



I·N·F·O·M·A·T

A W E E K L Y R E V I E W

Friday, October 5, 1990

OVERVIEW

■ Sixth Consecutive Drop of Composite Leading Indicator

The composite leading indicator declined 0.2% in July, a sixth consecutive drop.

■ Economy Remains Stalled

Real GDP edged up by 0.1% in July, following a similar rise in June and declines in April and May.

■ Average Weekly Earnings Sustain Growth

In July, average weekly earnings were up 5.3% from a year earlier, a year-over-year growth rate similar to those posted since January.

■ Help-wanted Index Maintains Downward Trend

The seasonally adjusted Help-wanted Index decreased 8 points to 107 in September, continuing a downward trend evident since early 1989.

■ Profits Continue to Fall

In the second quarter, seasonally adjusted operating profits of industrial corporations fell 24% to \$4.6 billion, after a 4.0% decline in the first quarter and average declines of 12% in the three final quarters of 1989.

■ Building Permits Weaken Further

The value of building permits dropped 14.5% to \$2.5 billion in July. This third drop in four months was attributable to both the residential and the non-residential sectors.

■ This issue also includes information on **Insurers' Profits**, the **Raw Materials Price Index**, and the **Industrial Product Price Index**.

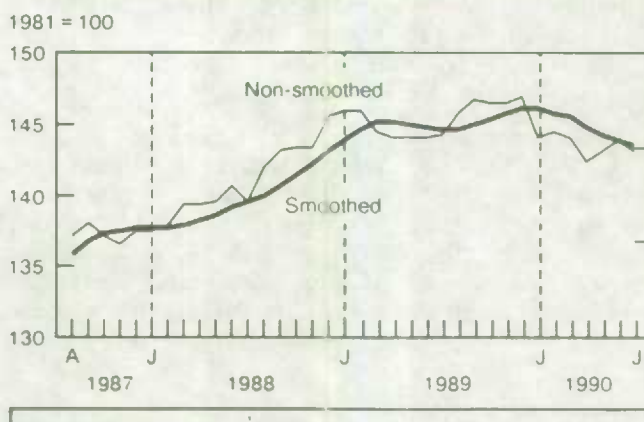
Sixth Consecutive Drop of Composite Leading Indicator

In July, the composite leading indicator posted a sixth consecutive monthly drop. The July decline (0.2%) was less than in preceding months (see chart on page 7). In the past, six straight declines have always been accompanied by a recession in the economy.

All of the household demand components continued to decline. The housing index and furniture and appliance sales posted particularly large drops, comparable to those in the 1981-82 recession, with Ontario's recent downturn spreading to Quebec and the western provinces. Single-family housing starts declined to 55,000 in August, from a 1990 peak of 117,000 in January. Sales of durable goods also continued to drop, and automobile sales weakened further in August.

(continued on page 2)

Composite Leading Indicator



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... Sixth Consecutive Drop of Composite Leading Indicator

In manufacturing, new orders for durable goods rose for the third consecutive month, after declining earlier in the year. Gains continued to be concentrated in industries threatened by strikes, notably steel and automobiles. After sharp drops in April and May, the average workweek was unchanged, as was the ratio of shipments to stocks of finished goods.

Financial market indicators continued to decline in July. Prices on the Toronto stock exchange fell 1.1%, while the real money supply decreased by 1.4%.

