



IN·F·O·M·A·T

A WEEKLY REVIEW

Friday, November 30, 1990

OVERVIEW

Foreign Investment in Bonds Still Largely in Secondary Market

In September, non-residents invested a net \$835 million in Canadian bonds, similar to their investment in August. As in August, the net September investment was largely directed at the secondary market.

Building Permits Still Declining

Preliminary estimates indicate that the seasonally adjusted value of building permits issued in Canada in September was down 3.0%, continuing the generally declining trend started in January.

High Price for Crude Oil Boosts Industrial Corporations' Profits

In the third quarter of 1990, operating profits of Canadian industrial corporations rose 13.6% to \$5.2 billion, the first quarterly increase since the final quarter of 1988.

Average Family Income: New Record in 1989

In 1989, average family income exceeded \$50,000 for the first time. After adjustment for inflation, average family income was 3.3% higher than in 1988.

International Travel Account Deficit Rises

Canada's seasonally adjusted travel deficit increased by 10% in the third quarter.

Slight Decline of Farm Cash Receipts

Farm cash receipts for the first nine months of 1990 fell 1% from the same period last year to \$16.5 billion.

This issue also includes information on **Farm Net Income, Farm Debt and Department Store Sales and Stocks**

Foreign Investment in Bonds Still Largely in Secondary Market

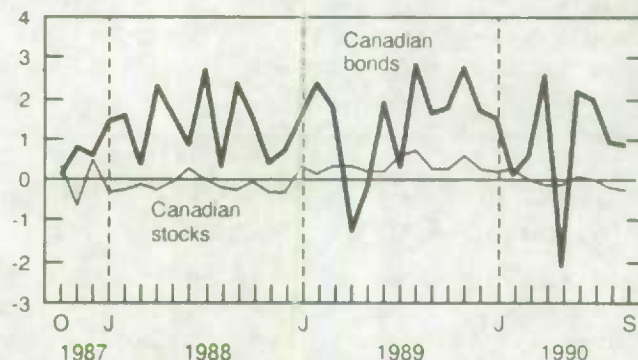
In September, non-residents made a net investment of \$835 million in Canadian bonds, similar to their investment in August. As in August, the net investment in the current month was largely directed at the secondary market.

About one-half of the net investment in the secondary market came from the United Kingdom and the balance from the United States and Japan. In September, non-residents increased their holdings of outstanding Government of Canada issues by \$843 million while reducing their holdings of other Canadian issues (bonds issued by provinces, provincial enterprises and corporations) by \$158 million. This pattern has generally prevailed in the secondary market in 1990. September saw a sharp

(continued on page 2)

Security Transactions

Billions of dollars



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... Foreign Investment in Bonds Still Largely in Secondary Market

reduction of \$10 billion in the gross value of trading in the secondary market, sharply down from the record \$25 billion in August 1990.

In September, net new issues of bonds were at \$150 million, less than half of the new issues recorded in the previous month. This is the third sharp monthly drop in a row. In July, new issues were at \$1.6 billion.

Non-residents reduced their holdings of Canadian stocks with a net disinvestment of \$261 million in September 1990. This brings the net disinvestment in the last six months to almost \$800 million. Trade in outstanding stocks resulted in a net reduction in holdings of \$350 million in the current month, the largest monthly reduction since December 1988. The gross value of trading with

non-residents shrunk by one-third, to its lowest level of the year. Canadian stock prices, as measured by the TSE 300 Composite Index, fell 5.6%.

Residents made a net disinvestment of \$654 million in foreign bonds in September, reversing the net investments of almost \$700 million recorded in the previous three months. Similarly, residents reduced their holdings of foreign stocks by \$192 million in September, which contrasted with the major investment of \$539 million in the previous month. While residents continued to be net buyers of overseas stocks (\$51 million), they were net sellers of U.S. stocks (\$243 million) in the current month.

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

Building Permits Still Declining

Preliminary estimates indicate that the value of building permits issued in Canada in September was down 3.0% to \$2.4 billion. The drop was entirely attributable to the residential sector.

