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Wednesday, March 1, 1989

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Major ReleasesLIBRARY
BIBLIOTHÈQUE**National Income and Expenditure Accounts, Fourth Quarter 1988** 2

- The economy grew 0.6% in the fourth quarter of 1988 and 4.5% in the calendar year.

**Real Gross Domestic Product at Factor Cost by Industry,
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- Real GDP increased 0.5% in December 1988.

**Quarterly Estimates of the Canadian Balance of International
Payments, Fourth Quarter 1988** 13

- Following exceptionally large dividend payments, the seasonally adjusted current account deficit reached a record \$4.3 billion.

Industrial Corporations, Financial Statistics, Fourth Quarter 1988 17

- Seasonally adjusted operating profits rose 1.2% in the fourth quarter. Annual operating profits were 11.4% above the 1987 level.

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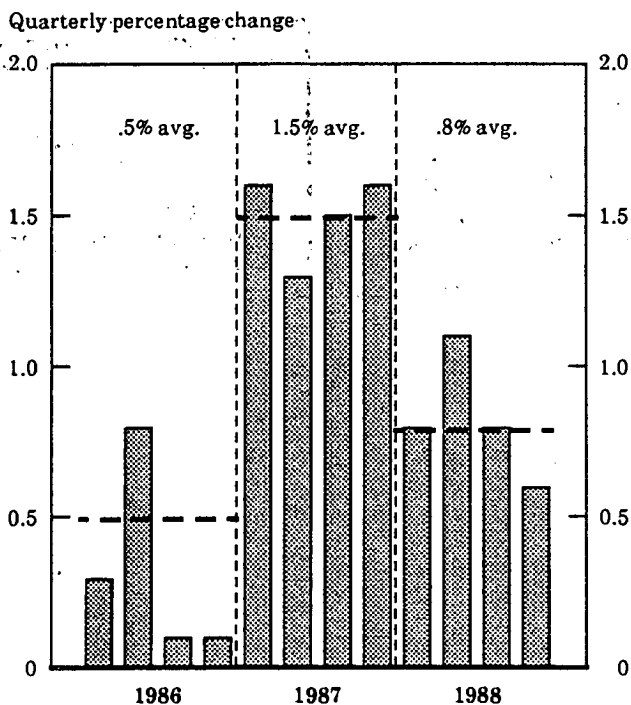
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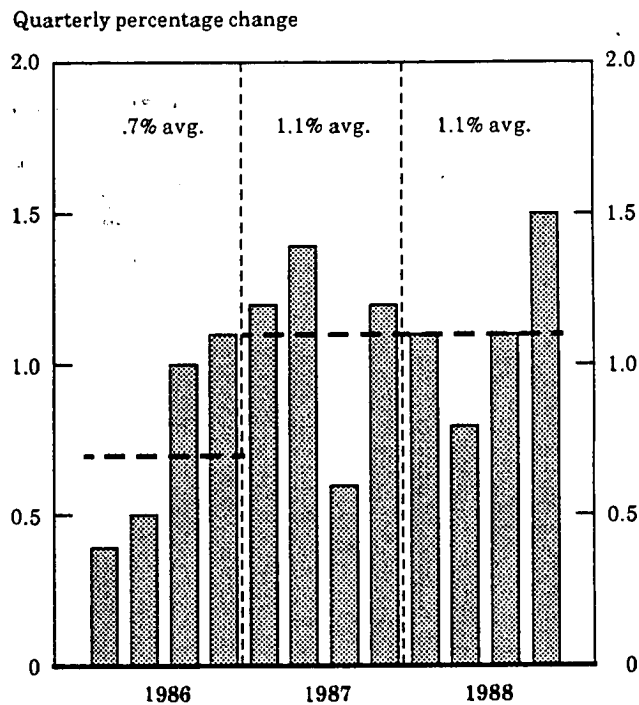
Major Releases

Chart 1

Growth in GDP in Constant 1981 Prices



Growth in the GDP Implicit Price Index



National Income and Expenditure Accounts

Fourth Quarter and Preliminary Annual 1988

Gross domestic product at market prices grew 8.9% in 1988 to \$599 billion. GDP in constant 1981 prices rose 4.5% and the GDP implicit price index increased 4.2%. The now six-year-old expansion proceeded at a moderate pace through the year. The average quarterly rate of advance was 0.8% in real terms, about half the 1.5% average in 1987 (see Chart 1). In the fourth quarter, real GDP increased 0.6%, bringing the volume of economic activity to a level 3.4% above that in the fourth quarter of 1987.

Preliminary Annual 1988

Final domestic demand rose 5.9% in volume terms during 1988. The strongest demand component by far was business outlays for plant and equipment, which rose 17.8%. This was the largest annual percentage increase since 1956 and it followed annual increases averaging 6.4% in the previous three years. Residential investment grew moderately, also after very large increases in the previous three years. Consumer spending increased at about the same rate as total GDP, while government expenditure grew less rapidly than the other major components of demand. Exports of goods and services grew 8.8% in 1988 while imports jumped 13.3%.

(continued on next page)

Real GDP Growth in 1988	Annual Change in Billions of 1981 dollars	Percentage change
Personal expenditure	10.2	4.3
Government expenditure	2.7	3.0
Residential investment	1.4	4.8
Plant and equipment investment	10.2	17.8
Final domestic demand	24.4	5.9
Inventory change	-1.6	...
Exports	12.2	8.8
Less: imports	16.9	13.3
Statistical discrepancy	1.2	...
Gross domestic product	19.2	4.5

Gross domestic product at factor cost, which is derived by estimating value added by industry, rose 4.4% in 1988. Goods production grew 4.5% and services output rose 4.3%. Growth was strongest in mining, construction, wholesale trade and transportation. The manufacturing, retail trade, finance, insurance and real estate and community, business and personal services industries also recorded large increases. Production in the agriculture industry fell sharply because of the drought.

Components of Demand

Investment spending led the economy in 1988. High levels of capacity utilization in many manufacturing industries, rising profitability and lower prices for capital goods were important underlying factors. Business purchases of machinery and equipment rose 21.6% in volume terms after increases averaging 9.8% annually in the previous four years. Business non-residential construction investment rose 11.9%. Engineering construction on projects such as highways, oil and gas development, dams and bridges grew 8.2% following five years of decline. Non-residential building construction increased 15.7% after 8.1% growth in 1987.

Residential construction investment grew 4.8% in real terms, a fourth consecutive year of significant growth despite rising interest rates and higher housing prices. While there was no further increase in new construction put-in-place, spending on alterations and improvements to existing dwellings rose 10.9% and real estate commissions advanced

11.4%, both measured in constant dollar terms. The housing market was especially active in Central Canada.

In current dollar terms, total gross investment rose 15.0% to \$133.7 billion in 1988. As shown in Chart 2, this investment was financed primarily by the gross savings of the corporate and government business enterprise sector and of the persons and unincorporated business sector, although the share accounted for by the latter dropped for the sixth consecutive year.

