



IN·F·O·M·A·T

A WEEKLY REVIEW

Friday, June 21, 1991

OVERVIEW

■ Recession Extends to a Full Year

GDP at 1986 prices dropped 1.2% in the first quarter of 1991, the fourth consecutive quarterly decline.

■ Current Account Deficit Remains Unchanged

In the first quarter of 1991, the seasonally adjusted current account deficit amounted to \$5.4 billion, unchanged from the previous quarter and down \$0.8 billion from the record deficit of the first quarter of 1990.

■ Non-financial Government Enterprises Increase Their Demand for Funds

The 6.5% rise in total borrowing by domestic non-financial sectors was attributable to stronger demand by non-financial government enterprises.

■ Operating Profits Drop Sharply

Operating profits of financial and non-financial industries dropped 15.9% in the first quarter of 1991, the eighth fall in the past nine quarters.

■ Manufacturing Shipments Continue to Rise

Manufacturing shipments increased in April for the second month in a row. Gains were widespread as 19 of the 22 major groups contributed to the rise.

■ Turnaround in Exports and Imports

In April, total merchandise exports rose 4.5%, the second increase in six months. Imports advanced 6.5% following drops in March and February.

■ Tobacco Taxes push up Consumer Price Index

The Consumer Price Index rose 0.5% in May. An increase in the index for tobacco products and alcoholic beverages had the largest upward impact on the All-items CPI.

Recession Extends to a Full Year

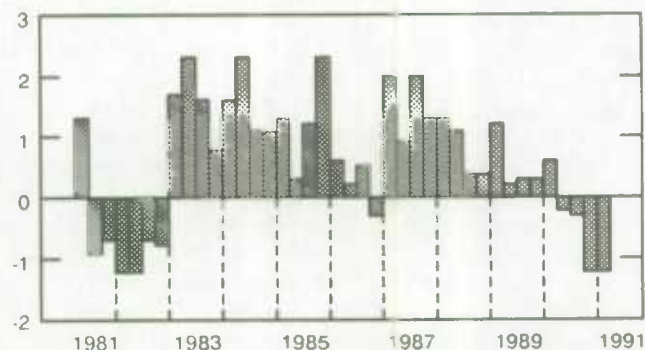
Gross domestic product at 1986 prices dropped 1.2% in the first quarter of 1991, following declines of 1.2% in the fourth, 0.3% in the third, and 0.2% in the second quarter of 1990.

Personal expenditure declined 2.0% in volume terms during the quarter, the largest decrease on a quarterly basis since early 1982. Much of the drop was attributable to the real income loss associated with the advent of the GST, as consumer prices jumped 2.7%. Business residential construction activity fell 6.6% in the first quarter. It was the fifth consecutive decrease and again, the largest on a quarterly basis since 1982. Business investment spending on plant and equipment strengthened moderately after declining through most of 1990. Business non-farm inventories accumulated substantially, following four consecutive quarters of liquidation. Wholesale trade accounted for most of the reversal, as merchants

(continued on page 2)

GDP at 1986 Prices

% change, previous quarter



... Recession Extends to a Full Year

rebuilt stocks drawn down to unusually low levels in the fourth quarter. The volume of goods and services exported decreased 1.9%, while imports declined 1.3%.

Wages, salaries and supplementary labour income decreased 0.1% in the quarter, bringing labour income to a level just 3.1% above that of the first quarter of 1990. The drop was due to a 1.5% cut in paid worker employment, the fourth consecutive quarterly decline and the sharpest job loss since the recession began. Corporation profits before taxes fell 27.9% in the quarter to \$29.6 billion, their lowest level since the fourth quarter of 1982.

Current Account Deficit Remains Unchanged

New Treatment for Recording Migrants' Funds

The measurement of migrants' funds in the Current Account is changed to record only funds in possession at the time of migration, instead of the net worth which was previously recorded. Funds in possession represent a small part of the net worth and, consequently, the net transfer receipts recorded from migration are now considerably lower. This leads to an increase of \$5.5 billion in the current account deficit in 1990 and \$4.7 billion in 1989. The increase in 1980, the first year for which the change was implemented, was \$0.7 billion. Offsetting changes were also made to the capital account from 1980.

