

The Daily

Statistics Canada

Monday, November 30, 1992

For release at 8:30 a.m.

MAJOR RELEASES

- **National Income and Expenditure Accounts, Third Quarter 1992**
Real GDP at market prices grew 0.4% in the third quarter of 1992, a pickup from the second quarter's 0.1% growth rate.

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- **Real Gross Domestic Product at Factor Cost by Industry, September 1992**
Gross Domestic Product at factor cost was unchanged in September following gains of 0.1% in July and 0.5% in August.

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- **Balance of International Payments, Third Quarter 1992**
Canada's seasonally adjusted current account deficit increased to \$7.7 billion, second only to the \$8.3 billion record of the fourth quarter of 1991.

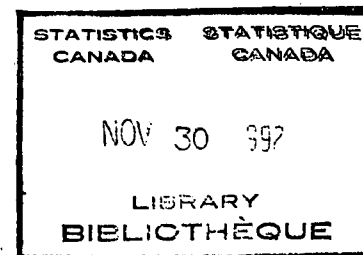
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- **Financial Flow Accounts, Third Quarter 1992**
The demand for funds on financial markets softened in the third quarter of 1992, as borrowing in the government sector fell substantially.

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- **Correctional Expenditures and Personnel in Canada, 1991/92**
In 1991/92, federal, provincial and territorial operating expenditures on adult corrections were \$1.876 billion.

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MAJOR RELEASES

Chart 1

GDP at 1986 Prices

Quarterly percentage change

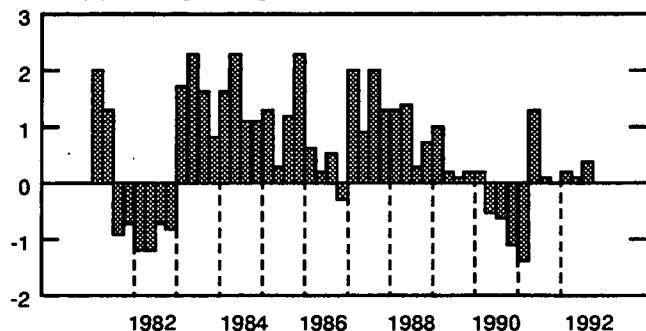
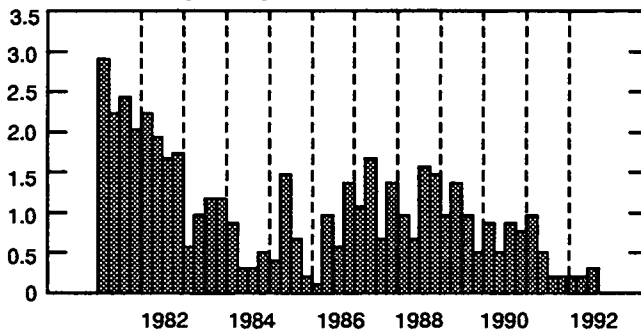


Chart 2

GDP Implicit Price Index

Quarterly percentage change



National Income and Expenditure Accounts

Third Quarter 1992

Gross domestic product at market prices grew 0.7% in the third quarter of 1992 to a seasonally adjusted annual rate of \$690 billion. GDP at 1986 prices increased 0.4% (equivalent to a compound annual rate of 1.4%), while the implicit price index increased 0.3% (see Charts 1 and 2).

The pace of economic growth picked up in the third quarter. Consumer spending, business investment and exports all increased considerably and final domestic demand plus exports grew 1.4%. Output grew less rapidly, as a large part of the growth in demand was satisfied by a drawing down of business inventories and an increase in imports. Paid hours worked rose for the first time on a quarterly basis since early 1990. Interest rates continued to drop until September 30, when the quarter ended with a sudden two-percentage-point increase in short-term lending rates.

Components of Final Demand at Constant Prices

Third quarter 1992

(Percentage change from the previous quarter)

	At 1986 Prices	At 1992 Q2 Prices ¹
Personal expenditure	0.9	0.8
Durable goods	1.6	1.5
Semi-durable goods	1.9	1.9
Non-durable goods	-0.2	-0.3
Services	1.0	1.1
Government current expenditure	0.5	0.3
Government investment	5.1	3.9
Business investment	3.0	1.6
Residential construction	3.4	3.4
Non-residential construction	-4.4	-4.5
Machinery and equipment	6.8	4.4
Final domestic demand	1.3	1.0
Exports of goods and services	1.9	1.7
Merchandise	1.9	1.6
Non-merchandise	2.1	2.1
GDP excluding inventories	0.7	0.8

¹ This is the chain Laspeyres volume index.

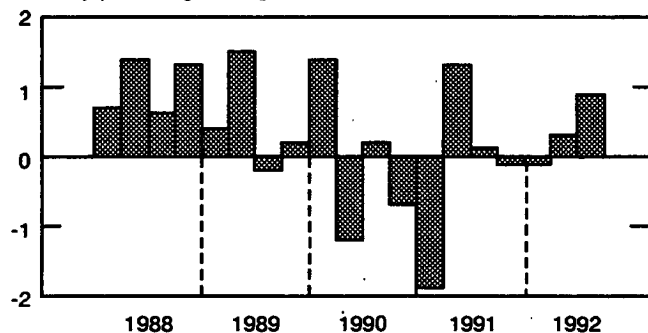
Personal Expenditure on Consumer Goods and Services

Real consumer spending grew 0.9% in the third quarter after 0.3% growth in the second quarter and no net advance in the previous three quarters (see Chart 3). The recent acceleration reflects an upturn in personal disposable income since the beginning of the year, improved consumer confidence and lower interest rates. Retail sales rose substantially in June, July and August before falling back somewhat in September. For the quarter as a whole, purchases of durable and semi-durable goods advanced 1.6% and 1.9%, respectively, in volume terms, led by motor vehicles, parts and repairs, clothing and footwear and by furniture and household appliances. Real expenditure on non-durable goods fell slightly as increased outlays on food and non-alcoholic beverages, and on electricity, gas and other fuels were offset by lower spending on motor fuels and lubricants. Among services, gross rents increased 0.8% while restaurant and hotel spending grew 0.3%, again in real terms. Net expenditure abroad also rose, after declining during the previous two quarters.

Chart 3

Consumer Expenditure at 1986 Prices

Quarterly percentage change



Business Investment

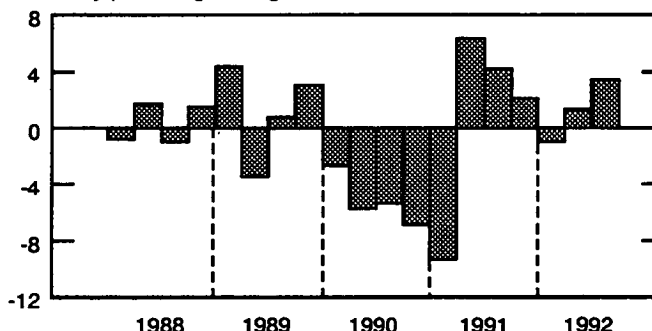
Investment in residential construction grew 3.4% in real terms in the third quarter following an increase of 1.4% in the second quarter (see Chart 4). The drop in land prices and building costs in 1991 and the continuing drop in mortgage interest rates this year greatly improved the affordability of housing, as did some special federal programs intended to stimulate home-building. New construction rose 3.5% as starts increased from 165,000 at a seasonally adjusted

annual rate in the second quarter to 176,000 in the third. Starts fell in October to 162,000, when mortgage rates increased. The third-quarter pickup in starts occurred in all regions except Quebec, where termination of the "Mon Taux, Mon Toit" program in the second quarter and introduction of the new Quebec Sales Tax on July 1 had a negative effect on new home buying. Spending on alterations and improvements to existing dwellings rose 2.3% in the third quarter while transfer costs jumped 4.7%, reflecting stronger resale activity in urban areas, especially in Ontario and British Columbia.

Chart 4

Residential Construction at 1986 Prices

Quarterly percentage change

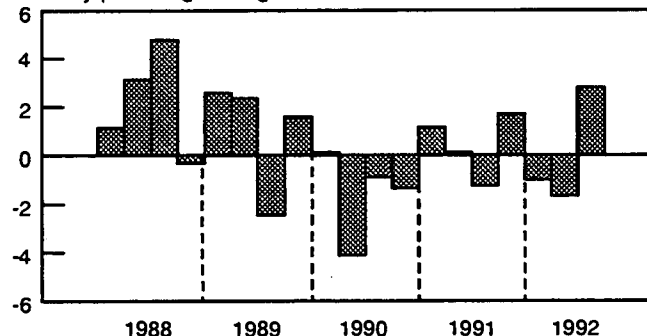


Business investment in plant and equipment rose 2.8% during the third quarter (see Chart 5). The increase was attributable to machinery and equipment outlays, which advanced 6.8% in real terms, and it occurred against the backdrop of a substantial decline in the cost of capital since 1990, strong growth in exports since the start of the year and, most recently, an apparent improvement in business optimism. One indication of this optimism was the two quarterly business conditions surveys conducted by Statistics Canada in July and October, where the balance of opinion about short-term production expectations in manufacturing industries was higher than at any time since the first quarter of 1989. However, poor profit levels, low capacity utilization rates and weak corporate balance sheets continued to inhibit investment spending in many areas. Non-residential building construction in particular continued the decline evident since early 1990. Engineering construction also decreased. The third-quarter drop in total non-residential construction was 4.4% in real terms.

Chart 5

Plant and Equipment Investment at 1986 Prices

Quarterly percentage change

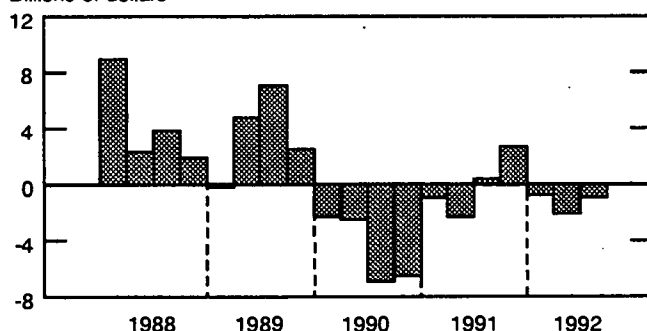


Non-farm business inventories were cut again in the third quarter (see Chart 6). Wholesalers' inventories held steady after growing substantially in the second quarter, while retailers and manufacturers reduced their stocks. For manufacturers, it was the eleventh consecutive quarter of inventory reductions, with the most recent cutback confined to raw materials. In the farm sector, stocks dropped by \$2.8 billion on a seasonally adjusted constant dollar basis following a \$0.2 billion accumulation in the preceding quarter. The drop in inventory levels occurred as grain exports rose sharply and the annual grain harvest fell about 12% after a bumper crop in 1991.

Chart 6

Business Non-farm Inventory Change at 1986 Prices

Billions of dollars

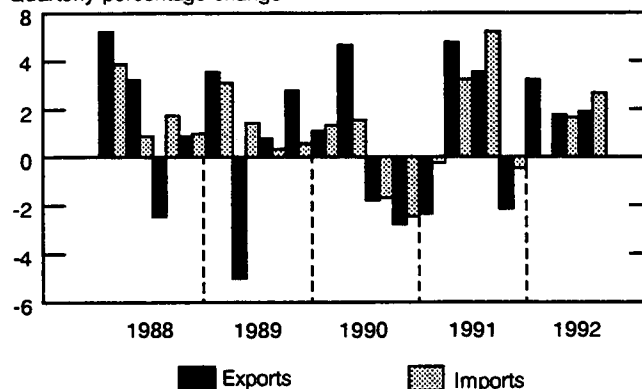
**Exports and Imports**

Real merchandise exports and imports rose 1.9% and 2.9%, respectively, in the third quarter (see Chart 7). Wheat sales alone were sufficiently buoyant to account for all of the growth in exports. Smaller increases for crude petroleum, natural gas, precious metals, metal alloys, passenger autos and chassis and machinery and equipment were offset by decreases in exports of forestry products, metal ores, trucks and motor vehicle parts. In the case of imports, the growth was attributable to agricultural products, industrial goods and materials, machinery and equipment, and non-automotive consumer goods.

