



# IN·F·O·M·A·T

## A WEEKLY REVIEW

Friday, June 22, 1990

### OVERVIEW

#### ■ Higher than Expected Growth in GDP

Real gross domestic product grew 0.5% in the first quarter of 1990.

#### ■ Current Account Deficit Grows

The current account deficit, seasonally adjusted, increased from \$4.7 billion in the fourth quarter to \$5.1 billion in the first quarter of 1990, mainly as a result of debt forgiveness to some developing countries by the Government of Canada.

#### ■ Consumer Prices Accelerate

The Consumer Price Index was up 0.5% in May, a strong increase compared to the increase in April (0.1%).

#### ■ Downturn in Shipments

Manufacturers' shipments decreased 0.7% in April after two consecutive increases.

#### ■ Demand for Credit Continues to Decrease

The volume of financial activity, as measured by funds raised in credit markets by non-financial sectors, dropped almost 18% from the fourth quarter of 1989, a fifth consecutive quarterly drop.

#### ■ Merchandise Exports Down

Exports were down in April, after three consecutive increases.

#### ■ New Housing Prices Down Slightly

The New Housing Price Index decreased 0.4% in April, reversing the trend of slight increases evident since November 1989.

### Higher than Expected Growth in GDP

Gross domestic product at 1986 prices grew 0.5% in the first quarter of 1990 (equivalent to a compound annual rate of 2.2%). Economic growth continued at a pace more rapid than many had expected, partly as a consequence of increased net exports.

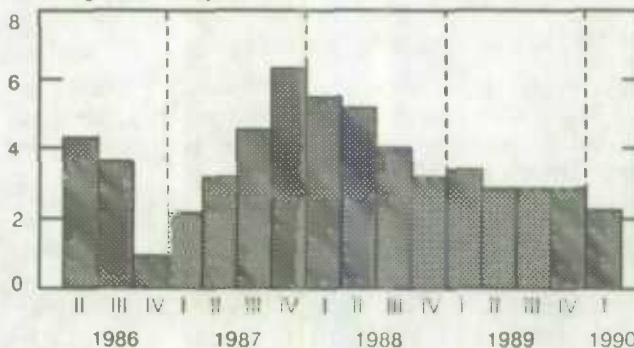
Personal expenditure on consumer goods and services, measured at 1986 prices, increased a slight 0.2% during the quarter. Increasing consumer expenditure on durable and semi-durable goods was offset by declining purchases of non-durable goods while spending on services was essentially unchanged. The slow growth in consumption followed a strong fourth quarter.

Residential construction activity grew 0.9% in the first quarter following a 2.1% increase in the fourth quarter.

(continued on page 2)

#### Gross Domestic Product

% change, previous year



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### ... Higher than Expected Growth in GDP

Total government current expenditure on goods and services rose 0.8% in constant dollar terms.

Business investment spending on plant and equipment slowed in the first quarter after fairly strong growth through most of 1989. Non-residential construction activity grew a modest 0.2%, resulting mainly from greater industrial building construction and increased activity in the oil and gas sector. Spending on machinery and equipment purchases remained unchanged at the fourth quarter level as notable increases for office machines and transportation equipment offset declines in spending on telecommunication equipment and industrial machinery.

The overall rate of inflation as measured by the chain price index for GDP was 0.8% in the first quarter. This was about the same rate as in the previous two quarters. Consumer goods and services prices increased 1.3%, somewhat more than the price rise for total GDP.

Wages, salaries and supplementary labour income grew 2.2% in the quarter, reflecting strong employment, increased average weekly earnings, the increase in the employer contribution rate for unemployment insurance and the new Ontario Employer Health Tax. The recent pickup in wage inflation and continuing employment growth have contributed to raise the labour income share of national income from 70% in the first quarter of 1988 to 72% in the first quarter of 1990.

Corporation profits before taxes fell 2.0% from their fourth quarter level. As a share of net domestic income at factor cost, profits dropped to 10.3%.

