

Infomat

A Weekly Review

Friday, June 16, 1995

OVERVIEW

GDP growth slows in first quarter

Economic growth slowed to 0.2% in the first quarter of 1995, and financial market borrowing activity decreased substantially.

Composite index tumbles

The composite index fell 0.2% in May, as a slowing economy was exacerbated by strikes in the transportation sector.

Little change in current account deficit

Canada's current account deficit was virtually unchanged at \$4.0 billion in the first quarter of 1995. This was one of the lowest levels seen over the past seven years.

Labour market remains stable

In May, for the sixth consecutive month, overall employment showed little change.

Motor vehicle sales plunge to decade low

In April, falling truck sales propelled new motor vehicle sales to their lowest level since July 1983.

Housing prices fall again

New housing prices fell for a tenth consecutive month in April.

GDP growth slows in first quarter

After surging in 1994, real gross domestic product (GDP) growth slowed in the first quarter of 1995 to 0.2%. Rising interest rates, strikes in the transportation sector and a weakening U.S. economy all contributed to the deceleration. Financial market borrowing activity decreased substantially.

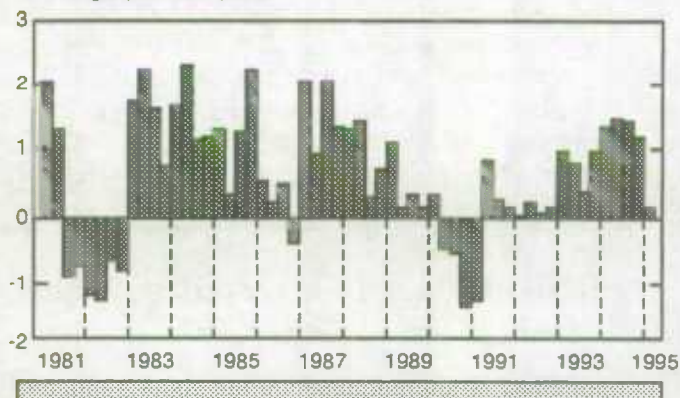
Real exports rose much slower than in recent quarters. Final domestic demand was essentially unchanged as business investment in plant and equipment grew moderately, consumer spending languished, government outlays remained unchanged, and housing investment declined. Manufacturing, wholesale, and retail establishments piled up inventories, suggesting that the growth slowdown was largely unanticipated.

Personal spending grew hardly at all after rising moderately throughout 1994. As interest rates rose, consumer credit borrowing fell sharply and the saving rate increased. Real disposable income rose 1.1%. Lower spending was especially evident for discretionary commodities, such as new passenger cars, trucks and vans, restaurant meals, and foreign travel.

(continued on page 2)

GDP at 1986 prices

% change, previous quarter



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MAY 18 1995

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Canada

... GDP growth slows in first quarter

Exports rose for the thirteenth consecutive quarter (1.3%), although the advance was much smaller than the 6.2% average of the previous three quarters. Transportation strikes and a weakening U.S. economy were important factors. Import growth, at 2.7%, was also somewhat slower than the 4.1% average of the previous three quarters.

After marked growth in the previous quarter, business investment in plant and equipment (in this case, industrial machinery, office machines and equipment, trucks, and aircraft) rose moderately. Construction, which is sensitive to high interest rates, fell sharply. Housing, non-residential building, and engineering construction were all affected. The abrupt slowing of final demand brought about a very large accumulation of inventories – manufacturers' inventory buildups, for instance, were the largest in 20 years.

The GDP chain price index increased 1.2%, its largest quarterly jump since the GST was introduced in the first quarter of 1991. Export and

import prices both rose significantly, reflecting the sharp depreciation of the Canadian dollar and the fact that prices of Canadian exports are often set in U.S. dollars. Unit labour costs rose 0.4% after declining steadily over the previous two years. Raw material prices and rising profit margins also contributed to the higher economy-wide inflation rate.

Stung by higher interest rates, borrowers reduced their credit demand to its lowest level in two-and-a-half years. In particular, consumers cut their borrowing severely. While the private sector cut borrowing moderately, the provincial and local governments reduced theirs quite sharply after heavy borrowing in the previous quarter. Federal government borrowing held steady near its fourth quarter 1994 level.

For further information, order National economic and financial accounts, quarterly estimates (catalogue 13-001) or contact the information officer, National Accounts and Environment Division at (613) 951-3640.

