



# IN·F·O·M·A·T

## A WEEKLY REVIEW

Friday, September 6, 1991

### OVERVIEW

#### ■ Growth in Leading Indicator Accelerates

The composite leading indicator rose 0.9% in June, up from 0.7% in May and 0.2% in April. This accelerated increase follows 14 monthly declines.

#### ■ Demand for Labour Flat

The Help-wanted Index for Canada was unchanged at 77 in August, following a 2.7% increase in July.

#### ■ Turnaround in Economic Growth

Gross domestic product at 1986 prices rose 1.2% in the second quarter of 1991, following four quarters of decline.

#### ■ Monthly GDP Growth Slows

Real Gross Domestic Product at factor cost slowed to an advance of 0.1% in June, following strong growth of 1.1% in April and 0.4% in May.

#### ■ Current Account Deficit Remains Unchanged

In the second quarter of 1991, the current account deficit amounted to \$5.5 billion, unchanged from the previous quarter.

#### ■ Funds Raised by Domestic Non-financial Sectors Drop

Following three straight quarterly increases, funds raised by domestic non-financial sectors dropped 25.6% to \$94 billion, in the second quarter.

#### ■ Year-over-year Increase in CPI Expected to Remain Unchanged

The Short-term Expectations Survey mean forecast of the August year-over-year change in the Consumer Price Index is 5.8%, similar to the actual value recorded in July.

### Growth in Leading Indicator Accelerates

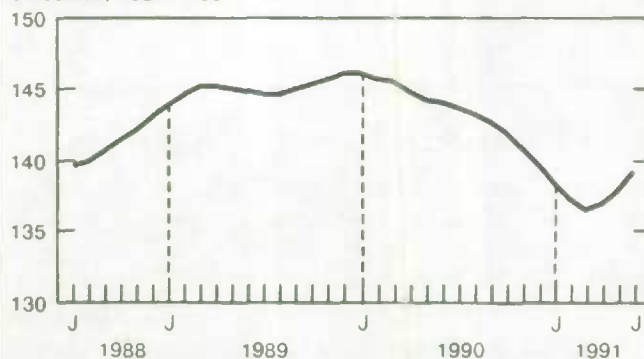
The composite leading indicator rose 0.9% in June, accelerating from growth of 0.7% in May and 0.2% in April. These are the first increases following 14 monthly declines.

The indicators of household demand continued to recover although the improvement remained narrowly-based. The housing index was up 6.5%, the third consecutive advance after a year of declines. Housing starts led the gain, but in central Canada growth declined as sales of existing homes slowed. The demand for furniture and appliances fell (-0.2%) for the sixth straight month, moderating from drops of 0.3% in May and 0.8% in April. Sales of other durable goods rose for the second consecutive month, largely due to auto sales.

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#### Composite Leading Indicator

Smoothed, 1981 = 100



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### ... Growth in Leading Indicator Accelerates

New orders for durable goods strengthened, up 1.9% in June after registering in May their first increase since August 1990. Growth remained concentrated in industries related to autos and housing. The ratio of shipments to inventories rose for the second straight month, led by shipments of wood and cars. The average workweek registered a slight advance, the first gain since late 1988.

The TSE 300 index posted a fifth straight gain, and the money supply rose for the third consecutive month.

The U.S. leading indicator was up (0.5%) in June, for the third month in a row.

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

### Demand for Labour Flat

In August, the Help-wanted Index (1981=100), which serves as an indicator of the demand for labour, remained unchanged at 77. After reaching a peak of 157 in April 1989, the Help-wanted Index for Canada declined to a low of 74 in March 1991 and showed small increases in May and July. In August, the index was up in the Atlantic and the Prairie provinces, down in British Columbia and Quebec and was unchanged in Ontario.

The help-wanted index for the Atlantic provinces posted a 9.6% advance to reach 114 in August, following two monthly declines. The Prairie provinces index was up to 54. The 5.9% gain was only the second increase in the past 12 months.

#### Help-wanted Index (1981 = 100)

August, 1991

	Index	% change, previous month	% change, previous year
Canada	77	0.0	-31.3
Atlantic	114	9.6	-27.4
Quebec	83	-3.5	-32.0
Ontario	74	0.0	-30.8
Prairies	54	5.9	-29.9
British Columbia	82	-3.5	-31.0

#### Help-wanted Index, Canada



In British Columbia, the help-wanted index edged down 3.5% to 82, returning to the level recorded in June. The index was also lower in Quebec; the 3.5% decrease returned the level to 83, virtually offsetting the gain posted in July. The Ontario index was unchanged at 74, following increases in July (5.7%) and June (6.1%).