Interest and miscellaneous investment income was up 4.1% reflecting, in particular, higher interest rates paid on personal deposits.

For further information, order *National Income and Expenditure Accounts* (catalogue 13-001), or contact *National Income and Expenditure Accounts Division* at (613) 951-9155.

### Current Account Deficit Grows

The current account deficit, seasonally adjusted, increased to \$5.1 billion in the first quarter of 1990, from \$4.7 billion in the fourth quarter, mainly because of debt forgiveness to some developing countries by the Government of Canada. It resulted from an increase in the non-merchandise trade deficit from \$5.9 billion to \$6.8 billion, which was only partly offset by a rise in the merchandise trade surplus from \$1.3 billion to \$1.7 billion.

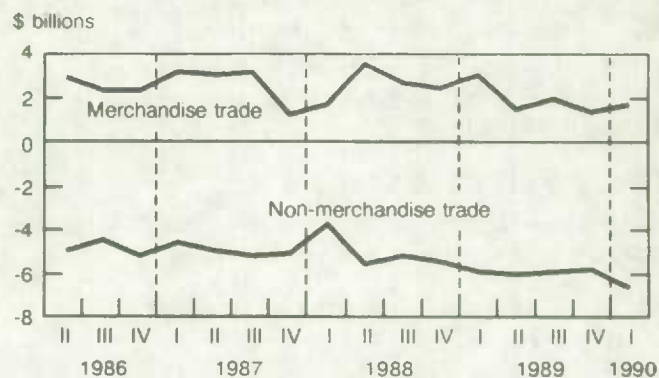
The merchandise trade surplus increased from the low level of the previous quarter as exports increased and imports were unchanged. Following three quarters of decline, merchandise exports increased by 1.4% to \$35.5 billion. Merchandise imports were \$33.8 billion, slightly lower than the peak of the second quarter in 1989.

The deficit on investment income amounted to \$5.5 billion, up from \$5.3 billion in the previous quarter, largely due to higher interest payments on Canadian bonds.

The surplus of unilateral transfers declined to \$0.7 billion from \$1.3 billion due to the debt forgiveness by the Government of Canada. Receipts of immigrants' funds remained large at \$1.7 billion, after averaging \$1.6 billion a quarter in 1989.

In the capital account, which is not seasonally adjusted, foreign investment in Canada slackened markedly, notably in Canadian bonds and stocks. Net purchases by non-residents of Canadian bonds amounted to \$2.6 billion, compared with over \$10 billion invested in the last half of 1989. Net foreign portfolio investment in Canadian stocks declined to \$0.4 billion, the lowest level since the first quarter

#### Current Account



of 1989 when non-residents resumed their net investment in the Canadian market after the crash of October 1987.

An increase in foreign direct investment in Canada resulted in a net inflow of \$1.1 billion, down from \$2.3 billion in the previous quarter when large net investments were recorded for both take-over and capital purposes. An increase in direct investment abroad led to a net outflow of \$1.4 billion, somewhat higher than in the previous two quarters.

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



## Consumer Prices Accelerating

The consumer price index increased 0.5% in May, a substantial rise compared to April (0.1%).

The food index recovered although it tempered the global rise. It increased 0.3 % mainly because of rising meat and fresh fruit prices. In April, the food index had decreased 0.8%. The overall index without food increased 0.6%, a rise equal to the cumulative increase recorded during the two preceding months. The housing index rose 0.4%. This increase, which was similar to those recorded during the two preceding months, was mainly due to increasing owned accomodation prices.