Composite index tumbles

After slowing steadily for more than a year, the composite index fell 0.2% in May. The slower trend underlying the economy, especially in housing and autos, was exacerbated by strikes in the transportation sector. The exact impact of these strikes will not be evident until next month. The weakness was more widespread than in April (when 3 components dropped), as 6 of the 10 components fell and the average work week was unchanged. The financial markets remained the main exception to widespread declines in the index.

Household demand continued to fall in the second quarter, as employment remained flat and confidence low. The housing index dropped 4.7% in May, its largest decrease in over five years. The slack in housing was accompanied by slow sales of furniture and appliances. Sales of other durable goods, especially autos, also decreased.

Lower exports to the United States and weak construction demand caused orders for manufactured durable goods to retreat 0.2% in May. The

ratio of shipments to stocks of finished goods also fell for the first time in over a year. Demand for goods destined for the domestic market continued to expand after a considerable slowdown in recent months. Employment in business services also remained a source of growth.

The Toronto stock market continued to recover in all major sectors, a boost to firms planning to increase their spending. Even consumer products fared well, despite the pessimism of households themselves. The stock market, which has one of the longest lead times of all components, was one of the first to turn down over a year ago. The U.S. leading indicator continued to contract, falling 0.2% in May. As in Canada, however, the U.S. stock market rallied.

For further information, order Canadian economic observer (catalogue 11-010), or contact Francine Roy, Current Economic Analysis Division at (613) 951-3627. (See also "Current trends" on page 8.)

Little change in current account deficit

Canada's current account deficit was virtually unchanged at \$4.0 billion (seasonally adjusted) in the first quarter of 1995. This was one of the lowest levels seen over the past seven years. Increased exports and higher spending by foreign visitors were offset by higher interest payments abroad.

Both exports and imports continued to advance strongly. The merchandise trade surplus climbed to a \$5.8 billion peak, surpassing the old record of \$5.6 billion set in the fourth quarter of 1984. The increase in the merchandise surplus again resulted from transactions with the United States. A small surplus with Japan has continued for a year, while deficits persisted with all other foreign countries.

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BUDGET

... Little change in current account deficit

The non-merchandise deficit climbed to \$9.8 billion, pulled by interest paid to non-residents. Canadian banks paid more interest abroad as a result of increased deposits in foreign currencies; so did the Government of Canada on higher treasury bill borrowing from abroad. Interest payments on Canadian bonds, by far the largest component of interest paid abroad, fell for the second consecutive quarter, in sharp contrast with the upward trend of the past. Profits of foreign direct investors remained high for the second consecutive quarter.

Foreigners resumed their investment in Canadian bonds, as they bought \$2.4 billion more than they sold (unadjusted). This followed the previous quarter's record \$7.4 billion withdrawal. The foreign capital was channelled entirely into new foreign currency bonds issued by the provinces and by Canadian corporations. Foreigners sold more outstanding bonds than they bought for a sixth consecutive quarter.

Canadians added \$1.9 billion of foreign bonds to their portfolios (unadjusted), their second largest quarterly investment on record. The increase, largely in U.S. bonds, was led by pension funds and mutual funds.

Labour market remains stable

In May, for the sixth consecutive month, overall employment showed little change. The unemployment rate edged up 0.1 percentage points to 9.5%, as more people entered the labour market to look for work.

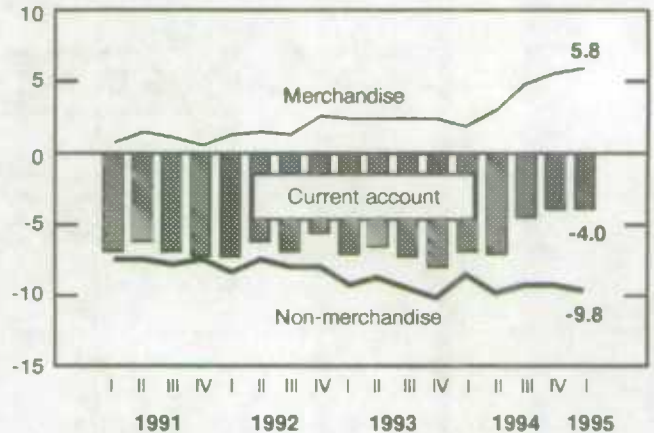
In the manufacturing sector, a large increase of jobs in May offset the previous two months' losses, bringing job growth since the beginning of the year to 69,000. Employment in construction dropped by 17,000, and is now 44,000 lower than a year ago. Job losses were also seen in public administration, in agriculture, and in other primary industries. Employment in finance, insurance and real estate rose.

