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Infomat
A Weekly Review

Friday, January 5, 1996

OVERVIEW

◆ Economy declines in October

Economic activity declined in October after growing moderately during the summer months.

◆ Merchandise trade surplus falls

Both exports and imports fell in October, and the merchandise trade surplus declined from the month before.

◆ Retail sales down

Retail sales decreased in October to stand at virtually the same level as in July.

◆ Wholesale trade slips

After advances in August and September, wholesale merchants' sales dropped 1.9% to $20.1 billion in October.

◆ Massive investment in Canadian securities

In October, foreign investors channelled a massive $5.2 billion into Canadian securities, mostly money market instruments.

◆ Earnings, business employment unchanged

In October, the number of people employed by businesses, and employees' weekly earnings were stable.

Economy declines in October

Economic activity declined in October after growing moderately during the summer months. Gross domestic product at factor cost fell 0.3%, as domestic and foreign demand retreated. This left production 0.3% below its most recent peak in January 1995. The weakness was widespread, spanning several industrial sectors.

Retail sales declined 0.7% in October, after slipping 0.3% in September. Sales dropped in 11 of 18 trade groups. Motor vehicle sales retreated for a second straight month, clothing purchases continued to fall, while spending on furniture and household appliances eased for a second month in a row.

Wholesalers' sales fell 0.8% after gaining ground in August and September. Sales of motor vehicles and parts, household goods, machinery and equipment, and petroleum products all declined. In contrast, grain merchants and wholesalers of farm machinery posted strong gains.

After strengthening in each of the previous four months, output in the mining sector fell 1.3% in October. Production of crude oil and natural gas fell 0.6%. Natural gas production dropped only marginally. Although domestic demand for natural gas continued to weaken, foreign demand has been firming up since August. Coal production fell 2.8%, following peak levels of production between July and September.

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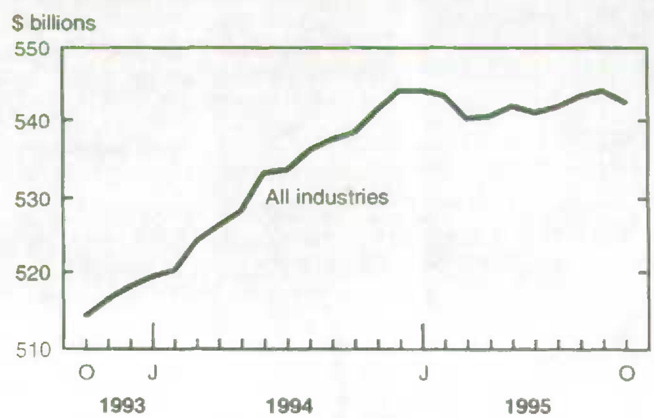
Gross domestic product at factor cost



... Economy declines in October

Manufacturing production was unchanged in October after improving during the previous three months. Output was still 1.0% lower than its January 1995 peak. Production of primary metals and of electrical equipment fell the most. Manufacturers of paper and refined petroleum products also cut their output. Production increased in wood, chemical, plastic and metal fabricated products, while transportation equipment production advanced despite a decline in motor vehicle assembly.

Growth in transportation and storage services fell 1.5%, reflecting declines in air, rail and truck transport. Construction activity was unchanged as decreases in home-building and non-residential construction offset a gain in engineering construction.

Note to readers

Gross domestic product (GDP) of an industry is the value added by labour and capital when transforming inputs purchased from other industries into output. Monthly GDP by industry is valued at 1986 prices. All estimates presented here are seasonally adjusted at annual rates.

Output in the finance group advanced 0.2%, offsetting September's decline. The output of utilities fell a further 1.3%, as demand for electricity and natural gas continued to sag.

For further information, order ***Gross domestic product by industry*** *(catalogue 15-001) or contact Michel Girard, Industry Measures and Analysis Division at (613) 951-9145.* *(See also "Current trends" on page 6.)*

Merchandise trade surplus falls

In October, exports fell 2.5% to $21.0 billion, as weakness in forestry, energy products and machinery outweighed gains in agricultural and industrial goods. Among Canada's OECD trading partners, exports to Japan and the United States lost ground, while shipments to the European Union advanced. Exports to non-OECD countries were down.

Imports slipped for a second month in a row, dropping a further 1.9% in October to $18.3 billion. Declines were registered in most commodity sectors, with the greatest weakness in machinery and industrial goods. Fewer goods were purchased from all principal trading partners except the European Union.

