



# Infomat

## A Weekly Review

Friday, June 7, 1996

### OVERVIEW

#### ◆ Quarterly GDP continues to rise moderately

In the first quarter of 1996, economic expansion continued at the moderate pace of the previous quarters.

#### ◆ Current account deficit climbs

Canada's current account deficit increased in the first quarter of 1996, after reaching a virtual balance in the preceding quarter.

#### ◆ Labour disputes restrain economy in March

In March, the Ontario public servants' strike and the brake-plant strike in the United States pulled GDP at factor cost down by 0.1%.

#### ◆ Foreign travellers spend record amount in Canada

In the first quarter of 1996, spending by both foreigners in Canada and Canadians travelling abroad reached record levels.

#### ◆ Housing permits decline again

Construction intentions for new homes fell for the second straight month in April, delaying hopes for recovery in the housing sector.

#### ◆ International air travel up, domestic travel down

In 1994, a typical passenger at a Canadian airport was almost twice as likely to be flying to or from a foreign city than a Canadian city.

### Quarterly GDP continues to rise moderately

Economic expansion continued at the moderate pace of the previous quarters, as real GDP grew 0.3% in the first quarter of 1996. However, compared with recent quarters, external trade restrained the economy and domestic demand rebounded (+1.1%) in an environment of softening credit conditions and low inflation.

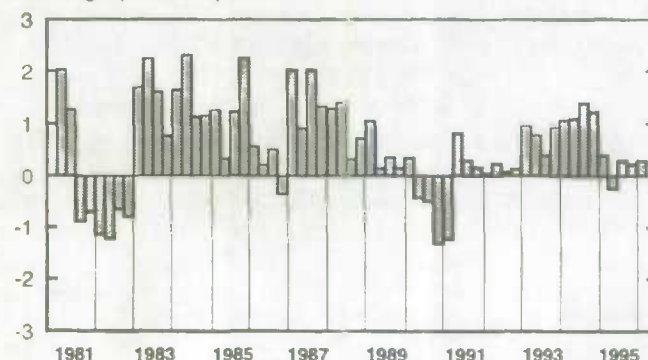
Real consumer spending rose 0.9%, as households embarked on a modest spending spree while benefiting from a 1.0% rise in disposable income. As a result, the savings rate remained largely unchanged. Higher government transfers, notably payments in compensation for the Crow rate subsidies currently being phased out, contributed significantly to the gain in personal income.

Residential construction spending, which plunged 21% over the six previous quarters, rose 3.7% in the first quarter of 1996. The strength was concentrated in new construction rather than in alterations and improvements. The secondary market for existing homes also picked up; commissions and other property transfer costs grew 10.0%.

(continued on page 2)

### Gross domestic product at 1986 prices

% change, previous quarter



### ... Quarterly GDP continues to rise moderately

Business investment in machinery and equipment continued to grow (+4.9%), mainly on account of computers, agricultural and industrial machinery, and trucks. A fifth straight drop in non-residential construction by businesses (-2.2%) was concentrated in engineering projects (e.g., waterworks, sewers, culverts). Meanwhile, inventories rose in manufacturing and fell in retail and wholesale trade.

A 1.8% drop in merchandise exports was partly explained by the General Motors strike in the United States, which led to a slowdown of motor vehicle production in Canada. The most important declines, however, were in crude materials, where almost all components fell. Merchandise imports grew 0.6%. The trade balance (in 1986 prices) went from a surplus of \$3.2 billion in the fourth quarter of 1995 to a \$2.9 billion deficit in the first quarter of 1996.

Major components of capital income fell for the fourth straight quarter. Investment income declined 1.2% and corporate profits fell 8.8%. Meanwhile, labour income rose only 0.2%; Ontario labour strikes and the GM layoffs took roughly 0.2% off the national level. Farm income jumped \$900 million, mainly because of recent price increases which led to significantly higher wheat acreage in 1996.