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

Economy Remains Stalled

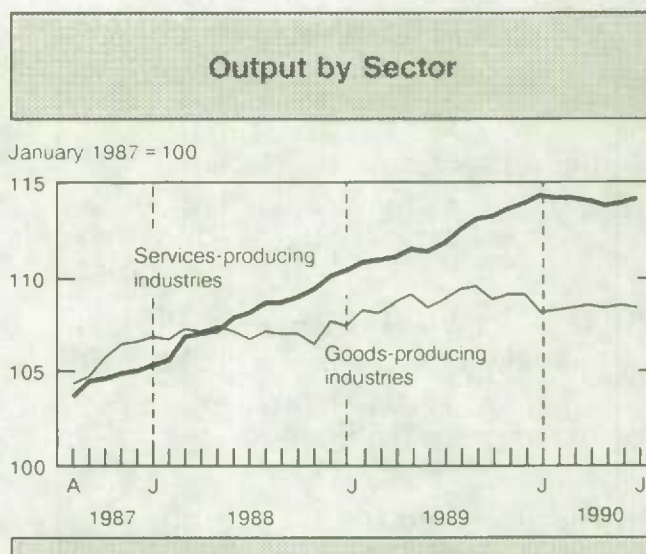
In July, GDP edged up by 0.1%, after a similar rise in June and declines in April and May (see chart on page 7). However, excluding growth in output by manufacturers of motor vehicles and primary metals, both of whom were building inventories in anticipation of strikes, GDP was unchanged.

Following a 0.1% increase in June, output of services advanced a further 0.2% in July. The finance, insurance and real estate industry posted a 0.3% gain, after declines in May and June. Activity by real estate agents and security brokers picked up in July, but it remained substantially below the levels of several months earlier.

Retail trade grew 0.5%, with the increase narrowly based in food and general merchandise, partly due to the advent of Sunday shopping in Ontario. Furniture and appliance sales continued to decline, paralleling the weak market for new and resale housing.

Wholesale trade fell 0.7%, contributing to a cumulative decline of 6.3% since February. Transportation and storage industry output fell 0.7%, with reduced shipments of lumber and grain leading the drop in railway traffic.

Goods production fell 0.1% in July, after a gain of 0.1% in June. Construction and logging and forestry were the only major groups of producers to record lower output. Construction output fell 2.7%, the largest monthly drop since July 1986. This third consecutive substantial decline was concentrated in residential construction, particularly in single-family dwellings. In logging and forestry, output



fell 2.7%, the second drop in three months. Increased primary metals output was dominated by higher iron and steel production, which soared 16.2% after other substantial increases in May and June. The July increase, the largest in the last few years, occurred in advance of anticipated strikes, which materialized at the beginning of August. A 6.5% increase in motor vehicles output also preceded anticipated strikes, which began in September.

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



Average Weekly Earnings Sustain Growth

In July, average weekly earnings were 5.3% higher than a year earlier, a year-over-year growth rate similar to those posted since January.

In goods-producing industries, the year-over-year growth in earnings was 6.1%, led by increases in construction (6.9%) and in manufacturing (6.1%). In construction, the July increase was significantly higher than those of the previous two months; in manufacturing, it was consistent with May and June, but higher than the increases prevailing in 1989.

In service-producing industries, earnings were 5.5% higher than a year earlier. This growth rate was similar to year-over-year increases recorded

since November 1989. Among industry groups, community, business and personal services had the strongest increase (6.8%), in line with the average year-over-year increase for this group since January. The increase in earnings for finance, insurance and real estate (0.7%) remained the weakest among industry groups.

In the goods-producing industries, employees paid by the hour worked an average of 38.2 hours per week and earned on average \$15.09 per hour. In service-producing industries, hourly-paid employees averaged 29.0 hours per week at an average of \$11.10 per hour. In both sectors, the average workweek was lower than in July 1989.

For further information, order Employment, Earnings and Hours (catalogue number 72-002) or contact Labour Division at (613) 951-4090.

Help-wanted Index Maintains Downward Trend

In September, the Help-wanted Index decreased 8 points to 107. This continues the generally declining trend evident since early 1989.

A small increase in the Prairies extended the series of minor fluctuations noted in the previous three months. The Atlantic region also witnessed a

slight increase after a sharp drop in August. In Ontario, the index declined 8 points, contributing to a cumulative drop of 69 points since October 1989. Declines in Quebec and British Columbia occurred after a small increase in August.

For further information, order Help-wanted Index, or contact Labour Division at (613) 951-4044.

Profits Continue to Fall

In the second quarter, revised estimates indicate that seasonally adjusted operating profits of industrial corporations fell 24% to \$4.6 billion. This followed a 4.0% profit slide in the first quarter and average declines of 12% in each of the last three quarters of 1989.

