

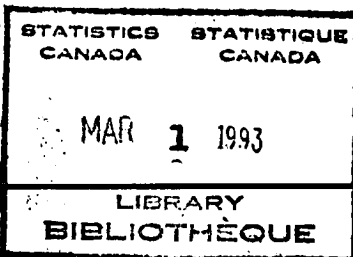


The Daily

Statistics Canada

Monday, March 1, 1993

For release at 8:30 a.m.



MAJOR RELEASES

- **National Income and Expenditure Accounts, Fourth Quarter 1992**

Real GDP at market prices advanced 0.9% in the fourth quarter of 1992 after growing 0.3% in the third quarter. During calendar year 1992, real GDP rose 0.9%.

3
- **Real Gross Domestic Product at Factor Cost by Industry, December 1992**

Gross Domestic Product at factor cost rebounded 0.4% in December after slumping 0.1% in November.

13
- **Balance of International Payments, Fourth Quarter 1992**

Canada's seasonally adjusted current account deficit narrowed from the substantial levels of recent quarters, falling \$1.0 billion to \$6.5 billion. This brought the deficit for 1992 to \$28.6 billion, down from a record \$29.2 billion in 1991.

17
- **Financial Flow Accounts, Fourth Quarter 1992**

The demand for funds on financial markets continued to soften in the fourth quarter of 1992.

23

(continued on page 2)

Labour Force Activity, Occupation and Industry 1991 Census

Tomorrow, *The Daily* will be dedicated to labour force activity, industry and occupation data from the 1991 Census of Canada.

Four publications will accompany this data release: *Labour Force Activity* (93-324, \$40), *Labour Force Activity of Women by Presence of Children* (93-325, \$40), *Industry and Class of Worker* (93-326, \$40) and *Occupation* (93-327, \$40). These publications present data, based on a 20% sample of households, for Canada, the provinces and territories.

The March 30, 1993 issue of *The Daily* will be dedicated to data on aboriginal peoples by age and sex.



Statistics
Canada

Statistique
Canada

Canada

NOT FOR
2A9 ETHURQAS'2 1993

The Daily, March 1, 1993

DATA AVAILABILITY ANNOUNCEMENTS

| | |
|---|----|
| Government Revenue and Expenditure, Fourth Quarter 1992 | 29 |
| Process Cheese and Instant Skim Milk Powder, January 1993 | 29 |
| Cement, January 1993 | 29 |
| Tea, Coffee and Cocoa, December 1992 | 29 |
| Processed Fruits and Vegetables, December 1992 | 29 |

| | |
|-----------------------|----|
| PUBLICATIONS RELEASED | 30 |
|-----------------------|----|

MAJOR RELEASES

Chart 1

GDP at 1986 Prices

Quarterly percentage change

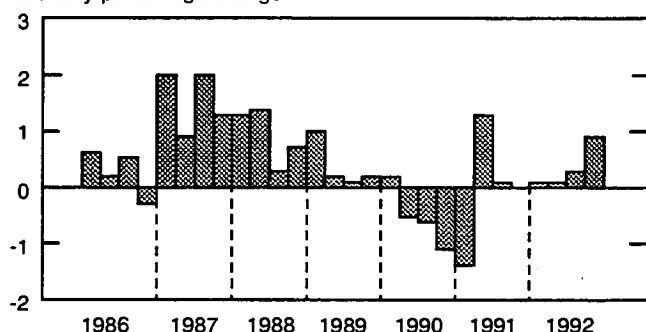
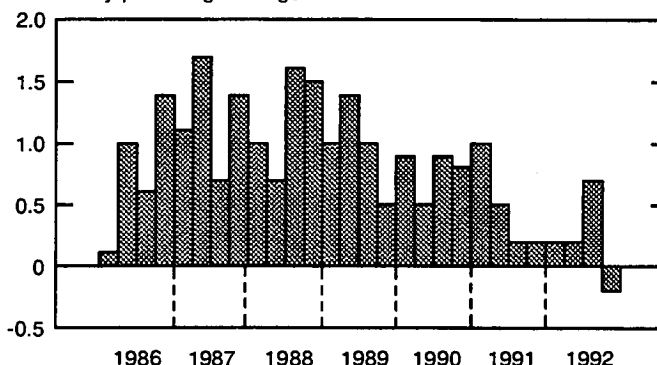


Chart 2

GDP Implicit Price Index

Quarterly percentage change



National Income And Expenditure Accounts

Fourth Quarter 1992 and
Annual 1992 (Preliminary)

Gross Domestic Product at market prices grew 0.7% in the fourth quarter of 1992 to a seasonally adjusted annual rate of \$694 billion. GDP at 1986 prices advanced 0.9% (equivalent to a compound annual rate of 3.5%), while the implicit price index decreased 0.2% (see Charts 1 and 2).

In calendar year 1992, Gross Domestic Product at market prices grew 1.9% to \$687 billion. After adjusting for inflation, GDP at 1986 prices rose 0.9%. Economic activity remained flat in the first half of the year before picking up in the second half. The GDP implicit price index rose 1.0% in 1992, down from 2.7% in 1991.

Highlights – Fourth Quarter 1992

The economy grew more robustly in the fourth quarter, as real GDP jumped 0.9% following a 0.3% rise the previous quarter. With the fourth-quarter pickup, real GDP remained 1.0% below the peak reached in the first quarter of 1990. The fourth-quarter advance was entirely attributable to net exports, which rose by the equivalent of 1.2% of

GDP. Final domestic demand at 1986 prices dropped slightly, as business investment was cut back and consumer expenditure remained unchanged. An accumulation of inventories at the retail level was more than offset by a reduction of stocks at the manufacturing level. Corporation profits were flat but labour income grew 0.8% as paid hours worked rose 0.4%. The GDP implicit price index declined 0.2%, although import prices shot up 3.4%, due principally to a 5.0% depreciation of the Canadian dollar against the U.S. dollar.

Components of Demand

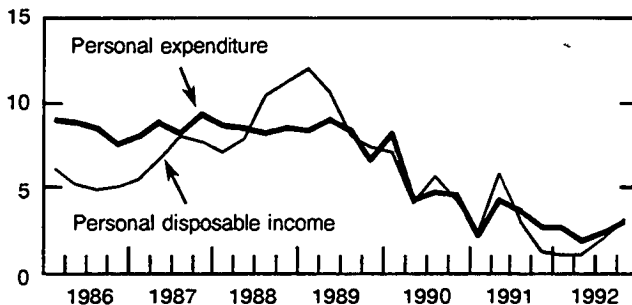
Real consumer spending was unchanged in the fourth quarter. Sales were strong in October, flat in November and weak in December. The pickup in consumer confidence building since the start of the year halted in the fourth quarter as interest rates rose, monthly unemployment climbed to an 11.8% peak and political uncertainties reached an apex with the October 26th constitutional referendum. In current dollars, consumer expenditure rose 2.9% on a year-over-year basis while personal disposable income grew 3.0% (see Chart 3).

The flat consumption picture reflected higher spending on durable and non-durable goods offset by declines in spending on semi-durable goods and on services. Spending on furniture and household

Chart 3

Personal Expenditure and Personal Disposable Income at Current Prices

Year-over-year percentage change



appliances increased 0.9%, but outlays on clothing and footwear fell 1.0%. Among non-durable goods, expenditures were up for natural gas, household supplies and food and down for alcoholic beverages and tobacco. Service expenditures decreased 0.3% as increases for rent, restaurants and hotels were more than offset by a decrease in cross-border shopping in tandem with the depreciated Canadian dollar.

Components of Final Demand at Constant Prices

Fourth Quarter 1992

(Percentage change from the previous quarter)

| | At 1986 Prices | At 1992 Q3 Prices* |
|--------------------------------------|-------------------|-----------------------|
| Personal expenditure | 0.0 | 0.0 |
| Durable goods | 0.8 | 0.7 |
| Semi-durable goods | -0.2 | -0.3 |
| Non-durable goods | 0.4 | 0.0 |
| Services | -0.3 | -0.2 |
| Government current expenditure | 0.3 | 0.3 |
| Government investment expenditure | -0.2 | -1.0 |
| Business investment in fixed capital | -1.4 | -2.7 |
| Residential construction | 0.0 | -0.4 |
| Non-residential construction | -7.2 | -7.2 |
| Machinery and equipment | 0.5 | -2.3 |
| Final domestic demand | -0.2 | -0.4 |
| Exports of goods and services | 1.3 | 1.1 |
| Merchandise | 1.5 | 1.3 |
| Non-merchandise | -0.3 | -0.3 |

* This is the chain volume index.

Investment in residential construction was essentially unchanged in volume terms during the quarter, although it remained 4.1% above its level of four quarters earlier. Reduced activity in the resale market was counterbalanced by growth in new construction (1.8%) and in alterations and improvements to existing dwellings (1.1%). Housing starts remained unchanged in the quarter at 168,500, seasonally adjusted at annual rates, before dropping to 142,600 in January. Starts of single-unit homes increased but those of multiple-unit dwellings declined. Activity increased in the Prairie provinces, decreased in Quebec and was little changed in other region.

Business investment in plant and equipment fell 2.1% in real terms during the quarter. Non-residential construction plunged 7.2% but purchases of machinery and equipment rose 0.5%. Non-residential construction outlays dropped substantially for the sixth consecutive quarter as weaker engineering construction on such projects as electric power plants, pipelines and oil and gas facilities added to continuing declines in commercial and industrial building construction. The weak growth in machinery and equipment investment followed a large 4.8% gain in the third quarter. There was a further strong advance in purchases of computers, bringing real outlays on this type of capital to a level almost twice that of just two years earlier.

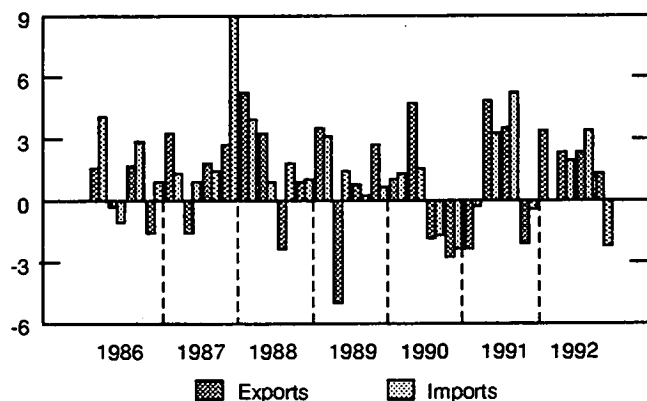
Non-farm inventories were drawn down substantially despite weak domestic demand. The cutback in stocks was concentrated at the manufacturing level and was mirrored in lower merchandise imports. The reductions by manufacturers affected both raw materials and finished goods. Gold inventories also fell sharply. Retail inventories were built up, reflecting weak consumer buying.

The deficit on trade in goods and services shrank markedly in the fourth quarter, to \$0.4 billion from \$5.9 billion in the third quarter (in current dollars, seasonally adjusted at annual rates). The swing was so large that it was sufficient to account for all of the growth in real GDP during the quarter. Exports increased 1.3% and imports fell 2.2%, both expressed in real terms (see Chart 4). Two major factors that helped account for the swing in the trade balance were the depreciation of the Canadian dollar vis-à-vis the U.S. dollar and the 0.9% increase in U.S. real GDP (at quarterly rates) during the fourth quarter.

Chart 4

Exports and Imports at 1986 Prices

Quarterly percentage change



The increase in merchandise exports was especially evident for office machines and equipment, lumber, wood pulp, newsprint, precious metals and motor vehicle parts. There were notable declines for exports of wheat and natural gas. For merchandise imports, the drop was accounted for mostly by crude petroleum, industrial machinery and communications equipment. Service exports fell slightly, reflecting lower spending in Canada by foreign visitors and reduced freight and shipping receipts from abroad. Imports of services were lower as well, mainly due to a drop in expenditures by Canadian travellers abroad.

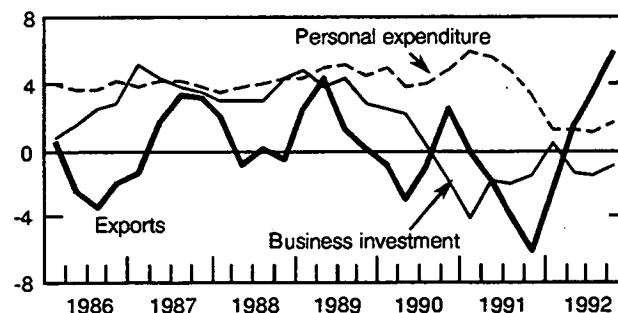
Price Indexes

Reflecting the generally weak demand picture, less rapid growth in wage rates and rising productivity, inflation slowed markedly in 1992. In the fourth quarter, the GDP implicit price index decreased 0.2%. The chain price index for GDP excluding inventories, which provides a better indication of underlying price movements, rose a slight 0.1% from the third-quarter level. The largest price increases in the fourth quarter occurred in exports and machinery and equipment investment, both of which were affected by sharply higher import prices. The rise in export prices was also attributable to an upturn in world prices for lumber and some other commodities. On a year-over-year basis, the implicit price index for consumer expenditure rose 1.6%, that for business investment fell 1.0% and that for exports rose 5.8% (see Chart 5).

