



IN·F·O·M·A·T

A WEEKLY REVIEW

Friday, June 1, 1990

OVERVIEW

■ Marginal Growth in Economic Activity

In March, real gross domestic product registered a slight increase for the second consecutive month.

■ Foreign Investment in Bonds Remains Low

Net investment in Canadian bonds totalled \$641 million in March, up slightly from February.

■ Corporate Profits Stabilize

The operating profits of industrial corporations were unchanged in the first quarter of 1990, a sharp contrast with the declines in the three previous quarters.

■ Downturn in Planned Construction Activity Continues

The value of building permits was down 2.2% in March, the second month of lower intentions.

■ Travel Deficit Still Growing

In the first quarter, Canada's deficit on the international travel account rose for the fourth consecutive quarter.

■ Retail Sales Post Moderate Advance

Retail sales were up 0.4% in March, the fourth gain in the last five months.

This issue also includes **Wholesale Trade, Industrial Product Prices and Raw Material Prices.**

Marginal Growth in Economic Activity

In March, gross domestic product registered a slight advance of 0.1% for the second consecutive month, after easing 0.1% in January. Economic growth has slowed from 0.8% in the third quarter of 1989 to 0.2% in the first quarter of 1990.

Output from the service-producing industries was flat in March, following the first monthly decline in more than a year. Overall services output rose 0.4% in the first quarter, somewhat slower than the gains of 0.9% in the third quarter of 1989 and 0.8% in the fourth quarter.

Output of the finance, insurance and real estate industry fell (-0.4%) for the fourth consecutive month in March. Lower activity by real estate agents was the major contributor to this downturn. Wholesale trade was down 0.6% to continue the irregular but overall trend of growth evident in recent months.

(continued on page 2)

Output by Sector



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... Marginal Growth in Economic Activity

Following a decline in January when motor vehicle manufacturers implemented production cutbacks, goods production advanced for a second straight month. The marginal advances in February and March failed to offset the decline in January. Output for the quarter was down 0.1%, similar to the decrease recorded for the fourth quarter of 1989.

Manufacturing production was off slightly in March (-0.1%) as the recovery in automotive output was outweighed by widespread declines in other

manufacturing industries. Construction output rose a further 1.0% following substantial gains in the preceding two months. Public utilities registered a drop in output of 1.8% as electrical generation continued to decline. Output from electric power stands at its lowest level since August 1986.

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

Foreign Investment in Bonds Remains Low

In March, net foreign investment in Canadian bonds totalled \$641 million, up slightly over February but well below the strong investment of the preceding six months. Non-residents continued to increase their investment in new issues, while reducing their holdings of outstanding bonds.

Net new bond sales to non-residents totalled \$1.1 billion in March, double the investment in the previous month. Higher Canadian interest rates pushed the Canada-United States interest rate differential to a recent high in March. In the secondary market, non-residents reduced their holdings of outstanding Canadian bonds by \$413 million in March, the second consecutive decline.

Net foreign investment in Canadian stocks amounted to \$21 million, continuing the general weakening evident in the last four months. Investments had averaged over \$300 million a month since January 1989.

Canadian residents reduced their holdings of foreign bonds for the second month in a row. They

Security Transactions

Net sales	Nov.	Dec.	Jan.	Feb.	Mar.
	millions of dollars				
Canadian Securities					
Bonds	2,501	1,674	1,551	410	641
Stocks	582	457	162	224	21
Total	3,084	2,130	1,713	634	661
Foreign Securities					
Bonds	-148	-20	-639	552	346
Stocks	2	-6	-94	43	-46
Total	-146	-27	-733	595	300

increased their holdings of foreign stocks marginally, in line with investment patterns in recent months.

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

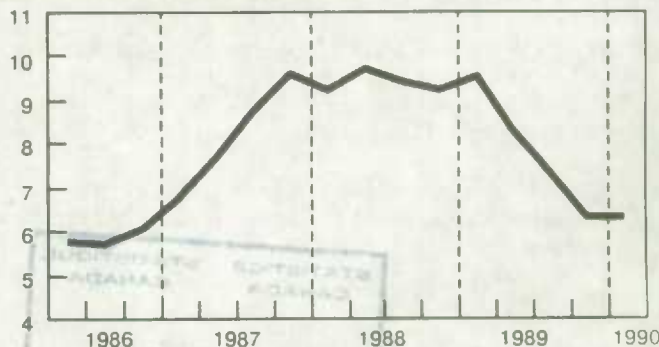
Corporate Profits Stabilize

In the first quarter, the operating profits of industrial corporations were unchanged, a sharp contrast with declines averaging 12% in the three previous quarters. At \$6.3 billion, profits were their at lowest level since the last quarter of 1986.