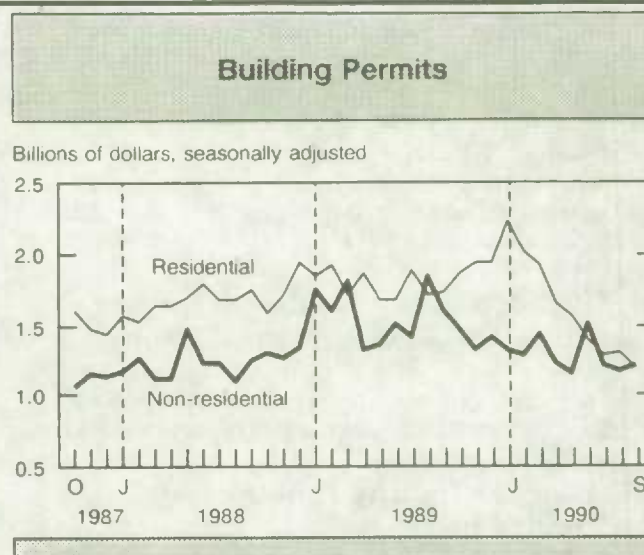
The value of residential building permits fell by 8.5% in September to \$1.2 billion. This was 46.7% lower than in January. The value of permits for single-family dwellings decreased 5.1% to \$872 million. For multi-family dwellings, the value of permits dropped 16.9% to \$307 million.

The number of dwelling units authorized continued to fall in September, falling 8.0% to 137,868 units at an annual rate. This is the lowest level recorded since February 1985.

The preliminary value of non-residential building permits increased by 3.2% in September to \$1.2 billion, offsetting the drop in August. The value of industrial permits increased 23.0% in September to \$321 million, and institutional permits were up 5.3% to \$287 million. In contrast, commercial permits decreased by 5.9% to \$589 million.

High Price for Crude Oil Boosts Industrial Corporations' Profits

In the third quarter of 1990, operating profits of Canadian industrial corporations rose 13.6% to \$5.2 billion, the first quarterly increase since the final quarter of 1988. However, the increase was largely the result of higher crude oil prices. Excluding mineral fuels and petroleum and coal industries, overall operating profits in the third quarter were down 12% from the second quarter. Profits declined in 27 of the 46 industry groups.



For further information, order *Building Permits* (catalogue number 64-001) or contact *Investment and Capital Stock Division*, at (613) 951-2585.

For mineral fuels industries, operating profits rebounded from a loss of \$338 million to a profit of \$281 million, after posting losses in seven of the previous eight quarters. For petroleum and coal industries, results moved from a loss of \$31 million to a \$559 million profit. After declining for most of the past two years, operating profits in that industry have now risen to their highest level since the third quarter of 1987. Higher crude oil and refined petroleum prices were largely responsible for the return to profitability in mineral fuels and petroleum and coal industries.

(continued on page 3)

...High Price for Crude Oil Boosts Industrial Corporations Profits

Operating profits for the metal mining industries increased 44% to \$359 million. This second consecutive profit increase followed four quarters of decline and was due to increases for the price of several metals.

Decreased demand for transportation services and higher fuel prices cut profits in transportation industries by \$119 million, bringing results down to a loss of \$143 million.

Operating profits for primary metals industries declined \$94 million and showed a loss of \$82 million, the first quarterly loss since 1983. Labour disruptions and a slowdown in demand contributed to the fall in profits. Weak markets and prices for

paper and allied products contributed to reducing operating profits from \$80 million to \$10 million, which continued the trend of decreasing profits over the past two years.

Drops in dividend income and capital gains resulted in a 2.7% decline in pre-tax profits in the third quarter. This followed decreases of 3.8% in the second and 12.5% in the first quarter of 1990.

Sales of industrial corporations declined marginally to \$238.6 billion, the fourth consecutive decline. This followed 0.3% declines in each of the first two quarters of 1990.

For further information, order Industrial Corporations: Financial Statistics or contact Industrial Organization and Finance Division, at (613) 951-9843.

Average Family Income : New Record in 1989

In 1989, average family income was \$50,083, exceeding \$50,000 for the first time. After adjustment for inflation, average family income was 3.3% higher than in 1988. Real family incomes increased over 11% since the start of the latest upward trend in 1984. Average family income ranged from \$57,330 in Ontario to \$38,726 in Prince Edward Island.

The proportion of persons below Statistics Canada's low income cutoffs dropped to 12.2% in 1989 from 13.1% in 1988, continuing the downward trend started in 1983, when the proportion was 17.0%.