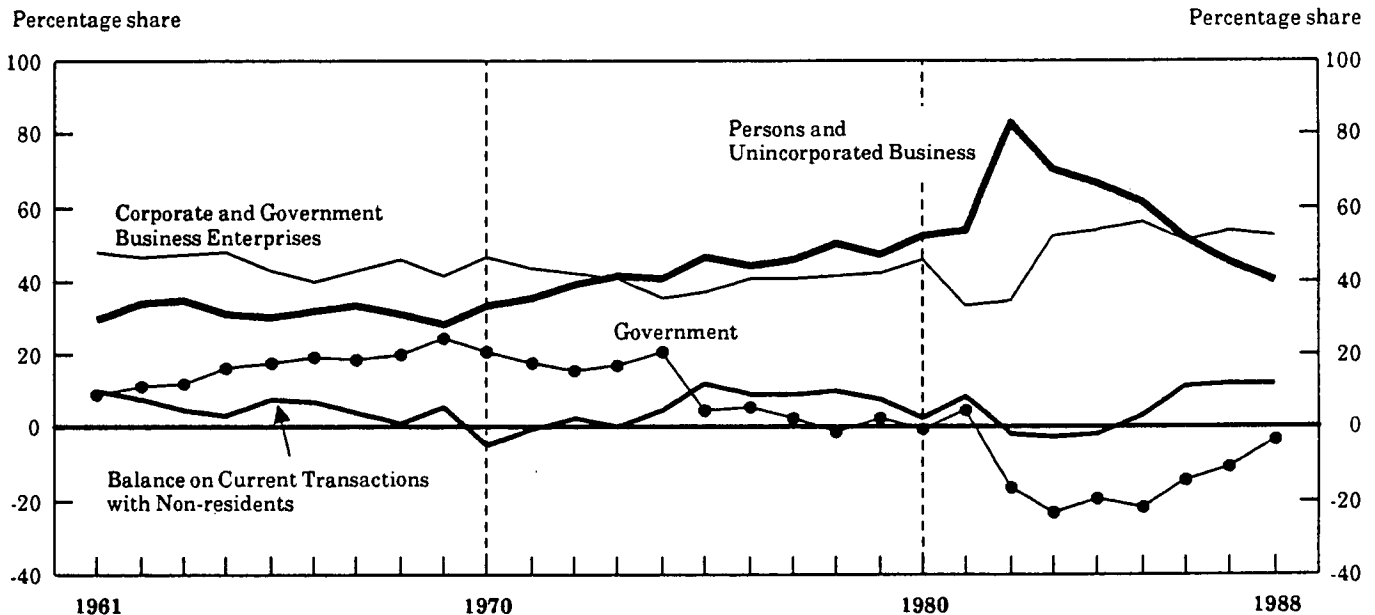
Real consumer expenditure grew 4.3%. As in 1987, the increase reflected both higher incomes and lower saving by the personal sector. Personal disposable income grew 6.8% while the implicit price index for personal expenditure rose 3.5%. Consumer credit increased about 16% (in current dollars), similar to the increase in 1987. Consumption was relatively weak at the beginning of the year but strengthened around mid-year, stimulated in part by lower income tax deductions-at-source. All provinces experienced stronger retail sales in the second half of the year, with the largest increases occurring in the Atlantic provinces, Alberta and British Columbia.

Consumer goods purchases rose 4.1% in volume terms, while spending on services increased 4.6%. Within the goods component, spending rose strongly on electricity and other fuels, partly because temperatures were colder on average in 1988 than in 1987. Weaker spending on furniture and appliances reflected the levelling off of new housing construction during the year. Expenditures on trucks and vans continued to grow rapidly while virtually no volume growth was recorded for passenger car sales. Spending on clothing was particularly weak in 1988. Within the services component, expenditures on restaurants and hotels, air transportation and travel abroad advanced substantially. A sharp decline was recorded for stock and bond commissions.

Total government current expenditure on goods and services rose more slowly than other major demand components in 1988. In current dollars the increases were 6.1% for the federal government, 6.9% for the provincial government sector, 7.8% for the local government sector and 6.1% for the rest of the government sector (consisting of hospitals and the Canada and Quebec Pension Plans). (See Chart 3.) The total increase for all levels of government was 6.8%, or 2.8% in volume terms.

(continued on next page)

Chart 2
Sources of Gross Saving*



*Includes capital consumption allowances. Components do not sum to exactly 100% because of the statistical discrepancy.

Business non-farm inventories accumulated at a slightly faster rate in 1988 compared to 1987. The rate of accumulation was very strong in the first half of the year but moderated in the second half. In manufacturing, the unfilled orders backlog rose and raw material inventories increased at a faster rate than in the previous year. In retail trade there were large accumulations in the first half of the year when consumer spending was relatively weak, and a much smaller net accumulation in the second half of the year when consumption was stronger. In wholesale trade, machinery and equipment inventories rose due to increased imports associated with the domestic capital spending upswing. Natural gas inventories were built up as domestic production surged 15%, stimulated by increased export demand.

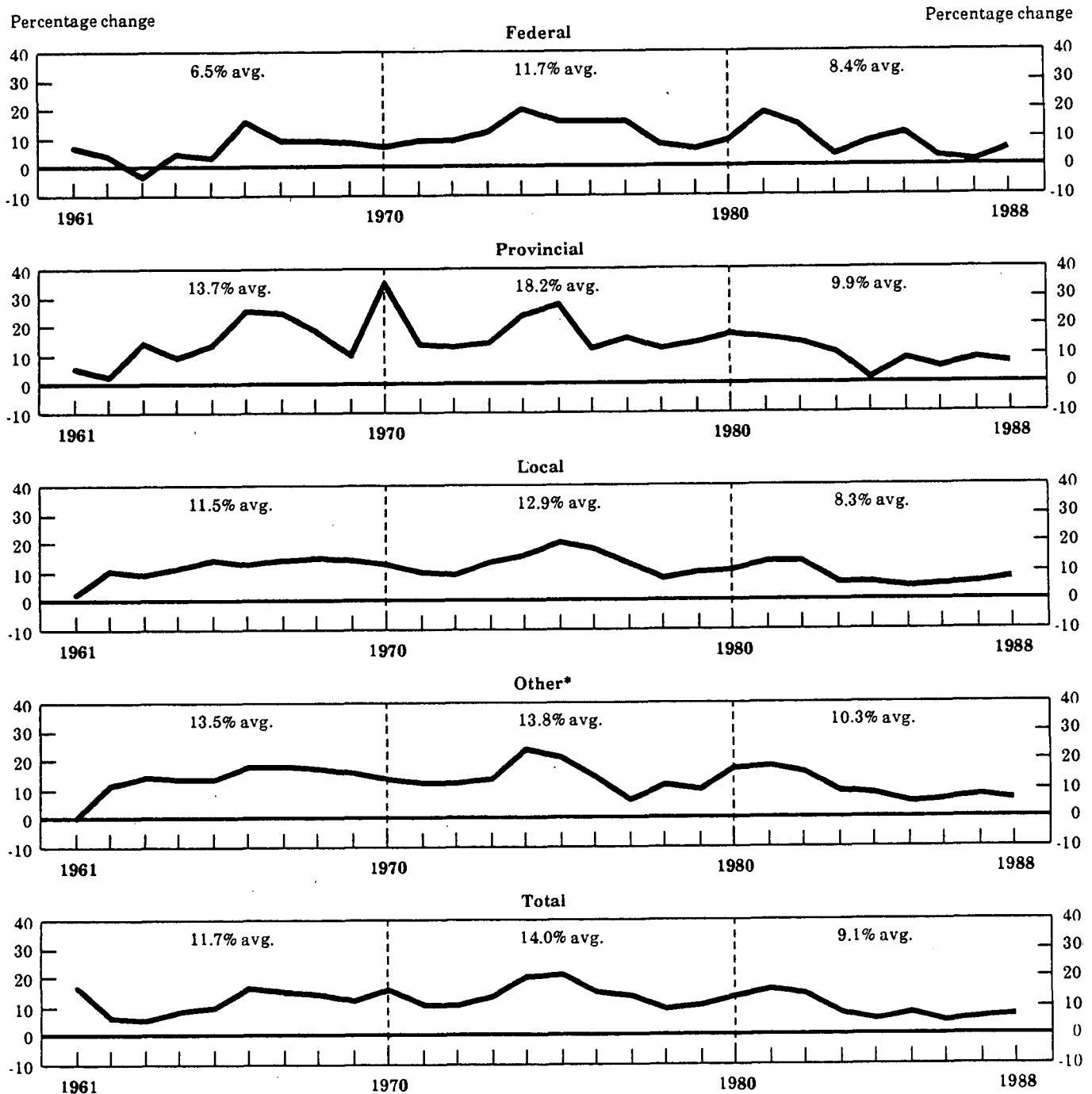
Farm inventories and grain in commercial channels fell in 1988. Strong grain export sales coupled with sharply reduced crops as a result of the drought explain the net liquidation of stocks. The direct effect of the drought itself is estimated to have been a production loss of about \$1.8 billion in 1981

prices, or 0.4% of real GDP. This estimate is based on the difference between the grain crop forecast that was done by Agriculture Canada in May 1988, before the extent of the drought was evident, and Statistics Canada's current estimate of the crop, all valued in 1981 prices.

