



# IN·F·O·M·A·T

## A WEEKLY REVIEW

Friday, August 3, 1990

### OVERVIEW

#### ■ Gross Domestic Product Declines

Real Gross Domestic Product fell 0.2% in May, following a drop of 0.1% in April.

#### ■ Record Foreign Disinvestment

In May, non-residents reduced their holdings of Canadian bonds by a record \$2.2 billion, an abrupt reversal from their previous month's net investment of \$2.5 billion.

#### ■ Capital Investment Weaker than Originally Planned

Total capital expenditures on new fixed assets are expected to total \$142.9 million, 0.9% less than originally planned.

#### ■ Increases in Earnings Continue to Accelerate

In May, average weekly earnings rose 5.3% from a year earlier, up slightly from the year-over-year growth rates of 5.2% in March and 4.9% in February.

#### ■ Construction Activity Declines Further

In May, the preliminary value of building permits dropped 9.4% to \$2.6 billion, continuing the decline started in January.

#### ■ Industrial Product Price Index Edges Down

In June, the Industrial Product Price Index edged down 0.1% after a 0.4% increase in May.

#### ■ Continued Decline in Raw Material Prices

In June, the Raw Materials Price Index declined 0.7%. This was a fourth straight decrease.

### Gross Domestic Product Declines

Real Gross Domestic Product at factor cost fell 0.2% in May, following a drop of 0.1% in April.

Goods production declined 0.3%, following a decrease of 0.1% in April. This was the largest monthly cutback since January, when goods output fell 0.6%. Construction, which had buoyed goods output in recent months, fell 1.6%, the largest decline among groupings of goods production and its sharpest decrease since October 1986.

Manufacturing output advanced 0.7%, nearly offsetting the decline in construction. Manufacturing had followed a downward trend since last summer, but the gain this month was restricted to two industries. The automotive industry advanced 5.3%, while primary iron and steel rose 10.6%. Outside from these two industries, production fell 0.1%. The most notable weakness was in the manufacturing of electrical products, where output fell 1.0% and has declined 6.5% since January.

(continued on page 2)

#### Output by Sector



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### ... Gross Domestic Product Declines

Services production fell 0.2% in May, following a drop of 0.1% in April. This was mainly attributable to declines in retail trade (-1.2%) and wholesale trade (-0.8%). The drop in retail trade was a result of reduced spending for food and alcohol, in department stores, and for automotive parts and accessories. The decline in wholesale trade was attributable mainly to lumber and building

materials and to motor vehicles and parts. Finance, insurance and real estate services advanced 0.1%, the second consecutive gain after several months of decline.

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

### Record Foreign Disinvestment

In May, non-residents reduced their holdings of Canadian bonds by a record \$2.2 billion, an abrupt reversal from their previous month's net investment of \$2.5 billion.

New bond sales to non-residents in May were virtually nil as a result of both lower new issues and

higher retirements than in the previous month. The reduction in bond holdings was entirely attributable to the net disinvestment of \$2.3 billion in the secondary market, which had been characterized by smaller erratic movements in the previous four months.

Net foreign investment in Canadian stocks declined by \$129 million in May. This second consecutive reduction was in contrast with continuous foreign net investments since December 1988. After declining since the beginning of the year, Canadian stock prices, as measured by the TSE 300 composite index, rose sharply (7.2%) in May.

Investment by residents in foreign stocks declined by \$400 million in May, a second consecutive monthly reduction after smaller fluctuations in the previous three months. The reversal in holdings of overseas stocks (\$56 million) was complemented by continued net sales of U.S. stocks (\$344 million). Resident were net sellers of \$285 million in foreign bonds, reversing their net purchases of \$785 million in April.

For further information order *Security Transactions with Non-residents* (catalogue 67-002) or contact *Balance of Payments Division* at (613-951-1864).

### Security Transactions

Net sales	Jan.	Feb	March	April	May
	millions of dollars				
Canadian Securities					
Bonds	1551	410	641	2544	-2240
- Outstanding	608	-89	-413	604	-2287
- New Issues	943	499	1054	1939	47
Stocks	162	224	21	-166	-129
<b>Total</b>	<b>1713</b>	<b>634</b>	<b>661</b>	<b>2378</b>	<b>-2369</b>
Foreign Securities					
Bonds	-639	552	346	-785	285
Stocks	-94	43	-46	135	400
<b>Total</b>	<b>-733</b>	<b>595</b>	<b>300</b>	<b>-650</b>	<b>685</b>

### Capital Investment Weaker than Originally Planned

Total capital expenditures on new fixed assets are expected to total \$142.9 million, a current dollar increase of 6.4% over the preliminary estimate for actual expenditures in 1989. This gain is lower than the advances of 9.3% recorded for 1989 and 12.8% registered in 1988. It is down 0.9% from an earlier survey of investment intentions released in March as downward revisions in four sectors were largely offset by upward revisions in other sectors.