Households increased their borrowing in order to make tax-sheltered investments, and to finance spending on consumer durables. Bank credit card debt declined; mortgage borrowing recovered somewhat, in line with the pickup in residential construction and renewed real estate market activity. Despite an advance in after-tax income, the debt ratio of households — the ratio of consumer credit and mortgage debt to disposable income — remained at an all-time high.

The financing of non-financial corporations advanced, as profits sagged and investment in machinery and equipment remained strong. Their debt-to-equity ratio was largely unchanged by the end of March.

The federal deficit, on a national accounts basis, rose mainly because of higher transfer payments to persons. Despite a rebound in federal borrowing activity, federal government indebtedness to non-residents dropped for a second straight quarter. Borrowing by provincial governments fell, in line with their reduced spending.

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

## Current account deficit climbs

Canada's current account deficit increased to \$1.9 billion in the first quarter of 1996, after reaching a virtual balance in the preceding quarter. The higher deficit reflected a drop in the surplus on goods; the deficit arising from all other current transactions was little changed.

The merchandise trade surplus fell to \$7.0 billion. Though this was \$1.5 billion lower than the all-time high of the previous quarter, it was still the third-highest level on record. The decline reflected a combination of lower exports (notably in forestry products, trucks and motor vehicle parts) and higher imports (including crude oil, industrial materials and consumer goods).

The travel deficit showed a small increase (as receipts and payments advanced slightly to new highs), but remained at under half the peak recorded at the close of 1991.

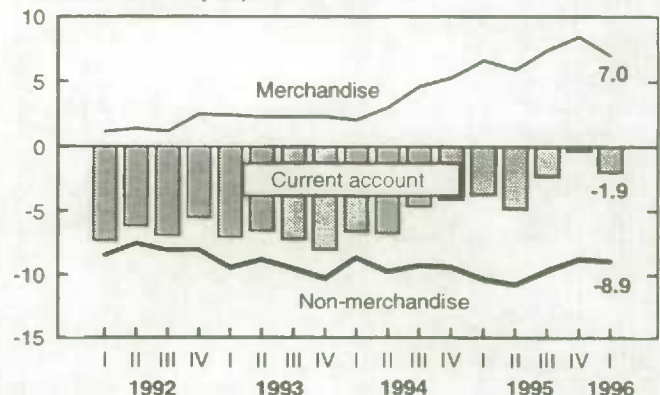
The investment income deficit, on a downward trend from the \$8.5 billion peak of the second quarter of 1995, totalled \$6.6 billion in the first quarter of 1996. The first quarter's marginal decline was due to lower interest payments on Canadian debt instruments.

Foreign residents resumed their investment in Canadian short-term paper, acquiring \$3.5 billion of federal paper and \$1.7 billion of other short-term paper. Throughout 1995, they withdrew a total of \$3.4 billion from that market. The first quarter's net investment, which came from a wide range of countries, occurred despite falling short-term Canadian interest rates. In fact, by March 1996, Canadian short-term rates were below their U.S. counterparts for the first time since 1984.

Following 1995's record investment of \$29.8 billion, non-residents sold \$2.1 billion of Canadian bonds in the first quarter. They reduced their holdings of bonds issued by the various levels of

### Current account, balances

\$ billions, seasonally adjusted



government, except for provincial direct issues. They continued, however, to invest heavily in bonds issued by the Canadian business sector.

Foreigners purchased \$1.6 billion of Canadian stocks in the first quarter. This contrasted sharply with 1995's \$4.2 billion net sell-off, but was more in line with their near \$20 billion net investment over the preceding three years.

Canadians purchased \$4.1 billion of foreign stocks in the first quarter, nearly as much as they invested for all of 1995. Some 80% of this investment went into overseas stocks.

For further information, order *Canada's balance of international payments* (catalogue 67-001-XPB) or contact Hugh Henderson, Balance of Payments Division at (613) 951-9049.



