



Infomat

A Weekly Review

Friday, September 8, 1995

OVERVIEW

■ GDP down in second quarter

The economy declined 0.3% in the second quarter of 1995 after slowing in the first quarter.

■ Current account deficit up

In the second quarter of 1995, the current account deficit rose to \$5.5 billion.

■ Residential sector advances in July

In July, a strengthening residential sector led to a 2.6% rise in the value of building permits issued by municipalities.

■ Federal revenues projected to rise faster, expenditures slower than before

In 1995/96, government revenues are expected to rise faster and expenditures slower than they have over the previous five years.

■ Help-wanted index continues to drop

The help-wanted index fell 2% in August, its fifth straight monthly decline.

■ Job market tough on young people

Since the late 1970s, it has become more difficult for young adults with only a secondary school diploma to find well-paid employment.

GDP down in second quarter

The economy declined 0.3% in the second quarter of 1995 after slowing in the first quarter. Higher interest rates early in the year in both Canada and the United States weakened exports, construction, consumer spending, and demand for credit.

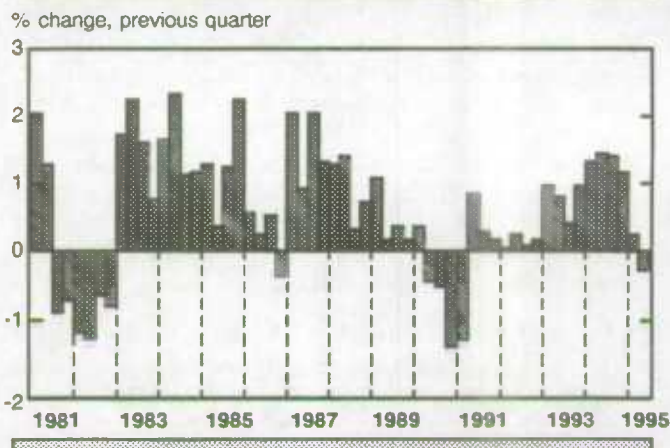
Final domestic demand was essentially unchanged. Continued growth in business capital spending and consumer spending on services was counterbalanced by falling construction activity, retail purchases of goods, and government operating outlays. Businesses continued to accumulate inventories.

Slower growth in the U.S. economy pushed exports down a sharp 3.4% in volume, interrupting a three-year upswing. A drop in the export of motor vehicles and parts accounted for 80% of the decrease in merchandise exports. Imports fell 1.9%, due mostly to declining motor vehicle and parts imports. Receipts from travel, freight and shipping, and other service exports declined as well.

Construction activity fell sharply, affecting both the residential (-9.2%) and non-residential (-2.4%) markets. Business capital spending on machinery and equipment continued to rise (4.3%). Purchases of transportation

(continued on page 2)

GDP at 1986 prices



... GDP down in second quarter

and telecommunications equipment and industrial machinery related to the Hibernia project all rose markedly. Outlays for office equipment, however, fell for the first time in four years.

After stalling in the first quarter, personal spending rose a meagre 0.2% in the second. This was due to higher spending on services and a drop in outlays for goods. Substantial increases were recorded for financial, accommodation and some transportation services. Consumers curbed spending on big ticket items such as new motor vehicles, furniture, and appliances. Real disposable income fell 0.5% in the second quarter after growing 2.4% over the previous four-quarter period.

Financial market borrowing plunged to about half the level of a year earlier, as the economy weakened and interest rates remained relatively high. Consumer credit, mortgage borrowing, corporate financing and government borrowing all contributed to the drop. While the private sector cut

back substantially, federal government borrowing edged up, and provincial governments reduced their net bond sales.

Labour income rose just 0.3% in the second quarter, due to an abrupt halt in the growth of total employee hours. After two years of sustained increases in GDP per person-hour and declines in unit labour costs, productivity fell and labour costs rose in the first half of 1995. Corporate profits fell 2.9% after a 10-quarter string of healthy increases.