Chart 5

Implicit Price Indexes

Year-over-year percentage change

**Quarterly Price Indexes in 1992**

(Percentage change from the previous quarter)

| | Q1 | Q2 | Q3 | Q4 |
|--|------|------|-----|------|
| Implicit Price Indexes | | | | |
| Gross domestic product | | | | |
| At factor cost | 0.5 | -0.2 | 0.5 | -0.2 |
| Indirect taxes less subsidies | -0.9 | 3.2 | 0.6 | 0.3 |
| At market prices | 0.2 | 0.2 | 0.7 | -0.2 |
| Personal expenditure | | | | |
| At factor cost | 0.3 | 0.2 | 0.6 | 0.4 |
| Indirect taxes less subsidies | -0.7 | 1.4 | 0.2 | 0.6 |
| At market prices | 0.2 | 0.4 | 0.5 | 0.5 |
| Chain Price Indexes | | | | |
| Personal expenditure | 0.2 | 0.5 | 0.6 | 0.6 |
| Government current expenditure | 0.2 | 0.8 | 1.1 | 0.1 |
| Residential construction | -0.5 | 0.2 | 0.3 | 0.5 |
| Non-residential construction | -0.3 | 0.4 | 0.2 | 0.1 |
| Machinery and equipment | 1.3 | 0.1 | 0.0 | 1.7 |
| Final domestic demand | 0.2 | 0.5 | 0.6 | 0.5 |
| Exports | 1.2 | 1.4 | 0.9 | 2.9 |
| Less: imports | 2.5 | 1.2 | 0.9 | 4.2 |
| Gross domestic product* | -0.2 | 0.6 | 0.6 | 0.1 |
| Fixed-weighted Price Indexes | | | | |
| Gross domestic product* | 0.0 | 0.6 | 0.6 | 0.2 |
| Personal expenditure | 0.2 | 0.5 | 0.6 | 0.5 |
| Consumer price index | 0.5 | 0.5 | 0.5 | 0.4 |
| Net price index (net of taxes and subsidies) | 0.3 | 0.4 | 0.5 | 0.2 |
| Net price index (net of taxes only) | 0.3 | 0.4 | 0.5 | 0.2 |

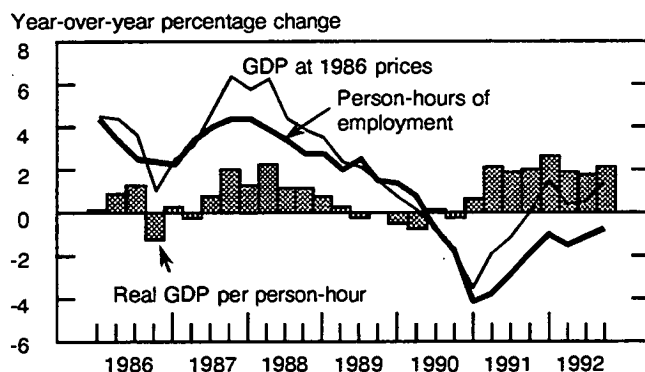
* Excludes value of physical change in inventories.

Components of Income

Wages, salaries and supplementary labour income grew 0.8% in the fourth quarter. The increase occurred in the services-producing industries – trade, finance, commercial services and federal and local government administration in particular. Labour income increased marginally in the goods-producing industries. Paid hours-worked increased 0.4%, following a 0.2% increase in the third quarter. Real GDP per person-hour rose 0.5% (see Chart 6) and unit labour costs were essentially unchanged.

Chart 6

Employment and Output



Corporation profits before taxes grew 0.4% in the fourth quarter. Increases were widespread among non-financial industries, although the motor vehicles, non-ferrous metals and primary metals products and real estate industries were important exceptions. There were substantial declines in the financial sector. In contrast, net business profits as reported in the quarterly survey of industrial corporations declined sharply, the difference was mainly attributable to loan loss provisions and revaluations that are treated differently in the national accounts. Interest and miscellaneous investment income rose 0.3%. Farm income fell in the fourth quarter due to the reduced crop and lower average harvested grain quality in 1992, lower subsidies, and the drop in earnings from grain exports. Net income of non-farm unincorporated business increased 0.9%, with construction and business services accounting for much of the increase.

Personal income grew \$3.1 billion or 0.5% in the quarter. The advance was mainly attributable to higher labour income. Transfer payments from governments to persons dropped slightly, due to a decline in the number of Canadians collecting unemployment insurance benefits. Personal disposable (after-tax) income was unchanged during the quarter as income tax payments were higher.

Total government sector spending fell 0.4% in the quarter, with most of the decline accounted for by lower transfers to persons and to business. Total government sector revenue grew 1.0%, with direct taxes on persons and on corporate and government business enterprises rising substantially. On a national accounts basis, the federal deficit remained essentially unchanged at \$28.5 billion while the aggregate provincial government deficit decreased from \$26.1 billion to \$19.7 billion, due to lower subsidies and reduced transfers to local governments.

Output by Industry

From an industry perspective, goods production gained 0.5% after a flat third quarter, but growth in services slowed to 0.3% following a 0.7% advance in the third quarter.

Manufacturing was the stalwart in the goods sector, with output soaring 2.4% in the fourth quarter following a gain of 0.3% in the second quarter and 0.6% in the third quarter. Goods production excluding manufacturing fell 1.5% as substantial declines were recorded in mining and construction.

The slowdown in services was mainly due to lower production by the finance, insurance and real estate industry and to a drop in transportation services. Activity by securities brokers and real estate agents tumbled in the fourth quarter when interest rates jumped near the time of the referendum on October 26th. By the end of the quarter, interest rates returned to pre-referendum levels and production by securities brokers rebounded in December. Real estate sales, however, remained weak right to the end of the year. Substantial drops in air transport and in pipeline throughput of natural gas led a 1.3% decline in transportation and storage services.

Highlights – Calendar Year 1992

Gross domestic product rebounded 0.9% in volume terms in 1992 after falling 1.7% in 1991 (see Chart 7). Inflation, gauged by the GDP implicit price index, declined to 1.0% from 2.7% the previous year (see Chart 8). Expressed on a per capita basis, real GDP decreased 0.6% in 1992 while person-hours worked decreased 1.1% (see Chart 9).

Chart 7
GDP at 1986 Prices

Annual percentage change

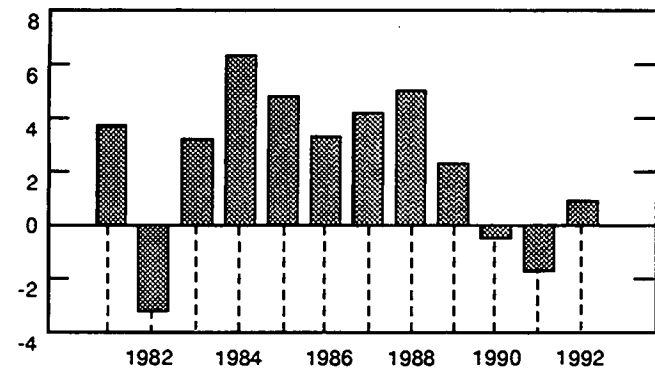


Chart 8
GDP Implicit Price Index

Annual percentage change

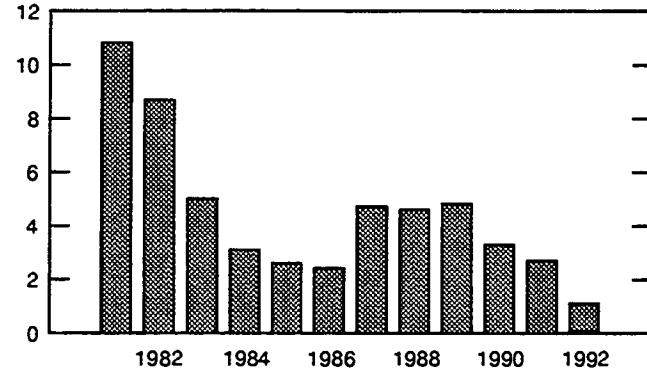


Chart 9
Real GDP Per Capita and Person-hours of Employment

Annual percentage change

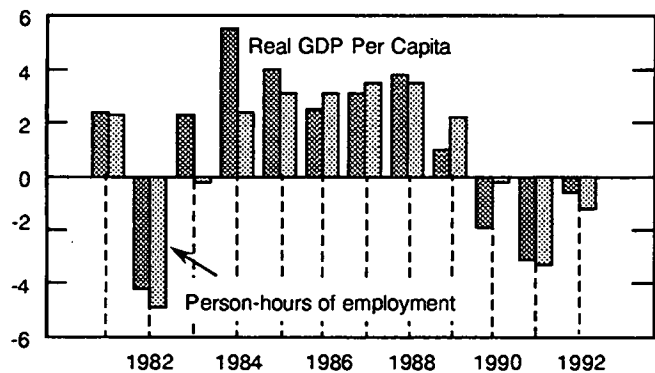


Chart 10
Consumer Expenditure at 1986 Prices

Annual percentage change

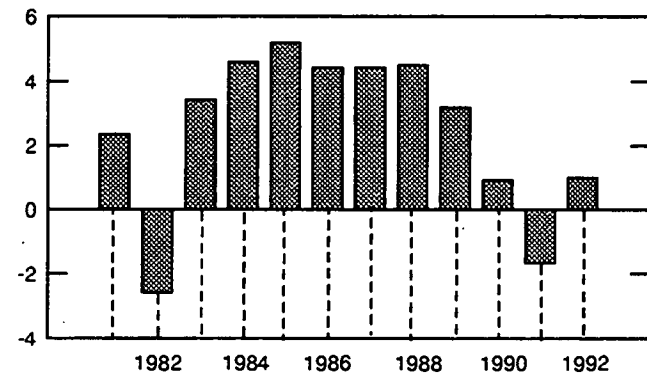


Chart 11
Government Current Expenditure on Goods and Services at 1986 Prices

Annual percentage change

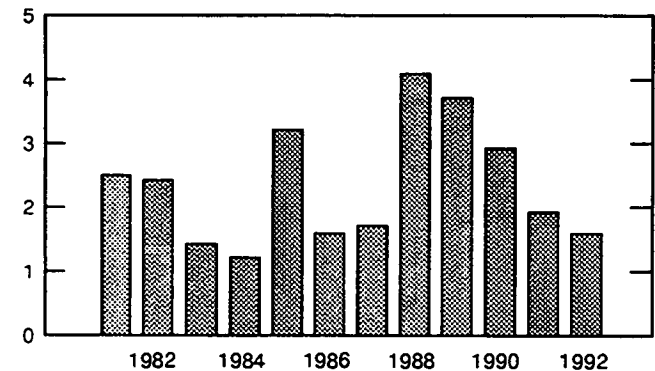
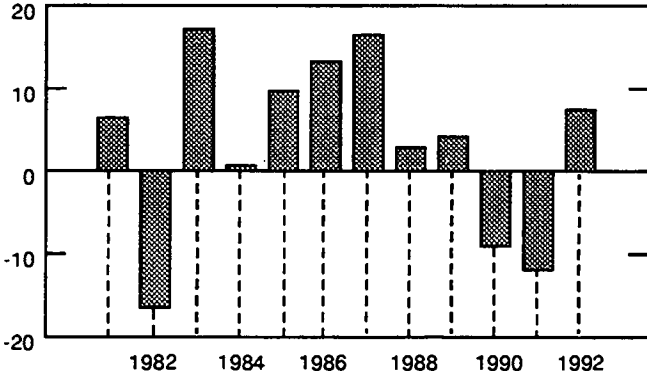


Chart 12
Residential Construction at 1986 Prices

Annual percentage change



Final domestic demand recovered 0.8% during 1992, led by a surge in residential construction. Low interest rates and various government assistance programs were key factors in the strength of housing investment. Consumer expenditure and government current expenditure on goods and services also rose, although their advance was modest after allowing for inflation. Business continued to cut investment spending and inventory levels in response to the drop in both aggregate demand and profits during the recession.

Net exports picked up in 1992 by an amount equivalent to 0.7% of real GDP, reversing a drop of similar magnitude in 1991. Real exports jumped 8.2% and real imports rose 5.5%. Export sales were stimulated by a 5.5% depreciation of the Canadian dollar vis-à-vis the U.S. dollar and by the emerging recovery in the U.S. economy. There was a deterioration in the terms of trade as import prices rose 1.4% more rapidly than export prices, based on the fixed-weight price index.

Components of Demand

Residential construction activity expanded by 7.4% in 1992 (see Chart 12). Housing starts recovered to 168,300 from 156,200 in 1991 and the volume of new construction work-put-in-place increased 9.7%. The pickup in building activity affected both single- and multiple-unit dwellings. The home resale market also strengthened, continuing the upturn that began in 1991. Real spending on alterations and improvements to existing dwellings grew a more modest 2.8%. The housing market was revived by a steep decline in nominal mortgage interest rates as the typical one-year mortgage from the chartered banks averaged just 7.87%, down from 10.08% in 1991 and 13.40% in 1990. Federal and provincial government assistance programs also supported housing demand.

Personal expenditure on consumer goods and services increased 1.0% in real terms during 1992 (see Chart 10), relatively slow growth in comparison to the 2.6% annual average of the previous 10 years. The modest upturn followed a decline of 1.7% in 1991. Personal disposable income grew 1.7% in nominal terms (see Chart 17), somewhat more rapidly than consumer prices, which rose 1.2%. Other factors restraining consumer buying included a relatively heavy debt burden, perceived reductions in personal wealth due to lower real estate values and uncertainty due to rising unemployment.

Consumer purchases of goods rose 0.7% and spending on services advanced 1.4%, both in volume terms. There were substantial increases in outlays for furniture and appliances, food, motor fuels and lubricants, electricity, gas and other fuels, and gross rent. These gains were partly offset by small declines in outlays for motor vehicles, clothing and footwear, restaurants and hotels, and net expenditure abroad. New motor vehicle sales, a consumer demand bellwether, totalled 1,227,335 units, the lowest yearly sales level since 1983.

Government current expenditure on goods and services grew 1.6% in real terms during 1992 (see Chart 11), somewhat slower than the 2.4% average annual growth rate of the previous 10 years. In current dollars, the changes were 1.0% for the federal government, 4.4% for the provincial governments, 4.9% for the local governments and 5.6% for the rest of the government sector (consisting of hospitals and the Canada and Quebec Pension Plans). Higher medicare and hospital costs were an important factor behind the increases. Pay increases were another important element, as fixed-weighted average hourly earnings in public administration rose 3.3% during the year. Government investment in fixed capital continued to expand at the more modest pace set in 1991, which followed very strong growth in 1989 and 1990.

