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I·N·F·O·M·A·T

A WEEKLY REVIEW

Friday, August 10, 1990

OVERVIEW

■ Retroactive Settlements Boost Wages and Salaries Growth

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■ Further Decline of the Composite Leading Indicator

In May, the composite leading indicator fell by 0.4% as it had in April. Smaller drops were registered in March (0.2%) and in February (0.1%).

■ Manufacturers Still Pessimistic About Upcoming Business Conditions

Canadian manufacturers continued to express concerns over finished product inventory levels and orders received.

■ New Housing Price Index Continues to Fall

In June, the New Housing Price Index declined 1.4%. This was a greater decline than the cumulative decrease of the previous two months.

■ Help-wanted Index Continues to Decline

The seasonally-adjusted Help-wanted Index for Canada decreased six points in July, continuing the downward trend evident since mid-1989.

Retroactive Settlements Boost Wages and Salaries Growth

Seasonally-adjusted wages and salaries rose 1.3% in May, a substantially larger increase than the average monthly change in the first four months of the year.

Wages and salaries in federal administration posted a substantial gain (21%) due to large retroactive payments. In the previous six months, the average monthly increase in that sector was less than 1%.

The strong growth in education and related services (3.1%) and in transportation, communication and other utilities (2.0%) was also attributable to retroactive payments, in this case resulting from contract settlements in the province of Quebec.

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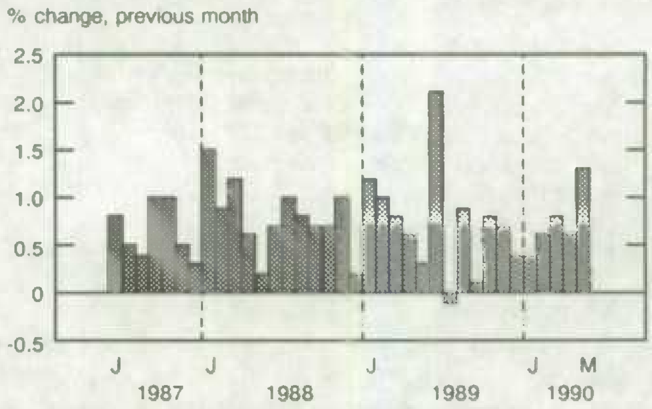
Wages and Salaries



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... Retroactive Settlements Boost Wages and Salaries Growth

After a slight rise in April, wages and salaries in construction declined 1.8%. In Ontario, this industry was affected by province-wide work stoppages.

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

Further Decline of the Composite Leading Indicator

In May, the composite leading indicator fell by 0.4% as it had in April. Smaller drops were registered in March (0.2%) and in February (0.1%).

Seven of the ten indicator components declined in May. In the household demand components, the housing index fell for a third consecutive month, posting its largest drop (-3.8%) since the recession of 1982. Furniture and appliance sales posted a sixth straight decline, the largest in eight years. Sales of other durable goods declined more sharply than in April.

The manufacturing indicators were mixed. New orders for durable goods increased 0.1%, after four months of declines. However, the increase was concentrated in the steel and automobile industries, in anticipation of strikes this summer. The ratio of shipments to stocks dropped slightly, continuing the downward trend evident since January. The average workweek continued to shorten slightly, both in durable and non-durable goods industries.

Both financial market indicators continued to post marked declines. The Toronto stock exchange index fell by 2.1%, in line with the average of the previous four months. The real money supply, which has been declining since April 1989, continued to decline.

For further information, order the Canadian Economic Observer (catalogue 11-010) or contact the Current Analysis Section at (613) 951-3627.

Manufacturers Still Pessimistic About Upcoming Business Conditions

Canadian manufacturers continued to express pessimism about expected business conditions. In the second quarter, concerns about finished product inventories remained high, while production expectations declined and worries about the level of orders increased.

This attitudinal information is collected through a qualitative survey conducted at the start of each quarter. Sampled Canadian manufacturers are asked if they expect production levels to rise or fall, if their order books and finished product inventory levels are satisfactory, and if they are experiencing any production difficulties. Each manufacturer's response is weighted by the value of shipments as reported to the annual Census of Manufactures.

The proportion of manufacturers who feel their backlog of unfilled orders is about right dropped for the fourth consecutive quarter, dipping below 50% for the first time since January 1987. The proportion stating that their backlog is lower than normal continued to increase, reaching 48%. This proportion has risen steadily since October 1988, when it stood at 10%.