The national index recorded a year-over-year growth of 4.5% in May, compared to 5% in April. It slowed down across Canada. However, increases higher than the national average were noted in Western Canada. In Calgary, the index increased

## Consumer Price Index

	Jan.	Feb.	Mar.	Apr.	May
	% change, previous month				
All-items	0.8	0.6	0.3	0.1	0.5
Food	2.5	0.9	0.2	-0.8	0.3
Clothing	0.6	1.3	0.9	0.1	-0.6
Transportation	0.8	0.5	0.3	-0.3	0.2

5.9%, while it rose 5.5% in Vancouver and 5.1% in Victoria. Smaller increases were recorded in Thunder Bay (3.5%), St. John's (3.4%) and Quebec City (3.3%).

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

## Downturn in Shipments

On a seasonally adjusted basis, Canadian manufacturers' shipments decreased 0.7% in April to a level of \$24.6 billion. The transportation equipment sector (-5.4%) and electrical and electronic products (-5.4%) were the major contributors to this decline. Cumulative shipments for the first four months of 1990 were estimated at \$97.7 billion, 2.8% lower than the value for the corresponding period in 1989.

Inventory levels decreased by 0.4% in April, the second consecutive decline after uninterrupted growth since October 1989. This decline together with the decline in March left inventory levels slightly lower than their average in the previous twelve months.

The inventory to shipments ratio was stable at 1.55:1, still higher than the last year's average. It had reached a three-year high of 1.60:1 in January.

Unfilled orders were down 1.1% to a level of \$27.7 billion in April. This was the sixth consecutive decline.

New orders were up 0.8% over March and reached \$24.3 billion. This was their third consecutive increase but they remained below the value of shipments.

*For further information, order Monthly Survey of Manufacturing (catalogue number 31-001) or contact Industry Division at (613) 951-9497.*

## Demand for Credit Continues to Decrease

In the first quarter of 1990, the volume of financial activity, as measured by funds raised in credit markets by non-financial sectors, dropped almost 18% from the fourth quarter of 1989, a fifth consecutive quarterly drop. All sectors reduced their borrowing, with the exception of government business enterprises, where an increase in capital expenditure by provincial enterprises is anticipated.

Private non-financial corporations sharply reduced their demand for funds, reflecting slowing fixed capital investment and inventory accumulation. Bank loans were preferred over new issues of bonds and shares as a source of funding.

Borrowing by all levels of government fell during the fourth quarter; federal government borrowing was characterized by a shift from Treasury bills to marketable bonds.

Personal sector indebtedness showed little change. The ratio of consumer credit and mortgages outstanding to personal disposable income stood at 74.4%. This high compares to a low of 62.1% at the end of 1984 and a previous high of 72.1% at the end of 1979.

*For further information, order Financial Flow Accounts (catalogue number 13-014) or contact Financial Flows Section at (613) 951-9043.*

## Merchandise Exports Down

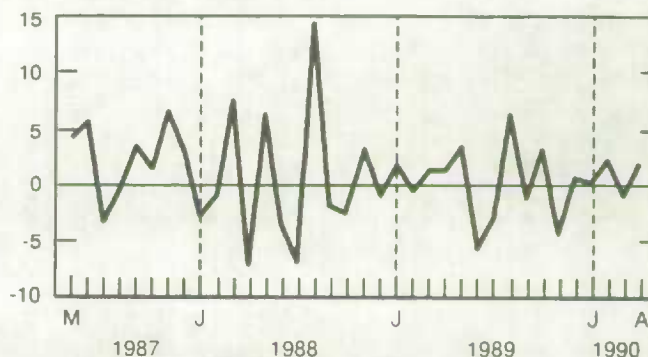
The value of exports fell by \$728 million or 5.9% in April from the March level. Exports dropped to \$11.6 billion, after two consecutive monthly increases. The fall in exports is largely attributable to reduced exports of automotive products, which fell nearly \$600 million in April.

Imports climbed to a seven-month high, after a downturn in November 1989. They increased by \$234 million to \$11.5 billion, up 2.1% over March. Strong imports of energy products since the beginning of the year, and a recovery in imports of machinery and equipment were responsible for maintaining the upward trend.