The economies of Canada's major trading partners continued to expand in 1988 and Canada's real exports were 8.8% higher than in 1987. Exports of merchandise rose 9.3% following a 6.7% increase the previous year. While the annual increase in real exports was quite large, the pattern through the year was one of decreasing strength. Merchandise exports rose 8.2% in the first half but declined 1.5% in the second half. The annual advance was widespread, with particular gains in automotive products and industrial materials. As in 1987, export sales to Japan and parts of Europe increased very substantially. Exports of services rose 3.7% in 1988 due mainly to higher expenditures of foreign tourists in Canada.

(continued on next page)

Chart 3
Growth in Government Current Expenditure on Goods and Services



*Includes hospitals, CPP and QPP.

Imports recorded a very large 13.3% increase in real terms in 1988. The strength was associated with Canada's machinery and equipment investment boom and the continuing strength in consumer spending. It occurred as import prices dropped 3.2%, measured by the implicit price index for imports of goods and services. The quarterly pattern included large increases in imports in the first two quarters, a decline in the third quarter and a strong rebound in the fourth quarter. Imports of services were up sharply due to increased travelling by Canadians abroad.

Net exports of goods and services declined from \$3.9 billion in 1987 to \$2.8 billion in 1988 (in current dollars). Partly as a result of this drop, the total balance of payments deficit on current account was \$11.3 billion in 1988, up from \$10.6 billion in 1987. Currency movements continued to be a major element in the overall trade picture. The Canadian dollar depreciated further vis-à-vis the British pound and the Japanese yen, while appreciating 7.7% vis-à-vis the United States dollar. It appreciated against several European currencies in 1988 following three years of steady depreciation.

Price Indexes

The rate of inflation in 1988 as measured by the GDP implicit price index was 4.2%, almost the same as the 4.3% rate recorded in 1987. Weight shifts within the index held down its overall rate of increase. The chain price indexes, which provide a better measure of pure price change, indicate an inflation rate of 4.8%. The highest rates of price increase were

recorded in the residential and non-residential construction indexes. The chain indexes for personal expenditure and government expenditure rose more moderately, by slightly under 4%. Prices for machinery and equipment declined in 1988, reflecting the continuing appreciation of the Canadian dollar compared to the United States dollar. The chain indexes indicate a substantial improvement in the overall terms of trade in 1988, since import prices fell and export prices increased.

Components of Income

Labour income rose 8.1% in 1988 as employment grew 3.4% (using the Labour Force Survey paid workers indicator) and average compensation per employee rose an estimated 4.6%. Wages and salaries grew strongly in the first half of the year but moderated in the summer months, partly because of strike activity. The rate of increase picked up again in the fourth quarter. Real output per employee grew 1.1%, implying an increase in unit labour costs of 3.4%. Personal income rose 8.0% in the year. Higher income taxes restrained the growth in personal disposable income to 6.8%.

Corporate profits before taxes rose \$7.3 billion or 12.7% in 1988. It was the second consecutive year with a strong advance. As in 1987, gains were broadly based and reflected strong domestic and foreign demand and improved operating margins. Interest and miscellaneous investment income also increased significantly in 1988.

The accrued net income of farm operators from farm production declined 0.8% in 1988 after substantial increases in the previous four years. The drop was caused by the severe drought and would have been larger had it not been for large subsidies paid during the year. Non-farm unincorporated business income increased 4.7% as net rental income decreased 0.8% and other unincorporated business income grew 8.2%.

The total government sector deficit on a national accounts basis declined from \$25.1 billion in 1987 to \$18.3 billion in 1988. The provincial government sector deficit declined by \$4.4 billion and the federal government deficit dropped by \$3.0 billion. Total expenditures rose 7.2% while total revenues grew 11.0%.

Chain Price Indexes in 1988	Percentage change
Personal expenditure	3.6
Government expenditure	3.9
Residential investment	7.5
Non-residential construction	5.1
Machinery and equipment investment	-1.4
Final domestic demand	3.8
Exports	2.0
Less: imports	-2.0
Gross domestic product*	4.8

* Excludes value of physical change in inventories.

(continued on next page)

Fourth Quarter 1988

In the final quarter of 1988 gross domestic product at market prices rose 2.1% to a level of \$617 billion, seasonally adjusted at annual rates. Real GDP increased 0.6% and the GDP implicit price index rose 1.5%.

Final domestic demand continued to grow robustly in the quarter, by 1.4% in real terms. Machinery and equipment investment, residential investment and personal expenditure led the advance. Business non-residential construction investment and total government expenditure grew less rapidly. A substantial positive swing in the rate of inventory accumulation also contributed to growth. Net exports dropped sharply as real exports decreased 0.8% and a large inflow of merchandise imports was recorded.

Consumer spending increased 2.6% in current dollars, reflecting 1.0% price inflation and a consumption volume increase of 1.5%. Personal disposable income grew 2.5%, implying essentially no change in the personal saving rate. Consumer spending rose significantly on clothing, food and non-alcoholic beverages, air transportation expenses, restaurant and hotel services, recreational services and travel abroad. There was a decrease in motor vehicle purchases.

All major components of residential investment advanced in the fourth quarter. New construction increased 1.7%. Transfer costs rose 4.3% in volume terms as the resale market for homes in Central Canada continued to be very active. Spending for alterations and improvements was also strong in the quarter. Non-residential construction outlays increased only slightly, after six consecutive quarters with large increases. A large decline occurred in oil and gas exploration and development drilling in response to reductions in incentive programs and lower world oil prices. Excluding this component, non-residential construction continued to grow at approximately the same rate as in the previous quarter. Business capital spending on machinery and equipment rose 2.5%, continuing the surge that has been underway for the past four and a half years.

Business non-farm inventories accumulated at a more rapid rate than in the third quarter. The manufacturing and wholesale trade industries had the largest relative changes. In manufacturing a large buildup of raw materials inventories coincided with a 3.1% increase in the backlog of unfilled

orders; finished goods stocks were drawn down. At the wholesale level the inventory buildup was related to the increase in machinery and equipment imports. Inventories owned by natural gas utilities also rose, partly due to a drop-off in exports following nine consecutive quarterly gains. Retail inventories and gold stocks declined.

Net exports of goods and services fell \$5.4 billion (in current dollars, seasonally adjusted at annual rates) in the quarter. The volume of exports decreased 0.8% and imports rose 3.6%. Passenger car shipments, crude petroleum, wheat and metals accounted for most of the drop in merchandise exports. In the case of merchandise imports, major increases were recorded in machinery and equipment, energy products and automotive products.

On an industry basis, three-quarters of the increase in GDP originated among services-producing industries, which advanced 0.9%. Output in the goods-producing industries increased 0.5%. Industries recording significant growth during the quarter included finance, insurance and real estate services (due to the strong resale housing market) and construction, both residential and non-residential. Other growth industries included community, business and personal services, communications and retail trade. Mining recorded an output decline, due mainly to decreased oil and gas exploration activity.

The chain price index for GDP (excluding inventories) rose 1.2% in the quarter, down slightly from 1.3% in the third quarter. The index component for final domestic demand grew 1.1% while the exports and imports components rose 0.9% and 0.8% respectively.

On the income side of the accounts, labour income grew more rapidly than in the third quarter, as employment growth picked up. The third quarter level had also been depressed by strike activity. Corporation profits before taxes declined slightly in the fourth quarter. Interest and miscellaneous investment income rose 9.2%, partly because of increased deposit interest paid to persons and higher government investment income. The accrued net income of farm operators from farm production fell substantially in the quarter, reflecting a large drop in grain exports.

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Total government sector spending rose 1.2% in the quarter. Much of the growth was accounted for by increased spending on goods and services at the provincial and local government levels. Total government sector revenue increased 2.2% with direct taxes on persons, indirect taxes and investment income each accounting for substantial parts of the increase. The total government sector deficit, on a national accounts basis, fell from \$18.7 billion in the third quarter to \$16.4 billion in the fourth. The provincial government sector accounted for most of the decline.