Real business capital spending, which had propelled the economy between 1984 and 1989, decreased for a third consecutive year in 1992 (see Chart 13). Weak domestic demand, low profits and high corporate debt burdens were important explanatory factors. By industry, the drop was deepest in the manufacturing, finance and mining industries. By type of investment, it was most evident in non-residential construction, which plunged 15.7% in real terms. Commercial building reached a very low level, reflecting the huge oversupply of office space in urban centres. Engineering construction also waned. Machinery and equipment investment fared much better, rising 2.2% in real terms as business demand for computer and telecommunications equipment continued to grow. Looking ahead to 1993, Statistics Canada's survey of business investment spending intentions indicates a rebound of 2.5%, expressed in current dollars.

In aggregate, businesses reduced inventory levels again in 1992, for the third straight year. Manufacturers and wholesalers both cut stocks while retailers built up stocks. Farm inventories, which had accumulated slightly in volume terms the previous year, dropped notably in 1992 due to a smaller crop.

Chart 13
Plant and Equipment Investment at 1986 Prices

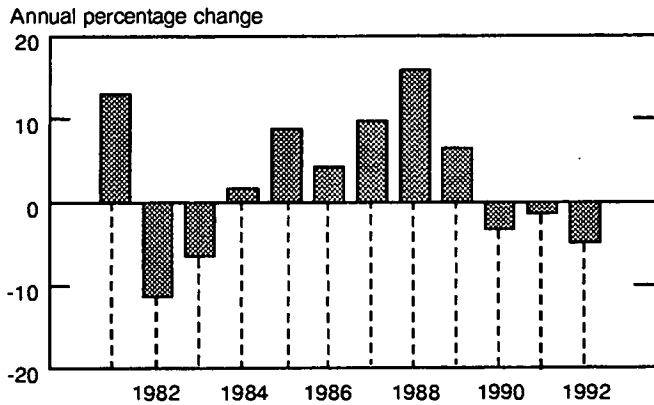


Chart 14
Balance of Trade in Goods and Services

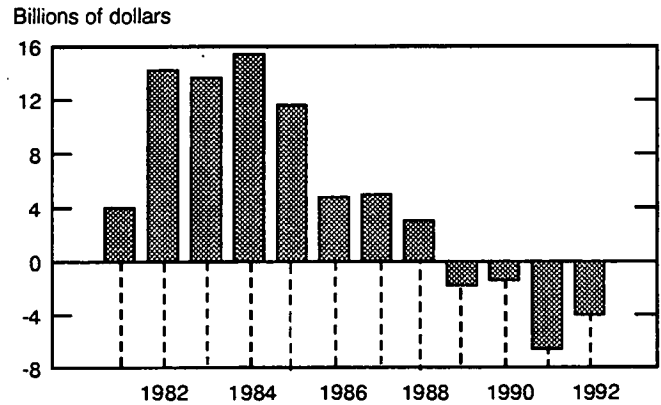


Chart 15
Labour Income

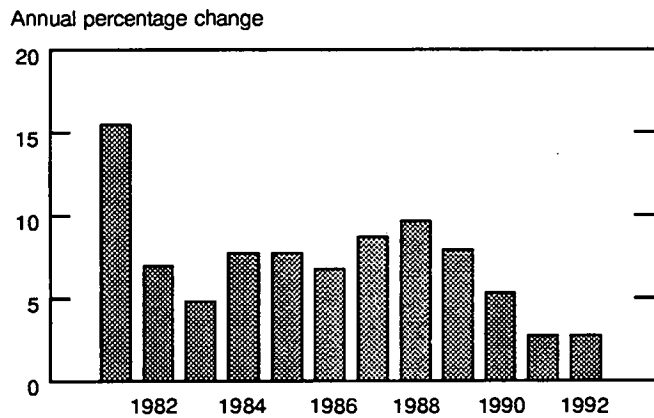


Chart 16
Corporation Profits Before Taxes

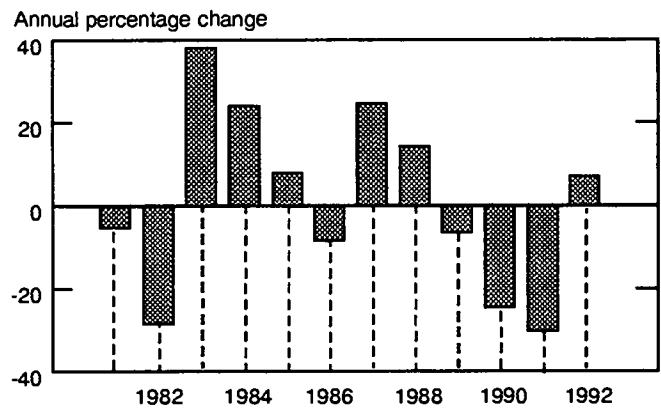


Chart 17
Personal Disposable Income

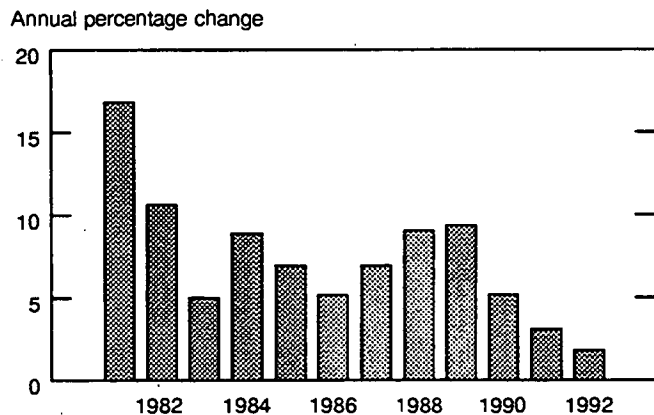
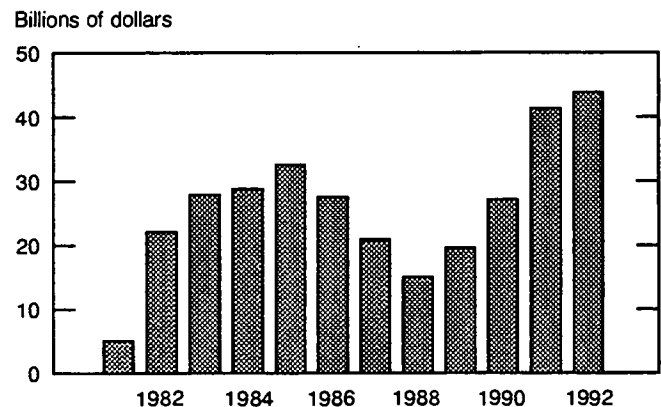


Chart 18
Total Government Sector Deficit



Canada's real exports shot up 8.2%, reflecting both the intensifying recovery in the U.S. (their economy grew 2.1% in 1992) and a marked improvement in the competitiveness of Canadian industry. Exports of merchandise grew 8.9% following a 1.0% advance the previous year. The rise was accounted for by a wide range of commodities including trucks, passenger cars, motor vehicle parts, machinery and equipment, and lumber. Non-merchandise exports advanced 3.2% after a drop of similar magnitude in 1991, reflecting increased revenue from the sale of business services and higher expenditure by foreign visitors in Canada.

Imports recorded a 5.5% volume increase in 1992, continuing several years of consecutive and substantial growth. Merchandise imports rose 6.9%, with growth concentrated in industrial goods, machinery and equipment, motor vehicle parts, and consumer goods. Imports of services fell 0.3%, due mainly to a decrease in cross-border shopping. After five years of double-digit increases, same-day automobile trips to the United States decreased 3.5% in 1992 to 57 million trips.

The deficit on trade in goods and services, expressed at 1986 prices, shrank by the equivalent of 0.7% of GDP. In current dollars, the deficit shrank from \$6.5 billion in 1991 to \$3.9 billion in 1992 (see Chart 14). As a result, the total balance of payments deficit on current account, which also includes investment income flows and transfers, fell marginally from \$29.2 billion in 1991 to \$28.6 billion in 1992.

Price indexes

The rate of inflation, as measured by the GDP implicit price index was 1.0% in 1992, down from 2.7% in 1991. The chain price index for GDP excluding inventories, which provides a better measure of pure price change, increased 0.9% in 1992 following a 2.9% rise in 1991. With considerable slack in labour and product markets and strong productivity gains in manufacturing industries, price increases were held to a minimum. Import prices, conspicuously higher after depreciation of the Canadian dollar, were the main source of inflationary pressure. They contributed to the price increases that were evident for consumer goods, machinery and equipment, and exports. Price increases were notably lower for construction. The chain price index for total personal expenditure rose just 1.4% after a 5.1% rise in 1991.

Chain Price Indexes in 1992

(Percentage change)

| | 1992 |
|--------------------------------|------|
| Personal expenditure | 1.4 |
| Government current expenditure | 2.4 |
| Residential construction | 0.0 |
| Non-residential construction | 0.4 |
| Machinery and equipment | 1.1 |
| Final domestic demand | 1.5 |
| Exports | 2.7 |
| Less: imports | 4.5 |
| Gross Domestic Product* | 0.9 |

* Excludes value of physical change in inventories.

Components of Income

Labour income rose 2.7% in 1992 (see Chart 15) as wages and salaries increased 2.0% and supplementary labour income grew 8.6%. The latter was boosted by higher employer contributions to employee pension plans, necessitated (in many cases) by declining investment income in those plans and by an unemployment insurance contribution rate increase on January 1, 1992. The increase in wages and salaries was due to the combined effect of a 3.4% increase in the services-producing industries and a 1.5% drop in the goods-producing industries. Total paid-hours of employment fell 1.1% and compensation per hour rose 3.7%. The fixed-weight index of average hourly earnings rose 3.6%, with the largest increases in the Maritime provinces and British Columbia. Wages and salaries grew at a moderately increasing pace through the year, with employment picking up in the second half.

Corporation profits before taxes edged up 6.7% in 1992 to \$33.9 billion (see Chart 16). However, they remained far below their peak of \$64.7 billion attained in 1988. Interest and miscellaneous investment income fell for a second consecutive year, by 4.3%, reflecting the plunge in interest rates. The accrued net income of farm operators from farm production was essentially unchanged in 1992 after a 9.9% drop in 1991. Net income of non-farm unincorporated business rose 2.1% as rental income rose 2.9% and other unincorporated business income grew just 1.7%.

The total government sector deficit on a national accounts basis, down to \$15.1 billion in 1988, reached \$41.1 billion in 1991 and \$43.9 billion in 1992 (see Chart 18). The federal deficit was \$25.7 billion, the aggregate provincial government deficit was \$22.8 billion and the combined position of the local governments, hospitals and the Canada and Quebec Pension Plans was a \$4.7 billion surplus. Total government current expenditure rose 3.8% in 1992, mainly due to increases in transfers to persons and in expenditure on goods and services. Because of the drop in interest rates, service outlays on the public debt were essentially unchanged during the year despite the huge increase in debt. Transfers to business declined. Government revenues grew 3.2%, due to higher indirect tax and personal income tax revenues.

Available on CANSIM: (seasonally adjusted estimates) matrices 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 in this release, call 613-951-3640 and ask for the information officer, National Accounts and Environment Division.

The fourth quarter 1992 issue of *National Income and Expenditure Accounts* (13-001, \$20/\$80), which contains 33 statistical tables, is scheduled for release in March. See "How to Order Publications".

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, call 613-951-3640 and ask for the client services officer, National Accounts and Environment Division. □

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

| | I | II | III | IV | 1992 | IV 1992/ III 1992 | 1992/ 1991 |
|---|----------------|----------------|----------------|----------------|----------------|-----------------------------------|--------------------------------|
| | (\$ millions) | | | | | % Change at Quarterly Rates | % Change at Annual Rates |
| Wages, salaries and supplementary labour income ¹ | 389,376 | 391,972 | 394,712 | 397,736 | 393,449 | 0.8 | 2.7 |
| Corporation profits before taxes | 33,372 | 36,128 | 33,016 | 33,164 | 33,920 | 0.4 | 6.7 |
| Interest and miscellaneous investment income | 55,488 | 51,348 | 51,684 | 51,824 | 52,586 | 0.3 | -4.3 |
| Accrued net income of farm operators from farm production | 4,132 | 3,692 | 2,900 | 2,536 | 3,315 | -12.6 | -0.5 |
| Net income of non-farm unincorporated business, including rent | 37,036 | 37,160 | 37,452 | 37,796 | 37,361 | 0.9 | 2.1 |
| Inventory valuation adjustment | -3,172 | -3,548 | -3,108 | -4,712 | -3,635 | -1,604 ² | -5,724 ² |
| Net domestic income at factor cost | 516,232 | 516,752 | 516,656 | 518,344 | 516,996 | 0.3 | 1.0 |
| Indirect taxes less subsidies | 82,728 | 84,384 | 86,992 | 89,996 | 86,025 | 3.5 | 5.5 |
| Capital consumption allowances | 80,824 | 81,592 | 82,324 | 83,160 | 81,975 | 1.0 | 3.6 |
| Statistical discrepancy | 2,112 | 924 | 3,504 | 2,812 | 2,338 | -692 ² | 474 ² |
| Gross Domestic Product at market prices | 681,896 | 683,652 | 689,476 | 694,312 | 687,334 | 0.7 | 1.9 |