The GDP chain price index rose 0.6%, similar to its first-quarter increase. Consumer prices rose by the same amount, while export prices were unchanged and machinery and equipment prices fell. Import prices fell 0.4%, reflecting the appreciation of the Canadian dollar.

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

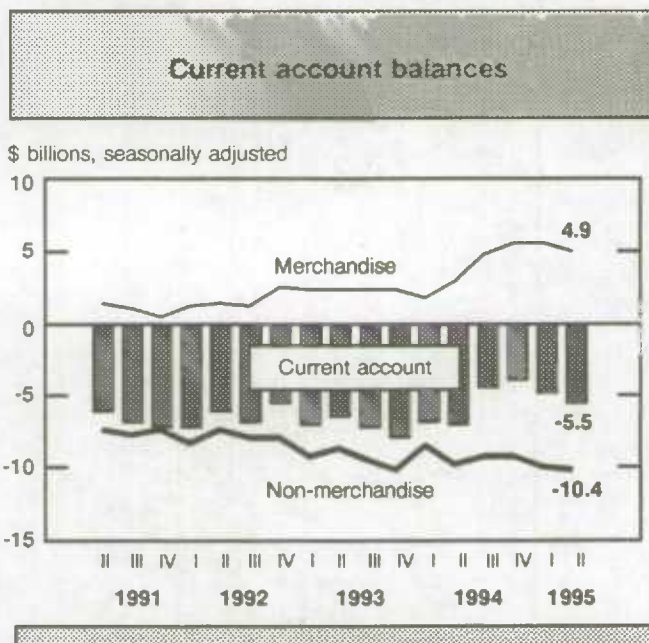
Current account deficit up

Canada's current account deficit rose to \$5.5 billion in the second quarter of 1995. Despite this increase, the deficit remained within the moderate levels that have prevailed since the second quarter of 1994.

Both merchandise exports and imports declined in the second quarter after reaching record levels in the first quarter. Despite falling to \$4.9 billion in the second quarter from near-record levels of \$5.5 billion in each of the previous two quarters, the merchandise trade surplus remained high by historical standards. The reduction resulted from transactions with countries other than the United States and Japan, including a large rise in net imports from European Union countries.

Persistent deficits on income and services trade showed little change in the second quarter. While the travel deficit grew slightly to \$1.4 billion, it remained well below the record \$2.3 billion of nearly four years earlier. Spending by Canadians rose slightly in both the United States and overseas. Foreign expenditures in Canada stalled, however, at a high of \$2.9 billion. Outlays by overseas travellers continued its gradual climb, but spending by American visitors eased, along with a slight drop in the number of American trips.

As interest rates declined, non-residents moved \$9.6 billion into Canadian bonds in the second quarter. Of that total, \$8.5 billion went into federal bonds, the second largest investment on record. In addition to purchasing new issues, foreigners also resumed their investment in outstanding federal bonds, after having sold them for the last year-and-



a-half. This net investment was partly offset by net foreign selling of \$2.9 billion in Government of Canada treasury bills. Non-residents continued, however, to purchase other short-term paper despite a sharp decline in short-term interest rates.

Non-residents sold a net \$1.2 billion of Canadian stocks, bringing their net selling to a record \$2.7 billion for the first half of 1995. Although disinvestment in the first half of 1995 was the highest ever, it was well below the \$18 billion that foreigners moved into Canadian stocks over most of 1993 and 1994.

(continued on page 3)

... Current account deficit up

A record \$10.8 billion of capital was channelled abroad through banks' foreign currency operations, virtually offsetting the net inflows of the previous two quarters. Some banks increased their external loans, while others decreased their deposit liabilities or transferred funds to their affiliates

abroad. The net outflow went to the United States and the United Kingdom.

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.

Residential sector advances in July

In July, the total value of building permits issued by municipalities grew 2.6% to \$2.1 billion. Lower mortgage rates and stronger demand for new and existing homes pushed the value of residential building permits up for the second time this year. Non-residential construction intentions rose marginally.

