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A Weekly Review

Friday, December 9, 1994

OVERVIEW

■ Unemployment rate drops in November

The number of employed jumped in November, pushing the unemployment rate to a four-year low.

■ GDP continues to grow in third quarter

Gross domestic product continued to grow in the third quarter, led once again by merchandise exports.

■ Current account deficit shrinks to four-year low

The current account deficit fell to its lowest quarterly level in more than four years as the merchandise trade surplus rose sharply in the third-quarter.

■ Financing activity slows

Slower growth in domestic demand and higher interest rates curbed the demand for credit and equity financing in the third quarter.

■ Further gains in capacity utilization

Capacity utilization rates increased further in the third quarter. This was the second consecutive significant gain since the economic expansion of 1987-88.

■ Help-wanted index increases again

The number of help-wanted ads placed by employers continued to rise between October and November.

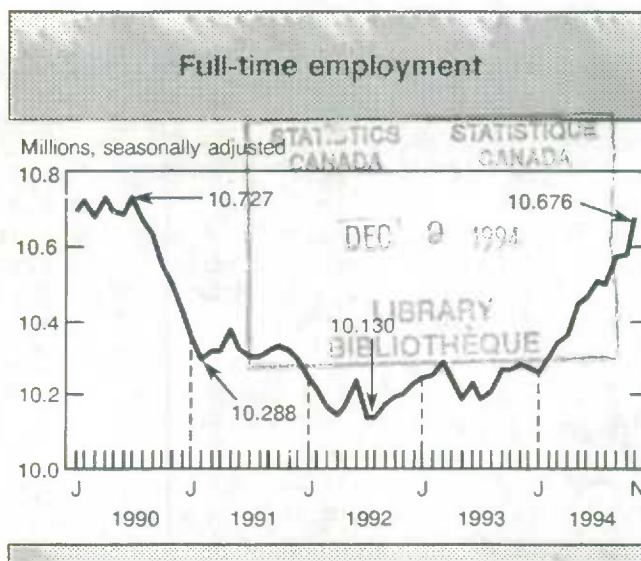
Unemployment rate drops in November

In November, the number of employed jumped by 95,000, pushing the unemployment rate down 0.4 percentage points to 9.6%, the lowest level in four years. The employment increase follows a small decrease in October and continues a trend of strong growth, which has averaged 40,000 a month since January 1994. The employment/population ratio has moved up 1.1 percentage points since January, to 58.7%.

The number of unemployed declined 50,000 in November, to 1,364,000. Since January, the number of persons looking for a job has dropped by 228,000 and the unemployment rate has decreased 1.8 percentage points to 9.6%, the lowest rate since December 1990. For adult men, the rate has fallen 1.8 percentage points to 8.6%; for adult women, 1.3 percentage points to 8.3%; and for youths, 2.5 percentage points to 15.4%.

In November, employment grew in both the goods-producing industries (38,000) and the services sector (71,000). It rose 29,000 in manufacturing, bringing gains since January to 153,000 (8.7%). These increases occurred along with strong growth in unfilled orders and shipments since the beginning of the year.

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... Unemployment rate drops in November

After substantial increases in early 1994, employment in construction has changed little since June. This levelling off coincides with similar trends in housing starts and in the total value of building permits.

In services-producing industries, employment gained 71,000 after a drop of 44,000 in October. Largely offsetting month-to-month changes took place in trade, transportation, communications and other utilities, and public administration.

All of November's employment growth (split equally among youths, adult men and adult women)

was in full-time work (100,000). Since January, full-time employment gains have totalled 422,000, increasing by 171,000 among adult women, 184,000 among adult men, and 67,000 among youths. Full-time employment is now within 50,000 of the pre-recession peak of April 1990.

Provincially, employment rose in Ontario, Quebec, Saskatchewan, Alberta, Manitoba and New Brunswick. Other provinces did not show significant changes.

For further information, order Labour force (catalogue 71-001P) or contact Household Surveys Division at (613) 951-4720. (See also "Current trends" on page 8.)

