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A Weekly Review

Friday, February 3, 1995

OVERVIEW

■ Economic growth accelerates

Led by strong gains in manufacturing and wholesale trade, economic growth accelerated in November.

■ Weekly earnings up, employment down

In November, employers boosted payrolls for the fourth consecutive month as weekly earnings grew. Employment dropped slightly.

■ Manufacturers pay substantially more for raw materials

In 1994, raw material prices posted their highest yearly increase since 1982. Metals, vegetables, and wood contributed most to the rise.

■ Product prices continue their rise

During 1994, strong foreign demand resulted in the highest annual increase in industrial prices in 12 years. December's rise was in line with the year's climbing trend.

■ Manufacturers less optimistic about future

In January 1995, manufacturers were less positive about future business conditions than in October.

■ Canada's population will grow, but at a slower rate

Canada's population is projected to reach 34 to 40 million within the next two decades. However, the growth rate will slow and the population will become considerably older.

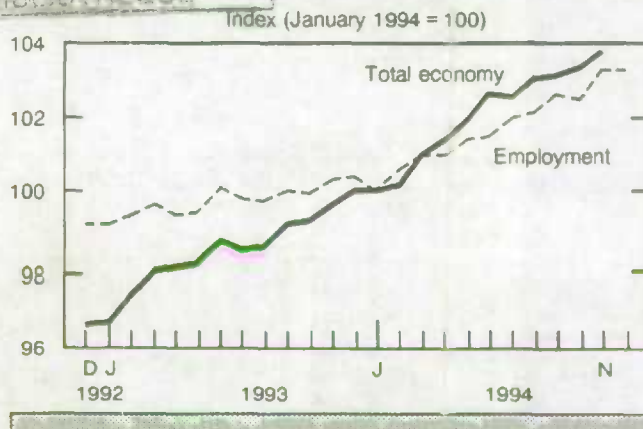
Economic growth accelerates

Led by strong gains in manufacturing and wholesale trade, economic growth accelerated in November. Gross domestic product (GDP) at factor cost advanced 0.4% after edging up 0.1% in September and 0.2% in October. Rebounds in mining and utilities also contributed. Retail sales and construction declined.

On a quarterly basis, however, the growth of the GDP has been slowing down, from 1.6% in the first quarter to 1.0% in the second to 0.6% for October and November's average. Employment also slowed, from 1.0% growth in the third quarter to 0.7% in the fourth, and was flat in December.

Output in manufacturing jumped 1.6% in November, reflecting a surge in demand for motor vehicles and office machinery (mainly computers). Manufacturing has experienced robust growth since the second quarter and a resulting sharp increase in employment, including a 3.1% gain in the fourth quarter. Larger shipments contributed substantially to increased truck and rail transport services.

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... Economic growth accelerates

Production of motor vehicles soared 13.4%, rising sharply for a third consecutive month. Office machinery output, which increased considerably throughout the year, jumped a further 7.9% in November; a significant portion was exported. Elsewhere in manufacturing, a widespread decline in primary metals moderated the overall growth.

Wholesale trade jumped 1.4% reflecting higher sales in all trade groups except hardware products. Wholesalers of motor vehicles and parts accounted for 41% of the gain.

Following declines in September and October, the mining sector enjoyed a 1.1% gain in output due mostly to higher production of crude oil. A rebound in electricity exports led to higher output by utilities. Despite this, utilities' output remained low as mild weather curbed gas distribution for the third consecutive month.

After surging in October, retail sales slipped by 0.6% as widespread losses more than offset higher sales by motor vehicle dealers. Sales by service station operators, and retailers of furniture and appliances declined the most.

Note to users

The gross domestic product of an industry is the value added by labour and capital when they transform inputs purchased from other industries into outputs. Monthly GDP by industry is valued at 1986 prices. All estimates are seasonally adjusted at annual rates.

Construction inched down 0.2% as declines in residential and non-residential projects cancelled a gain in engineering construction. Construction of new dwellings has fallen for five consecutive months. Decreases in building permits through November, and higher interest rates since then, augur further drops.

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 up, employment down

In November, employers boosted payrolls (0.5%) for the fourth consecutive month as weekly earnings grew. Employees received, on average, \$571.88 a week, up 0.6% from the previous month. Earnings growth in business services; wholesale trade; and finance, insurance, and real estate led all industries. Since a year ago, weekly earnings have risen by \$13.04 (2.3%).