## Labour disputes restrain economy in March

In March, the Ontario public servants' strike and the brake-plant strike in the United States, which temporarily closed motor vehicle plants in Canada, pulled the gross domestic product (GDP) at factor cost down 0.1%. Excluding industries directly affected by the strikes, GDP advanced 0.2%, in line with the average growth rate recorded in January and February.

Government services fell 4.1% as a result of the Ontario strike, which lasted from the last week of February to the end of March. Provincial administration services decreased 12.9%; some health and transportation services were also affected.

Overall manufacturing output decreased 0.9% in March. Production fell in 8 of the 21 major groups, led by motor vehicles, pulp and paper products, and office machinery. Transportation equipment production tumbled 3.8% due to the strike at two General Motors brake plants in the United States, which temporarily closed GM's plants in Canada. Although assembly lines were hit hardest, production of motor vehicle parts was also affected; together they accounted for two-thirds of the overall drop in manufacturing.

Growth in wholesale trade accelerated for a third straight month (+0.9% in March). While sales of machinery and equipment led the increase, rebounds in the sales of farm machinery and household goods, and higher sales of foodstuffs also contributed to the gain.

Retail trade receded 0.3%, with sales falling in 11 of the 18 trade groups. Declines were posted by automotive parts, department stores and clothing. Sales rose for service stations, stores selling miscellaneous durable goods (such as sporting equipment, music-related goods and jewelry), and furniture and appliance retailers.

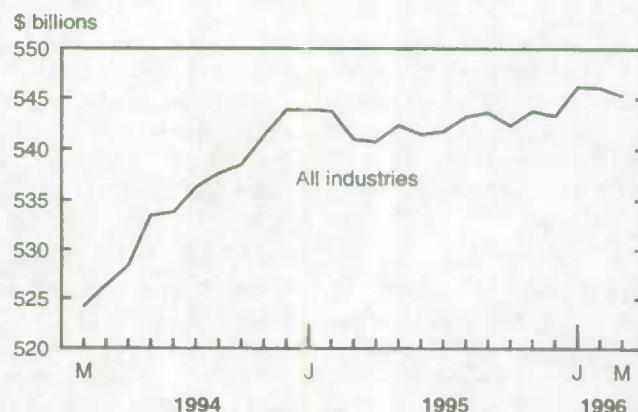
Construction activity increased in March, as home building advanced 2.9%. Housing starts reached their highest level since February 1995. Construction activity on non-residential building and on engineering projects also grew.

### Note to readers

GDP of an industry is the value added by labour and capital in transforming inputs purchased from other industries into outputs.

Monthly GDP by industry is valued at 1986 prices. All data are seasonally adjusted at annual rates.

### Gross domestic product at factor cost



Mining sector output slipped 0.4%, mainly reflecting drops in gold and coal mines. Transportation and storage services advanced 1.3%. Demand for electricity and natural gas rebounded in March.

For further information, order *Gross domestic product by industry*, (catalogue 15-001-XPB) or contact Michel Girard, Industry Measures and Analysis Division at (613) 951-9145. (See also "Current trends" on page 7.)

## Foreign travellers spend record amount in Canada

Foreigners injected a record \$3.1 billion into the Canadian economy in the first quarter of 1996, up 5.4% from the fourth quarter of 1995. Meanwhile, Canadians' spending abroad rose 7.0%, to an unprecedented \$3.9 billion.