The merchandise trade surplus fell to $2.7 billion in October, from $2.9 billion a month earlier. The surplus with the United States increased, while that with Japan declined. Although there were trade deficits with all other partners, the trend since the spring has been toward smaller and smaller deficits.

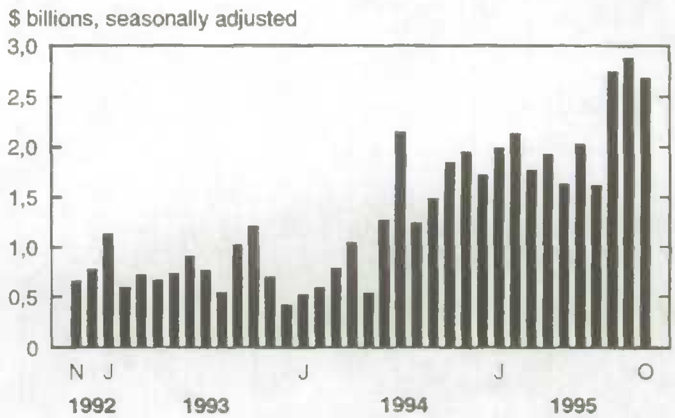
Forestry exports lost steam in October, as markedly lower pulp shipments contributed to sector-wide declines. Both paper sales and lumber exports dropped, the latter reflecting stalled housing starts in the United States. Of the remaining natural resources, coal, natural gas and refined petroleum were all down, while crude oil advanced, mirroring greater output in Alberta.

Exports were further dampened by a drop in demand for machinery and equipment. Shipments of automotive products were also off, due mostly to weaker sales of light trucks.

The month's overall export decline was moderated by higher sales of agricultural products (wheat, canola and barley) and industrial goods (iron ore and refined metals).

October's import picture was dampened mostly by industrial goods. Although declines were pervasive, weakness was concentrated in imports of metals and ores. Machinery imports edged down after two consecutive monthly increases. The import picture improved for automobiles and energy products.

Trade balance



Note to readers

Merchandise trade is only one component of the current account of Canada's balance of payments, which also includes trade in services. In the third quarter of 1995, the overall merchandise trade surplus of $7.2 billion contrasted with a current account deficit of $3.4 billion.

For further information, order ***Canadian international merchandise trade*** *(catalogue 65-001) or contact Suzie Carpentier, International Trade Division at (613) 951-9647.* *(See also "Current trends" on page 6.)*

Current account data, which incorporate merchandise trade statistics, services transactions, investment income and transfers, are available on a quarterly basis in ***Canada's balance of international payments*** *(catalogue 67-001).*

Retail sales down

Consumers decreased their purchases in October, causing retail sales to decline 0.7% to $17.7 billion, almost the same level as in July 1995. This followed stable sales in September.

A weak employment market, spending cuts affecting several provinces, a high level of consumer debt relative to disposable income, and restricted pay increases led consumers to be cautious about their spending. Consumers in Ontario were particularly affected, causing sales in this province to fall more sharply than elsewhere.

The retail sales trend has been flattening in 1995 after generally growing from early 1992 to the end of 1994. Year-to-date sales in October were 3.1% higher than during the same period of 1994, although net of price increases, the change was closer to +0.8%.

Retailers recorded lower sales in five sectors, accounting for 85% of total sales. The automotive (-0.7%), clothing (-3.1%) and food (-0.7%) sectors posted the largest drops in value. Increases in the drug and general merchandise sectors limited the decline.

Sales in Ontario plunged $153 million (-2.3%) in October after a slight 0.2% dip in September. Ontario's decline was dominated by the automotive, clothing and food sectors with nearly half the total drop coming from lower sales by automotive retailers. Only general merchandise and drug stores reported higher sales.

Seven other provinces and territories reported lower sales. Gains in Quebec, Saskatchewan and Alberta partly offset the overall decline.

Retail sales

Data prior to 1991 have been adjusted to remove the Federal Sales Tax to be comparable to January 1991 and subsequent data.

Early indications for November sales point to further decline. Estimates show a drop in the number of new motor vehicles sold. In addition, employment in trade dropped 0.3% from October to November. Retail sales in the United States increased 0.8% in November after a decline of 0.4% in October.

For further information, order ***Retail trade*** *(catalogue 63-005) or contact Louise Généreux, Industry Division at (613) 951-3549.*

Wholesale trade slips

After advances in August and September, wholesale merchants' sales dropped 1.9% to $20.1 billion in October. This decrease placed sales near the low point reached during the summer. During 1995, wholesalers have failed to maintain the pace of growth set between January 1993 and February 1995 (25.0%), as their sales have shrunk 3.2% (-$658 million) since February's peak.