Average weekly earnings

November 1994

(Seasonally adjusted)

Province/Territory	Industrial aggregate (\$)	% change, previous month	% change, previous year
Canada	571.88	0.6	2.3
Newfoundland	541.13	1.6	1.8
Prince Edward Island	455.08	1.0	-0.3
Nova Scotia	501.83	1.1	1.3
New Brunswick	506.16	0.6	0.5
Quebec	542.30	-0.5	0.4
Ontario	612.17	0.9	3.4
Manitoba	503.94	1.0	2.0
Saskatchewan	490.86	0.6	3.7
Alberta	557.59	0.5	0.8
British Columbia	584.73	0.6	4.0
Yukon	674.87	-2.3	-2.8
Northwest Territories	707.98	1.1	1.2

Weekly payrolls and employment



For the second straight month, the number of weekly hours worked declined. In November, employees paid by the hour worked an average of 31.0 hours per week, down from the September peak of 31.2 hours, but higher than the level of 30.6 hours averaged throughout 1993 and the first two months of 1994.

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... Weekly earnings up, employment down

Total employment declined by a slight 0.3% (31,000) from October as retail, construction, and accommodation, food and beverage services shrank and offset gains by manufacturers and business services. Retailers and construction companies reduced employment for the second consecutive month, as a result of declining November sales and lower demand for housing. Manufacturers have been increasing employment levels in light of continuing strong demand for manufactured goods.

Note to users

Unless otherwise stated, all data are seasonally adjusted. Employment in this article refers to payroll employment only.

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

Manufacturers pay substantially more for raw materials

Manufacturers paid 7.5% more for raw materials in 1994 than in 1993, the highest yearly increase since 1982. This followed a 5.9% rise in 1993. Most of 1994's advance came from metals, vegetables, and wood, and was moderated by mineral fuels, and hog and cattle. In December, prices rose 0.5% from November, and were 15.3% higher than a year earlier.

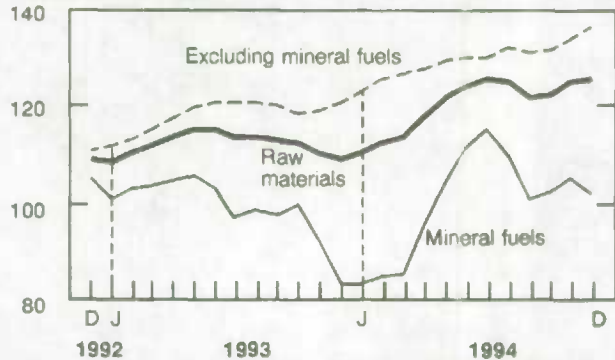
As world economic recovery continued, annual non-ferrous metal prices climbed 27% in 1994. Copper and aluminum were the main contributors, although nickel, bismuth and antimony prices also increased. Annual vegetable prices advanced almost 20%, due mostly to coffee, wheat, canola, rubber, and sugar. Coffee price hikes occurred as a result of supply shortage, caused by poor weather in Brazil. Wood prices, driven by higher prices for logs and pulpwood, rose 10% over 1993.

Crude oil prices hardly changed from 1993. While they increased substantially over the first seven months of 1994, they declined during the last five months of the year as a result of a mild winter and higher-than-forecast non-OPEC production. Prices for live hogs and cattle declined almost 5%. Large herds of hogs, and producers unwilling to carry them over the winter have depressed prices.

In December, manufacturers paid 15.3% more for raw materials than in December 1993. This marked the second consecutive month where the 12-month increase was the highest in four years. Prices rose 0.5% from their November level, led by

Raw material prices

Indexes (1986 = 100)



Note to users

The raw materials price index (RMPI) reflects prices that manufacturers pay for key raw materials. Many of these prices are set in world markets. Also, unlike the industrial product price index, the RMPI includes goods not produced in Canada.

copper, nickel, wood, hogs and cattle, sugar, canola, and rubber. Declines in crude oil and coffee prices moderated the overall rise.

For further information, order Industry price indexes (catalogue 62-011) or contact Prices Division at (613) 951-3350.

Product prices continue their rise

In 1994, strong foreign demand caused industrial prices to jump 5.7%, the highest annual increase since 1982. Canadian consumers, however, were little affected by these increases as many of the products were exported. The corresponding annual change in consumer goods prices (excluding the effect of the cut in tobacco taxes) was only 1.2%.