For further information, contact Labour Division at (613) 951-4039.

### Turnaround in Economic Growth

Real gross domestic product rose 1.2% in the second quarter of 1991. This represents the first increase following four consecutive quarters of decline. Despite the rise in the quarter, real GDP remained 1.5% below its year-earlier level.

Personal expenditure on consumer goods and services rose substantially, recovering from a sharp drop in the first quarter. In volume terms, spending on durable and semi-durable goods rebounded 6.5% and 2.0% respectively, while expenditures for non-durable goods and services grew more moderately. Business residential construction activity rose 4.9% in the second quarter, the first increase following

five quarters of decline. Business investment spending on plant and equipment increased marginally, after a similar upturn in the first quarter. After registering a significant accumulation in the first quarter, business non-farm inventories dropped in the second quarter. The decline reasserted a pattern of liquidation evident throughout 1990. The volume of goods and services exported climbed 5.1% and imports recorded a 3.0% advance.

Among incomes, wages, salaries and supplementary labour income increased 1.4% in the quarter. This was due to higher earnings per employee, as the level of paid worker employment remained essentially unchanged. Corporation

(continued on page 3)



### ... Turnaround in Economic Growth

profits before taxes rose 8.8%, bringing the profits-to-GDP ratio up slightly to 4.7% after it had reached the lowest post-war value in the first quarter. Interest and miscellaneous investment income was down 3.2% mainly due to reduced interest rates paid on personal deposits and lower earnings by some government business enterprises. After declining in the second half of 1990, farm income rose for the second quarter in a row. Net income of non-farm unincorporated business was also up, largely because of special federal subsidies paid to small businesses to assist with the introduction of the GST.

Personal income grew 1.7% in the quarter. Higher government transfer payments due to the GST low-income credit and the unemployment insurance program were major contributors. Disposable (after-tax) income was up 1.6% over the first quarter.

### Monthly GDP Growth Slows

Real gross domestic product at factor cost slowed to an advance of 0.1% in June, following exceptionally strong growth of 1.1% in April and 0.4% in May. Gains recorded in goods-producing industries were partly offset by slightly lower output in services-producing industries.

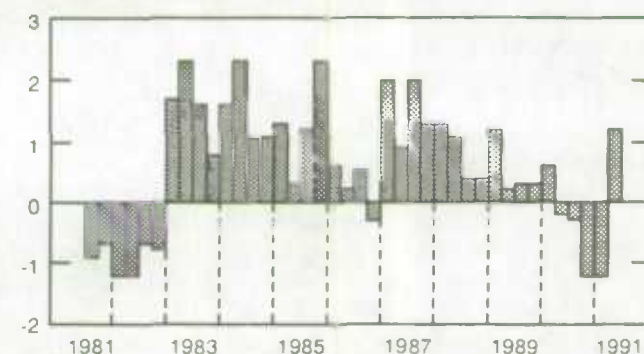
Goods production was up for the third straight month following nine consecutive monthly declines. Manufacturing and construction posted the largest gains in the goods-producing sector.

In June, growth in manufacturing output slowed to 0.5% from increases of 0.7% in May and 2.3% in April. This slackening was confined to manufacturers of durable goods, notably autos where production growth was much slower than it had been in recent months. Construction activity accelerated in June. Output rose 1.1% compared to advances of 0.5% in May and 0.2% in April that followed six months of decline. Residential construction recorded a strong gain reflecting sharply higher activity on singles, while construction of non-residential buildings edged down as the long-term downtrend continued another month. Following a decline in May, forestry rose sharply to resume its four-month-old recovery and mining output advanced for a second consecutive month. Output declined in fishing, agriculture and utilities.

Output of services-producing industries edged down 0.1% in June, following advances in the four previous months. Small declines were widespread in contrast to May when trade and transportation industries accounted for most of the increase.