PROVINCIAL PERSPECTIVES

Labour force survey, November 1994

Seasonally adjusted

	Labour force		Employment		Unemployment	
	'000	% change, previous month	'000	% change, previous month	'000	Rate (%)
Canada	14,185	0.3	12,821	0.7	1,364	9.6
Newfoundland	238	1.7	188	1.1	50	21.0
Prince Edward Island	67	-2.9	57	-1.7	10	15.3
Nova Scotia	420	-0.7	367	-0.5	53	12.6
New Brunswick	340	0.6	300	1.0	40	11.8
Quebec	3,460	0.7	3,064	1.3	396	11.4
Ontario	5,420	0.5	4,951	0.9	469	8.7
Manitoba	545	0.0	501	0.8	44	8.1
Saskatchewan	479	1.5	448	2.3	31	6.5
Alberta	1,423	0.1	1,317	0.7	106	7.4
British Columbia	1,793	-0.5	1,632	-0.4	161	9.0

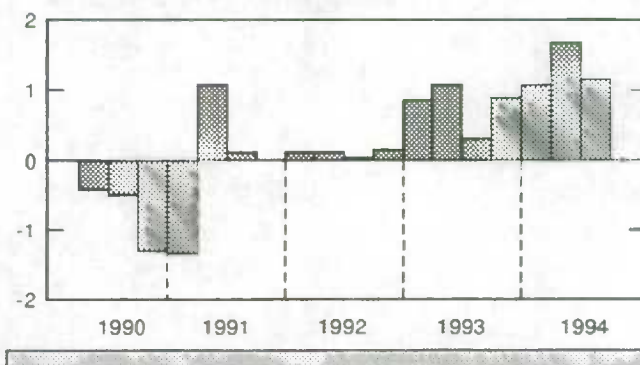
GDP continues to grow in third quarter

Led once again by merchandise exports, real gross domestic product continued to grow in the third quarter (1.1%), although not as quickly as in the second (1.6%). This was the third consecutive quarter that real domestic product increased more than 1%. Demand from within Canada moderated as housing investment fell sharply and business plant and equipment spending slowed.

Merchandise exports were up another 5.6% in volume. Their share of nominal GDP has now risen from 21% at the end of 1991 to 30% today, while that of imports increased from 20% to 27%. Strong economic growth in the United States and the depreciation of the Canadian dollar since 1991 have both contributed to the surge in export sales. The rise in exports was widespread among commodity groupings, with motor vehicles, and machinery and equipment being two particularly important areas.

GDP at 1986 prices

% change, previous quarter



(continued on page 3)

...GDP continues to grow in third quarter

Domestic demand, in real terms, rose just 0.3%, the slowest growth in a year and a half. Business investment in fixed capital fell slightly (-0.4%), reflecting in part higher interest rates since February. Personal expenditure rose moderately (0.7%) as consumers cut back on big-ticket items such as cars, furniture and appliances and spent more on services. Government purchases of goods and services continued to drop (-0.4%).

Corporation profits before taxes surged to their highest level since mid-1989. Export-oriented industries like pulp and paper, and petroleum and natural gas recorded large increases, and banking profits remained strong.

Personal income grew a slight 0.5%, less than half the rate in the previous quarter. Despite strong

growth in employment, particularly in British Columbia and Ontario, total wages and salaries rose very moderately. The only part of income to advance substantially was interest and dividends. Personal disposable income decreased 0.3% as income tax remittances rose. With the drop in disposable income, the personal savings rate fell to 6.7%, the lowest rate in 23 years.

After a period of more than a year of near-zero inflation, prices increased noticeably. Export prices, in particular, rose 1.5% and construction prices climbed 0.8%. Consumer prices continued to grow quite moderately and import prices edged up only 0.4%.

For further information, order National income and expenditure accounts, quarterly estimates (*catalogue 13-001*) or contact National Accounts and Environment Division at (613) 951-3640.