(see table on page 9)

Special Note to Users

A technical paper on implicit, fixed-weighted and chain price indexes will be included in the fourth quarter 1988 edition of *National Income and Expenditure Accounts* (13-001, \$17.25/\$69.00), scheduled for release in April. The statistics in publication 13-001 are also available on 5 1/4 inch MS-DOS formatted microcomputer diskettes at a price of \$100 for an annual subscription. The data are also available on CANSIM in matrices 6641-6642, 6701-6740 and 6826-6827. A computer printout containing all tables is available on the day of release from the Income and Expenditure Accounts Division at a price of \$35 per quarter or \$140 for an annual subscription. For further information contact Karen Wilson at (613) 951-9155 or Michel Pascal at (613) 951-3797.

Gross Domestic Product, Income Based (Seasonally Adjusted at Annual Rates)

	I	II	III	IV	1988	IV '88/ III '88	1988/ 1987
	(\$ millions)					% Change	
Wages, salaries and supplementary labour income ¹	311,488	317,104	322,036	327,692	319,580	1.8	8.1
Corporation profits before taxes	62,312	64,280	66,152	65,416	64,540	-1.1	12.7
Interest and miscellaneous investment income	42,952	44,812	45,596	49,776	45,784	9.2	10.9
Accrued net income of farm operators from farm production	5,512	5,524	5,108	4,608	5,188	-9.8	-0.8
Net income of non-farm unincorporated business, including rent	33,124	33,252	33,500	34,324	33,550	2.5	4.7
Inventory valuation adjustment	-2,012	-3,492	-2,364	-1,272	-2,285	1,092 ²	834 ²
Net domestic income at factor cost	453,376	461,480	470,028	480,544	466,357	2.2	8.9
Indirect taxes less subsidies	61,356	64,640	65,796	68,508	65,075	4.1	12.2
Capital consumption allowances	67,192	68,372	69,348	70,608	68,880	1.8	8.8
Statistical discrepancy	-764	-1,852	-1,024	-2,680	-1,580		
Gross Domestic Product at market prices	581,160	592,640	604,148	616,980	598,732	2.1	8.9

¹ Includes military pay and allowances.

² Actual change in millions of dollars.

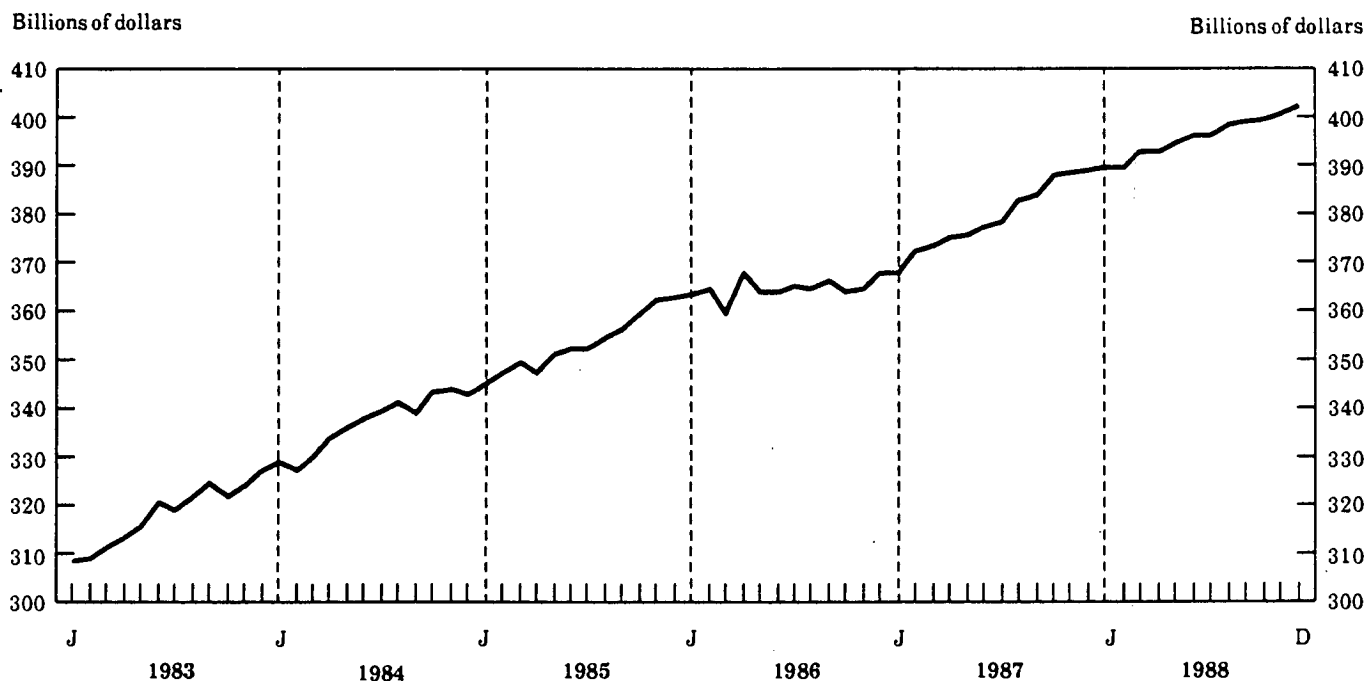
Gross Domestic Product, Expenditure Based (Seasonally Adjusted at Annual Rates)

	I	II	III	IV	1988	IV'88/ III'88	1988/ 1987
						% Change	
	At current prices (\$ millions)						
Personal expenditure on consumer goods and services	337,652	344,260	351,328	360,288	348,382	2.6	7.9
Durable goods	52,432	53,680	54,828	56,132	54,268	2.4	9.8
Semi-durable goods	34,920	35,760	36,624	37,440	36,186	2.2	7.2
Non-durable goods	93,032	94,168	96,164	97,596	95,240	1.5	6.5
Services	157,268	160,652	163,712	169,120	162,688	3.3	8.2
Government current expenditure on goods and services	111,824	112,640	114,372	116,272	113,777	1.7	6.8
Government investment in fixed capital	13,156	13,724	14,004	14,044	13,732	0.3	7.3
Government investment in inventories	188	-92	-64	40	18	104 ¹	56 ¹
Business investment in fixed capital	111,976	115,392	118,352	122,400	117,030	3.4	15.2
Residential	41,936	42,592	43,780	45,676	43,496	4.3	11.7
Plant and equipment	70,040	72,800	74,572	76,724	73,534	2.9	17.4
Business investment in inventories	2,548	1,380	36	1,524	1,372	1,488 ¹	-620 ¹
Exports of goods and services	154,656	157,764	156,892	157,896	156,802	0.6	8.7
Deduct: Imports of goods and services	151,604	154,280	151,796	158,160	153,960	4.2	9.7
Statistical discrepancy	764	1,852	1,024	2,676	1,579		
Gross Domestic Product at market prices	581,160	592,640	604,148	616,980	598,732	2.1	8.9
Final Domestic Demand	574,608	586,016	598,056	613,004	592,921	2.5	9.0
	At 1981 prices (\$ millions)						
Personal expenditure on consumer goods and services	243,920	246,208	249,316	253,172	248,154	1.5	4.3
Durable goods	42,468	43,148	43,680	44,080	43,344	0.9	6.3
Semi-durable goods	26,196	26,472	26,856	27,160	26,671	1.1	2.0
Non-durable goods	64,676	64,756	65,564	66,532	65,382	1.5	3.5
Services	110,580	111,832	113,216	115,400	112,757	1.9	4.6
Government current expenditure on goods and services	78,052	78,344	78,784	78,944	78,531	0.2	2.8
Government investment in fixed capital	10,824	11,184	11,300	11,236	11,136	-0.6	4.7
Government investment in inventories	140	-68	-48	32	14	80 ¹	43 ¹
Business investment in fixed capital	94,204	96,784	98,968	100,992	97,737	2.0	13.4
Residential	30,140	30,196	30,568	31,312	30,554	2.4	4.8
Plant and equipment	64,064	66,588	68,400	69,680	67,183	1.9	17.8
Business investment in inventories	-384	-360	-760	1,016	-122	1,776 ¹	-1,686 ¹
Exports of goods and services	149,740	153,908	150,504	149,276	150,857	-0.8	8.8
Deduct: Imports of goods and services	139,992	145,292	142,972	148,180	144,109	3.6	13.3
Statistical discrepancy	592	1,396	768	1,952	1,177		
Gross Domestic Product at market prices	437,096	442,104	445,860	448,440	443,375	0.6	4.5
Final Domestic Demand	427,000	432,520	438,368	444,344	435,558	1.4	5.9
	Implicit Price Indexes						
Personal expenditure on consumer goods and services	138.4	139.8	140.9	142.3	140.4	1.0	3.5
Durable goods	123.5	124.4	125.5	127.3	125.2	1.4	3.3
Semi-durable goods	133.3	135.1	136.4	137.8	135.7	1.0	5.0
Non-durable goods	143.8	145.4	146.7	146.7	145.7	0.0	3.0
Services	142.2	143.7	144.6	146.6	144.3	1.4	3.4
Government current expenditure on goods and services	143.3	143.8	145.2	147.3	144.9	1.4	3.9
Government investment in fixed capital	121.5	122.7	123.9	125.0	123.3	0.9	2.5
Business investment in fixed capital	118.9	119.2	119.6	121.2	119.7	1.3	1.5
Residential	139.1	141.1	143.2	145.9	142.4	1.9	6.7
Plant and equipment	109.3	109.3	109.0	110.1	109.5	1.0	-0.4
Exports of goods and services	103.3	102.5	104.2	105.8	103.9	1.5	-0.1
Deduct: Imports of goods and services	108.3	106.2	106.2	106.7	106.8	0.5	-3.2
Gross Domestic Product at market prices	133.0	134.0	135.5	137.6	135.0	1.5	4.2
Final Domestic Demand	134.6	135.5	136.4	138.0	136.1	1.2	2.9