The value of residential building permits jumped 4.7% to \$1.1 billion, offsetting the previous months decline. A sharp 8.9% increase in the single-family component (its first of 1995) more than offset a 4.7% drop in multi-family construction intentions. Although it is still too early to tell, the recent rally in sales of new and existing homes suggests that the slide in residential construction intentions, which began in June 1994, may have bottomed out. This could also be good news for the household appliance sector, which has been on a downward trend since 1989.

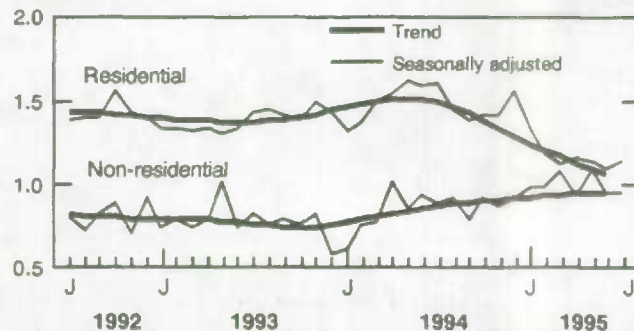
Despite July's increase, the value of housing permits was 29.6% below the July 1994 level and year-to-date construction intentions fell 22.6% from the same period last year. This represents a 1.2 percentage point drop over the January-to-June decline.

The value of non-residential construction intentions rose 0.2% to \$0.9 billion in July, as gains in the industrial and institutional components were mostly offset by a sharp decline in the commercial component. From January to July, the value of non-residential building intentions, led by the industrial component, rose 20.0% over the same period last year.

Among the provinces, Quebec, Alberta and Ontario posted the best performances in the residential sector, mainly on the strength of single-family dwelling construction intentions. In the non-

Value of building permits issued

\$ billions



Note to readers

Unless otherwise stated, all data are seasonally adjusted. The monthly Building and Demolitions Permits Survey covers 2,400 municipalities representing 93% of the population. It provides an early indication of building activity. The value of planned construction activities excludes engineering projects and land.

residential sector, increases in Ontario and Quebec were the result of large institutional and commercial intentions, respectively. In British Columbia, following an exceptional advance in June, a sharp drop in the commercial component led to a decline in the value of non-residential construction intentions.

For further information, order Building permits (catalogue 64-001) or contact Joanne Bureau, Investment and Capital Stock Division at (613) 951-9869.

(continued on page 4)

... Residential sector advances in July

PROVINCIAL PERSPECTIVES

Building permits, July 1995

Seasonally adjusted

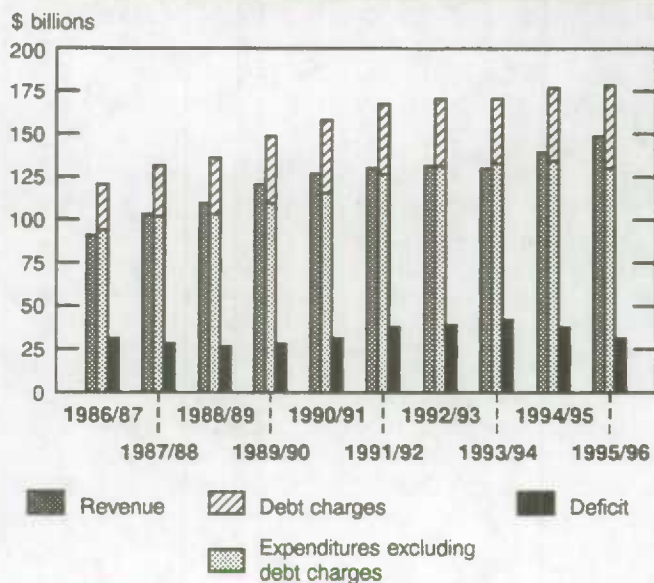
Province/Territory	Total		Residential		Non-residential	
	(\$ millions)	% change, previous month	(\$ millions)	% change, previous month	(\$ millions)	% change, previous month
Canada	2,066	2.6	1,125	4.7	941	0.2
Newfoundland	16	-11.3	12	4.1	4	-40.5
Prince Edward Island	6	-22.7	3	-31.1	3	-10.0
Nova Scotia	56	26.8	35	15.4	21	51.1
New Brunswick	55	-15.0	24	34.1	32	-33.3
Quebec	398	13.7	201	14.9	197	12.6
Ontario	770	6.8	390	1.3	379	13.2
Manitoba	56	19.6	26	15.5	30	23.4
Saskatchewan	49	-15.6	15	-12.3	34	-17.0
Alberta	213	7.1	126	4.0	87	12.0
British Columbia	436	-13.0	286	-0.2	150	-30.1
Yukon	2	133.5	1	68.3	1	725.0
Northwest Territories	9	169.9	6	166.5	4	174.9