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 | 1992 | IV 1992/ III 1992 | 1992/ 1991 |
|--|------------------------------------|----------------|----------------|----------------|----------------|-----------------------------------|--------------------------------|
| | At current prices (\$ millions) | | | | | % Change at Quarterly Rates | % Change at Annual Rates |
| Personal expenditure on consumer goods and services | 414,064 | 417,804 | 422,732 | 424,808 | 419,852 | 0.5 | 2.3 |
| Durable goods | 53,120 | 53,576 | 54,360 | 54,560 | 53,904 | 0.4 | 0.3 |
| Semi-durable goods | 37,180 | 37,356 | 38,228 | 38,252 | 37,754 | 0.1 | 1.2 |
| Non-durable goods | 109,760 | 110,656 | 111,072 | 112,140 | 110,907 | 1.0 | 1.4 |
| Services | 214,004 | 216,216 | 219,072 | 219,856 | 217,287 | 0.4 | 3.5 |
| Government current expenditure on goods and services | 143,956 | 144,976 | 147,696 | 148,192 | 146,205 | 0.3 | 4.0 |
| Government investment in fixed capital | 16,452 | 16,376 | 16,780 | 16,648 | 16,564 | -0.8 | 0.5 |
| Government investment in inventories | 164 | -12 | 76 | -20 | 52 | -96 ¹ | 89 ¹ |
| Business investment in fixed capital | 115,148 | 113,180 | 113,520 | 111,440 | 113,322 | -1.8 | -2.2 |
| Residential | 43,824 | 44,620 | 46,232 | 46,388 | 45,266 | 0.3 | 9.2 |
| Non-residential construction | 32,688 | 30,244 | 28,280 | 26,284 | 29,374 | -7.1 | -15.6 |
| Machinery and equipment | 38,636 | 38,316 | 39,008 | 38,768 | 38,682 | -0.6 | -2.5 |
| Business investment in inventories | -1,276 | -2,932 | -1,932 | -3,520 | -2,415 | -1,588 ¹ | -1,803 ¹ |
| Non-farm | -276 | -2,976 | 820 | -2,780 | -1,303 | -3,600 ¹ | -729 ¹ |
| Farm and grain in commercial channels | -1,000 | 44 | -2,752 | -740 | -1,112 | 2,012 ¹ | -1,074 ¹ |
| Exports of goods and services | 173,500 | 179,112 | 184,296 | 191,892 | 182,200 | 4.1 | 10.4 |
| Merchandise | 149,188 | 154,800 | 159,340 | 166,868 | 157,549 | 4.7 | 11.2 |
| Non-merchandise | 24,312 | 24,312 | 24,956 | 25,024 | 24,651 | 0.3 | 5.8 |
| Deduct: Imports of goods and services | 177,996 | 183,928 | 190,192 | 192,316 | 186,108 | 1.1 | 8.5 |
| Merchandise | 141,216 | 146,468 | 151,348 | 153,220 | 148,063 | 1.2 | 8.9 |
| Non-merchandise | 36,780 | 37,460 | 38,844 | 39,096 | 38,045 | 0.6 | 6.9 |
| Statistical discrepancy | -2,116 | -924 | -3,500 | -2,812 | -2,338 | 688 ¹ | -475 ¹ |
| Gross Domestic Product at market prices | 681,896 | 683,652 | 689,476 | 694,312 | 687,334 | 0.7 | 1.9 |
| Final Domestic Demand | 689,620 | 692,336 | 700,728 | 701,088 | 695,943 | 0.1 | 1.8 |
| At 1986 prices (\$ millions) | | | | | | | |
| Personal expenditure on consumer goods and services | 333,476 | 335,028 | 337,384 | 337,396 | 335,821 | 0.0 | 1.0 |
| Durable goods | 47,184 | 47,264 | 48,068 | 48,436 | 47,738 | 0.8 | 0.1 |
| Semi-durable goods | 29,096 | 29,312 | 29,884 | 29,812 | 29,526 | -0.2 | 0.7 |
| Non-durable goods | 86,780 | 87,272 | 87,016 | 87,324 | 87,098 | 0.4 | 1.0 |
| Services | 170,416 | 171,180 | 172,416 | 171,824 | 171,459 | -0.3 | 1.4 |
| Government current expenditure on goods and services | 116,668 | 116,496 | 117,672 | 117,992 | 117,207 | 0.3 | 1.6 |
| Government investment in fixed capital | 16,188 | 16,196 | 16,828 | 16,800 | 16,503 | -0.2 | 3.7 |
| Government investment in inventories | 144 | -12 | 68 | -16 | 46 | -84 ¹ | 78 ¹ |
| Business investment in fixed capital | 105,316 | 103,752 | 105,096 | 103,600 | 104,441 | -1.4 | -1.3 |
| Residential | 32,224 | 32,772 | 33,692 | 33,680 | 33,092 | 0.0 | 7.4 |
| Non-residential construction | 27,848 | 25,704 | 23,948 | 22,232 | 24,933 | -7.2 | -15.7 |
| Machinery and equipment | 45,244 | 45,276 | 47,456 | 47,688 | 46,416 | 0.5 | 2.2 |
| Business investment in inventories | -1,844 | -2,728 | -2,600 | -3,752 | -2,731 | -1,152 ¹ | -2,986 ¹ |
| Non-farm | -720 | -2,564 | 740 | -2,792 | -1,334 | -3,532 ¹ | -1,284 ¹ |
| Farm and grain in commercial channels | -1,124 | -164 | -3,340 | -960 | -1,397 | 2,380 ¹ | -1,702 ¹ |
| Exports of goods and services | 173,028 | 177,164 | 181,440 | 183,864 | 178,874 | 1.3 | 8.2 |
| Merchandise | 153,308 | 157,568 | 161,396 | 163,872 | 159,036 | 1.5 | 8.9 |
| Non-merchandise | 19,720 | 19,596 | 20,044 | 19,992 | 19,838 | -0.3 | 3.2 |
| Deduct: Imports of goods and services | 185,164 | 188,592 | 195,048 | 190,740 | 189,886 | -2.2 | 5.5 |
| Merchandise | 150,048 | 153,436 | 159,144 | 156,360 | 154,747 | -1.7 | 6.9 |
| Non-merchandise | 35,116 | 35,156 | 35,904 | 34,380 | 35,139 | -4.2 | -0.3 |
| Statistical discrepancy | -1,732 | -760 | -2,836 | -2,284 | -1,903 | 552 ¹ | -380 ¹ |
| Gross Domestic Product at market prices | 556,080 | 556,544 | 558,004 | 562,860 | 558,372 | 0.9 | 0.9 |
| Final Domestic Demand | 571,648 | 571,472 | 576,980 | 575,788 | 573,972 | -0.2 | 0.8 |
| Implicit price indexes | | | | | | | |
| Personal expenditure on consumer goods and services | 124.2 | 124.7 | 125.3 | 125.9 | 125.0 | 0.5 | 1.2 |
| Government current expenditure on goods and services | 123.4 | 124.4 | 125.5 | 125.6 | 124.7 | 0.1 | 2.3 |
| Government investment in fixed capital | 101.6 | 101.1 | 99.7 | 99.1 | 100.4 | -0.6 | -3.1 |
| Business investment in fixed capital | 109.3 | 109.1 | 108.0 | 107.6 | 108.5 | -0.4 | -0.9 |
| Exports of goods and services | 100.3 | 101.1 | 101.6 | 104.4 | 101.9 | 2.8 | 2.1 |
| Deduct: Imports of goods and services | 96.1 | 97.5 | 97.5 | 100.8 | 98.0 | 3.4 | 2.8 |
| Gross Domestic Product at market prices | 122.6 | 122.8 | 123.6 | 123.4 | 123.1 | -0.2 | 1.0 |
| Final Domestic Demand | 120.6 | 121.1 | 121.4 | 121.8 | 121.3 | 0.3 | 1.1 |

¹ Actual change in millions of dollars.

Real Gross Domestic Product at Factor Cost by Industry

(seasonally adjusted data)
December 1992

Monthly Overview

Gross Domestic Product at factor cost rebounded 0.4% in December after slumping 0.1% in November, when interest rates surged following the October 26th referendum. Fallout from the increase in rates was limited mainly to the finance and real estate industries, and began to wane as rates eased in December and services production rose 0.3%. Goods producers boosted output 0.6% in December as manufacturing production soared following substantial growth in preceding months.

Goods-producing Industries

A 1.7% jump in manufacturing output led the gain in the goods sector. Goods production excluding manufacturing fell 0.6% as substantial declines were recorded in mining and utilities. Agriculture, fishing, and construction posted modest gains but forestry output edged down.

Sizeable gains in output of electrical products, motor vehicles and parts, and lumber and plywood were standouts in manufacturing. Moderate gains were widespread elsewhere as 11 of 21 major manufacturing groups recorded higher output.

Production of electrical products soared 9.0% in December, led by large gains in the output of office, store and business machines (mainly computers), and electrical equipment (especially telecommunications equipment). The December gains continued a trend of rising output evident in these industries for several months. Output of office, store and business machines was almost 50% ahead of December 1991 output, while production of telecommunications equipment advanced 18% over the same period. Exports of electrical and electronic products jumped 18.3% in December and gained almost 36% since December 1991, while investment spending on these products firmed in the last half of 1992. In addition, prices for these products rose 0.9% in the fourth quarter following several quarters of little or no gain.

Manufacturers of motor vehicles boosted production 3.6% in December following a 10.3% jump in November. As a result output rose 5.5% in the fourth quarter, its first quarterly increase since the first quarter of 1992. Exports were down 1.2% for the

fourth quarter, but sales by motor vehicle dealers edged ahead 0.6%. Nevertheless, as well as the gain in output, employment rose 2.7% in the fourth quarter, by far its largest increase for several quarters. Output of motor vehicle parts rose 4.6% in December and 6.9% in the fourth quarter, when exports advanced 12.2%.

Production of wood products advanced 3.5% in December, mainly due to higher output of lumber and plywood. Exports of lumber and other fabricated wood products soared 9.6% in the fourth quarter, spurred by increased demand for housing in the United States, where housing starts rose 5.3% in the fourth quarter compared with a drop of 4.1% in Canada. Prices of lumber and wood products soared as environmental constraints on production reinforced the effect on prices of increased demand and a lower exchange rate.

Mining output fell 1.5% in December, its third consecutive decline, which left output 5.4% below its September level. The December drop was concentrated in metal mines other than gold mines and in lower production of crude oil and natural gas. Lower royalty charges in Alberta continued to stimulate drilling activity, which increased 3.1% in December for a gain of over 30% since September.

Output by utilities fell 1.1% mainly due to lower production of electric power. The decline followed an increase of a similar magnitude in November.

Services-producing Industries

Services production rebounded 0.3% in December following a 0.3% drop in November. Moderate gains were widespread, with retail trade being the only major service industry to produce less in December than in November. The largest gain was a 0.8% increase in community, personal and business services.

A 3.7% increase in hotel services led the gain in community, business and personal services. Increased occupancy rates, especially in the western provinces, accounted for the rise.

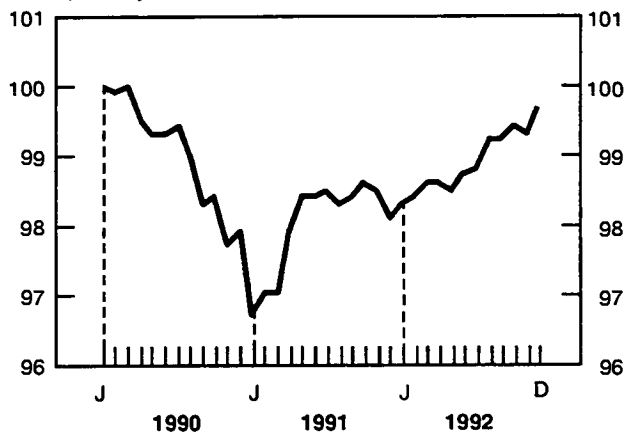
Finance, insurance and real estate edged ahead 0.2% following a 1.3% tumble in November (when interest rates surged after the referendum and when activity by rate-sensitive participants such as real-estate agents, security brokers and investment companies plunged). With rates easing in December, activity by security brokers and investment companies rebounded. Real estate sales continued to be depressed, however, and real estate agents recorded a second consecutive drop in output.

Gross Domestic Product

Seasonally adjusted at 1986 prices

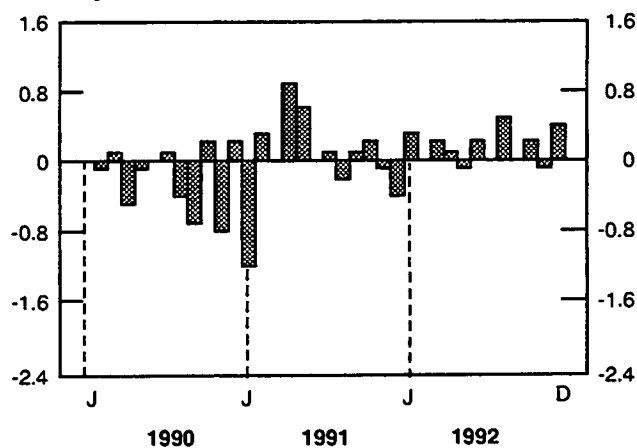
Total Economy

Index (January 1990 = 100)



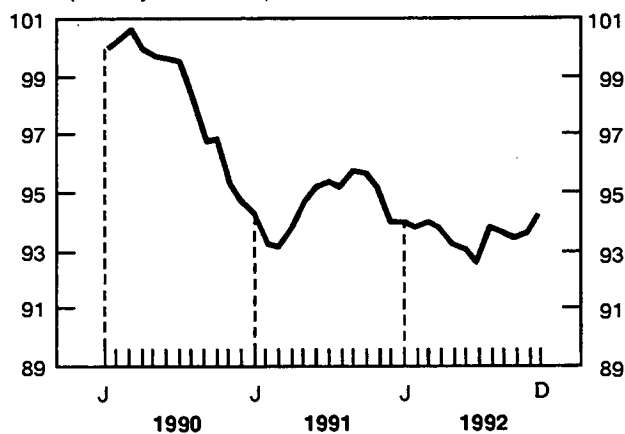
Total Economy

% change



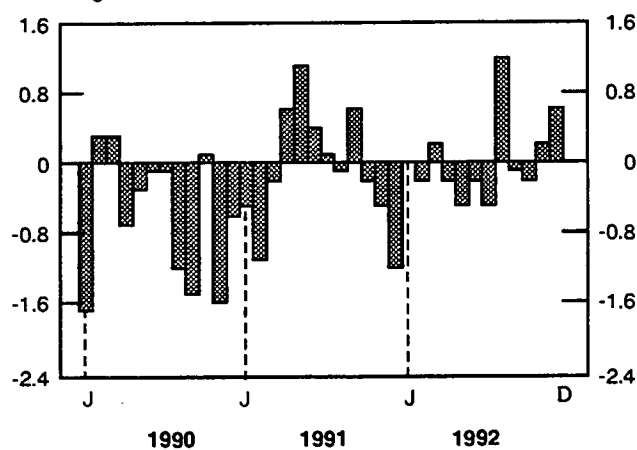
Goods

Index (January 1990 = 100)



