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A Weekly Review

Friday, November 25, 1994

OVERVIEW

■ Foreigners sell more Canadian securities than they buy

Non-residents sold \$1.9 billion more of Canadian securities than they bought in September.

■ Consumers pay less for goods and services

Consumers paid 0.2% less for goods and services in October than they did last month, as well as in October 1993.

■ Merchandise trade surplus grows

Canada's merchandise trade surplus grew by \$300 million in September. While exports rose slightly, imports fell due to declines in autos and energy.

■ Retail sales virtually unchanged

Total retail sales stayed virtually unchanged in September, as spending increases on new motor vehicles offset drops in almost all other sectors.

■ Wholesale trade stable in September

After seven consecutive monthly gains, sales in September were virtually the same (-0.2%) as in August. Despite the slight overall drop, growth continued for suppliers of manufacturers.

■ Personal and corporate income taxes lead growth in federal revenues

As economic recovery takes hold, almost all major groupings of tax revenues are expected to increase during the 1994/95 fiscal year. Personal and corporate income taxes will lead the growth.

Foreigners sell more Canadian securities than they buy

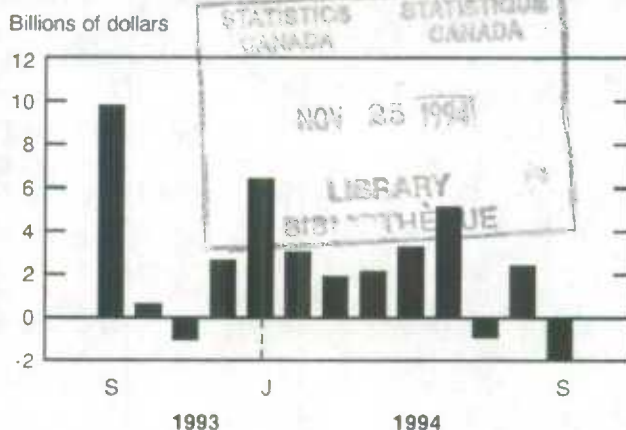
Non-residents sold \$1.9 billion more of Canadian securities than they bought in September. This contrasted with the string of sizeable foreign net investments earlier this year. September's foreign sell-off was concentrated in Canadian bonds and short-term paper, as non-residents continued to be net buyers of Canadian stocks.

Non-residents sold a net \$1.7 billion of Canadian money market instruments. This constituted their third consecutive monthly disinvestment, totalling nearly \$10 billion. September's sell-off was solely in Government of Canada paper and was led by U.S. investors.

In the bonds market, foreigners – mostly from the United Kingdom and the United States – have reduced their holdings of Canadian bonds by \$0.9 billion. They

(continued on page 2)

Foreign investment in Canadian securities*



* Includes bonds, stocks and money market paper

... Foreigners sell more Canadian securities than they buy

sold off \$1.1 billion of existing bonds, mainly federal issues, bringing net selling to more than \$9 billion for the first nine months of 1994. This is a major turnaround from foreign net buying of nearly \$7 billion over the same period in 1993.

After borrowing a massive \$13.5 billion in international markets in the previous two months, Canadian borrowers reduced their financing from abroad to \$2.3 billion, one of the lowest levels in over a year. These proceeds were just sufficient to meet the \$2.2 billion of foreign-held bonds which matured in September.

Foreign demand for Canadian stocks showed no signs of letting up. Non-residents purchased a further \$0.7 billion more than they sold, which brought to over \$6 billion their net investment for

the year. For the third consecutive month, the net buying continued to come from the United States. This contrasts with the first six months of 1994, when overseas investors accounted for one-third of net buying.

Canadian investors sold a net \$0.2 billion of foreign securities in September. This net disinvestment was entirely accounted for by a \$0.9 billion sale of foreign bonds. As in the previous two years, Canadians continued to invest in foreign stocks, acquiring in September a further \$0.7 billion, mainly in overseas stocks. This brought to \$6.1 billion their total net investment in foreign stocks so far this year.