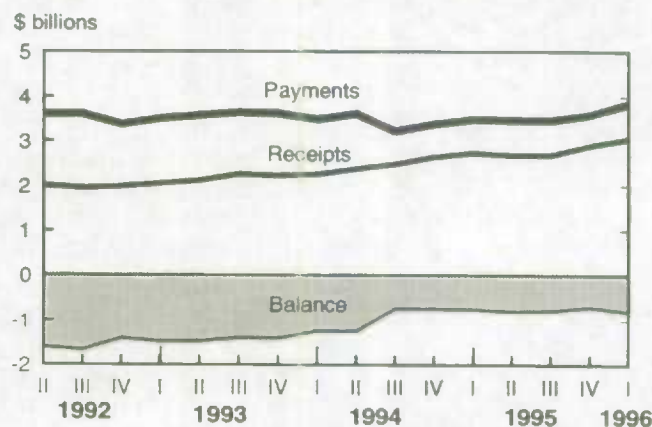
The net result was a 13.9% deterioration in the international travel account balance. At \$799 million, this deficit was well below the record \$1.9 billion deficit posted in the fourth quarter of 1991.

The travel account deficit with the United States, which had increased over the previous four quarters, fell to \$787 million in the first quarter of 1996. This was less than half the record \$1.8 billion deficit reached in the fourth quarter of 1991.

Americans travelling in Canada left an unprecedented \$1.7 billion behind, up 13.5% from the fourth quarter of 1995. Meanwhile, Canadians' spending in the United States (\$2.5 billion) was also up.

Canadians travelling overseas outspent visitors to Canada from countries other than the United States, resulting in a \$13

### International travel account balance



million travel account deficit with overseas countries. This followed a record \$138 million surplus in the previous quarter. The deficit bottomed out at \$297 million in the first quarter of 1990.

(continued on page 4)

## ... Foreign travellers spend record amount in Canada

Receipts from overseas residents totalled \$1.3 billion. This 3.8% drop was the first in nine quarters. Meanwhile, Canadians' spending in countries other than the United States rose to \$1.3 billion.

For further information, contact Ruth Martin, Education, Culture and Tourism Division at (613) 951-1791; fax: (613) 951-2909; the Internet: martrut@statcan.ca.

## Housing permits decline again

Construction intentions for new homes declined for the second straight month in April, delaying hopes for recovery in the housing sector. At the same time, building permit applications in the non-residential sector nose-dived, resulting from weakness in all three components: industrial, commercial and institutional. Overall, the total value of building permits fell 10.4% to \$1.9 billion.

Municipalities issued \$1.2 billion in building permits for housing, down 9.7% from March. This decline, along with the previous month's 9.3% decrease, has done much to erode the 29.9% gain posted by the residential sector in February. The back-to-back setbacks occurred despite relatively low mortgage rates and improved consumer confidence spurred by a steady growth in jobs and incomes.

April's decline in new housing permits was due primarily to a 19.3% plunge in plans for multi-family dwellings and, to a lesser extent, a 6.0% drop in permits for single-family dwellings. Even though the cost of owning a home continued to drop, the large inventory of houses in the resale market has put the brakes on plans for new housing construction. Furthermore, the resale housing market posted its first monthly decrease in April (-13.0%) after four months of growth.

However, the picture is not all gloomy in the housing sector. During the first four months of 1996, the value of residential building permits has increased 6.6% compared with the same period in 1995. This coincided with increased consumer confidence — as reported by the Conference Board of Canada — which has led to higher sales for big-ticket durable goods.

Across the country, Ontario recorded the largest monthly drop in the residential sector, caused mainly by a substantial decline in the value of permits for multi-family dwellings and, to a lesser extent, for single-family dwellings. Alberta posted the most significant increase, led by the single-family component.

Meanwhile, permits issued to developers in the non-residential sector fell to their lowest level in 20 months (\$765 million). All three components of the sector declined from March: industrial (-17.7%), commercial (-7.9%) and institutional (-13.9%).

Over the first four months of 1996, municipalities have issued 14.9% fewer non-residential permits than in the same period in 1995. This is consistent with the low level of confidence expressed by the business sector according to Statistics Canada's quarterly Business Conditions Survey, and with spending cutbacks announced by all levels of governments.