Compared with September, sales were lower in 8 of the 11 trade groups (accounting for more than 75% of total sales in October). Wholesalers of motor vehicles, parts and accessories suffered the largest current-dollar decline (-5.3% or -$116 million). The other products (-2.0%), computers and packaged software (-3.6%) and food products (-1.8%) groups posted a combined decrease of $204 million. Of the three groups whose sales were up in October, wholesalers of farm machinery, equipment and supplies fared best (4.4% or $22 million).

Inventories grew for the 20th straight month, climbing 0.9% to $31.7 billion. Larger inventories and lower sales led to a significant increase in the inventories-to-sales ratio, from 1.54 in September to 1.58 in October – the highest it has been in more than two years. The ratio indicates that for every $100 worth of sales in October, wholesalers held inventories valued at $158. An increase in the ratio means a slower rate of inventory turnover and higher costs for wholesalers.

Retail and wholesale trade, October 1995
Seasonally adjusted

	Retail sales		Wholesales sales	
	$ millions	% change, previous month	$ millions	% change, previous month
Canada	**17,678**	**-0.7**	**20,092**	**-1.9**
Newfoundland	290	-0.5	189	-0.9
Prince Edward Island	78	-0.2	45	0.7
Nova Scotia	520	-1.0	449	1.1
New Brunswick	427	-1.4	290	2.4
Quebec	4,222	0.5	4,380	-2.1
Ontario	6,490	-2.3	8,769	-3.2
Manitoba	617	-1.0	694	4.1
Saskatchewan	574	2.2	689	5.1
Alberta	1,865	1.1	1,999	2.3
British Columbia	2,535	-0.5	2,562	-4.1
Yukon	19	1.5	11	-5.5
Northwest Territories	42	-0.2	13	-10.1

Quebec, Ontario and British Columbia were hardest hit by October's decrease. Sales in six of the other provinces increased.

For further information, order ***Wholesale trade*** *(catalogue 63-008) or contact Gilles Berniquez, Industry Division at (613) 951-3540.*

Massive investment in Canadian securities

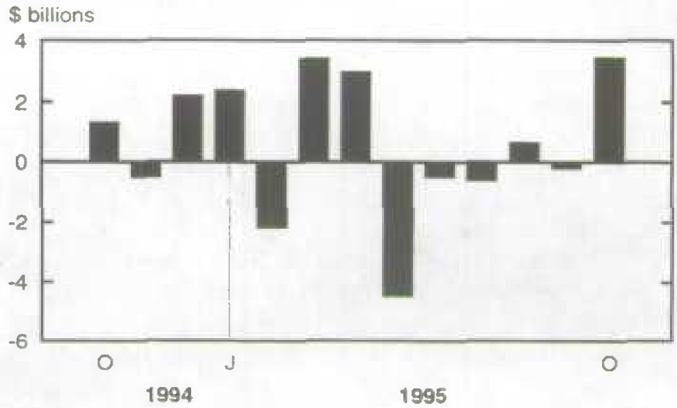
In October, foreign investors channelled a massive $5.2 billion into Canadian securities. Two-thirds of the investment went into money market instruments and one-third into bonds.

Foreign investors purchased a large amount ($3.4 billion) of Canadian money market instruments, the first significant investment since April 1995. Half of the investment was directed to government short-term paper other than Government of Canada treasury bills. The remainder was split between federal treasury bills and corporate short-term paper. The major buyers were European ($3.0 billion) and U.S. ($2.0 billion) investors; Asian investors sold $1.7 billion worth.

Non-residents bought a further $1.7 billion of Canadian bonds in October. This investment continued to be driven by the new issues of Canadian bonds sold in foreign markets. Foreigners purchased $4.5 billion of new issues, redeemed $2.1 billion of maturing bonds, and sold $0.7 billion of outstanding bonds in the secondary market. Three-fourths of the investment in new issues was spread between new corporate and provincial issues. Seventy percent of new issues were denominated in U.S. dollars, sharply higher than the 50% in the first nine months of 1995. The balance was split between Canadian dollars and other foreign currencies.

