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A Weekly Review

Friday, December 2, 1994

OVERVIEW

■ Economic growth stalls in September

Gross domestic product at factor cost stayed unchanged in September as cutbacks in manufacturing, construction and utilities offset small increases in most other sectors.

■ Weekly earnings increase, while hourly earnings fall

September's weekly earnings grew as a result of longer hours worked. In contrast, average hourly earnings declined.

■ U.I. benefits lowest in four years

In September, claimants received \$1.0 billion in benefits, the lowest level since September 1990.

■ Raw materials prices level off

Raw materials prices have begun to level off during the last three months, allowing some manufacturers to hold their costs down.

■ Exports propel producer prices

Prices for industrial products rose in October as export demand remained strong. The increase was led by pulp, non-ferrous metal products and motor vehicles.

■ Profits rise for corporations

Operating profits of Canadian enterprises rose 11% in the third quarter of 1994.

Economic growth stalls in September

Gross domestic product (GDP) at factor cost stayed unchanged in September as cutbacks in manufacturing, construction, and utilities offset small increases in most other sectors. Since June, GDP has grown at a less than 0.2% monthly average, a much slower rate than the 0.6% average of the four months before June.

Resulting from lower consumer spending on goods and a slowdown in investment demand, manufacturing output fell 0.3%, its first decline since surging nearly 7.0% between February and August. Inventories, reduced by robust demand in earlier months, began to accumulate. The drop in manufacturing was widespread, as 15 of 21 major groups reported lower production.

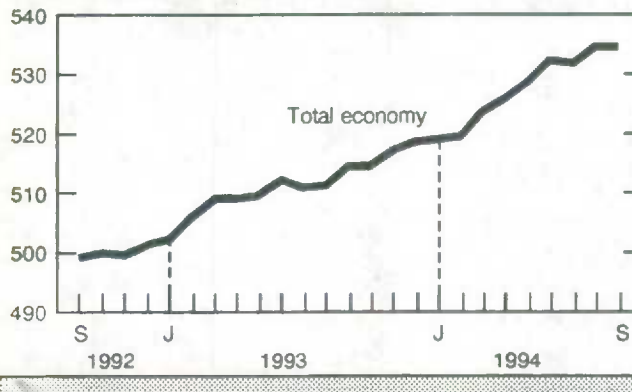
Homebuilding declined for the third consecutive month and, as dwelling starts continued to fall in October, further cutbacks are likely during the next few months. September also saw lower activity in non-residential projects.

Output in utilities fell 2.1% as mild weather obliged electric power producers and local gas distributors to

(continued on page 2)

Gross domestic product

\$ billions, seasonally adjusted, at 1986 prices



... Economic growth stalls in September

reduce production. Shipments to the United States continued to increase, however, moderating these declines.

Finance, insurance, and real estate services rose 0.4% after a 0.7% gain in August. Activity by securities brokers and stock exchanges advanced for a second consecutive month as interest rates eased through the summer. Homebuyers were not enticed back to the market, however, and many houses remained unsold.

Wholesale trade edged up 0.2% with a 2.0% rise in sales of machinery and equipment outweighing

widespread losses. Excluding machinery and equipment, wholesale trade declined 0.4% in September.

Retail trade stayed unchanged, after hovering around the same level for several months. Sales receded for most trade groups, particularly supermarkets and department stores. Sales by motor vehicle dealers rose sharply after declining in July and August. Excluding this group, retail sales dropped 1.6%.

For further information, order Gross domestic product by industry (catalogue 15-001) or contact Industry Measures and Analysis Division at (613) 951-9145. (See also "Current trends" on page 8.)

Weekly earnings increase, while hourly earnings fall

Employees received on average \$570.10 a week in September, a 0.6% increase from August. September's growth left weekly earnings 2.2% higher than a year ago, and continued the trend of moderate gains while keeping employers' direct labour costs in check. Year-over-year weekly earnings growth has not exceeded 3% since 1992.

Weekly earnings growth this year has been caused by longer hours for both hourly-paid and salaried employees. In contrast, average hourly earnings (\$14.07) actually declined for a second consecutive month, eliminating the significant rise reported in June 1994. Restrained in part by recent contract settlements, average hourly earnings have remained unchanged since January 1994.