### GDP at 1986 Prices

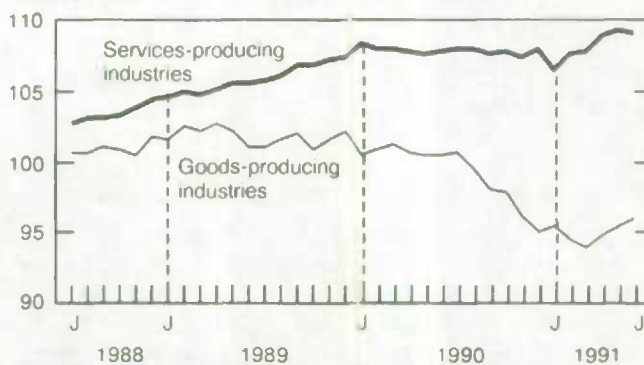
% change, previous quarter



For further information, order *National Income and Expenditure Accounts* (catalogue number 13-001) or contact *Income and Expenditure Accounts Division* (613) 951-3803.

### Output by Sector

January 1988 = 100



Decreases were recorded in community, business and personal services and the communication, finance and retail trade industries. The latter decline followed advances in May and April. Substantial increases in production were recorded in goods-handling services such as transportation and wholesale trade.

For further information, order *Gross Domestic Product by Industry* (catalogue number 15-001) or contact *Industry Measures and Analysis Division* at (613) 951-9164. (See also "Current Trends" chart on page 6.)

## Current Account Deficit Remains Unchanged

In the second quarter, the seasonally adjusted current account deficit amounted to \$5.5 billion, unchanged from the previous quarter. Led by auto products, the merchandise trade surplus rebounded to \$3.0 billion after having narrowed in the two previous quarters. Merchandise exports registered a 2.3% advance to reach \$35.6 billion, a shift from the declines of the previous three quarters. Imports were up 1.2% to \$32.6 billion, also following three consecutive quarterly declines. The deficit on non-merchandise transactions was up, reflecting higher dividend payments and a resumption in the pattern of record deficits in travel. The increase was mainly due to higher expenses for travel in the United States, including one-day visits, and followed a smaller deficit in the previous quarter when flights abroad were reduced, seemingly because of the Gulf War.

In the capital account, which is not seasonally adjusted, foreign net investment in Canadian bonds amounted to \$6.1 billion, mainly channelled into new bonds issued by the provinces, their enterprises

and by corporations. Both Canadian direct and portfolio investors stepped up their investments abroad, but these net outflows were largely offset by a reduction in deposits abroad. The Canadian dollar continued to appreciate against the United States dollar, averaging 87.02 cents; it also appreciated markedly against other major currencies.

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

### Current Account Balances

(billions of dollars, seasonally adjusted)

	1990			1991	
	Q2	Q3	Q4	Q1	Q2
Merchandise	3.1	3.2	2.7	2.6	3.0
Services	-2.1	-2.2	-2.3	-2.4	-2.4
Investment Income	-6.8	-6.2	-5.7	-5.6	-5.8
Transfers	0.3	0.2	-0.1	-0.1	-0.3
<b>Current Account Balance</b>	<b>-5.4</b>	<b>-5.0</b>	<b>-5.4</b>	<b>-5.5</b>	<b>-5.5</b>

## Funds Raised by Domestic Non-financial Sectors Drop

In the second quarter, funds raised by domestic non-financial sectors dropped 25.6% to \$94 billion, following three straight quarterly increases. With the exception of governments, all sectors substantially reduced their demand for funds.

Demand for funds by non-financial private corporations registered the largest drop, plunging 78.5% to \$8 billion. This decrease follows two straight quarterly increases. The decline, most visible in short-term borrowing, was in part attributable to a reduced requirement to finance capital formation and inventory.

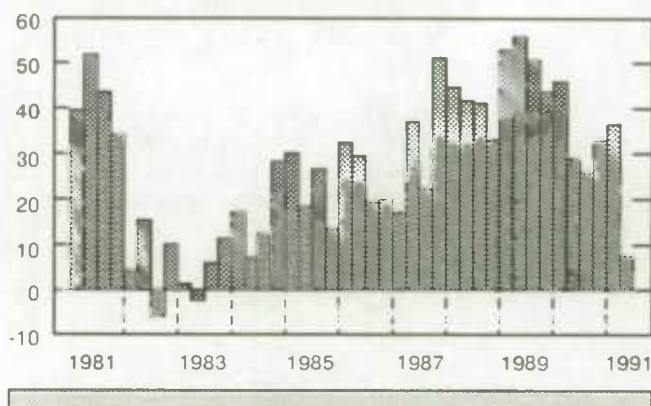
Borrowing by the personal sector continued to weaken in the second quarter, falling 39.9% to \$11 billion. Demand for mortgages remained low, while consumer credit outstanding was reduced.

Demand for funds by non-financial government enterprises moderated from the unusual strength shown in the previous quarter.