Foreigners invested a small $0.1 billion in Canadian stocks, following a string of sell-offs dating back to November 1994 that totalled $5.0 billion. Strong buying by Asian ($0.4 billion) and U.S. ($0.2 billion) investors was largely offset by heavy selling by European investors ($0.5 billion). Trading activity with non-residents jumped nearly 20% to $7.6 billion, ending three months of shrinking volumes. Canadian stock prices, as measured by the TSE 300 index, declined 1.5% in October, compared with a small 0.5% decline in U.S. stocks.

Foreign investment in Canadian money market paper



Canadians purchased $0.7 billion in foreign securities, an amount similar to September's investment. The larger portion ($0.5 billion) went into stocks, mostly overseas. The remaining $0.2 billion investment in bonds comprised purchases ($0.6 billion) of overseas bonds and sales ($0.4 billion) of U.S. treasury bonds.

For further information, order ***Canada's international transactions in securities*** *(catalogue 67-002) or contact Don Granger, Balance of Payments Division at (613) 951-1864.*

Earnings, business employment unchanged

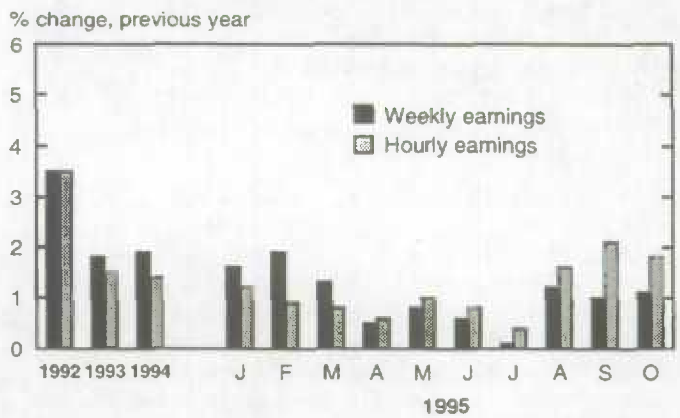
Employees' weekly earnings have remained stable in September and October after increasing by $4.75 in August. Over the past year, employees' earnings have increased by only $5.96 per week (1.0%). During the same period, the inflation rate, as measured by the consumer price index, rose 2.4%. Higher than average earnings increases were registered for employees in finance, insurance and real estate as well as mining, quarrying and oil wells. Earnings fell in public administration and in logging and forestry services.

The number of people employed by businesses was unchanged in October at 10.7 million. Since January, businesses have added on average 12,000 employees to their payrolls each month. This pace of growth was 50% slower than in 1994.

Provincially, employment gains since January have been concentrated in Ontario and British Columbia; to a lesser extent, there have been gains in Quebec and New Brunswick.

Manufacturing employed slightly more workers in October, maintaining the strong gains of the previous two months. Manufacturers have been one of the stronger sectors maintaining economic growth in 1995. They have added on average 4,200 employees per month since January 1995 compared with an average of 3,700 employees per month in 1994.

Weekly and hourly earnings



The number of employees in retail trade fell by 11,000 in October, following no change in September. This recent movement has run counter to the increasing trend observed since October 1994 and coincides with retail sales, which fell in October after remaining stable in September.

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Fluctuations in the number of employees in miscellaneous services (including amusement, recreation, personal, and household services, membership organizations and other services), which began in the fall of 1994, continued in October with a decrease of 7,000 employees. Employment continued to decline in public administration, but at a slower rate. Between January and July, employment fell, on average, by 3,000 employees per month. Between July and October, employment fell by only 700, as continuing declines in federal and provincial administrations were partly offset by increased employment in local administration.

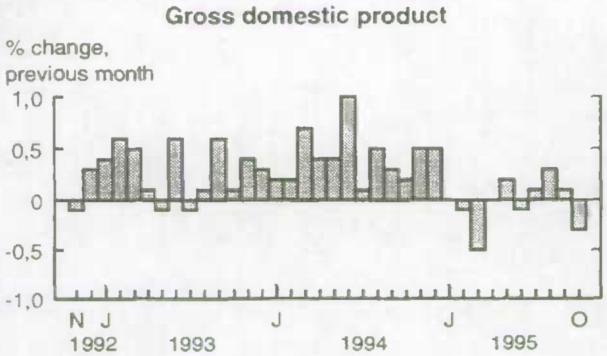
Construction employment fell by 4,000 and was concentrated among special trade contractors, who reduced their number of employees by 6,000.