Sales declined 0.3% for the second consecutive quarter, following average quarterly increases of 0.7% in 1989 and 2.3% in 1987 and 1988.

Pre-tax profits, which include investment income and other gains, were down 4.3%, following a 12.4% decline in the first quarter. The current level of pre-tax profits of \$9.8 billion is the lowest since the final quarter of 1986.

Total assets, which are not seasonally adjusted, increased by \$5.4 billion to \$625.2 billion. This followed a \$9.1 billion rise in assets in the first quarter and quarterly increases ranging from \$7.3 billion to \$17.8 billion in 1989. Growth of fixed assets slowed to \$5.1 billion, compared to an average of \$6.4 billion in the previous three quarters. Inventories dropped \$0.9 billion, the first decrease since 1986. Long-term corporate investment increased by only \$0.4 billion, following advances averaging \$2.2 billion in the five previous quarters.

Liabilities increased \$4.7 billion, after a \$5.1 billion increase in the first quarter and an average quarterly rise of \$8.0 billion in 1989. Short-term paper and banker's acceptances were strong for the second consecutive quarter, rising by \$2.0 billion. Share capital increased only \$1.6 billion, following a rise of \$2.6 billion in the first quarter. Outstanding bonds were quite stable for the second quarter in a row, after increasing significantly in the last three quarters of 1989.

Lower operating profits were countered by higher dividend income, allowing profitability, as measured by the rate of return on shareholders' equity, to remain at 7.1% for the second consecutive quarter, following average rates of 9.7% in 1989 and 12.1% in 1988.

The ratio of long-term debt to equity, an indicator of solvency, continued to rise, reaching 59.9%. In 1989, the ratio averaged 57.9%.

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 Weaken Further

In July, the preliminary value of building permits dropped 14.5% to \$2.5 billion, the third drop in four months. Both the residential and the non-residential sectors contributed to the decline.

The value of residential building permits dropped 8.4% to \$1.3 billion, the sixth consecutive decline. Single-family permits declined 10.9% while multi-family dwellings dropped 2.6%.

Going against the national trend, the Atlantic region and British Columbia reported gains in the value of residential permits.

Non-residential permits dropped 20% to \$1.2 billion, after a sharp increase in June and smaller declines in April and May. The institutional sector was the only component still rising in July, jumping

Building Permits

	Mar.	Apr.	May	June	July
	% change, previous month				
Residential	-5.1	-13.0	-6.7	-10.4	-8.4
Non-residential	12.0	-14.4	-6.1	30.5	-20.0
Total	1.6	-13.6	-6.4	7.0	-14.5

45.2% to \$359.9 million. The industrial sector fell 40.1% to \$305.9 million, while the commercial sector decreased 28.0% to \$533.5 million.

The decline in the non-residential sector did not affect the Prairie region and British Columbia.

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

Insurers' Profits Stable

For the second quarter of 1990, property and casualty insurers reported a profit of \$332 million before income taxes and extraordinary items. This is virtually unchanged from last year. Underwriting losses were \$253 million, compared to \$189 million in 1989 and \$44 million for the second quarter of 1988. Net investment income rose 11.6%, less than the 12.7% increase from the second quarter of 1988 to the second quarter of 1989.

Sales of investment funds increased to \$3.8 billion in the second quarter of 1990, from \$3.1 billion a year earlier. Redemptions were almost unchanged at \$3.2 billion. Consequently, the second quarter of 1990 posted net sales of \$663 million, compared to the second quarter of 1989 which posted net redemptions of \$185 million. Total assets of funds at market value were \$35.6 billion for the second quarter of 1990, compared to \$32.8 billion for the second quarter of 1989.

For further information, order Financial Institutions (catalogue number 61-006) or contact Industrial Organization and Finance Division at (613) 951-2637.

Crude Oil Prices Boost Raw Materials Price Index

The Raw Materials Price Index (RMPI, 1986=100) increased 4.2% to 107.3 in August, after declining for the previous four months. The increase was primarily due to a sharp increase in the index for mineral fuels. When mineral fuels are excluded, the RMPI declined for the third consecutive month.

