



IN·F·O·M·A·T

A WEEKLY REVIEW

Friday, November 2nd, 1990

OVERVIEW

■ Economy Contracts

Economic growth turned clearly negative in August, when real Gross Domestic Product at factor cost fell 0.5%. This was the largest monthly decline since March 1986.

■ Continued Foreign Investment in Bonds

Non-residents increased their holdings of Canadian bonds by \$871 million in August, a third consecutive monthly increase.

■ Crude Oil Prices Boost Raw Materials Price Index

In September, the Raw Materials Price Index (RMPI) rose 10.3%, the largest monthly increase since the RMPI was introduced in 1977.

■ Number of Unemployment Insurance Beneficiaries Shrinks

The seasonally adjusted number of regular unemployment insurance beneficiaries fell by 2.0% in August, after generally increasing since March.

■ Sustained Growth in Average Weekly Earnings

In August, average weekly earnings were up 6.0% from a year earlier. Since April 1989, earnings posted year-over-year growth rates between 5.1% and 6.2%.

■ Industrial Product Price Index Rises

The Industrial Product Price Index (IPPI, 1986 = 100) rose 0.7% to 109.9 in September. This was the largest monthly increase since February 1990.

Economy Contracts

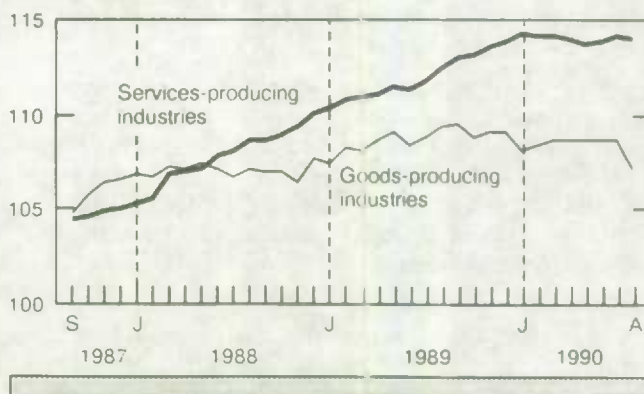
Economic growth turned clearly negative in August, when real Gross Domestic Product at factor cost fell 0.5%. This was the largest monthly decline since March 1986. Goods production fell 1.3%, following a flat July, while services production edged down 0.1%, following positive but declining growth in June and July.

Construction output fell 3.2%, the largest of four consecutive declines. As in previous months, the decline was concentrated in residential construction, which tumbled 10.3% in August. Non-residential construction fell 1.2%, due to reduced activity on commercial projects. Construction related industries, such as forestry, manufacturers of cement, concrete and wood products, and retailers of furniture and appliances also recorded lower output.

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Output by Sector

January 1987 = 100



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... Economy Contracts

Manufacturing output fell 1.3%, offsetting the previous two increases. Output of primary metals fell 16.2% as production of iron and steel plunged as strikes got underway. Production of paper and allied products dropped 1.8%, after a 2.0% decline in July. Manufacturers of motor vehicles boosted output by 4.8%, following a similar gain in July. These gains occurred just prior to a strike called in September. A 4.3% gain in petroleum refining followed the outbreak of the Gulf Crisis, and was the first gain in that industry since March.

Lower activity in amusement and accommodation services led a 0.2% decline in community, business and personal services. Output by hotels and restaurants slipped to its lowest level since September 1989 following several months of declining tourism.

Wholesale trade slid 0.5% in August to a level 6.1% below its February 1990 peak. Retail trade fell 0.3% in August, more than offsetting the July increase. Output by the transportation and storage industry fell 0.4%, as lower railway shipments and a decline in truck transport more than offset a gain in water transport. Lower activity by grain elevators also contributed to the weakness in this industry.

Output of the communications industry advanced 0.9%, the fifth consecutive monthly increase. Increased postal and telephone activity contributed most to the growth.

For further information, order *Gross Domestic Product by Industry* (catalogue number 15-001) or contact *Industry Measures and Analysis Division* at (613) 951-9164.

Continued Foreign Investment in Bonds

Non-residents increased their holdings of Canadian bonds by \$871 million in August. This third consecutive monthly increase was well below the average net investment of \$2.0 billion for the two previous months.