Federal revenues projected to rise faster, expenditures slower than before

In 1995/96, federal government revenues are expected to rise 5.9% to \$147.5 billion, while expenditures are estimated to increase 1.6% to \$179.8 billion, resulting in a deficit of \$32.3 billion. The increase in revenues is above the 2.9% average annual change of the previous five years, while the rise in expenditures is significantly below the corresponding 3.5% average.

Corporate income taxes are projected to rise 19.3% to \$15.5 billion, mainly because of the continued recovery of corporate profits. Personal income taxes are expected to rise \$3.6 billion (5.7%) to \$66.1 billion. Goods and services, and other consumption tax receipts are expected to increase as well. Alcoholic beverages and tobacco tax revenues are projected to fall slightly. An increase in motive fuel tax receipts is expected to be offset by falling customs duties due to tariff reductions under GATT and NAFTA. Unemployment insurance contributions and non-tax revenues are both expected to rise.

Federal government finance*



* Based on the financial management system (FMS).

(continued on page 5)

... Federal revenues projected to rise faster, expenditures slower than before

Higher interest rates and a higher debt level is projected to increase debt servicing costs by 16.9% (\$7.1 billion), well above the five-year average of 1.7%. The resulting \$49.4 billion will represent 27.5% of total expenditures. All other expenditures, taken together, are expected to fall by a combined \$4.3 billion. Declines are expected in health (-10.3%), education (-6.6%), transportation and communications (-18.5%), general purpose transfers to other governments (-5.0%), and national defense (-5.0%). Social service expenditures are expected to rise 0.2%, compared with the 6.0% average annual increase of the previous five years.

Note to readers

The 1995/96 estimates and 1994/95 revised estimates are based on the 1994/95 and 1995/96 Federal Budget, the 1994/95 and 1995/96 Main Estimates, the four Supplementary Estimates for 1994/95, the Annual Financial Report of September 1994 and the Economic and Fiscal Update of October 1994. Additional information was supplied by the Department of Finance.

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

Help-wanted index continues to drop

In August, the help-wanted index (1991=100) fell 2% to 95, its fifth consecutive monthly decline. After following an upward trend throughout 1994, the index has decreased 7% since January 1995.

According to the index, plans to hire new workers are slowing in 1995. This is the result of an economic slowdown and is reflected in reports on manufacturing and housing construction activity.

The index is compiled from help-wanted ads published in 22 newspapers in 20 major metropolitan areas. In these labour markets, the help-wanted index reflects the changes in the demand for labour. However, since not all jobs are filled through help-wanted ads, the index represents only a portion of all hiring.

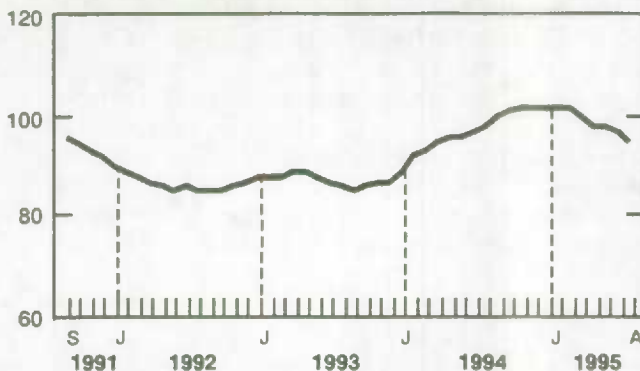
Compared with August 1994, the index rose 3% in both the Atlantic provinces and Ontario, and was unchanged in Quebec. It fell 11% in British Columbia and 10% in the Prairie provinces.