Higher profits were registered by 25 out of 46 industry groups, with transportation equipment posting the largest advance. After falling for three consecutive quarters, operating profits in the transportation equipment industries recorded a partial recovery. However, the profits of \$208 million were still well below the recent high of \$462 million recorded a year earlier. The mineral fuels industry also staged a recovery after six consecutive quarters of operating losses. The average price of crude oil was up from 1989 and helped sales rise 7.2%.

Operating Profits

Billions of dollars, seasonally adjusted



(Continued on page 3)

... Corporate Profits Stabilize

The most significant decline was in primary metals where operating profits tumbled to a loss of \$10 million. This represents the first quarterly loss since the second quarter of 1983. The transportation industry also reported a loss, the fifth in the last six quarters.

Downturn in Planned Construction Activity Continues

The value of building permits issued by municipalities decreased 2.2% on a month-over-month basis in March. It stood at \$3.2 billion, down from \$3.3 billion in February. This slight drop was entirely attributable to the residential sector and follows a similar decline in February.

Residential permits dropped sharply (-8.5%) for the second consecutive month, as a result of downturns in both single-family and multi-family dwellings. Quebec joined the other provinces recording lower permit levels, leaving Atlantic Canada as the only region to register a gain.

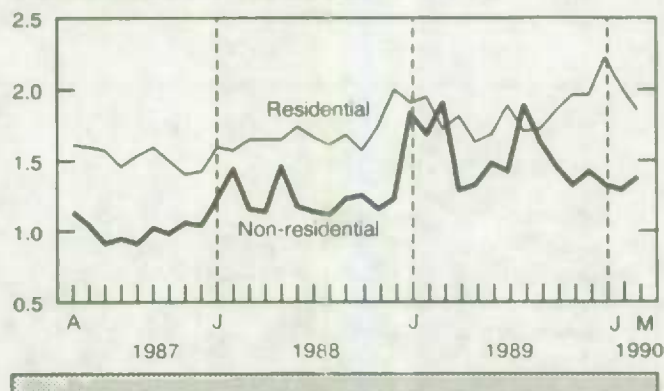
The value of non-residential building permits was up 7.8% in March, contrasting with the general downturn noted since September. This trend was also interrupted in December. The industrial and commercial sectors were responsible for this increase. On a regional basis, losses in non-residential building permits were registered in Ontario and British Columbia.

Sales were virtually unchanged for the third quarter in a row.

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

Building Permits

Billions of dollars, seasonally adjusted



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

Travel Deficit Still Growing

In the first quarter of 1990, Canada's deficit on the international travel account rose for the fourth consecutive quarter. After showing a marked improvement during Expo 86, the travel account deficit has gradually become larger. The only exception was a slight recovery during the Winter Olympics in the first quarter of 1988.

Payments by Canadians travelling abroad registered strong growth over the previous quarter, continuing the trend evident since the second quarter of 1988. Payments to the United States underlie this trend as payments to other countries posted slower growth throughout 1989.

Canadian receipts for travel from the United States rose in the first quarter, following a decline in the first half of 1989 and marginal gains in the second half. Receipts from other countries were down. This was the second decline since the fourth quarter of 1987.

International Travel Account

	1989				1990
	Q1	Q2	Q3	Q4	Q1
millions of dollars					
Receipts	1,814	1,781	1,806	1,831	1,827
Payments	2,518	2,658	2,737	2,803	2,882
Balance	-704	-877	-930	-973	-1,055

For further information, order *Travel Between Canada and Other Countries* (catalogue number 66-001) or contact Education, Culture and Tourism Division at (613) 951-8933.

Retail Sales Post Moderate Advance

- Retail sales were up 0.4% in March, the fourth gain in five months. The advance in March originated in the automotive trade group.
- Excluding recreational and motor vehicle dealers, retail sales were down 0.4% during the month.
- Sales by dealers in recreational and motor vehicles rose 3.4%, continuing the pattern of wide fluctuation as dealers fought a weakening market with sales incentives.
- Automotive parts, accessories and services were down, after two strong advances.

