

Report on Industry and Technology

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*Economic and Statistical Analysis
Industry, Science and Technology, Canada*

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Secteur de la politique

Sujet

Report on Industry and Technology

Rapport sur l'industrie et la technologie

Attached is our first report on industry and technology indicators. It is intended to give a "snapshot" of recent economic developments in areas of interest to ISTC.

Veillez trouver ci-joint notre premier rapport sur les indicateurs relatifs à l'industrie et à la technologie. Il vise à donner un aperçu des récents développements économiques dans des secteurs intéressant ISTC.

Our intention was to produce a report that was relevant, visually oriented and quick to read. To some extent, the report is a substitute for fairly extensive briefing activity on economic indicators which used to be carried out on a monthly basis.

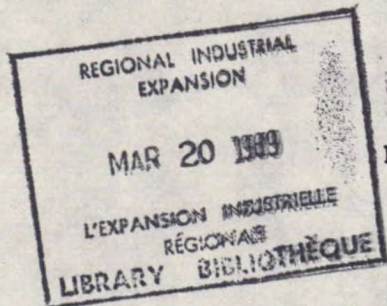
Nous voulions produire un rapport pertinent qui accroche l'oeil et se consulte rapidement. Dans une certaine mesure, ce rapport remplace plusieurs courts rapports économiques qui étaient distribués autrefois mensuellement.

To assess the need for this type of report on an ongoing basis, a very brief set of questions is attached. If there is sufficient interest, we would anticipate producing a report every six months. In addition, future issues of the report would be available in French as well as in English.

Afin d'évaluer le besoin d'un tel rapport, vous trouverez ci-joint un court questionnaire. Si un bon nombre de personnes manifestent de l'intérêt, nous envisageons de publier un rapport tous les six mois, en français et en anglais.

Attachments

Pièces jointes



Robert Henry
Robert Henry
Director/Director

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INTRODUCTION

The purpose of this report is to provide a "snapshot" of recent economic developments in areas of interest to I.S.T.C.

The format is designed for readers who wish to make quick reference to economic data. As a consequence, most of the important facts can be discerned from the charts and the point-form text. Data corresponding to the charts are to be found in the statistical appendix.

Contributors to the production of this report include Roman Staranczak, Adam Holbrook (S&T Section), Rusty Konecny, Herbert Byleveld, Yves Lemaire and Marcelle Champagne. The report was designed and written under the supervision of David Caldwell, Economic Conditions and Forecasting Group.

Prospects for industrial growth in the short and medium term future are discussed in this Branch's recent report "Consultation on the Economic Outlook, Industry Science and Technology Canada and the Department of Finance".

Robert Henry

Director

Economic and Statistical Analysis

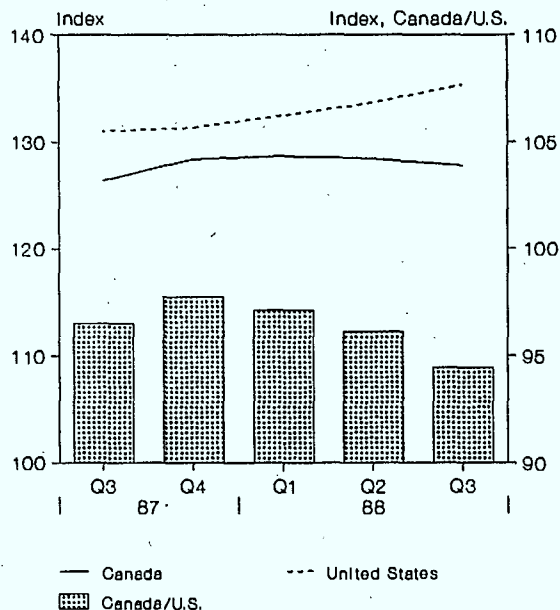
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Productivity / Competitiveness Update

Highlights:

- Canadian manufacturing productivity declined relative to that of the United States during the first three quarters of 1988.
- During the same period, the competitive position of Canadian exporters was adversely affected by the Canadian dollar's appreciation against the currencies of the United States, Japan and several major European countries.
- In the first two quarters of 1988 (third quarter unavailable) manufacturing wages in Canada rose faster than in the United States, Japan and France.
- Relative to its main trading partners, Canada became less competitive in terms of unit labour costs in manufacturing during the same period.

Canada - U.S. Mfg. Productivity
(1980 = 100)

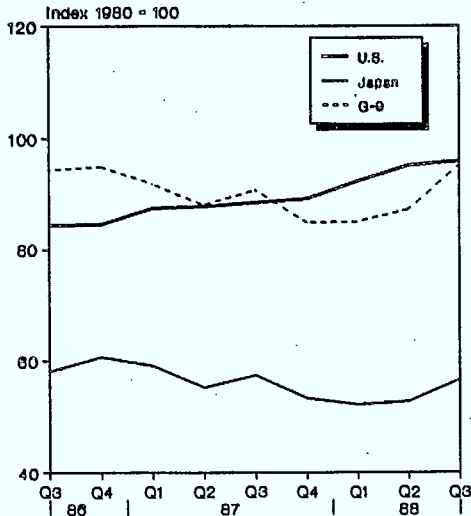


- Relative to productivity in the United States, Canadian manufacturers lost ground in the three most recent quarters shown.
- Since 1980, labour productivity in manufacturing (in national currencies) has increased at a faster pace in the United States than in Canada.

The high living standard that Canadians enjoy is closely related to productivity performance. Although the Canadian record for productivity increases has been better than that of the United States over the past twenty-five years, the level of productivity in Canada remains below that in the United States. This gap was estimated to be 9.5 percent in 1987.

A country with lagging productivity performance can still compete successfully in export markets provided costs are held in check. This can either mean moderating increases in domestic costs or depreciation of the country's currency. The latter cannot be viewed as a desirable means of promoting competitiveness, however, since it ultimately results in lower real incomes and standards of living.

Selected Exchange Rates
Foreign Currency per Canadian Dollar

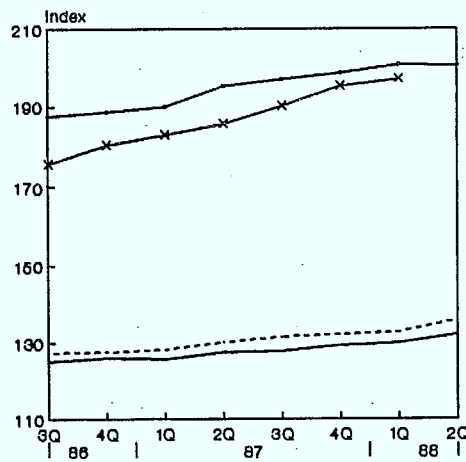
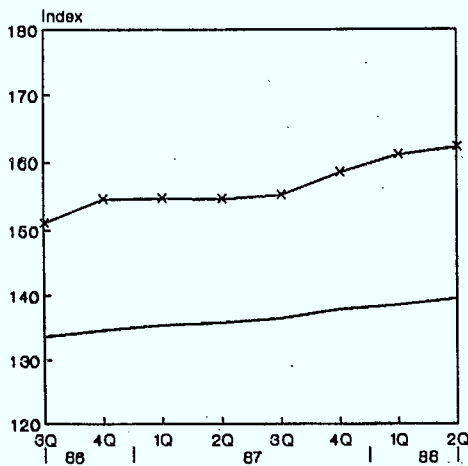


- ° The Canadian dollar continued to appreciate against its U.S. counterpart during the third quarter and therefore did not contribute to improved competitiveness.
- ° The Canadian dollar gained relative to the Japanese yen during the same period, in contrast to an historical downward trend.
- ° On a trade-weighted basis, the Canadian dollar also strengthened against the currencies of other G-10* countries.

In national currency terms, the rise in **manufacturing wages** was greater in Canada during the first two quarters of 1988 (2.4 percent) than in France (1.0 percent) and Japan (2.2 percent), about the same as in the United States, but below that of Germany (2.8 percent). Since 1980, Canada has experienced slower wage increases than France and the U.K. but faster increases than the U.S., Japan and Germany.

