canada.

The help-wanted index reflects regional variations in the demand for labour. The number of published help-wanted ads in 20 metropolitan newspapers is compared to the average in the base year and then multiplied by the appropriate population weights for the metropolitan area or region of distribution.

The index for Ontario continued to decline, dropping for the sixth consecutive month. At 128, the index was at its lowest level since 1986. The index for Quebec was down, the second decrease in

(Continued on page 3.)

... Help-wanted Index Resume Downturn

three months. Quebec had shown weakness in the last half of 1989. The index for the Atlantic region also dropped following gains in recent months.

In British Columbia, the index jumped to 138, setting a new high. In the Prairie region, the index edged up, but still remains below its 1981 reference level.

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

Help-wanted Index (1981 = 100) - Revised

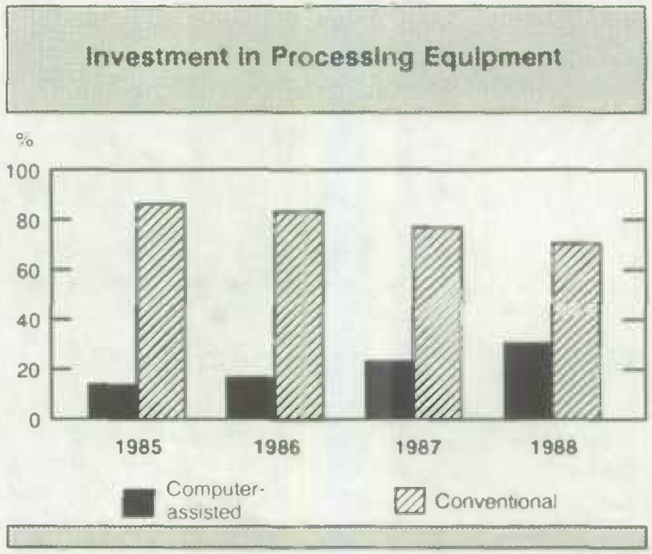
	Dec.	Jan.	Feb.	Mar.	Apr.
	seasonally adjusted				
Canada	137	139	130	134	131
Atlantic Region	164	183	173	186	181
Quebec	153	159	153	149	145
Ontario	150	145	139	135	128
Prairie Region	89	83	89	89	91
British Columbia	132	131	121	129	138

Growing Investment in Computer-Assisted Equipment

Manufacturers spent $2.8 billion or 30% of their total spending on processing equipment on computer-assisted machines in 1988, continuing the rising trend evident since the survey's inception. The portion of total expenditures devoted to pollution abatement and control rose to 2% from 1% in 1987.

Detailed data on capital expenditures for machinery and equipment by asset type are available for 1988. Collected as part of the Private and Public Investment Survey, information on acquisitions of 30 types of machinery are provided by 54 industries (which account for 83% of total expenditures on machinery and equipment).

For further information, contact Investment and Capital Stock Division at (613) 951-2591.



New Housing Price Increases Slow

The new housing price index rose 0.2% in March, indicating slower growth for the second month in a row. The effect of price increases in almost all cities surveyed was moderated by a lack of growth in Toronto.

Prices were flat in Toronto. Excluding a significant decline in February, prices in this city have been fairly stable since May.

Windsor, Sudbury and Thunder Bay, and Winnipeg posted large advances that contrast with modest or marginal growth in the last 12 months.

Housing Price Indexes

	Nov.	Dec.	Jan.	Feb.	Mar.
	% change, previous month				
New Housing	0.6	0.4	0.5	0.1	0.2
land only	1.2	0.4	0.5	0.5	0.3
house only	0.3	0.4	0.5	-0.2	0.2

In Alberta, housing prices continued to post large advances. Vancouver posted a marginal monthly decline but compared to a year earlier housing prices were up 15%.

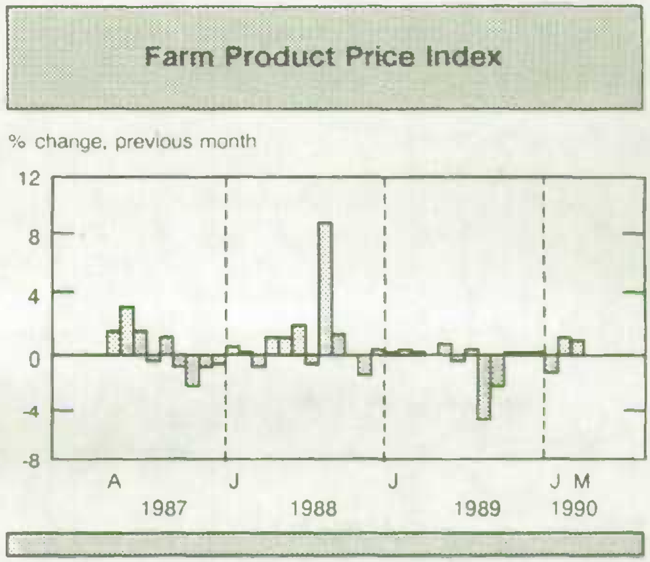
For further information, order Construction Price Statistics (catalogue number 62-007) or contact Prices Division at (613) 951-9607.