An increased debt financing requirement pushed up government borrowing. Although down from last quarter, federal government borrowing remained strong at \$30 billion and provincial

### Funds Raised by Non-financial Private Corporations

\$ billions, seasonally adjusted at annual rates



government borrowing rose sharply. Net new issues of short-term paper raised \$9 billion, in contrast to a net redemption of over \$14 billion in the previous quarter.

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



## Year-over-year Increase in CPI Expected to Remain Unchanged

Since April 1990, Statistics Canada has been canvassing a small number of economists for their monthly forecasts of the year-over-year change in the Consumer Price Index, the unemployment rate and the merchandise trade balance. On average, 23 economists have participated in the survey each month.

The mean forecast of the year-over-year increase in the CPI for August was 5.8%, with minimum and maximum values of 5.5% and 6.1% respectively. Since February 1991, the mean forecast has covered the same range as the actual rate of increase of the CPI (5.8% - 6.3%), but has

tended to slightly underestimate the actual rate. The average forecast for that period was 6.1% compared to 6.2% for the actual rate.

The unemployment rate was expected to be between 10.2% and 10.6% in August, with a mean forecast of 10.4%. The mean forecast for July was equal to the actual rate (10.5%).

The mean forecast for July's trade balance is \$939 million with minimum and maximum values of \$700 million and \$1,200 million. There has been a tendency to underestimate the trade balance, as the average monthly forecast from March 1990 to July 1991 was \$747 million while the corresponding actual average was \$978 million.

For further information, contact Diane Lachapelle at (613) 951-0568.

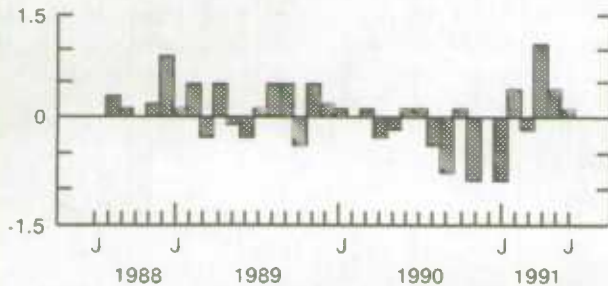
## PUBLICATIONS RELEASED FROM AUG. 30 TO SEPT. 5, 1991

Division/title	Period	Catalogue Number	Price: Issue/Subscription		
			Canada (\$Cdn.)	United States	Other Countries
			\$US		
<b>AGRICULTURE</b>					
Fruit and Vegetable Production	August 1991	22-003	18/72	21.50/86	25.25/101
<b>CANADIAN CENTRE FOR HEALTH INFORMATION</b>					
Health Reports, Volume 3, No. 2	1991	82-003	26/104	31.25/125	36.50/146
<b>INDUSTRY</b>					
Department Store Monthly Sales by Province and Metropolitan Area	June 1991	63-004	2.70/27	3.20/32	3.80/38
Production and Inventories of Process Cheese and Instant Skim Milk Powder	July 1991	32-024	5/50	6/60	7/70
Production, Shipments and Stocks on Hand of Sawmills East of the Rockies	June 1991	35-002	10/100	12/120	14/140
Rigid Insulating Board	July 1991	36-002	5/50	6/60	7/70
<b>INDUSTRIAL ORGANIZATION AND FINANCE</b>					
Quarterly Financial Statistics for Enterprises	Fourth Quarter 1990	61-008	23/92	27.50/110	32.25/129
<b>INTERNATIONAL TRADE</b>					
Summary of Canadian International Trade	June 1991	65-001	18.20/182	21.80/218	25.50/255
<b>LABOUR</b>					
Unemployment Insurance Statistics	June 1991	73-001	14.70/147	17.60/176	20.60/206

## CURRENT TRENDS

### Gross Domestic Product

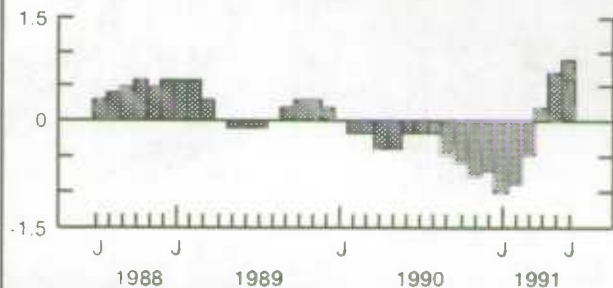
% change,  
previous month



Real GDP at factor cost slowed to an advance of 0.1% in June, following growth of 0.4% in May and 1.1% in April.