The income situation of seniors was substantially improved in 1989 compared with the early 1980s. Elderly married couples and elderly unattached individuals had 1989 incomes about 17% higher than in 1980. Elderly persons had a

1989 low income rate of 15.9%, almost one-half that of 1980 (27.7%).

Income of two-parent families with children increased 8%, while the proportion of low income families among them dropped to 8.0% in 1989 from 9.0% in 1980. Female lone-parents experienced only a 5% income gain and their rate of low-income in 1989, at 50.9%, was little changed throughout the 1980s. Non-elderly married couples did not realize a gain in income in the 1980s.

There were 837,000 low income children in 1989. The low income rate for children improved substantially since 1984, dropping from 20.1% to 14.6% in 1989. However, compared with the 1980 rate of 14.8%, the situation was little changed. All the gains after 1984 were only enough to recover the ground lost between 1980 and 1984.

For further information, order Income Distributions by Size in Canada, 1989 (catalogue number 13-207) or ask about special tabulations from Household Surveys Division, at (613) 951-9775.

International Travel Account Deficit Rises

Canada's seasonally adjusted travel deficit increased by 10% in the third quarter, reflecting growth in the deficits with both the United States and other countries. After showing a marked improvement during Expo 86, the travel account deficit has maintained a generally upward trend to date, with the only exception being the slight recovery brought by the Winter Olympics in the first quarter of 1988.

Receipts from all countries including the United States levelled off. They had risen cumulatively by

4% from the second quarter of 1989 to the second quarter of 1990.

Payments to the United States increased 3% over the second quarter, in line with the increases recorded in the previous two quarters. Payments to all other countries gained 4% during the third quarter of 1990, the largest increase since the second quarter last year.

For further information, order Travel Between Canada and Other Countries (catalogue number 66-001) or contact Education, Culture and Tourism Division at (613) 951-8933.

(continued on page 4)

Slight Decline of Farm Cash Receipts

Farm cash receipts for the first nine months of 1990 fell, relative to the same period last year, by 1% to \$16.5 billion.

Direct program payments during the first nine months of the 1990 fell by 35% to \$1.5 billion. Payments from ad hoc programs fell 36% to \$513 million, the lowest level since 1986. Payments under the various tripartite stabilization plans declined by 55% to \$143 million, primarily due to lower payments under the hog plan as hog prices improved substantially. Payments under the Western Grain Stabilization Act were nil for the first three quarters of 1990, compared to an average of \$521 million for the corresponding periods

between 1985 and 1989. For the first time since 1983, no payments were made during the first nine months of the year. Provincial stabilization programs payments showed no change.

Crop receipts increased by 5% to \$6.6 billion. The increase can be attributed to higher wheat and corn receipts, which more than compensated for lower receipts for all other major grains and oilseeds, and a drop in the liquidation of deferred grain receipts.

Livestock and animal products receipts increased 5%, reflecting higher hog, cattle, and poultry receipts.

For further information, order Farm Cash Receipts (catalogue number 21-001) or contact Agriculture Division at (613) 951-8706.

Inventory Change Boosts Farm Income

In 1989, total net farm income rose 40% to a record level of \$4.9 billion. The previous record level was \$4.4 billion, reached in 1986. In 1989, net farm income increased seven-fold in Saskatchewan, tripled in Manitoba, and rose by 15% in Ontario. However, the increase in net farm income was largely due to rebuilding of farm-held grain stocks. The value of inventory change for crops was \$697 million, a reversal from 1988, when stocks were depleted (-\$1.1 billion) as a result of the drought.

Realized net farm income (which does not include the value of inventory change) fell 11% from

the 1988 record to \$4.1 billion. Higher expenses (6%) more than offset the increase in farm cash receipts for 1989 (2%). The rise in expenses stemmed mainly from expenses on machinery, which rose by 7%, and from crop and hail insurance premiums, which increased by 55%. Interest expenses rose 7% as a 10% increase in the average interest rate was partially offset by a decline in average debt outstanding (see article below). Wages were 6% above the 1988 level and expenses for commercial feed rose 5%.

For further information, order Agriculture Economic Statistics - Supplement II (catalogue number 21-603E) or contact Agriculture Division at (613) 951-2445.