Manufacturing Wages

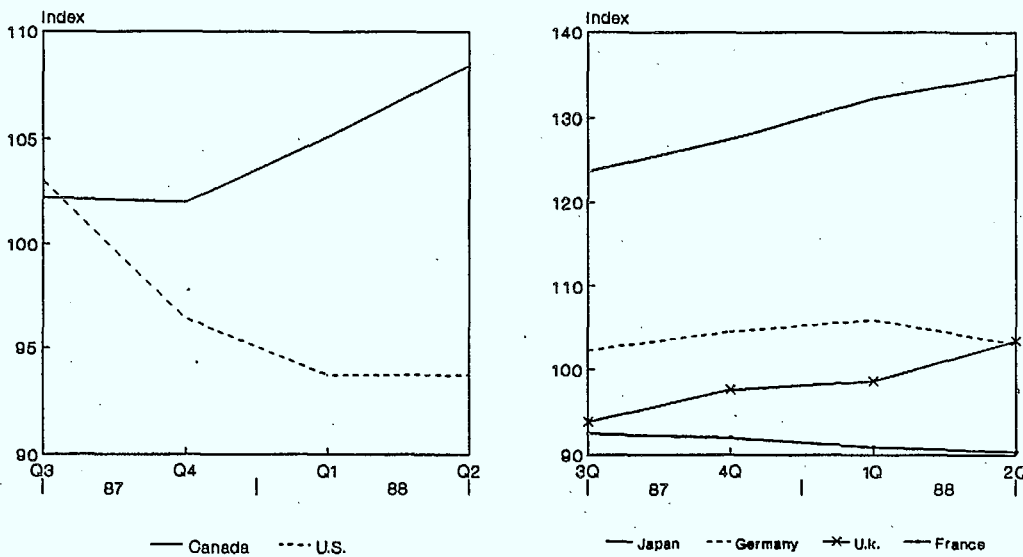
(Index in National Currencies, 1980 = 100)



* Includes the United Kingdom, France, Germany, Italy, Japan, Belgium, Netherlands, Luxembourg, Sweden and Switzerland.

Relative unit labour costs (in common currency terms) are a broader indicator of international competitiveness. Since the fourth quarter of 1987, Canadian unit labour costs in manufacturing have moved up relative to those of our competitors. In sharp contrast, the competitive position of U.S. manufacturers improved considerably over the period shown mainly as a result of the rapid depreciation of the U.S. dollar against its competitors' currencies.

Mfg. Unit Labour Costs Relative to Competitors'
(Index Based on Trade-Weighted Exchange Rates, 1980 = 100)

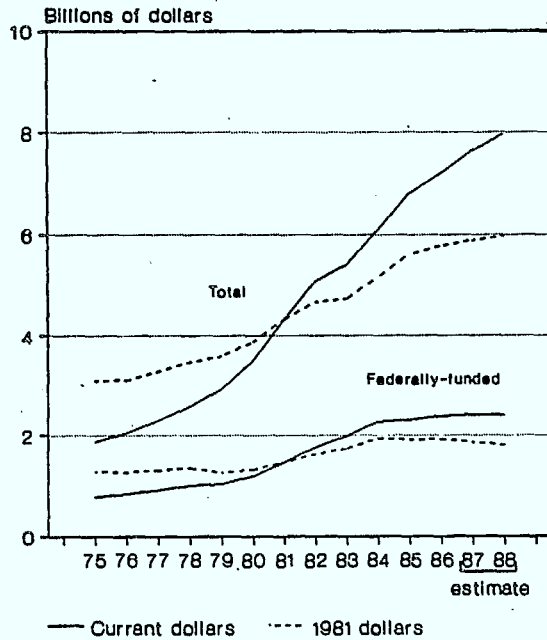


Japan faces rising costs relative to those of its trading partners mainly owing to the upward movement of the yen. The competitive position of the manufacturing sector also worsened in the United Kingdom though to a lesser extent than in Japan. France's position improved slightly over the period shown, while Germany's was relatively stable.

Science and Technology Indicators

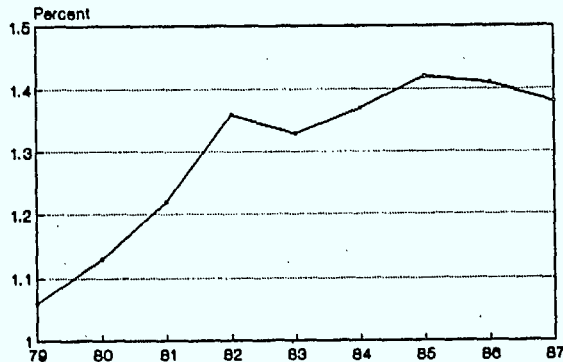
Rate of Increase for R&D Spending Slows

R & D Funding



- National expenditure for R&D activities is estimated at \$8.0 billion for 1988 or 4 percent more than in the previous year. After adjusting for expected inflation, this represents an increase of less than two percent and is the lowest rate of real R&D growth since 1983.

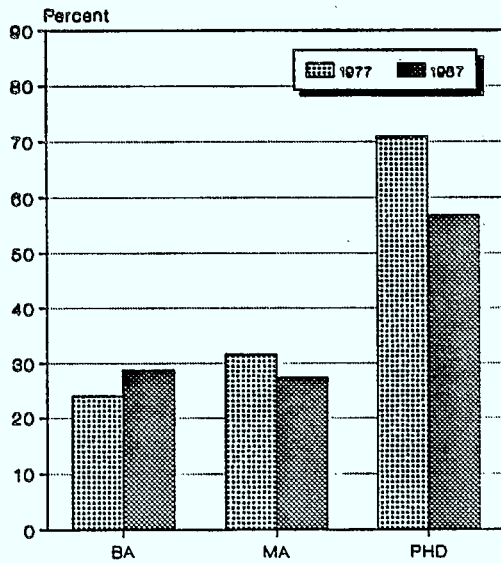
Gross Expenditures on R&D as a Percent of GDP



- As a percentage of gross domestic product, Canada's R&D expenditures are estimated at 1.37 percent for 1988, about the same level as in 1984.

Highly Qualified Personnel

Natural Sciences and Engineering
Degrees Awarded as a Percent of Total



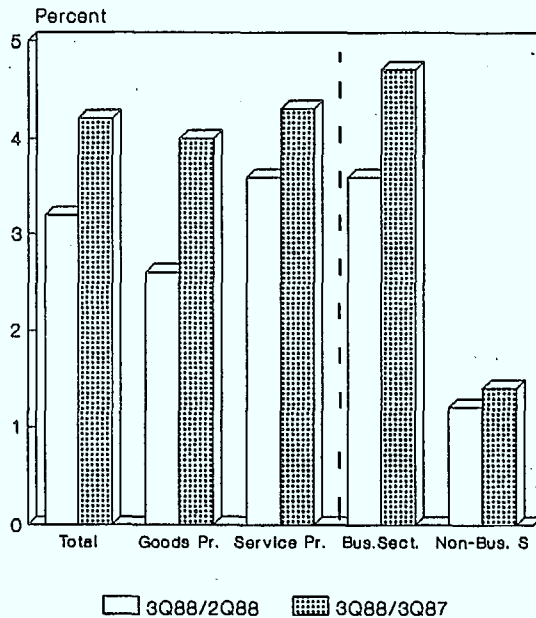
- Over almost two decades (1970 to 1987) the representation of Natural Sciences and Engineering (NSE) at the Bachelor level of qualification increased somewhat.
- At the master's level, the proportion of degrees awarded in NSE dropped slightly. The declining representation of NSE was more significant at the doctorate level. In 1970, about 70 percent of all doctorates awarded were in NSE, but by 1987 this had fallen to 57 percent.

Industrial Output Growth

Highlights:

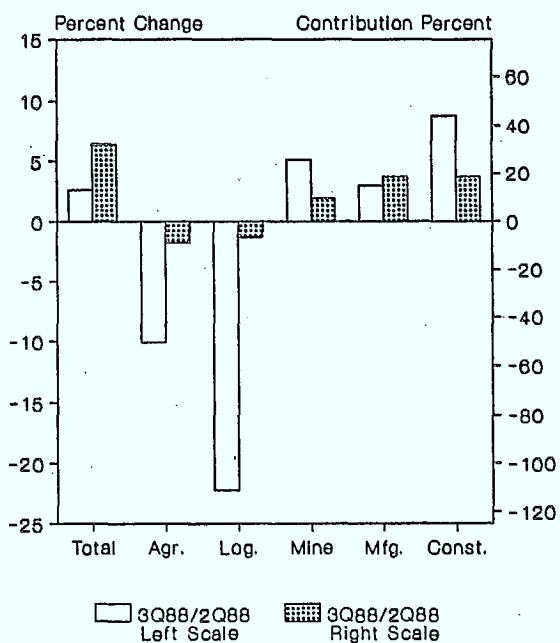
- In the third quarter of 1988, overall industrial output increased by an annualized rate of 3.2 percent from the second quarter. The year-over-year advance was somewhat higher at 4.2 percent. Nevertheless, industrial growth moderated from the second quarter.
- Service producing sectors represented a major source of third quarter growth by contributing more than two-thirds of the increase.
- The higher levels of output were accompanied by a 1.2 percent increase in employment. Goods production accounted for most of the gain in employment.
- In manufacturing, the overall rate of capacity utilization was above the pre-recession peak level for a third consecutive quarter, signalling the need for new investment to expand capacity.