Chart 7

Exports and Imports at 1986 Prices

Quarterly percentage change



Non-merchandise exports and imports both rose 2.1% in volume during the third quarter. The increase in exports was fully accounted for by freight and shipping charges and other business services, as receipts from non-residents travelling in Canada decreased slightly. Most of the rise in services imports was due to higher spending by Canadians travelling outside the country.

The deficit on trade in goods and services (at current prices, seasonally adjusted at annual rates) grew from \$5.4 billion in the second quarter to \$6.5 billion in the third. The deficit on the current account as per the balance of international payments (which also takes into account net investment income flows, net transfers and net inheritances and migrants' funds) increased from \$29.8 billion to \$30.8 billion (seasonally adjusted at annual rates). (For details, see the Balance of Payments release in this issue of *The Daily*.)

Quarterly Price Indexes

(Percentage change from the previous quarter)

	1991			1992		
	Q2	Q3	Q4	Q1	Q2	Q3
Implicit Price Indexes						
Personal expenditure						
At factor cost	-0.1	0.3	-0.2	0.2	0.3	0.5
Indirect taxes less subsidies	3.1	1.7	1.1	0.2	1.5	0.1
At market prices	0.4	0.6	-0.1	0.2	0.4	0.4
Gross domestic product						
At factor cost	0.3	0.2	-0.1	0.2	0.0	0.4
Indirect taxes less subsidies	1.6	0.7	1.0	0.9	2.0	0.1
At market prices	0.5	0.2	0.2	0.2	0.2	0.3
Chain Price Indexes						
Personal expenditure	0.6	0.6	0.0	0.2	0.5	0.4
Government current expenditure	0.5	0.7	0.7	0.1	1.1	1.1
Residential construction	2.1	0.1	-0.7	-0.8	0.5	0.3
Non-residential construction	0.7	-0.3	0.6	-0.3	0.4	0.2
Machinery and equipment	-0.5	-0.9	-0.6	1.7	0.2	-0.1
Final domestic demand	0.6	0.4	0.1	0.2	0.6	0.5
Exports	-2.5	-0.8	0.4	1.5	1.4	0.5
Imports	-1.4	-0.4	0.1	2.7	1.2	0.7
Gross domestic product ¹	0.3	0.3	0.2	-0.1	0.6	0.5
Fixed-weighted Price Indexes						
Personal expenditure	0.6	0.7	-0.1	0.2	0.6	0.4
Consumer price index	0.7	0.6	-0.2	0.5	0.5	0.5
Net price index ²	0.2	0.4	-0.5	0.4	0.3	0.5
Gross domestic product ¹	0.4	0.4	0.1	0.0	0.7	0.5

¹ Excludes value of physical change in inventories.² Consumer price index excluding indirect taxes and subsidies.**Price Indexes**

The inflation rate as measured by the GDP implicit price index, which nets out the effects of changes in import prices and, therefore, provides an indicator of domestic price inflation, was 0.3% in the third quarter and 0.9% on a year-over-year basis. The increase was 0.2% in each of the previous four quarters. The implicit price index for personal expenditure on consumer goods and services rose 0.4%. In the case of consumer goods, energy-related products such as gasoline and electricity saw particularly large price increases, but auto and truck prices declined slightly. The price index for services rose 0.3%. In construction, the residential and non-residential price indexes grew 1.0% and 0.4%, respectively. Machinery and equipment prices declined 2.8%, although this had little impact on the overall GDP implicit price index since a large share of machinery and equipment investment is imported.

Import price inflation continued to moderate during the third quarter, as did the depreciation rate of the Canadian dollar vis-à-vis the U.S. dollar. Based on

the chain price index, import prices rose 2.7% in the first quarter, 1.2% in the second and 0.7% in the third; the average quarterly exchange rate dropped 3.6%, 1.4% and 0.6% during the same three quarters. Most imported commodity prices either levelled off or declined on world markets following sharp increases in late 1991 and early 1992, although the prices of a few (such as sugar, crude petroleum and cotton) rose markedly.

The consumer price index increased 0.5%, the third consecutive quarterly increase of this magnitude. In October, the index rose a further 0.2% and was up 1.6% on a year-over-year basis. Industrial product prices grew 0.7% in the third quarter following similar increases in the first and second quarters. Notable increases occurred for petroleum and coal products, paper, chemical products and wood. Raw material prices jumped 3.2% during the quarter, reflecting a 7.0% rise for mineral fuels and a 1.4% increase for other materials. In October, the Industrial Product Price Index and the Raw Materials Price Index were up 2.9% and 7.4%, respectively, on a year-over-year basis.

Employment and Hours

(Percentage change from the previous quarter)

	1991			1992		
	Q2	Q3	Q4	Q1	Q2	Q3
Paid employment*	0.3	0.0	-0.6	-0.9	-0.3	0.5
Goods-producing industries	-0.3	-0.1	-2.0	-2.3	0.2	0.3
Services-producing industries	0.5	0.1	-0.1	-0.4	-0.4	0.6
Atlantic provinces	-0.7	-0.4	0.6	-0.9	-0.6	0.6
Quebec	0.6	-0.1	-1.0	-0.8	-0.7	1.5
Ontario	0.1	0.4	-1.1	-0.8	-0.4	-0.1
Prairie provinces	0.4	0.3	-1.0	-0.9	0.2	0.3
British Columbia	1.1	-0.9	1.7	-1.3	0.5	0.8
Full-time	-0.2	-0.2	0.0	-1.1	-0.4	-0.2
Part-time	2.7	1.0	-3.1	0.1	0.2	3.2
Average weekly hours	-0.4	-0.2	0.5	0.1	-0.3	-0.3
Total paid hours	-0.1	-0.1	-0.1	-0.8	-0.6	0.2

* Includes paid employees plus working proprietors with paid help and excludes employees on unpaid absence. Multiple job holders are counted twice. Based on Labour Force Survey data.

Components of Income

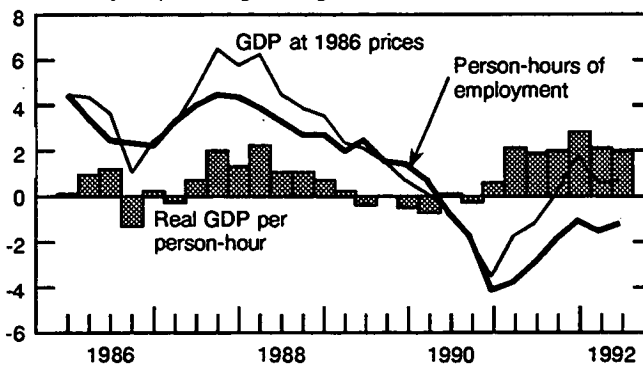
Wages, salaries and supplementary labour income grew 0.8% in the third quarter. The increase reflected a 0.2% rise in paid hours worked and a 0.6% advance in average hourly compensation (including supplementary labour income). Employment picked up in all regions of the country except Ontario. Viewed from an industry perspective, the gain in labour income occurred mostly in the services-producing industries, notably in health and welfare, provincial and federal administration, commercial services, trade and transportation. There were declines in mining and construction. Unit labour costs increased 0.5% during the quarter and output per person-hour increased 0.2% (see Chart 8).

Corporation profits before taxes fell 6.7% in the third quarter following substantial increases in the previous two quarters (see Chart 9). Profits were 0.6% below their year-earlier level and 50% lower than the peak attained in the first quarter of 1989. The profit decreases were widespread among non-financial and financial industries. Lower profits were registered in motor vehicles, parts and accessories, food, beverages and tobacco, construction and in several other industries. The chartered banks, non-ferrous metals, primary metal products and the

Chart 8

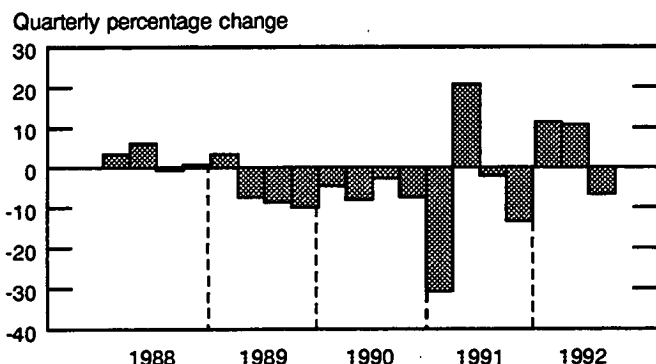
Employment and Output

Year-over-year percentage change



printing, publishing and broadcasting industries recorded increases. While total profits declined on a national accounts basis, operating profits grew 6.3%. The difference between the two measures is largely accounted for by provisions for future loan losses, which are not treated as expenses on a national accounts basis.

Chart 9

Corporation Profits Before Taxes

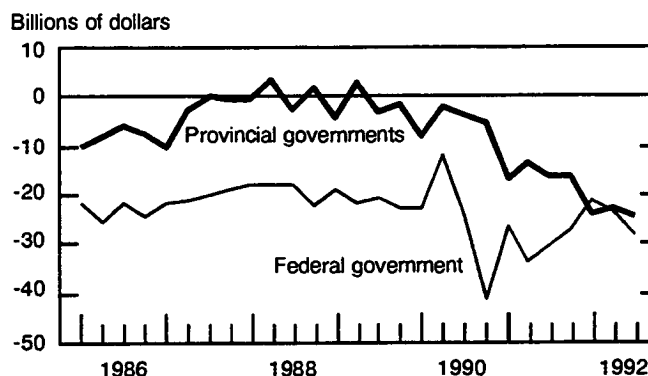
Interest and miscellaneous investment income dropped 3.3% in the third quarter, reflecting the drop in interest rates. Interest on consumer credit also declined, for the seventh consecutive quarter, in line with falling interest rates generally and with the reduction in the level of consumer credit outstanding. (For more information, see the Financial Flow Accounts release in this issue of *The Daily*.) The growth of pension fund investment income, excluding dividends, in 1992 to date is the lowest on record. Non-farm unincorporated business income edged up 0.3%, led by construction, retail trade and community services. Farm income declined, due to lower prices and income stabilization subsidies and to the smaller grain harvest following the exceptional crop of 1991.

Personal income rose 0.3% in the quarter, as growth in labour income and in government transfer payments was partly counterbalanced by lower farm income and declining interest, dividends and miscellaneous investment income. Personal disposable (after-tax) income rose 1.0% as net personal income tax payments fell substantially. A reduction in the federal income tax surtax from 5% to 4% effective July 1 was largely offset by provincial tax increases in Ontario, British Columbia and Newfoundland. Unusually high tax refund payments in July accounted for a decrease in net income tax payments. The personal saving rate, which had fluctuated in a range between 9.0% and 11.4% over the previous six years, held steady at 10.9%.

Government Sector

Total government sector current spending grew 1.4% in the quarter. Outlays for transfers to persons, goods and services, capital assistance to business and transfers to non-residents rose; interest on the public debt and subsidies to business decreased. Total government sector revenue decreased 0.5%, as higher indirect taxes and investment income were more than offset by a decline in personal and corporate income taxes. The combined federal-provincial government deficit reached \$53.7 billion on a national accounts basis, as the federal deficit rose from \$23.8 billion in the second quarter to \$28.8 billion in the third, while the provincial government sector deficit increased from \$23.3 billion to \$24.9 billion (see Chart 10).

Chart 10

Federal and Provincial Government Balances**Net Lending by Sector**

Government net borrowing rose sharply during the quarter to \$50.3 billion, seasonally adjusted at annual rates. This level was equivalent to 7.3% of GDP and compares with 6.3% in the second quarter. Business sector net borrowing also increased, as profits declined and investment picked up substantially. Persons and unincorporated businesses increased their net lending to \$31.7 billion, or from 4.0% to 4.6% of GDP, while non-residents supplied \$31.9 billion of net savings or 4.6% of GDP.