Farm Debt Keeps Falling

At \$22.5 billion, Canadian farm debt outstanding at December 31, 1989 was 1.2% lower than in 1988 and still declining from the record high of \$23.6 billion in 1986. This trend towards lower farm debt is partially the result of increased caution on the part of both farmers and lenders.

Three major factors contributed to the fall in debt in 1989. Advances under the Prairie Advance Payments Act were held pending the approval of modifications to the Act, which was announced December 18, 1989. This lowered debt by \$366 million. Secondly, the amounts owed to federal government agencies (primarily the Farm Credit Corporation) decreased by \$334 million to a level of \$3.8 billion. The third factor only affected Saskatchewan. Amounts outstanding to the

Agriculture Credit Corporation of Saskatchewan's Production Loan Program decreased by \$194 million.

The overall decrease in debt followed a year in which Canadian realized net farm income fell 11% and total net farm income (which includes the value of inventory change rose 40% to a record high (see article above). Farm capital values increased in 1989 following several years of decline.

As a result of rising cash receipts and falling debt, the level of debt is now similar to the level of cash receipts. Debt was much higher than cash receipts for the rest of the 1980s.

For further information, order Agriculture Economic Statistics - Supplement II (catalogue number 21-603) or contact Agriculture Division at (613) 951-2442.

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Department Store Sales Increase

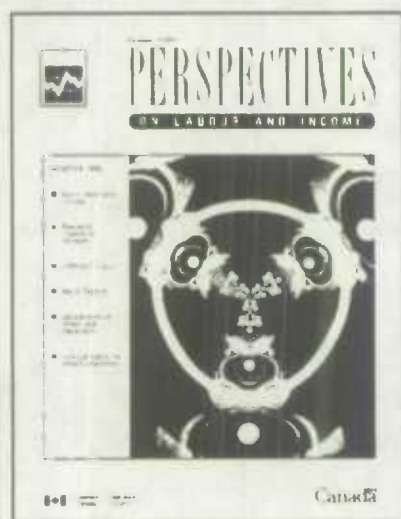
Sales of department store including concessions totalled \$1.2 billion in September, an increase of 0.9% over August. In the first nine months of 1990, department store sales have fluctuated markedly, while registering on average a modest increase. Sales advanced by 1.7% in the third quarter compared to a gain of 0.2% in the second and to a decrease of 0.6% in the first quarter.

Department store stocks increased 1.1% to \$5.0 billion. This was the fourth consecutive monthly increase.

The ratio of stocks to sales stood at 4.19:1 in September, an increase over the average ratio of 4.12:1 observed in the three previous months.

For further information, order Department Store Sales and Stocks (catalogue number 63-002) or contact Industry Division at (613-951-9682).

NEW FROM STATISTICS CANADA



Perspectives on Labour and Income

Winter 1990

This new edition of Statistics Canada's quarterly journal on labour and income issues features studies on registered retirement saving plans, training needs in the work force, recent wage trends, results from the literacy survey, international labour force comparisons, and taxes and transfers by subprovincial regions.

Each quarter, *Perspectives on Labour and Income* uses results from several data sources to examine and offer insights on emerging issues. Articles trace recent labour market developments as well as current income and wealth issues.

For further information, order Perspectives on Labour and Income (catalogue number 75-001E) or contact Household Surveys Division, at (613)951-6894.

Short-term Forecasts Survey

During the last seven months, Statistics Canada has been canvassing a small group of about 25 economists to ask them to forecast the monthly rate of unemployment, the monthly merchandise trade balance, and the year-over-year percent change in the Consumer Price Index.

For these months, average forecasts as well as the minimum and maximum value of the forecasts were compared with the actual data.

The mean forecasts are very good. For the unemployment rate, there is less dispersion in the forecast than for the other two series and there does not seem to be any forecasting bias. The forecasts have tended to underestimate very significantly both the merchandise trade balance and its month to month changes. Finally estimates of the year-over-year change of the Consumer Price Index showed a slight positive forecasting bias when the change fell from 5.0% to 4.1% and showed a negative bias in forecasting the sharp increase in October.

For further information, contact Diane Lachapelle (613) 951-0568 or Christian Lajule (613) 951-3351.