The sharp rise in the price of mineral fuels was mainly attributable to a 17.5% increase in crude mineral oil prices, which occurred after five consecutive monthly declines. Vegetable products prices declined for the third consecutive month, this time by 3.6%, mainly due to falling grain prices. Lower prices for logs and bolts resulted in a 2.5% drop in the wood index, which had posted marginal fluctuations in the previous three months. The non-ferrous metals index increased by 5.3%, a second consecutive increase.

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

PUBLICATIONS RELEASED FROM SEPTEMBER 28 TO OCTOBER 4

AGRICULTURE

Report on Fur Farms, 1989. Catalogue number 23-208 (Canada: \$34.00; United States: \$41.00; Other Countries: \$48.00).

BALANCE OF PAYMENTS

Security Transactions with Non-residents, July 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).

DEMOGRAPHY

Quarterly Demographic Statistics, April-June 1990. Catalogue number 91-002 (Canada: \$7.50/\$30.00; United States: US\$9.00/US\$36.00; Other Countries: US\$10.50/US\$42.00).

EDUCATION, CULTURE AND TOURISM

Focus on Culture, Fall 1990. Catalogue number 87-004 (Canada: \$6.25/\$25.00; United States: US\$7.50/US\$30.00; Other Countries: US\$8.75/US\$35.00).

HOUSING, FAMILY AND SOCIAL STATISTICS

A Portrait of Seniors in Canada. Catalogue number 89-519 (Canada: \$43.00; United States: US\$52.00; Other Countries: US\$60.00).

INDUSTRY

Crude Petroleum and Natural Gas Production, June 1990. Catalogue number 26-006 (Canada: \$10.00/\$100.00; United States: US\$12.00/US\$120.00; Other Countries: US\$14.00/US\$140.00).

Department Store Monthly Sales, Including Concessions, by Province and Metropolitan Area, July 1990. Catalogue number 63-004 (Canada: \$2.70/\$27.00; United States: US\$3.20/US\$32.00; Other Countries: US\$3.80/US\$38.00).

Electric Lamps (Light Bulbs and Tubes), August 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).

Mineral Wool Including Fibrous Glass Insulation, August 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, August 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 East of the Rockies, July 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, July 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).

Quarterly Shipments of Household Furniture Products, Quarter Ended March 1990. Catalogue number 35-007 (Canada: \$6.75/\$27.00; United States: US\$8.00/US\$32.00; Other Countries: US\$9.50/US\$38.00).

Quarterly Shipments of Household Furniture Products, Quarter Ended June 1990. Catalogue number 35-007 (Canada: \$6.75/\$27.00; United States: US\$8.00/US\$32.00; Other Countries: US\$9.50/US\$38.00).

The Sugar Situation, August 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).

Wholesale Trade Statistics - Wholesale Merchants, Agents and Brokers, 1987. Catalogue number 63-226 (Canada: \$34.00; United States: US\$41.00; Other Countries: US\$48.00).

INVESTMENT AND CAPITAL STOCK

Building Permits, July 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).

INTERNATIONAL TRADE

Imports by Commodity, July 1990. Catalogue number 65-007 (Canada: \$55.10/\$551.00; United States: US\$66.10/US\$661.00; Other Countries: US\$77.10/US\$771.00).

JUSTICE

Juristat Service Bulletin - Homicide in Canada, 1989. Catalogue number 85-002 (Canada: \$3.90/\$78.00; United States: US\$4.70/US\$94.00; Other Countries: US\$5.45/US\$109.00).

NATIONAL ACCOUNTS

System of National Accounts - National Income and Expenditure Accounts, 1983Q1-1990Q2. Catalogue number 13-001 (Canada: \$20.00/\$80.00; United States: US\$24.00/US\$96.00; Other Countries: US\$28.00/US\$112.00).

SERVICES, SCIENCES AND TECHNOLOGY

Telephone Statistics, July 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).