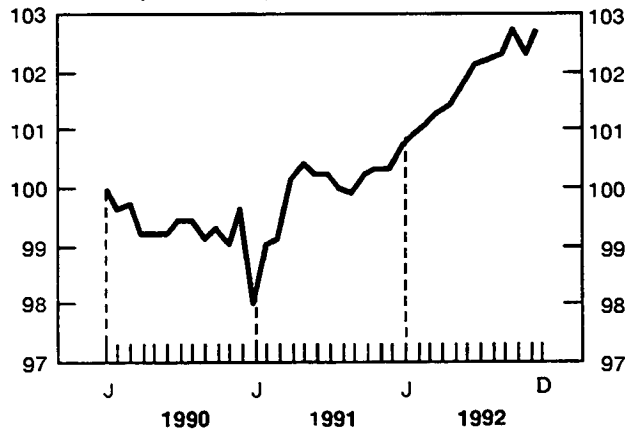
Goods

% change



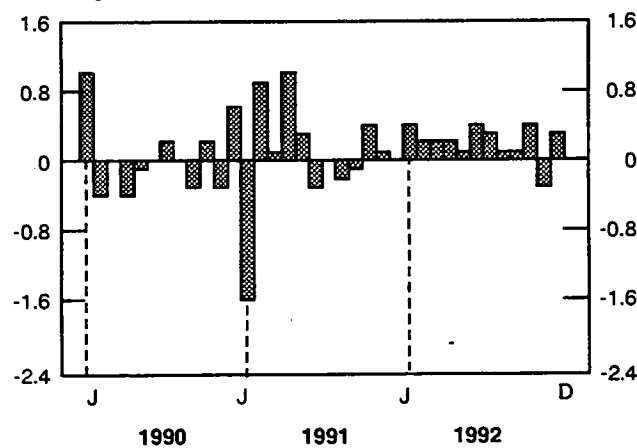
Services

Index (January 1990 = 100)



Services

% change



Transportation and storage services edged ahead 0.5% in December as a 4.3% gain in air transport was mostly offset by a 4.1% drop in pipeline throughput. The gain in air transport followed three consecutive monthly declines totalling almost 9%, which reflected the recent difficulties in this industry. A jump in the number of U.S. and other international residents coming to Canada by plane accounted for most of the December gain. Most of the drop in pipeline output was due to lower throughput of natural gas. Exports of natural gas fell 1.7% in December and 13.8% in the fourth quarter.

Annual Overview

Real GDP at Factor Cost edged ahead 0.9% in 1992 following losses of 0.2% in 1990 and 1.1% in 1991. Services output advanced 2.0% after gaining 1.1% in 1990 and 0.4% in 1991. Goods production fell for a third consecutive year, but the decline slowed to -1.1% from -2.5% in 1990 and -3.9% in 1991.

Finance, insurance and real estate rose 3.5% and, along with a 7.3% increase in wholesale trade, accounted for most of the gain in services. Smaller advances in transportation and storage, communications, retail trade, and non-business services also contributed to the gain. These increases were partly offset by a decline in community, business and personal services.

Transportation and storage services advanced 2.6% following declines in the three previous years. Higher throughput of natural gas paced pipeline transport to a 15.4% increase and accounted for about 86% of the gain. Advances in air and truck transport were partly offset by lower rail transport. With poorer crops, the growth in storage and warehousing slowed to 2.1% from 8.5% in 1991.

Community, business and personal services fell 0.9% following a 3.4% decline in 1991. A 7.9% drop in professional services and a 4.6% decline in personal and household services accounted for most of the losses. A 0.3% increase in restaurant services left accommodation and food services flat following an 11.3% decline in 1991. Health services rose 2.4% to partly offset the losses.

Elsewhere in services, growth in communications output slowed to 2.4% from 4.0% in 1991. Telecommunication carriers accounted for most of the increase, although their growth slowed to 2.8% from 5.8% in 1991. Retail trade advanced 1.5% following a 1.5% drop in 1990 and a 3.8% drop in 1991, when activity was influenced by the introduction of the GST.

Growth in non-business services slowed to 0.9% from 1.3% in 1991. Led by a 3.2% increase in local government services, total government services advanced 1.4%. Educational services advanced 1.9%, also contributing to the gain.

Among goods producers, cutbacks in construction were the largest. Poor weather conditions and the moratorium on cod, however, also curtailed agricultural and fishing output, which dropped 7.0% and 7.1%, respectively. Manufacturing advanced 0.5% following declines of 5.1% in 1990 and 6.6% in 1991. Elsewhere, utilities, mining and logging all advanced in 1992.

The decline in construction accelerated from 4.4% in 1991 to 6.5% in 1992. Non-residential construction, down in the previous two years, dropped a further 16.1% in 1992. Engineering construction fell 8.0% following a 4.3% advance in 1991. Residential construction gained 5.9% following a 15.4% loss in 1991.

The small advance in manufacturing was accompanied by gains for 10 of 21 major producers, compared with only one in 1991. Led by export demand, producers of transportation equipment, wood products and electrical and electronic equipment accounted for most of the gains. A 7.4% increase by manufacturers of motor vehicles and parts led a 4.6% gain in transportation equipment. As new housing markets strengthened in Canada and the United States, sawmill operators and veneer and plywood producers increased output 8.0% to lead an 8.3% increase in output of wood products, which followed a 10.1% loss in 1991. Production of office, store and business machines surged 16.4% and, along with a 2.1% gain in electronic equipment, led the electrical and electronic products industry to a 3.9% advance.

Elsewhere in manufacturing, several producers recorded substantial slowdowns in their rates of decline in 1992 compared with 1991, as foreign demand firmed. Output of machinery dropped 3.7% compared to a 19.4% plunge in 1991. A slowdown in the rate of decline of stamped, pressed and coated metals curbed the drop in fabricated metal products to 6.8% compared with 11.9% in 1991. Production of non-metallic mineral products declined 5.5% compared with 15.8% in 1991.

Output in mining, quarrying and oil wells advanced 1.3% following a 0.9% gain in 1991 and losses in the two previous years. Growth in the output of crude petroleum and natural gas jumped to 6.9% from 2.9% in 1991. The growth in 1992 was partly offset by declines in coal mines (-17.9%), services related to mineral extraction (-13.5%) and gold mines (-8.8%).

A 2.1% increase in the generation of electric power paced utility output to a 2.2% gain, down from the 4.6% advance recorded in 1992.

Available on CANSIM: matrices 4671-4674.

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

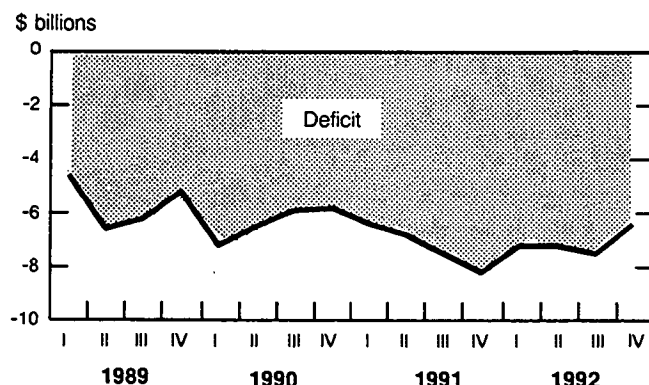
For further information, contact Ron Kennedy (613-951-3673), Industry Measures and Analysis Division.

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

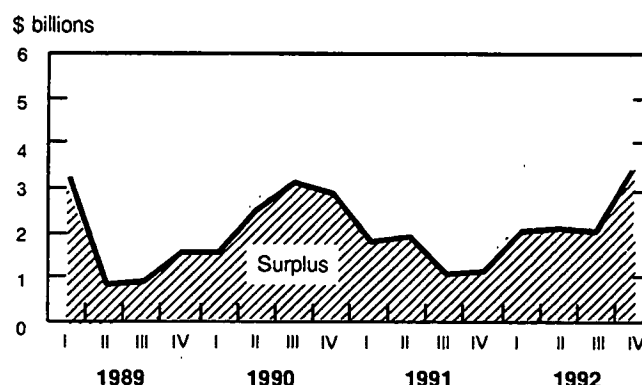
Seasonally Adjusted at Annual Rates)
(\$ millions)

| | 1991 | 1992 | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | December | September | October | November | December |
| Total Economy | 497,669.0 | 503,664.1 | 504,572.9 | 503,858.6 | 505,982.9 |
| Business Sector: | 405,752.3 | 411,183.0 | 411,903.3 | 410,950.4 | 412,878.9 |
| Goods: | 165,338.0 | 164,702.1 | 164,383.5 | 164,791.6 | 165,834.6 |
| Agriculture | 11,236.2 | 10,306.0 | 10,337.6 | 10,174.3 | 10,223.1 |
| Fishing and Trapping | 956.0 | 883.3 | 872.4 | 861.6 | 863.9 |
| Logging Industry | 2,423.7 | 2,529.7 | 2,554.9 | 2,683.6 | 2,634.2 |
| Mining Industries | 19,972.2 | 20,907.2 | 20,334.7 | 20,089.2 | 19,782.6 |
| Manufacturing Industries | 83,510.2 | 85,513.0 | 86,134.9 | 86,923.5 | 88,420.7 |
| Construction Industries | 31,317.3 | 28,221.4 | 27,736.0 | 27,503.6 | 27,534.4 |
| Other Utility Industries | 15,922.4 | 16,341.5 | 16,413.0 | 16,555.8 | 16,375.7 |
| Services: | 240,414.3 | 246,480.9 | 247,519.8 | 246,158.8 | 247,044.3 |
| Transportation and Storage | 21,372.7 | 21,949.2 | 21,834.6 | 21,670.8 | 21,785.4 |
| Communication Industries | 19,233.9 | 19,289.4 | 19,523.0 | 19,492.9 | 19,598.7 |
| Wholesale Trade | 28,417.5 | 29,946.0 | 30,164.1 | 30,184.8 | 30,320.2 |
| Retail Trade | 29,898.4 | 30,280.6 | 30,447.1 | 30,477.6 | 30,340.4 |
| Finance, Insurance and Real Estate | 81,919.7 | 84,345.8 | 84,747.5 | 83,625.0 | 83,776.9 |
| Community, Business and Personal Services | 59,572.1 | 60,669.9 | 60,803.5 | 60,707.7 | 61,222.7 |
| Non-business Sector: | 91,916.7 | 92,481.1 | 92,669.6 | 92,908.2 | 93,104.0 |
| Goods: | 923.4 | 943.5 | 931.5 | 918.3 | 930.4 |
| Services: | 90,993.3 | 91,537.6 | 91,738.1 | 91,989.9 | 92,173.6 |
| Government Service Industry | 34,008.5 | 34,204.2 | 34,300.0 | 34,391.2 | 34,435.6 |
| Community and Personal Services | 53,547.4 | 53,889.0 | 53,966.0 | 54,078.8 | 54,213.2 |
| Other Services | 3,437.4 | 3,444.4 | 3,472.1 | 3,519.9 | 3,524.8 |
| Other Aggregations: | | | | | |
| Goods-producing Industries | 166,261.4 | 165,645.6 | 165,315.0 | 165,709.9 | 166,765.0 |
| Services-producing Industries | 331,407.6 | 338,018.5 | 339,257.9 | 338,148.7 | 339,217.9 |
| Industrial Production | 120,328.2 | 123,705.2 | 123,814.1 | 124,486.8 | 125,509.4 |
| Non-durable Manufacturing | 38,899.4 | 39,357.4 | 39,991.6 | 39,709.2 | 39,803.6 |
| Durable Manufacturing | 44,610.8 | 46,155.6 | 46,143.3 | 47,214.3 | 48,617.1 |

Current Account Balance (seasonally adjusted)



Merchandise Trade Balance (seasonally adjusted)



Balance of International Payments

Fourth Quarter 1992 and
Annual 1992 (Preliminary)

Highlights – Fourth Quarter 1992

Canada's seasonally adjusted current account deficit narrowed from the substantial levels of recent quarters, falling \$1.0 billion to \$6.5 billion. This reflected a sizeable \$1.4 billion increase in the merchandise trade surplus to \$3.4 billion, as exports outpaced imports. The higher merchandise surplus was partially offset by a \$0.5 billion fall in interest and dividend receipts.

In the capital account, which is not seasonally adjusted, foreign investment in Canadian portfolio securities re-emerged quite strongly following an unusually low net investment in the third quarter. The foreign net investment was widely spread with \$3.0 billion in Canadian bonds, \$2.6 billion in short-term money market paper and \$0.9 billion in Canadian stocks. Net quarterly investment in stocks was at its highest in three years. Among financial assets, Canada's international reserves decreased for the fifth consecutive quarter as the Canadian dollar continued to depreciate against the U.S. dollar, reaching a five-year low in November 1992.

Current Account, Seasonally Adjusted

- The \$6.5 billion current account deficit consisted of a \$3.4 billion surplus on merchandise trade, accompanied by a \$9.9 billion deficit on non-merchandise transactions.