A note on this new treatment is available upon request, at 613-951-9055, and will be included in "Canada's Balance of International Payments, First Quarter 1991", cat. 67-001.

In the first quarter, the seasonally adjusted current account deficit amounted to \$5.4 billion, unchanged from the previous quarter and down \$0.8 billion from the record deficit of the first quarter of 1990. The merchandise trade surplus narrowed again to reach \$2.5 billion, still higher than surpluses recorded in 1989 and 1990. Merchandise exports and imports dropped sharply, the third consecutive decline in exports, and for imports, the largest drop since 1982. The deficit on non-merchandise transactions continued to decline from its second quarter 1990 peak. As a result of the Gulf War, which reduced flights taken abroad, the deficit on travel fell to \$1.2 billion, the lowest deficit since the fourth quarter of 1989. However, one-day trips to the United States continued to increase. The deficit on investment income was slightly lower while the transfers balance shifted from a deficit to a surplus as a result of more funds brought to Canada by immigrants.

Interest and miscellaneous investment income fell 1.4% during the quarter reflecting, in particular, lower government investment income and reduced interest rates paid on personal deposits. Farm income rose sharply after declining in the second half of 1990. Personal income, heavily affected by the lack of growth in wages, salaries and supplementary labour income, rose just 0.4% and personal disposable income grew by the same amount.

For further information, order National Income and Expenditure Accounts (catalogue number 13-001) or contact Income and Expenditure Accounts Division at (613) 951-3817.

Current Account Balances

(billions of dollars, seasonally adjusted)

	1990				1991
	Q1	Q2	Q3	Q4	Q1
Merchandise	1.9	3.1	3.2	2.7	2.5
Services	-2.2	-2.1	-2.2	-2.3	-2.4
Investment income	-5.3	-6.8	-6.2	-5.7	-5.6
Transfers	-0.6	0.3	0.2	-0.1	0.1
Current Account Balance	-6.2	-5.4	-5.0	-5.4	-5.4

In the capital account, which is not seasonally adjusted, an increase of \$2.4 billion (to \$7.3 billion) in foreign investment in Canadian bonds occurred as a result of record new issues sold abroad. This was partly offset by large retirements and a net sell-off of outstanding Canadian bonds. Canadian chartered banks channelled a record \$8.3 billion of funds into Canada through their foreign operations. These net inflows, however, were offset by non-residents reducing their holdings of both Canadian money market instruments and equities. A net outflow of \$2.6 billion, the second largest on record, resulted from Canadian residents increasing their deposits abroad. The Canadian dollar remained fairly stable against the United States dollar, averaging 86.52 U.S. cents. However, it appreciated quite substantially against other currencies.

For further information, order Balance of International Payments (catalogue number 67-001) or contact Balance of Payments Division at (613) 951-9055.

Non-financial Government Enterprises Increase Their Demand for Funds

In the first quarter, funds raised by domestic non-financial sectors rose 6.5%, the third consecutive quarterly increase. A 70.8% rise in demand by non-financial government enterprises accounted for the difference, as all the other sectors showed little change.

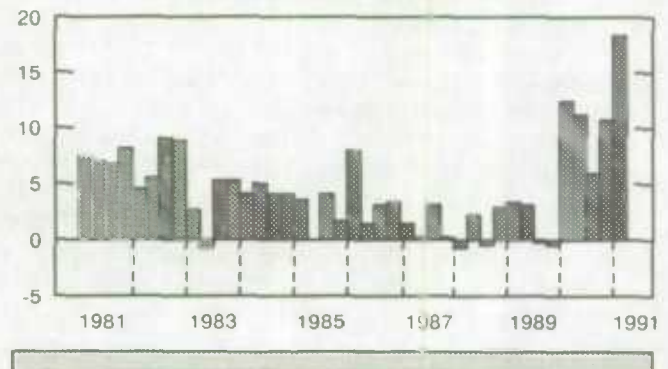
Demand for funds by the federal government was up 5.9%, following a 4.6% fall last quarter. The first quarter of 1991 level (\$35.2 billion) is more than eight times that of the first quarter of 1990 (\$4.3 billion). Borrowing by other levels of government declined 12.2% to \$12.7 billion, leaving total government borrowing unchanged.