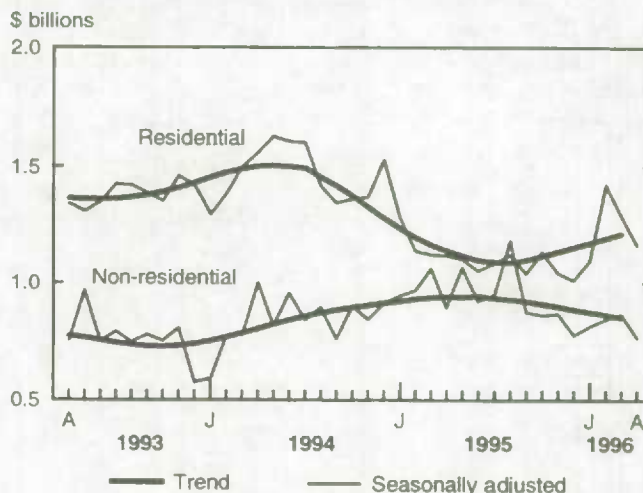
### Note to readers

The Building and Demolitions Permits Survey covers 2,400 municipalities each month, representing 93% of the population. It provides an early indication of building activity. The communities representing the other 7% of the population are very small, and their levels of building activity have little impact on the total.

The value of planned construction activities excludes engineering projects (e.g., waterworks, sewers, culverts) and land.

Unless otherwise stated, all data are seasonally adjusted.

### Residential and non-residential building permits



Ontario was the largest contributor to the monthly decrease in the non-residential sector, due to the weak performance of its industrial and commercial components. Notable declines in British Columbia and Manitoba were the result of a lack of commercial and institutional projects. In contrast, Alberta and New Brunswick recorded the largest rises, mostly because of higher industrial and institutional construction intentions.

For further information order **Building permits** (catalogue 64-001-XPB) or contact Joanne Bureau, Investment and Capital Stock Division at (613) 951-9689.

(continued on page 5)



## ... Housing permits decline again

### Building permits, April 1996 Seasonally adjusted

Province/Territory	Total		Residential		Non-residential	
	\$ millions	% change, previous month	\$ millions	% change, previous month	\$ millions	% change, previous month
<b>Canada</b>	<b>1,929</b>	<b>-10.4</b>	<b>1,164</b>	<b>-9.7</b>	<b>765</b>	<b>-11.6</b>
Newfoundland	20	-30.6	16	-37.3	4	18.9
Prince Edward Island	7	-19.6	3	-60.4	4	836.3
Nova Scotia	57	-21.3	35	-38.7	22	46.0
New Brunswick	40	20.6	24	-5.5	16	103.4
Quebec	355	2.3	179	5.4	176	-0.7
Ontario	703	-19.4	451	-17.2	252	-23.2
Manitoba	40	-26.7	20	9.8	19	-45.9
Saskatchewan	43	17.6	16	-6.1	27	38.7
Alberta	229	11.2	136	11.1	93	11.4
British Columbia	430	-12.1	280	-5.7	150	-22.0
Yukon	4	-16.6	3	20.1	0	-84.8
Northwest Territories	3	21.6	1	-37.7	2	136.1

## International air travel up, domestic travel down

**D**omestic air travel has posted a large decline over the last decade, while international air travel to and from Canada has boomed. In 1994, a typical passenger at a Canadian airport was almost twice as likely to be flying to or from a foreign city than a Canadian city.

Some 11 million passengers flew between points in Canada in 1994, down 20% from 1980. In contrast, total international traffic rose 51% to almost 21 million passengers.

The long-standing nature of the trend toward greater international travel is striking. The decline in the domestic market began before deregulation in 1987 and has persisted through regulatory changes, new carriers, bankruptcies, mergers and fare wars. Without doubt, free trade and the general globalization of the economy are factors.

Economies of scale may be bringing down the costs of international travel, while working against travellers flying within Canada. Since 1986, the domestic air fare index has risen 53%, while the international index has increased by only 20%.