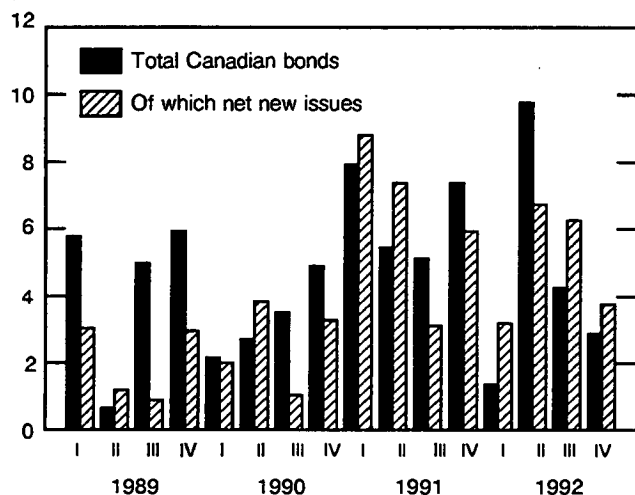
- Canadian exports of goods advanced for the fourth consecutive quarter to reach \$41.7 billion, 4.7% above third quarter sales. Forest and auto products, machinery and equipment, together with industrial materials, led the advance; the main reduction occurred in wheat.
- Merchandise imports also increased for the fourth consecutive quarter, edging up 1.2% to \$38.3 billion in the current quarter. Import gains were spread among commodities and were small except for a larger rise in auto parts. Imports of machinery and crude petroleum declined.
- The deficit on investment income grew by \$0.5 billion to \$6.4 billion, largely as a result of lower receipts, though payments of dividends were at the lowest level in nearly 10 years. Interest earnings on international reserves decreased sharply, reflecting shrinking reserve assets; dividend receipts also fell following losses in the financial sector on direct investment abroad.
- Net travel payments declined from a near-record \$2.2 billion to \$2.1 billion, mostly due to reduced travel outlays by Canadian residents in the United States. With offsetting changes in business services, the deficit for services as a whole remained unchanged at \$3.5 billion.

Current and Capital Accounts, Not Seasonally Adjusted

- The current account deficit, at \$6.4 billion, was \$1.9 billion lower than in the fourth quarter of 1991. This reflected a notable rise in the merchandise trade surplus, which more than offset higher net payments on nonmerchandise transactions, particularly interest paid on Canadian bonds.

Foreign Investment in Canadian Bonds

\$ billions



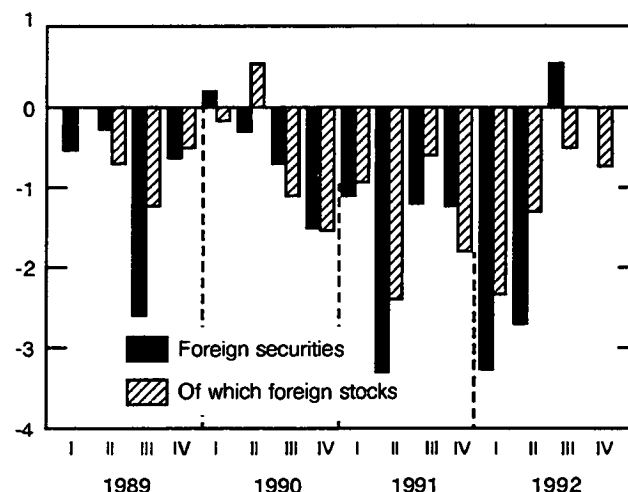
- Among **financial liabilities**, non-residents continued to buy heavily into new Canadian bond issues, channelling (net of retirements) almost \$4 billion of capital. This total was down, however, from the over \$6 billion net foreign financing in each of the previous two quarters. Non-residents again reduced their holdings of outstanding issues by selling off, on a net basis, \$0.9 billion of provincial enterprise issues.
- Non-residents resumed their investment in Canadian money market paper, purchasing a net \$2.6 billion, after a net disinvestment of \$4.0 billion in the third quarter. About 90% of fourth-quarter investment was in Government of Canada treasury bills by investors located in the United States and the United Kingdom.
- Canadian stocks attracted the largest quarterly foreign investment in three years (\$0.9 billion),

with most of the net buying in outstanding shares by U.S. investors.

- Among **financial assets**, Canada's international reserves dropped by \$0.9 billion to \$15.1 billion, the fifth consecutive quarterly decline.
- The statistical discrepancy (the balancing item between the recorded estimates of the current and capital accounts) was equivalent to a net debit of \$3.4 billion.
- The Canadian dollar declined further in the fourth quarter to a low of 77.29 U.S. cents in November, before closing 1992 at 78.68 U.S. cents. The Canadian dollar gained, however, in excess of 10% against major European currencies.

Canadian Investment in Foreign Securities

\$ billions



Highlights - 1992 Calendar Year

The current account deficit declined to \$28.6 billion from a high of \$29.2 billion in 1991, breaking the string of increases that prevailed since 1985. The change resulted from an upswing in the merchandise trade surplus with the United States. Merchandise deficits with other Organization for Economic Cooperation and Development (OECD) countries narrowed somewhat, but merchandise deficits widened with the rest of the world. Among non-merchandise transactions, the deficit on investment income reached \$24.9 billion, a new high.

In the capital account, foreign investment in portfolio Canadian securities (\$24.2 billion) remained high by historical standards but lower than the record \$29.3 billion of 1991. Net investment in 1992 moved largely into net new issues of Canadian bonds, with funds also channelled into short-term paper and Canadian stocks. The financial markets were very volatile during 1992 as witnessed by record volumes of trading, especially in the secondary bond market. The sharp decline of the Canadian dollar against its U.S. counterpart led to the largest ever annual decline in reserves.

Current Account

- The current account deficit of \$28.6 billion comprised a merchandise surplus of \$9.5 billion and a non-merchandise deficit of \$38.1 billion. Exports and imports grew strongly to record levels.
- Growth in the merchandise trade surplus was led by trucks, cars and forestry products. Agricultural and energy goods also showed a higher surplus, while that for industrial materials narrowed. Deficits widened over a range of consumer goods, in auto parts and, to a lesser extent, in machinery and equipment.
- Exports increased \$15.8 billion to \$157.5 billion, a rise of 11.2%. The largest gains were in auto products, machinery and equipment, agricultural and forestry products.
- Imports reached \$148.1 billion, increasing by \$12.1 billion or 8.9%. Leading the growth were machinery and equipment, industrial materials and auto products.
- Most of the higher deficit in non-merchandise trade arose from a sharp drop in receipts of interest and dividends, which fell to the lowest level since 1986. Payments showed only a relatively small advance as the record interest payments on Canadian bonds were partly offset by dividends, which were at their lowest level in nine years.
- The travel deficit reached a new record of \$8.3 billion, but the advance was not as strong as in the previous three years. Since 1987, much of the deficit has been with the United States; in 1992, for the first time in recent years, the increase in the travel deficit was mainly with other countries.

Capital Account

- Among **financial liabilities**, over 80% of the \$18.2 billion foreign investment in Canadian bonds went into net new issues of the provinces and their enterprises. Investment through the secondary market saw the first-ever significant net sell-off (\$1.7 billion), following a gradual decline of foreign investment into that market from highs that exceeded \$8 billion in 1988 and again in 1989.
- Non-residents increased their holdings of Canadian money market paper in 1992 by \$5.0 billion, as U.S. investors bought \$7.2 billion and residents of all other foreign countries sold \$2.2 billion. The investment was directed to Government of Canada treasury bills, finance company paper and short-term paper issued by the provinces.
- Foreign investment of \$1.0 billion flowed into Canadian stocks in 1992. This was the second net annual foreign investment into Canadian stocks since 1987, when the October crash abruptly reversed the trend of massive investments that had prevailed since 1982.
- The net inflow from foreign direct investment in Canada, which peaked in 1990 at \$6.8 billion, fell by roughly \$1 billion in each of 1991 and 1992. The \$4.7 billion net investment in 1992 closely followed the pattern of 1991, with most of the investment coming from the United States into the manufacturing sector.
- Among **financial assets**, residents purchased a net \$4.9 billion of foreign stocks (the second highest on record) and \$0.5 billion of foreign bonds in 1992. The trend of net acquisitions of foreign portfolio securities has been uninterrupted since 1979. In 1990, it was further encouraged by a budget proposal, which became law in 1991, that permitted increases in the foreign investment limits of Canadian pension funds.
- Canadian direct investment abroad further increased in 1992, resulting in a net outflow of \$3.3 billion. The net outflow abroad had steadily fallen from its 1987 peak of \$9.4 billion.
- Canada's international reserves were reduced in 1992 by a record \$7.0 billion following a \$2.8 billion drop in 1991.

-
- The statistical discrepancy (the balancing item between recorded estimates of the current and capital accounts) was equivalent to a net credit of \$1.3 billion.
 - The Canadian dollar depreciated against the U.S. dollar during 1992 to close the year at U.S. 77.29 cents, sharply lower than the U.S. 86.11 cents of year-end 1991. In 1992, the Canadian dollar also depreciated against most overseas currencies except the British pound.

Available on CANSIM: matrices 147, 1364, 1369, 1370, 2323-2339, 2343-2349, 2353-2355 and 2357.

The fourth quarter 1992 issue of Canada's *Balance of International Payments* (67-001, \$27.50/\$110) will be available in April. 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 | | | | 1991 | 1992 |
|---|----------|----------|----------|---------|----------|----------|----------|
| | IV | I | II | III | IV | | |
| (millions of dollars) | | | | | | | |
| Current Account | | | | | | | |
| Receipts | | | | | | | |
| Merchandise exports | 36,174 | 36,819 | 40,489 | 37,957 | 42,284 | 141,728 | 157,549 |
| Non-merchandise: | | | | | | | |
| Services | 5,143 | 5,005 | 6,312 | 7,840 | 5,494 | 23,305 | 24,651 |
| Investment income ¹ | 2,584 | 2,231 | 1,974 | 1,863 | 1,655 | 9,714 | 7,723 |
| Transfers | 848 | 1,123 | 1,070 | 1,048 | 962 | 3,575 | 4,203 |
| Total non-merchandise receipts | 8,575 | 8,358 | 9,355 | 10,750 | 8,112 | 36,594 | 36,576 |
| Total receipts | 44,749 | 45,177 | 49,844 | 48,707 | 50,397 | 178,322 | 194,125 |
| Payments | | | | | | | |
| Merchandise imports | 34,658 | 35,739 | 37,865 | 36,232 | 38,226 | 135,948 | 148,063 |
| Non-merchandise: | | | | | | | |
| Services | 8,734 | 9,453 | 9,512 | 9,872 | 9,207 | 35,588 | 38,045 |
| Investment income ¹ | 8,576 | 8,410 | 8,152 | 7,635 | 8,417 | 32,099 | 32,614 |
| Transfers | 1,042 | 1,148 | 831 | 1,038 | 949 | 3,937 | 3,967 |
| Total non-merchandise payments | 18,352 | 19,011 | 18,496 | 18,545 | 18,573 | 71,623 | 74,626 |
| Total payments | 53,010 | 54,751 | 56,361 | 54,777 | 56,800 | 207,571 | 222,689 |
| Balances | | | | | | | |
| Merchandise | + 1,516 | + 1,079 | + 2,624 | + 1,725 | + 4,058 | + 5,780 | + 9,487 |
| Non-merchandise | - 9,778 | - 10,653 | - 9,141 | - 7,795 | - 10,461 | - 35,030 | - 38,050 |
| Total current account | - 8,261 | - 9,574 | - 6,517 | - 6,070 | - 6,403 | - 29,249 | - 28,563 |
| Capital Account² | | | | | | | |
| Canadian claims on non-residents, net flows | | | | | | | |
| Canadian direct investment abroad ¹ | - 758 | - 932 | - 907 | - 873 | - 623 | - 4,400 | - 3,336 |
| Portfolio securities: | | | | | | | |
| Foreign bonds | + 554 | - 934 | - 1,374 | + 1,032 | + 739 | - 1,128 | - 537 |
| Foreign stocks | - 1,791 | - 2,330 | - 1,315 | - 496 | - 745 | - 5,710 | - 4,887 |
| Government of Canada assets: | | | | | | | |
| Official international reserves | + 2,919 | + 1,734 | + 689 | + 3,611 | + 945 | + 2,830 | + 6,978 |
| Loans and subscriptions | - 684 | - 735 | - 217 | - 431 | - 342 | - 1,781 | - 1,725 |
| Non-bank deposits abroad | + 522 | + 93 | + 1,003 | - 756 | + 1,187 | - 439 | + 1,527 |
| Other claims | + 299 | + 124 | - 1,534 | + 1,237 | + 867 | + 2,610 | + 693 |
| Total Canadian claims, net flow | + 1,061 | - 2,981 | - 3,655 | + 3,324 | + 2,026 | - 8,018 | - 1,286 |
| Canadian liabilities to non-residents, net flows | | | | | | | |
| Foreign direct investment in Canada ¹ | + 1,405 | + 841 | + 527 | + 1,513 | + 1,835 | + 5,890 | + 4,717 |
| Portfolio securities: | | | | | | | |
| Canadian bonds | + 7,377 | + 1,335 | + 9,798 | + 4,223 | + 2,868 | + 25,829 | + 18,224 |
| Canadian stocks | - 92 | + 296 | + 65 | - 190 | + 863 | - 990 | + 1,034 |
| Canadian banks' net foreign currency transactions with non-residents ³ | + 1,360 | + 2,089 | - 1,580 | - 4,091 | + 29 | + 4,957 | - 3,553 |
| Money market instruments: | | | | | | | |
| Government of Canada paper | + 1,560 | + 3,231 | - 278 | - 3,330 | + 2,292 | + 2,288 | + 1,915 |
| Other paper | + 664 | + 1,545 | + 1,851 | - 633 | + 308 | + 2,140 | + 3,071 |
| Allocation of Special Drawing Rights | - | - | - | - | - | - | - |
| Other liabilities | + 1,340 | + 2,162 | + 1,529 | - 102 | - 400 | + 2,948 | + 3,188 |
| Total Canadian liabilities, net flow | + 13,614 | + 11,499 | + 11,911 | - 2,610 | + 7,795 | + 43,062 | + 28,595 |
| Total capital account, net flow | + 14,675 | + 8,518 | + 8,256 | + 714 | + 9,821 | + 35,044 | + 27,309 |
| Statistical Discrepancy | - 6,414 | + 1,056 | - 1,740 | + 5,356 | - 3,418 | - 5,795 | + 1,254 |

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, the series is classified as part of Canadian claims on non-residents.

- Nil or zero.