¹ Actual change in millions of dollars.

Real Domestic Product at Factor Cost, by Industry at 1981 Prices

(Seasonally Adjusted at Annual Rates)



Real Gross Domestic Product at Factor Cost by Industry

(Seasonally Adjusted)

December 1988

Monthly Overview

Gross Domestic Product at Factor Cost, at 1981 prices, increased 0.5% in December, following advances of 0.2% in November and 0.1% in October. Output of goods producing industries, which declined in both October and November, advanced 0.6% in December. Services producing industries increased 0.4% in December, following 0.5% growth in the previous month.

Output in December stood 3.4% above the corresponding month of last year.

Services Producing Industries

About 40% of the growth in services producing industries originated from a 1.6% gain in retail trade. Also posting sizeable output gains were finance, insurance and real estate services, wholesale trade and communication services. Transportation and storage services declined during the month.

Strong year-end sales by new motor vehicle dealers accounted for about half of the gain in retail trade. Various buyer incentives such as price discounts, cash rebates and interest rate discounts on loans may have helped fuel the advance in motor vehicle sales. Other retailers posting increased sales included automotive parts and accessories stores, service stations, miscellaneous retail stores, shoe stores and department stores.

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Most of the gain in finance, insurance and real estate services was due to increased output by real estate agencies who experienced a very active resale housing market. This was the second consecutive month that the resale housing market was buoyant.

Following a 1.4% increase in November, wholesale trade output advanced 1.1% in December. Increased sales of industrial machinery and equipment, lumber and building materials, food products, apparel, and motor vehicles and parts all contributed to the December growth in wholesale trade.

Output of communication industries was up 1.4%, mainly due to increased long distance calling in December.

The 0.8% decline in transportation and storage industries resulted from decreased output in air transport, water transport, storage services, and pipeline transport.

Goods Producing Industries

Following consecutive monthly declines of 0.2% in October and November, output of goods producing industries advanced 0.6% in December. The gains were widespread, with substantial increases occurring in the mining, construction, manufacturing, utilities and forestry industries.

Mining output advanced 1.1% due to production increases for gold, coal and potash mines. Increased production by gold mines was accounted for by a few existing operations, and by several new mines which began operations during the month.

Most of the December growth in construction originated in a 3.5% increase in non-residential building output. Residential construction declined for the second consecutive month.

Manufacturing industries recorded a 0.3% gain in output, following decreases in the two previous months. Substantially higher output was reported by manufacturers of transportation equipment and primary metals. Non-metallic mineral products, paper and allied products, and primary textile and textile products industries reported smaller gains.

Public utilities output advanced, mainly due to increased electric power generation.

Users should note that GDP has been revised back to January 1988.

(see table on next page)

Available on CANSIM: matrices 4665-4668.

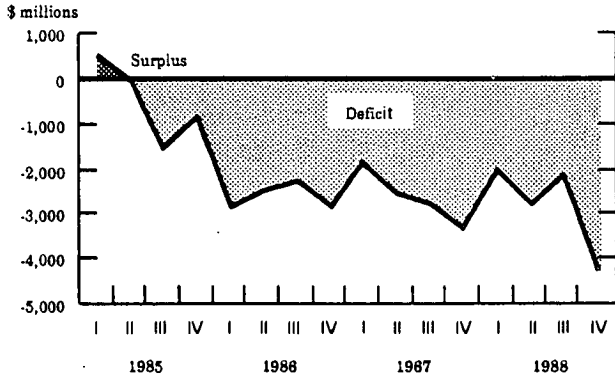
The December 1988 issue of *Gross Domestic Product by Industry* (15-001, \$11.50/\$115) is scheduled for release late in March. See "How to Order Publications".

For more information on this release, contact Ron Kennedy (613-951-3673), Industry Measures and Analysis Division.

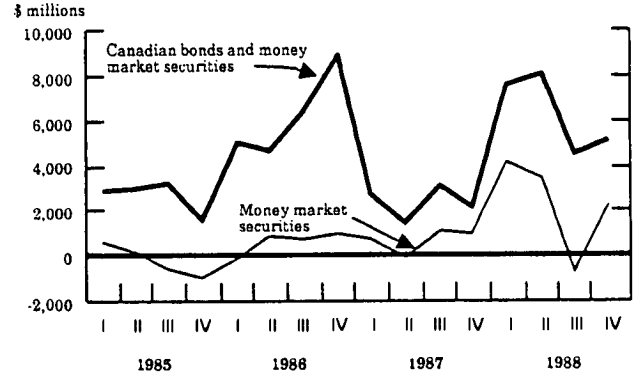
Real Gross Domestic Product at Factor Cost by Industry, at 1981 Prices
(Seasonally Adjusted at Annual Rates)

	1987	1988			
	December	September	October	November	December
	(\$ millions)				
Total Economy	389,154.9	399,109.8	399,545.6	400,307.9	402,357.4
Business Sector:					
Agricultural and related services industries	11,562.5	9,908.3	9,926.2	9,957.3	9,951.3
Fishing and trapping industries	709.4	760.4	753.0	718.4	671.4
Logging and forestry industry	2,964.4	2,697.6	2,822.2	2,906.0	3,009.0
Mining, quarrying and oil well industries	22,852.9	23,816.1	23,638.0	23,568.3	23,837.6
Manufacturing industries	77,094.9	79,250.3	78,682.6	78,561.3	78,791.7
Construction industries	27,371.5	28,940.6	29,016.4	28,984.1	29,234.1
Transportation and storage industries	17,528.1	18,253.9	18,289.0	18,492.7	18,345.7
Communication industries	11,552.3	12,133.3	12,266.5	12,379.3	12,554.4
Other utility industries	11,158.5	11,313.8	11,521.1	11,317.4	11,485.1
Wholesale trade industries	21,897.4	22,625.4	22,536.6	22,858.2	23,115.0
Retail trade industries	25,505.9	26,037.5	26,105.1	25,978.3	26,405.8
Finance, insurance and real estate	56,187.4	58,411.2	58,540.8	59,023.5	59,362.6
Community, business and personal services	39,162.1	40,497.0	40,936.6	40,980.9	40,997.0
Non-business Sector:					
Mining industries	61.3	66.1	77.2	72.3	80.8
Manufacturing industries	55.2	55.2	55.2	55.2	55.2
Forestry services industry	274.9	307.0	310.6	307.0	308.2
Transportation industries	1,497.9	1,555.9	1,554.7	1,572.7	1,579.9
Communication industries	46.8	47.9	49.1	51.5	52.7
Water systems industry	556.5	562.9	565.3	566.5	568.9
Insurance and other finance industry	393.4	415.1	417.5	416.3	415.1
Government service industry	23,637.1	23,804.9	23,838.5	23,874.5	23,892.5
Community and personal services	37,084.5	37,649.4	37,643.4	37,666.2	37,643.4
Special Aggregations:					
Business Sector:	325,547.3	334,645.4	335,034.1	335,725.7	337,760.7
- goods	153,714.1	156,687.1	156,359.5	156,012.8	156,980.2
- services	171,833.2	177,958.3	178,674.6	179,712.9	180,780.5
Non-business Sector	63,607.6	64,464.4	64,511.5	64,582.2	64,596.7
- goods	673.0	684.2	697.7	694.0	704.9
- services	62,934.6	63,780.2	63,813.8	63,888.2	63,891.8
Goods producing industries	154,387.1	157,371.3	157,057.2	156,706.8	157,685.1
Services producing industries	234,767.8	241,738.5	242,488.4	243,601.1	244,672.3
Industrial production	111,779.3	115,064.4	114,539.4	114,141.0	114,819.3
Non-durable manufacturing industries	33,295.7	33,415.9	33,409.1	33,371.4	33,537.0
Durable manufacturing industries	43,799.2	45,834.4	45,273.5	45,189.9	45,254.7