Gross Domestic Product
(Percent Change, Annual Rate)



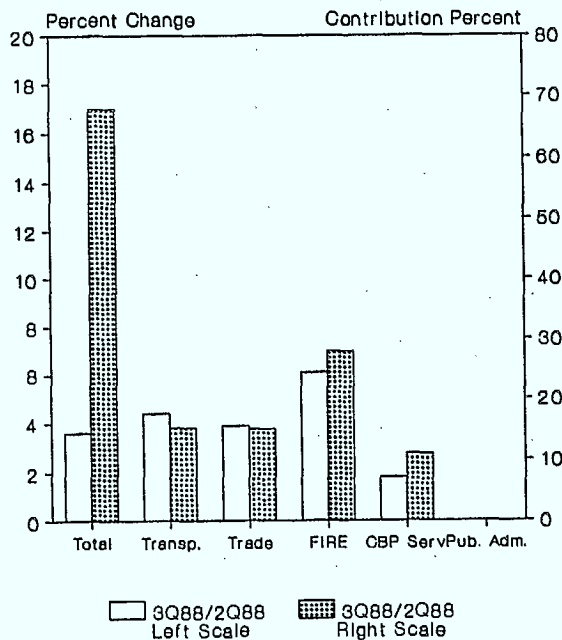
- Business sector industries generated most of the increase in output. Of these, goods contributed about 32 percent of the change in output and services roughly 68 percent.

Real Output of Goods
(Growth and Its Source)



- The third quarter gain in output of goods (2.6 percent) resulted from increased mine production and higher output levels in construction and manufacturing.
- Activity in the agriculture, logging and fishing and trapping industries declined.

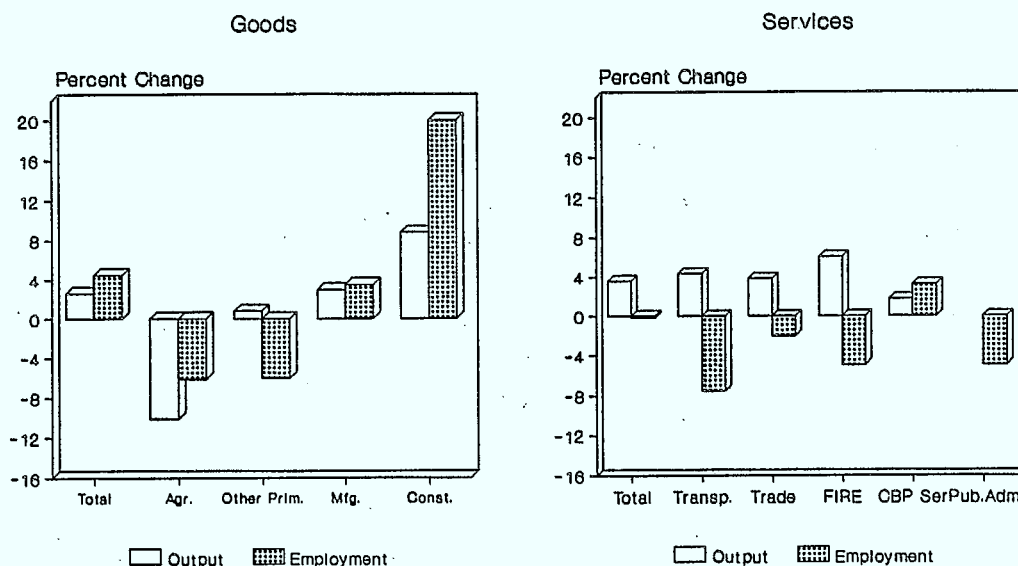
Real Output of Services
(Growth and Its Source)



- Increased real output in services was mostly generated by finance, insurance and real estate, transportation and wholesale and retail trade. Together these industries contributed roughly sixty percent of overall growth in the third quarter.
- Changes in other sectors such as community, business and personal services and public administration were relatively small.

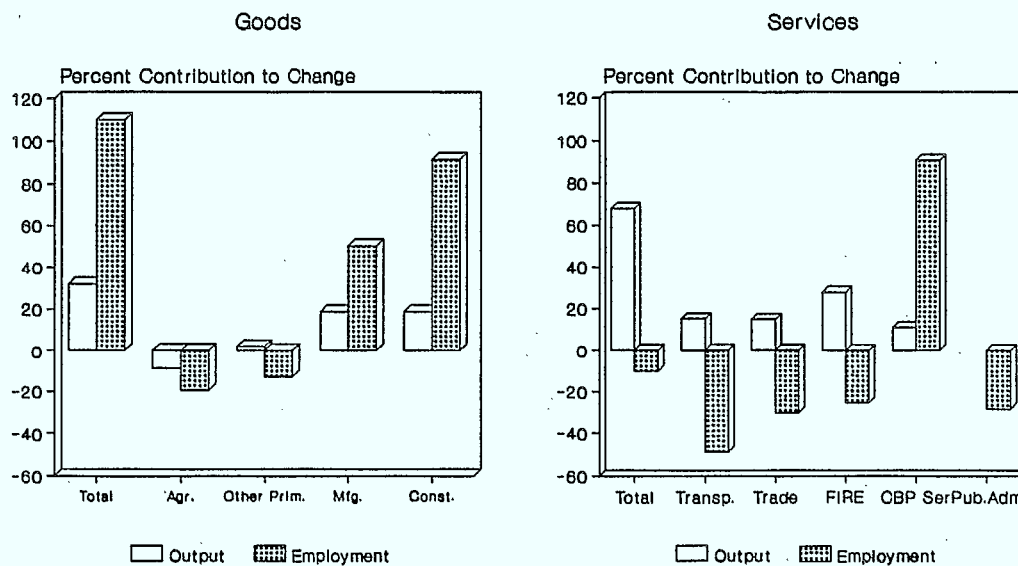
Production and Employment

3Q88/2Q88 Percent Change



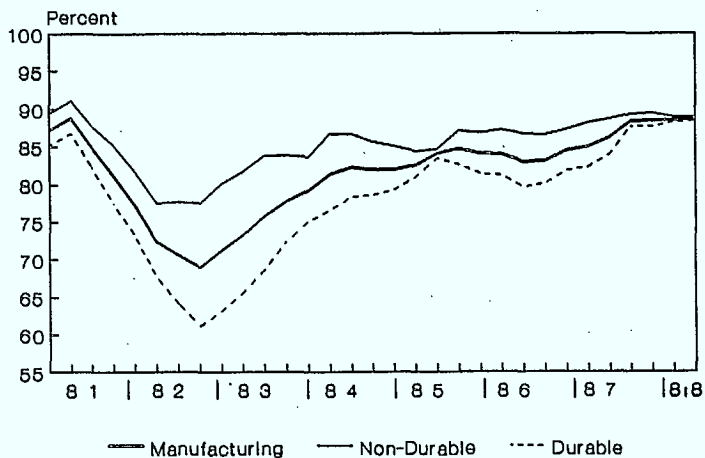
In the third quarter of 1988, output in service producing sectors increased by 3.6 percent while employment dropped marginally. This indicates increased productivity. Increases in employment in goods producing sectors were concentrated in construction and manufacturing, and were larger than output gains. Output and employment both declined in agriculture and other primary sectors.

3Q88/2Q88 Percent Contribution to Change



Capacity Utilization

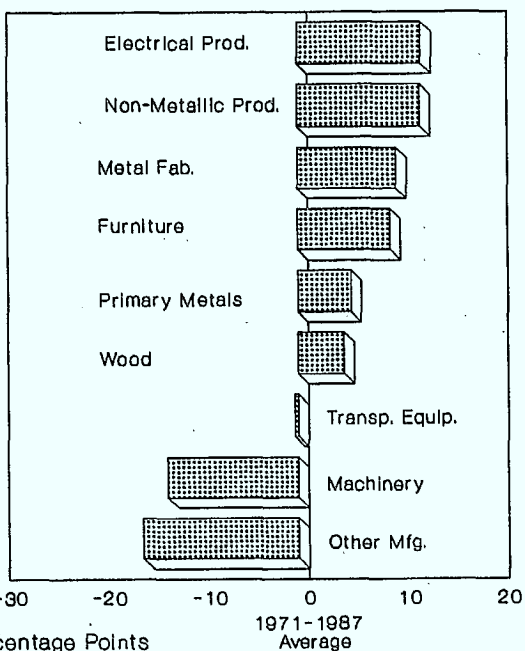
Manufacturing Capacity Utilization
1981-1988



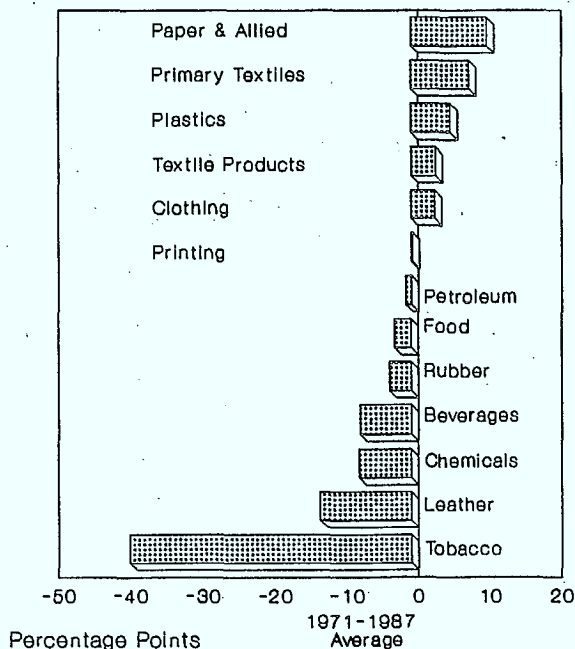
- In the third quarter, the rate of capacity utilization in manufacturing exceeded the pre-recession peak rate established in the second quarter of 1981.
- In both the durable and non-durable sectors of manufacturing, many industries operated at higher than average (1971-87) rates.