Non-financial private corporations posted a 2.0% advance in their demand for funds, the second straight increase, but remained 25.8% below the first quarter 1990 level. The most important source of funds were bank loans, which jumped from \$1.5 billion last quarter to \$20.9 billion this quarter, reflecting declining interest rates.

Borrowing by the personal sector remained weak. Net new mortgage and consumer credit borrowing showed almost no change from the

Total Funds Raised by Non-financial Government Business Enterprises

Billions of dollars, seasonally adjusted at annual rates



previous two quarters, remaining at about half of their year-earlier levels. The ratio of debt to income remained at a plateau near 79%, after rising from 60% in 1984.

For further information, order *Financial Flow Accounts* (catalogue number 13-014) or contact *Financial Flows Section* at (613) 951-9043.

Operating Profits Drop Sharply

Seasonally adjusted operating profits of financial and non-financial enterprises dropped 15.9% in the first quarter of 1991. Operating profits are now \$12.3 billion, just over half of the fourth quarter 1988 peak of \$22.9 billion. During the 1981-82 recession, the lowest profit level reached was \$11.1 billion in the second quarter of 1982.

Operating profits in the non-financial industries plunged 27% to \$8.2 billion, the eighth drop in the past nine quarters. This decrease accounted for over 30% of the cumulative drop since the fourth quarter 1988 peak. Due to falling crude oil prices, the operating profits of the petroleum and natural gas industry were down 59% to \$1.1 billion, following a 20% increase last quarter. In the consumer goods and services industry, operating profits fell 44% to \$0.5 billion. Over the 1988-89 period, profits in this industry averaged \$1.5 billion. Operating profits in

the motor vehicles, parts and tires industry dropped to a loss of \$8 million, the largest loss of the past 10 years. In the fourth quarter 1988, profits peaked at \$1.1 billion and have been falling steadily since.

In the financial industries, property and casualty insurers posted a 16% loss (to \$414 million), following a 56% gain in the fourth quarter of 1990. Trust companies posted an 84% increase in operating profits, following a 35% drop in the fourth quarter. Current profits are comparable to the average quarterly profits registered in 1989.

Profitability, as measured by the rate of return on shareholders' equity, continued to decline, falling a further 0.3 percentage points to 2.2%. Over the 1988 to 1989 period this ratio averaged 10.6%.

The debt to equity ratio (an indicator of solvency) rose to 1.06 from 1.05, well below the 1.23 level reached during the 1981-82 recession.

For further information, contact *Industrial Organization and Finance Division* at (613) 951-9843.

Manufacturing Shipments Continue to Rise

In April, Canadian manufacturers' shipments rose 2.2% to \$23.2 billion, the second straight increase following decreases in the four previous months. Gains were widespread as 19 of the 22 major groups registered increases. Three industries accounted for most of the overall gain in shipments. The chemical and chemical products industry posted a 6.9% increase in shipments following five straight declines. The primary metals industry registered a 7.8% gain, following losses in February and March. After falling from November to February and rising in March, shipments in the transportation equipment industry were up 2.4% in April.

For the first month since August 1990, unfilled orders increased. The 1.4% advance pushed the

Manufacturers' Shipments, April 1991

Unadjusted Data

	Total	
	\$ millions	% change previous year
Province		
Canada	23,797	-2.8
Newfoundland	103	-10.8
Prince Edward Island	25	-7.4
Nova Scotia	451	0.8
New Brunswick	460	-6.7
Quebec	5,755	-2.6
Ontario	12,689	-2.4
Manitoba	510	-13.1
Saskatchewan	311	-2.2
Alberta	1,574	1.8
British Columbia	1,913	-6.6