In 1994, a record 15.9 million passengers travelled between Canada and a foreign country on a scheduled flight. This 1% increase followed a 5% advance in 1993 and a 7% gain in 1992. The

Domestic and international share of air travel



largest gain in absolute passenger number was between Canada and Asia (+14% to 2.12 million passengers). This growth followed new government air transport policy decisions, resulting in unprecedented levels of service to Asia. Surprisingly, air traffic to the United States actually fell 3% from 1993.

For further information, contact Bradley Snider, Aviation Statistics Centre at (819) 997-6189, the Internet: [snidbra@statcan.ca](mailto:snidbra@statcan.ca).

## New from Statistics Canada



### Perspectives on labour and income

Summer 1996

The Summer 1996 issue of *Perspectives on labour and income* features two articles on the International Adult Literacy Survey. One provides a general overview of the survey, while the other looks at literacy results among workers. Another article examines recent trends in the coverage of defined benefit pension plans versus defined contribution arrangements. Still other articles analyze work-related deaths by selected demographic and job characteristics, and the phenomenon of men's career earnings peaking in their forties. Finally, a conference report points out the radical changes occurring in the development and dissemination of statistical information.

Each quarter, *Perspectives* draws on many data sources for insights on emerging income issues and reviews recent developments in the labour market.

The Summer 1996 issue of *Perspectives on labour and income* (catalogue 75-001-XPE, \$17/\$56) is now available. For further information, contact Jeffrey Smith at (613) 951-6894 or Jeannine Usalcas at (613) 951-4628, Labour and Household Surveys Analysis Division.

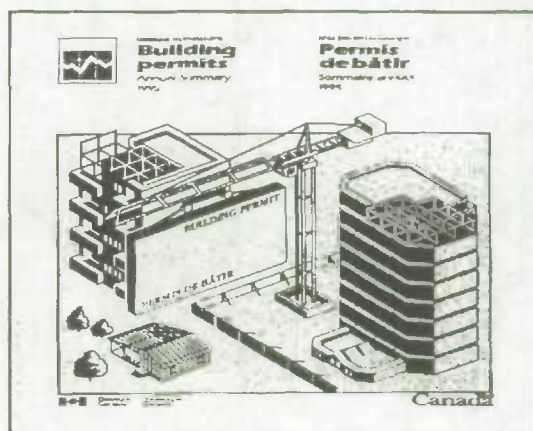
### Building permits

1995

This publication provides information on residential and non-residential construction intentions reported by municipalities across Canada.

Statistics on type of structure and work done, presented at a very detailed geographic level, highlight emerging trends in the construction industry.

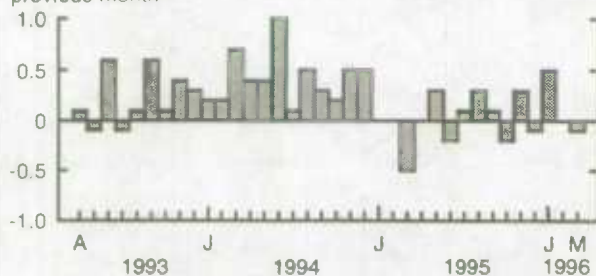
Annual summary of the 1995 building permits is now available on paper (catalogue 64-203-XPB, \$60) or on microfiche (new with this release, catalogue 64-203-XMB, \$35). For further information, contact Joanne Bureau, Investment and Capital Stock Division at (613) 951-9689, fax: (613) 951-0196, the Internet: [burejoa@statcan.ca](mailto:burejoa@statcan.ca).



## Current trends

### Gross domestic product

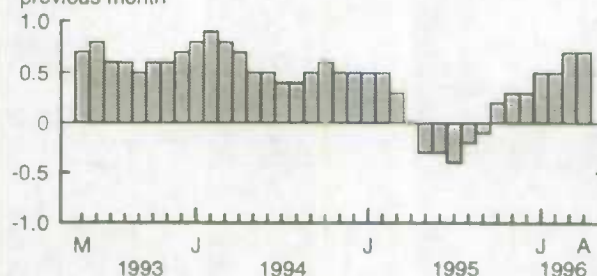
% change,  
previous month



Real gross domestic product at factor cost fell 0.1% in March.