Industrial Product Price Index Edges Up

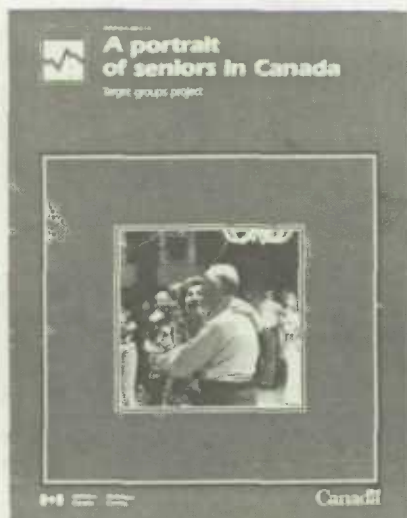
The Industrial Product Price Index edged up 0.1% in August, after a 0.4% decline in July.

Prices of primary metal products rose 2.7%, led by a sharp increase for nickel products and a strong rise in copper and copper-alloy products prices. The increase in primary metal products prices followed a 0.5% increase in July. The petroleum and coal products component rose 1.2%, largely as a result of higher prices for fuel oil.

The index for paper and paper products decreased 0.6%, reflecting a decline in pulp prices and the downward effect of the exchange rate on export prices for newsprint. Other noteworthy changes related to the exchange rate include a drop of 0.7% in the component for autos, trucks and other transportation equipment component.

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

NEW FROM STATISTICS CANADA



A Portrait of Seniors in Canada

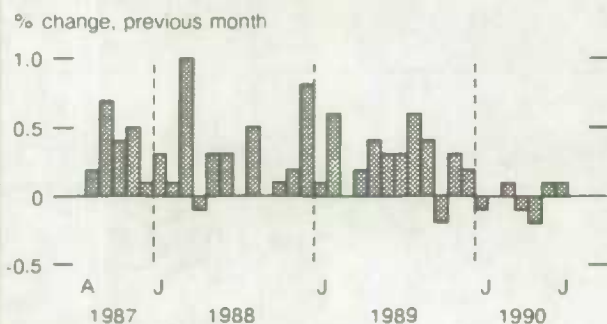
This new publication depicts the demographic, social, economic and cultural situation of seniors aged 65 and over, as well as their living arrangements and aspects of their health and safety. With colour charts and tables supported by text, the book presents data taken from the Census and numerous surveys. Here are a few of its highlights:

- By the year 2031, the proportion of the population aged 65 and over will have increased dramatically, to almost a quarter of the total population, from about 8% in 1971.
- Among senior households, 38% had incomes below \$15,000, more than twice the proportion for all households.
- About half of male and female seniors aged 65 and over reported involvement in political organizations in 1988.

For further information, order A Portrait of Seniors in Canada (catalogue number 89-519) or contact Housing, Family and Social Statistics Division at (613) 951-0245.

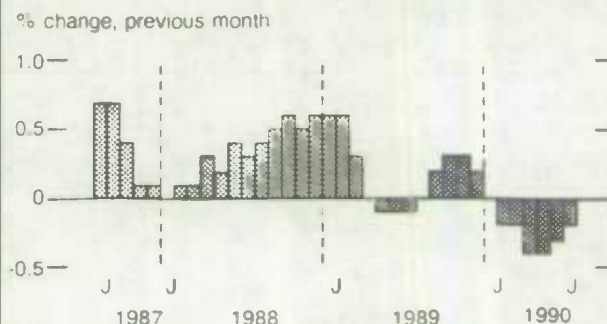
CURRENT TRENDS*

Gross Domestic Product



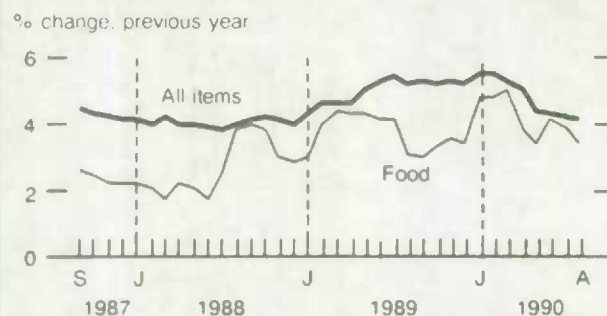
Real GDP edged up by 0.1% in July, following a similar rise in June and declines in April and May.