Current account deficit shrinks to four-year low

Canada's merchandise trade surplus almost doubled in the third quarter, reducing the current account deficit to its lowest quarterly level in more than four years. As a result, the deficit fell to 2.7% of gross domestic product on an annual basis – its lowest share in seven years.

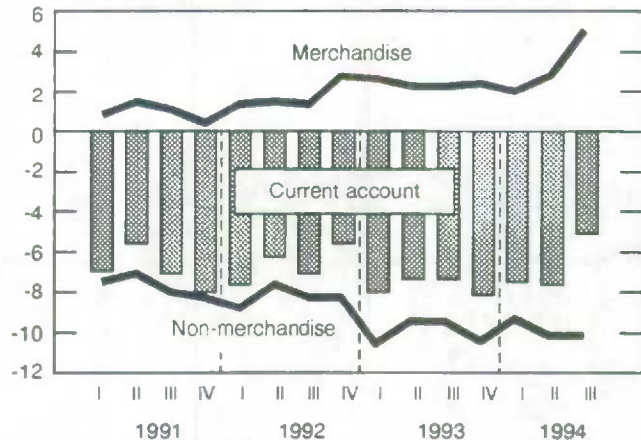
During the quarter, merchandise trade surplus increased from \$2.7 billion to \$5.1 billion, its highest quarterly level in almost a decade. The rise was mainly attributable to trade with the United States, which accounts for 82% of Canada's exports and 75% of its imports. Canada again recorded major surpluses in forestry, energy, and automotive products. At the same time, large deficits continued for machinery and equipment, and for consumer goods.

Among non-merchandise transactions, the deficit on international travel fell to a five-year low of \$1.4 billion, accentuating a declining trend that began in the fourth quarter of 1991. The drop largely resulted from less Canadian spending in the United States as stays of one night or more (where the bulk of spending takes place) continued to decline. Canadian expenditures on overseas travel also fell. Meanwhile, spending by incoming travellers increased moderately, again producing new highs.

The unadjusted capital account shows that foreigners (primarily from Japan, the United Kingdom and Asian countries) invested \$7.5 billion in Canadian bonds, resuming their strong investment in the market. Non-residents also channelled \$6.2 billion into net foreign currency deposits with Canadian banks. At the same time, non-residents (in this case mostly from the United States and the United Kingdom) withdrew a record \$9.7 billion from Canadian short-term paper, largely through redemptions of paper purchased in the preceding year.

Current account balance

\$ billions, seasonally adjusted



Financing activity slows

The demand for credit and equity financing eased considerably in the third quarter, reflecting slower growth in domestic demand and higher interest rates since February.

Federal financing activity declined after a jump in the second quarter, as the deficit fell to \$21.6 billion (on a national accounts basis). Borrowing was focused on medium-term marketable bonds, with a redemption of shorter-term instruments.

Lower fiscal deficits also allowed provincial governments to reduce their borrowing. While long-term debt issues increased, short-term liabilities declined substantially.

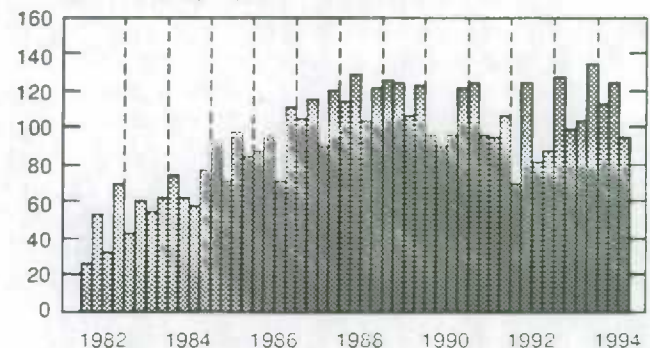
Funds raised by corporations fell about 20% in the third quarter, although the level of borrowing remained relatively high. Slower growth in capital formation, especially in machinery and equipment purchases, underlay the decline.

Consumer credit debt increased, but at a slower pace than in the first half of the year, due mostly to reduced spending on durable goods such as automobiles, furniture, and appliances. Mortgage borrowing was also down, reflecting a drop in residential construction and a slump in the resale housing market.