Rising Trend in Farm Product Prices Maintained

In March, the farm product price index (1986 = 100) was up 0.9% over the previous month. Following notable declines in August and September, the index has registered moderate growth. Cereal and oilseed prices have been much lower in the 1989-90 crop year, as grain production rebounded from drought-reduced levels.

The crops component rose 0.6%, similar to the advance posted in February. Prices for oilseeds and potatoes increased in March. Oilseed prices continued to rise sharply. Potato prices escalated and the advance of 4.9% was in line with increases in recent months.

The livestock and animal products component was up 1.3% in March, extending the rising trend that was interrupted by a decline in January.



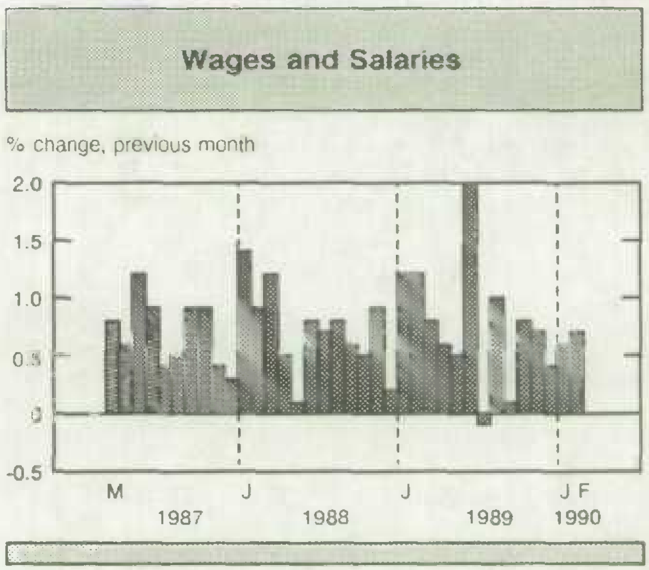
For further information, order Farm Product Price Index (catalogue number 62-003) or contact Agriculture Division at (613) 951-2436.

Growth of Wages and Salaries

In February, seasonally adjusted wages and salaries rose 0.7%, following two months of slower growth. The growth rate of wages had been decelerating in the preceding six months. The increase in February was closer to the average monthly increase in 1989 of 0.8%.

Wages and salaries in the manufacturing industries rose 0.5%, following a month-over-month decline in January. The growth rate in these industries has slowed noticeably in recent months. Wages and salaries in commercial services posted strong growth in February (1.5%), continuing a strong but fluctuating trend.

For further information, order Labour Income (catalogue number 72-005 or contact Labour Division at (613) 951-4051.



Raw Material Prices Post Strong Increase

- The raw materials price index (RMPI, 1981 = 100) was up 1.3% in March, rising for the third month in a row.
- The mineral fuels component continued the rising trend evident in recent months, but the increase of 0.3% was the smallest monthly advance since September.
- Vegetable product prices have advanced in each month of 1990, after an extended decline in 1989.
- Non-ferrous metal prices increased 6.9%, the second consecutive gain following a lengthy downturn.

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

PUBLICATIONS RELEASED FROM MAY 4 TO 10

AGRICULTURE

Cereals and Oilseeds Review, February 1990. Catalogue number 22-007 (Canada: $13.80/138; United States: $16.60/$166; Other Countries: $19.30/$193).

INDUSTRY

Asphalt Roofing, March 1990. Catalogue Number 45-001 (Canada: $5/$50; United States: $6/$60; Other Countries: $7/$70).

Cement, March 1990. Catalogue number 44-001 (Canada: $5/$50; Other Countries: $7/$70).

Electric Power Statistics, February 1990. Catalogue Number 57-001 (Canada: $10/$100; United States: $12/$120; Other Countries: $14/$140).

Fruit and Vegetable Preservation Service Bulletin, Vol. 18, No. 19: Pack of Processed Blueberries, 1989. Catalogue number 32-023 (Canada: $7.80/$127; United States: $9.30/$152; Other Countries: $10.90/$178).