For further information, order ***Employment, earnings and hours*** *(catalogue 72-002) or contact Stephen Johnson, Labour Division at (613) 951-4090, fax: (613) 951-4087, the Internet: labour@statcan.ca.*

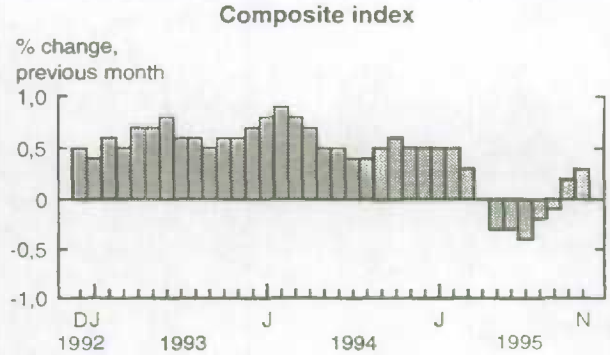
Average weekly earnings, October 1995
Seasonally adjusted

Province/ Territory	Industrial aggregate ($)	% change, previous month	% change, previous year
Canada	**574.49**	**0.0**	**1.0**
Newfoundland	540.68	0.9	1.2
Prince Edward Island	488.56	0.8	8.5
Nova Scotia	486.53	-0.4	-2.1
New Brunswick	513.63	-0.6	1.8
Quebec	548.53	-0.5	0.5
Ontario	610.79	-0.3	0.7
Manitoba	508.73	0.0	2.0
Saskatchewan	497.33	0.1	1.5
Alberta	555.30	0.6	0.2
British Columbia	599.93	0.6	3.2
Yukon	721.86	4.1	4.4
Northwest Territories	719.74	0.2	2.6

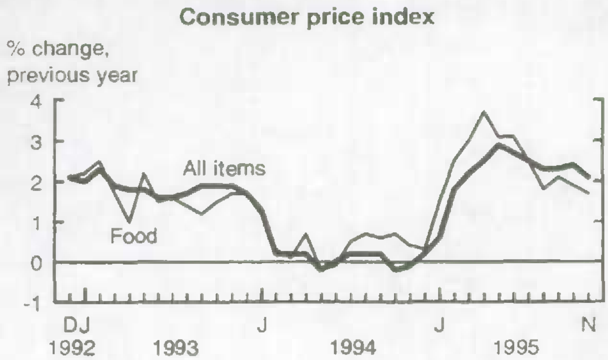
Current trends



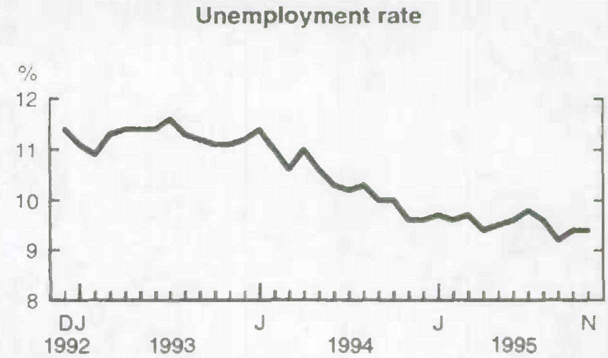
Real gross domestic product at factor cost fell 0.3% in October.



The composite index edged up 0.3% in November.



Consumers paid 2.1% more for goods and services in November 1995 than the year before. Food prices rose by 1.7%.



In November, the unemployment rate remained unchanged at 9.4%.

Manufacturers' shipments fell 1.6% to $32.1 billion in October. The level of unfilled orders fell 0.8% to $32.9 billion.

The value of merchandise exports fell 2.5% to $21.0 billion in October. Imports fell 1.9% to $18.3 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)	October*	542.3	-0.3%	0.7%
Composite index (1981=100)	November	172.2	0.3%	1.0%
Operating profits of enterprises ($ billion)	3rd quarter	25.0	3.2%	20.3%
DOMESTIC DEMAND				
Retail trade ($ billion)	October	17.7	-0.7%	0.8%
New motor vehicle sales ('000 units)	October	96.5	-7.4%	-10.4%
LABOUR				
Employment (millions)	November	13.5	-0.3%	0.2%
Unemployment rate (%)	November	9.4	0.0†	-0.2†
Participation rate (%)	November	64.4	-0.4†	-0.9†
Labour income ($ billion)	September	35.1	0.6%	3.1%
Average weekly earnings ($)	October*	574.49	0.0%	1.0%
INTERNATIONAL TRADE				
Merchandise exports ($ billion)	October	21.0	-2.5%	7.3%
Merchandise imports ($ billion)	October	18.3	-1.9%	3.3%
Merchandise trade balance (all figures in $ billion)	October	2.7	-0.2	0.8
MANUFACTURING				
Shipments ($ billion)	October	32.1	-1.6%	5.8%
New orders ($ billion)	October	31.9	-0.6%	3.9%
Unfilled orders ($ billion)	October	32.9	-0.8%	0.2%
Inventory/ shipments ratio	October	1.41	0.04	0.11
Capacity utilization (%)	3rd quarter	83.1	-0.3†	-1.4†
PRICES				
Consumer price index (1986=100)	November	134.1	0.2%	2.1%
Industrial product price index (1986=100)	October	129.0	-0.5%	6.3%
Raw materials price index (1986=100)	October	124.5	-2.7%	1.8%
New housing price index (1986=100)	October	133.5	-0.5%	-1.9%