As the growth in household debt slowed, after-tax income of persons declined, so the ratio of consumer credit and mortgage debt to personal

Total funds raised by domestic non-financial sectors

\$ billions, seasonally adjusted at annual rates



disposable income rose to 90.8% at the end of September, from 89.5% at the end of June; this latest rise extended an eight-year upward trend.

Although interest rates remained high relative to those at the beginning of the year, they edged down modestly during the quarter, as the exchange rate stabilized in July and August, and then strengthened toward the end of the quarter.

For further information, order Financial flow accounts (catalogue 13-014) or contact National Accounts and Environment Division at (613) 951-3640.

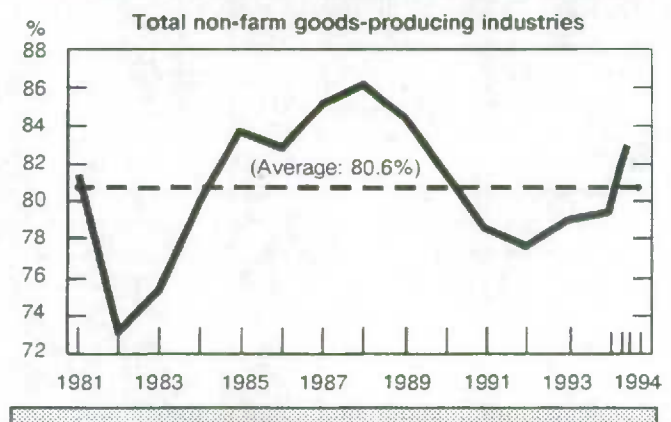
Further gains in capacity utilization

Goods producers, excluding farmers, increased their capacity use a further 1.6% in the third quarter, bringing the rate to 82.9%. This was the second consecutive significant increase since the expansion of 1987-88. While still below the 86.8% high of late

Industrial capacity utilization rates, 3rdQ, 1994

Industries				% Change	
	3rdQ 1993	2ndQ 1994	3rdQ 1994	previous year	previous quarter
Non-farm goods-producing	78.7	81.6	82.9	5.3	1.6
Logging and forestry	81.1	91.2	92.6	14.2	1.5
Mining, quarrying & oil wells	87.8	89.7	91.7	4.4	2.2
Manufacturing	78.0	81.2	82.8	6.2	2.0
Durable goods	76.9	81.6	83.7	8.8	2.6
Non-durable goods	79.3	80.7	81.7	3.0	1.2
Construction	72.7	75.7	76.7	5.5	1.3
Electric power and gas distribution systems	81.7	82.0	81.1	-0.7	-1.1

Industrial capacity utilization rates



1987, the level is well above the 77.3% low of the second quarter of 1992 as well as the 1981-to-date average of 80.6%.

In the manufacturing sector, capacity use in the third quarter increased 2.0% to 82.8%, with 19 of the

(continued on page 5)

... Further gains in capacity utilization

22 industry groups posting gains. Significant gains were recorded by the primary metals industries, fabricated metal products, electrical and electronics industries, and rubber products. The only three industries with lower capacity use were food, leather and allied products, and refined petroleum and coal.

Capacity use in the mining and quarrying industries reached a new peak (94.8%), resulting from exploratory drilling activity and lower drilling costs.

Moderate weather reduced domestic energy demand and lowered rates of capacity use in both electric power systems (-1.0%) and gas distribution systems (-1.6%).

Restructuring in the logging and forestry industries contributed to a 1.5% rise in the rate of capacity use, bringing it to 92.6%. This high rate has led firms in the industry to increase their capital investment spending plans by over 40% in 1994.

For further information, order Industrial capacity utilization rates in Canada (catalogue 31-003) or contact Investment and Capital Stock Division at (613) 951-0655.

Help-wanted index increases again

The seasonally adjusted help-wanted index for Canada (1991=100) increased 1% to 100. Since its turning point in September 1993, the index has gained 18%.