For further information, order Canada's international transactions in securities (catalogue 67-002) or contact Balance of Payments Division at (613) 951-1864.

Consumers pay less for goods and services

For the second time this year, consumers paid 0.2% less for goods and services than they did the same month last year. These two months – May and October – mark the only annual declines in the CPI since the 1950s.

Tobacco products, subject to major tax reductions earlier this year, exerted the largest downward pressure. If tobacco products were excluded, the CPI would have risen 1.3%. Similarly, lower interest rates over the last winter contributed to pushing down mortgage interest costs. Annual price declines were also observed for fresh produce, personal care supplies, and gasoline. Items which cost more included new motor vehicles, vehicle insurance, tuition fees, rent, recreation, air fares, coffee, and restaurant meals.

Across Canada, changes in the all-items CPI compared with the same month last year varied from a decline of 1.6% in Montréal to a rise of 2.3% in Victoria.

On a monthly basis, consumer prices declined 0.2% in October after a 0.1% rise in September. Average prices in three of the seven major expenditure categories decreased, three increased and one remained unchanged. The most significant downward pressure came from transportation-related charges. This was somewhat offset by a rise in food prices. Housing costs stayed flat overall, even though there were major price changes in some components.

Transportation costs dropped 0.8% in October, with most of the decrease attributable to a 4.2% decline in gasoline prices. Price wars between retailers intensified in Montréal, Toronto, Edmonton, and Québec City. Air fares showed a 2.2% monthly decline but, because of unusually large summer increases, were 10.8% higher than a year earlier.

Food prices jumped 0.2%, with the cost of both store-purchased food and restaurant meals on the rise. As is usual in October, consumers paid more for a variety of fresh vegetables. Coffee prices reached an all-time high as the effects of unfavourable weather during the summer in Brazil were still being felt. On the other hand, consumers benefited from lower prices on fruit, chicken, and turkey.

Housing costs remained unchanged, following a 0.3% increase in September. The 1.3% rise in property taxes, coupled with a 0.4% jump in mortgage interest costs, offset seasonal drops in hotel and motel rates as well as declines in furniture prices and fuel oil costs.

Across the country, monthly changes to the CPI ranged from a drop of 0.5% in Edmonton to a rise of 0.4% in Victoria.

For further information, order The consumer price index (catalogue 62-001) or contact Prices Division at (613) 951-9606. (See also "Current trends" on page 8.)

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PROVINCIAL PERSPECTIVES

The Consumer price index*, October 1994

% change, previous year

Province/territory	All-items	Food	Energy	Housing	Transportation
Canada	-0.2	0.7	0.2	0.2	4.5
Newfoundland	0.9	0.6	2.2	-0.5	8.2
Prince Edward Island	-0.7	-0.1	0.3	0.5	5.7
Nova Scotia	0.2	3.5	-1.3	-0.2	5.2
New Brunswick	0.6	2.8	1.4	0.4	6.5
Quebec	-1.5	0.9	-1.8	0.2	2.7
Ontario	-0.4	-0.2	-1.0	-0.1	4.4
Manitoba	1.2	0.5	6.9	0.9	5.6
Saskatchewan	1.4	1.7	5.3	0.7	5.7
Alberta	1.6	2.2	3.5	0.7	4.9
British Columbia	1.7	1.2	4.2	0.1	6.5
Whitehorse	1.7	-1.7	7.6	2.3	5.2
Yellowknife	1.8	3.1	3.1	0.1	6.7

* Data are not seasonally adjusted.

Merchandise trade surplus grows

Canada's merchandise trade surplus grew from \$1.3 billion in August to \$1.6 billion in September. While exports rose slightly from last month's level, imports fell by \$204 million, due to declines in autos and energy.