The year's price hikes were dominated by export-oriented commodities: pulp, non-ferrous metal products, lumber, sawmill and other wood products, and motor vehicles. In 1993, most of these industries suffered from generally depressed prices and considerable unused capacity. Rising international demand for their products led to both price and output increases, and hence to strengthening profits.

Because the prices of many exports are quoted in U.S. dollars, exchange rate movements played an important role in the fluctuations of industrial prices in 1994. Occasionally, as in April, exchange rate movements accounted for most of the monthly change. From February to August, they added between one to two points, and during the rest of the year less than one point, to the 12-month change in the IPPI.

In December, conditions remained good for Canadian producers while consumers stayed shielded from price increases. Current situations – the ongoing world recovery, high levels of unfilled orders for investment goods, and uncertain domestic consumer demand – suggest this pattern may continue. However, upward pressures on prices are

Note to users

The industrial product price index (IPPI) reflects prices that producers receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the consumer price index, the IPPI excludes indirect taxes and all the costs (such as transportation, wholesale, and retail) that occur between the time a good leaves the plant and when the final user takes possession.

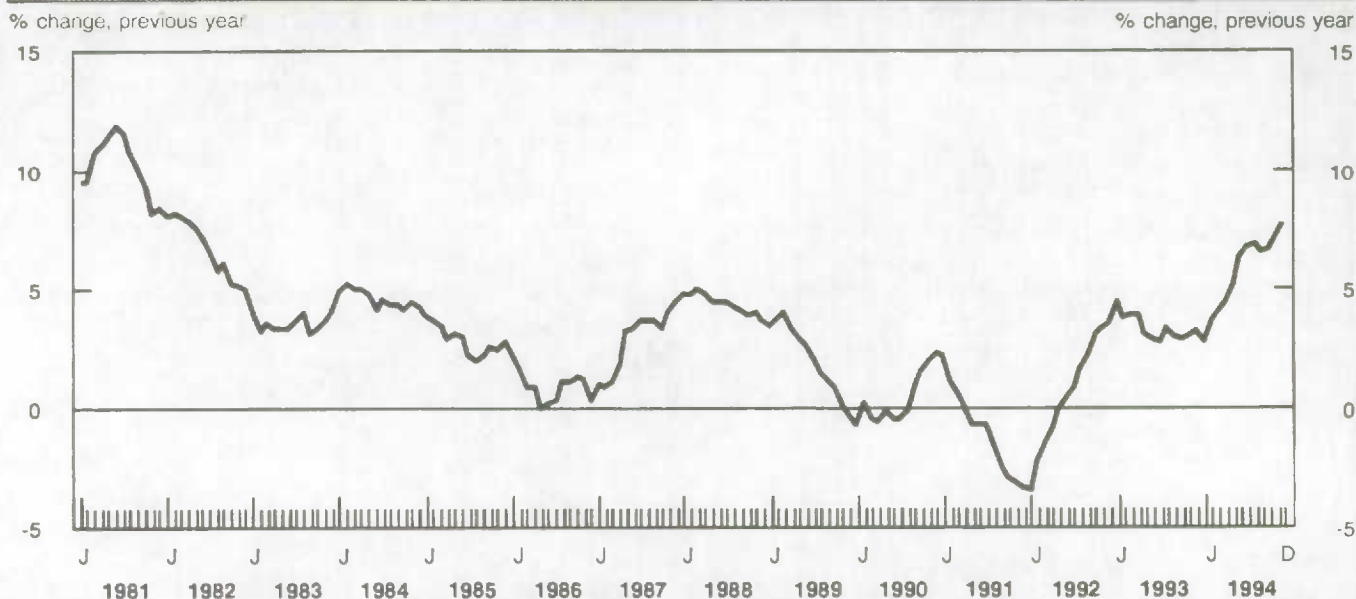
widespread in the economy. Higher input costs are expected to lead to price increases for various types of machinery and equipment in January.

December's most important price increases continued to come from exported non-ferrous metal products, newsprint, and automobiles. Processed raw materials have risen almost 30% since December 1993. The year-over-year change in industrial prices jumped to 7.7%, the highest increase since early-1982. Prices were 0.8% above their November level.