In durable manufacturing, electrical products and non-metallic mineral products showed capacity utilizations rates higher, by 10 percentage points or more, than average. Machinery industries were still significantly below average rates. In non-durable manufacturing higher than average rates of capacity utilization were particularly evident in paper products, primary textiles and plastic products. Tobacco and leather products were more than 10 percentage points below the longer term average, while beverages and chemicals were about 7 percent below.

Capacity Utilization
Durable Manufacturing

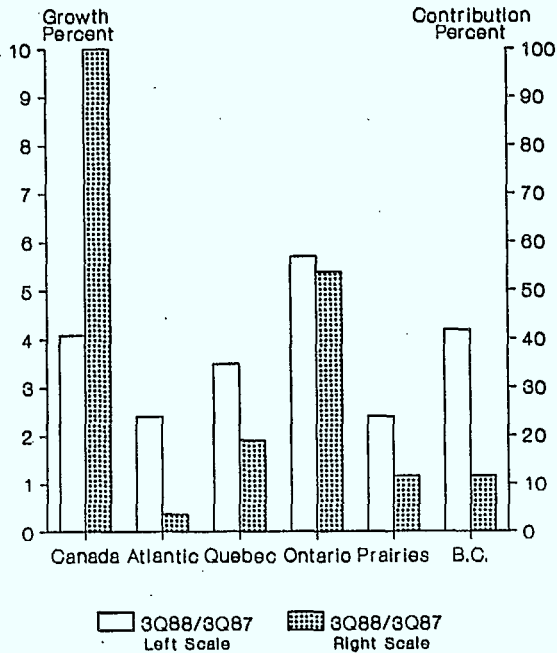


Capacity Utilization
Non-Durable Manufacturing



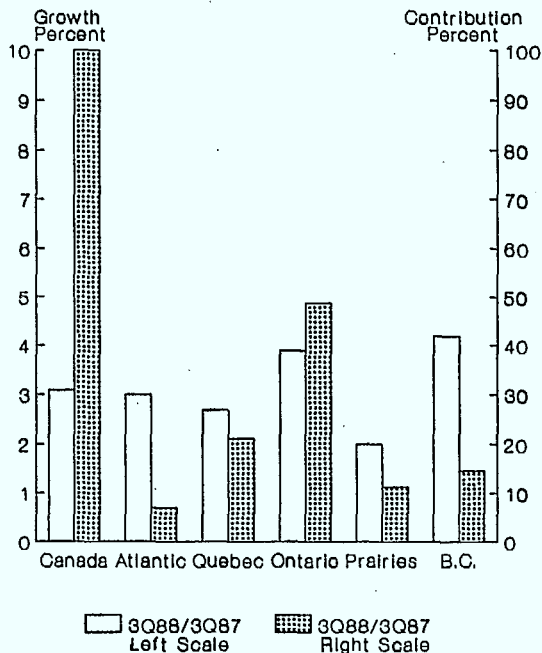
Regional Developments

Gross Domestic Product
(Regional Growth and Its Source)



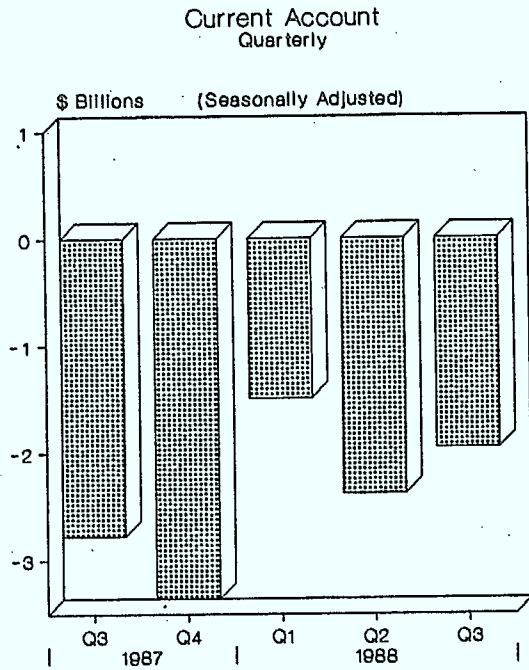
- Regionally, above-average rates of growth in the third quarter of 1988, compared to a year ago, were experienced by Ontario, Alberta, Prince Edward Island and British Columbia.
- In the Atlantic and Prairie regions, except for Prince Edward Island and Alberta, the growth in output lagged considerably behind the national average.
- The most significant contributions to the growth in national industrial output, however, originated in Ontario, Quebec and Alberta (some 54 percent, 19 percent and 16 percent, respectively).

Employment
(Regional Growth and Its Source)

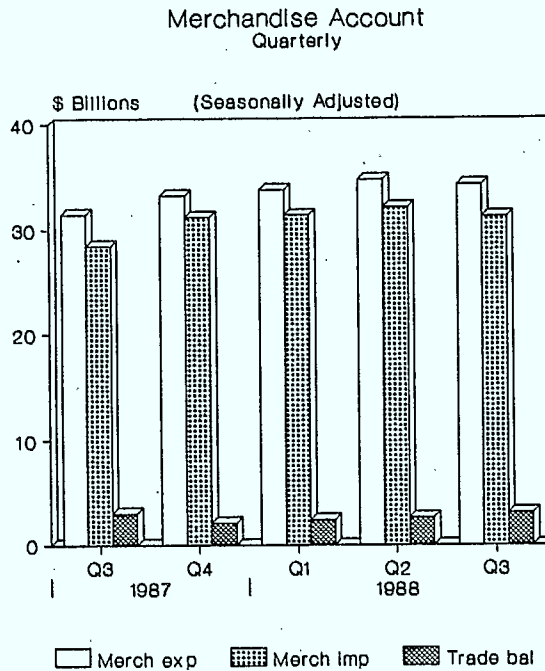


- Relatively fast growth in employment was experienced by Nova Scotia, British Columbia, Alberta and Ontario. While Quebec's employment increased close to the national average, employment in Manitoba and Saskatchewan showed no growth.
- The main sources of employment growth again were Ontario and Quebec with contributions of about 49 percent and 21 percent, respectively.

Current Account Status Report



- The current account deficit dropped to \$2 billion in the third quarter, down from \$2.4 billion in the second quarter of 1988.



- Merchandise exports in the quarter were lower by some \$450 million at \$34.2 billion. Imports declined twice as much, by about \$900 million to \$31.2 billion.
- The substantially lower value of imports caused the merchandise trade surplus to rise from \$2.6 billion to some \$3 billion.

Trade by Industry Sector

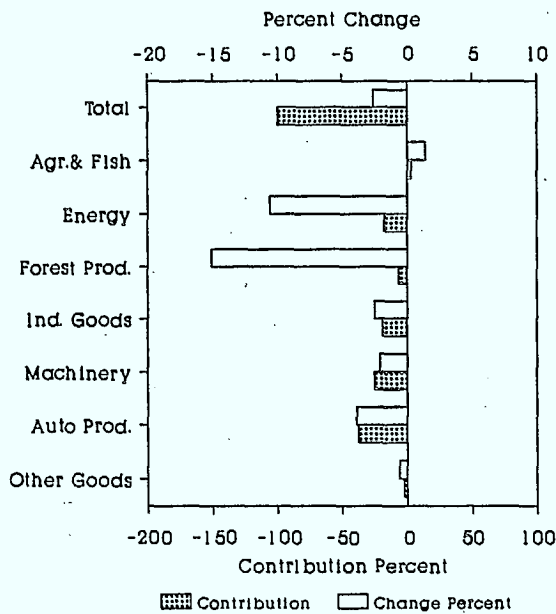
Exports by Sector
(3Q88/2Q88, S.A. BOP Basis)



- Exports in total dropped by 0.9 percent in the third quarter, over the preceding period. The largest decline (8 percent) was in the energy sector, while exports of auto products and forest products declined.