Between July and August, the index recorded the following changes:

- Atlantic provinces: up 3% to 102
- Quebec: down 3% to 100
- Ontario: down 2% to 103
- Prairie provinces: down 2% to 87
- British Columbia: down 3% to 74

Help-wanted index

1991 = 100, seasonally adjusted



Note to readers

All help-wanted indexes have been seasonally adjusted and smoothed.

For further information, contact Adib Farhat, Labour Division at (613) 951-4045.

Job market tough on young people

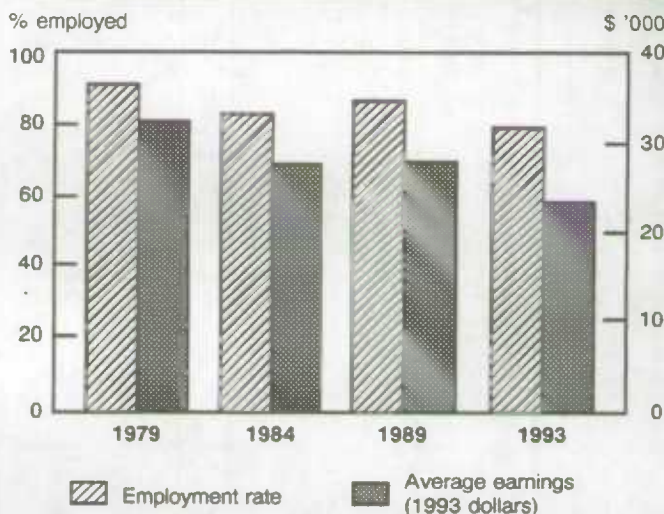
Since the late 1970s, it has become more difficult for young adults with only a secondary school diploma to find well-paid employment.

The contemporary job market has been particularly harsh on young men. In 1993, a high school-educated man aged 25 to 29 was less likely to be employed than he would have been in 1979; he was even less likely to be working full-time year round. In addition, between 1979 and 1993, average employment earnings shrank 27% for these men, and 18% for those working full time year round.

The labour market situation of young women with a secondary school education also deteriorated, though not as much as men's, partly because women's employment rates and average earnings were much lower to begin with. In 1993, average earnings of a 25- to 29-year-old woman with only a high school education were about 12% lower than in 1979. She was more likely to be working than in 1979, but less likely to be employed full-time year-round.

In comparison, earnings of full-time full-year university graduates of the same age in 1993 deteriorated to the point that they earned little more than those with a high school diploma did in the 1970s. However, when young adults in the 1970s were aged 35 to 39 (in 1989 and 1993 respectively), their average earnings rose 10% for men and 12% for women, while average earnings of both men and women with university degrees rose 42%.

High school-educated men aged 25 to 29



Note to readers

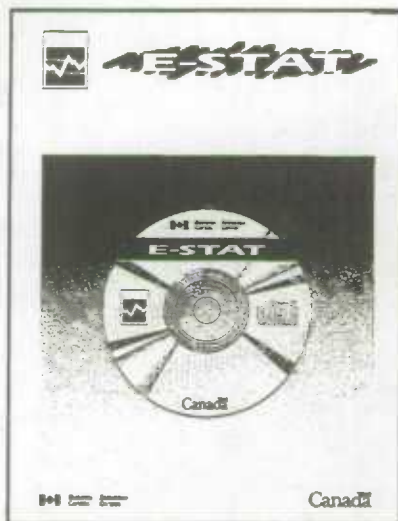
All income figures are in 1993 dollars.

For further information, order Perspectives on labour and income (catalogue 75-001E) or contact Ernest B. Akyeampong, Labour and Household Surveys Analysis Division at (613) 951-4624.