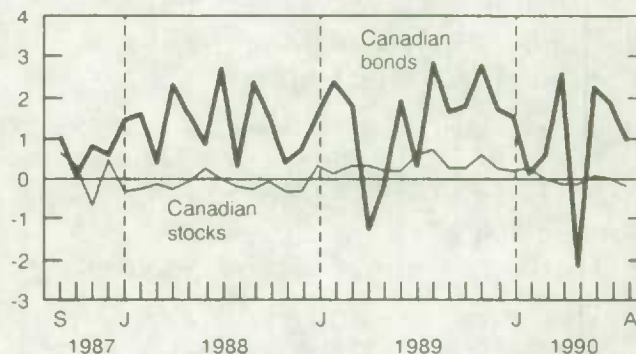
Non-residents made a net investment of \$537 million in outstanding bonds, down one half from the net investment of July. The largest net investment in outstanding bonds in August came from the United Kingdom; Japan also made a significant net investment. The gross value of trading in the secondary market was at a record \$25 billion, the bulk of which was in domestic issues of the Government of Canada. The interest rate differential on long-term bonds declined slightly, as rates increased faster in the United States than in Canada.

New bond sales to non-residents amounted to \$1.4 billion, in line with July. One half of the August new issues was placed in overseas markets, contrasting with earlier months when many large U.S. dollar issues were placed in the United States. Retirements rose from \$0.7 billion to \$1.1 billion in August and Government of Canada issues constituted one half of retirements.

Non-residents reduced their holdings of Canadian stocks by \$237 million, the third significant net reduction in the past five months. The net disinvestment of \$425 by U.S. residents was partially offset by a net investment of \$149 million by Europeans.

Security Transactions

Billions of dollars



Residents made a net investment of \$538 million in foreign stocks, largely in U.S. equities. This was up sharply from the small net investment in August. Residents purchased a net of \$62 million in foreign bonds, bringing the total net investment in foreign bonds to almost \$700 million in the last three months.

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

Crude Oil Prices Boost Raw Materials Price Index

In September, the Raw Materials Price Index (RMPI) rose 10.3%, the largest monthly increase since the RMPI was introduced in 1977. It reached a level of 118.5 (1986=100), the highest since January 1986.

As in July, the increase was mainly attributable to a large increase in the mineral fuels component (36.8%), resulting from a sharp increase in the price of crude mineral oil.

Excluding the mineral fuels component, the RMPI declined by 0.9%, somewhat more than the previous three declines. The non-ferrous metals

component was up by 1.2%, a third consecutive increase. The August gain resulted from higher prices for concentrates of copper, nickel and for aluminum materials.

The vegetable products component posted a fourth straight decline (1.0%), as grain and oilseed prices continued to drop. The animal and animal products component was down by 1.7%, after two slight declines. Lower prices were recorded for cattle and calves for slaughter, hogs, sheep and lambs.

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

Number of Unemployment Insurance Beneficiaries Shrinks

The seasonally adjusted number of regular unemployment insurance beneficiaries fell by 2.0% to 972,000 in August. From March to July, the number of beneficiaries had increased a cumulative 11.2%.

The decline in the number of beneficiaries was broadly based: eight provinces posted significant decreases. The only significant increases were registered in the Northwest Territories and the Yukon.

Total benefit payments were virtually unchanged at \$1.1 billion. The number of benefit weeks advanced 1.4% to 4.9 million.

For further information, order Unemployment Insurance Statistics (catalogue number 73-001) or contact Labour Division at (613) 951-4044.

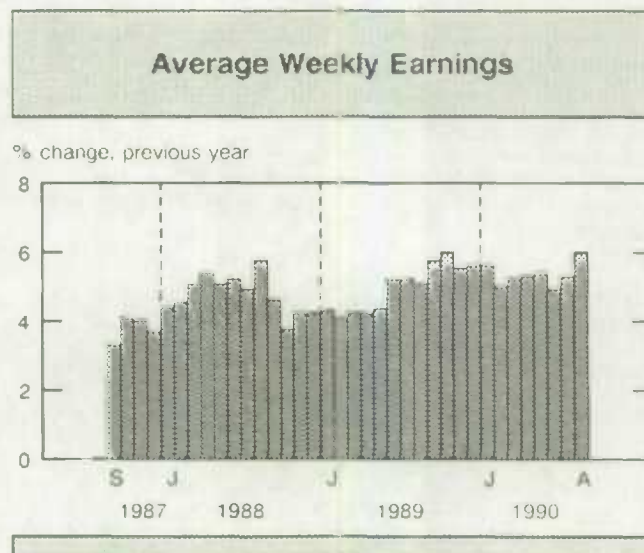
Sustained Growth in Average Weekly Earnings

In August, average weekly earnings were up 6.0% from a year earlier. Since April 1989, earnings posted year-over-year growth rates between 5.1% and 6.2%.