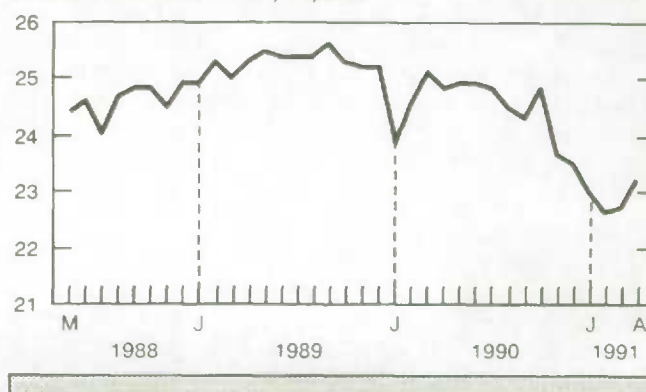
Turnaround in Exports and Imports

In April, total merchandise exports rose 4.5% to a level of \$12.0 billion, the second increase in six months. After rising 15.7% in March, exports of automotive products were up 12.3% in April, despite lower car sales in the United States and temporary plant shut-downs in Canada. The machinery and equipment sector registered a 2.0% increase, reflecting a gain in exports of television and telecommunication equipment. This advance follows a 2.6% loss in March.

Imports advanced in April to reach \$11.2 billion. The 6.5% gain followed declines in March (1.2%) and in February (4.5%). Higher import levels in

Manufacturers' Shipments

Billions of dollars, seasonally adjusted



level to \$25.2 billion and was mainly due to the transportation equipment industry which also posted its first rise in eight months. New orders climbed 5.0% in April, the largest gain since March 1988.

Inventory levels dropped 1.3% in April to \$36.7 billion. The fall was mainly attributable to the refined petroleum and coal products industry, which registered a fourth consecutive decline, and to lower levels in the transportation equipment industry.

The inventories to shipments ratio decreased from 1.64 in March to 1.58 in April, the second consecutive decline.

For further information, order *Monthly Survey of Manufacturing* (catalogue number 31-001) or contact Industry Division at (613) 951-9832. (See also "Current Trends" chart on page 6.)

industrial goods and materials (13.4%), machinery and equipment (7.2%) and motor vehicle parts (16.3%) contributed to the overall gain in merchandise imports.

The larger increase in imports relative to exports caused the trade surplus to fall by 15.2% to a level of \$892 million. Surpluses with the United States and Japan contrasted with deficits with other major trading partners.

For further information, order *Preliminary Statement of Canadian International Trade* (catalogue number 65-001P) or contact International Trade Division at (613) 951-9647. (See also "Current Trends" chart on page 6.)

Tobacco Taxes Push up Consumer Price Index

In May, the Consumer Price Index (1986=100) rose by 0.5% to a level of 126.1 after having shown no movement in April. Six of the seven major components registered increases.

The index for tobacco products and alcoholic beverages, which advanced 3.1%, had the largest upward impact on the All-items index. Most of the rise was attributable to a 6.1% jump in the tobacco products index resulting from provincial tax increases in Quebec and Ontario. The alcoholic beverages index was up 0.7%. Price increases for wines and liquor purchased from stores were noted in most provinces.

Following three consecutive monthly declines, the transportation index was up 0.7%. The rise was largely due to an average increase of 4.7% in gas prices associated with the end of price wars in Alberta, Southern Ontario and Saskatchewan. A 3.7% drop in air fares had a dampening effect on the transportation index.

In May, the housing index posted its second straight gain, 0.3%, the largest registered since January. Higher charges for rented accommodation, electricity, selected household operation items and traveller accommodation were mainly responsible for the rise.

The food index, which has been rising since December 1990, increased 0.2% largely due to a rise in the fresh fruits and fresh vegetables indexes. Due to a shortage of supply, higher prices for salad-type vegetables, apples and bananas were responsible for the advance.

Increases in the recreation, reading and education index (0.2%) and in the health and personal care index (0.2%) contributed marginally to the overall rise in the all-items excluding food index.

The clothing index fell by 0.2%, the second straight decline following three consecutive increases. A decrease in the price of women's wear was virtually offset by rises in the prices of men's, girl's and boy's apparel.

For further information, order Consumer Price Index (catalogue number 62-001) or contact Prices Division at (613) 951-9606. (See also "Current Trends" chart on page 6.)