Current Account, Seasonally Adjusted

| | 1991 | 1992 | | | | 1991 | 1992 |
|--|---------|---------|---------|---------|---------|----------|----------|
| | IV | I | II | III | IV | | |
| (millions of dollars) | | | | | | | |
| Receipts | | | | | | | |
| Merchandise exports | 35,416 | 37,298 | 38,700 | 39,835 | 41,717 | 141,728 | 157,550 |
| Non-merchandise | | | | | | | |
| Services: | | | | | | | |
| Travel | 1,904 | 2,039 | 2,014 | 2,006 | 2,013 | 7,802 | 8,072 |
| Freight and shipping | 1,369 | 1,430 | 1,434 | 1,483 | 1,465 | 5,443 | 5,812 |
| Business services | 2,143 | 2,153 | 2,179 | 2,280 | 2,312 | 8,303 | 8,924 |
| Government transactions | 216 | 227 | 218 | 215 | 222 | 854 | 883 |
| Other services | 235 | 229 | 233 | 254 | 244 | 903 | 960 |
| Total services | 5,868 | 6,079 | 6,078 | 6,238 | 6,256 | 23,305 | 24,651 |
| Investment income ¹ : | | | | | | | |
| Interest | 1,194 | 1,088 | 983 | 912 | 798 | 5,008 | 3,780 |
| Dividends | 1,056 | 1,184 | 963 | 1,079 | 716 | 4,706 | 3,942 |
| Total investment income | 2,250 | 2,272 | 1,946 | 1,990 | 1,514 | 9,714 | 7,723 |
| Transfers: | | | | | | | |
| Inheritances and immigrants' funds | 309 | 458 | 458 | 392 | 476 | 1,341 | 1,784 |
| Personal and institutional remittances | 241 | 253 | 255 | 256 | 253 | 968 | 1,018 |
| Canadian withholding tax | 310 | 506 | 354 | 265 | 276 | 1,267 | 1,402 |
| Total transfers | 859 | 1,218 | 1,067 | 913 | 1,005 | 3,575 | 4,203 |
| Total non-merchandise receipts | 8,977 | 9,568 | 9,091 | 9,141 | 8,776 | 36,594 | 36,576 |
| Total receipts | 44,393 | 46,866 | 47,791 | 48,976 | 50,493 | 178,322 | 194,126 |
| Payments | | | | | | | |
| Merchandise imports | 34,304 | 35,303 | 36,617 | 37,837 | 38,305 | 135,948 | 148,062 |
| Non-merchandise | | | | | | | |
| Services: | | | | | | | |
| Travel | 4,167 | 4,011 | 4,030 | 4,225 | 4,099 | 15,365 | 16,364 |
| Freight and shipping | 1,434 | 1,404 | 1,437 | 1,461 | 1,542 | 5,403 | 5,844 |
| Business services | 3,163 | 3,190 | 3,302 | 3,396 | 3,513 | 12,507 | 13,401 |
| Government transactions | 428 | 415 | 424 | 431 | 438 | 1,633 | 1,708 |
| Other services | 176 | 176 | 172 | 197 | 182 | 680 | 728 |
| Total services | 9,368 | 9,195 | 9,365 | 9,711 | 9,773 | 35,588 | 38,044 |
| Investment income ¹ : | | | | | | | |
| Interest | 6,844 | 7,363 | 6,981 | 6,909 | 7,051 | 27,338 | 28,304 |
| Dividends | 1,088 | 1,147 | 1,234 | 1,040 | 890 | 4,760 | 4,310 |
| Total investment income | 7,932 | 8,511 | 8,214 | 7,949 | 7,940 | 32,099 | 32,614 |
| Transfers: | | | | | | | |
| Inheritances and emigrants' funds | 68 | 70 | 71 | 73 | 73 | 269 | 287 |
| Personal and institutional remittances | 272 | 284 | 285 | 285 | 286 | 1,079 | 1,139 |
| Official contributions | 676 | 675 | 404 | 612 | 564 | 2,272 | 2,255 |
| Foreign withholding tax | 82 | 74 | 76 | 72 | 65 | 317 | 286 |
| Total transfers | 1,098 | 1,102 | 836 | 1,041 | 988 | 3,937 | 3,967 |
| Total non-merchandise payments | 18,399 | 18,808 | 18,416 | 18,701 | 18,702 | 71,623 | 74,626 |
| Total payments | 52,702 | 54,111 | 55,033 | 56,538 | 57,007 | 207,571 | 222,688 |
| Balances | | | | | | | |
| Merchandise | + 1,112 | + 1,995 | + 2,083 | + 1,998 | + 3,412 | + 5,780 | + 9,488 |
| Non-merchandise: | | | | | | | |
| Services | - 3,500 | - 3,116 | - 3,287 | - 3,473 | - 3,517 | - 12,283 | - 13,394 |
| Investment income ¹ | - 5,683 | - 6,239 | - 6,268 | - 5,958 | - 6,426 | - 22,385 | - 24,892 |
| Transfers | - 239 | + 116 | + 231 | - 129 | + 18 | - 362 | + 235 |
| Total non-merchandise | - 9,422 | - 9,240 | - 9,324 | - 9,560 | - 9,926 | - 35,030 | - 38,050 |
| Total current account | - 8,310 | - 7,245 | - 7,241 | - 7,562 | - 6,514 | - 29,249 | - 28,562 |

¹ Excludes retained earnings.

Financial Flow Accounts

Fourth Quarter and
Annual 1992 (Preliminary)

Highlights - Fourth Quarter 1992

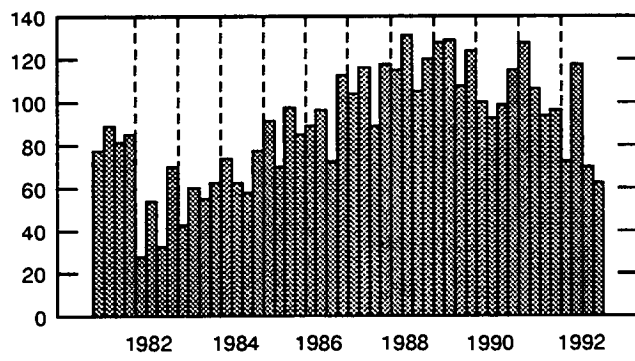
Total funds raised by **domestic non-financial sectors** on credit and equity markets amounted to \$67.2 billion in the fourth quarter of 1992, seasonally adjusted at annual rates (see Chart 1). This represented a moderate fall from the already weakened demand for funds in the previous quarter. In contrast to the considerable strength in borrowing in the second quarter, when financing by governments accounted for most of the growth, the demand for funds in the third and fourth quarters was weak in most of the major sectors of the economy. Governments accounted for over 50% of all funds raised in the economy.

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 quarter were the following: an abrupt end to the downward trend in interest rates, as the prime rate rose two percentage points in the first few days of the quarter; a drop in the demand for borrowed funds by non-financial private corporations; a decrease in the federal government's demand for funds; and a pickup in provincial government borrowing.

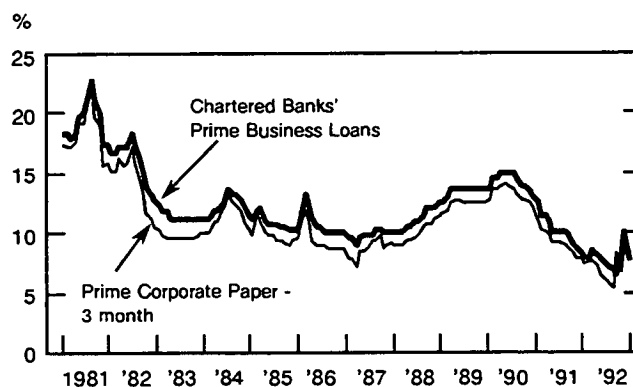
Note to Users

For the first time, the full financial flow accounts are available today on CANSIM, in conjunction with the other system of national accounts components. Previously only a subset of the financial flows data, covering funds raised in principal sectors, was available on the national accounts release day, with the remainder being released about a week later.

The long-term slide in interest rates that began in the closing months of 1990 was reversed in the fourth quarter of 1992 (see Chart 2). This occurred on the heels of a significant drop in the exchange rate and a period of turmoil on international financial markets in September. While the Bank Rate reacted with a lag to the drop in the dollar's value over the month of September, Canadian money market rates reacted immediately and sharply to pronounced increases in interest rates in Europe near the end of the month. Other rates, particularly rates on negotiated loans, soon followed suit. The prime rate rose from 6.25% on September 30th to a high of 9.75% by the end of November, reaching its highest level in 16 months. Monetary conditions eased somewhat in December as the dollar stabilized at about 78.5 cents U.S., down from an average of about 84.0 cents U.S. in August.

Chart 2

Selected Canadian Interest Rates

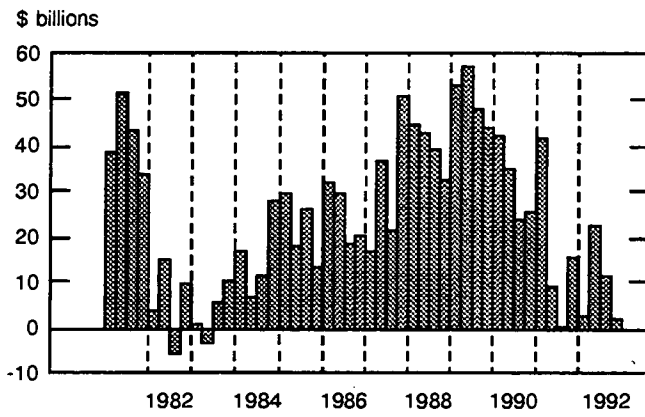


Source: Bank of Canada.

Chart 3

Funds Raised by Non-financial Private Corporations

Seasonally adjusted at annual rates

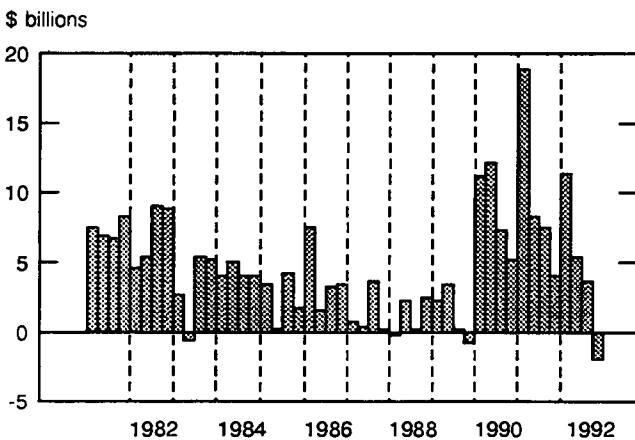


Funds raised by non-financial private corporations were down markedly from the third quarter, resulting in a net redemption of credit-market debt (see Chart 3). Short-term paper outstanding was sharply reduced, by almost 25%, as yield differentials narrowed in favour of bank loans. Funds raised through bonds and loans showed strength. Share issues decreased somewhat, although they remained comparatively strong for the fourth consecutive quarter.

Chart 4

Funds Raised by Non-financial Government Enterprises

Seasonally adjusted at annual rates

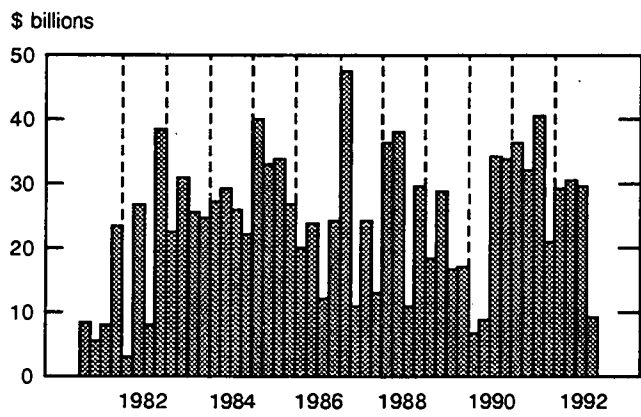


The outstanding credit-market debt of non-financial government business enterprises was also reduced on a net basis in the fourth quarter (see Chart 4). Most of the decline was attributable to provincial enterprises and it followed substantial net borrowing earlier in the year.

Chart 5

Funds Raised by the Federal Government

Seasonally adjusted at annual rates



Borrowing by the federal government was down from the third quarter, despite a slight widening in the deficit (see Chart 5). Most of the financing was accomplished through marketable bonds rather than treasury bills, as money market rates rose sharply in the fourth quarter whereas rates on longer-term instruments were little changed. About 40% of new federal issues had terms to maturity in excess of 10 years.

The demand for funds by other levels of government was up in the fourth quarter, although the consolidated fiscal deficit of the sector declined (see Chart 6). The rise in borrowing was attributable to provincial governments. Following the trend in other sectors, provincial governments' principal source of finance was long-term marketable debt issues. However, there were significant issues of provincial short-term paper as well, perhaps in anticipation of further declines in interest rates.