Preliminary results indicate that as a result of significant growth in imports, Canada's trade surplus for April, now standing at \$131 million, was considerably lower than the March revised level of \$1.1 billion. An unusual deficit in the automotive products sector induced a drop in the surplus with the United States from a March level of \$1.6 billion, down to \$506 million. This accounted for the decline of the surplus.

### Imports

% change, previous month



On a cumulative basis, the trade surplus amounted to \$1.85 billion for the first four months of the year, down \$1.4 billion from the same period in 1989.

For further information, order the *Preliminary Statement of Canadian International Trade* (65-001P), or contact International Trade Division at (613) 951-1711.

## New Housing Prices Down Slightly

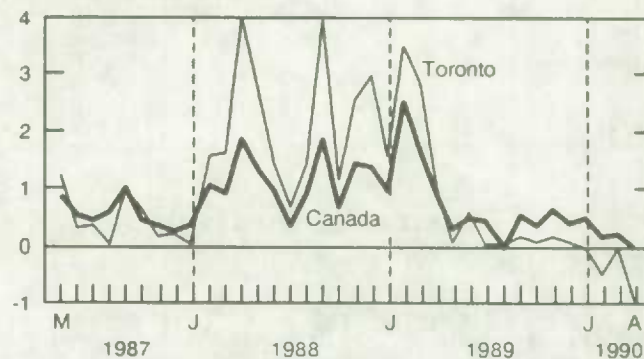
The New Housing Price Index (1986=100) decreased 0.4% to 146.1 in April, in line with the decelerating trend evident since November 1989. Substantial increases in Windsor (1.7%) and Calgary (0.9%) were not sufficient to offset the significant downward movement of prices in Toronto (-1.0%).

Since Toronto accounts for over one-third of the Canada total index weight, the corresponding decrease in prices was the major contributor to the general decrease this month. The monthly decline in Toronto was the first decrease in that city since August 1984.

The Canada Index was up 4% on a year-to-year basis. This represents a slower rate of increase than the rate for the same period last year (15.8%).

### New Housing Price Indexes

% change, previous month



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



## PUBLICATIONS RELEASED FROM JUNE 15 TO 21

### AGRICULTURE

**Agriculture Economic Statistics**, June 1990. Catalogue number 21-603E (Canada: \$21; United States: US\$25; Other Countries US\$29).

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

**Farm Product Price Index**, April 1990. Catalogue number 62-003 (Canada: \$7.10/\$71; United States: US\$8.50/US\$85; Other Countries: US\$9.90/US\$99).

### EDUCATION, CULTURE AND TOURISM

**Focus on Culture - Golden Nuggets: Striking it Rich with Cultural Data**, Summer 1990. Catalogue number 87-004 (Canada: \$6.25/\$25; United States: US\$7.50/US\$30; Other Countries: US\$8.75/US\$35).

### INDUSTRY

**Apparent Per Capita Food Consumption in Canada, Part 1**, 1989. Catalogue number 32-229 (Canada: \$27; United States: US\$32; Other Countries: US\$38).

**Canned and Frozen Fruits and Vegetables - Monthly**, January 1990. Catalogue number 32-011 (Canada: \$5/\$50; United States: US\$6/US\$60; Other Countries: US\$7/US\$70).

**Construction Type Plywood**, April 1990. Catalogue number 35-001 (Canada: \$5/\$50; United States: US\$6/US\$60; Other Countries: US\$7/US\$70).

**Department Store Monthly Sales, Including Concessions, by Province and Metropolitan Area**, January 1990. Catalogue number 63-004 (Canada: \$2.70/\$27; United States: US\$3.20/US\$32; Other Countries: US\$3.80/US\$38).

**Electric Lamps (Light Bulbs and Tubes)**, May 1990. Catalogue number 43-009 (Canada: \$5/\$50; United States: US\$6/US\$60; Other Countries: US\$7/US\$70).