Composite Leading Indicator



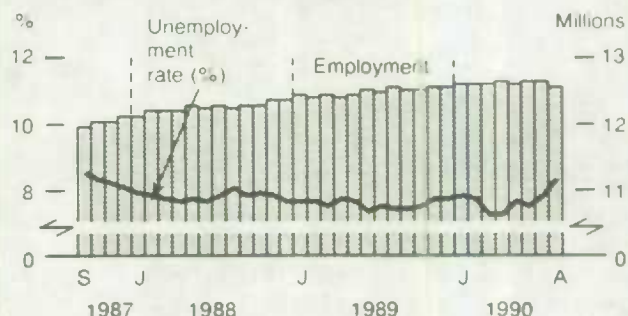
The composite leading indicator declined 0.2% in July, a sixth consecutive drop.

Consumer Price Index



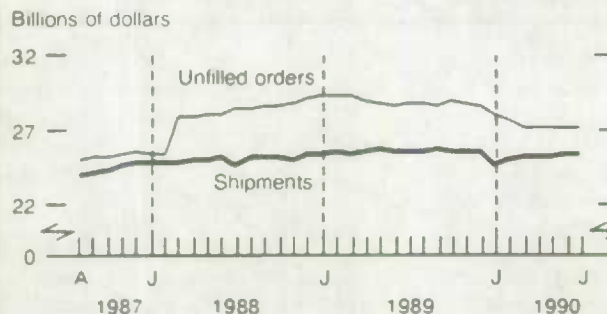
In August, the Consumer Price Index increased 4.1% from last year, continuing the deceleration started in February.

Unemployment Rate and Employment



In August, the unemployment rate reached 8.3%, the highest level since October 1987.

Manufacturing



Seasonally adjusted manufacturers' shipments posted a fourth consecutive increase (0.4%) in July.

Merchandise Trade



In July, the trend for merchandise exports rose for the ninth straight month. The trend for imports posted a fourth consecutive marginal decline.

*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, 1986)	July*	512	0.1%	1.3%
Composite Leading Indicator (1981 = 100)	July*	143.4	-0.2%	-0.8%
Profits of Industrial Corporations (\$ billion)	2nd Q	4.6	-24%	-53%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	July	16.3	0.8%	1.9%
New Motor Vehicle Sales ('000 units)	July	116	-1.0%	-1.8%
LABOUR				
Employment (millions)	August	12.6	-0.5%	0.2%
Unemployment Rate (%)	August	8.3	0.5	0.9
Participation Rate (%)	August	67.0	0.0	-0.2
Labour Income (\$ billion)	June	31.7	-0.5%	6.6%
Average Weekly Earnings (\$)	July*	514.09	0.2%	5.3%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	July	12.5	-1.7%	7.3%
Merchandise Imports (\$ billion)	July	11.3	3.5%	6.1%
Merchandise Trade Balance (\$ billion)	July	1.2	-0.6	0.2
MANUFACTURING				
Shipments (\$ billion)	July	25.1	0.4%	-0.8%
New Orders (\$ billion)	July	25.0	0.2%	-1.8%
Unfilled Orders (\$ billion)	July	27.7	-0.3%	-8.0%
Inventory/ Shipments Ratio	July	1.48	-0.02	-0.03
Capacity Utilization (%)	2nd Q	79.7	-0.5	-5.3
PRICES				
Consumer Price Index (1986 = 100)	August	119.8	0.0%	4.1%
Industrial Product Price Index (1986 = 100)	August*	109.2	0.1%	-0.3%
Raw Materials Price Index (1986 = 100)	August*	107.3	4.2%	-0.5%
New Housing Price Index (1986 = 100)	July	142.7	-0.6%	0.3%

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

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