In manufacturing, investment is now expected to increase 6.1%, a downward revision of 4.4% which is mainly attributable to lower revised intentions in primary metals, food and beverages. Capital expenditure intentions for utilities have been revised upward by 1.9% and now stand 20.1% above the estimate for 1989. Over half of the increase is

attributable to electric power. The trade, finance and commercial industries plan to spend 6.9% more than in 1989. This constitutes an upward revision of 4.5% over the intentions published in March.

Government spending on fixed assets is expected to be 12.9% above 1989, an upward revision of 4.1%. Institutions have also revised their spending intentions upward by 2.3%.

Spending intentions for residential construction have been reversed. In March, intentions were 3.6% over actual spending in 1989, but the revised intentions are 3.3% below the estimate of expenditures for 1989.

For further information, order *Public and Private Investment in Canada, Revised Intentions 1990* (catalogue number 61-206) or contact *Investment and Capital Stock Division* at (613) 951-2591.





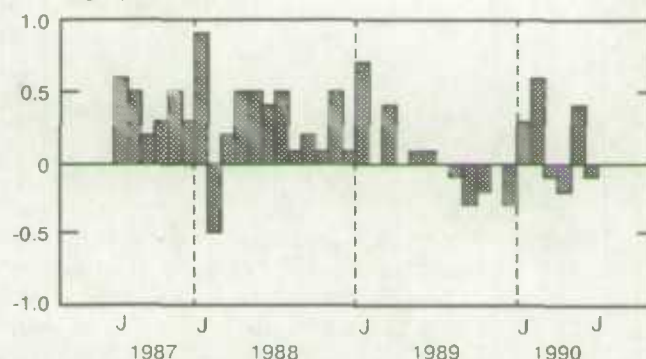
## Industrial Product Price Index Edges Down

In June, the Industrial Product Price Index edged down 0.1% after a 0.4% increase in May. The largest increases this month were registered in the index for meat, fish and dairy products (0.5%) and in the paper and paper products component (0.3%). These were more than offset by declines in the primary metal products index, the transport index, and the lumber, sawmill and other wood products component.

The meat, fish and dairy products component has been generally increasing since October. The advance of the paper and paper products index followed two sharper declines. The primary metal products index had been increasing since March before its current decline (-1.2%). The decline in the index for autos, trucks and other transport equipment (-0.5%) was the third in four months while the lumber, sawmill and wood products index decreased for the second time in three months.

### Industrial Product Price Index

% change, previous month



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

## Continued Decline in Raw Material Prices

In June, the Raw Materials Price Index declined 0.7%. This fourth straight decrease was broadly based as seven of the eight components of the index dropped.

The mineral fuels index was down for the fourth consecutive month, this time by 0.9%. The vegetable products component declined 2.9% after increasing since January. The drop in the non-ferrous metals index (3.4%) extended the series of fluctuations of the previous three months.

Only the animal and animal products index rose in June (1.1%), the fifth increase in a row.

### Raw Materials Price Index

	Feb.	Mar.	Apr.	May	June
	% change, previous month				
<b>Total</b>	<b>2.8</b>	<b>-0.3</b>	<b>-2.9</b>	<b>-0.3</b>	<b>-0.7</b>
Animal products	2.1	0.5	0.1	3.3	1.1
Non-ferrous metals	1.7	7.1	-2.2	2.1	-3.4
Mineral fuels	4.2	-3.5	-6.9	-3.6	-0.9

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



## Thank You!

Many of you answered a questionnaire that enquired about how *Infomat* could serve you better. Your comments got us thinking about ways to improve our publication.

We supplemented the readership survey with telephone interviews and focus groups. Results of this research are now compiled and contain valuable suggestions. It's time for action. In the next few months, you will notice a few changes in the design, content and presentation of *Infomat*. Be on the lookout!