Net Lending by Sector

(Percentage of GDP at Market Prices)

	1991			1992		
	Q2	Q3	Q4	Q1	Q2	Q3
Persons and unincorporated business	4.8	4.4	3.4	3.6	4.0	4.6
Corporations	-1.7	-2.0	-3.0	-2.1	-1.7	-1.8
Government business enterprises	-1.2	-1.2	-0.9	-0.7	-0.9	-1.0
Government	-6.6	-6.4	-5.5	-5.9	-6.3	-7.3
Federal	-5.1	-4.6	-4.0	-3.1	-3.5	-4.2
Provincial	-2.1	-2.4	-2.4	-3.5	-3.4	-3.6
Local	0.1	0.1	0.5	0.4	0.4	0.4
Hospitals	0.2	0.3	0.3	0.2	0.1	0.2
Canada and Quebec Pension Plans	0.2	0.1	0.1	0.0	0.1	-0.1
Non-residents	4.2	4.6	5.0	4.5	4.6	4.6
Statistical discrepancy	0.5	0.6	0.9	0.6	0.3	0.9
Total net lending	0.0	0.0	0.0	0.0	0.0	0.0

Figures may not add due to rounding.

Output by Industry

Services output advanced 0.7% following a 0.6% increase in the second quarter, with gains widespread across industries. Goods production posted a 0.2% advance after declining in each of the previous three quarters.

Finance, insurance and real estate accounted for about 40% of the dollar gain in the services sector, spurred by increased activities by mutual funds and real estate agents. Wholesale trade rose 2.0%, led by higher sales of machinery and equipment and food. Retail trade rose 0.8%, reflecting higher sales by motor vehicle dealers who accounted for almost half of the dollar increase. Transportation and storage increased 1.3% following an increase of 0.7% in the second quarter. In the last two quarters, pipelines dominated the increases. Community, business and personal services, and communications also increased but at a slower rate than in the second quarter.

After increasing 1.6% in the second quarter, output in mining advanced a further 2.3%. Crude oil and natural gas extraction was responsible for most of the increase. Output of manufacturing continued to improve in the third quarter, advancing 0.5% following a rise of 0.2%. Electrical products, primary metals and machinery and equipment recorded the largest increases. The gains were partly offset by declines in transportation equipment and beverages. Construction output dropped at a slower pace than in the previous two quarters. Agriculture and fishing recorded lower output during the quarter.

Available on CANSIM: matrices (seasonally adjusted estimates) 6701, 6702, 6704-6707, 6709-6716, 6718, 6720-6722, 6724-6727, 6729-6736, 6738, 6740, 6828-6839, 6846 and 7420-7432.

For further information about the subject matter of this release, contact the subject matter information officer (613-951-3640), National Accounts and Environment Division.

The third quarter 1992 issue of *National Income and Expenditure Accounts* (13-001, \$20/\$80), which contains 33 statistical tables, is scheduled for release in December.

A computer printout containing 57 tables of unadjusted and seasonally adjusted NIEA data plus supplementary analytical tables is also available on release day from the National Accounts and Environment Division at a price of \$35 per quarter or \$140 for an annual subscription. Users can purchase the complete quarterly national accounts data set on microcomputer diskettes by modem transfer at 8:30 a.m. on release day for \$125 per quarter or \$500 for an annual subscription. The diskettes are also available by mail, seven days after the official release date, for \$25 per quarter or \$100 for an annual subscription.

To purchase any of these products or to obtain more information about them, contact the client services officer (613-951-3640), National Accounts and Environment Division. □

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

	1991		1992			II 1992 / I 1992	III 1992 / II 1992
	III	IV	I	II	III		
	(\$ millions)					% Change at Quarterly Rates	
Wages, salaries and supplementary labour income ¹	384,448	387,280	388,816	391,980	395,204	0.8	0.8
Corporation profits before taxes	34,028	29,568	32,844	36,252	33,836	10.4	-6.7
Interest and miscellaneous investment income	53,032	53,428	55,684	51,624	49,936	-7.3	-3.3
Accrued net income of farm operators from farm production	3,292	2,896	4,264	3,680	2,828	-13.7	-23.2
Net income of non-farm unincorporated business, including rent	37,244	37,248	36,964	37,088	37,200	0.3	0.3
Inventory valuation adjustment	2,776	868	-2,872	-3,032	-1,480	-160 ²	1,552 ²
Net domestic income at factor cost	514,820	511,288	515,700	517,592	517,524	0.4	0.0
Indirect taxes less subsidies	81,708	84,600	83,460	84,128	86,816	0.8	3.2
Capital consumption allowances	79,528	80,312	80,824	81,704	82,120	1.1	0.5
Statistical discrepancy	2,188	3,216	2,164	1,108	3,152	-1,056 ²	2,044 ²
Gross Domestic Product at market prices	678,244	679,416	682,148	684,532	689,612	0.3	0.7

¹ Includes military pay and allowances.

² Actual change in millions of dollars.

Gross Domestic Product, Expenditure Based

(Seasonally Adjusted at Annual Rates)

	1991		1992		II 1992 / I 1992	III 1992 / II 1992
	III	IV	I	II	III	
	At current prices (\$ millions)					% Change at Quarterly Rates
Personal expenditure on consumer goods and services	413,728	412,964	413,476	416,404	421,616	0.7 1.3
Durable goods	55,028	52,424	53,172	53,304	54,016	0.2 1.3
Semi-durable goods	37,488	37,420	37,048	37,244	38,092	0.5 2.3
Non-durable goods	110,272	109,480	109,420	110,176	110,808	0.7 0.6
Services	210,940	213,640	213,836	215,680	218,700	0.9 1.4
Government current expenditure on goods and services	141,900	142,652	143,712	145,040	147,168	0.9 1.5
Government investment in fixed capital	16,640	16,732	16,752	16,772	17,420	0.1 3.9
Government investment in inventories	8	-148	164	-12	76	-176 ¹ 88 ¹
Business investment in fixed capital	116,324	117,296	116,560	115,100	117,272	-1.3 1.9
Residential	42,860	43,468	43,504	44,168	46,092	1.5 4.4
Non-residential construction	34,496	34,024	33,056	31,120	29,868	-5.9 -4.0
Machinery and equipment	38,968	39,804	40,000	39,812	41,312	-0.5 3.8
Business investment in inventories	368	2,688	-1,540	-2,224	-4,264	-684 ¹ -2,040 ¹
Non-farm	540	2,780	-628	-2,408	-1,936	-1,780 ¹ 472 ¹
Farm and grain in commercial channels	-172	-92	-912	184	-2,328	1,096 ¹ -2,512 ¹
Exports of goods and services	168,136	165,128	173,520	178,316	181,636	2.8 1.9
Merchandise	144,712	141,660	149,176	154,032	156,808	3.3 1.8
Non-merchandise	23,424	23,468	24,344	24,284	24,828	-0.2 2.2
Deduct: Imports of goods and services	176,676	174,680	178,332	183,760	188,160	3.0 2.4
Merchandise	140,624	137,212	141,608	146,504	149,644	3.5 2.1
Non-merchandise	36,052	37,468	36,724	37,256	38,516	1.4 3.4
Statistical discrepancy	-2,184	-3,216	-2,164	-1,104	-3,152	1,060 ¹ -2,048 ¹
Gross Domestic Product at market prices	678,244	679,416	682,148	684,532	689,612	0.3 0.7
Final Domestic Demand	688,592	689,644	690,500	693,316	703,476	0.4 1.5
	At 1986 prices (\$ millions)					
Personal expenditure on consumer goods and services	333,732	333,324	332,980	333,852	336,764	0.3 0.9
Durable goods	48,920	46,624	47,236	47,020	47,768	-0.5 1.6
Semi-durable goods	29,292	29,176	28,968	29,200	29,760	0.8 1.9
Non-durable goods	86,200	86,388	86,560	86,936	86,792	0.4 -0.2
Services	169,320	171,136	170,216	170,696	172,444	0.3 1.0
Government current expenditure on goods and services	116,056	115,768	116,524	116,420	116,980	-0.1 0.5
Government investment in fixed capital	16,172	16,556	16,424	16,432	17,272	0.0 5.1
Government investment in inventories	8	-132	144	-12	68	-156 ¹ 80 ¹
Business investment in fixed capital	105,964	107,884	106,788	105,996	109,132	-0.7 3.0
Residential	31,708	32,368	32,040	32,504	33,600	1.4 3.4
Non-residential construction	29,444	28,952	28,176	26,460	25,288	-6.1 -4.4
Machinery and equipment	44,812	46,564	46,572	47,032	50,244	1.0 6.8
Business investment in inventories	432	2,792	-1,704	-1,772	-3,836	-68 ¹ -2,064 ¹
Non-farm	288	2,688	-768	-1,996	-996	-1,228 ¹ 1,000 ¹
Farm and grain in commercial channels	144	104	-936	224	-2,840	1,160 ¹ -3,064 ¹
Exports of goods and services	171,040	167,380	172,812	175,840	179,140	1.8 1.9
Merchandise	151,872	148,272	153,016	156,232	159,124	2.1 1.9
Non-merchandise	19,168	19,108	19,796	19,608	20,016	-0.9 2.1
Deduct: Imports of goods and services	186,076	185,248	185,188	188,280	193,416	1.7 2.7
Merchandise	150,468	148,240	150,384	153,492	157,888	2.1 2.9
Non-merchandise	35,608	37,008	34,804	34,788	35,528	0.0 2.1
Statistical discrepancy	-1,784	-2,628	-1,768	-900	-2,556	868 ¹ -1,656 ¹
Gross Domestic Product at market prices	555,544	555,696	557,012	557,576	559,548	0.1 0.4
Final Domestic Demand	571,924	573,532	572,716	572,700	580,148	0.0 1.3
	Implicit price indexes					
Personal expenditure on consumer goods and services	124.0	123.9	124.2	124.7	125.2	0.4 0.4
Government current expenditure on goods and services	122.3	123.2	123.3	124.6	125.8	1.1 1.0
Government investment in fixed capital	102.9	101.1	102.0	102.1	100.9	0.1 -1.2
Business investment in fixed capital	109.8	108.7	109.2	108.6	107.5	-0.5 -1.0
Exports of goods and services	98.3	98.7	100.4	101.4	101.4	1.0 0.0
Deduct: Imports of goods and services	94.9	94.3	96.3	97.6	97.3	1.3 -0.3
Gross Domestic Product at market prices	122.1	122.3	122.5	122.8	123.2	0.2 0.3
Final Domestic Demand	120.4	120.2	120.6	121.1	121.3	0.4 0.2

¹ Actual change in millions of dollars.

Real Gross Domestic Product at Factor Cost by Industry

September 1992

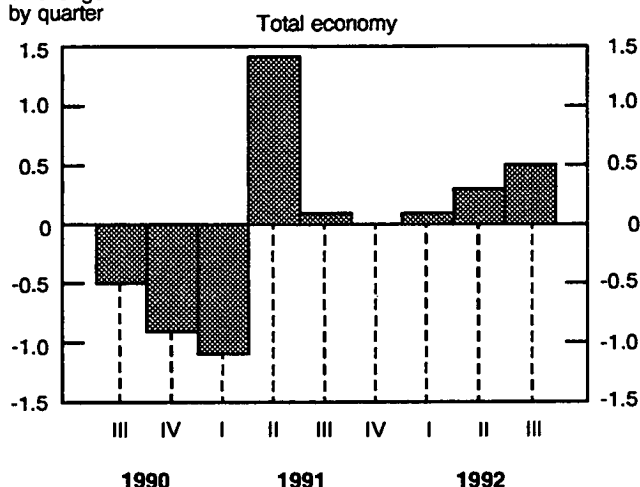
Monthly Overview

Gross Domestic Product at factor cost was unchanged in September following gains of 0.1% in July and 0.5% in August. Output of services was also unchanged after a marginal increase in August, but goods production slipped 0.1%.