PUBLICATIONS RELEASED FROM SEPTEMBER 1 TO 7, 1995

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
AGRICULTURE					
Field crop reporting series no. 6: Stocks of Canadian grain at July 31, 1995	Vol. 74, no. 6	22-002	15/85	18/102	21/119
INDUSTRY					
Asphalt roofing	July 1995	45-001	6/60	8/72	9/84
Cement	July 1995	44-001	6/60	8/72	9/84
Coal and coke statistics	June 1995	45-002	11/110	14/132	16/154
Department store sales and stocks	June 1995	63-002	16/160	20/192	23/224
Electric lamps (light bulbs and tubes)	July 1995	43-009	6/60	8/72	9/84
Electric power statistics	June 1995	57-001	11/110	14/132	16/154
Electric power statistics	1994	57-204	29	35	41
Food industries	1993	32-250	38	46	54
Gypsum products	July 1995	44-003	6/60	8/72	9/84
Production and inventories of process cheese and instant skim milk powder	July 1995	32-024	6/60	8/72	9/84
Production, shipments and stocks on hand of sawmills east of the Rockies	June 1995	35-002	11/110	14/132	16/154
Quarterly shipments of office furniture products	2 nd quarter 1995	35-006	10/32	12/39	14/45
Retail trade	June 1995	63-005	20/200	24/240	28/280
Rigid insulating board	July 1995	36-002	6/60	8/72	9/84
Wholesale trade	June 1995	63-008	18/180	22/216	26/252
INTERNATIONAL TRADE					
Exports by commodity microfiche version	June 1995	65-0040XMB	35/350	42/420	49/490
paper version	June 1995	65-0040XPB	75/750	90/900	105/1,050
Imports by country microfiche version	Jan.-June 1995	65-0060XMB	60/200	72/240	84/280
paper version	Jan.-June 1995	65-0060XPB	120/400	145/480	168/560
LABOUR AND HOUSEHOLD SURVEYS ANALYSIS					
Perspectives on labour and income	Autumn 1995	75-001E	17/56	21/68	24/80
TRANSPORTATION					
Aviation service bulletin	Vol. 27, no. 8	51-004	11/105	13/126	15/147

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New in 1995

Inform yourself about the views and behaviours of 11-, 13- and 15-year-olds from several countries and learn what the current data on family expenditures, international travel and education can tell you. Also, new modules contain 1986 Census data, as well as data on agriculture and aboriginal people.

The 1995 edition of E-STAT is now available. For further information, or to order, contact your nearest Statistics Canada Regional Reference Centre.



Perspectives on labour and income

Autumn 1995

The Autumn 1995 issues of *Perspectives* features articles on employment prospects of high school graduates, women's inroads into male-dominated occupations, labour market outcomes for university co-op graduates, and full-time and full-year employment rates across the country. Other studies explore the levelling off of adult women's participation rates and recent changes in paid employment, earnings, and hours across industries. This issue also offers a supplement that reviews labour market developments for the first six months of 1995.

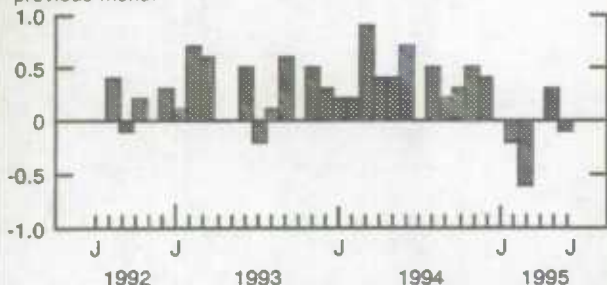
Each quarter, *Perspectives* draws on many data sources to explore emerging income issues and developments in the labour market.

The Autumn 1995 issue of Perspectives on labour and income (catalogue 75-001E, \$17/\$56) is now available. For further information, contact Jeffrey Smith, Labour and Household Surveys Analysis Division at (613) 951-6894.