## PUBLICATIONS RELEASED FROM JULY 27 TO AUGUST 2

### AGRICULTURE

**The Dairy Review**, May 1990. Catalogue number 23-001 (Canada: \$12.20/\$122.00; United States: US\$14.60/US\$146.00; Other Countries: US\$17.10/US\$171.00).

### BALANCE OF PAYMENTS

**Security Transactions With Non-residents**, May 1990. Catalogue number 67-002 (Canada: \$15.80/\$158.00; United States: US\$19.00/US\$190.00; Other Countries: US\$22.10/US\$221.00).

### INDUSTRY

**Canned and Frozen Fruits and Vegetables**, May 1990. Catalogue number 32-011 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; US\$7.00/US\$70.00).

**Gypsum Products**, June 1990. Catalogue number 44-003 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; Other Countries: US\$7.00/US\$70.00).

**Industry Price Indexes**, May 1990. Catalogue number 62-011 (Canada: \$18.20/\$182.00; United States: US\$21.80/US\$218.00; Other Countries: US\$25.50/US\$255.00).

**Mineral Wool Including Fibrous Glass Insulation**, June 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 Inventories of Process Cheese and Instant Skim Milk Powder**, June 1990. Catalogue number 32-024 (Canada: \$5.00/\$50.00; United States: US\$6.00/US\$60.00; Other Countries: US\$7.00/US\$70.00).

**Production, Shipments and Stocks on Hand of Sawmills in British Columbia**, May 1990. Catalogue number 35-003 (Canada: \$17.10/\$171.00; United States: US\$8.50/US\$85.00; Other Countries: US\$9.90/US\$99.00).

**Production, Shipments and Stocks on Hand of Sawmills East of the Rockies (Excluding Newfoundland and Prince Edward Island)**, May 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).

**The Sugar Situation**, June 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

**Summary of Canadian International Trade (H.S. Based)**, May 1990. Catalogue number 65-001 (Canada: \$18.20/\$182.00; United States: US\$21.80/US\$218.00; Other Countries: US\$25.50/US\$255.00).

### INVESTMENT AND CAPITAL STOCK

**Building Permits**, May 1990. Catalogue number 64-001 (Canada: \$22.10/\$221.00; United States: US\$26.50/US\$265.00; Other Countries: US\$30.90/US\$309.00).

### LABOUR

**Employment, Earnings and Hours**, April 1990. Catalogue number 72-002 (Canada: \$38.50/\$385.00; United States: US\$46.20/US\$462.00; Other Countries: US\$53.90/US\$539.00).

### SCIENCE AND TECHNOLOGY

**Science Statistics Service Bulletin**, July 1990. Catalogue number 88-001 (Canada: \$7.10/\$71.00; United States: US\$8.50/\$85.00; Other Countries: US\$9.90/US\$99.00).

### SERVICES

**Telephone Statistics**, May 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).

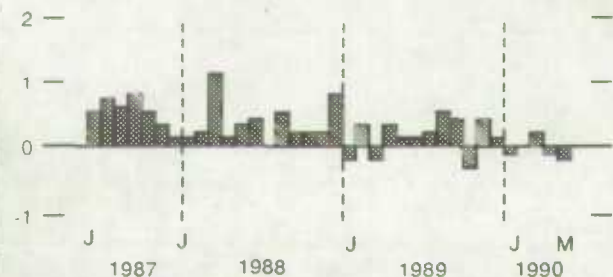
### TRANSPORTATION

**Surface and Marine Transport Service Bulletin - Motor Carrier Freight Quarterly Survey**, July 1990. Catalogue number 50-002 (Canada: \$9.40/\$94.00; United States: US\$11.15/US\$111.50; Other Countries: US\$13.15/US\$131.50).