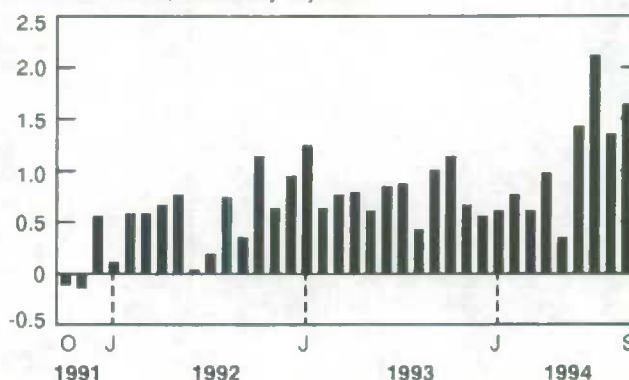
The increase in September's exports was 0.5% and comprised offsetting rises and falls in various industries. Machinery and equipment's healthy growth (3.6%) was counterbalanced by declines in other sectors, particularly in energy products and precious metals.

Topping the list in machinery and equipment were exports of aircraft and other transportation equipment, followed by office machines and specialized equipment and tools. Within energy products, natural gas exports continued to grow, as suppliers geared up to meet demands this fall. However, crude and refined petroleum exports were down along with coal, which fell because of declining purchases from Japan. Precious metals exports dropped steeply for the second month in a row.

In the wake of August's greater-than-normal surge in automotive imports, levels in September appeared low by comparison. However, total automotive imports still stood 12% higher than a year earlier. Over the past year, growth has been particularly steady in the case of trucks and parts.

Balance of trade

Billions of dollars, seasonally adjusted



Machinery and equipment imports, which have grown steadily for three years, got an extra boost this month from communications equipment and from metals-working machinery. Orders for U.S.-made tools were correspondingly high in the month. Growing office machine imports (up 22% since January) seem in line with a recent Canadian study suggesting computer product sales will grow 18% this year. Imports of most agricultural products sagged, as did crude petroleum.

For further information, order Canadian international merchandise trade (catalogue 65-001) or contact International Trade Division at (613) 951-9647. (See also "Current trends" on page 8.)

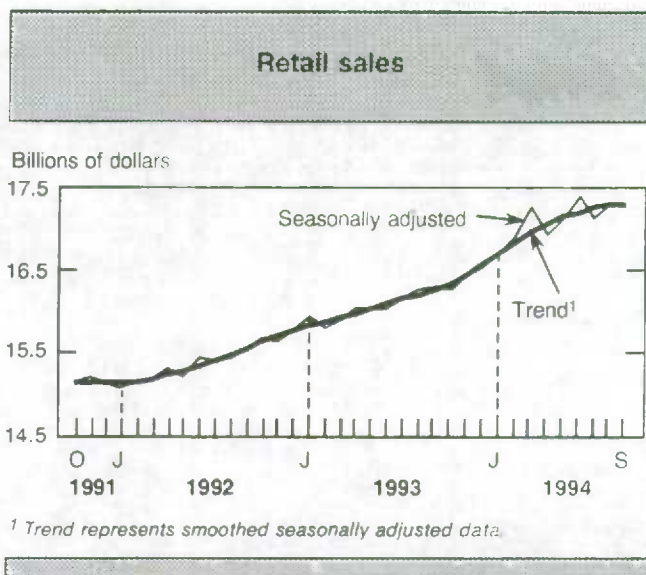
Retail sales virtually unchanged

As consumer spending on new motor vehicles offset weaknesses in all other sectors, seasonally adjusted retail sales stayed virtually unchanged in September, slipping a slight 0.1% to \$17.3 billion. Excluding motor vehicle and recreational vehicle dealers, who increased their sales by 6.2%, retail sales were down 1.8% after four months' of growth.

Declines in the non-automotive sector were led by food (-2.2%) and general merchandise (-4.0%). These two sectors account for approximately 36% of total retail trade.