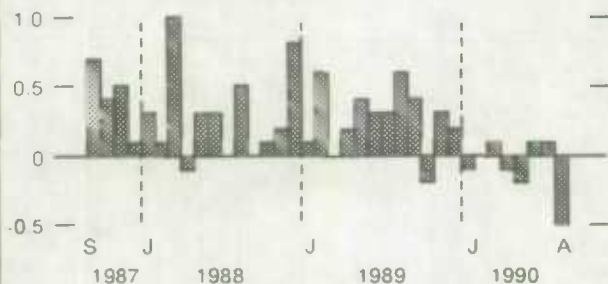
PUBLICATIONS RELEASED FROM NOVEMBER 23 TO 28

Division/Publication title	Period	Catalogue Number	Price: Issue/Subscription		
			Canada (\$Cdn.)	United States	Other Countries
			\$US		
AGRICULTURE					
Cereals and Oilseeds Review	August 1990	22-007	13.80/138.00	16.60/166.00	19.30/193.00
EDUCATION, CULTURE AND TOURISM					
Government Expenditures on Culture	1988-89	87-206	17.00	20.00	24.00
Human Resource Training and Development Survey Results	1987	81-574E	34.00	41.00	47.00
HOUSEHOLD SURVEYS					
Perspectives on Labour and Income	Winter 1990	75-001E	13.25/53.00	16.00/64.00	18.50/74.00
INDUSTRY					
Monthly Production of Soft Drinks	October 1990	32-001	2.70/27.00	3.20/32.00	3.80/38.00
Production, Shipments and Stocks on Hand of Sawmills in British Columbia	September 1990	35-003	7.10/71.00	8.50/85.00	9.90/99.00
Quarterly Shipments of Household Furniture Products	Quarter Ended September 1990	35-007	6.75/27.00	8.00/32.00	9.50/38.00
Retail Chain and Department Stores, Fiscal Year Ended March 31, 1989	1988	63-210	34.00	41.00	48.00
Shipments of Plastic Film and Bags Manufactured from Resin	Quarter Ended September 30, 1990	47-007	\$6.75/27.00	8.00/32.00	9.50/38.00
LABOUR					
Employment, Earnings and Hours	August 1990	72-002	38.50/385.00	46.20/462.00	53.90/539.00
PRICES					
Industry Price Indexes	September 1990	62-011	18.20/182.00	21.80/218.00	25.50/255.00
SERVICES, SCIENCE AND TECHNOLOGY					
Restaurant, Caterer and Tavern Statistics	May 1990	63-011	6.10/61.00	7.30/73.00	8.50/85.00
TRANSPORTATION					
Air Carrier Operations in Canada	July-September 1989	51-002	24.25/97.00	29.00/116.00	34.00/136.00
Surface and Marine Transport Service Bulletin - Motor Carrier Freight Quarterly Survey, Vol. 6, No. 7.	Second Quarter 1990	50-002	9.40/75.00	11.25/90.00	13.15/105.00

CURRENT TRENDS*

Gross Domestic Product

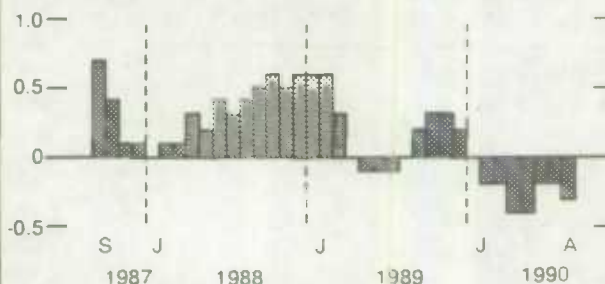
% change, previous month



Real Gross Domestic Product at factor cost fell 0.5% in August, the largest monthly decline since March 1986.

Composite Leading Indicator

% change, previous month



The leading indicator declined by 0.3% in August, the seventh straight drop.

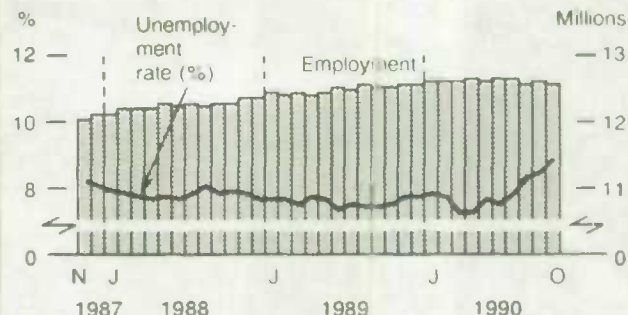
Consumer Price Index

% change, previous year



In October, the Consumer Price Index increased 4.8% year-over-year.