In the goods-producing sector, the year-over-year growth in earnings was 5.9%, led again by increases in construction (7.1%). The year-over-year growth in earnings for manufacturing (5.7%) was lower than the average for the goods-producing sector for the first time since January.

In the service-producing sector, earnings rose 6.7% from a year earlier. Earnings in transportation, communication and other utilities accelerated for the fifth consecutive month, from growth of 1.7% in March to 5.8% in August. The increase in earnings in finance, insurance and real estate (2.1%) remained the weakest in the service-producing sector.

In the goods-producing industries, employees paid by the hour worked an average of 38.6 hours per week and earned on average \$15.10. In service-



producing industries, hourly-paid employees worked on average 29.1 hours and earned \$11.20 per hour.

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

Industrial Product Price Index Rises

The Industrial Product Price Index (IPPI, 1986=100) rose 0.7% to 109.9 in September. This was the largest monthly increase since February 1990. The 1.9% increase, in September, of the U.S. dollar versus its Canadian counterpart and its impact on prices of exported goods and products affected mainly the components for autos, trucks and other transportation equipment (1.2%) and paper and paper products.

The tobacco and tobacco products index was up 7.8% this month due chiefly to higher prices for cigarettes (10.4%), cigars and cigarillos (8.9%) and smoking tobacco (7.1%). The petroleum and coal

products price index rose 3.0%, reflecting a general pattern of higher prices for most petroleum products. Following increases of 0.4% in July and 2.8% in August 1990, the primary metal products index rose 1.5% in September, led by higher prices for aluminum and nickel products. The other non-ferrous metal products component was the only one to show a decrease, down 1.7% due mainly to lower prices for precious metals.

The fruits, vegetables, feeds and miscellaneous food products index edged down 0.3% in September 1990, due mainly to lower prices for fruit and vegetable preparations as well as prepared feeds.

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

PUBLICATIONS RELEASED FROM OCTOBER 26 TO NOVEMBER 1

AGRICULTURE

The Dairy Review, August 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).

EDUCATION, CULTURE AND TOURISM

Education Statistics Bulletin - Education Price Index - Selected Inputs, Elementary and Secondary Level, 1989. Catalogue number 81-002 (Canada: \$4.90/\$49.00; United States: US\$5.90/US\$59.00; Other Countries: US\$6.90/US\$69.00).

Performing Arts - Culture Statistics, 1988. Catalogue number 87-209 (Canada: \$30.00; United States: US\$36.00; Other Countries: US\$42.00).

HOUSEHOLD SURVEYS

Household Facilities and Equipment, 1990. Catalogue number 64-202 (Canada: \$28.00; United States: US\$34.00; Other Countries: US\$39.00).

INDUSTRIAL ORGANIZATION AND FINANCE

Financial Institutions, Second Quarter 1990. Catalogue number 61-006 (Canada: \$44.00/\$176.00; United States: US\$52.75/US\$211.00; Other Countries: US\$61.50/US\$246.00).

INDUSTRY

Gypsum Products, September 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).

Metal Mines, 1988. Catalogue number 26-223 (Canada: \$26.00; United States: US\$31.00; Other Countries: US\$36.00).

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies, August 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, August 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).

Refined Petroleum Products, July 1990. Catalogue number 45-004 (Canada: \$18.20/\$182.00; United States: US\$21.80/US\$218.00; Other Countries: US\$25.50/US\$255.00).

Summary of Canadian International Trade, August 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).

The Sugar Situation, September 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).

PRICES

Industry Price Indexes, August 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).

SERVICES, SCIENCE AND TECHNOLOGY

Restaurant, Caterer and Tavern Statistics, March 1990. Catalogue number 63-011 (Canada: \$6.10/\$61.00; United States: US\$7.30/US\$73.00; Other Countries: US\$8.50/US\$85.00).

Telephone Statistics, August 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).