Gross Domestic Product

Seasonally adjusted at 1986 prices

% change
by quarter



Services-producing Industries

Output of services slowed for a second consecutive month in September, recording an average increase of less than 0.1% over the last two months compared to 0.3% for the January-July period. Wholesale trade and government services accounted for most of the dollar gains in September. Communications also contributed to the strength. Losses in finance, insurance and real estate, in transportation and storage and in retail trade offset almost all of the gains. Community, business and personal services was unchanged in September.

Wholesale trade increased 0.6% as seven of 11 trade groups recorded higher sales. Wholesalers of food, hardware and petroleum products posted the largest gains. Lower sales of household and miscellaneous goods moderated the increase.

Finance, insurance and real estate edged down 0.1% following four consecutive monthly increases. Most of the decline was attributable to lower activity by securities brokers and finance companies. Elsewhere, gains were fairly widespread, led by increases in mutual funds, real estate and stock exchange activities.

Following three monthly increases, transportation and storage services fell 0.5%. Air transport dropped a further 3.0%, its third consecutive monthly decline. Railway transport decreased 1.6% as carloadings of wheat declined sharply. Pipelines recorded a modest gain of 0.2% following strong advances in the previous three months. Exports and domestic sales of natural gas declined in September.

Retail trade declined 0.2% as 11 of 18 trade groups recorded lower sales. Sales by food retailers and motor vehicle dealers dropped the most, but sales of household furniture and appliances increased.

Elsewhere, communications edged up 0.1% led by a 0.4% gain in telephone services. Government services advanced 0.3%.

Goods-producing Industries

The 0.1% decline in goods production in September followed a 1.4% increase in August. Cutbacks in manufacturing were responsible for most of the decline. Forestry and agriculture also contributed to the weakness. Gains in utilities and construction largely offset the losses. Mining and fishing increased slightly.

Manufacturing output dropped 0.4% following an increase of 1.7% in August. Losses were fairly widespread as 11 of 21 major groups recorded lower output. Transportation equipment accounted for most of the losses in dollar terms. Higher production of wood, electrical and petroleum products partly offset the losses.

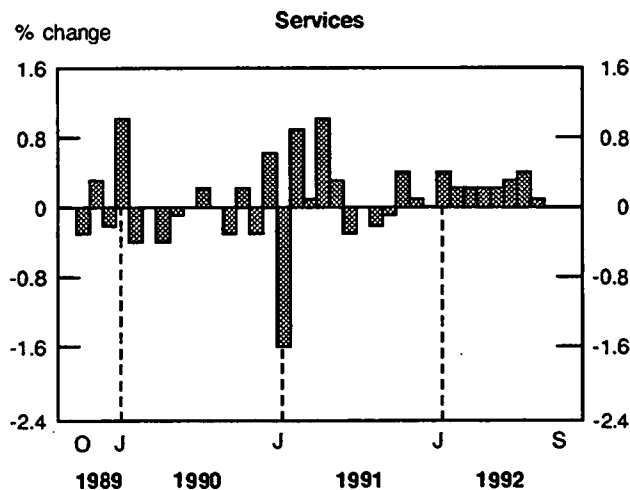
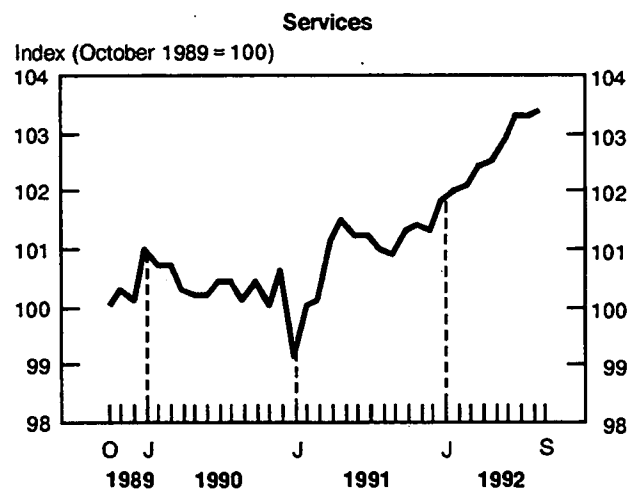
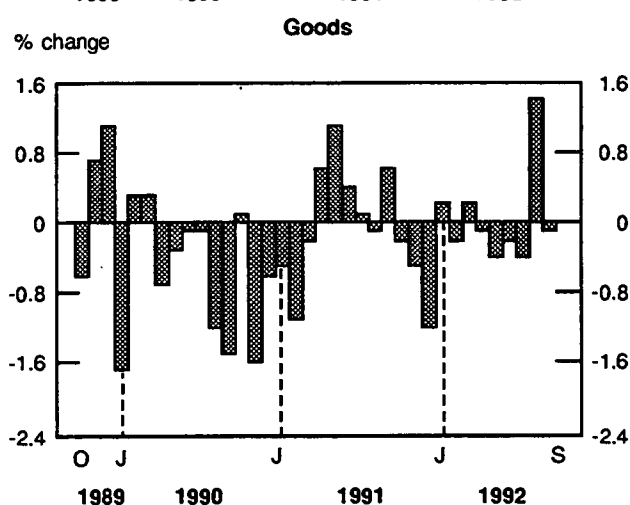
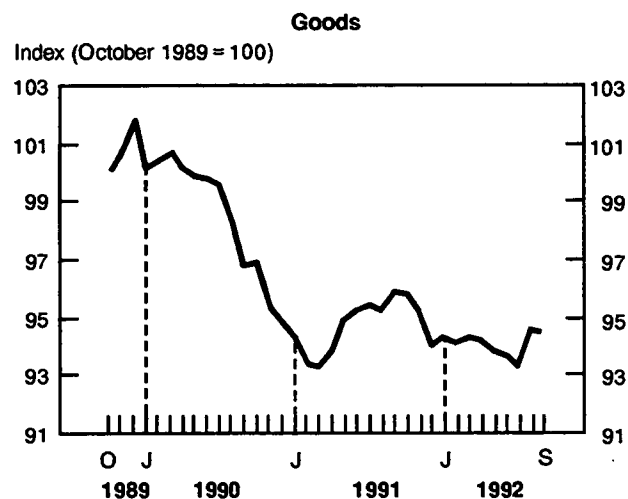
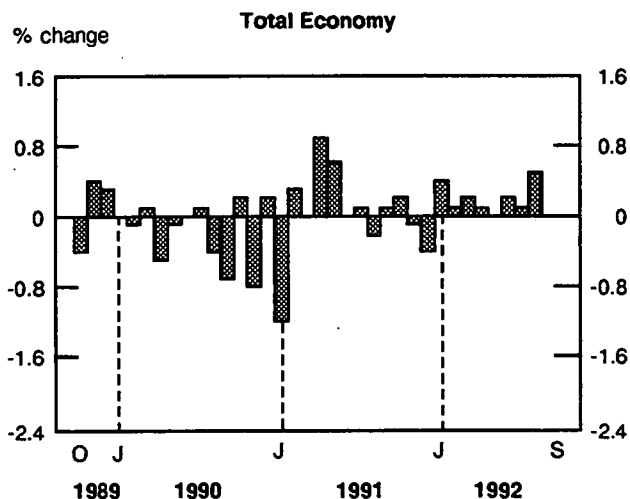
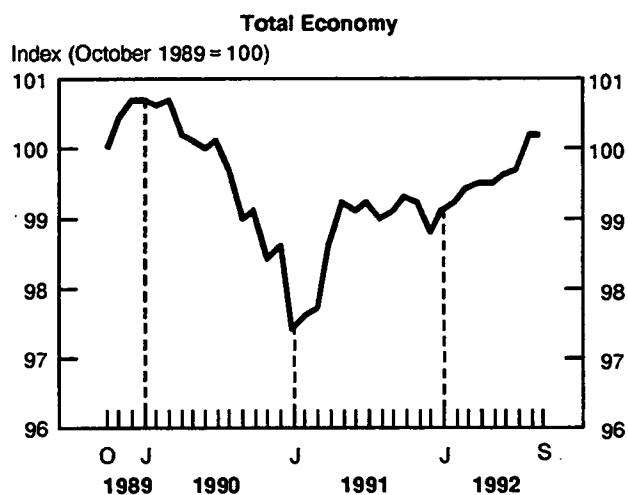
Production of transportation equipment slumped 3.6% as the motor vehicle industry was affected by strikes in several plants in the U.S. and Canada. Output of motor vehicle parts declined 4.0%, while production of motor vehicles fell 4.6%. In August, exports of automotive products fell 4.9%.

Led by a 3.4% gain in the production of electronic equipment, output of electrical products advanced 1.4%. The increase left output 8.2% higher than its year-earlier level.

Producers of wood products boosted output 3.2% in September. Gains were widespread but higher output in sawmills (+3.4%) accounted for most of the increase. A 5.9% advance in output of veneer and plywood also contributed to the strength.

Gross Domestic Product

Seasonally adjusted at 1986 prices



Refiners of petroleum products boosted output 4.2% to its year-earlier level.

Output of mining inched ahead 0.1% as gains in crude oil and natural gas extraction (+1.1%), other metal mines (+3.2%) and iron mines (+14.4%) were offset by drops in drilling and potash mines. The weakness in drilling was attributable to reduced exploration activities in Alberta.

Output of utilities advanced 1.3% led by a 1.5% increase in the production of electricity.

Following several monthly declines, construction output rose 0.4%. Residential construction advanced 1.2%, reflecting increased construction of singles,

doubles and apartments. Non-residential construction continued its slide, falling a further 1.3%. Engineering construction grew 0.7%, a second consecutive monthly increase.

Available on CANSIM: matrices 4671-4674.

The September 1992 issue of *Gross Domestic Product by Industry* (15-001, \$12.70/\$127) is scheduled for release in December.

For further information, contact Michel Girard (613-951-9145), Industry Measures and Analysis Division.

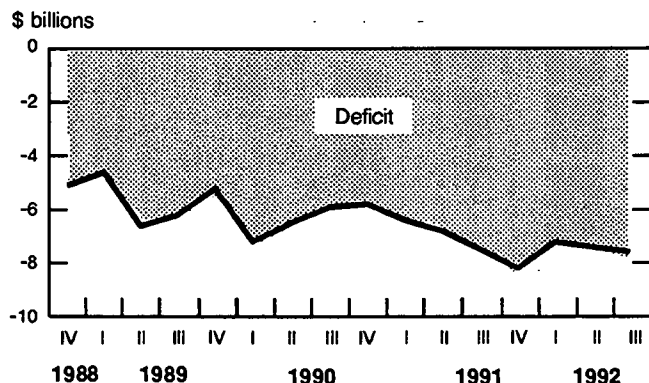
Real Gross Domestic Product at Factor Cost by Industry, at 1986 Prices by Month

(Seasonally Adjusted at Annual Rates)

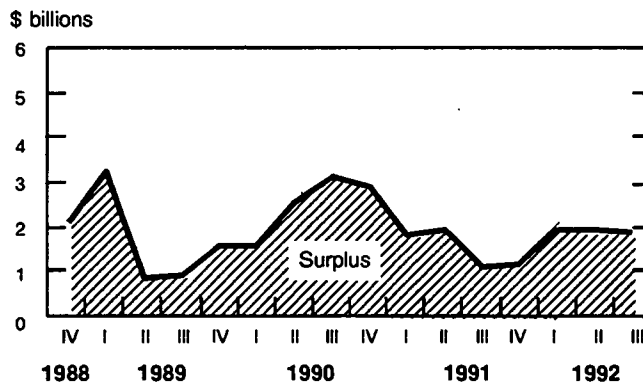
(\$ millions)