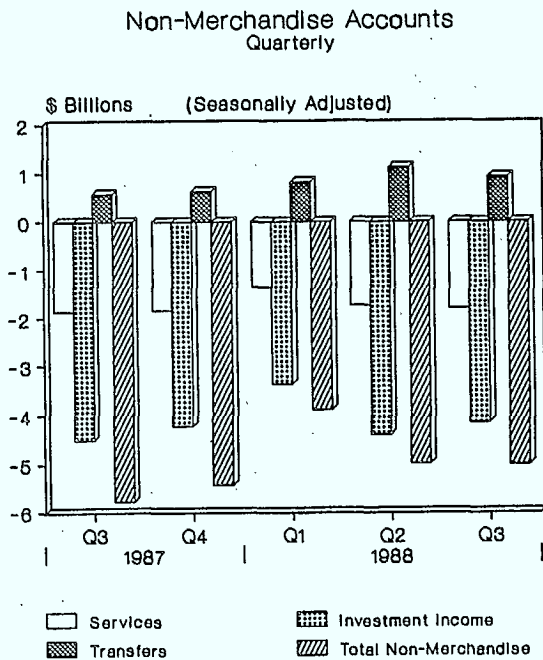
- Exports of industrial goods and the residual category "other goods" advanced during the third quarter.

Imports by Sector
(3Q88/2Q88, S.A. BOP Basis)



- The substantial decline in merchandise imports was widespread, including auto parts, machinery and equipment, energy and various industrial materials. (As forestry imports are very small, the large percentage decrease recorded does not have a large impact.)

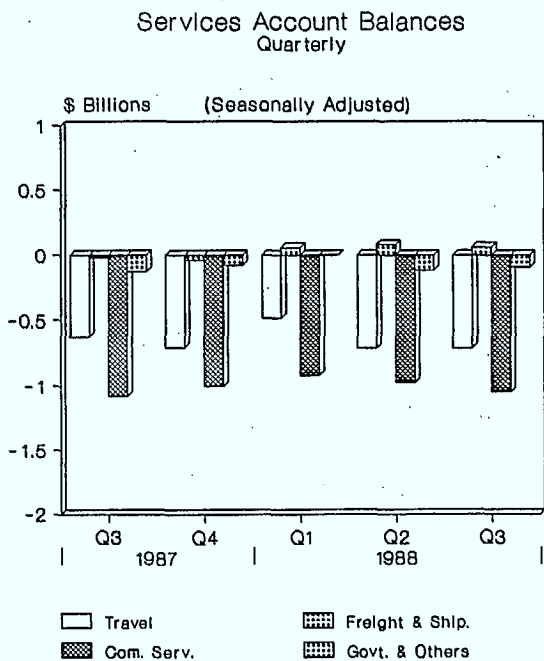
Non-Merchandise Account



- The deficit in the non-merchandise account of about \$5 billion, was virtually unchanged from 1988 Q2.
- Transfers (the smallest of its four categories) are worth noting in passing as the only positive entry, largely because of the influx of immigrant funds from centres like Hong Kong.
- During the third quarter of 1988, net payments of investment income to investors abroad were over \$4 billion, which was slightly less than in the previous quarter.

Investment income flows are by far the most important component in the non-merchandise account, accounting for over 75 percent of its deficit. They comprise interest, dividends and various other types of investment income (excluding retained earnings).

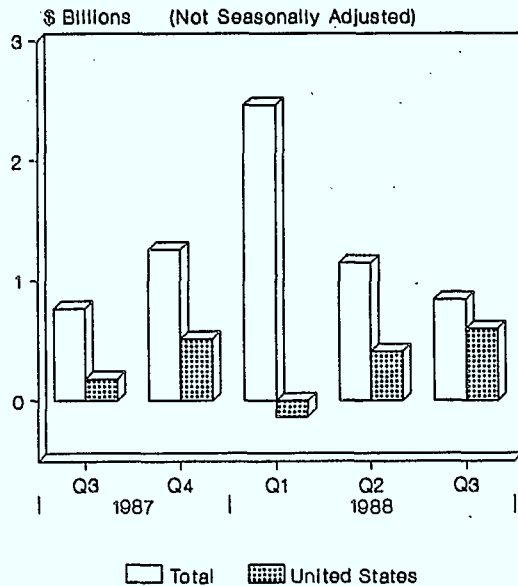
Service items such as travel, freight and shipping, commercial services and miscellaneous items make up the balance of the non-merchandise account.



- The travel deficit was about \$700 million in the third quarter of 1988. The shortfall on various commercial services was slightly higher in the third quarter, at over \$1 billion. Freight and shipping contributed \$60 million to the positive side of the account.

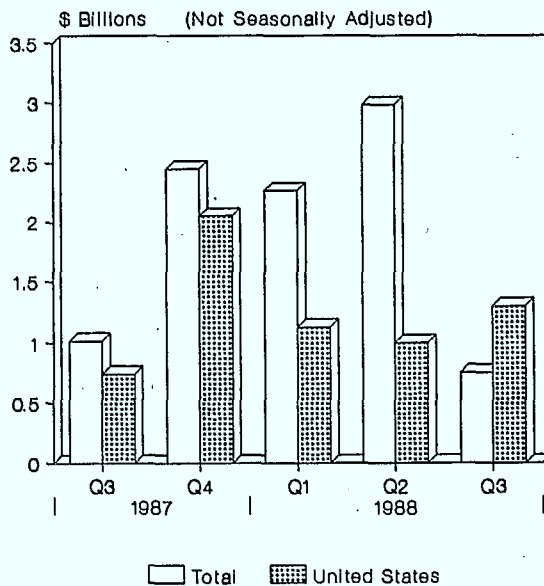
Selected Capital Accounts

Foreign Direct Investment In Canada
Quarterly



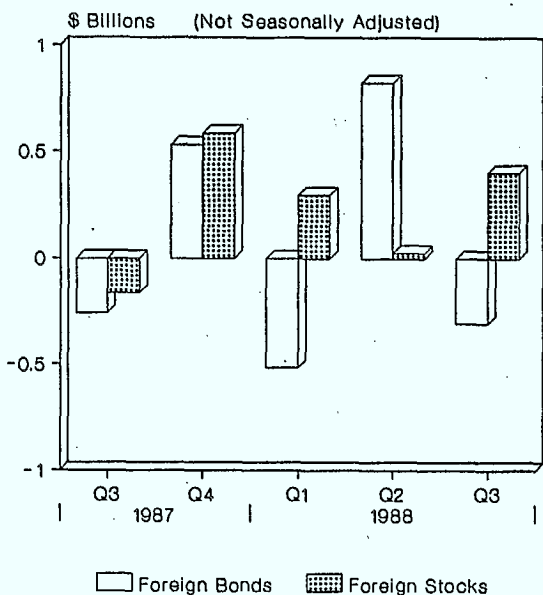
- Foreign direct investment in the first three quarters of 1988 amounted to \$4.1 billion. Of this amount, close to \$1.8 billion came from the EC (mostly the U.K.), some \$900 million from the U.S., about \$440 million from Japan and \$1.3 billion from all other countries.

Canadian Direct Investment Abroad
Quarterly



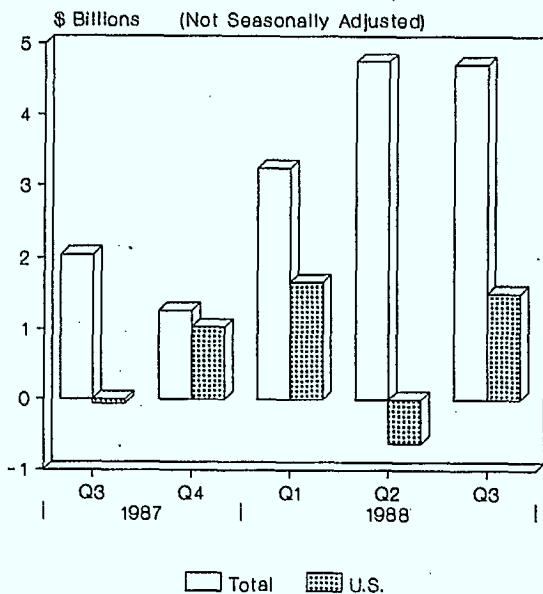
- Canadian funds flowing into direct investments abroad dropped below \$800 million in the third quarter of 1988, but substantial Canadian direct investment outflows in the first half brought the year-to-date total past \$6 billion.
- About \$3.4 billion of this went to the United States, \$1.3 billion to Continental Europe and \$1.2 billion to "All Other Countries".

Canadian Portfolio Investments Abroad
(Outflow)
Quarterly.