**Electric Power Statistics**, March 1990. Catalogue number 57-001 (Canada: \$10/\$100; United States: US\$12/US\$120; Other Countries: US\$14/US\$140).

**Fruit and Vegetable Production**, May 1990. Catalogue number 22-003 (Canada: \$18/\$72; United States: US\$21.50/US\$86; Other Countries: US\$25.25/US\$101).

**Heavy Engineering Contractors, The Construction Industry** 1987. Catalogue number 64-209 (Canada: \$22; United States: US\$26; Other Countries: US\$31).

**Highway, Road, Street and Bridge Contractors**, 1987. Catalogue number 64-206 (Canada: \$22; United States: US\$26; Other Countries: US\$31).

**Monthly Production of Soft Drinks**, May 1990. Catalogue number 32-001 (Canada: \$2.70/\$27; United States: US\$3.20/US\$32; Other Countries: US\$3.80/US\$38).

**Monthly Survey of Manufacturing**, April 1990. Catalogue number 31-001 (Canada: \$17.30/\$173; United States: US\$20.80/US\$208; Other Countries: US\$24.20/\$242).

**Primary Iron and Steel**, April 1990. Catalogue number 41-001 (Canada: \$5/\$50; United States: US\$6/US\$60; Other Countries: US\$7/US\$70).

**Retail Trade**, March 1990. Catalogue number 63-005 (Canada: \$14.40/\$144; United States: US\$17.30/US\$173; Other Countries: US\$20.20/US\$202).

### INTERNATIONAL AND FINANCIAL ECONOMICS

**Canadian Economic Observer**, June 1990. Catalogue number 11-010 (Canada: \$22/\$220; United States: US\$26/US\$260; Other Countries: US\$31/US\$310).

### INTERNATIONAL TRADE

**Preliminary Statement of Canadian International Trade (H.S. Based)**, April 1990. Catalogue number 65-001 (Canada: \$10/\$100; United States: US\$12/US\$120; Other Countries: US\$14/US\$140).

### JUSTICE

**Juristat Service Bulletin**, Vol. 10, No. 9, **Preliminary Crime Statistics**, 1989. Catalogue number 85-002 (Canada: \$3.90/\$78; United States: US\$4.70/US\$94; Other Countries: US\$5.45/US\$109).

### LABOUR

**The Labour Force**, May 1990. Catalogue number 71-001 (Canada: \$17.90/\$179; United States: US\$21.50/US\$215; Other Countries: US\$25.10/US\$251).

### NATIONAL INCOME AND EXPENDITURE ACCOUNTS

**System of National Accounts - Provincial Economic Accounts**, 1989. Catalogue number 13-213 (Canada: \$26; United States: US\$31; Other Countries: US\$36).

### PRICES

**The Consumer Price Index**, May 1990. Catalogue number 62-001 (Canada: \$9.30/\$93; United States: US\$11.20/US\$112; Other Countries: US\$13/US\$130).

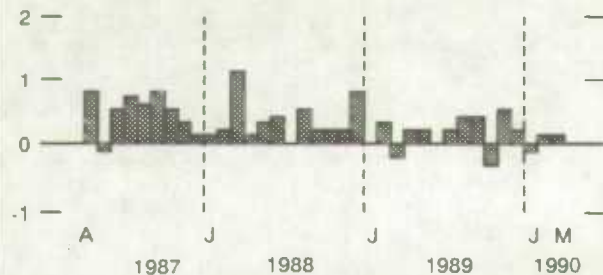
### TRANSPORTATION

**Aviation Statistics Centre Service Bulletin**, Vol. 22, No. 6, June 1990. Catalogue number 51-004 (Canada: \$9.30/\$93; United States: US\$11.20/US\$112; Other Countries: US\$13/US\$130).