Average weekly earnings

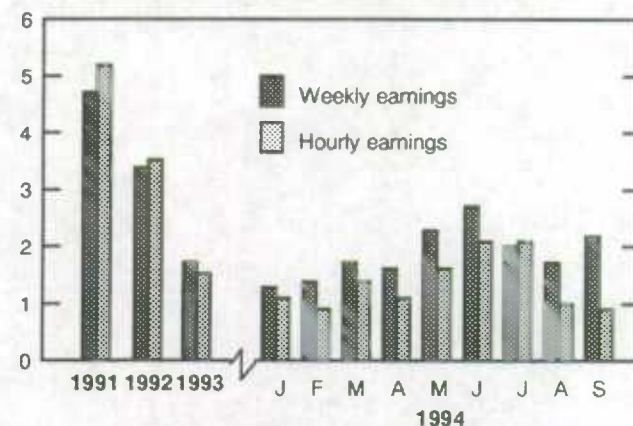
September 1994

(Seasonally adjusted)

Province/Territory	Industrial aggregate (dollars)	% change, previous month	% change, previous year
Canada	570.10	0.6	2.2
Newfoundland	542.96	4.3	2.7
Prince Edward Island	452.92	2.5	-0.7
Nova Scotia	498.47	1.4	0.6
New Brunswick	505.42	1.9	-0.9
Quebec	548.10	1.2	0.7
Ontario	608.99	0.7	3.2
Manitoba	505.21	2.0	1.9
Saskatchewan	491.55	0.5	4.2
Alberta	556.24	0.3	1.0
British Columbia	579.43	-0.1	3.9
Yukon	704.26	2.5	3.1
Northwest Territories	693.14	-1.6	-1.4

Average weekly and hourly earnings

% change, previous year, seasonally adjusted



Note to user

Employment, earnings and hours is based on a sample survey of establishments and on a sample of administrative records. Unless otherwise stated, all data are seasonally adjusted.

Weekly earnings between August and September have increased in all provinces and territories except British Columbia and the Northwest Territories.

After expanding for the previous six months, employment declined slightly in September (-14,000). The drop had little effect on recent (since February) employment gains, which remained in excess of 300,000. The September decline, while widespread across most industries, was dominated by manufacturers, construction companies, and the insurance industry.

(continued on page 3)

... Weekly earnings increase, while hourly earnings fall

The employment drop in manufacturing was accompanied by a corresponding fall in the value of manufacturers' shipments. However, the balance of opinion on employment prospects for the next few months was at its highest level since April 1989. For construction companies, September posted the first employment decline in seven months. Further

losses are expected based on falling building permit values and declines in housing starts. The finance, insurance, and real estate industry's employment decline was concentrated in British Columbia and Ontario and was due in part to the closure of Confederation Life Insurance.

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

U.I. benefits lowest in four years

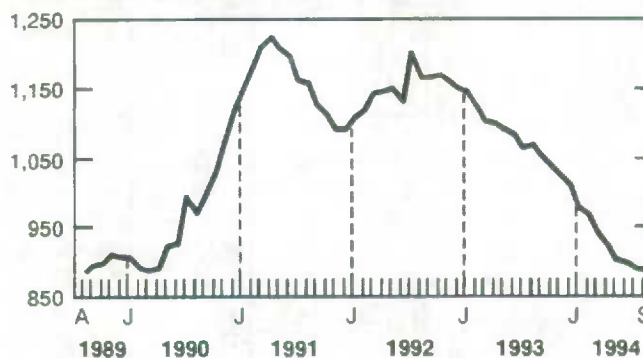
In September, claimants received \$1.0 billion in benefits (including regular and special), the lowest level since September 1990. For the first three quarters of 1994, \$12.5 billion of unemployment insurance benefits were paid to Canadians, 12.8% less than over the same period last year.

Each of the last three years saw year-end deficits in the U.I. fund. However, in 1994, a surplus is expected for the current year of operation, which will reduce the cumulative deficit. Reasons for this anticipated surplus include: a drop in the average number of beneficiaries (-13.2%) over 1993; a benefit rate reduction (57% to 55%) of insurable earnings for most new claimants; a rise in U.I. contributions due to higher employment; an increase in the premium rate from \$3.00 to \$3.07 per \$100 of insurable earnings; and a raising of the ceiling on weekly insurable earnings from \$745 to \$780.