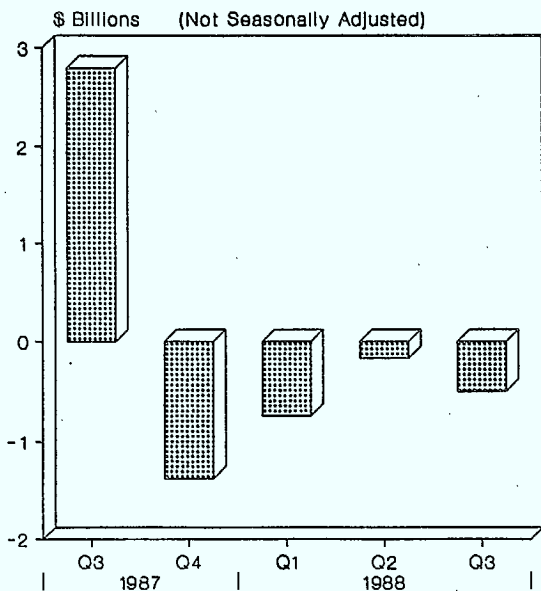
- During the first three quarters of 1988, Canadian investors increased their holdings of foreign stocks by \$725 million. This compares with an increase of about \$1 billion in the last three quarters of 1987.
- Canadian purchases and sales of foreign bonds over the first three quarters of 1988 netted out. In the preceding three quarters of 1987, net purchases of foreign bonds by Canadians amounted to \$850 million.

Net Sales of Canadian Bonds Abroad
(Inflow)
Quarterly



- Net foreign investment in Canadian bonds during the first three quarters of 1988 totaled \$12.7 billion. This compares with an annual total of \$6.8 billion in 1987. These developments were significant in explaining the recent strength of the Canadian dollar.

Net Sales of Canadian Stocks Abroad
(Inflow)
Quarterly

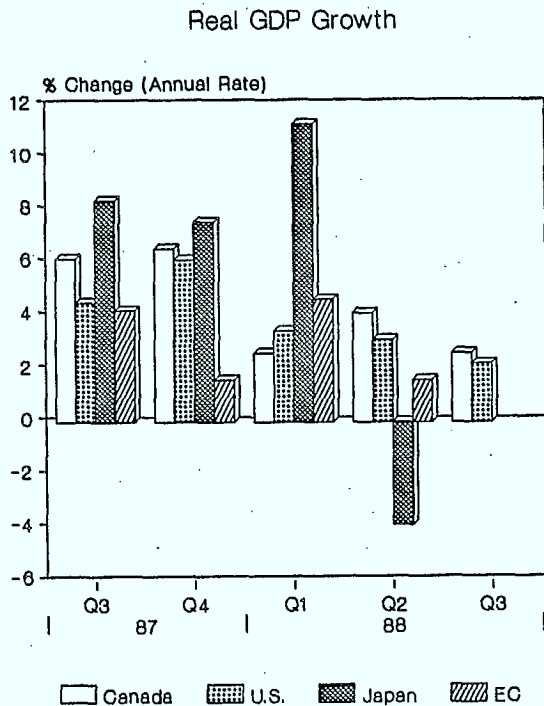


° The first three quarters of 1988 showed a return flow of Canadian stocks to Canada of \$1.4 billion.

The Macro Economic Situation

Highlights:

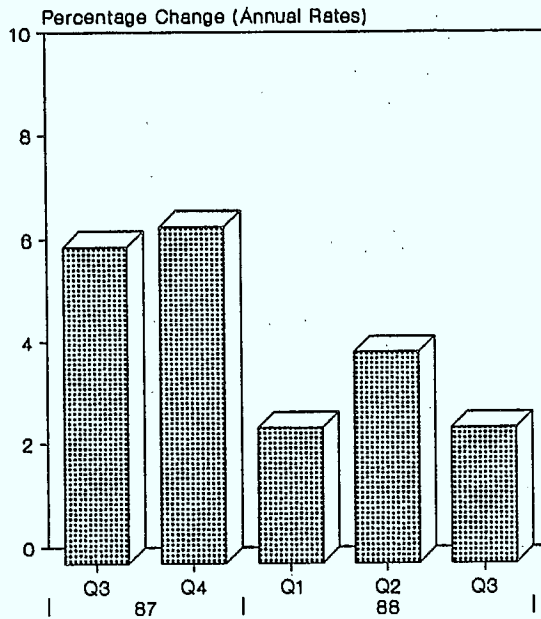
- ° Economic growth in Canada was moderate during the third quarter. Growth in the U.S. was slightly weaker.
- ° Consumer spending rebounded sharply from the previous quarter; profits and investment were also up.



- During 1988, Canadian and U.S. growth has slowed significantly. A slowing was also evident in the EC during the second quarter of 1988 and Japan recorded a negative quarter.
- In 1987, Canadian growth generally outpaced that of the U.S. and the EC but was below that of Japan.

By the third quarter of 1988, the current expansion had lasted 23 quarters, the second longest of the post-war period. Nevertheless, this was far short of the 52 quarters of continuous growth recorded between 1961 and 1974. The expansion may continue in the short term. Warning signs of an imminent downturn, such as rapidly-rising inventories, softening final demand and a pick-up in inflation are noticeably absent.

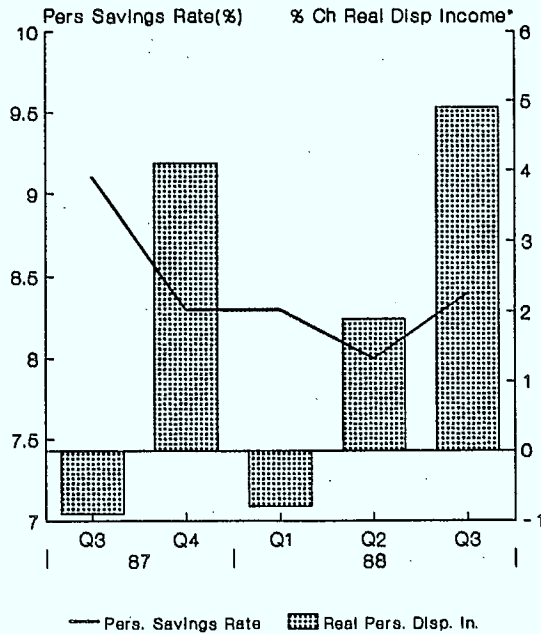
Real Gross Domestic Product
(Seasonally Adjusted)



Real Gross Domestic Product (GDP) was up 2.6 percent at annual rates in the third quarter.

Most of the strength during the third quarter originated from a pick-up in consumer spending. Investment outlays were up as well. In contrast, real net exports were down sharply and government spending remained weak.

Selected Personal Sector Indicators

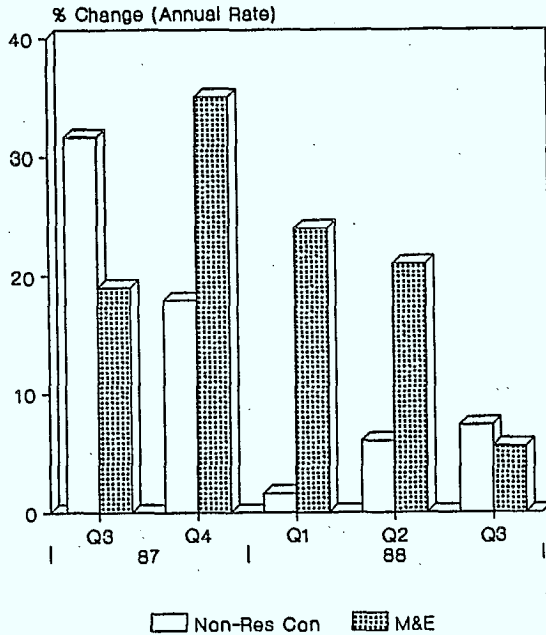


Higher real take-home pay contributed to a rebound in spending.

Though the savings rate moved up during the third quarter, it remained low by historical standards.