Manufacturing Attitudes

	Q2	Q3	Q4	Q1	Q2	Q3
	1989			1990		
Balance of opinion* on:						
Production	4	0	5	-13	-4	-13
New orders	-10	-5	-9	-23	-23	-31
Unfilled orders	-8	-15	-18	-28	-35	-41
Inventories	-19	-23	-16	-27	-28	-31

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

Concerns about orders received increased. The proportion of respondents reporting that levels of new orders were about the same stood at 41%, the lowest in more than two years. Since the last survey, the proportion reporting declining orders increased substantially, and now stands at 48%.

Attitudes towards finished product inventories changed slightly; 59% thought levels were about right and 36% thought they were too high. In the previous survey, the proportion stating that inventory levels were too high had risen significantly.

(continued on page 3)

... Manufacturers Still Pessimistic About Upcoming Business Conditions

The proportion of manufacturers who expected production levels to remain the same was below 50% for the fourth quarter in a row. The proportion expecting output to be higher decreased slightly, while the proportion expecting a decrease rose to 34%.

Other noteworthy trends included a continuing drop in the number of manufacturers who report difficulties in increasing production because of shortages in skilled and unskilled labour.

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

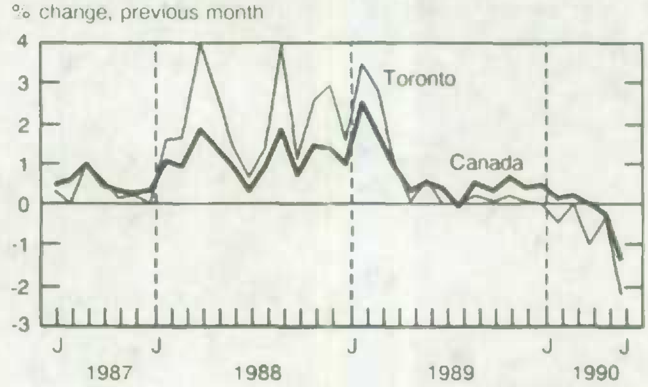
New Housing Price Index Continues to Fall

In June, the New Housing Price Index declined 1.4%. This was a greater decline than the cumulative decrease of the previous two months. Vancouver and cities in southern Ontario were the main contributors to the decrease.

In Toronto, the index fell 2.3% following smaller declines since January. Because Toronto accounts for over one-third of the weight of the national index, this decrease had a significant impact. After four months of stability, prices of new houses decreased in Hamilton (-2.0%). In St. Catharines-Niagara, the Index fell 1.8% after three months of minor fluctuations. The decline in Vancouver (-1.7%) was sharper than in the previous three months.

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

New Housing Price Indexes



Help-wanted Index Continues to Decline

The seasonally-adjusted Help-wanted Index for Canada (1981 = 100) decreased six points in July, to 114. This is the lowest level since October 1986, when the Index also stood at 114.

The Index declined in three of the five regions. In Quebec, the fall was sharp (-21 points) after five months of stability. The declines in British Columbia and Ontario were much smaller.

In the Prairies, the Help-wanted Index gained three points, not enough to offset declines in May and June. The strong advance of the index in the Atlantic region (20 points) followed another significant increase in June.

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

PUBLICATIONS RELEASED FROM AUGUST 3 TO 9

INDUSTRY

Asphalt Roofing, June 1990. Catalogue number 45-001 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Cement, June 1990. Catalogue number 44-001 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Department Store Sales and Stocks, November 1989. Catalogue number 63-002 (Canada: $14.40/$144.00; United States: US$17.30/US$173.00; Other Countries: US$20.20/US$202.00).

Production of Poultry and Eggs, 1989. Catalogue number 23-202 (Canada: $34.00; United States: US$41.00; Other Countries: US$48.00).

Production of Selected Biscuits, Period ended June 1990. Catalogue number 32-026 (Canada: $6.75/$13.50; United States: US$8.10/US$16.20; Other Countries: US$9.45/US$18.90).

Production, Sales and Stocks of Major Appliances, June 1990. Catalogue number 43-010 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Rigid Insulating Board, June 1990. Catalogue number 36-002 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Shipments of Plastic Film and Bags Manufactured from Resin, Quarter Ended June 30, 1990. Catalogue number 47-007 (Canada: $6.75/$27.00; United States: US$8.00/US$32.00; Other Countries: US$9.50/US$38.00).

Shipments of Solid Fuel Burning Heating Products, Quarter Ended June 1990. Catalogue number 25-002 (Canada: $4.75/$19.00; United States: US$5.75/US$23.00; Other Countries: US$6.75/US$27.00).

INDUSTRY – Concluded

Specified Domestic Electrical Appliances, June 1990. Catalogue number 43-003 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Steel Wire and Specified Wire Products, June 1990. Catalogue number 41-006 (Canada: $5.00/$50.00; United States: US$6.00/US$60.00; Other Countries: US$7.00/US$70.00).