PROVINCIAL PERSPECTIVES

The Consumer Price Index, Percent Change, May 1991/1990

Province/Territory	All-items	Food	Energy	All items excluding Food and energy	Housing
Canada	6.2	6.3	5.6	6.2	4.4
Newfoundland	7.7	7.3	9.5	7.6	6.9
Prince Edward Island	7.8	7.4	11.2	7.4	5.4
Nova Scotia	6.5	6.0	9.8	6.2	5.2
New Brunswick	7.2	5.2	8.7	7.5	6.9
Quebec	8.0	5.3	8.6	8.7	7.1
Ontario	5.3	5.8	5.8	5.1	2.9
Manitoba	5.4	5.8	3.4	5.5	5.4
Saskatchewan	6.7	9.6	2.1	6.5	4.8
Alberta	6.6	8.1	-0.1	6.9	5.1
British Columbia	5.6	8.6	2.5	5.2	3.2
Yukon	7.0	4.0	11.3	7.3	6.2
Northwest Territories	7.0	6.5	10.1	6.8	4.7

* Data are not seasonally adjusted.

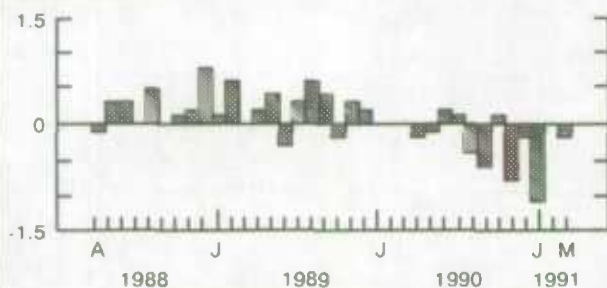
PUBLICATIONS RELEASED FROM JUNE 14 TO 20, 1991

Division/title	Period	Catalogue Number	Price: Issue/Subscription		
			Canada (\$Cdn.)	United States	Other Countries
			\$US		
AGRICULTURE					
Agriculture Economic Statistics	June 1991	21-603E	21	25	29.50
Farm Product Price Index	April 1991	62-003	7.10/71	8.50/85	9.90/99
The Dairy Review	April 1991	23-001	12.20/122	14.60/146	17.10/171
EDUCATION, CULTURE AND TOURISM					
Touriscope – International Travel – Advance Information	April 1991	66-001P	6.10/61	7.30/73	8.50/85
HOUSEHOLD SURVEYS					
The Labour Force	May 1991	71-001	17.90/179	21.50/215	25.10/251
INDUSTRY					
Canned and Frozen Fruits and Vegetables – Monthly	January 1991	32-011	5/50	6/60	7/70
Coal and Coke Statistics	March 1991	45-002	10/100	12/120	14/140
Crude Petroleum and Natural Gas Production	February 1991	26-006	10/100	12/120	14/140
Monthly Production of Soft Drinks	May 1991	32-001	2.70/27	3.20/32	3.80/38
Oil Pipe Line Transport	March 1991	55-001	10/100	12/120	14/140
Oils and Fats	April 1991	32-006	5/50	6/60	7/70
Particleboard, Waferboard and Fibreboard	April 1991	36-003	5/50	6/60	7/70
Primary Iron and Steel	April 1991	41-001	5/50	6/60	7/70
Production and Shipments of Blow-Moulded Plastic Bottles	Quarter Ended March 31, 1991	47-006	6.75/27	8/32	9.50/38
Production and Shipments of Steel Pipe and Tubing	April 1991	41-011	5/50	6/60	7/70
Pulpwood and Wood Residue Statistics	April 1991	25-001	6.10/61	7.30/73	8.50/85
Quarterly Shipments of Office Furniture Products	Quarter Ended March 31, 1991	35-006	6.75/27	8/32	9.50/38
Wholesale Trade	March 1991	63-008	14.40/144	17.30/173	20.20/202
JUSTICE					
Juristat Service Bulletin – Canadian Centre for Justice Statistics	Vol. 11, No. 10	85-002	3.60/90	4.30/108	5/126
LABOUR					
Employment, Earnings and Hours	March 1991	72-002	38.50/385	46.20/462	53.90/539
Unemployment Insurance Statistics	March 1991	73-001	14.70/147	17.60/176	20.60/206
PRICES					
The Consumer Price Index	May 1991	62-001	9.30/93	11.20/112	13/130
SERVICES, SCIENCE AND TECHNOLOGY					
Restaurant, Caterer and Tavern Statistics	March 1991	63-011	6.10/61	7.30/73	8.50/85
TRANSPORTATION					
Passenger Bus and Urban Transit Statistics	February 1991	53-003	7.10/71	8.50/85	9.90/99
Railway Carloadings	April 1991	52-001	8.30/83	10/100	11.60/116