## CURRENT TRENDS\*

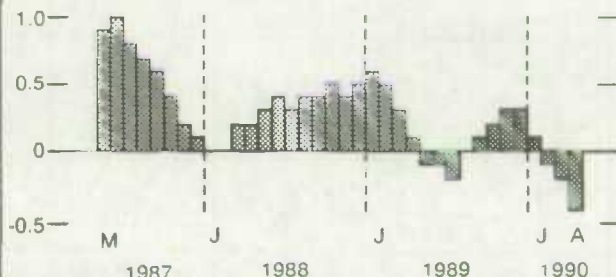
### Gross Domestic Product

% change, previous month



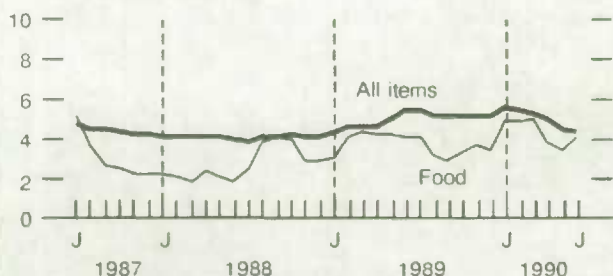
### Composite Leading Indicator

% change, previous month

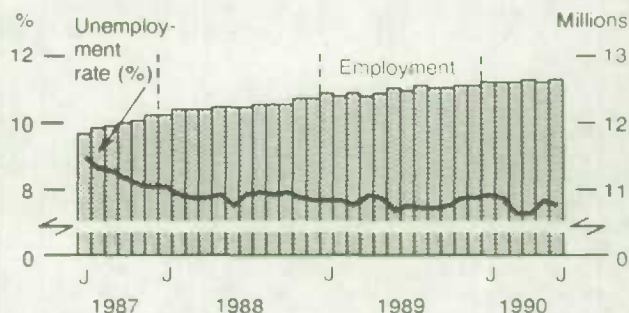


### Consumer Price Index

% change, previous year

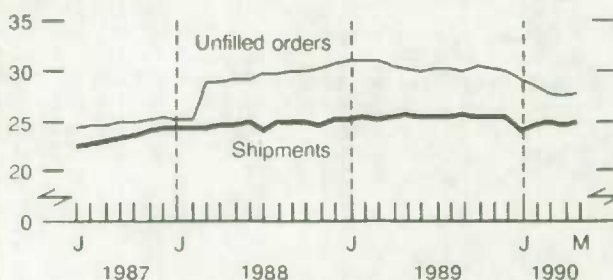


### Unemployment Rate and Employment



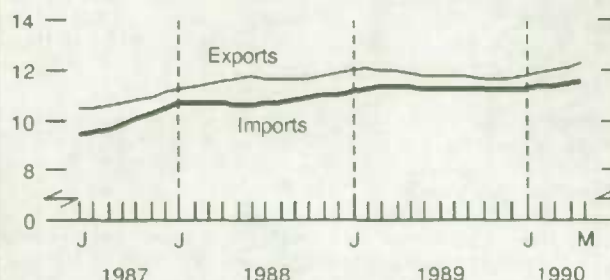
### Manufacturing

Billions of dollars



### Merchandise Trade

Billions of dollars, short-term trend



\* 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)	May*	415	-0.2%	1.2%
Composite Leading Indicator (1981 = 100)	April	144.9	-0.4%	-0.1%
Profits of Industrial Corporations (\$ billion)	1st Q	6.2	-1.5%	-51.6%
<b>DOMESTIC DEMAND</b>				
Retail Trade (\$ billion)	May	16.3	-1.0%	-0.8%
New Motor Vehicle Sales ('000 units)	May	109	-1.2%	-15.4%
<b>LABOUR</b>				
Employment (millions)	June	12.6	0.1%	0.9%
Unemployment Rate (%)	June	7.5	-0.1	0.2
Participation Rate (%)	June	66.8	-0.1	-0.2
Labour Income (\$ billion)	April	31.6	0.8%	8.8%
Average Weekly Earnings (\$)	May*	507.83	0.3%	5.3%
<b>INTERNATIONAL TRADE</b>				
Merchandise Exports (\$ billion)	May	12.4	4.8%	0.1%
Merchandise Imports (\$ billion)	May	11.5	-0.1%	-2.3%
Merchandise Trade Balance (\$ billion)	May	1.0	0.6	0.4
<b>MANUFACTURING</b>				
Shipments (\$ billion)	May	24.6	0.7%	-3.6%
New Orders (\$ billion)	May	24.6	1.2%	-2.0%
Unfilled Orders (\$ billion)	May	27.6	-0.1%	-8.3%
Inventory/ Shipments Ratio	May	1.54	-0.1	-0.04
Capacity Utilization (%)	1st Q	80.4	-1.6	-4.1
<b>PRICES</b>				
Consumer Price Index (1986 = 100)	June	119.2	0.4%	4.3%
Industrial Product Price Index (1981 = 100)	June*	131.7	-0.1%	0.2%
Raw Materials Price Index (1981 = 100)	June*	98.9	-0.7%	-3.6%
New Housing Price Index (1981 = 100)	May	145.6	-0.3%	3.5%

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

\* New this week.

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### A Weekly Review

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