Wholesale Trade, May 1990. Catalogue number 63-008 (Canada: $14.40/$144.00; United States: US$17.30/US$173.00; Other Countries: US$20.20/US$202.00).

INDUSTRY MEASURES AND ANALYSIS

Industrial Corporations – Financial Statistics, First Quarter 1990. Catalogue number 61-003 (Canada: $55.25/$221.00; United States: US$66.25/US$265.00; Other Countries: US$77.25/US$309.00).

LABOUR

Quarterly Estimates Of Trusteed Pension Funds, First Quarter 1990. Catalogue number 74-001 (Canada: $11.00/$44.00; United States: US$13.25/US$53.00; Other Countries: US$15.50/US$62.00).

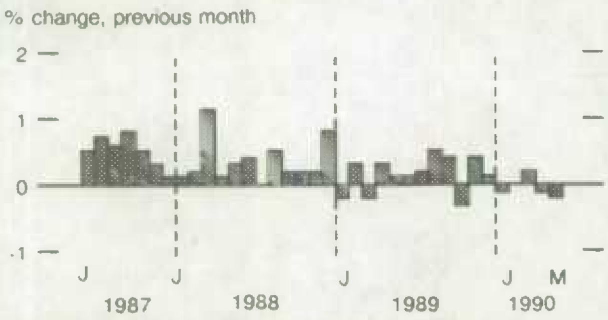
Unemployment Insurance Statistics, May 1990. Catalogue number 73-001 (Canada: $14.70/$147.00; United States: US$17.60/US$176.00; Other Countries: US$20.60/US$206.00).

SERVICES

Gas Utilities, April 1990. Catalogue number 55-002 (Canada: $12.70/$127.00; United States: US$15.20/US$152.00; Other Countries: US$17.80/US$178.00).

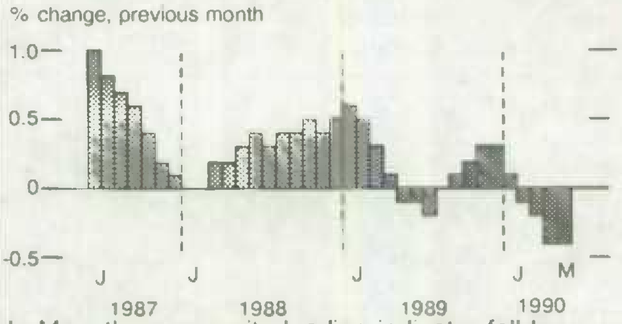
CURRENT TRENDS*

Gross Domestic Product



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

Composite Leading Indicator



In May, the composite leading indicator fell by 0.4% as it had in April. Smaller drops were registered in March and in February.

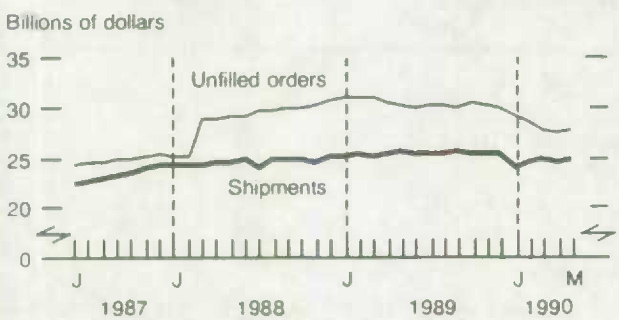
Consumer Price Index

In June, the Consumer Price Index increased 4.3% on a yearly basis, continuing the deceleration started in January.

Unemployment Rate and Employment

In June, seasonally adjusted employment rose marginally from the previous month.

Manufacturing



Manufacturers' shipments edged up slightly (0.1%) in May following a decline of 1% in April.

Merchandise Trade

In May, seasonally adjusted exports increased $575 million over April.

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

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LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product ($ billion, 1981)	May	415	-0.2%	1.2%
Composite Leading Indicator (1981=100)	May*	144.2	-0.4%	-0.5%
Profits of Industrial Corporations ($ billion)	1st Q	6.2	-1.5%	-51.6%
DOMESTIC DEMAND				
Retail Trade ($ billion)	May	16.1	-1.0%	-0.8%
New Motor Vehicle Sales ('000 units)	May	109	-1.2%	-15.4%
LABOUR				
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)	May*	31.9	1.1%	9.6%
Average Weekly Earnings ($)	May	507.83	0.3%	5.3%
INTERNATIONAL TRADE				
Merchandise Exports ($ 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
MANUFACTURING				
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
PRICES				
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 (1986=100)	June*	143.6	-1.4%	1.4%

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

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