- Service stations recorded a 1.3% advance, extending the trend of generally strengthening sales evident since August.
- Supermarkets and grocery stores recorded lower sales for the first time in three months. However, the decline fits with a downturn in sales noted from June to December.
- Following four months of declining sales at the end of 1989, household furniture and furnishings stores have registered higher sales twice in the first three months of 1990.

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

Gentle Upturn in Wholesale Merchants' Sales

In February, seasonally adjusted wholesale merchants' sales were up 0.6% over January, continuing the gentle upturn noted in the preceding seven months. The pace of growth slowed somewhat in the current month, after showing signs of accelerating.

Wholesalers of machinery, equipment and supplies recorded strong growth (2.2%) for the third consecutive month. Wholesalers of other products also posted a large advance (2.0%), but it followed several months of modest growth.

Wholesalers of food and beverages had been posting steady growth before a decline of 0.8% in February.

Wholesalers servicing the construction industries recorded lower sales. Sales by lumber and building material wholesalers edged down for the third month in a row. Dealers in metals, hardware and plumbing supplies also registered lower sales in February, but they had posted a large advance in January.

For further information, order Wholesale Trade (catalogue number 63-008) or contact Industry Division at (613) 951-3540.

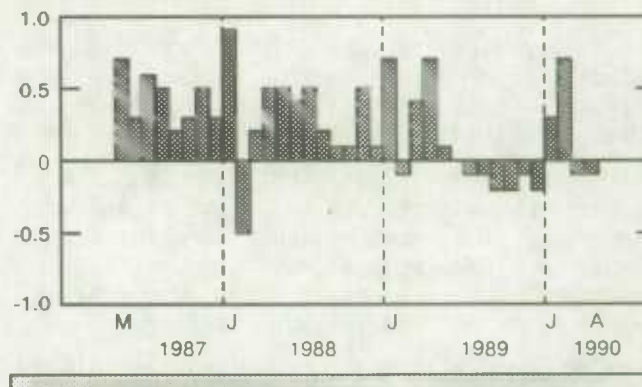
Decline in Industrial Product Prices

- The industrial product price index was down slightly (-0.1%) in April, following two consecutive increases at the start of the year.
- Price decreases in export-orientated commodities corresponded with an increase in the value of the Canadian dollar. Particularly noticeable were transportation equipment and paper products.
- After jumping in March, primary metal product prices edged down 0.1%, resuming the downturn evident since the beginning of 1989.
- Petroleum and coal prices posted a moderate decrease of 0.4%, after rising for four months in a row.

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



Downturn in Raw Material Prices Resumes

- The raw materials price index (1981 = 100) was down 3.3% in April, following three monthly increases.
- The mineral fuels component dropped 7.6%, interrupting the rising trend evident in recent months.
- Non-ferrous metal prices decreased 2.2%, after two consecutive gains halted a lengthy downturn.

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

Raw Materials Price Index

	Dec.	Jan.	Feb.	Mar.	Apr.
	% change, previous month				
Total	-0.4	0.6	3.4	1.3	-3.3
Non-ferrous metals	-5.1	-2.8	1.9	6.8	-2.2
Mineral fuels	1.2	2.6	6.0	0.3	-7.6

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	Mar.*	416	0.1%	2.0%
Composite Leading Indicator (1981 = 100)	Feb.	146.3	0.0%	1.7%
Profits of Industrial Corporations (\$ billion)	1st Q*	6.3	0.0%	-34.7%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Mar.*	16.5	0.4%	4.5%
New Motor Vehicle Sales ('000 units)	Mar.	121	6.3%	8.5%
LABOUR				
Employment (millions)	Apr.	12.6	0.1%	1.3%
Unemployment Rate (%)	Apr.	7.2	0.0	-0.5
Participation Rate (%)	Apr.	67.0	0.3	0.1
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)	Mar.	11.9	1.9%	2.9%
Merchandise Imports (\$ billion)	Mar.	11.4	-1.7%	2.2%
Merchandise Trade Balance (\$ billion)	Mar.	0.5	0.5	0.1
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)	Apr.	156.4	0.1%	5.0%
Industrial Product Price Index (1981 = 100)	Apr.*	131.4	-0.1%	0.1%
Raw Materials Price Index (1981 = 100)	Apr.*	101.6	-3.3%	-0.8%
New Housing Price Index (1981 = 100)	Mar.	154.0	0.2%	4.7%

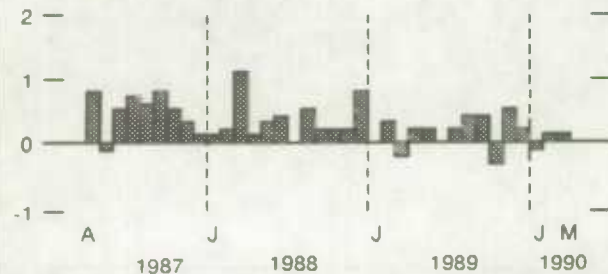
Note: All series are seasonally adjusted with the exception of average weekly earnings and the price indexes.