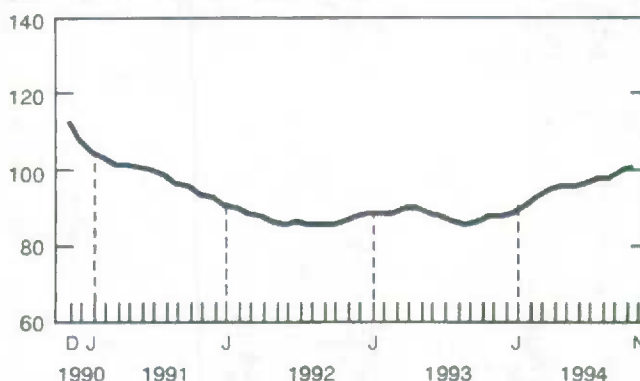
Increases in the index are consistent with rising levels of employment and decreases in the unemployment rate. Help-wanted ads placed by employers signal their intent to employ new workers. Therefore, the index, compiled from newspapers published in 20 major metropolitan areas, is an early indicator of labour market changes.

Regionally, the index recorded the following rates between October and November:

- Atlantic region: up 2% to 101
- Quebec: up 2% to 103
- Ontario: up 2% to 105
- Prairies: down 1% to 97
- British Columbia: up 2% to 85

Help-wanted index

1991 = 100, seasonally adjusted



For further information, contact Labour Division at (613) 951-4044.

PUBLICATIONS RELEASED FROM DECEMBER 2 TO 8, 1994

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
AGRICULTURE					
Cereals and oilseeds review	September 1994	22-007	15/144	18/173	21/202
Farm cash receipts	January-September 1994	21-001	13/50	15/60	18/70
EDUCATION, CULTURE AND TOURISM					
International student participation in Canadian education	1992	81-261	22	27	31
HEALTH STATISTICS					
Residential care facilities - aged	1992-1993	83-237	15	18	21
Residential care facilities - mental	1992-1993	83-238	15	18	21
Selected therapeutic abortions statistics	1970-1991	82-550	40	48	56
HOUSING, FAMILY AND SOCIAL STATISTICS					
Canadian social trends	Winter 1994	11-008E	9/34	11/41	12/48
INDUSTRY					
Cement	October 1994	44-001	6/60	8/72	9/84
Electric power statistics	September 1994	57-001	11/110	14/132	16/154
Gas utilities	August 1994	55-002	14/140	17/168	20/196
Pack of processed peas	1994	32-235	14	17	20
Production and inventories of process cheese and instant skim milk powder	October 1994	32-024	6/60	8/72	9/84
Refined petroleum products	August 1994	45-004	20/200	24/240	28/280
Rigid insulating board	October 1994	36-002	6/60	8/72	9/84
Specified domestic electrical appliances	October 1994	43-003	6/60	8/72	9/84
Textile products industries	1992	34-251	38	46	54
The sugar situation	October 1994	32-013	6/60	8/72	9/84
Wholesale trade	September 1994	63-008	16/160	20/192	23/224
INTERNATIONAL TRADE					
Imports by commodity	September 1994	65-007	60/600	72/720	84/840
Imports by country	January-September 1994	65-006	90/360	108/432	126/504
LABOUR					
Work injuries	1991-1993	72-208	33	40	47
Unemployment insurance statistics	September 1994	73-001	16/160	20/192	23/224
SERVICES, SCIENCE AND TECHNOLOGY					
Communications service bulletin: non-commercial radio and television	1990-1993	56-001	9/53	11/64	13/75
TRANSPORTATION					
Aviation service bulletin	November 1994	51-004	10/99	12/119	14/139
Air charter statistics	1993	51-207	39	47	55

NEW FROM STATISTICS CANADA



Canadian social trends

The winter 1994 issue of *Canadian social trends* features an interview with Robert Glossop, the director of programs and research with the Vanier Institute of the Family. Recognizing the United Nations' International Year of the Family, Dr. Glossop reflects on the state of the family in Canada. Other articles include: "Where does the money go? Spending patterns of Canadian households, 1969-1992", "Working teens", "Allophone immigrants: language choices in the home" and "A history of emigration from Canada".