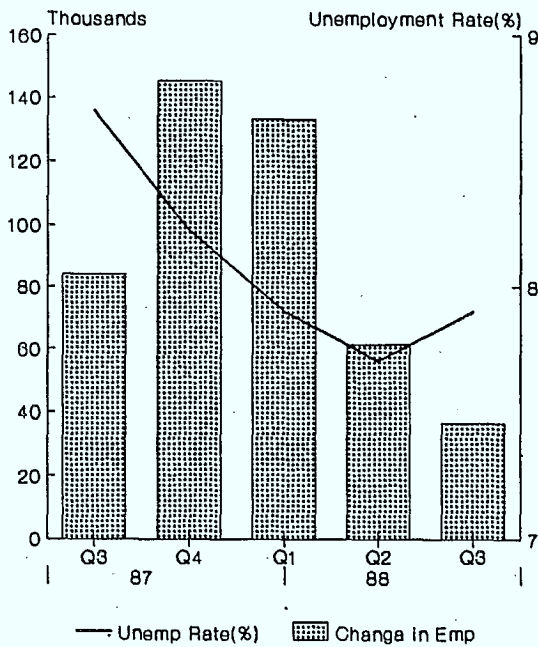
* Annual Rates

Selected Investment Indicators



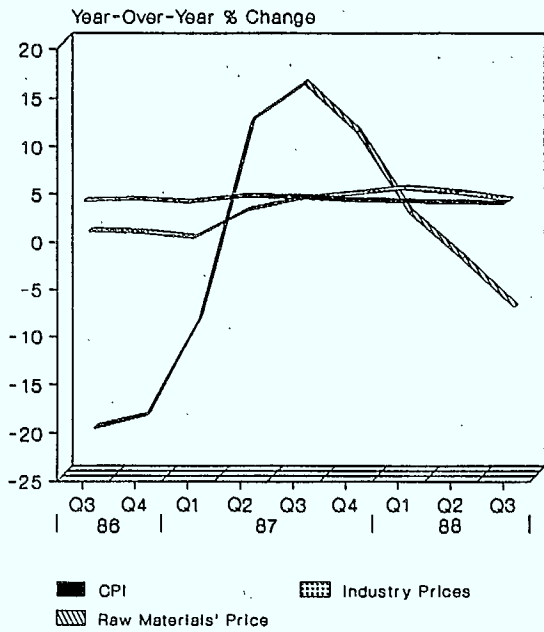
- Real business investment continued to increase during the third quarter and surveys point toward sustained growth in 1989.
- Investor confidence has been bolstered by large profit gains (16.4 percent during the third quarter) and by high operating rates.

Selected Labour Force Statistics



- The labour market tightened significantly through 1987 and into 1988 because of large gains in employment.
- The third quarter unemployment rate rose as a result of more persons seeking work rather than a downturn in the number of jobs available. Recent monthly indicators show a further decline in the unemployment rate (7.6%) in December.
- Labour income was up 5.2 percent at an annual rate during the third quarter.

Selected Inflation Indicators



- The inflation rate as measured by the CPI and Industry Product Prices remains relatively stable.
- Raw materials' prices, however, have been much more volatile, reflecting a sharp drop in crude oil prices early in 1986 followed by a recovery in 1987 and some easing in 1988.

Statistical Appendix

Table A-1

Selected Productivity/Competitiveness Indicators

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<u>Labour Productivity in Mfg. (National Currencies)</u>									
Index, 1980 = 100									
Canada	121.6	122.4	125.3	123.7	126.4	128.4	128.7	128.5	127.8
United States, Japan, etc.	127.5	127.9	128.2	128.9	131.0	131.4	132.5	133.6	135.3
<u>Foreign Currency per Canadian Dollar</u>									
Index, 1980 = 100									
United States	84.4	84.4	87.4	87.7	88.4	89.2	92.2	95.1	95.9
Japan	58.1	60.7	59.1	55.3	57.4	53.4	52.2	52.8	56.7
G-9*	94.3	94.8	91.8	88.0	90.7	84.8	85.0	87.2	95.2
<u>Manufacturing Wages (National Currencies)</u>									
Index, 1980 = 100									
Canada	151.0	154.6	154.7	154.6	155.2	158.4	161.0	162.2	-
United States	133.7	134.6	135.4	135.8	136.4	137.8	138.5	139.4	-
Japan	125.1	126.1	125.8	127.5	127.9	129.3	130.0	132.2	-
United Kingdom	175.5	180.2	182.9	185.6	190.2	195.1	197.0	-	-
France	187.5	188.7	190.0	195.2	196.9	198.5	200.6	200.5	-
Germany	127.3	127.7	128.2	130.1	131.6	132.2	132.9	135.9	-
<u>Mfg. Unit Labour Costs Relative to Competitors (Common Currency)</u>									
Index, 1980 = 100									
Canada	97.4	98.4	100.5	99.6	102.2	102.0	105.1	108.4	-
United States	112.8	112.3	105.6	101.7	103.0	96.4	93.7	93.7	-
Japan	126.8	120.6	121.4	126.8	123.7	127.5	132.2	135.1	-
United Kingdom	89.7	86.5	88.4	92.6	93.8	97.6	98.6	103.4	-
France	92.5	93.0	93.6	92.7	92.5	92.0	90.9	90.4	-
Germany	98.0	101.5	103.5	103.4	102.3	104.5	105.9	103.0	-
<u>Export Prices Relative to Competitors (Common Currency)</u>									
Index, 1980 = 100									
Canada	75.2	75.0	76.8	77.1	77.7	78.6	80.7	82.0	-
United States	125.4	125.2	118.1	116.0	118.4	110.2	108.3	110.6	-
Japan	106.9	105.3	101.8	103.4	103.2	105.5	107.3	107.3	-
United Kingdom	87.7	83.6	87.1	91.7	91.4	94.9	97.1	100.5	-
France	99.3	100.3	102.0	102.5	103.1	103.6	104.7	103.5	-
Germany	97.6	99.2	101.6	99.7	98.8	100.3	97.4	95.8	-

* Includes the United Kingdom, France, Germany, Italy, Japan, Belgium, Netherlands, Luxembourg, Sweden and Switzerland.

Sources: Conference Board of Canada; Department of Finance; News, United States Department of Labor, BLS, Washington, D.C. December 1988; International Financial Statistics, IMF, Washington, D.C. December 1988.

Table A-2
R&D Spending
(Billions of dollars)

	<u>Total</u>		<u>Federally-Funded</u>	
	<u>Current Dollars</u>	<u>1981 Dollars</u>	<u>Current Dollars</u>	<u>1981 Dollars</u>
1975	1.876	3.096	0.768	1.267
1976	2.044	3.106	0.827	1.257
1977	2.291	3.278	0.904	1.293
1978	2.578	3.474	0.996	1.342
1979	2.936	3.598	1.029	1.261
1980	3.505	3.886	1.182	1.310
1981	4.332	4.332	1.463	1.463
1982	5.090	4.683	1.763	1.622
1983	5.412	4.743	1.980	1.735
1984	6.089	5.173	2.271	1.929
1985	6.807	5.621	2.305	1.903
1986	7.185	5.785	2.384	1.919
1987*	7.631	5.888	2.413	1.862
1988*	7.970	5.982	2.407	1.807

* I.S.T.C. estimate.

Source: Statistics Canada, I.S.T.C.

Table A-3

Real GDP (1981 Billions of Dollars)

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Economy									
Aggregate	365122.9	365437.1	371175.2	375748.2	381748.7	388303.6	390624.4	394629.9	397738.3
Agriculture	12176.0	12034.7	11431.0	11551.6	11359.4	11583.0	10191.4	10292.8	10021.7
Fishing/									
Trapping	654.5	764.9	753.4	595.7	656.1	627.6	666.2	693.5	656.5
Logging/									
Forestry	2896.6	2691.9	3139.9	2938.5	3124.1	3247.4	3150.6	3231.3	3034.8
Mining	20591.7	20862.7	20947.4	21261.6	22485.1	22888.6	23246.5	23808.8	24107.2
Manufacturing	69678.6	70318.1	71697.9	72754.5	74149.7	76595.2	77291.7	78038.7	78618.6
Non-durables	31498.3	31571.5	31939.9	32409.2	32730.4	33112.5	33322.7	33265.4	33369.9
Durables	38126.2	38692.6	39702.8	40290.1	41364.1	43427.6	43913.8	44718.1	45193.5
Construction	24928.2	24621.8	25558.6	26180.1	26751.1	27323.0	27338.8	27355.2	27937.6
Transp./									
Storage	17975.2	18044.8	18372.0	18509.2	18573.7	19150.2	19865.2	20013.2	20180.4
Communication	10784.7	10680.7	10805.0	10943.0	11255.4	11473.1	11887.2	11887.2	12150.0
Other Utilities	11141.3	11391.1	11497.4	11812.8	11879.8	11797.6	12023.2	11957.6	12003.2
Trade	42980.7	42979.2	42930.9	45320.5	46144.6	47207.2	47222.7	47821.2	48286.3
Finance/									
Insurance/									
Real Estate	53172.9	42887.3	54544.7	55013.7	56037.2	56622.0	57219.6	58252.8	59121.6
Community/									
Bus./Pers.									
Serv.	74487.7	74558.5	74939.4	75326.1	75709.5	76170.7	76990.5	77469.6	77812.0
Public Adm.	23554.9	23601.3	23557.5	23541.1	23623.1	23617.9	23674.8	23808.0	23808.4
Goods									
Producing	129104.9	115691.1	144753.6	146819.9	150135.5	153789.6	153616.3	155075.8	156071.9
Service									
Producing	193543.1	188277.7	226421.6	228928.4	231613.1	234514.0	237008.1	239554.1	241666.4
Atlantic									
Canada	22798	22784	22943	23560	23831	24247	23992	24057	24424
Quebec	81223	81200	82572	83957	86280	87324	88649	89254	89198
Ontario	142565	144252	146887	148088	148826	152059	154411	155611	157292
Prairies	74784	73900	73639	74938	76205	77284	77049	77779	77862
British									
Columbia	41948	41476	43323	43384	44724	45460	45152	45865	46298

Sources: Statistics Canada, The Conference Board of Canada.