Between August and September, the number of regular beneficiaries, on a seasonally adjusted basis, was virtually unchanged at 882,500 (-0.2%). Nevertheless, this level was the lowest since August 1989. Several factors account for the falling number

U.I. beneficiaries receiving regular benefits

'000, seasonally adjusted



of beneficiaries: Over the past two years, and particularly in 1994, a substantial number of jobs were created. As well, due to the large increase in the number of long-term unemployed, fewer people were eligible to collect U.I. benefits. In addition, recent changes to the U.I. legislation increased the minimum number of weeks of insurable employment from 10 to 12 weeks and reduced the length of time that a beneficiary can collect benefits.

The largest drops in the number of beneficiaries who received regular benefits (seasonally adjusted) occurred in Ontario (-2.0%), Manitoba (-2.7%), and Newfoundland (-6.6%). These decreases were largely offset by minor increases in a few provinces and territories. Compared with the same period last year, the number of beneficiaries declined in all provinces and territories.

The number of people who submitted applications (claims) for U.I. stood at 240,000 (seasonally adjusted), practically unchanged from August. Compared with September 1993, the number of claims declined 13.3%, continuing a falling trend, which started in mid-1992.

For further information, order Unemployment insurance statistics (catalogue 73-001) or contact Labour Division at (613) 951-4046.

U.I. beneficiaries receiving regular benefits

September 1994

(Seasonally adjusted)

Province/Territory	Total ('000)	% change, previous month	% change, previous year
Canada	883	-0.2	-15.9
Newfoundland	48	-6.6	-20.5
Prince Edward Island	12	-0.3	-13.5
Nova Scotia	48	-1.9	-7.4
New Brunswick	51	1.5	-9.7
Quebec	300	0.0	-12.2
Ontario	219	-2.0	-23.4
Manitoba	23	-2.7	-17.7
Saskatchewan	18	-0.2	-21.1
Alberta	63	0.9	-10.7
British Columbia	94	-0.9	-16.8
Yukon	2	0.1	-22.2
Northwest Territories	1	2.3	-9.2

Raw materials prices level off

Raw materials prices have begun to level off during the last three months, thus allowing some manufacturers to hold their costs down. Lower prices for crude oil, hogs, certain grains, and oilseeds were major contributors to this levelling off.

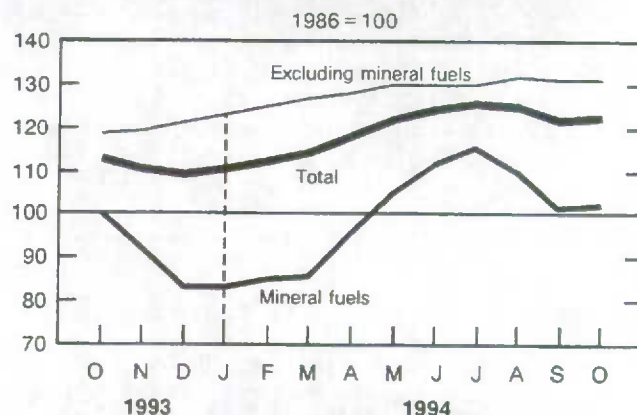
After increasing almost 44% during the first seven months of 1994, crude oil prices declined more than 12% over the last 3 months. Ample supplies, due to mild weather and production from non-OPEC members, may cause a further weakening of crude oil prices.

In 1993, wood was the major contributor to raw materials price changes. The following year, non-ferrous metals replaced wood in this role. Non-ferrous metals prices, which have been rising since the end of 1993, may continue their climb as industrial activity in the G7 countries picks up. However, even with a jump of nearly 40% so far in 1994, non-ferrous metals prices have a long way to go to reach all-time highs.

After an eight-month decline, October hogs prices dropped to their lowest level since the first quarter of 1992. This decline was due to the large number of hogs and to the unwillingness of producers to carry stocks over the winter.