Following strong growth in 1994, full-time employment has fluctuated this year, with little overall change since last November. May's 35,000 drop in full-time employment was concentrated among youths. Meanwhile, part-time employment for youths grew by about the same amount.

In May, 67.3% of students aged 20 to 24 who intend to return to school in the fall joined the labour market, compared with 70.6% a year earlier. Students' lower participation in the labour market brought their unemployment rate down to 14.9%, its lowest level since May 1990.

Current account balances

\$ billions, seasonally adjusted



For further information, order Canada's balance of international payments (catalogue 67-001) or contact Lucie Laliberté, Balance of Payments Division at (613) 951-9055.

Employment

Millions, seasonally adjusted



Note to readers

All data are seasonally adjusted.

(continued on page 4)

... Labour market remains stable

No significant changes in employment occurred at the provincial level, except in British Columbia, where 15,000 jobs were lost in May, leaving total employment 15,000 above its November 1994 level.

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

PROVINCIAL PERSPECTIVES

Labour force survey, May 1995 Seasonally adjusted

	Labour force		Employment		Unemployment	
	'000	% change, previous month	'000	% change, previous month	'000	Rate (%)
Canada	14,912	0.1	13,488	0.0	1,424	9.5
Newfoundland	245	1.2	199	0.5	46	18.8
Prince Edward Island	68	0.0	58	1.8	10	15.3
Nova Scotia	437	0.0	381	-0.5	56	12.8
New Brunswick	353	-1.1	313	-0.6	40	11.3
Quebec	3,597	-0.3	3,205	0.3	392	10.9
Ontario	5,748	0.5	5,231	0.2	517	9.0
Manitoba	565	0.2	523	0.2	42	7.4
Saskatchewan	497	1.4	461	0.2	36	7.2
Alberta	1,487	-0.3	1,369	-0.4	118	7.9
British Columbia	1,923	-0.6	1,751	-0.8	172	8.9

Motor vehicle sales plunge to decade low

In April, falling truck sales propelled total new motor vehicle sales to their lowest level since July 1983. Sales declined for the fourth consecutive month, falling 9.2% from March to 88,721.

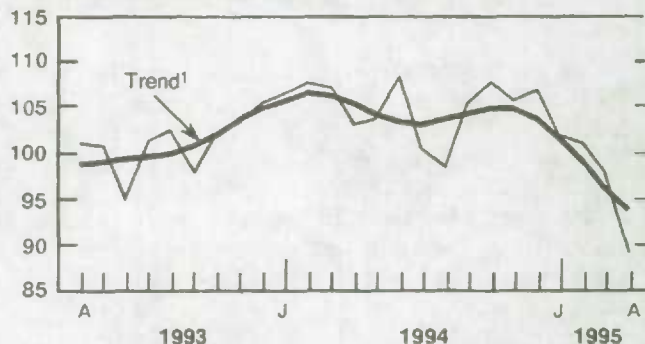
More than half of April's decline came from a 12.7% plunge in truck sales. Trucks, including minivans and sport utility vehicles, were the engine of growth over the past two years. Truck sales have now been declining since February, and April's sales were the lowest since June 1993.

New passenger car sales continued to slide for the fourth month in a row (-6.5%). Consumers purchased 52,087 new cars in April, the lowest level since October 1982. Most of the decline in total car sales came from a 7.0% slump in the sale of North American-made cars. Imported car sales continued their long downward slide, falling 4.4% in April. Part of the long-term fall in import sales is a result of production by foreign transplants in North America. A stronger yen may also have affected imported car sales.

A combination of higher car prices and low consumer confidence may have deterred consumers from buying cars in April. According to the consumer price index, passenger car prices rose nearly 6% between April 1994 and April 1995.

New motor vehicle sales

'000 units, seasonally adjusted



¹ The short-term trend represents a moving average of the data.

Note to readers

All data are seasonally adjusted.

(continued on page 5)

... Motor vehicle sales plunge to decade low

New motor vehicle sales totalled \$2.1 billion in April. Prior to that, new vehicle sales had generated \$2.4 billion per month in revenue from September 1994 to March 1995. Total sales in current dollars were the lowest reported since September 1993.

For further information, order New motor vehicle sales (catalogue 63-007) or contact Tom Newton, Industry Division at (613) 951-3552.