## CURRENT TRENDS\*

### Gross Domestic Product

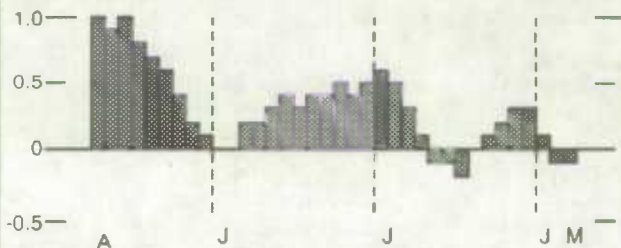
% change, previous month



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

### Composite Leading Indicator

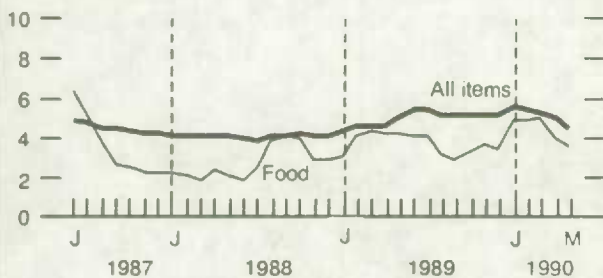
% change, previous month



The composite leading indicator fell by 0.1% in March as it had in February. It had posted marginal gains since last summer.

### Consumer Price Index

% change, previous year



The year-over-year increase in the consumer price index was 4.5% in May.

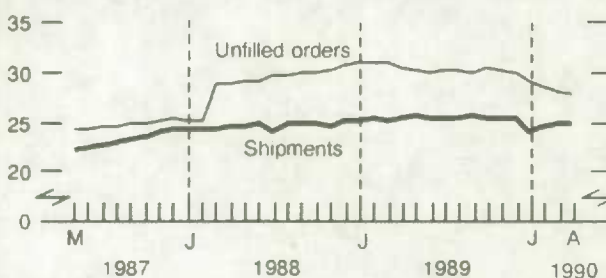
### Unemployment Rate and Employment



Employment was at a level of 12,604,000 in May, down 45,000 from April after generally increasing during the preceding six months.

### Manufacturing

Billions of dollars



Manufacturers' shipments decreased 0.7% in April after two consecutive increases.

### Merchandise Trade

Billions of dollars, short-term trend



Exports were down in April, after three consecutive increases.

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



## LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (\$ billion, 1981)	Mar.	416	0.1%	2.0%
Composite Leading Indicator (1981 = 100)	Mar.	145.9	-0.1%	0.6%
Profits of Industrial Corporations (\$ billion)	1st Q	6.3	0.0%	-34.7%
<b>DOMESTIC DEMAND</b>				
Retail Trade (\$ billion)	April*	16.3	-1.0%	1.9%
New Motor Vehicle Sales ('000 units)	April*	112	-6.8%	-15.9%
<b>LABOUR</b>				
Employment (millions)	May	12.6	-0.3%	1.2%
Unemployment Rate (%)	May	7.6	0.4	0.0
Participation Rate (%)	May	66.9	-0.1	-0.1
Labour Income (\$ billion)	Feb.	30.9	0.7%	8.7%
Average Weekly Earnings (\$)	Mar.	501.23	0.5%	4.9%
<b>INTERNATIONAL TRADE</b>				
Merchandise Exports (\$ billion)	April*	11.6	-5.9%	0.0%
Merchandise Imports (\$ billion)	April*	11.5	2.1%	1.3%
Merchandise Trade Balance (\$ billion)	April*	0.1	-1.0	0.0
<b>MANUFACTURING</b>				
Shipments (\$ billion)	April*	24.6	-0.7%	-2.85%
New Orders (\$ billion)	April*	24.3	0.8%	-2.44%
Unfilled Orders (\$ billion)	April*	27.7	-1.1%	-9.16%
Inventory/ Shipments Ratio	April*	1.55	0.0	-0.22
Capacity Utilization (%)	4th Q	80.3	-1.3	-2.4
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	May*	157.2	0.5%	4.5%
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)	April*	146.1	-0.4%	4.0%

*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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