Total retail sales have been volatile over the past several months, due to the influence of motor vehicle and recreational vehicle sales, which fluctuated from drops of 9.0% to rises of 6.2%. Other than motor vehicles, only gasoline service stations (0.6%) and drug and patent medicine stores (0.1%) increased their sales in September.

On a quarterly basis, total seasonally adjusted retail sales grew 0.4% in the third quarter of 1994. This was the smallest gain since the fourth quarter of 1993. Of the five sectors reporting higher sales in the third quarter, clothing (2.5%) and other retail



stores (3.2%) led the way. Lower sales in the automotive sector (-1.0%), particularly in July, offset the quarterly increases.

For further information, order Retail trade (catalogue 63-005) or contact Industry Division at (613) 951-9682.

Wholesale trade stable in September

After seven consecutive monthly gains, sales in September were virtually the same as in August. Despite the slight overall drop (-0.2% to \$19.6 billion), suppliers of manufacturers continued to increase sales.

Four of the nine major groups, accounting for half of all sales, recorded increases, with the strongest month-over-month performances coming from distributors of non-farm machinery and equipment, and wholesalers of other products. Offsetting the growth were declines in food, beverage, drug, and tobacco products, which represent about a quarter of all sales.

Between January and September, business spending on machinery and equipment has been rising an average of 1% a month, suggesting that businesses are modernizing production processes. Complementing this demand for new equipment, some supplies such as chemicals sold by wholesalers to manufacturers have also increased in sales.

Inventories were slightly higher in September (0.5%) than in August, resulting mostly from increases in the food, farm machinery, and other machinery sectors. The inventories-to-sales ratio rose as well.

For further information, order Wholesale trade (catalogue 63-008) or contact Industry Division at (613) 951-3541.

(continued on page 5)

PROVINCIAL PERSPECTIVES

Retail and wholesale trade, September 1994

Seasonally adjusted

	Retail sales		Wholesale sales	
	\$ millions	% change from previous month	\$ millions	% change from previous month
Canada	17,284	-0.1	19,573	-0.2
Newfoundland	286	0.6	175	-2.4
Prince Edward Island	71	1.0	47	0.9
Nova Scotia	536	0.3	402	-2.7
New Brunswick	396	-3.1	268	0.4
Quebec	4,153	-1.4	4,302	-1.3
Ontario	6,405	0.7	8,355	0.2
Manitoba	569	-2.0	661	1.6
Saskatchewan	527	1.3	613	2.1
Alberta	1,786	-3.1	1,918	1.7
British Columbia	2,497	2.9	2,813	-1.3
Yukon	16	0.1	19	-10.0
Northwest Territories	39	-0.8		

Personal and corporate income taxes lead growth in federal revenues

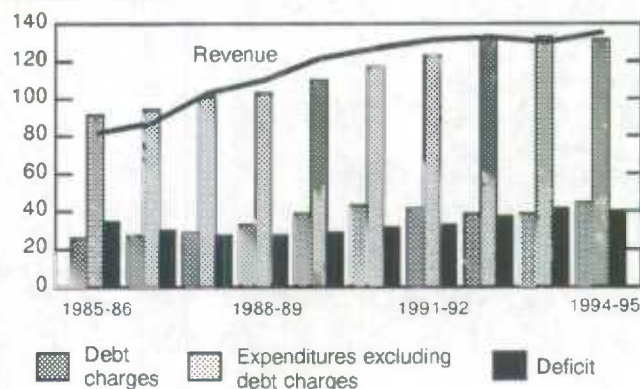
In 1994/95, federal government revenues are expected to rise 5.3% to \$136.2 billion, while expenditures are calculated to jump 2.6% to \$175.5 billion. The resulting \$39.3 billion deficit is \$2.4 billion lower than what was estimated in 1993/94. While this year's increase in revenues exceeds the previous five years' annual average (3.4%), the rise in expenditures is significantly below the 4.6% average of the past five years.