Housing prices fall again

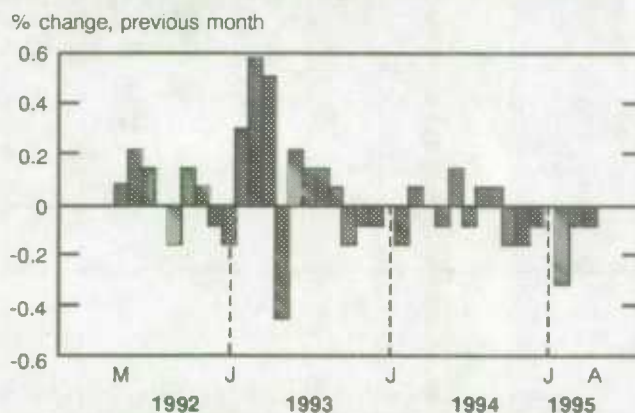
In April, the price of new houses fell 0.7% from April 1994. This was the tenth consecutive month in which housing prices dropped compared with the year before. The new housing price index was down 0.1% from March 1995.

In 6 of the 21 cities surveyed, contractors reported stable or offsetting new home selling prices, resulting in no monthly changes. Of the seven cities with monthly price increases, Saskatoon (0.6%) and Kitchener-Waterloo (0.4%) were in the lead. No other monthly change was larger than 0.3%. Of the eight cities registering monthly decreases, the largest were for London (-0.6%) and Charlottetown (-0.5%).

On a year-over-year basis, housing prices rose in 12 cities and fell in eight. Prices rose the most in Halifax (4.2%) and Regina (3.6%). The largest price decreases were recorded for Victoria (-7.4%) and Vancouver (-4.8%).

The house only index fell 0.5% from April 1994 and 0.1% from the previous month. The land only index fell 0.6% from April 1994 and was unchanged from the previous month.

New housing price index



For further information, order Construction price statistics (catalogue 62-007) or contact Paul-Roméo Danis, Prices Division at (613) 951-3350.

NEW FROM STATISTICS CANADA

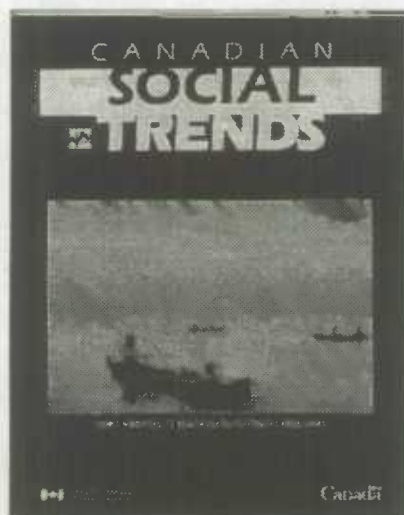
Inter-corporate ownership on CD-ROM Second quarter 1995

Inter-corporate ownership on CD-ROM is an essential research tool for monitoring the Canadian business scene and the constantly changing corporate world. Its database of over 80,000 corporations provides valuable data on parent enterprise, country of control, province of head office, and percentage of owned voting rights. A sophisticated retrieval system permits rapid data retrieval for any of the listed corporations.

For further information, contact the Statistics Canada Regional Office nearest to you. *Inter-corporate ownership on CD-ROM (61-517C)* can be purchased as a single issue for \$1,500 or on an annual subscription basis for \$3,000. An educational discount of 50% is available for Canadian educational institutions.



NEW FROM STATISTICS CANADA – Concluded



Canadian social trends

Summer 1995

The summer 1995 issue of *Canadian social trends* features the articles "Visible minorities: A diverse group" and "Immigrants in Quebec". Other articles include "Health and socio-economic inequalities", "Canada's National Capital Region: A profile of Ottawa-Hull", "Their own boss: The self-employed in Canada" and "The importance of wildlife to Canadians".

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 summer 1995 issue of Canadian social trends (catalogue 11-008E, \$9/\$34) is now available. For further information, contact Cynthia Silver at (613) 951-2556, Housing, Family and Social Statistics Division.

Services indicators

First quarter 1995

The feature article in this issue of *Services indicators* is "The demand for telecommunications services". To better understand demand for telecommunications services, this article examines the choice of services and suppliers, usage frequency and reasons for using the services, and the anticipated growth in business services industries.

The issue also reviews first-quarter changes in the services sector. Employment increased significantly, while there was little change in output, consumer spending, and prices. The trade deficit in services improved somewhat, despite a worsening business services trade balance.