Note: *All series are seasonally adjusted with the exception of the price indexes.*
* *new this week*
† *percentage point*

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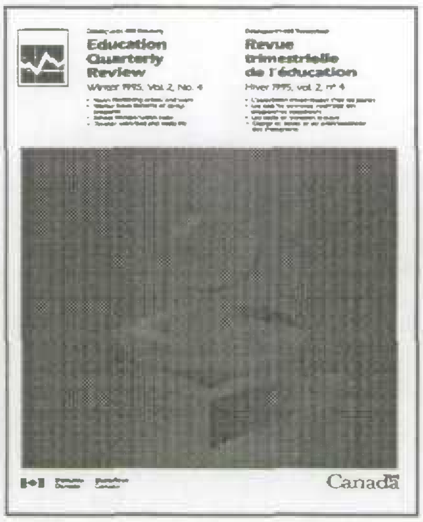
New from Statistics Canada



Education quarterly review

Winter 1995

The winter 1995 issue of *Education quarterly review* presents four articles on various issues in education. Using Labour Force Survey data, the effect of work on 15- to 20-year-old students' academic progress is examined. A second study looks at the differences in education and labour market outcomes for co-op and non co-op university graduates, using data from the National Graduates Survey. The remaining articles analyse student transportation trends from 1970 to the early 1990s in public elementary and secondary schools, and the workload and work life of a sample of teachers from the Saskatchewan public school system.

Additional information offered in each issue of *Education quarterly review* includes an insight into education surveys– their variables and potential for research – as well as a series of social, economic and education indicators for Canada, the provinces/territories and the G7 countries.

The winter 1995 issue of ***Education quarterly review*** *(catalogue 81-003) is now available. For further information, contact Jim Seidle at (613) 951-1500; fax (613) 951-9040; Internet seidjim@statcan.ca, Education, Culture and Tourism Division.*

Publications released from December 22, 1995 to January 4, 1996

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Education quarterly review	Winter 1995	81-003	20/66	24/80	28/93
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Cement	November 1995	44-001	6/60	8/72	9/84
Corrugated boxes and wrappers	November 1995	36-004	6/60	8/72	9/84
Electric lamps	November 1995	43-009	6/60	8/72	9/84
Gas utilities	September 1995	55-002	16/160	20/200	23/230
Gypsum products	November 1995	44-003	6/60	8/72	9/84
Mineral wool including fibrous glass insulation	November 1995	44-004	6/60	8/72	9/84
Monthly survey of manufacturing	October 1995	31-001	19/190	23/228	27/266
Oils and fats, amended survey	August 1995	32-006	6/60	8/72	9/84
Particleboard, waferboard and fibreboard	October 1995	36-003	6/60	8/72	9/84
Production and disposition of tobacco products	November 1995	32-022	6/60	8/72	9/84
Production and inventories of process cheese and instant skim milk powder	November 1995	32-024	6/60	8/72	9/84
Refined petroleum products	September 1995	45-004	20/200	24/240	28/280
Rigid insulating board	November 1995	36-002	6/60	8/72	9/84
Rubber and plastic products industries	1993	33-250	38	46	54
LABOUR					
Employment, earnings and hours	September 1995	72-002	31/310	38/372	44/434
Work injuries	1992-1994	72-208	33	40	47
PRICES					
Consumer prices and price indexes	April -June 1995	62-010	24/80	29/96	34/112
SERVICES, SCIENCE AND TECHNOLOGY					
Science statistics	1994	88-001	8/76	10/92	12/107
Services indicators	3rd quarter 1995	63-016	34/112	41/135	48/157
Telephone statistics	October 1995	56-002	9/90	11/108	13/126
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