### Composite Leading Indicator

% change,  
previous month



The Composite Leading Indicator rose 0.9% in June, accelerating from 0.7% in May and 0.2% in April.

### Consumer Price Index

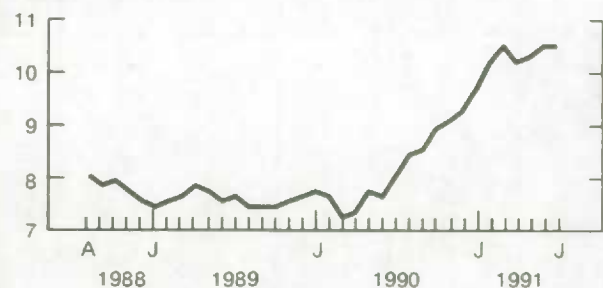
% change,  
previous year



In July, the all-items CPI edged up 0.1% to 126.8, down from the 0.5% monthly gains recorded in June and May.

### Unemployment Rate

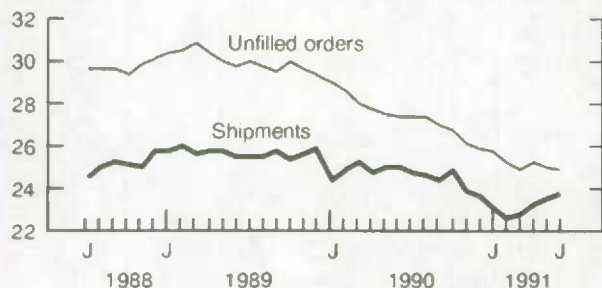
%



In July, the unemployment rate remained unchanged at 10.5%, following two monthly increases.

### Manufacturing

Billions  
of dollars



In June, shipments increased (1.0%) for the fourth consecutive month, while unfilled orders declined 0.5%.

### Merchandise Trade

Billions  
of dollars



In June, exports increased 1.0% and total merchandise imports climbed 4.1%.

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



## LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (\$ billion, 1986)	June*	505	0.1%	-0.8%
Composite Leading Indicator (1981 = 100)	June*	139.0	0.9%	-3.4%
Profits of Industrial Corporations (\$ billion)	1st Quarter	12.3	-15.9%	-28.9%
<b>DOMESTIC DEMAND</b>				
Retail Trade (\$ billion)	June	15.2	0.0%	-4.2%
New Motor Vehicle Sales ('000 units)	June	118.3	6.8%	1.9%
<b>LABOUR</b>				
Employment (millions)	July	12.4	0.1%	-2.0%
Unemployment Rate (%)	July	10.5	0.0	2.5
Participation Rate (%)	July	66.5	-0.1	-0.5
Labour Income (\$ billion)	May	32.2	0.6%	1.8%
Average Weekly Earnings (\$)	June	542.85	1.1%	5.8%
<b>INTERNATIONAL TRADE</b>				
Merchandise Exports (\$ billion)	June	11.8	1.0%	-6.2%
Merchandise Imports (\$ billion)	June	11.0	4.1%	-3.6%
Merchandise Trade Balance (\$ billion)	June	0.9	-0.3	-0.3
<b>MANUFACTURING</b>				
Shipments (\$ billion)	June	23.6	1.0%	-5.4%
New Orders (\$ billion)	June	23.5	1.6%	-5.2%
Unfilled Orders (\$ billion)	June	24.7	-0.5%	-9.5%
Inventory/ Shipments Ratio	June	1.53	-0.03	0.01
Capacity Utilization (%)	1st Quarter	70.5	-4.3	-11.8
<b>PRICES</b>				
Consumer Price Index (1986 = 100)	July	126.8	0.1%	5.8%
Industrial Product Price Index (1986 = 100)	July	108.2	-0.3%	-0.8%
Raw Materials Price Index (1986 = 100)	July	102.8	-1.2%	-0.3%
New Housing Price Index (1986 = 100)	June	131.1	-0.1%	-8.7%

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

*\* New this week.*

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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.

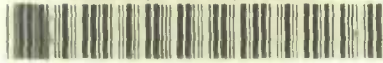
Catalogue: 11-002E. Price: Canada: \$2.50 per issue, \$125.00 per year; United States: US\$3.00 per issue, US\$150.00 per year; Other Countries: US\$3.50 per issue, US\$175.00. To subscribe: send money order or cheque payable to the Receiver General for Canada/Publication Sales, Statistics Canada, Ottawa, 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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