The 12-month advance in domestic consumer prices at the manufacturer level (2.5%) remained about a percentage point higher than at the consumer level (1.3% excluding the effect of the cut in tobacco taxes). It appears that intermediaries and retailers are absorbing part of the increase in manufacturer prices while trying to hold down labour and other costs as they wait for the domestic consumer market to strengthen.

For further information, order Industry price indexes (catalogue 62-011) or contact Prices Division at (613) 951-3350.

Industrial product prices



Manufacturers less optimistic about future

In January 1995, manufacturers were somewhat less optimistic about business prospects than they were in October 1994. Rising interest rates, the sustainability of demand, and higher raw material prices all influenced their expectations. They were, however, more satisfied than a year ago.

January's balance of opinion concerning the backlog of unfilled orders dropped for the second consecutive quarter. However, the level of satisfaction remained higher than a year ago and much higher than the large negative balance recorded between July 1989 and July 1993.

Manufacturers were also somewhat less positive about orders received. After increasing for the last five quarters, their satisfaction dropped nine points since October. Nonetheless, the balance remained strongly positive (24) and well above the negative figures recorded from April 1989 to October 1992.

Business condition survey January 1995

	1994				1995
	January	April	July	October	January
Balance of opinion * on:					
Production	4	17	29	24	21
New Orders	17	27	32	33	24
Unfilled Orders	0	15	22	15	7
Inventories	-23	-11	-3	-4	-12
Employment	-2	-1	2	6	3

* The balance is the difference between the proportion of positive responses, such as higher volumes of production, and negative responses, such as lower volumes of production.

Note to users

The Business conditions survey is conducted in January, April, July and October. Results are based on replies from about 5,000 manufacturers and are weighted by a manufacturer's shipments or employment. Consequently, larger manufacturers have a correspondingly larger impact on the results than do smaller manufacturers. Data have been revised back to 1992. Except for the data on production difficulties, all data are seasonally adjusted.

For the first time in five quarters, the number of manufacturers who thought inventories were too high increased from 10% in October to 16%.

Manufacturers were not as confident about production prospects as they had been during the last two surveys, but were more optimistic than a year ago. Likewise, in terms of employment prospects, confidence declined since the last quarter, but stayed significantly above last year's.

Some 84% of manufacturers claimed no particular production difficulties. Shortage of raw materials was reported by 6%, double the level of a year ago and close to the high of 7% reached before the 1989 downturn. Although shortage of working capital has returned to historically low levels, 10% of small establishments still report this as a production difficulty. Shortage of skilled labour doubled since the start of 1994, but stayed well below the 1989 average.

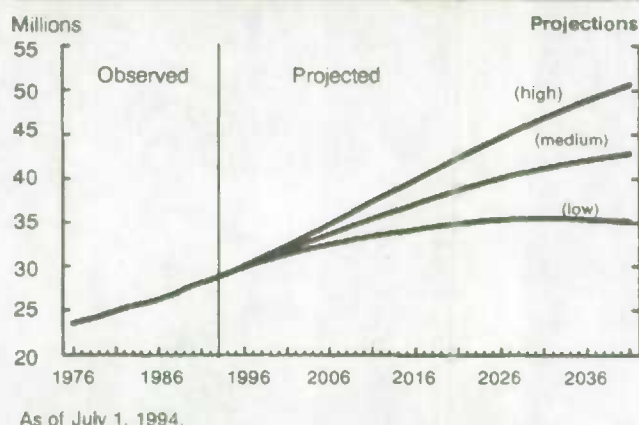
For further information, contact Industry Division at (613) 951-3507.

Canada's population will grow, but at a slower rate

Within the next 20 years, Canada's population is projected to reach between 34 to 40 million. Three growth scenarios (high, medium and low) have been prepared on this topic. Under the medium-growth scenario, the population will approach 37 million by 2016. Currently Canada's population is 29 million.

Under all scenarios, and in line with the trend from the latter half of the 1980s, Canada's population growth will slow down. According to the medium-growth scenario, the average annual growth rate will drop 31% over the next two decades. Since levels of immigration and emigration are assumed to be constant, the falling rate is mainly attributable to a slowing of the natural increase (births minus deaths), which will eventually become negative.

Trends in the total population of Canada, 1976-2041



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... Canada's population will grow, but at a slower rate

The population will become considerably older as it enters the 21st century. The main cause of this trend is a low fertility rate, which has persisted below the replacement level of 2.1 children per woman since the early 1970s. By 2016, the median age will be 40 compared with 34 in 1993.