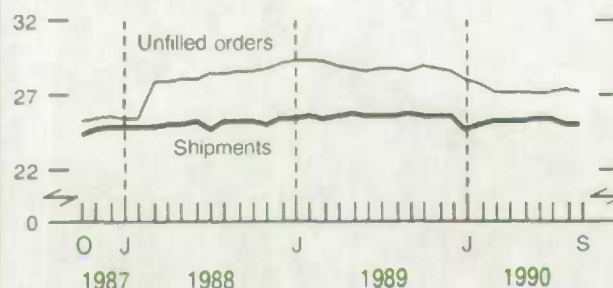
Unemployment Rate and Employment



In October, the unemployment rate increased 0.4 points to 8.8, the highest level since mid-1987.

Manufacturing

Billions of dollars



Shipments and orders decreased in September in response to strikes and weakness in the demand for manufactured products.

Merchandise Trade

Billions of dollars



Exports increased by 3.6% in September. Imports fell for a second straight month.

*All series are seasonally adjusted except the consumer price index

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)	August	143.2	-0.3%	-1.0%
Profits of Industrial Corporations (\$ billion)	3rd Q*	5.2	13.6%	-29.5%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	August	16.3	-0.2%	0.3%
New Motor Vehicle Sales ('000 units)	Sept.	109	-2.6%	-17.3%
LABOUR				
Employment (millions)	October	12.6	-0.3%	0.2%
Unemployment Rate (%)	October	8.8	0.4	1.3
Participation Rate (%)	October	67.1	0.0	0.1
Labour Income (\$ billion)	August	31.9	0.2%	6.4%
Average Weekly Earnings (\$)	August	519.03	0.8%	6.0%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	Sept.	12.2	3.6%	4.0%
Merchandise Imports (\$ billion)	Sept.	10.8	-2.1%	-4.0%
Merchandise Trade Balance (\$ billion)	Sept.	1.5	0.8	0.9
MANUFACTURING				
Shipments (\$ billion)	Sept.	24.3	-0.8%	-4.9%
New Orders (\$ billion)	Sept.	24.2	-1.6%	5.0%
Unfilled Orders (\$ billion)	Sept.	27.7	-0.6%	-7.4%
Inventory/ Shipments Ratio	Sept.	1.53	0.02	0.03
Capacity Utilization (%)	2nd Q	79.7	-0.5	-5.3
PRICES				
Consumer Price Index (1986 = 100)	October	121.2	0.8%	4.8%
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)	Sept.	139.3	-1.3%	-2.6%

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

* New this week.

KEY RELEASE CALENDAR: December 1990*

Monday	Tuesday	Wednesday	Thursday	Friday
3 Composite Leading Indicator, September	4	5 Help-wanted Index, November	6	7 Labour Force Survey, November Labour Income, September
10 New Housing Price Index, October New Motor Vehicle Sales, October	11 Farm Product Price Index, October	12	13	14 Consumer Price Index, November International Travel, October
17	18 International Merchandise Trade, October Capacity Utilization, Third Quarter	19 Monthly Survey of Manufacturing, October	20	21 Department Store Sales and Stocks, October Retail Trade, October Wholesale Trade, October Building Permits, October Employment, Earnings and Hours, October Security Transactions with Non residents, October Unemployment Insurance Statistics, October
24	25	26	27	28 Gross Domestic Product at Factor Cost by Industry, October

* Release dates for International Trade, the Consumer Price Index and the Labour Force Survey are fixed; dates for other data series may change.

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A Weekly Review

Published by the Communications Division
Statistics Canada.

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R.H. Coats Building, Tunney's Pasture, Ottawa, Ontario K1A 0T6.

Catalogue: 11-002E. Price: Canada: \$2.50 per issue, \$125.00 annually; United States: US\$3.00 per issue, US\$150.00 annually; Other Countries: US\$3.50 per issue, US\$175.00. To subscribe: send money order or cheque payable to the Receiver General for Canada/Publication Sales, Statistics Canada, Ottawa, Ontario K1A 0T6. To order by telephone dial: 1-800-267-6677 within Canada or 613-951-7277 from all other countries.

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