* New this week.

CURRENT TRENDS*

Gross Domestic Product

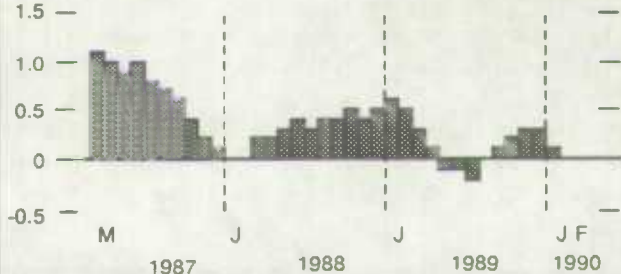
% change, previous month



In March, real gross domestic product registered a slight increase for the second consecutive month.

Composite Leading Indicator

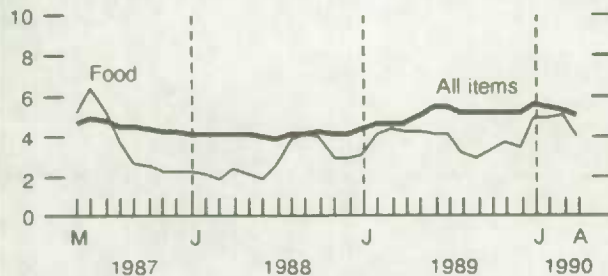
% change, previous month



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

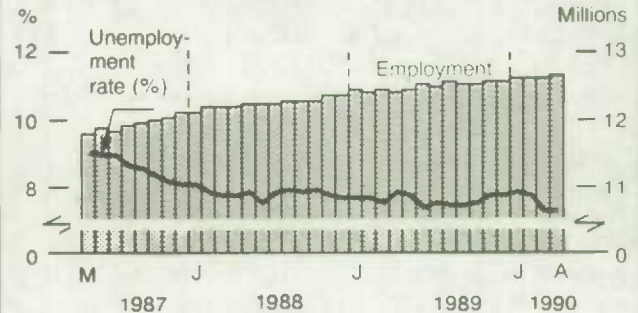
Consumer Price Index

% change, previous year



The year-over-year increase in the consumer price index was 5.0% in April, down significantly from 5.3% in March.

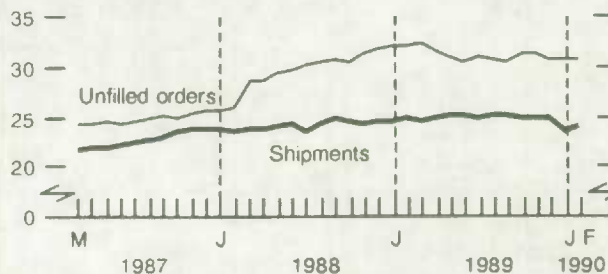
Unemployment Rate and Employment



Employment continued to grow in April, while unemployment posted a modest increase and the unemployment rate was unchanged.

Manufacturing

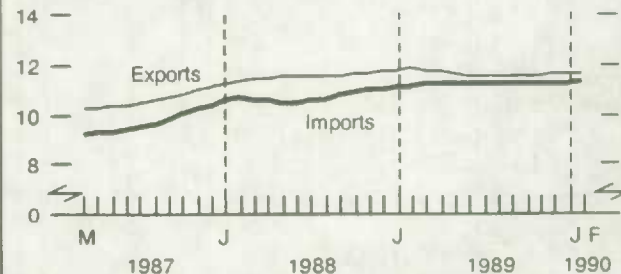
Billions of dollars



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

Merchandise Trade

Billions of dollars, short-term trend



Exports rose for the fifth consecutive month in February, while the gain in imports followed two months of no change.

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

PUBLICATIONS RELEASED FROM MAY 25 TO 31

INTERNATIONAL AND FINANCIAL ECONOMICS

Canada's International Investment Position, 1987. Catalogue number 67-202 (Canada: \$37; United States: US\$44; Other Countries: US\$52).