Corn, soybean and canola prices have dropped in the last four months. The decline for canola, however, may be only temporary. Since foreign

Raw materials prices



markets are viewing canola as a premium oilseed, canola exports through October have almost doubled from the same period last year.

Ferrous materials prices which, led by higher prices for iron and steel scrap, had been edging up until April, have been mostly stable over the last six months.

For further information, order Industry price indexes (catalogue 62-001) or contact Prices Division at (613) 951-3350.

Exports propel producer prices

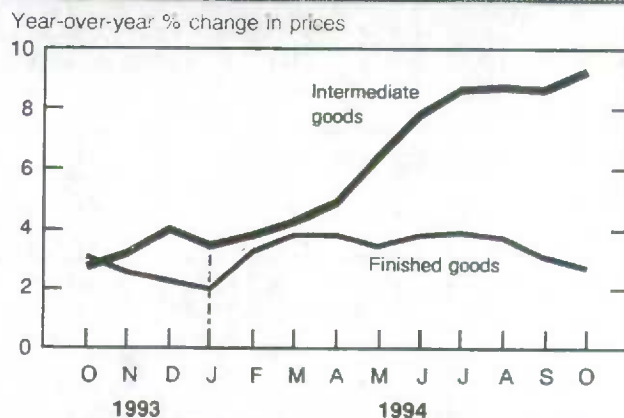
Prices for industrial products rose in October as export demand remained strong. The increase, which occurred in 10 commodity groups, was led by pulp and paper, non-ferrous metal products and motor vehicles. Price declines took place in only 4 categories, the largest being wood and petroleum products. The year-over-year change in the IPPI reached 6.5% as prices rose 0.6% from September. Since June, the year-over-year change has been at a 12-year high. Despite some signs of potential pressure on consumer prices, these remained muted.

The year-over-year price increase that manufacturers received for consumer goods was about 2.4% in October. This excludes exchange rate changes. The corresponding change in the goods component of the CPI was about half that amount. Faced with a relatively weak retail market, it appears that middlemen and retailers are absorbing part of the increase in industrial product prices.

On a year-over-year basis, the change in manufacturer prices remained much higher in Canada than in other G7 countries: it was twice the size of that in Germany and the United Kingdom, and quadruple the increase in the United States.

Inflationary pressures on manufacturer prices continued to come primarily from exported inter-

Industrial product prices



mediate goods – particularly pulp, non-ferrous primary metals, and paper. The annual change in finished goods prices, on the other hand, declined over October 1993 (from 3.0% to 2.6% in October 1994) in response to exchange rates as opposed to domestic events.

For further information, order Industry price indexes (catalogue 62-001) or contact Prices Division at (613) 951-3350.

Profits rise for corporations

Operating profits of Canadian enterprises have strengthened considerably over the past year. Improvement in 17 of the 30 industries increased third-quarter profits by over 11% to \$20.2 billion, the highest level since 1989. Profits have all but reached their pre-recession peak.

Non-financial industries accounted for virtually all of the overall rise in third-quarter profits. Fourteen of these 22 industries saw their profits rise, resulting in a 14% increase to \$16.7 billion. The largest gains were recorded in wood and paper, petroleum and natural gas, and chemicals and textiles.

In the wood and paper industry, profits reached \$1.7 billion in the third quarter, a substantial improvement over the 1993 quarterly average of \$0.4 billion. The pulp and paper sector dominated the increase as a result of strong demand and rising prices. The wood sector enjoyed strong prices as well, but higher mortgage rates curtailed demand from the homebuilding market.

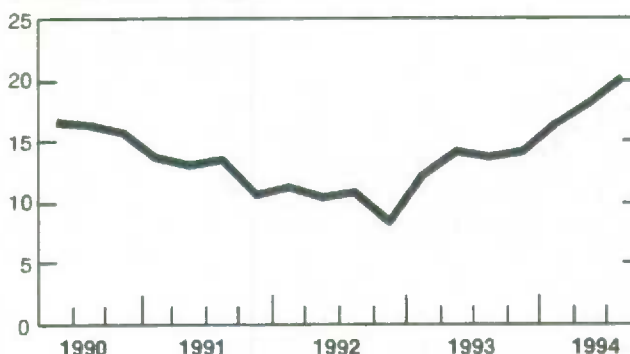
In the petroleum and natural gas industry, operating profits grew for the fourth consecutive quarter. Third-quarter results reached \$2.8 billion from \$2.5 billion in the second quarter.