Current Account Balance (Seasonally Adjusted)



Foreign Investment in Canadian Bonds and Money Market Securities (Net Flow)



Quarterly Estimates of the Canadian Balance of International Payments Fourth Quarter 1988

Highlights

Following exceptionally large dividend payments, the seasonally adjusted current account deficit reached a record. Also the merchandise trade surplus declined to its lowest quarterly level since 1981. Compared to the previous quarter, merchandise imports increased while total exports were unchanged.

In the capital account, which is not seasonally adjusted, non-residents continued to invest heavily in interest-bearing Canadian securities, with a sharp increase in short-term securities. This could be attributed to the inverting of the yield curve in the fourth quarter. The Canadian non-bank sector reduced its deposits held abroad. This was partly offset by an increase in Canada's international reserves. Underlying these movements, the Canadian dollar reached a new peak against the United States dollar; it depreciated, however, against other major currencies.

Current Account (Seasonally Adjusted)

The main quarterly features were:

- A current account deficit of \$4.3 billion, up from the \$2.2 billion deficit in the previous quarter. This reflected a sharp decline of \$1.2 billion in the merchandise surplus to \$1.9 billion, the lowest level since the third quarter of 1981, and an increase of \$0.9 billion in the non-merchandise deficit to \$6.1 billion;
- An increase of \$1.3 billion (4%) in merchandise imports to \$32.6 billion, the first substantial quarterly increase in 1988;
- An unchanged level of merchandise exports at \$34.4 billion. Lower exports of wheat and cars were offset by higher sales abroad of auto parts, trucks, chemicals excluding plastics, and metal ores;
- A record deficit of \$5.4 billion on investment income, compared to \$4.6 billion in the previous quarter. Record payments of dividends were partly offset by dividend receipts, which reached their second highest level on record;

(continued on next page)

- A surplus of \$1.2 billion on unilateral transfers, the same as in the previous quarter. Receipts of immigrants' funds remained strong.

Current and Capital Accounts (Not Seasonally Adjusted)

The main quarterly features were:

- A current account deficit of \$4.6 billion, up from \$3.2 billion in the fourth quarter 1987. This increase stemmed from non-merchandise transactions, notably higher dividend payments;
- Among financial liabilities, a net inflow of \$2.9 billion from foreign investment in Canadian bonds, the lowest quarterly net inflow this year. New issues sold abroad remained strong. However, net sales of outstanding bonds dropped by half, reflecting a net disinvestment in November;
- A net inflow of \$2.2 billion from transactions in the Canadian money market, a reversal from a net disinvestment of \$719 million in the previous quarter. Short-term interest rates continued to increase, while long-term rates were largely unchanged, bringing about an inversion of the yield curve;
- Among financial assets, a net inflow of \$1.7 billion from a decrease in non-bank holdings of foreign funds abroad, in sharp contrast to the \$3.1 billion net increase in the previous quarter;
- A net outflow of \$1.2 billion from an increase in official international reserves following a decline of \$1.8 billion in the previous quarter;
- A statistical discrepancy (the balancing item between the recorded estimates of current and capital accounts) equivalent to a net credit of \$139 million.

1988 Highlights

Current account transactions produced a record deficit for the third consecutive year. The merchandise trade surplus was lower than in 1987, due to imports increasing more than exports. The surplus with the United States declined sharply;

surpluses developed, however, with Japan and non-OECD countries. Within non-merchandise transactions, the surplus on unilateral transfers more than doubled as a result of substantial receipts of immigrants' funds from Hong Kong. This was largely offset by a higher deficit on the investment income account, notably from banking and money market transactions.

In the capital account, non-residents invested heavily in interest-bearing Canadian securities but reduced their holdings of Canadian stocks. Foreign direct investment in Canada remained strong. Among claims abroad, Canadian residents increased their direct investment abroad by a record amount. Concurrently, Canadian monetary authorities increased sharply international reserve assets. The Canadian dollar continued to appreciate against the United States dollar, but depreciated against the British pound and the Japanese yen.

Current Account

The main annual features were:

- A current account deficit of \$11.3 billion, up from the \$10.6 billion deficit of 1987. The merchandise trade surplus amounted to \$9.6 billion, down from \$11.0 billion in 1987. The non-merchandise transactions resulted in a deficit of \$20.9 billion, down from \$21.6 billion in 1987;
- An advance of \$12.4 billion (10.7%) in imports to \$127.5 billion. Most of the increase was due to higher purchases of machinery and equipment and industrial materials;
- An increase of \$11.0 billion (8.7%) in merchandise exports to \$137.1 billion. Major increases were in exports of motor vehicles, ores and primary metal products, and in newsprint and pulp. Decreases of lesser size took place in a number of commodities;
- A return to a surplus of \$2.1 billion on automotive products, following a deficit of \$523 million in 1987. Trade in autos and trucks resulted in a surplus of \$8.8 billion which was partly offset by the \$6.6 billion deficit on parts;

(continued on next page)

- Among non-merchandise transactions, a deficit of \$18.4 billion on the investment income account, up \$1.8 billion from 1987. The increase came from higher interest payments on banking operations and money market borrowings. Dividend payments reached a record \$8.2 billion; these were partly offset by a doubling of dividend receipts from direct investment abroad, to a record \$6.0 billion. A significant portion of these receipts were reinvested outside Canada, explaining the increase in Canadian direct investment abroad;
- A record surplus of \$4.3 billion on unilateral transfers. Receipts of immigrants' funds increased by 60% to \$5.4 billion in 1988, following a 73% increase in 1988.

Capital Account

The main annual features were:

- Among financial liabilities, over \$25 billion of foreign investment in Canadian bonds and money market securities, slightly more than the record established in 1986. In 1988 over \$16 billion was invested in bonds and a record \$9.1 billion in short-term paper, mainly Government of Canada treasury bills;
- A record net inflow of \$4.9 billion for foreign direct investment in Canada, similar to the high level recorded in 1987. As in the previous year, more than half of the net inflow was the result of take-over activities. In 1988 there was a substantial increase in investment from overseas countries, which increased from \$2.7 billion to \$3.9 billion. The bulk of this investment took the form of new acquisitions in Canada;
- A net outflow of \$2.3 billion as non-residents decreased their holdings of Canadian stocks. Non-residents have been reducing their holdings of Canadian stocks since October 1987;
- Among financial assets, a net outflow of \$7.9 billion from Canadian direct investment abroad, up from \$6.3 billion in 1987. The major part of

the current year investment went to existing affiliates abroad. Though the United States remained the major country of investment, Canadian investment was more widely spread to other countries than in previous years;

- A net outflow of \$9.5 billion from an increase in international reserve assets. This raised international reserves to record levels during the year. At the end of the year, reserves amounted to U.S. \$16.2 billion, nearly double the level of 1987 year-end;
- A net outflow of \$1.0 billion from Canadian investment in foreign stocks, bringing to nearly \$4 billion the amount invested in the last three years;
- A statistical discrepancy (the balancing item between the recorded estimates of the current and capital accounts) equivalent to a net debit of \$477 million;
- A sharp increase in the value of the Canadian dollar which continued to appreciate against the United States dollar, gaining 9% during the year to close at U.S. 83.86 cents.