Led by personal and corporate income taxes, and spurred by economic recovery, all major groupings of tax revenues, except non-GST consumption taxes, are expected to increase during the 1994/95 fiscal year. Personal income taxes are expected to total \$64.2 billion, an 11.0% rise over the 1993/94 revised estimates, while corporate income taxes are estimated to jump 12.0% to \$11.0 billion. The anticipated growth in GST receipts is 3.8% to \$19.0 billion.

The increase in federal expenditures is driven by debt servicing. Although expenditures are expected to decline on major program areas such as social services (-2.6%), education (-0.3%), health (-2.8%) and transfers to the provinces (-3.8%), these decreases will be insufficient to offset the rapid increase in federal debt charges. Debt servicing

Federal revenue, expenditure, deficit *

Billions of dollars



* Based on the financial management system (FMS).

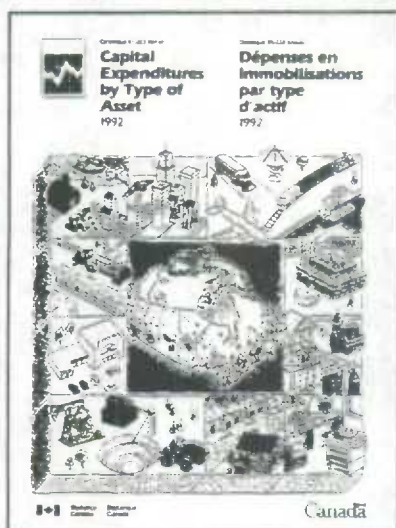
costs are expected to increase 16.5% to \$44.3 billion or 25.2% of total expenditures. This rate of growth is a dramatic rise from the previous five years' annual average of 2.7%. The increase is attributable both to the costs of financing last year's deficit and to the jump in interest rates, which affects interest payments on the overall debt.

For further information, contact Public Institutions Division at (613) 951-1809.

PUBLICATIONS RELEASED FROM NOVEMBER 18 TO 24, 1994

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
				US\$	
AGRICULTURE					
Cereals and oilseeds review	August 1994	22-007	15/144	18/173	21/202
Farm product price index	September 1994	62-003	8/76	10/92	11/107
CANADIAN CENTRE FOR JUSTICE STATISTICS					
Juristat service bulletin: trends in justice spending	1988-89 to 1992-93	85-002	5/60	6/72	7/84
HEALTH STATISTICS					
Nursing education programs	1993	83-244	15	18	21
Selected characteristics of persons with disabilities residing in households	1991	82-555	60	72	84
HOUSEHOLD SURVEYS					
The labour force	October 1994	71-001	20/200	24/240	28/280
INDUSTRY					
Corrugated boxes and wrappers	October 1994	36-004	6/60	8/72	9/84
Electric lamps (light bulbs and tubes)	October 1994	43-009	6/60	8/72	9/84
Production and disposition of tobacco products	October 1994	32-022	6/60	8/72	9/84
Production and stocks of tea, coffee and cocoa	September 1994	32-025	8/32	10/39	12/45
Monthly production of soft drinks	October 1994	32-001	3/30	4/36	5/42
Monthly survey of manufacturing	September 1994	31-001	19/190	23/228	27/266
Non-metallic mineral products industries	1992	44-250	38	46	54
Primary textile industries	1992	34-250	38	46	54
Shipments of plastic film and bags manufactured from resin	September 1994	47-007	8/32	10/39	12/45
INVESTMENT AND CAPITAL STOCK EXPENDITURE					
Capital expenditures by type of asset	1992	61-223	40	48	56
PRICES					
Average prices of selected farm inputs	October 1994	62-012	8/48	10/58	12/68
Industry price indexes	September 1994	62-011	20/200	24/240	28/280
The consumer price index	October 1994	62-001	10/100	12/120	14/140
SERVICES, SCIENCE AND TECHNOLOGY					
Restaurant, caterer and tavern statistics	August 1994	63-001	8/76	10/92	12/107

NEW FROM STATISTICS CANADA



Capital expenditures by type of asset

How much capital did private and public firms spend on construction and on machinery and equipment in 1992? This new publication provides the answers by province and territory and by the 19 divisions of the Canadian economy. It details capital expenditures according to four types of residential construction, 95 types of non-residential construction, and 56 categories of machinery and equipment. Included are data on capital expenditures for major renovation and alteration of construction assets and for major retrofit and refurbishing of machinery and equipment assets.