CURRENT TRENDS

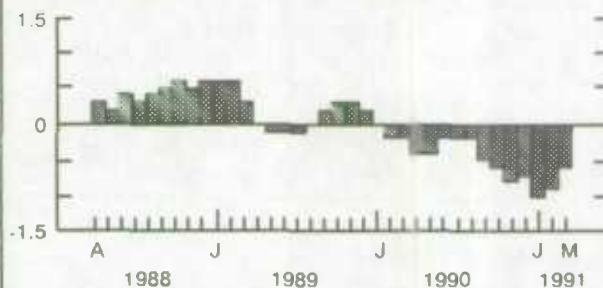
Gross Domestic Product

% change,
previous month



Composite Leading Indicator

% change,
previous month



Consumer Price Index

% change,
previous year



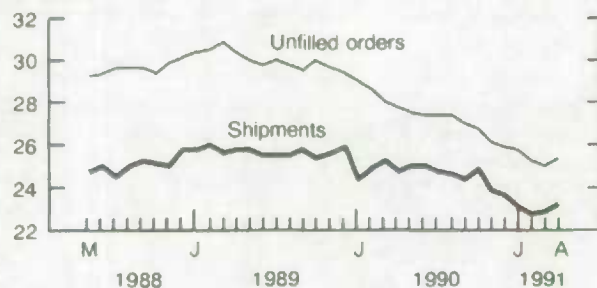
Unemployment Rate

%



Manufacturing

Billions
of dollars



Merchandise Trade

Billions
of dollars



Note: 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)	March	496	-0.2%	-3.2%
Composite Leading Indicator (1981 = 100)	March	136.2	-0.6%	-6.3%
Profits of Industrial Corporations (\$ billion)	1st Quarter*	12.3	-15.9%	-28.9%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	March	14.6	-1.3%	-9.1%
New Motor Vehicle Sales ('000 units)	April	106.8	6.8%	-3.9%
LABOUR				
Employment (millions)	May	12.4	0.3%	-1.8%
Unemployment Rate (%)	May	10.3	0.1	2.6
Participation Rate (%)	May	66.5	0.1	-0.4
Labour Income (\$ billion)	February	31.7	-0.3%	2.1%
Average Weekly Earnings (\$)	March	532.22	0.7%	5.9%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	March	11.2	-0.2%	-9.9%
Merchandise Imports (\$ billion)	March	10.0	-4.6%	-11.9%
Merchandise Trade Balance (\$ billion)	March	1.2	0.5	0.1
MANUFACTURING				
Shipments (\$ billion)	April*	23.2	2.2%	-5.9%
New Orders (\$ billion)	April*	23.5	5.0%	-3.5%
Unfilled Orders (\$ billion)	April*	25.2	1.4%	-8.8%
Inventory/ Shipments Ratio	April*	1.58	-0.06	0.01
Capacity Utilization (%)	4th Quarter	74	-3.6	-7.8
PRICES				
Consumer Price Index (1986 = 100)	May*	126.1	0.5%	6.2%
Industrial Product Price Index (1986 = 100)	April	109.7	-0.3%	0.5%
Raw Materials Price Index (1986 = 100)	April	103.3	-1.4%	-2.6%
New Housing Price Index (1986 = 100)	April	130.2	-0.3%	-10.9%

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

A Weekly Review

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Senior Editor: Greg Thomson (613) 951-1116

Editor: Alison Gardner (613) 951-1197

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