NOTE: Merchandise trade in this release supersedes that published February 17 in "Preliminary Statement of Canadian International Trade, December 1988".

(see table on next page)

Available on CANSIM: matrices: (quarterly) 2343-2349, 2353-2355, 147, 1364; (annual) 2333-2339, 2354, 2355, 1369, 1370.

The fourth quarter 1988 issue of Quarterly Estimates of Canadian Balance of International Payments (67-001P, \$9.25/\$37) is now available. See "How to Order Publications".

For further information, contact Lucie Laliberté (613-951-9050), Balance of Payments, International and Financial Economics Division.

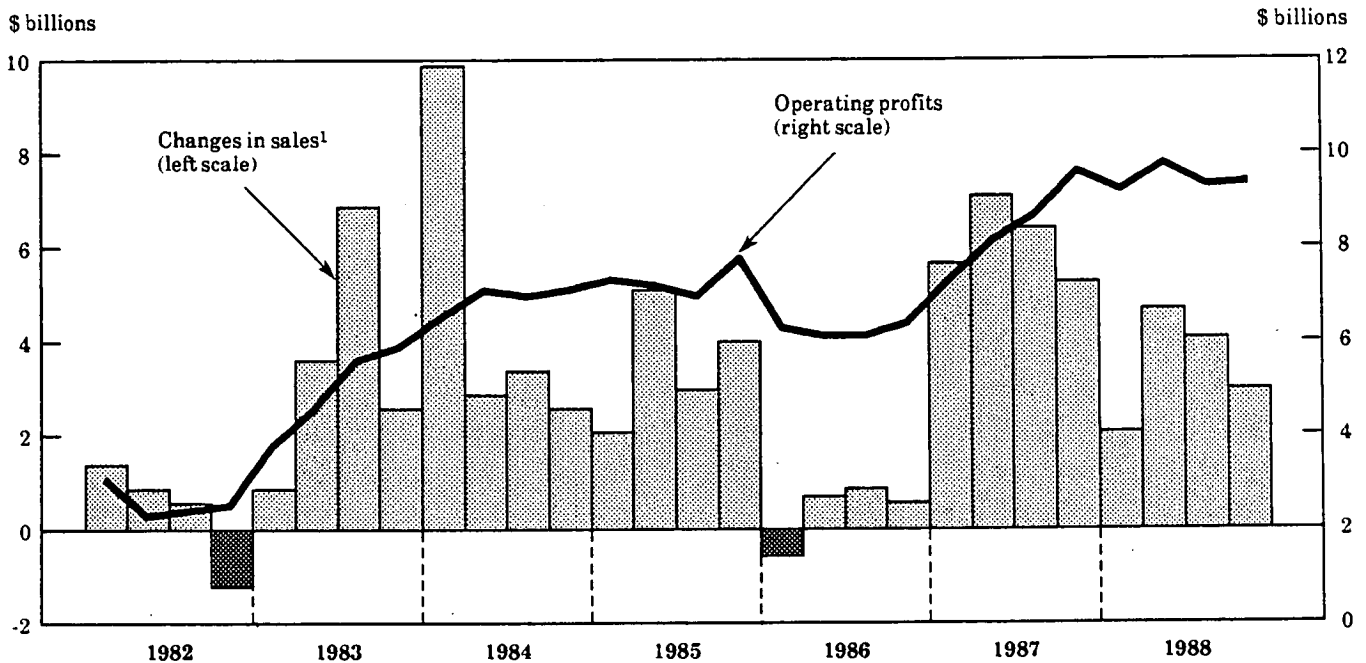
The Canadian Balance of International Payments - Summary

	1987	1988				1987	1988
	IV	I	II	III	IV		
(\$ millions)							
(Seasonally adjusted)							
Current account balances							
Merchandise	2,065	2,072	2,557	3,099	1,866	10,976	9,594
Non-merchandise:							
Services	-1,830	-1,311	-1,686	-1,824	-1,932	-7,045	-6,753
Investment income ¹	-4,219	-3,625	-4,828	-4,586	-5,381	-16,606	-18,420
Transfers	627	839	1,148	1,160	1,171	2,100	4,318
Total non-merchandise	-5,422	-4,097	-5,366	-5,250	-6,143	-21,552	-20,855
Total current account	-3,357	-2,025	-2,809	-2,150	-4,277	-10,576	-11,262
(Unadjusted)							
Current account balance	-3,241	-4,825	-1,340	-546	-4,551	-10,576	-11,262
Capital account²							
Canadian claims on non-residents (net flows)							
Canadian direct investment abroad ¹	-2,452	-2,272	-2,989	-1,320	-1,316	-6,300	-7,897
Foreign portfolio securities	-1,113	203	-937	-127	-224	-1,780	-1,084
Other claims	1,478	-6,838	-4,354	-1,977	244	-4,895	-12,925
Total Canadian claims (net flows)	-2,087	-8,907	-8,280	-3,424	-1,296	-12,975	-21,906
Canadian liabilities to non-residents, (net flows)							
Foreign direct investment in Canada ¹	1,267	2,449	1,152	867	413	4,750	4,881
Canadian portfolio securities	-104	2,646	4,478	4,725	1,949	13,423	13,797
Other liabilities	5,833	5,746	3,428	2,445	3,346	8,347	14,966
Total Canadian liabilities (net flow)	6,996	10,842	9,058	8,037	5,707	26,519	33,644
Total net capital flow	4,909	1,935	778	4,613	4,412	13,544	11,738
Statistical discrepancy	-1,668	2,890	562	-4,068	139	-2,968	-477

¹ Excludes reinvested earnings.

² A minus sign (-) denotes an outflow of capital resulting from an increase in claims on non-residents or a decrease in liabilities to non-residents.

Industrial Corporations - All Industries Quarterly Operating Profits and Changes in Sales (Seasonally Adjusted)



¹ Changes are measured as quarter-to-quarter differences in level of sales.

Industrial Corporations, Financial Statistics¹

Fourth Quarter 1988 (Preliminary Data)
(Seasonally Adjusted)

In the fourth quarter of 1988, operating profits of Canadian industrial corporations increased 1.2% (\$107 million) from the previous quarter to a level of \$9.4 billion. This was yet another in a series of irregular movements in operating profits recorded throughout 1988 - a 4.0% decline in the first quarter, a 6.2% increase in the second quarter and a 5.0% decline in the third quarter. The fourth quarter 1988 level is slightly below the \$9.6 billion registered in the final quarter of 1987.

Sales of Canadian industrial corporations were up 1.3% to \$232.8 billion in the fourth quarter. This compares to sales increases averaging 1.6% over the first three quarters.

Of the 47 industries into which industrial corporations are classified, 27 recorded increases in operating profits. Profits and losses ranged widely. The metal mining industry registered the largest increase in operating profits (\$223 million), due at least partly to improved non-ferrous metal prices. The communications industry experienced a \$74 million growth in profits. The mineral fuels industry registered the largest decline in operating profits (\$210 million), reflecting lower crude oil prices. Profits in the chemical industry decreased by \$76 million.

¹ The information covers corporations in Canada except government owned corporations and those in agriculture, fishing and finance industries.

(continued on next page)

Pre-tax profits (which unlike operating profits include investment income and other gains) fell \$197 million to \$13.9 billion, the average level of the previous four quarters. Gains on the sale of investments and fixed assets decreased in the quarter, more than offsetting the increase in operating profits.