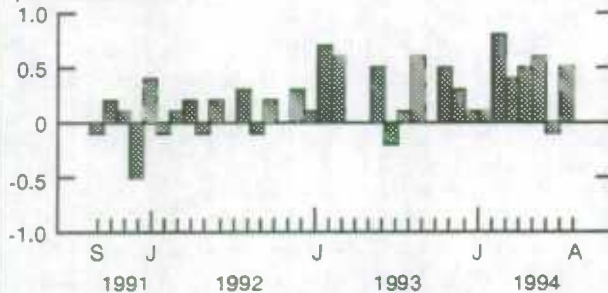
Trade and general construction contractors, suppliers of construction materials, and suppliers of machinery and equipment will find these data useful for market analysis.

Capital expenditures by type of asset, 1992 (*catalogue 61-223, \$40*) is now available. It replaces the discontinued *Construction in Canada* (*catalogue 64-201*) and *Capital expenditures on machinery and equipment by type of asset* (*uncatalogued*). For further information, contact Robert Masse at (613) 951-2590 or Monique Lavigne at (613) 951-2583, Investment and Capital Stock Division.

CURRENT TRENDS

Gross domestic product

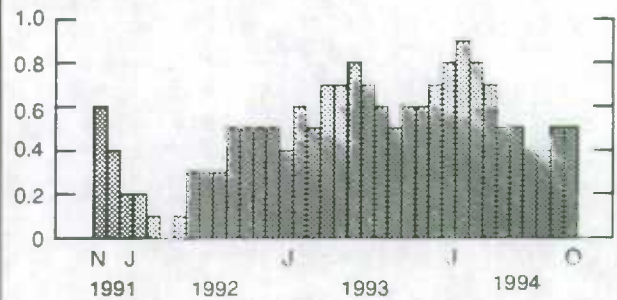
% change,
previous month



In August, real gross domestic product at factor cost rose 0.5%, equal to its pace during the second quarter.

Composite index

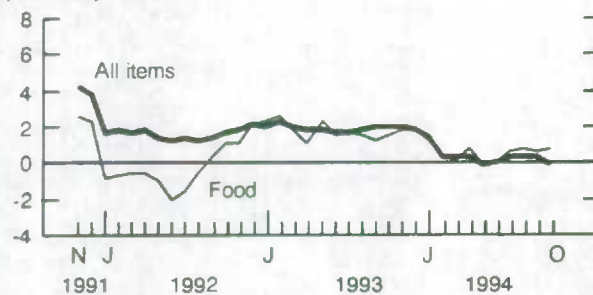
% change,
previous month



Led mostly by investment spending, the growth of the composite index stayed steady at 0.5% in October.

Consumer price index

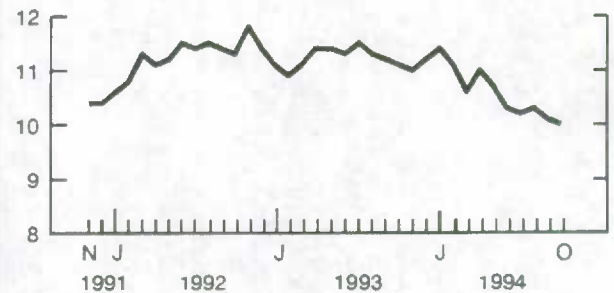
% change,
previous year



Consumers paid 0.2% less for goods and services in October 1994 than the year before. Food prices rose by 0.7%.