### Composite index

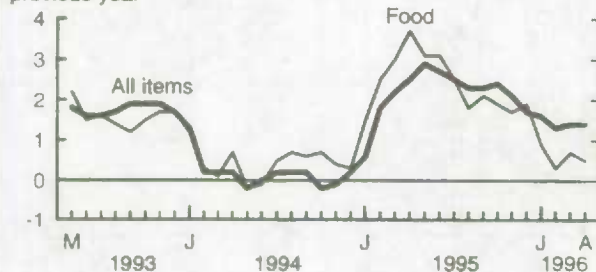
% change,  
previous month



The composite index continued to grow by 0.7% in April, the same rate as in March.

### Consumer price index

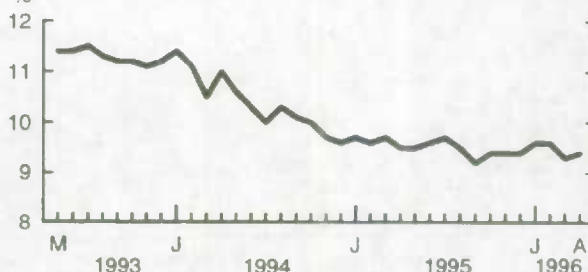
% change,  
previous year



Consumers paid 1.4% more for goods and services in April 1996 than the year before. Food prices rose by 0.5%.

### Unemployment rate

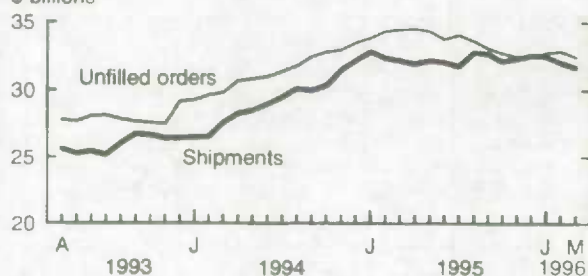
%



In April, the unemployment rate rose 0.1 percentage points to 9.4%.

### Manufacturing

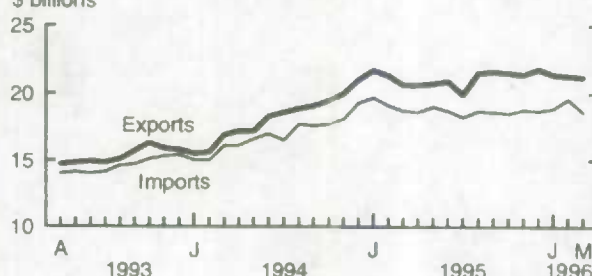
\$ billions



Manufacturers' shipments fell 1.2% to \$31.7 billion in March. The level of unfilled orders dropped 1.4% to \$32.5 billion.

### Merchandise trade

\$ billions



In March, the value of merchandise exports fell 0.6% from February to \$21.2 billion. Imports dipped by 4.8% to \$18.6 billion.