In the chemicals and textiles industry, profits rose to \$1.4 billion in the third quarter from \$0.7 billion in the first. Improvement was concentrated in the chemicals sector, where increased demand boosted chemicals prices considerably.

As a whole, the financial industries experienced no change in operating profits in the third quarter. Chartered banks saw the largest gain, but this was offset by slides in the profits of property and casualty insurers, credit unions, and consumer and business financing intermediaries.

Operating profits

\$ billions, seasonally adjusted



As corporate profits have expanded, the return on equity (which measures the after-tax profits returned to the shareholder) has risen to 7.04%, its highest level since 1990. This compares with 4.70% in the first quarter and a 1993 average of 3.35%.

Third-quarter profit margins (the ratio of operating profits to operating revenues) have also increased, to 5.96% from 5.11% in the first quarter. This profitability indicator has more than doubled since its low of 2.84% in the fourth quarter of 1992. In spite of this improvement, it remains well below the 7.7% attained in 1988, before the recession.

For further information, order Quarterly financial statistics for enterprises (catalogue 61-008) or contact Industrial Organization and Finance Division at (613) 951-9853.

PUBLICATIONS RELEASED FROM NOV. 25 TO DEC. 1

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription			
			Canada (Cdn.\$)	United States	Other countries	
						US\$
AGRICULTURE						
Field crop reporting series no.8: November estimate of production of principal field crops	1994	22-002	15/85	18/102	21/119	
The dairy review	September 1994	23-001	14/138	17/166	20/194	
HEALTH						
Nursing in Canada in 1993, registered nurses	1993	83-243	15	18	21	
Health reports	1994	82-003	28/112	34/135	40/157	
Hospital indicators	1991-1992	83-246	50	60	70	
INDUSTRY						
Asphalt roofing	October 1994	45-001	6/60	8/72	9/84	
Canned and frozen fruits and vegetables	September 1994	32-011	6/60	8/72	9/84	
Construction type plywood	September 1994	35-001	6/60	8/72	9/84	
Crude petroleum and natural gas production	August 1994	26-006	11/110	14/132	16/154	
Department store sales and stocks	September 1994	63-002	16/160	20/192	23/224	
General review of the mineral industries	1992	26-201	24	29	34	
Gypsum products	October 1994	44-003	6/60	8/72	9/84	
Logging industry	1992	25-201	33	40	47	
Mineral wool including fibrous glass insulation	October 1994	44-004	6/60	8/72	9/84	
New motor vehicle sales	July 1994	63-007	16/160	20/192	23/224	
Production, shipments and stocks on hand of sawmills east of the Rockies	September 1994	35-002	11/110	14/132	16/154	
Production, shipments and stocks on hand of sawmills in British-Columbia	September 1994	35-003	8/80	10/96	12/112	
Quarterly shipments of office furniture products	September 1994	35-006	8/32	10/39	12/45	
Retail trade	September 1994	63-005	20/200	24/240	28/280	
INTERNATIONAL TRADE						
Canadian international merchandise trade	September 1994	65-001	19/182	22/219	26/255	
LABOUR						
Employment, earnings and hours	August 1994	72-002	29/285	35/342	40/399	
SERVICES, SCIENCE AND TECHNOLOGY						
Architectural engineering and scientific services in Canada	1991	63-234	33	40	47	
Telephone statistics	September 1994	56-002	9/90	11/108	13/126	
TRANSPORTATION						
Shipping in Canada	1993	54-205	50	60	70	

NEW FROM STATISTICS CANADA

Health reports

This issue of *Health reports* presents research papers on three subjects: rates of low birth weight; age differences of married and divorcing couples; and characteristics of high users of hospitals. Four shorter reports focus on therapeutic abortions, death rates, the incidence of tuberculosis in Canada, and the national physician database.

The second quarter 1994 (vol. 6, no. 2) issue of *Health reports* (catalogue 82-003, \$28/\$112) is now available. For further information on this release, contact the information requests unit at (613) 951-1746, Health Statistics Division.