The first quarter 1995 issue of Services indicators (catalogue 63-016, \$28/\$112) will be available shortly. For further information, contact George Sciadas at (613) 951-3177, Services, Science and Technology Division.

Inventory of Statistics Canada's questionnaires on CD-ROM

1994

The inventory of Statistics Canada's questionnaires is now available on CD-ROM. It contains scanned images of questionnaires that were used to conduct questionnaire-based surveys in 1994.

The product provides full text retrieval, allowing for searches by word or subject. It also has a viewer for displaying page-by-page images of the questionnaires.

Each questionnaire-based survey is listed with the titles of the questionnaires used, their form numbers, and frequency. Information is also given about the printed and electronically available data series through which the survey data are disseminated. Names and phone numbers of contact persons are also provided.

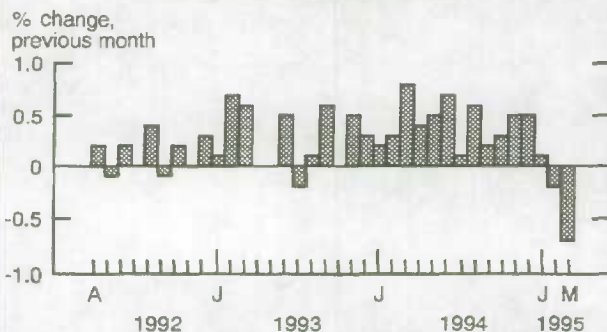
The inventory of Statistics Canada's questionnaires, 1994 (catalogue 12-2050XCB, \$450) is now available on CD-ROM. The price is subject to Statistics Canada's discount policy. For further information, contact Michael Webber at (613) 951-3458 (fax: (613) 951-8578, the Internet: farrkim@statcan.ca), Standards Division.

PUBLICATIONS RELEASED FROM JUNE 9 TO JUNE 15, 1995

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
			US\$		
BALANCE OF PAYMENTS					
Canada's international transactions in securities	March 1995	67-002	17/170	21/204	24/238
CANADIAN CENTRE FOR JUSTICE STATISTICS					
Juristat: Factfinder on crime and the administration of justice in Canada	Vol. 15, no. 10	85-002	10/90	12/108	14/126
HOUSEHOLD SURVEYS					
Labour force information	Week ending May 20, 1995	71-001P	10/100	12/120	14/140
Income after tax, distribution by size in Canada	1993	13-210	30	36	42
HOUSING, FAMILY AND SOCIAL STATISTICS					
Canadian social trends	Summer 1995	11-008E	9/34	11/41	12/48
INDUSTRY					
Canned and frozen fruits and vegetables, monthly	March 1995	32-011	6/60	8/72	9/84
Energy statistics handbook	June 1995	57-601	330	400	460
Factory sales of electric storage batteries	April 1995	43-005	6/60	8/72	9/84
Furniture and fixtures industries	1993	35-251	38	46	54
Oils and fats	April 1995	32-006	6/60	8/72	9/84
Particleboard, waferboard and fibreboard	April 1995	36-003	6/60	8/72	9/84
Pulpwood and wood residue statistics	April 1995	25-001	7/70	9/84	10/98
Steel wire and specified wire products	April 1995	41-006	6/60	8/72	9/84
Railway carloadings	March 1995	52-001	10/100	12/120	14/140
INDUSTRY MEASURES AND ANALYSIS					
Gross domestic product by industry	March 1995	15-001	14/140	17/168	20/196
INTERNATIONAL TRADE					
Imports, merchandise trade					
microfiche	1994	65-2030XMB	100	120	140
paper	1994	65-2030XPB	250	300	350