Fourth Quarter Industry Highlights

Metal Mining: operating profits rose \$223 million to \$852 million in the fourth quarter. Higher non-ferrous metal prices have been a significant factor in a steady recovery of profits from 1986 levels, when losses were recorded.

Communications: operating profits advanced to \$572 million from \$498 million in the third quarter. The current profit level was just ahead of the \$560 million average for the 1987-88 period.

Mineral Fuels: operating profits plunged for the second consecutive quarter, falling \$210 million to a loss of \$387 million. During the period from 1986 to 1988, profits have risen and fallen with crude oil prices. The current quarter loss is the lowest point over the period; the high point was a \$560 million profit. In the 1984-85 period, when oil prices were relatively high, profits averaged \$1.2 billion a quarter.

Chemicals: operating profits decreased to \$741 million in the fourth quarter from the high of \$817 million registered in the previous quarter. Although down from the third quarter, profit levels continued to be well above the \$275 million average registered over the 1984-86 period, and reflected continued strong demand for chemical products.

Summary for 1988

Even though fourth quarter 1988 operating profits were below the same quarter of 1987, operating profits posted an annual increase of 11.4% or \$3.8 billion in 1988 to reach a level of \$37.6 billion.

The manufacturing industries registered the largest increase in operating profits in 1988 (\$2.9 billion), with increases occurring in 16 of the 22 industries. Among these industries, chemicals posted the largest growth (\$0.9 billion), followed by primary metals (\$0.8 billion), transportation equipment (\$0.8 billion), and paper (\$0.7 billion). The largest decrease in operating profits in manufacturing was in petroleum and coal (\$0.6 billion), largely due to lower crude and refined oil prices in 1988.

In mining, operating profits rose \$0.5 billion to \$2.6 billion in 1988. Led by strong price increases, profits in the metal mining industry rose to \$2.7 billion from \$0.7 billion a year earlier. On the other hand, weak crude oil prices reduced mineral fuels industry profits from \$1.3 billion in 1987 to a loss of \$0.3 billion in 1988.

The remaining 22 industries accounted for \$0.5 billion of the overall profit increase and reached a profit level of \$14.1 billion.

Sales of all industries rose to \$909 billion in 1988 from \$840 billion in 1987 and \$774 billion in 1986.

(see table on next page)

More detailed statistics for the 47 industries groups are now available on CANSIM: matrices 4780-4791, 4796-4921 and 4928-4942.

The fourth quarter 1988 issue of *Industrial Corporations: Financial Statistics* (61-003, \$50/\$200) will be available the fourth week of March. See "How to Order Publications".

For more information on this release contact Gail Campbell or Bill Potter (613-951-9843), Industrial Organization and Finance Division.

Industrial Corporations, Financial Statistics
Fourth Quarter 1988

	Seasonally Adjusted			Unadjusted		
	2nd Q 1988	3rd Q 1988	4th Q 1988	4th Q 1986	4th Q 1987	4th Q 1988
(Billions of dollars)						
Sales:						
All Industries	225.7	229.8	232.8	198.8	223.5	237.5
Mining	9.5	9.4	9.2	7.8	9.6	9.7
Manufacturing	82.0	82.6	84.1	71.8	79.7	85.3
Other	134.2	137.8	139.5	119.2	134.2	142.5
Operating Profit:						
All Industries	9.8	9.3	9.4	6.6	9.9	9.7
Mining	.9	.5	.5	-.2	.9	.6
Manufacturing	5.4	5.3	5.2	3.7	5.2	5.2
Other	3.5	3.5	3.7	3.1	3.8	3.9
Profit before Taxes:						
All Industries	13.8	14.1	13.9	10.0	14.5	14.3
Mining	1.4	1.3	1.3	-	1.6	1.3
Manufacturing	6.7	6.8	6.9	4.7	6.9	7.1
Other	5.7	6.0	5.7	5.3	6.0	5.9
Net Profit after Taxes (excluding extraordinary items):						
All Industries	8.8	9.3	9.3	6.4	9.5	9.7
Mining	.8	.9	1.0	-	1.1	1.0
Manufacturing	4.4	4.4	4.6	2.9	4.5	4.8
Other	3.6	4.0	3.7	3.5	3.9	3.9
- Nil.						

Data Availability Announcements

Gypsum Products

January 1989

Manufacturers shipped 22 581 thousand square metres of plain gypsum wallboard in January 1989, down 13.8% from the 26 186 thousand square metres shipped in January 1988 but up 16.8% from the 19 329 thousand square metres shipped in December 1988.

Available on CANSIM: matrices 39 and 122 (series 11).

The January 1989 issue of *Gypsum Products* (44-003, \$4.50/\$45) will be available at a later date. See "How to Order Publications".

For more information on this release, contact Ron Fortin (613-951-3527), Industry Division.

Exports of Wheat Flour and Barley Malt

December 1988

Customs exports of malt were relatively unchanged from December 1987 levels. Exports of wheat flour decreased significantly from December 1987.

	1988	1987
	(in thousand tonnes)	
• Wheat flour	5.9	85.9
• Malt	14.0	12.0

Available on CANSIM: matrices 5612 (series 1) and 5630. CANSIM matrix 5613 has been terminated. Refer to matrix 5630 for replacement data expressed in terms of wheat equivalent.

The December 1988 issue of *Cereals and Oilseeds Review* (22-007, \$11.50/\$115) is scheduled for release in March. See "How to Order Publications".

For further information on this release, contact A. Dupuis (613-951-3871), Agriculture Division.

Exports by Commodity (H.S. Based)

December 1988

Commodity-country export trade statistics based on the Harmonized System (H.S.) for December 1988 are now available on microfiche, computer printouts or magnetic tapes in advance of the monthly publication.

Available on CANSIM (for selected information): matrices 3686-3713 and 3719.

The December 1988 issue of *Exports by Commodity (H.S. Based)* (65-004, \$50/\$500) will be available the second week of March. See "How to Order Publications".

For more information on this release, contact Gordon Blaney (613-951-9647), International Trade Division.

Notifiable Disease Summary

Four-week Period Ending December 17, 1988

Statistics and new cases of notifiable diseases for the four-week period ending December 17, 1988 are now available by sex and five-year age group for Canada and the provinces.

Available on CANSIM: cross-classified table 00050123.

For more information on this release contact Beth Sander (613-951-1746), Health Division.

Processed Brussels Sprouts
1988

Data on processed brussels sprouts for 1988 are now available.

The publication *Pack of Processed Brussels Sprouts* (32-023, Vol.17, No.18,\$7/\$115) will be released at a later date. See "How to Order Publications".

For further information on this release, contact Brian Preston (613-951-3511), Industry Division.

Primary Textile Industries
1986 Census of Manufactures

Commodity data for Primary Textile Industries (Major Group 18) are now available on request. The information will also be released at a later date in catalogue 34-250.

For more information on this release, contact Andy Shinnan (613-951-3510), Industry Division.



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The Daily, March 1, 1989

Publications Released

The Sugar Situation, January 1989.

Catalogue number 32-013

(Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Production and Inventories of Process Cheese and Instant Skim Milk Powder, January 1989.

Catalogue number 32-024

(Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

Quarterly Shipments of Office Furniture Products, Quarter Ended December 31, 1988.

Catalogue number 35-006

(Canada: \$6.25/\$25; Other Countries: \$7.25/\$29).

Department Store Monthly Sales, by Province and Metropolitan Area,

December 1988.

Catalogue number 63-004

(Canada: \$2.50/\$25; Other Countries: \$3.50/\$35).

Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1988.

Catalogue number 67-001P

(Canada: \$9.25/\$37; Other Countries: \$10.25/\$41).

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Please enclose cheque or money order payable to the Receiver General for Canada/Publications and provide full information on publications required (catalogue number, title, issue).

Publications may also be ordered through Statistics Canada's offices in St. John's, Halifax, Montreal, Ottawa, Sturgeon Falls, Toronto, Winnipeg, Regina, Edmonton, Calgary and Vancouver, or from authorized bookstore agents or other booksellers.

A national toll-free telephone order service is now in operation at Statistics Canada. The toll-free line (1-800-267-6677) can be used by Canadian customers for the ordering of Statistics Canada products and services.

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