Unemployment rate

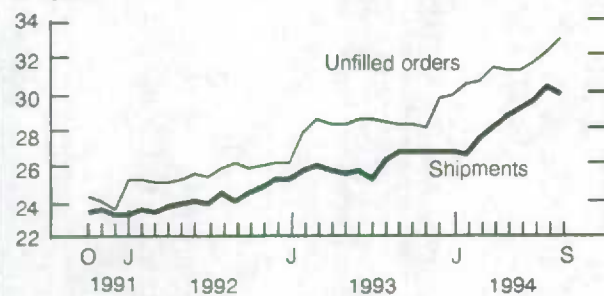
%



In October, the unemployment rate edged down 0.1 percentage points to 10.0%.

Manufacturing

Billions
of dollars



Manufacturers' shipments slipped 1.2% in September to \$29.7 billion. The level of unfilled orders grew 2.1% to 32.9 billion.

Merchandise trade

Billions
of dollars



The value of merchandise exports increased slightly (\$100 million) in September, to \$19.0 billion. Imports fell by \$204 million, to \$17.3 billion.

Note: 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	533.9	0.5%	4.5%
Composite leading indicator (1981 = 100)	October	169.3	0.5%	7.5%
Operating profits of enterprises (\$ billion)	2nd quarter	18.1	10.9%	29.5%
DOMESTIC DEMAND				
Retail trade (\$ billion)	September*	17.3	-0.1%	6.0%
New motor vehicle sales ('000 units)	September	106.0	7.6%	7.8%
LABOUR				
Employment (millions)	October	12.7	-0.2%	2.6%
Unemployment rate (%)	October	10.0	-0.1 [†]	-1.1 [†]
Participation rate (%)	October	64.8	-0.3 [†]	-0.2 [†]
Labour income (\$ billion)	August	34.1	-0.3%	3.4%
Average weekly earnings (\$)	August	565.0	-0.7%	1.4%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	September*	19.0	0.5%	21.1%
Merchandise imports (\$ billion)	September*	17.3	-1.1%	18.1%
Merchandise trade balance (all figures in \$ billion)	September*	1.6	0.3	0.6
MANUFACTURING				
Shipments (\$ billion)	September	29.7	-1.2%	12.0%
New orders (\$ billion)	September	30.4	-0.7%	14.9%
Unfilled orders (\$ billion)	September	32.9	2.1%	17.2%
Inventory/ shipments ratio	September	1.30	0.03	-0.05
Capacity utilization (%)	2nd quarter	77.9	2.4	4.1
PRICES				
Consumer price index (1986 = 100)	October*	130.7	-0.2%	-0.2%
Industrial product price index (1986 = 100)	September	120.1	-0.2%	6.2%
Raw materials price index (1986 = 100)	September	121.7	-2.2%	8.1%
New housing price index (1986 = 100)	September	136.3	0.1%	-0.2%

Note: All series are seasonally adjusted with the exception of the price indexes.

* new this week

[†] percentage point



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KEY RELEASE CALENDAR: DECEMBER 1994*

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Help-wanted index, November RRSP/RRSP room/ Taxfilers, 1993/94 Crude oil and natural gas, September	2 Labour force survey, November Industrial capacity utilization rate, Third quarter 1994
5 Building permits, October Savers/Investors/ Investment, 1993/94	6	7	8 Estimates of labour income, August	9 New motor vehicle sales, October New housing price index, October
12	13	14 Department store sales, October	15 Composite index, November Monthly survey of manufacturing, October	16 Consumer price index, November Travel between Canada and other countries, October
19	20 Canadian international trade, October Retail trade, October	21 Wholesale trade, October	22 Canada's international transactions in securities, October Unemployment insurance statistics, October	23 Real gross domestic product at factor cost by industry, October Employment, earnings and hours, October
26	27	28	29	30

* 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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