The proportion of seniors aged 65 and over will rise from 12% of the population in 1993 to 16% by 2016, and to 23% by 2041. The most rapidly growing age group will comprise those 85 and over: it will more than double in size from 300,000 to 800,000 between now and 2016. This rapid rise can be attributed partly to people living longer and partly to the ageing of the baby-boomers. At the

same time, the proportion of young people will drop dramatically. By 2016, one in five Canadians will be under 18 compared with one in four in 1993.

All provinces except Newfoundland will grow over the next 25 years. However, provincial shares of the total population are projected to change very slowly. They are also more difficult to project, as they are significantly influenced by interprovincial migration. Although Ontario, British Columbia and Alberta will likely increase their share, the share of most other provinces will remain the same as in 1993.

For further information, order Population projections for Canada, provinces and territories, 1993-2016 (catalogue 91-520) or contact Demography Division at (613) 951-9580.

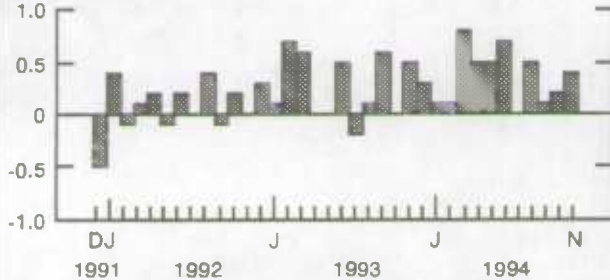
PUBLICATIONS RELEASED FROM JAN. 27 TO FEB. 2, 1995

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
					US\$
AGRICULTURE					
Farm product price index	November 1994	62-003	8/76	10/92	11/107
Field crop reporting series no.1: stocks of Canadian grain	December 31, 1994	22-002	15/85	18/102	21/119
CANADIAN CENTRE FOR JUSTICE STATISTICS					
Juristat: public perceptions of crime	January 1995	85-002	5/60	6/72	7/84
Juristat: risk of personal and household victimization, Canada	1993	85-002	5/60	6/72	7/84
Juristat: youth court statistics	1993-1994	85-002	5/60	6/72	7/84
Youth court statistics	1993-1994	85-522	35	42	49
HEALTH					
Cancer in Canada	1991	82-218	25	30	35
INDUSTRY					
Construction type plywood	November 1994	35-001	6/60	8/72	9/84
Corrugated boxes and wrappers	December 1994	36-004	6/60	8/72	9/84
Crude petroleum and natural gas production	October 1994	26-006	11/110	14/132	16/154
Gas utilities	October 1994	55-002	14/140	17/168	20/196
Mineral wool including fibrous gas insulation	December 1994	44-004	6/60	8/72	9/84
Other manufacturing industries	1992	47-250	38	46	54
Production, shipments and stocks on hand of sawmills in British Columbia	November 1994	35-003	8/80	10/96	12/112
Retail trade	November 1994	63-005	20/200	24/240	28/280
LABOUR					
Unemployment insurance statistics	November 1994	73-001	16/160	20/192	23/224
PUBLIC INSTITUTIONS					
The control and sale of alcoholic beverages in Canada	March 31, 1993	63-202	36	44	51
SERVICES, SCIENCE AND TECHNOLOGY					
Science statistics service bulletin: Distribution of federal expenditures on science and technology, by province and territory	1992-1993	88-001	8/76	10/92	12/107
Telephone statistics	November 1994	56-002	9/90	11/108	13/126
TRANSPORTATION					
Aviation service bulletin	January 1995	51-004	10/99	12/119	14/139

CURRENT TRENDS

Gross domestic product

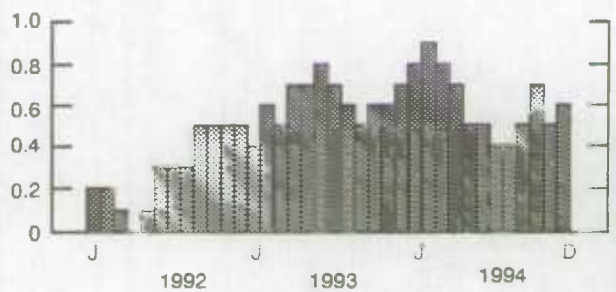
% change,
previous month



Real gross domestic product at factor cost grew 0.4% in November.