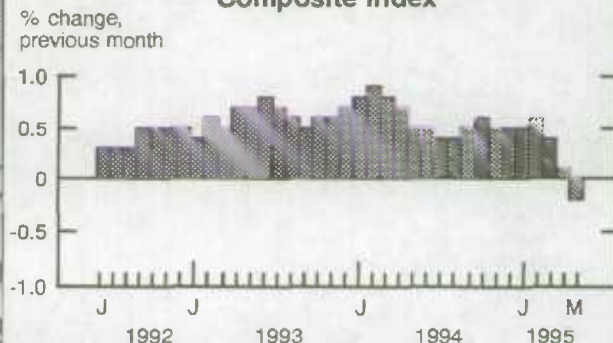
CURRENT TRENDS

Gross domestic product



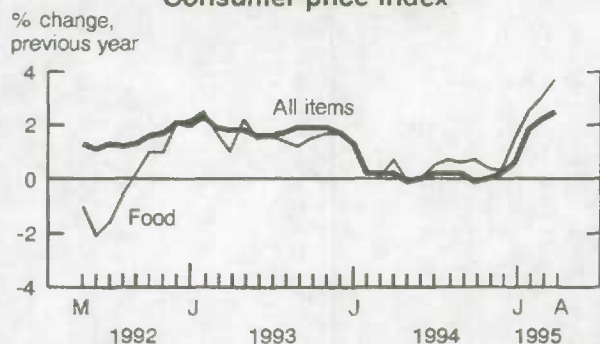
Real gross domestic product fell 0.7% in March. First quarter growth was only 0.2%.

Composite index



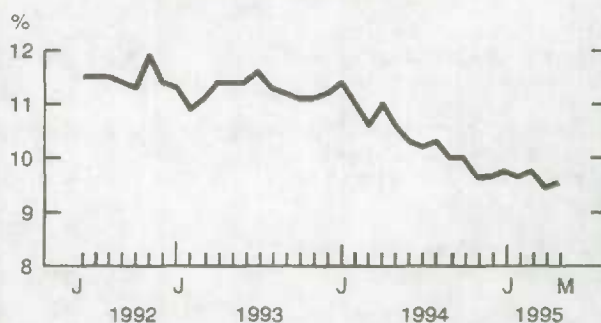
In May 1995, the composite index declined 0.2% from the month before.

Consumer price index



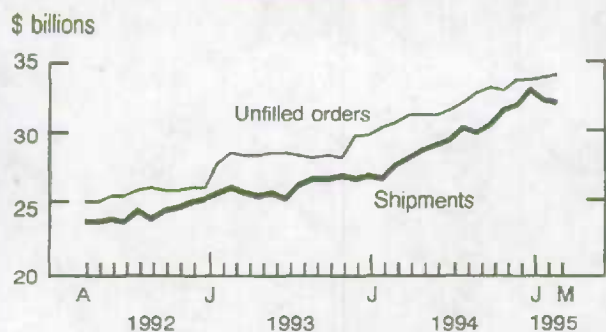
Consumers paid 2.5% more for goods and services in April 1995 than the year before. Food prices rose by 3.7%.

Unemployment rate



In May, the unemployment rate rose 0.1 percentage points to 9.5%.

Manufacturing



Manufacturers' shipments fell 0.6% in March to \$32.2 billion. The level of unfilled orders grew by 0.4% to \$34.3 billion.

Merchandise trade



The value of merchandise exports fell 4.6% in March, to \$20.8 billion. Imports dropped 2.9% to \$18.8 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)	March	540.2	-0.7%	2.8%
Composite index (1981 = 100)	May*	173.8	-0.2%	5.0%
Operating profits of enterprises (\$ billion)	3rd quarter	20.2	11.4%	48.5%
DOMESTIC DEMAND				
Retail trade (\$ billion)	March	17.5	-0.7%	2.4%
New motor vehicle sales ('000 units)	April*	88.7	-9.2%	-13.9%
LABOUR				
Employment (millions)	May*	13.5	0.0%	1.9%
Unemployment rate (%)	May*	9.5	0.1 [†]	-1.1 [†]
Participation rate (%)	May*	64.9	0.0 [†]	-0.4 [†]
Labour income (\$ billion)	January	34.8	-0.3%	4.2%
Average weekly earnings (\$)	March	573.13	0.0%	1.4%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	March	20.8	-4.6%	23.1%
Merchandise imports (\$ billion)	March	18.8	-2.9%	17.3%
Merchandise trade balance (all figures in \$ billion)	March	2.0	-0.4	1.1
MANUFACTURING				
Shipments (\$ billion)	March	32.2	-0.6%	17.8%
New orders (\$ billion)	March	32.4	-0.9%	17.2%
Unfilled orders (\$ billion)	March	34.3	0.4%	12.3%
Inventory/ shipments ratio	March	1.31	0.03	-0.05
Capacity utilization (%)	1st quarter	84.8	0.0 [†]	4.3 [†]
PRICES				
Consumer price index (1986 = 100)	April	133.4	0.3%	2.5%
Industrial product price index (1986 = 100)	April	127.5	-0.2%	8.9%
Raw materials price index (1986 = 100)	April	134.0	0.8%	13.8%
New housing price index (1986 = 100)	April	135.2	-0.1%	-0.7%

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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