	1991	1992			
	September	June	July	August	September
Total Economy	499,353.5	501,923.3	502,545.7	505,038.4	504,890.6
Business Sector:	408,433.1	409,714.3	410,220.3	412,777.9	412,555.7
Goods:	168,450.2	164,531.9	163,886.2	166,088.7	165,960.0
Agriculture	11,267.0	10,717.8	10,522.1	10,480.4	10,427.5
Fishing and Trapping	961.0	933.7	906.0	881.8	885.5
Logging Industry	2,572.6	2,454.5	2,521.1	2,558.6	2,483.6
Mining Industries	19,871.1	20,328.9	20,406.3	21,037.7	21,053.1
Manufacturing Industries	86,159.7	84,589.5	84,144.8	85,559.1	85,195.9
Construction Industries	31,453.4	29,577.4	29,530.1	29,510.1	29,641.2
Other Utility Industries	16,165.4	15,930.1	15,855.8	16,061.0	16,273.2
Services:	239,982.9	245,182.4	246,334.1	246,689.2	246,595.7
Transportation and Storage	21,259.6	21,807.6	22,124.5	22,161.4	22,051.0
Communication Industries	19,112.3	19,454.4	19,590.1	19,456.9	19,484.5
Wholesale Trade	28,233.8	29,495.5	29,812.9	29,744.4	29,921.1
Retail Trade	29,866.9	30,166.9	30,195.7	30,327.9	30,258.2
Finance, Insurance and Real Estate	81,033.8	83,697.3	84,062.2	84,388.6	84,276.9
Community, Business and Personal Services	60,476.5	60,560.7	60,548.7	60,610.0	60,604.0
Non-business Sector:	90,920.4	92,209.0	92,325.4	92,260.5	92,334.9
Goods:	943.6	954.1	958.9	984.1	950.5
Services:	89,976.8	91,254.9	91,366.5	91,276.4	91,384.4
Government Service Industry	32,940.2	34,044.7	34,019.5	33,972.7	34,081.9
Community and Personal Services	53,487.4	53,797.5	53,900.7	53,886.3	53,853.9
Other Services	3,549.2	3,412.7	3,446.3	3,417.4	3,448.6
Other Aggregations:					
Goods-producing Industries	169,393.8	165,486.0	164,845.1	167,072.8	166,910.5
Services-producing Industries	329,959.7	336,437.3	337,700.6	337,965.6	337,980.1
Industrial Production	123,139.8	121,802.6	121,365.8	123,641.9	123,472.7
Non-durable Manufacturing	40,112.7	38,940.1	38,878.2	39,350.4	39,290.7
Durable Manufacturing	46,047.0	45,649.4	45,266.6	46,208.7	45,905.2

Current Account Balance (seasonally adjusted)



Merchandise Trade Balance (seasonally adjusted)



Balance of International Payments

Third Quarter 1992

Highlights

Canada's seasonally adjusted current account deficit increased to \$7.7 billion in the third quarter, an amount second only to the \$8.3 billion record deficit posted in the fourth quarter of 1991. The increase arose mainly from a higher travel deficit with the United States and greater official contributions. The surplus on merchandise trade amounted to \$1.8 billion, in line with the previous two quarters, with both exports and imports again advancing to new highs.

In the capital account, which is not seasonally adjusted, net foreign investment barely trickled into Canadian securities. This contrasted sharply with the pattern in recent years of strong quarterly net investments, with a record of over \$11 billion in the second quarter. During the third quarter, the net foreign purchase of Canadian bonds was virtually offset by the net foreign sale of Canadian money market instruments and stocks. This brought further downward pressure on the Canadian dollar and a record decline in Canada's official reserves.

Current Account, Seasonally Adjusted

- The current account deficit of \$7.7 billion comprised a surplus of \$1.8 billion on merchandise trade and a deficit of \$9.5 billion on non-merchandise transactions.

Note to Users

Reconciliation of the Canada-United States Current Account

A forthcoming study compares the measures of the bilateral current account between Canada and the United States, as published by Statistics Canada and the Bureau of Economic Analysis, U.S. Department of Commerce. The study, conducted jointly by the two agencies, aims to provide a better understanding of the official series at a time when attention is focusing on bilateral transactions in merchandise, services and investment.

The study will be published in an occasional publication, *Reconciliation of the Canada-United States Current Account, 1990 and 1991*; in the December 1992 issue of *Canadian Economic Observer*; and, in the United States, in the November 1992 issue of *Survey of Current Business*.

Further enquiries may be directed to Lucie Laliberté (613-951-9055) or to Anthony DiLullo (202-523-0621), U.S. Bureau of Economic Analysis.

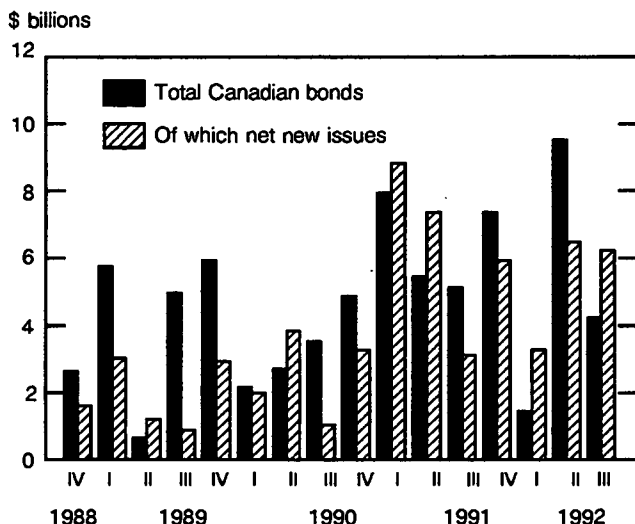
- Merchandise exports advanced for the third consecutive quarter but at a lower rate (1.8%) to \$39.2 billion. Higher sales of wheat led the increase, followed by crude petroleum and precious metals. Some declines occurred in auto parts, trucks and metal ores.
- Similarly, imports continued to increase but again at a slower rate (2.1%) to reach \$37.4 billion. Higher imports were recorded for machinery and equipment (notably communications equipment and office machines), precious metals, miscellaneous industrial material and agricultural products. Purchases abroad of auto parts and energy products fell.

- The deficit on travel matched the record \$2.2 billion of the fourth quarter of 1991. The higher deficit was due to higher expenditures in the United States.
- The investment income account generated a deficit of \$6.1 billion, down slightly from the record \$6.3 billion of the previous quarter. The decline mainly stemmed from lower dividend payments to foreign direct investors.

Current and Capital Accounts, Not Seasonally Adjusted

- The current account deficit amounted to \$6.0 billion compared to \$5.9 billion in the second quarter of 1992. The increase in the merchandise trade surplus was offset by higher deficits in investment income and travel.

Foreign Investment in Canadian Bonds

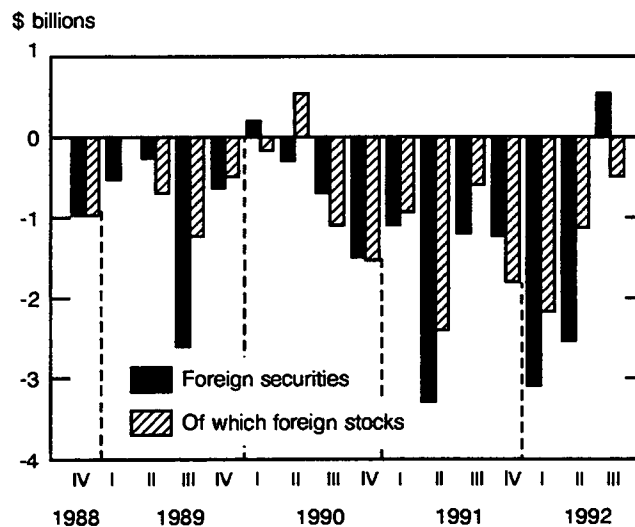


- Among **financial liabilities**, non-residents invested a net \$4.2 billion in Canadian bonds, less than half the record of the second quarter. The net investment consisted entirely of net new issues (\$6.2 billion), which more than offset a net foreign sell-off of \$2.0 billion in outstanding Canadian bonds. After declining for most of 1992, Canadian interest rates rebounded in September, creating much volatility in the market. Gross trading in Canadian outstanding bonds

soared to a record \$162 billion, exceeding by more than 25% the previous record set in the fourth quarter of 1991.

- For the first time since the first quarter of 1991, non-residents reduced their holdings of Canadian money market instruments by a record net \$4.0 billion, with most of the reduction concentrated in Government of Canada treasury bills (\$3.4 billion). Trading, which had been above average in 1992, reached a new high of \$117 billion during the quarter.

Canadian Investment in Foreign Securities



- The foreign currency transactions of Canadian banks gave rise to a net outflow of \$3.5 billion, largely through higher deposits abroad. This followed a net outflow of \$1.5 billion in the previous quarter.
- Foreign direct investment in Canada resulted in a net inflow of \$1.5 billion, up from the relatively modest net investments recorded earlier in the year. Non-resident funds were largely channelled into the Canadian manufacturing and mining industries.
- Among **financial assets**, Canada's international reserves dropped by a record \$3.6 billion on a net basis, bringing to a net \$6.1 billion the decline in reserves since the beginning of the year.

-
- Canadian residents also reduced their holdings of foreign bonds by \$1.0 billion but continued to add to their foreign stock holdings (\$0.5 billion).
 - Canadian direct investors continued to add to their investment abroad, (a net outflow of \$0.8 billion), in line with the quarterly pattern that prevailed for the last two years.
 - Canadian residents (excluding banks) increased their deposits abroad by \$0.9 billion, reversing most of the withdrawal of the previous quarter.
 - The statistical discrepancy (the balancing item between the recorded estimates of the current and capital accounts) was equivalent to a net credit of \$3.5 billion.
 - The Canadian dollar declined markedly during the quarter to a low of 79.37 U.S. cents at the end of September; the depreciation was sharper against other major currencies.
- Available on CANSIM: matrices (annually) 2323-2325, 2327, 2328, 2331, 2333-2339, 2354, 2355, 2357, 1370; (quarterly) 2326, 2329, 2332, 2343-2349, 2353-2355, 1364; (monthly) 2330.**
- The third quarter 1992 issue of *Canada's Balance of International Payments* (67-001, \$27.50/\$110) will be available in December. See "How to Order Publications".
- For further information, contact Lucie Laliberté (613-951-9055), Balance of Payments Division. □