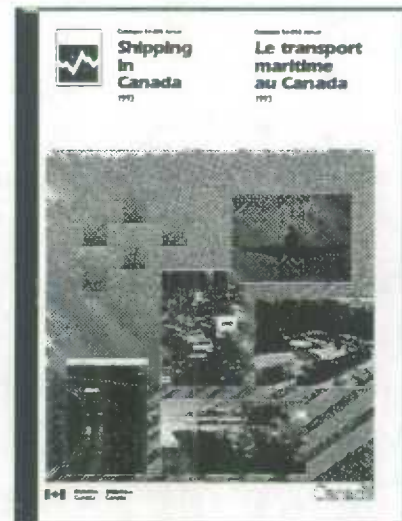
Shipping in Canada

The 1993 edition of *Shipping in Canada* is a comprehensive overview of marine transportation. Part I of this publication analyzes data on domestic and international commodity flows. The analysis emphasizes the major changes of 1993 and provides a 10-year historical perspective.

Part II focuses on the 1992 aggregate financial and operating statistics of Canada-based marine transport carriers.

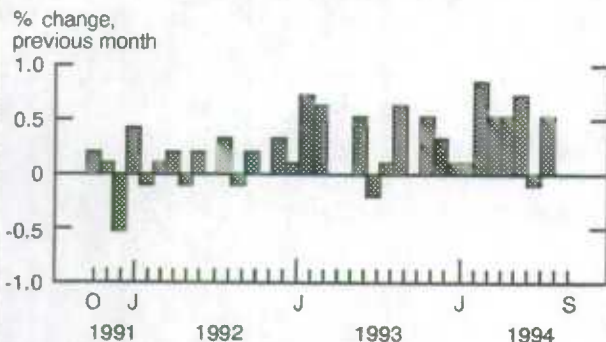
In Part III, a special study, "North/south trade transportation trends between Canada and the rest of the Americas", examines trade flows between Canada and its southern neighbours. It excludes the United States and places a special focus on Mexico.

Shipping in Canada, 1993 (catalogue 54-205, \$50) is now available. For further information on this release, contact Anna MacDonald at (613) 951-0291, Transportation Division.



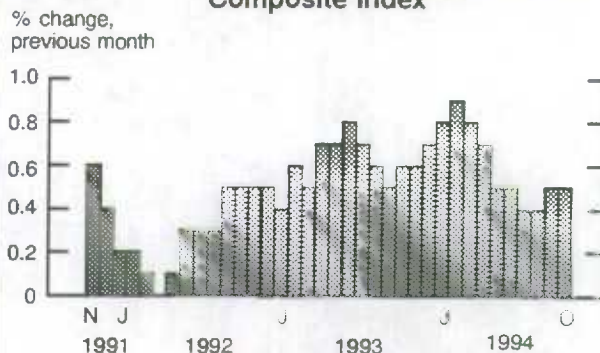
CURRENT TRENDS

Gross domestic product



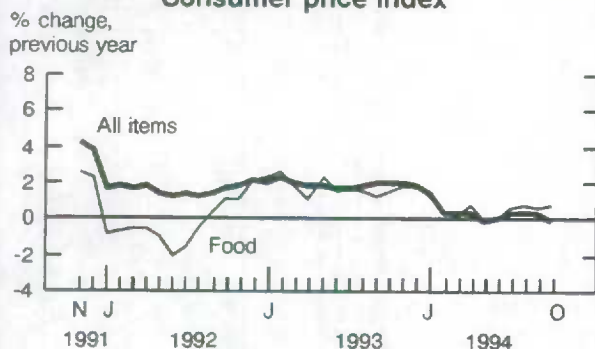
Real gross domestic product at factor cost was unchanged in September.

Composite index



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

Consumer price index



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



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



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)	September*	534.7	0.0%	4.0%
Composite leading indicator (1981 = 100)	October	169.3	0.5%	7.5%
Operating profits of enterprises (\$ billion)	3rd quarter	20.2	11.4%	48.5%
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 (\$)	September*	570.10	0.6%	2.2%
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)	October*	121.0	0.6%	6.5%
Raw materials price index (1986 = 100)	October*	122.0	0.4%	8.4%
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

I·N·F·O·M·A·T

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