Fruit and Vegetable Preservation Service Bulletin, Vol. 18, No. 15: Pack of Processed Carrots, 1989. Catalogue number 32-023 (Canada: $7.80/$127; United States: $9.30/$152; Other Countries: $10.90/$178).

Fruit and Vegetable Preservation Service Bulletin, Vol. 18, No. 25: Pack of Processed Mixed Vegetables, 1989. Catalogue number 32-023 (Canada: $7.80/$127; United States: $9.30/$152; Other Countries: $10.90/$178).

Gypsum Products, March 1990. Catalogue number 44-003 (Canada: $5/$50; Other Countries: $7/$70).

Production and Investories of Process Cheese and Instant Skim Milk Powder, March 1990. Catalogue number 32-024 (Canada: $5/$50; Other Countries: $7/$70).

Retail Trade, January 1990. Catalogue number 63-005 (Canada: $14.40/$144; Other Countries: $20.20/$202).

Rigid Insulating Board (Wood Fibre Products), March 1990. Catalogue number 36-002 (Canada: $5/$50; Other Countries: $7/$70).

INDUSTRY – Concluded

Shipments of Solid Fuel Burning Heating Products, Quarter Ended March 1990. Catalogue number 25-002 (Canada: 4.75/$19; Other Countries: $6.75/$27).

Specified Domestic Electrical Appliances, March 1990. Catalogue number ~~43-001~~ (Canada: $5.00/$50; United States: $6/$60; Other Countries: $7/$70). 43-003

Wholesale Trade, January 1990. Catalogue number 63-008 (Canada: $14.40/$144; Other Countries: 20.20/$202).

INDUSTRY MEASURES AND ANALYSIS

Gross Domestic Product by Industry, February 1990. Catalogue number 15-001 (Canada: $12.70/$127; Other Countries: $17.80/$178).

JUSTICE

Juristat Service Bulletin, Vol. 10 No. 6, **The Supply of Illicit Drugs in Canada, 1988**. Catalogue number 85-002 (Canada: $3.70/$37; Other Countries: $4.40/$44).

LABOUR

Estimates of Labour Income, October-December 1989. Catalogue number 72-005 (Canada: $22.50/$90; Other Countries: $31.50/$126).

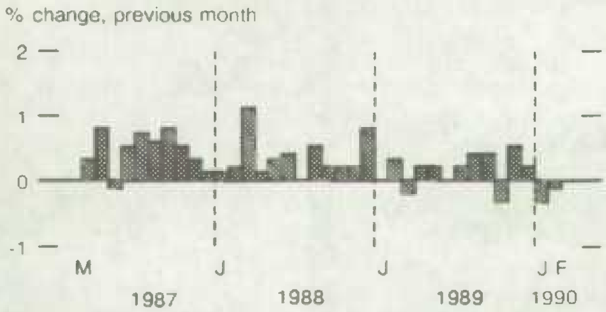
Unemployment Insurance Statistics, February 1990. Catalogue number 73-001 (Canada: $14.70/$147; United States: $17.60/$176: Other Countries: $20.60/$206).

PRICES

Industry Price Indexes, February 1990. Catalogue number 62-011 (Canada: $17.30/$173; Other Countries: $20.80/$208).

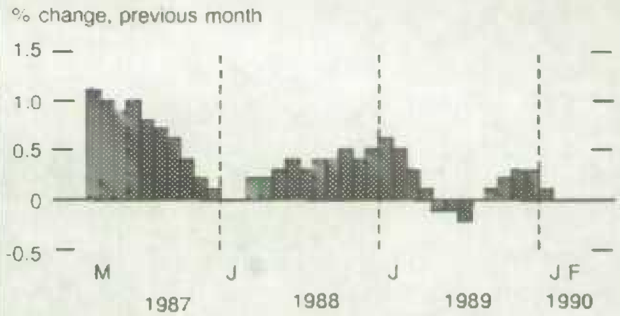
CURRENT TRENDS*

Gross Domestic Product



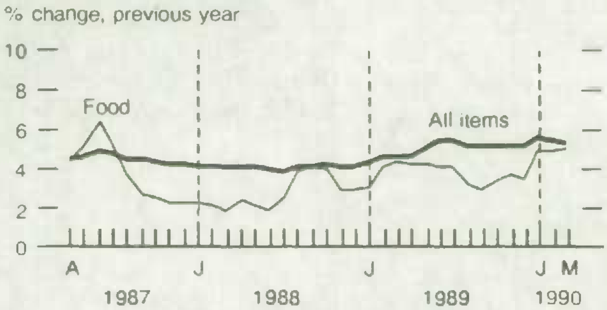
Real gross domestic product posted a marginal decrease in February for the second consecutive month.