Canada's Balance of International Payments, Not Seasonally Adjusted

	1991		1992			1990	1991
	III	IV	I	II	III		
(millions of dollars)							
Current Account							
Receipts							
Merchandise exports	34,506	36,174	36,820	40,544	37,748	146,520	141,728
Non-merchandise:							
Services	7,390	5,143	5,005	6,303	7,794	23,045	23,305
Investment income ¹	2,248	2,584	2,183	1,922	1,895	9,764	9,714
Transfers	1,034	848	954	1,046	1,124	4,143	3,575
Total non-merchandise receipts	10,672	8,575	8,142	9,271	10,812	36,953	36,594
Total receipts	45,178	44,749	44,962	49,814	48,561	183,473	178,322
Payments							
Merchandise imports	33,605	34,658	35,777	37,818	36,003	136,600	135,948
Non-merchandise:							
Services	9,131	8,734	9,434	9,483	9,802	34,326	35,588
Investment income ¹	7,568	8,576	8,255	8,139	7,816	34,020	32,099
Transfers	818	1,042	1,085	831	986	4,235	3,937
Total non-merchandise payments	17,518	18,352	18,774	18,453	18,604	72,581	71,623
Total payments	51,123	53,010	54,551	56,271	54,607	209,182	207,571
Balances							
Merchandise	+ 901	+ 1,516	+ 1,043	+ 2,725	+ 1,745	+ 9,920	+ 5,780
Non-merchandise	- 6,845	- 9,778	- 10,632	- 9,182	- 7,792	- 35,629	- 35,030
Total current account	- 5,944	- 8,261	- 9,589	- 6,456	- 6,046	- 25,709	- 29,249
Capital Account²							
Canadian claims on non-residents, net flows							
Canadian direct investment abroad ¹	- 717	- 758	- 912	- 889	- 763	- 5,100	- 4,400
Portfolio securities:							
Foreign bonds	- 601	+ 554	- 934	- 1,374	+ 1,032	- 31	- 1,128
Foreign stocks	- 586	- 1,791	- 2,162	- 1,147	- 496	- 2,269	- 5,710
Government of Canada assets:							
Official international reserves	- 1,388	+ 2,919	+ 1,734	+ 689	+ 3,629	- 649	+ 2,830
Loans and subscriptions	- 214	- 684	- 734	- 220	- 439	- 1,450	- 1,781
Non-bank deposits abroad	+ 591	+ 522	- 1	+ 819	- 754	- 481	- 439
Other claims	+ 833	+ 299	+ 277	- 1,532	+ 1,236	+ 715	+ 2,610
Total Canadian claims, net flow	- 2,082	+ 1,061	- 2,732	- 3,653	+ 3,446	- 9,266	- 8,018
Canadian liabilities to non-residents, net flows							
Foreign direct investment in Canada ¹	+ 1,647	+ 1,405	+ 807	+ 419	+ 1,478	+ 6,820	+ 5,890
Portfolio securities:							
Canadian bonds	+ 5,103	+ 7,377	+ 1,454	+ 9,555	+ 4,227	+ 13,296	+ 25,829
Canadian stocks	+ 454	- 92	+ 299	+ 65	- 187	- 1,735	- 990
Canadian banks' net foreign currency transactions with non-residents ³	- 2,512	+ 1,360	+ 2,089	- 1,545	- 3,480	+ 3,155	+ 4,957
Money market instruments:							
Government of Canada paper	+ 2,623	+ 1,560	+ 3,231	- 278	- 3,350	+ 2,666	+ 2,288
Other paper	+ 669	+ 664	+ 1,545	+ 1,847	- 609	+ 2,223	+ 2,140
Allocation of Special Drawing Rights	+ 1,246	+ 1,340	+ 2,679	+ 2,072	+ 1,006	+ 8,288	+ 2,948
Other liabilities	-	-	-	-	-	-	-
Total Canadian liabilities, net flow	+ 9,230	+ 13,614	+ 12,103	+ 12,135	- 914	+ 34,712	+ 43,062
Total capital account, net flow	+ 7,148	+ 14,675	+ 9,370	+ 8,482	+ 2,532	+ 25,446	+ 35,044
Statistical Discrepancy	- 1,204	- 6,414	+ 219	- 2,026	+ 3,514	+ 262	- 5,795

¹ Excludes retained 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.

³ When the banks' foreign currency position (booked in Canada) with non-residents is a net asset, series is classified as part of Canadian claims on non-residents.

- Nil or zero.

Current Account, Seasonally Adjusted

	1991		1992			1990	1991
	III	IV	I	II	III		
(millions of dollars)							
Receipts							
Merchandise exports	36,178	35,416	37,294	38,508	39,202	146,520	141,728
Non-merchandise							
Services:							
Travel	1,944	1,904	2,044	2,023	2,014	7,748	7,802
Freight and shipping	1,359	1,369	1,429	1,432	1,485	5,291	5,443
Business services	2,133	2,143	2,155	2,164	2,236	8,252	8,303
Government transactions	196	216	228	218	216	886	854
Other services	223	235	230	234	256	868	903
Total services	5,855	5,868	6,085	6,071	6,205	23,045	23,305
Investment income ¹ :							
Interest	1,237	1,194	1,106	988	1,017	5,593	5,008
Dividends	1,236	1,056	1,158	944	1,080	4,171	4,706
Total investment income	2,473	2,250	2,264	1,932	2,098	9,764	9,714
Transfers:							
Inheritances and immigrants' funds	340	309	455	460	359	1,490	1,341
Personal and institutional remittances	244	241	253	255	256	935	968
Canadian withholding tax	347	310	338	342	406	1,719	1,267
Total transfers	930	859	1,046	1,057	1,021	4,143	3,575
Total non-merchandise receipts	9,257	8,977	9,396	9,060	9,324	36,953	36,594
Total receipts	45,435	44,393	46,689	47,568	48,525	183,473	178,322
Payments							
Merchandise imports	35,156	34,304	35,402	36,626	37,411	136,600	135,948
Non-merchandise							
Services:							
Travel	3,904	4,167	4,016	4,031	4,232	14,507	15,365
Freight and shipping	1,348	1,434	1,405	1,429	1,446	5,443	5,403
Business services	3,181	3,163	3,170	3,257	3,320	12,295	12,507
Government transactions	409	428	412	423	431	1,437	1,633
Other services	170	176	178	174	200	644	680
Total services	9,012	9,368	9,181	9,313	9,628	34,326	35,588
Investment income ¹ :							
Interest	6,777	6,844	7,208	6,967	7,081	27,115	27,338
Dividends	1,225	1,088	1,175	1,284	1,122	6,905	4,760
Total investment income	8,002	7,932	8,384	8,252	8,203	34,020	32,099
Transfers:							
Inheritances and emigrants' funds	67	68	70	71	72	251	269
Personal and institutional remittances	270	272	284	285	285	1,013	1,079
Official contributions	387	676	603	400	552	2,658	2,272
Foreign withholding tax	80	82	74	77	74	313	317
Total transfers	805	1,098	1,031	833	982	4,235	3,937
Total non-merchandise payments	17,819	18,399	18,596	18,397	18,813	72,581	71,623
Total payments	52,975	52,702	53,998	55,023	56,224	209,182	207,571
Balances							
Merchandise	+ 1,022	+ 1,112	+ 1,891	+ 1,882	+ 1,791	+ 9,920	+ 5,780
Non-merchandise:							
Services	- 3,158	- 3,500	- 3,096	- 3,241	- 3,422	- 11,281	- 12,283
Investment income ¹	- 5,528	- 5,683	- 6,119	- 6,320	- 6,105	- 24,255	- 22,385
Transfers	+ 125	- 239	+ 15	+ 224	+ 38	- 92	- 362
Total non-merchandise	- 8,562	- 9,422	- 9,200	- 9,337	- 9,489	- 35,629	- 35,030
Total current account	- 7,540	- 8,310	- 7,308	- 7,455	- 7,698	- 25,709	- 29,249

¹ Excludes retained earnings.

Financial Flow Accounts

Third Quarter 1992

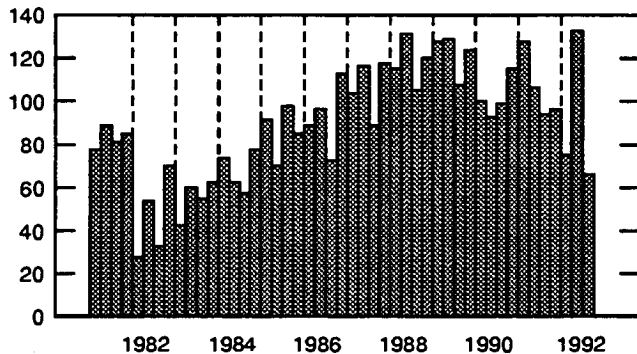
Total funds raised by domestic non-financial sectors on credit and equity markets amounted to \$66.0 billion in the third quarter of 1992, seasonally adjusted at annual rates (see Chart 1). This represented a substantial decrease from the second quarter. In contrast to the previous quarter, when borrowing by governments accounted for most of the growth, the demand for funds in the third quarter was weak in each of the major sectors of the economy. This slowdown in financial activity was a return to the restrained demand for funds that was evident in the first three months of the year – depressed levels that had not been recorded in over six years.

Chart 1

Total Funds Raised on Credit Markets by Domestic Non-financial Sectors

Seasonally adjusted at annual rates

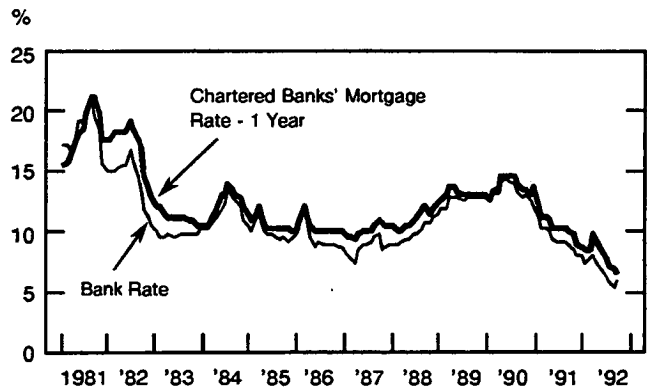
\$ billions



Among the more important financial developments during the third quarter were the following: nominal interest rates continued their prolonged decline, with the rate on prime business loans reaching a low of 6.25% – seven percentage points lower than it was 24 months earlier; non-financial private corporations' demand for funds weakened from an already low level in the previous quarter, although equity financing showed sustained strength; federal government borrowing remained relatively strong; provincial government borrowing fell sharply, to one-ninth of its elevated second quarter level; consumer debt was again repaid on a net basis, and mortgage demand remained flat.

Chart 2

Selected Canadian Interest Rates



Source: Bank of Canada Review.

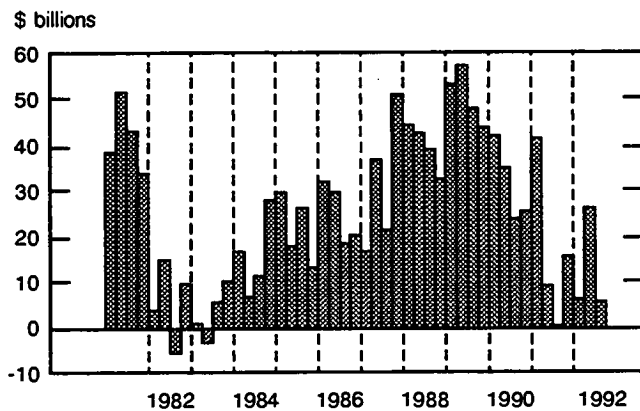
The narrowly measured money supply, M1, posted double-digit growth at annual rates over the third quarter. The Bank Rate fell through most of the quarter, leading to further downward movements in market rates (see Chart 2). These declines were spread across the maturity spectrum, but tended to be more pronounced for instruments such as deposits, loans and mortgages. By the latter part of the quarter, interest rates reached their lowest levels since the downward trend began near the end of 1990. The differential between the Bank Rate and the U.S. Federal Funds Rate narrowed to 174 basis points in early September. Canada's official rate came in at under 5% in this period, a level it had not broken through since 1973. The continued easing of monetary conditions coincided with the Canadian dollar stabilizing in the 83.4 to 84.4 cents U.S. range during the July and August period.

The stability in the domestic currency was not sustained through the quarter, as close to a three-cent depreciation took place through the month of September. This was a much steeper drop in the Canadian dollar than the drop that occurred in January of this year, which resulted in a brief interruption of the downward trend in interest rates around that time. With only modest upward adjustments in the Bank Rate during the last half of September, financial institutions' rates on loans and deposits did not move. However, in the closing days of the third quarter, money market rates rose sharply, by as much as three full percentage points at the short end of the market. These abrupt movements coincided with turmoil in foreign exchange markets.