CURRENT TRENDS

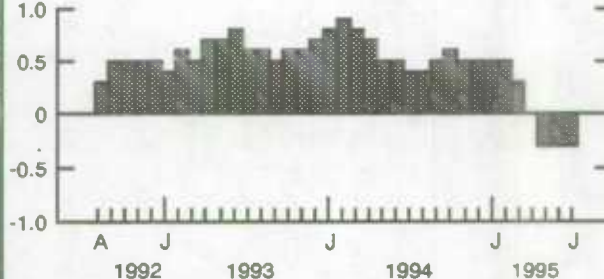
Gross domestic product

% change,
previous month



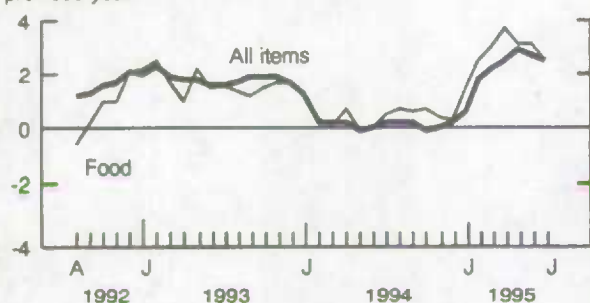
Composite index

% change,
previous month



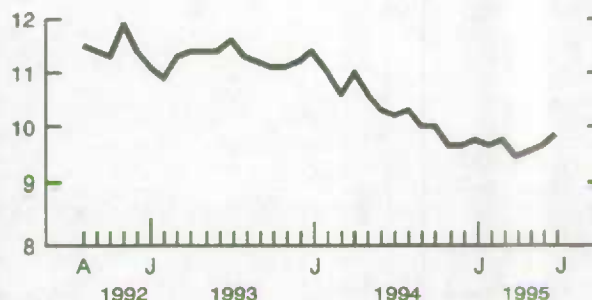
Consumer price index

% change,
previous year



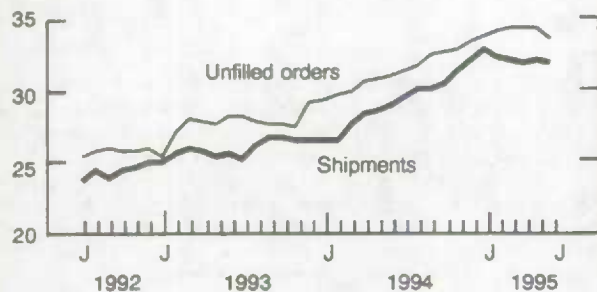
Unemployment rate

%



Manufacturing

\$ billions



Merchandise trade

\$ billions



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)	June	540.6	-0.1%	1.3%
Composite index (1981 = 100)	July	172.0	-0.3%	2.9%
Operating profits of enterprises (\$ billion)	2nd quarter	23.5	-0.7%	25.1%
DOMESTIC DEMAND				
Retail trade (\$ billion)	June	17.8	0.6%	2.4%
New motor vehicle sales ('000 units)	June	97.9	3.6%	-9.5%
LABOUR				
Employment (millions)	July	13.5	-0.1%	1.2%
Unemployment rate (%)	July	9.8	0.2 [†]	-0.4 [†]
Participation rate (%)	July	64.9	0.0 [†]	-0.4 [†]
Labour income (\$ billion)	May	34.5	0.0%	2.9%
Average weekly earnings (\$)	June	573.72	0.6%	0.9%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	June	20.6	0.9%	12.4%
Merchandise imports (\$ billion)	June	18.7	-2.1%	9.8%
Merchandise trade balance (all figures in \$ billion)	June	1.9	0.6	0.6
MANUFACTURING				
Shipments (\$ billion)	June	32.0	-0.4%	10.4%
New orders (\$ billion)	June	31.4	-1.9%	7.7%
Unfilled orders (\$ billion)	June	33.8	-1.8%	8.9%
Inventory/ shipments ratio	June	1.38	0.01	0.07
Capacity utilization (%)	2nd quarter*	83.3	-1.5 [†]	-0.2 [†]
PRICES				
Consumer price index (1986 = 100)	July	134.0	0.2%	2.5%
Industrial product price index (1986 = 100)	July	128.9	-0.1%	7.8%
Raw materials price index (1986 = 100)	July	130.7	-1.5%	4.2%
New housing price index (1986 = 100)	June	134.5	-0.3%	-1.2%

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

A weekly review

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