Composite Leading Indicator



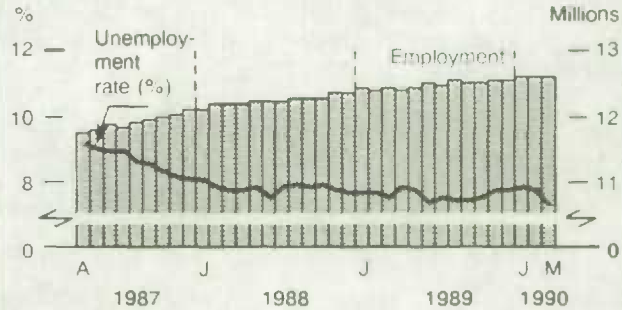
The indicator was unchanged in February, consistent with the slowdown noted in recent months.

Consumer Price Index



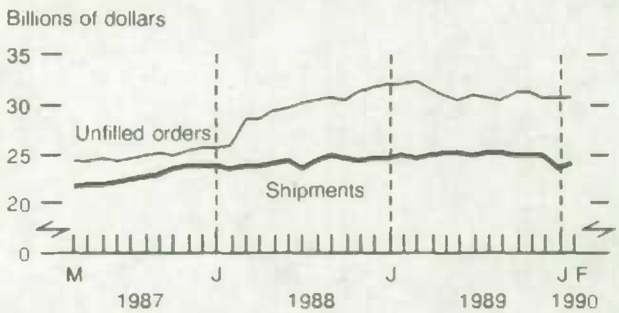
Growth in the CPI continued to slow in March, dropping to 5.3%.

Unemployment Rate and Employment



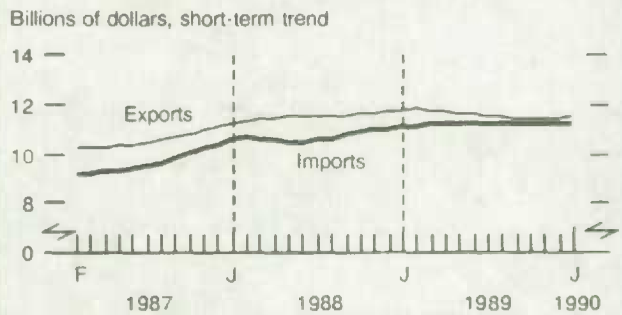
A large decline in unemployment pushed the unemployment rate down to 7.2% in March.

Manufacturing



Manufacturers' shipments were up 1.9% in February, partially recovering from the decline in January.

Merchandise Trade



Exports increased for the third consecutive month in January, while imports were down for the third month in a row.

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

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product ($ billion, 1981)	Feb.	415	-0.1%	1.4%
Composite Leading Indicator (1981 = 100)	Feb.*	146.3	0.0%	1.7%
Profits of Industrial Corporations ($ billion)	4th Q	6.8	-7.0%	-25.3%
DOMESTIC DEMAND				
Retail Trade ($ billion)	Feb.	16.3	-1.1%	3.8%
New Motor Vehicle Sales ('000 units)	Feb.	114	-10.4%	-8.5%
LABOUR				
Employment (millions)	Mar.	12.6	-0.1%	1.3%
Unemployment Rate (%)	Mar.	7.2	-0.5	-0.3
Participation Rate (%)	Mar.	66.7	-0.5	-0.3
Labour Income ($ billion)	Feb.*	30.9	0.7%	8.7%
Average Weekly Earnings ($)	Feb.	498.81	-0.4%	5.1%
INTERNATIONAL TRADE				
Merchandise Exports ($ billion)	Feb.	11.7	0.7%	-1.1%
Merchandise Imports ($ billion)	Feb.	11.4	4.5%	4.0%
Merchandise Trade Balance ($ billion)	Feb.	0.3	-0.4	-0.6
MANUFACTURING				
Shipments ($ billion)	Feb.	24.0	1.9%	-2.9%
New Orders ($ billion)	Feb.	23.8	0.0%	-4.0%
Unfilled Orders ($ billion)	Feb.	30.6	-0.7%	-4.3%
Inventory/ Shipments Ratio	Feb.	1.61	-0.02	0.06
Capacity Utilization (%)	4th Q	80.3	-1.3	-2.4
PRICES				
Consumer Price Index (1981 = 100)	Mar.	156.3	0.3%	5.3%
Industrial Product Price Index (1981 = 100)	Mar.	131.6	-0.1%	0.2%
Raw Materials Price Index (1981 = 100)	Mar.	105.0	1.3%	3.7%
New Housing Price Index (1981 = 100)	Mar.*	154.0	0.2%	4.7%

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

I•N•F•O•M•A•T

A Weekly Review

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