Composite index

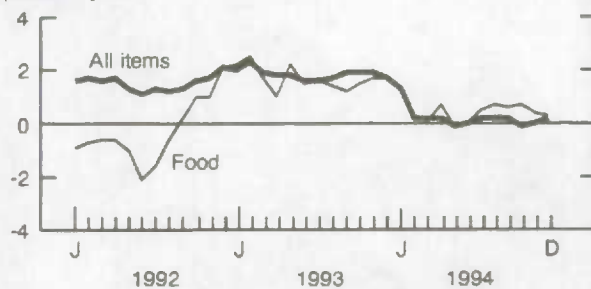
% change,
previous month



The 0.6% growth of the composite index in December was about the same as the average posted since September.

Consumer price index

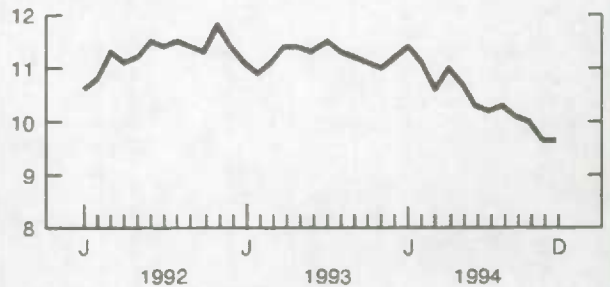
% change,
previous year



Consumers paid 0.2% more for goods and services in December 1994 than the year before. Food prices rose by 0.3%.

Unemployment rate

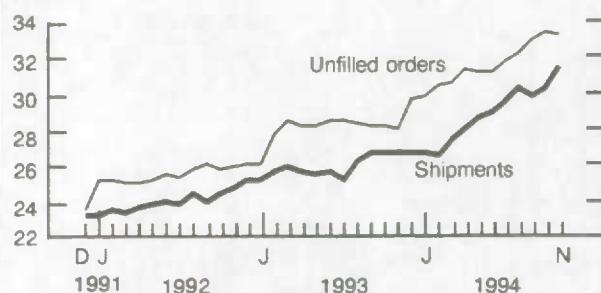
%



In December, the unemployment rate remained unchanged at 9.6%.

Manufacturing

\$ billions



Manufacturers' shipments jumped 4.0% in November to \$31.5 billion. The level of unfilled orders dipped slightly (-0.2%) to \$33.3 billion.

Merchandise trade

\$ billions



The value of merchandise exports increased by \$633 million in November, to \$20.2 billion. Imports rose by \$656 million, to \$18.1 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)	November*	538.5	0.4%	4.2%
Composite index (1981 = 100)	December	171.7	0.6%	7.6%
Operating profits of enterprises (\$ billion)	3rd quarter	20.2	11.4%	48.5%
DOMESTIC DEMAND				
Retail trade (\$ billion)	November	17.6	-0.3%	6.8%
New motor vehicle sales ('000 units)	November	104.3	-4.3%	0.4%
LABOUR				
Employment (millions)	December	12.8	0.0%	2.9%
Unemployment rate (%)	December	9.6	0.0 [†]	-1.6 [†]
Participation rate (%)	December	64.9	-0.1 [†]	-0.2 [†]
Labour income (\$ billion)	October	34.3	-0.3%	3.3%
Average weekly earnings (\$)	November*	571.88	0.6%	2.3%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	November	20.2	3.2%	27.0%
Merchandise imports (\$ billion)	November	18.1	3.8%	18.8%
Merchandise trade balance (all figures in \$ billion)	November	2.1	0.0	1.4
MANUFACTURING				
Shipments (\$ billion)	November	31.5	4.0%	18.5%
New orders (\$ billion)	November	31.4	2.5%	18.7%
Unfilled orders (\$ billion)	November	33.3	-0.2%	19.0%
Inventory/ shipments ratio	November	1.24	-0.04	-0.12
Capacity utilization (%)	3rd quarter	82.9	1.6	5.3
PRICES				
Consumer price index (1986 = 100)	December	131.6	0.2%	0.2%
Industrial product price index (1986 = 100)	December*	123.3	0.8%	7.7%
Raw materials price index (1986 = 100)	December*	125.4	0.5%	15.3%
New housing price index (1986 = 100)	November	135.9	-0.1%	-0.3%

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

* new this week

† percentage point

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