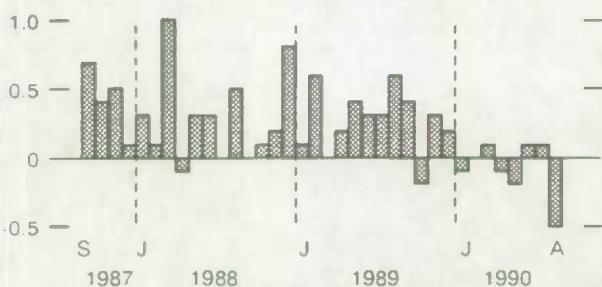
TRANSPORTATION

Railway Operating Statistics, Vol. 70, No. 7, July 1990. Catalogue number 52-003 (Canada: \$10.50/\$105.00; United States: US\$12.60/US\$126.00; Other Countries: US\$14.70/US\$147.00).

CURRENT TRENDS*

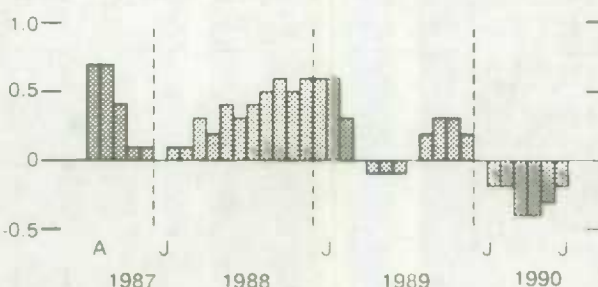
Gross Domestic Product

% change, previous month



Composite Leading Indicator

% change, previous month

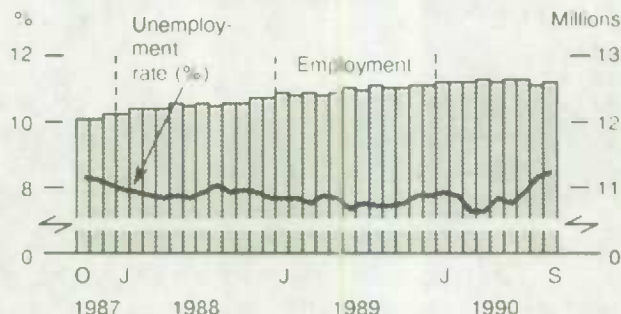


Consumer Price Index

% change, previous year

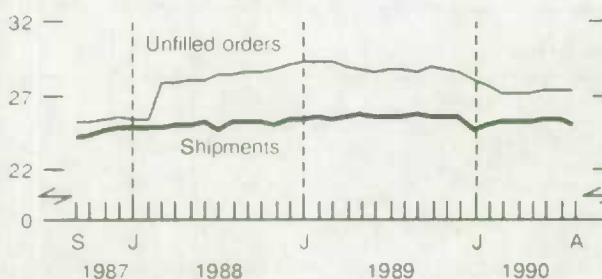


Unemployment Rate and Employment



Manufacturing

Billions of dollars



Merchandise Trade

Billions of dollars



*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)	August*	509	-0.5%	0.2%
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)	August	16.3	-0.2%	0.3%
New Motor Vehicle Sales ('000 units)	August	113	-3.0%	-6.3%
LABOUR				
Employment (millions)	Sept.	12.6	0.2%	0.6%
Unemployment Rate (%)	Sept.	8.4	0.1	1.0
Participation Rate (%)	Sept.	67.1	0.1	-0.1
Labour Income (\$ billion)	July	31.8	0.3%	7.2%
Average Weekly Earnings (\$)	August*	519.03	0.8%	6.0%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	August	12.0	-4.2%	3.6%
Merchandise Imports (\$ billion)	August	11.1	-2.2%	-2.4%
Merchandise Trade Balance (\$ billion)	August	1.0	-0.3	0.7
MANUFACTURING				
Shipments (\$ billion)	August	24.6	-1.4%	-3.1%
New Orders (\$ billion)	August	24.7	-1.1%	-2.4%
Unfilled Orders (\$ billion)	August	28.0	0.4%	-6.8%
Inventory/ Shipments Ratio	August	1.51	0.01	0.00
Capacity Utilization (%)	2nd Q	79.7	-0.5	-5.3
PRICES				
Consumer Price Index (1986 = 100)	Sept.	120.2	0.3%	4.2%
Industrial Product Price Index (1986 = 100)	Sept.*	109.9	0.7%	0.6%
Raw Materials Price Index (1986 = 100)	Sept.*	118.5	10.3%	11.8%
New Housing Price Index (1986 = 100)	August	141.2	-1.1%	-0.6%

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

* New this week.

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