Chart 3

Funds Raised by Non-financial Private Corporations

Seasonally adjusted at annual rates

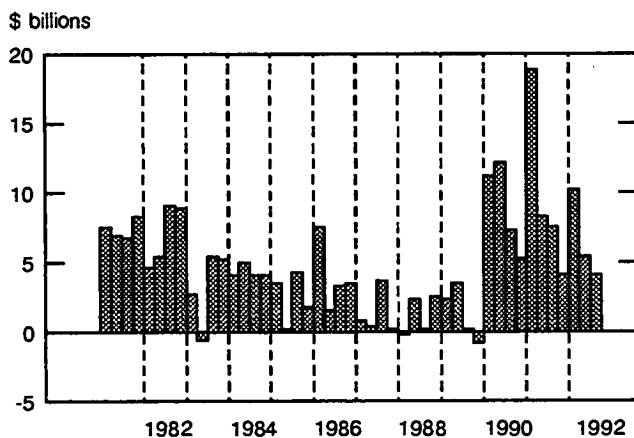


Funds raised by non-financial private corporations were down sharply from the second quarter, matching the net redemption of credit-market debt in the first three months of the year (see Chart 3). The corporate demand for funds remained quite weak for 1992 in comparison with previous years. Weakness in capital expenditure continued to be among the principal causes for this reduced demand for funds. Financial activity was largely confined to restructuring balance sheets in the sector, as shorter-term debt

Chart 4

Funds Raised by Non-financial Government Enterprises

Seasonally adjusted at annual rates



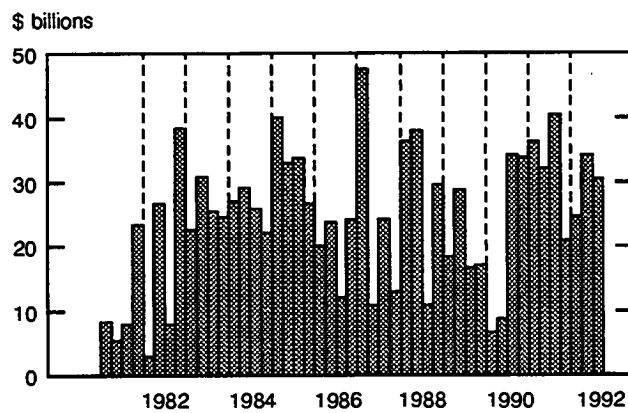
was replaced with longer-term debt. Share issues remained relatively strong for the fourth consecutive quarter, further acting to reduce the debt to equity ratio.

Non-financial government business enterprise borrowing was down again in the third quarter, returning to levels more consistent with their financing activity in the years prior to 1990 (see Chart 4). Issues of bonds replaced loans, as these corporations mirrored the financing activities of private corporations. Credit-market debt was reduced and shares were issued in one province, as part of the reduction of government ownership in an enterprise.

Chart 5

Funds Raised by the Federal Government

Seasonally adjusted at annual rates



Borrowing by the federal government was down somewhat in the quarter, in contrast to an increase in the deficit (see Chart 5). In the face of the lowest bond yields in well over a decade, the Government of Canada raised just over two-thirds of its funds through issues of marketable bonds. The bulk of these new issues had term to maturity in excess of five years. Financing also took place through issues of short-term paper (treasury bills and Canada bills), but at half the pace of the previous quarter.

The demand for funds by other levels of government was down sharply in the third quarter, resulting in a level of borrowing several times smaller than that of the previous quarter (see Chart 6). The drop in borrowing was attributable to provincial governments. To offset this decline, financial assets built up in the second quarter were drawn down in the third quarter, as the provincial sector borrowing requirement widened. Following the trend in other

sectors of the economy, provincial governments' principal sources of finance were issues of long-term debt. There was a substantial reduction of short-term paper, as most of the financial activity in the sector amounted to refinancing.

Chart 6

Total Funds Raised by Other Levels of Government

Seasonally adjusted at annual rates

\$ billions

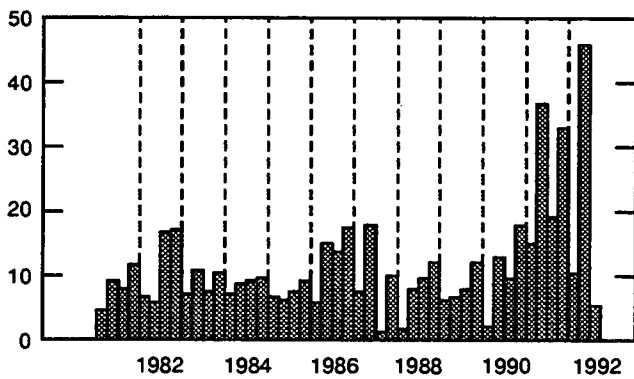
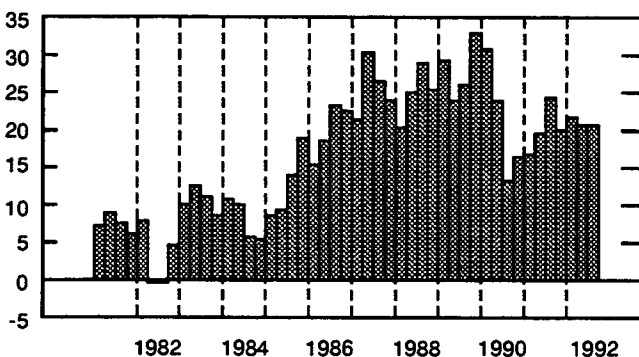


Chart 7

Mortgage Borrowing in the Personal Sector

Seasonally adjusted at annual rates

\$ billions



Borrowing in the personal sector during the third quarter was unchanged from the low level in the previous quarter. Mortgage finance, which began to recover in the spring of 1991, has held fairly steady over the last four quarters (see Chart 7). This occurred even though interest rates on five-year mortgages fell to 8.50%, down four percentage points

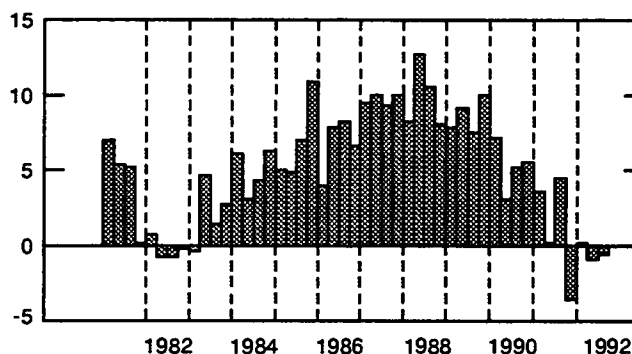
since December of 1990. Meanwhile, debt in the form of consumer credit fell as repayments exceeded new funds raised for the second consecutive quarter (see Chart 8). Nonetheless, the growth in borrowing outpaced gains in after-tax income, as the ratio of consumer credit and mortgage debt to personal disposable income edged up to 84.2% – a new historical high. Elevated levels of indebtedness continued to constrain the demand for funds in this sector.

Chart 8

Consumer Credit Borrowing in the Personal Sector

Seasonally adjusted at annual rates

\$ billions



For further information about the subject matter in this release, contact the information officer (613-951-3640), National Accounts and Environment Division.

The third quarter 1992 issue of *Financial Flow Accounts* (13-014, \$12.50/\$50), which contains an overview of the quarter plus 40 analytical and statistical tables, is scheduled for release in December.

A computer printout containing the detailed financial flows matrices is also available seven days after release day from the National Accounts and Environment Division at a price of \$35 per quarter or \$140 per year. Users can purchase the financial flows data on microcomputer diskettes by modem transfer at 8:30 a.m. on release day for \$300 per quarter or \$1,200 per year. The diskettes are also available by mail, seven business days after the official release date, for \$60 per quarter or \$240 per year.

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Debt-to-income Ratios

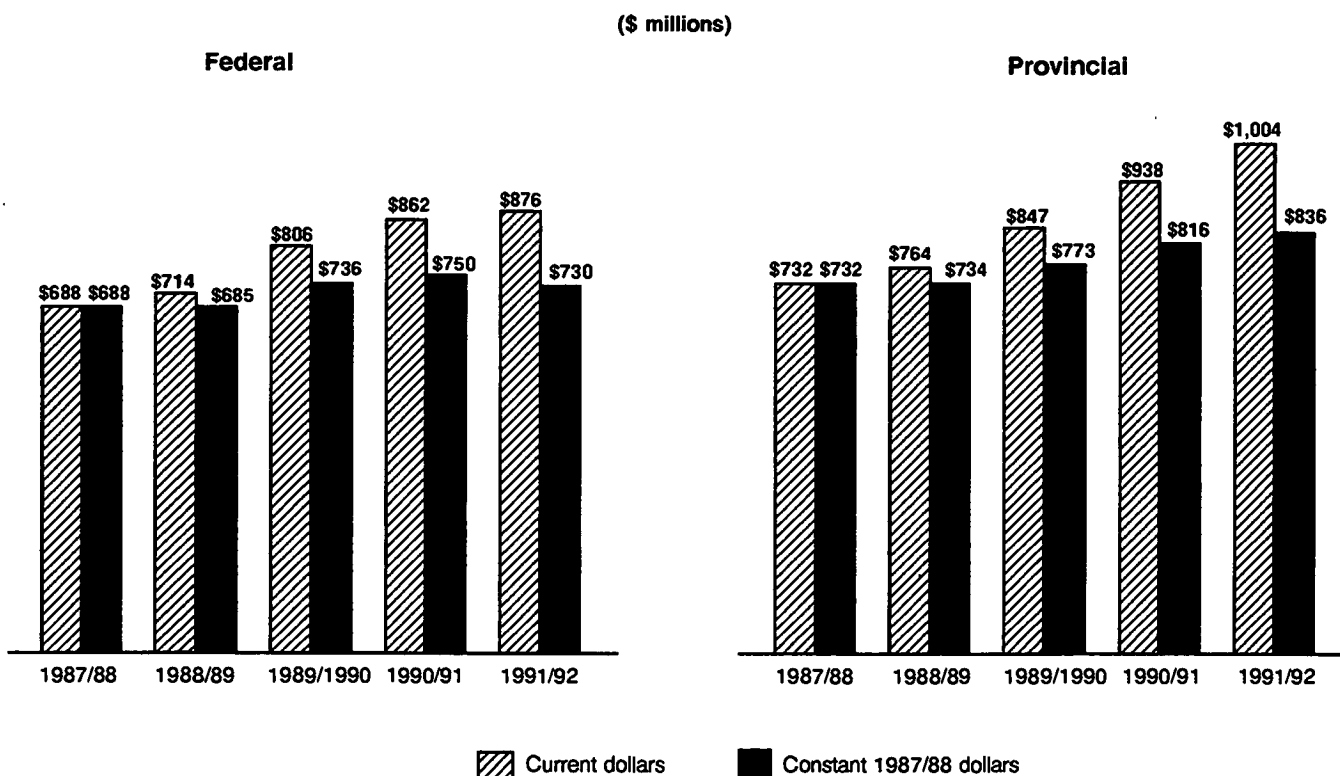
	1991				1992		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	(\$ Billions)						
Persons and Unincorporated Business							
Debt							
Consumer Credit	99.0	99.0	100.1	99.1	99.2	99.0	98.8
Mortgages	273.6	278.7	284.9	290.0	295.5	300.7	305.8
Total	372.6	377.7	385.0	389.1	394.7	399.6	404.6
Personal Disposable Income	463.3	470.0	470.1	465.2	468.5	475.3	480.2
Debt-to-income Ratio (%)	80.4	80.4	81.9	83.6	84.2	84.1	84.3
Debt-to-GDP Ratio (%)	56.1	55.9	56.8	57.3	57.9	58.4	58.7
Federal Government							
Debt	324.3	331.9	341.8	346.7	352.8	361.4	369.0
Debt-to-GDP Ratio (%)	48.8	49.1	50.4	51.0	51.7	52.8	53.5
Other Levels of Government							
Debt	167.2	176.5	181.3	189.6	192.2	203.6	204.9
Debt-to-GDP Ratio (%)	25.2	26.1	26.7	27.9	28.2	29.7	29.7
Non-financial Private Corporations							
Debt	343.3	343.9	342.3	343.5	342.7	346.8	346.4
Debt-to-GDP Ratio (%)	51.7	50.9	50.5	50.6	50.2	50.7	50.2
Gross Domestic Product (GDP)	664.1	675.8	678.2	679.4	682.1	684.5	689.6

Financial Market Summary Table
 (Seasonally Adjusted at Annual Rates)