Each quarter, *Canadian social trends* integrates data from various sources to examine important social trends and issues. It also features the latest social indicators, as well as information about Statistics Canada's products and services.

The winter 1994 issue of *Canadian social trends* (catalogue 11-008E, \$9/\$34) is now available. For further information on this release, contact Cynthia Silver at (613) 951-2556, Housing, Family and Social Statistics Division.

Savers, investors and investment databank

The 1993 edition of the databank on savers and investors is now available. It contains data on the savings and investment income reported by Canadians on their 1993 personal income tax forms.

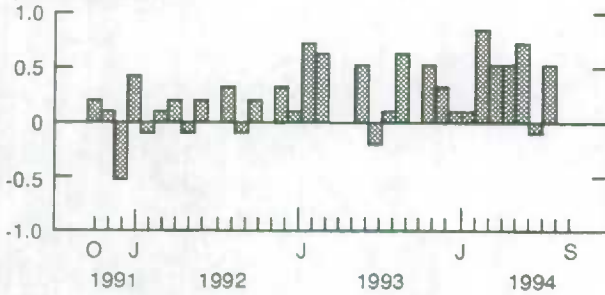
Small area data on savers and investors are produced annually for many levels of postal geography, including cities and towns and areas as small as letter carrier walks and forward sortation areas. The data are ideal for market analyses and policy decisions.

For further information on this release, contact client services at (613) 951-9720, fax: (613) 951-4745, Small Area and Administrative Data Division.

CURRENT TRENDS

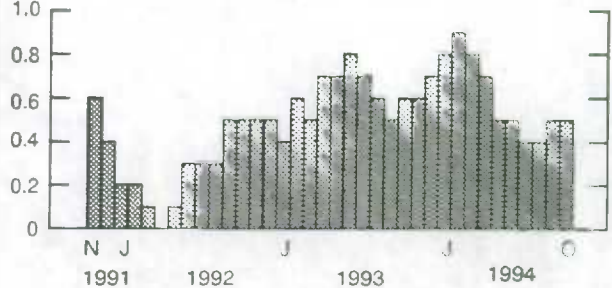
Gross domestic product

% change,
previous month



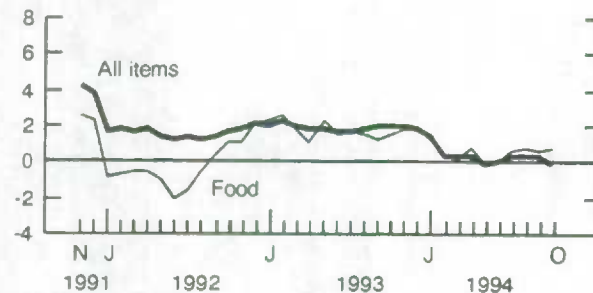
Composite index

% change,
previous month



Consumer price index

% change,
previous year



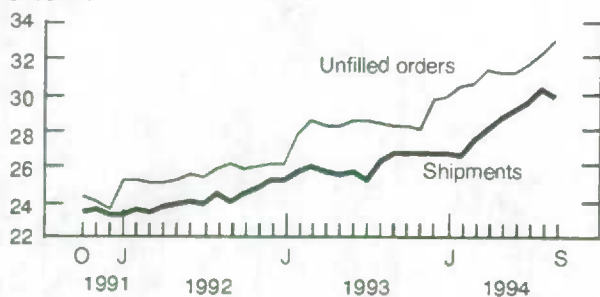
Unemployment rate

%



Manufacturing

Billions
of dollars



Merchandise trade

Billions
of dollars



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

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)	November*	12.8	0.7%	3.0%
Unemployment rate (%)	November*	9.6	-0.4 [†]	-1.4 [†]
Participation rate (%)	November*	65.0	0.2 [†]	0.0 [†]
Labour income (\$ billion)	September*	34.3	0.6%	3.5%
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 (%)	3rd quarter*	82.9	1.6	5.3
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

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