Table A-4

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Employment (thous.)									
Total	11620.0	11682.7	11778.0	11908.7	11992.7	12138.0	12271.0	12332.3	12368.7
Agriculture	477.3	486.0	480.7	477.7	471.3	471.7	473.7	450.7	443.7
Other Primary	278.0	286.7	285.7	286.0	297.7	293.3	293.3	305.7	301.0
Manufacturing	2003.3	1999.7	1999.3	2047.7	2048.3	2077.7	2098.7	2123.7	2142.0
Construction	618.7	634.3	641.7	661.3	690.7	719.3	722.7	713.7	747.0
Trans. Comm. & Other Util.	896.3	879.7	892.7	905.0	616.3	908.3	924.3	918.3	900.7
Trade	2087.3	2098.3	2091.0	2092.7	2112.3	2167.0	2194.3	2203.0	2192.0
Finance, Ins. & Real Estate	649.7	670.0	668.0	689.3	709.7	712.7	722.0	748.3	739.0
Community, Business & Personal Serv.	3819.0	3834	3901.3	3929.3	3920.0	3986.3	4032.0	4041.3	4074.3
Public Admin.	789.7	802.3	821.0	816.0	813.0	808.3	820.3	822.3	812.0
Employment (thous.)									
Atlantic Canada	840.7	843.0	847.3	861.7	876.7	891.3	896.7	903.3	904.3
Quebec	2856.7	2893.0	2925.0	2959.0	2978.0	2999.0	3027.7	3030.3	3055.0
Ontario	4550.0	4509.0	4636.7	4674.3	4717.7	4797.3	4860.7	4890.0	4891.7
Prairies	2090.0	2091.7	2096.3	2103.7	2104.7	2123.3	2134.0	2152.3	2147.3
British Columbia	1279.7	1270.3	1276.0	1309.3	1303.7	1336.0	1356.3	1355.3	1356.7

Source: Statistics Canada

Table A-5

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<u>Capacity Utilization</u>									
Manufacturing	83.0	83.2	84.5	85.0	86.2	88.3	88.4	88.5	88.6
Durables	79.6	80.2	81.9	82.3	84.0	87.6	87.6	88.2	88.3
Non-Durables	86.7	88.6	87.3	88.1	88.6	89.2	89.4	88.9	88.9
Electrical Products	80.8	82.5	81.5	85.1	85.1	89.0	92.3	94.1	100.0
Non-Metallic	86.1	89.3	96.7	95.9	96.7	100.0	100.0	97.5	97.2
Furniture and Fixtures	84.6	84.4	84.9	86.3	89.1	92.0	92.5	89.2	89.8
Primary Metals	76.3	79.6	81.4	81.1	83.0	87.6	85.9	89.8	86.7
Metal Fabricating	88.8	87.8	91.3	93.8	95.5	98.1	98.8	96.9	98.5
Wood	83.6	81.5	92.7	92.6	99.6	100.0	92.8	91.3	92.5
Transportation Equipment	80.2	80.2	78.9	76.1	76.6	81.5	83.1	86.2	82.9
Machinery	62.8	62.3	61.8	62.0	63.7	68.8	69.6	68.4	67.9
Other Manufacturing	72.4	73.0	69.1	69.7	71.6	72.8	70.8	70.2	68.9
Plastic	92.4	91.4	95.6	96.4	97.3	100.0	99.5	96.6	94.4
Paper and Allied	90.5	90.5	93.1	93.1	94.0	96.6	95.7	96.6	96.6
Textiles Products	88.1	88.8	93.8	94.4	95.9	100.0	98.0	95.2	95.0
Primary Textiles	86.0	87.3	92.8	95.0	96.2	100.0	98.0	95.1	97.2
Clothing	96.5	94.7	97.4	99.1	100.0	96.3	99.0	97.1	96.1
Printing and Publishing	91.7	90.2	90.3	91.3	93.0	94.7	94.0	94.9	94.3
Petroleum and Coal	75.8	72.6	75.8	76.6	76.6	76.6	79.8	80.6	79.8
Food	92.2	92.6	92.2	91.8	91.4	90.2	92.2	91.0	90.6
Rubber	79.2	79.7	78.7	80.6	83.1	82.8	79.8	79.5	82.0
Chemicals	76.3	76.9	75.5	78.7	78.6	79.2	78.5	77.2	77.7
Beverages	70.3	72.3	69.8	71.0	70.8	71.2	72.4	72.9	75.4
Leather	91.2	91.1	86.4	81.6	82.5	81.5	80.5	78.5	79.4
Tobacco Products	51.8	47.7	48.2	48.1	47.9	45.4	44.4	47.3	44.1

Source: Rate of Capacity Utilization, Third Quarter, 1988, Economic and Statistical Analysis, ISTC

Table A-6

Current Account, Seasonally Adjusted, Quarterly Rates
(Billions of Dollars)

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Merchandise Exports	29.9	30.4	30.8	30.7	31.4	33.2	33.7	34.7	34.2
Merchandise Imports	27.6	27.7	27.7	28.0	28.4	31.2	31.3	32.1	31.2
Merchandise Balance	+ 2.3	+ 2.7	+ 3.2	+ 2.8	+ 3.0	+ 2.1	+ 2.4	+ 2.6	+ 3.1
Services Balance	- 1.1	- 1.6	- 1.6	- 1.7	- 1.9	- 1.8	- 1.3	- 1.7	- 1.8
Investment Income* Balance	- 3.6	- 4.7	- 3.7	- 4.2	- 4.5	- 4.2	- 3.4	- 4.4	- 4.1
Transfers Balance	+ 0.2	+ 0.7	+ 0.2	+ 0.6	+ 0.6	+ 0.6	+ 0.8	+ 1.1	+ 0.9
Total Non-Merchandise Balance	- 4.6	- 5.6	- 5.0	- 5.3	- 5.8	- 5.4	- 3.9	- 5.0	- 5.0
Total Current Account Balance	- 2.2	- 2.9	- 1.9	- 2.6	- 2.8	- 3.4	- 1.5	- 2.4	- 2.0
Selected Capital Accounts									
Foreign Direct Investment in Canada									
Total	1.395	-1.019	1.981	.732	.769	1.267	2.457	1.15	.842
United States	.401	-1.990	1.317	.061	.183	.517	-.133	.410	.600
Canadian Direct Investment Abroad									
Total	-.722	-1.623	-1.250	-1.581	-1.019	-2.452	-2.270	-2.988	-.757
United States	-.888	-1.183	-.718	-.879	-.746	-1.055	-1.128	-1.000	-1.297
Canadian Portfolio Investments Abroad									
Foreign Bonds	.395	-.555	-.047	-.574	.259	-.530	.517	-.823	.309
Foreign Stocks	-.525	-.730	.215	-.683	.164	-.583	-.297	-.027	-.401

* Excludes reinvested earnings.

Source: Statistics Canada, Cat. 67-001, Quarterly.

Table A-7
Selected Indicators

	1986		1987				1988		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Real GDP									
Canada	408.6	408.9	415.4	420.6	426.9	433.7	436.6	440.9	443.8
United States	3721.3	3734.7	3776.7	3823.0	3865.3	3923.0	3956.1	3985.2	4007.3
Japan	300.3	302.3	306.8	306.9	313.1	318.8	327.3	324.1	-
EC	4008.3	4037.4	4044.6	4084.2	4126.0	4142.0	4188.6	4205.4	-
Canada									
Personal Savings Rate (%)	9.7	10.5	10.7	10.1	9.1	8.3	8.3	8.0	8.4
Real Personal Disp. Income (\$ billions)	25.5	25.7	26.1	26.3	26.3	26.5	26.5	26.6	26.9
Investment in Non-Residential Construction (\$ 1981 billion)	21.1	21.0	20.4	21.6	23.2	24.2	24.3	24.6	25.1
Investment in Machinery & Equipment (\$ 1981 billion)	30.6	31.3	32.2	33.6	35.0	37.8	39.9	41.8	42.4
Employment (thousands)	11620	11682	11778	11909	11993	12138	12271	12332	12369
Unemployment Rate (%)	9.6	9.5	9.6	9.0	8.7	8.2	7.9	7.7	7.9
CPI (Index, 1981 = 100)	113.2	134.5	135.8	137.7	139.3	140.2	141.4	143.2	144.8
Raw Materials Price Index (1981 = 100)	119.1	119.8	120.4	121.9	123.7	125.0	126.3	127.4	128.4
Industry Product Price Index (1981 = 100)	91.5	94.4	97.6	101.8	105.5	104.2	99.5	98.8	97.1

Sources: Statistics Canada.
Quarterly National Accounts, No. 3, 1988, OECD Paris.