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



## Latest monthly statistics

	Period	Level	Change, previous period	Change, previous year
<b>GENERAL</b>				
Gross domestic product (\$ billion, 1986)	March*	545.3	-0.1%	0.8%
Composite index (1981=100)	April	176.7	0.7%	1.7%
Operating profits of enterprises (\$ billion)	1st quarter	21.6	-7.5%	-7.2%
Capacity utilization (%)	4th quarter	82.9	-0.7†	-2.8†
<b>DOMESTIC DEMAND</b>				
Retail trade (\$ billion)	March	17.9	0.1%	2.3%
New motor vehicle sales ('000 units)	March	97.2	-1.1%	-0.5%
<b>LABOUR</b>				
Employment (millions)	April	13.7	0.3%	1.5%
Unemployment rate (%)	April	9.4	0.1†	-0.1†
Participation rate (%)	April	64.9	0.1†	0.0†
Labour income (\$ billion)	January	35.7	1.1%	3.1%
Average weekly earnings (\$)	March	577.45	0.2%	0.9%
<b>INTERNATIONAL TRADE</b>				
Merchandise exports (\$ billion)	March	21.2	-0.6%	2.6%
Merchandise imports (\$ billion)	March	18.6	-4.8%	-0.4%
Merchandise trade balance (all figures in \$ billion)	March	2.5	0.8	0.6
<b>MANUFACTURING</b>				
Shipments (\$ billion)	March	31.7	-1.2%	-1.5%
New orders (\$ billion)	March	31.2	-3.1%	-3.2%
Unfilled orders (\$ billion)	March	32.5	-1.4%	-5.7%
Inventory/shipments ratio	March	1.43	0.03	0.10
<b>PRICES</b>				
Consumer price index (1986=100)	April	135.3	0.3%	1.4%
Industrial product price index (1986=100)	April	128.8	-0.1%	0.6%
Raw materials price index (1986=100)	April	139.0	3.0%	3.5%
New housing price index (1986=100)	March	132.2	-0.2%	-2.3%

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

\* new this week.

† percentage point.

## Infomat

### A weekly review

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## Publications released from May 31 to June 6, 1996

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
			US\$		
<b>AGRICULTURE</b>					
Apparent per capita food consumption in Canada	1995	32-229-XPB	32	36	42
Farm cash receipts and farm product price index	1st quarter 1996	21-001-XPB	19/62	23/75	27/87
The dairy review	1st quarter 1996	23-001QXPB	35/115	42/138	49/161
<b>BALANCE OF PAYMENTS</b>					
Canada's international transactions in securities	March 1996	67-002-XPB	17/170	21/204	24/238
<b>HOUSEHOLD SURVEYS</b>					
Characteristics of dual-earner families	1994	13-215-XPB	27	33	38
<b>INDUSTRY</b>					
Asphalt roofing	April 1996	45-001-XPB	6/60	8/72	9/84
Crude petroleum and natural gas production	February 1996	26-006-XPB	18/180	22/216	26/252
Cement	April 1996	44-001-XPB	6/60	8/72	9/84
Department store sales and stocks	March 1996	63-002-XPB	16/160	20/192	23/224
Electric power statistics	March 1996	57-001-XPB	11/110	14/132	16/154
Energy statistics handbook	May 1996	57-601-UPB	330	400	460
New motor vehicle sales	March 1996	63-007-XPB	16/160	20/192	23/224
Retail trade	March 1996	63-005-XPB	20/200	24/240	28/280
Wholesale trade	March 1996	63-008-XPB	18/180	22/216	26/252
<b>INTERNATIONAL TRADE</b>					
Imports, merchandise trade					
Microfiche version	1995, vols. I & II	65-203-XMB	100	120	140
Paper version	1995, vols. I & II	65-203-XPB	250	300	350
<b>INVESTMENT AND CAPITAL STOCK</b>					
Building permits: annual summary					
Microfiche version	1995	64-203-XMB	35	42	49
Paper version	1995	64-203-XPB	60	72	84
<b>LABOUR AND HOUSEHOLD SURVEYS ANALYSIS</b>					
Perspectives on labour and income	Summer 1996	75-001-XPE	17/56	21/68	24/80
<b>PRICES</b>					
Average prices of selected farm inputs	April 1996	62-012-XPB	9/48	11/58	13/68
<b>SERVICES, SCIENCE AND TECHNOLOGY</b>					
Communications service bulletin:					
Radio and television statistics	1995	56-001-XPB	12/40	15/48	17/56
<b>TRANSPORTATION</b>					
Aviation service bulletin	May 1996	51-004-XPB	11/105	13/126	15/147

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