INDUSTRY

Electric Lamps (Light Bulbs and Tubes), April 1990. Catalogue number 43-009 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; Other Countries: US\$7.00/US\$70.00).

Fruit and Vegetable Preservation Service Bulletin, Vol. 18, No. 23, Pack of Apples and Apple Products, 1988. Catalogue number 32-023 (Canada: \$7.80/\$127.00; United States: US\$9.30/US\$152.00; Other Countries: US\$10.90/US\$178.00).

Industrial Chemicals and Synthetic Resins, January 1990. Catalogue number 46-002 (Canada: \$5.60/\$56.00; United States: US\$6.70/US\$67.00; Other Countries: US\$7.80/US\$78.00).

Mineral Wool Including Fibrous Glass Insulation, April 1990. Catalogue number 44-004 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; Other Countries: US\$7.00/US\$70.00).

Production and Stocks of Tea, Coffee and Cocoa, Quarter Ended March 1990. Catalogue number 32-025 (Canada: \$6.75/\$27.00; United States: US\$8.00/US\$32.00; Other Countries: US\$9.50/US\$38).

Production, Shipments and Stocks on Hand of Sawmills East of the Roches (Excluding Newfoundland and Prince Edward Island), March 1990. Catalogue number 35-002 (Canada: \$10.00/100.00; United States: US\$12.00/US\$120.00; Other Countries: US\$14.00/US\$140.00).

Production, Shipments and Stocks on Hand of Sawmills in British Columbia, March 1990. Catalogue number 35-003 (Canada: \$7.10/\$71.00; United States: US\$8.50/US\$85.00; Other Countries: US\$9.90/US\$99.00).

Retail Trade, February 1990. Catalogue number 63-005 (Canada: \$14.40/\$144.00; United States: US\$17.30/US\$173.00; Other Countries: US\$20.20/US\$202.00).

The Sugar Situation, April 1990. Catalogue number 32-013 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; Other Countries: US\$7.00/US\$70.00).

INTERNATIONAL TRADE

Imports by Commodity (H.S. Based), March 1990. Catalogue number 65-007 (Canada: \$55.10/\$551.00; United States: US\$66.10/US\$661.00; Other Countries: US\$77.00/US\$771.00).

INVESTMENT AND CAPITAL STOCK

Capital and Repair Expenditures - Manufacturing Sub-industries, Intentions 1990. Catalogue number 61-214 (Canada: \$17.00; United States: US\$20.00; Other Countries: US\$24.00).

LABOUR

Employment, Earnings and Hours, February 1990. Catalogue number 72-002 (Canada: \$38.50/\$385; United States: US\$46.20/US\$462; Other Countries: US\$53.90/US\$539).

Perspectives on Labour and Income, Summer 1990. Catalogue number 75-001E (Canada: \$13.25/\$53; United States: US\$16.00/US\$64; Other Countries: US\$18.50/US\$74.00).

PRICES

Consumer Prices and Price Indexes, October-December 1989. Catalogue number 62-010 (Canada: \$18/\$72.00; United States: US\$21.50/US\$86.00; Other Countries: US\$25.25/US\$101.00).

SERVICES

Communications Service Bulletin, Vol. 20, No. 5: Broadcasting Statistics - Radio and Television (Excluding CBC), 1989. Catalogue number 56-001 (Canada: \$8.20/\$49; United States: US\$9.85/US\$59; Other Countries: US\$11.50/US\$69).

Communications Service Bulletin - Cable Television Statistics, 1989. Catalogue number 56-001 (Canada: \$8.20/\$49.00; United States: US\$9.85/US\$59.00; Other Countries: US\$11.50/US\$69.00).

Telephone Statistics, March 1990. Catalogue number 56-002 (Canada: \$8.30/83.00; United States: US\$10.00/US\$100.00; Other Countries: US\$11.60/US\$116.00).



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KEY RELEASE CALENDAR: JUNE 1990*

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4	5 Survey of Manufacturing, March	6 Help-wanted Index, May	7	8 Labour Force Survey, May International Travel, April
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18	19	20 Income and Expenditure Accounts, 1 st Quarter Balance of Payments, 1 st Quarter Financial Flow Accounts, 1 st Quarter	21 Retail Trade, April Survey of Manufacturing, April	22 Department Store Sales and Stocks, April Financial Institutions, 1 st Quarter
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* 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·R·M·A·T**A Weekly Review**

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