	1991		1992		
	III	IV	I	II	III
	(\$ millions)				
Persons and Unincorporated Business					
Funds Raised:	25,592	22,872	23,444	20,556	20,576
Consumer Credit	4,444	-3,584	252	-808	-560
Bank Loans	-432	-1,616	428	168	1,600
Other Loans	-2,608	8,264	1,072	332	-1,040
Mortgages	24,248	19,912	21,864	20,692	20,568
Bonds	-60	-104	-172	172	8
Non-financial Private Corporations					
Funds Raised:	500	15,676	6,332	26,696	5,784
Bank Loans	-14,452	-6,424	28,152	-14,576	-1,096
Other Loans	4,412	796	-8,688	2,976	360
Other Short-term Paper	-7,728	-5,384	-29,156	13,028	-10,708
Mortgages	7,276	8,400	11,200	6,652	6,088
Bonds	4,336	7,856	-4,660	8,044	3,796
Shares	6,656	10,432	9,484	10,572	7,344
Non-financial Government Enterprises					
Funds Raised:	7,428	4,048	10,148	5,368	4,004
Bank Loans	-3,044	-1,080	-1,060	-748	-1,540
Other Loans	-576	-700	-148	-2,340	572
Other Short-term Paper	4,040	864	1,208	396	260
Mortgages	-8	-8	-12	-12	-8
Bonds	3,688	4,972	10,160	8,072	2,320
Shares	3,328	-	-	-	2,400
Federal Government					
Funds Raised:	40,508	20,708	24,612	34,292	30,368
Other Loans	-4	-	-4	-	-
Canada Short-term Paper	24,328	-2,848	19,964	16,788	8,036
Canada Saving Bonds	-88	1,580	240	2,168	816
Marketable Bonds	16,272	21,976	4,412	15,336	21,516
Other Levels of Government					
Funds Raised:	19,212	33,008	10,292	45,776	5,292
Bank Loans	-128	40	164	120	-600
Other Loans	228	184	384	-732	72
Short-term Paper	-8,148	9,916	-5,204	18,944	-12,656
Provincial Bonds	25,908	20,572	12,620	26,560	17,420
Municipal Bonds	1,352	2,304	2,280	928	1,304
Other bonds	-	-8	48	-44	-248
Total Funds Raised by Domestic Non-financial Sectors	93,240	96,312	74,828	132,688	66,024
Consumer Credit	4,444	-3,584	252	-808	-560
Bank Loans	-18,056	-9,080	27,684	-15,036	-1,636
Other Loans	1,452	8,544	-7,384	236	-36
Canada Short-term Paper	24,328	-2,848	19,964	16,788	8,036
Other Short-term Paper	-11,836	5,396	-33,152	32,368	-23,104
Mortgages	31,516	28,304	33,052	27,332	26,648
Bonds	51,408	59,148	24,928	61,236	46,932
Shares	9,984	10,432	9,484	10,572	9,744

- Nil or zero.

Operating Expenditures on Federal and Provincial Corrections in Current and Constant Dollars, 1987/88 to 1991/92



Correctional Expenditures and Personnel in Canada

1991/92

Highlights

- In 1991/92, federal, provincial and territorial operating expenditures on adult corrections were \$1.876 billion. The Federal Government spent \$876 million on adult corrections, while the provinces and territories spent \$1.0 billion.
- On average, 79% of total operating expenditures in all jurisdictions were for the provision of custodial services.
- During 1991/92, there were 28,163 persons employed in the provision of correctional services in Canada: 17,877 in provincial/territorial systems and 10,611 in the federal system.
- In 1991/92, total federal and provincial custodial and non-custodial caseloads reached record levels, increasing from the previous year by 5% and 11%, respectively. The average count of offenders in custody in 1991/92 was 30,728: 18,945 in provincial facilities and 11,783 in federal penitentiaries. Compared to 1990/91, custodial counts increased by 6% in provincial institutions and 4% in federal penitentiaries.
- The average count of offenders under community supervision in 1991/92 was 105,460. Over 91% (96,027) of these were supervised by provincial probation and parole services. The remaining 9,433 offenders were under federal community supervision: 4,141 (44%) were federal offenders on full parole, 2,419 (26%) were on mandatory supervision, and 1,700 (18%) were on day parole. Provincial offenders on day parole and full parole accounted for most of the remaining cases (616 or 7%).

-
- Within this context, total government operating expenditures on adult corrections increased by 4% from \$1.80 billion in 1990/91 to \$1.88 billion in 1991/92. In constant dollars, this amounted to an increase of .05%. For the period 1987/88 to 1991/92, there was a 10.2% constant dollar increase.
 - Of the total operating expenditures on adult corrections in 1991/92, a total of \$876.4 million was spent on the federal correctional system, a 1.7% increase over \$862.0 million spent the previous year. The provinces and territories spent over \$1 billion on correctional services in 1991/92, an increase of 7% from \$938.2 million spent in 1990/91.
 - Nine percent of every dollar spent on correction services in 1991/92 went to non-custodial services or community supervision programs, which include probation, parole and mandatory

supervision. However, the largest portion of every dollar spent on corrections (79%) in 1991/92 went to custodial services. The balance of every dollar spent went to headquarters and central services.

Juristat Service Bulletin: Correctional Expenditures and Personnel in Canada, 1991/92, Vol. 12, No. 22 (85-002, \$3.60 /\$90) is now available. See "How to Order Publications".

For further information on this release, contact Information and Client Services (613-951-9023 or toll free: 1-800-387-2231), Canadian Centre for Justice Statistics. Or contact the Adult Correctional Services Program (613-951-6655), Canadian Centre for Justice Statistics. ■

DATA AVAILABILITY ANNOUNCEMENTS

Government Revenue and Expenditure (SNA Basis)

Third Quarter 1992

Federal, provincial and local government detailed revenue and expenditure estimates on a national accounts basis for the quarter ended September 30, 1992 are now available. Revised and detailed estimates for the quarters ended March 31, 1992 and June 30, 1992 are also available.

Available on CANSIM: matrices 2711 (federal), 2712 (provincial) and 2713 (local).

Data are also available through custom and special tabulations. For more information or general inquiries on Public Institutions Division products or services, contact Patricia Phillips, Data Dissemination and External Relations Coordinator (613-951-0767).

For further information on this release, contact James Temple (613-951-1832) or Robert Loggie (613-951-1809), Public Administration Section, Public Institutions Division. ■

Motor Carriers of Freight Annual Survey, For-hire Carriers – Financial and Operating Statistics

1990

A total of 1,035 Level II carriers with annual revenues between \$1 and \$5 million reported \$2.37 billion in operating revenues and \$2.22 billion in operating expenses in 1990.

Total equipment operated numbered 34,769 units in 1990.

Salaries and wages (excluding benefits) totalled over \$603 million, while 20,806 employees were engaged in this industry during 1990.

These data and more information from the Annual Motor Carriers of Freight Survey will be available in *Trucking in Canada* (53-222, \$45), which is scheduled for release in February 1993.

For more information on this release, contact Andrea Mathieson (613-951-2493) or Gilles Paré (613-951-2517) or fax (613-951-0579), Surface Transport Unit, Transportation Division. ■

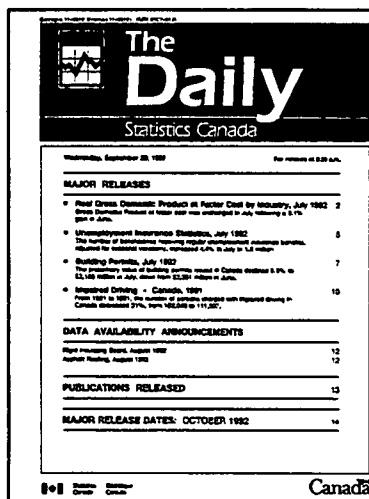
Traveller Accommodation Statistics

1990 (Preliminary Data)

Preliminary data on traveller accommodation statistics for 1990 are now available.

These data will appear in Vol. 4, No. 7 of *Service Industries Service Bulletin* (63-015, \$7.20/\$43).

For further information, please contact Sam Lee (613-951-0663), Accommodation and Food Services, Services, Science and Technology Division. ■



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DATA AVAILABILITY ANNOUNCEMENTS

Farm Cash Receipts, January-September 1992.

Catalogue number 21-001

(Canada: \$11/\$44; United States: US\$13.25/US\$53;
Other Countries: US\$15.50/US\$62).

**Production, Shipments and Stocks on Hand of
Sawmills in British Columbia, September 1992.**

Catalogue number 35-003

(Canada: \$7.10/\$71; United States: US\$8.50/US\$85;
Other Countries: US\$9.90/US\$99).

Imports by Commodity, September 1992.

Catalogue number 65-007

(Canada: \$55.10/\$551; United States:
US\$66.10/US\$661; Other Countries:
US\$77.10/US\$771).

**Quarterly Estimates of Trusteed Pension Funds,
Second Quarter 1992.**

Catalogue number 74-001

(Canada: \$11/\$44; United States: US\$13.25/US\$53;
Other Countries: US\$15.50/US\$62).

**Juristat Service Bulletin: Correctional
Expenditures and Personnel in Canada, 1991-92.**
Vol. 12, No. 22.

Catalogue number 85-002

(Canada: \$3.60/\$90; United States: US\$4.30/US\$108;
Other Countries: US\$5/US\$126).

**Postcensal Annual Estimates of Population by
Marital Status, Age, Sex and Components of
Growth for Canada, Provinces and Territories,**
June 1, 1992.

Catalogue number 91-210

(Canada: \$29; United States: US\$35; Other
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MAJOR RELEASE DATES: DECEMBER 1992

(Release dates are subject to change)

Anticipated date(s) of release	Title	Reference period
December		
1	Canadian Composite Leading Indicator	September 1992
1	Sales of Refined Petroleum Products	October 1992
1	Building Permits	September 1992
1	Short-term Expectations Survey	
2	Help-wanted Index	November 1992
2	RRSP Contributions	1991
3	Industrial Capacity Utilization Rates in Canada	Third Quarter 1992
4	Labour Force Survey	November 1992
8	Census of Population: Immigration and Citizenship	1991
9	New Motor Vehicle Sales	October 1992
9	Farm Product Price Index	October 1992
9	Estimates of Labour Income	September 1992
10	New Housing Price Index	October 1992
10	Department Store Sales by Province and Metropolitan Area	October 1992
15	Monthly Survey of Manufacturing	October 1992
15	Travel Between Canada and Other Countries	October 1992
16	Department Store Sales - Advance Release	November 1992
17	Preliminary Statement of Canadian International Trade	October 1992
18	Consumer Price Index	November 1992
18	Sales of Natural Gas	October 1992
21	Retail Trade	October 1992
22	Wholesale Trade	October 1992
22	Department Store Sales and Stocks	October 1992
23	Canada's International Transactions in Securities	October 1992
23	Unemployment Insurance Statistics	October 1992
24	Real Gross Domestic Product at Factor Cost by Industry	October 1992
24	Major Release Dates	January 1993

The January 1993 release schedule will be published on December 24, 1992. **Users note:** This schedule can be retrieved from **CANSIM** by the command **DATES**. Contact Greg Thomson (613-951-1187), Communications Division.

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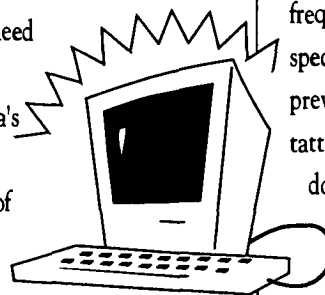
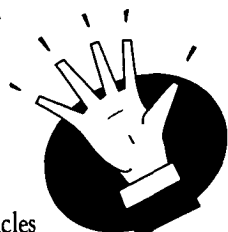
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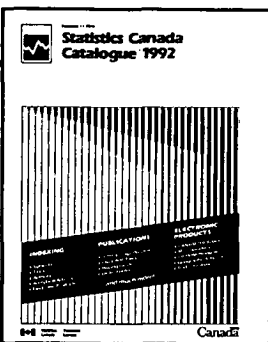
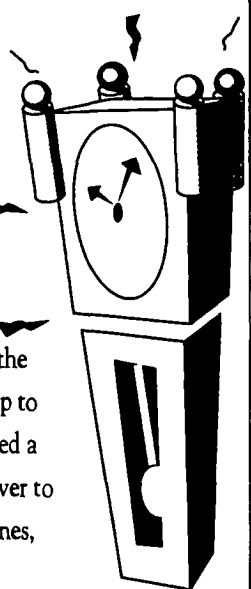
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