Personal sector demand for funds firmed up during the fourth quarter. Mortgage finance, which began to recover in the spring of 1991, showed moderate strength over the last four quarters (see Chart 7). A relatively high level of activity in the mortgage market during the fourth quarter occurred against a backdrop of rising interest rates; rates on

Chart 6

Total Funds Raised by Other Levels of Government

Seasonally adjusted at annual rates

\$ billions

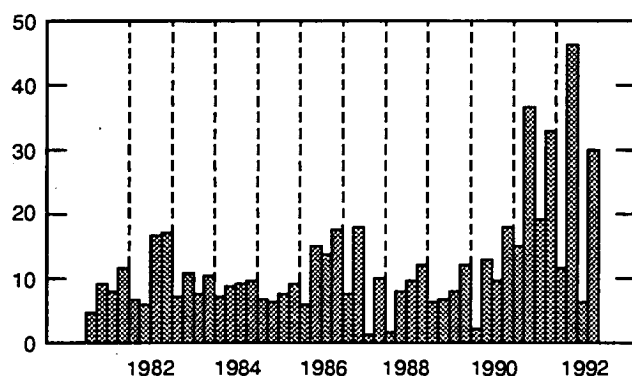
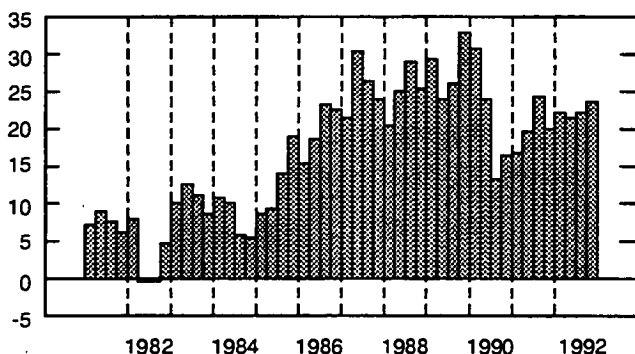


Chart 7

Mortgage Borrowing in the Personal Sector

Seasonally adjusted at annual rates

\$ billions



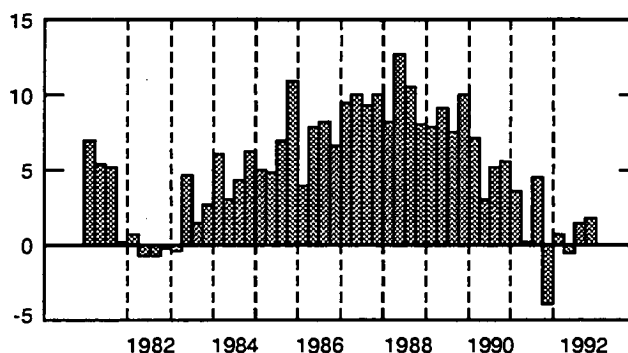
five-year mortgages rose approximately 100 basis points to 9.50%, but remained well below the 12.50% peak attained at the end of 1990. Borrowing in the form of consumer credit grew in the second half of 1992, reflecting modest strength in the demand for automobiles in the third quarter and in the demand for other consumer durable goods in the fourth quarter (see Chart 8). The growth in borrowing outpaced gains in after-tax income, causing the ratio of consumer credit and mortgage debt to personal disposable income to increase to 86.0%, a new historical high.

Chart 8

Consumer Credit Borrowing in the Personal Sector

Seasonally adjusted at annual rates

\$ billions



Highlights – Calendar Year 1992

For 1992 as a whole, there was further weakening in the demand for funds by **domestic non-financial sectors**. Total funds raised on financial markets amounted to about 80% of the 1991 level, their lowest levels since 1986. Much of the activity in credit markets in 1992 involved the refinancing of debt.

The softness in the overall demand for funds reflected the very slow pace of economic recovery in 1992. Governments accounted for the largest share of net new borrowings during the year, while demand by non-financial corporations continued to weaken, as in the previous two years. Personal sector borrowing, which fell in 1990 and 1991, showed signs of an upturn in 1992.

The pronounced drop in interest rates and the expansion of the monetary aggregates that was evident through 1991 extended into 1992. The yield curve took on a more normal shape, with short-term rates reaching their lowest point since the late 1970s. By January 1992, interest rates were down substantially right across the maturity spectrum. This easing of monetary conditions was partly due to the relatively strong performance of the Canadian dollar in 1991. Nominal interest rates continued their prolonged decline for three quarters in 1992, with the rate on prime business loans reaching a low of 6.25% in September, more than seven percentage points lower than it was 24 months earlier.

Debt-to-income Ratios

| | 1991 | | | | 1992 | | | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | (\$ billions) | | | | | | | |
| Persons and Unincorporated Business* | | | | | | | | |
| Debt | | | | | | | | |
| Consumer Credit | 99.0 | 99.0 | 100.1 | 99.1 | 99.3 | 99.2 | 99.5 | 100.0 |
| Mortgages | 273.6 | 278.7 | 284.9 | 290.0 | 295.5 | 300.8 | 306.4 | 312.2 |
| Total | 372.6 | 377.7 | 385.0 | 389.1 | 394.8 | 400.0 | 405.9 | 412.1 |
| Personal Disposable Income | 463.3 | 470.0 | 470.1 | 465.2 | 467.4 | 474.7 | 479.1 | 479.0 |
| Debt-to-income Ratio (%) | 80.4 | 80.4 | 81.9 | 83.6 | 84.5 | 84.3 | 84.7 | 86.0 |
| Debt-to-GDP Ratio (%) | 56.1 | 55.9 | 56.8 | 57.3 | 57.9 | 58.5 | 58.9 | 59.4 |
| Federal Government** | | | | | | | | |
| Debt | 324.3 | 331.9 | 341.8 | 346.7 | 353.9 | 361.5 | 369.0 | 371.2 |
| Debt-to-GDP Ratio (%) | 48.8 | 49.1 | 50.4 | 51.0 | 51.9 | 52.9 | 53.5 | 53.5 |
| Other Levels of Government | | | | | | | | |
| Debt | 167.2 | 176.5 | 181.3 | 189.6 | 192.5 | 204.0 | 205.6 | 213.1 |
| Debt-to-GDP Ratio (%) | 25.2 | 26.1 | 26.7 | 27.9 | 28.2 | 29.8 | 29.8 | 30.7 |
| Non-financial Private Corporations | | | | | | | | |
| Debt | 343.3 | 343.9 | 342.3 | 343.5 | 344.2 | 350.0 | 352.9 | 353.5 |
| Debt-to-GDP Ratio (%) | 51.7 | 50.9 | 50.5 | 50.6 | 50.5 | 51.2 | 51.2 | 50.9 |
| Gross Domestic Product (GDP) | 664.1 | 675.8 | 678.2 | 679.4 | 681.9 | 683.7 | 689.5 | 694.3 |

* Consumer credit and mortgages only.

** National Accounts basis, excludes superannuation accounts.

Funds Raised on Financial Markets by Non-financial Sectors

| | 1989 | 1990 | 1991 | 1992 |
|---|--------------|--------------|--------------|--------------|
| Total funds raised (% of GDP) | 18.6 | 15.2 | 15.7 | 12.4 |
| Sectoral shares (% of total) | | | | |
| Personal sector | 34.2 | 28.8 | 20.0 | 27.3 |
| Non-financial private corporations | 42.0 | 31.5 | 15.9 | 11.6 |
| Non-financial government business enterprises | 1.1 | 8.8 | 9.1 | 5.4 |
| Federal Government | 15.9 | 20.5 | 30.5 | 28.5 |
| Other levels of government | 6.8 | 10.4 | 24.6 | 27.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

The Bank Rate ended 1992 at about 7.25%, roughly the same level as at the beginning of the year. However, there were significant movements in the official rate throughout the year. Narrowing interest rate differentials between Canadian and U.S. short-term securities left the dollar in a more vulnerable position in January and in September. In both periods, declines in the value of the currency prompted a reaction from the monetary authorities so that interest rates rose. The decline in the dollar was far more pronounced in September, as a depreciation of almost three cents vis-à-vis the U.S. dollar took place. This was explained partly by the fact that the differential between the Bank Rate and the U.S. Federal Funds Rate narrowed to 174 basis points early in the month. Canada's rate was under 5% in this period, for the first time since 1973. Despite the pressure on the currency, only modest upward adjustments in the Bank Rate occurred during the last half of September, and financial institutions' rates on loans and deposits did not move. However, in the closing days of the third quarter and the opening days of the fourth, money market rates rose sharply – by as much as three full percentage points at the short end of the market. Interest rates rose in the rest of October and in November before easing somewhat in December, as the Canadian dollar stabilized.

The low level of economic activity in 1992 did little to encourage corporate demand for funds. Borrowing by **non-financial private corporations** remained quite weak in comparison with previous years. These corporations reduced debt in the first and fourth quarters of 1992. Except for the third quarter of 1991, a net repayment of credit-market instruments had not occurred since 1983, when the economy was emerging from the 1981-82 recession. Sharp declines in capital expenditure and falling inventory levels were principal causes for this reduced demand for funds. Financial activity was largely confined to restructuring balance sheets in the sector, as shorter-term debt was replaced with longer-term debt and equity. Share issues remained relatively strong in 1992, as in the previous year, further reducing the debt-to-equity ratio. In 1992, though share prices as a whole remained flat, they rose substantially relative to earnings.

Non-financial government business enterprise borrowing was down in 1992, returning to levels more consistent with their financing activity prior to 1990 (see Chart 4). Issues of bonds were the main financing vehicle for these corporations.

Total funds raised by the **federal government** in 1992 were about 75% of funds raised in 1991, reflecting the reduced borrowing requirement. In the face of the lowest bond yields in over a decade, the Government of Canada raised in excess of 55% of its funds through issues of marketable bonds, with longer terms to maturity than had been typical in recent years. The balance of the financing took place through issues of treasury and Canada bills.

Borrowing by **other levels of government** was also down from the previous year, despite higher provincial government deficits. Instead of raising additional borrowed funds, financial assets that had been built up in earlier periods were drawn down throughout the year. About 80% of the funds the provincial government sector did raise came from bond issues.

Net new borrowing in the **personal sector** edged back up in 1992, after declining in 1990 and 1991. Nevertheless, it remained at just 58% of the level in 1989. Borrowing to finance the purchase of consumer goods and services was down somewhat from 1991. Interest-sensitive mortgage demand was up, although the long-term decline in mortgage rates did not appear to have much impact on the underlying trend in demand for net new mortgage credit. Total household debt continued to grow at a faster pace than personal disposable income, and the ratio of the former to the latter rose to 86.0% in late 1992 from 79.1% at the end of 1990. The elevated debt-to-income ratio was one reason for the slowness of the recovery in consumer demand during 1992. On the other hand, interest payments declined substantially relative to income over this same period, as mortgages were refinanced at lower rates and this had a somewhat mitigating effect.

Available on CANSIM: matrices 701-741, 743, 750.

For further information about the subject matter in this release, call 613-951-3640 and ask for the information officer, National Accounts and Environment Division.

The fourth 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 March. See "How to Order Publications".

A computer printout containing the detailed financial flows matrices is also available 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 days after the official release date, for \$60 per quarter or \$240 per year.

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

Financial Market Summary Table

(Seasonally Adjusted at Annual Rates)
(In millions of dollars)

| | 1991 | 1992 | | | |
|---|--------|---------|---------|---------|---------|
| | IV | I | II | III | IV |
| Persons and Unincorporated Business | | | | | |
| Funds Raised: | 22,872 | 22,552 | 20,356 | 23,688 | 27,676 |
| Consumer Credit | -3,584 | 664 | -496 | 1,408 | 1,760 |
| Bank Loans | -1,616 | 264 | 120 | 1,156 | 244 |
| Other Loans | 8,264 | -208 | -756 | -1,044 | 2,720 |
| Mortgages | 19,912 | 22,004 | 21,316 | 22,160 | 23,156 |
| Bonds | -104 | -172 | 172 | 8 | -204 |
| Non-financial Private Corporations | | | | | |
| Funds Raised: | 15,676 | 2,808 | 23,020 | 11,628 | 2,416 |
| Bank Loans | -6,424 | 28,152 | -14,576 | 1,620 | 6,040 |
| Other Loans | 796 | -7,912 | 4,604 | 928 | 5,232 |
| Other Short-term Paper | -5,384 | -33,800 | 9,556 | -7,324 | -31,492 |
| Mortgages | 8,400 | 11,516 | 5,088 | 4,860 | 8,628 |
| Bonds | 7,856 | -4,660 | 8,044 | 4,424 | 8,464 |
| Shares | 10,432 | 9,512 | 10,304 | 7,120 | 5,544 |
| Non-financial Government Enterprises | | | | | |
| Funds Raised: | 4,048 | 11,272 | 5,448 | 3,716 | -1,956 |
| Bank Loans | -1,080 | -1,360 | -696 | -1,808 | 1,208 |
| Other Loans | -700 | 24 | -2,020 | 548 | 228 |
| Other Short-term Paper | 864 | 2,460 | 396 | 264 | 2,508 |
| Mortgages | -8 | -12 | -12 | -8 | -4 |
| Bonds | 4,972 | 10,160 | 7,780 | 2,320 | -5,896 |
| Shares | - | - | - | 2,400 | - |
| Federal Government | | | | | |
| Funds Raised: | 20,708 | 28,980 | 30,520 | 29,760 | 8,960 |
| Other Loans | - | -4 | - | - | - |
| Canada Short-term Paper | -2,848 | 22,144 | 14,200 | 9,232 | 2,552 |
| Canada Saving Bonds | 1,580 | -56 | 640 | -272 | -6,008 |
| Marketable Bonds | 21,976 | 6,896 | 15,680 | 20,800 | 12,416 |
| Other Levels of Government | | | | | |
| Funds Raised: | 33,008 | 11,508 | 46,064 | 6,368 | 30,060 |
| Bank Loans | 40 | 260 | 212 | -708 | 1,068 |
| Other Loans | 184 | 976 | -732 | 76 | 192 |
| Short-term Paper | 9,916 | -5,204 | 18,944 | -12,660 | 11,968 |
| Provincial Bonds | 20,572 | 13,000 | 26,340 | 18,720 | 18,568 |
| Municipal Bonds | 2,304 | 2,428 | 1,344 | 1,188 | -1,672 |
| Other bonds | -8 | 48 | -44 | -248 | -64 |
| Total Funds Raised by Domestic | | | | | |
| Non-financial Sectors | 96,312 | 77,120 | 125,408 | 75,160 | 67,156 |
| Consumer Credit | -3,584 | 664 | -496 | 1,408 | 1,760 |
| Bank Loans | -9,080 | 27,316 | -14,940 | 260 | 8,560 |
| Other Loans | 8,544 | -7,124 | 1,096 | 508 | 8,372 |
| Canada Short-term Paper | -2,848 | 22,144 | 14,200 | 9,232 | 2,552 |
| Other Short-term Paper | 5,396 | -36,544 | 28,896 | -19,720 | -17,016 |
| Mortgages | 28,304 | 33,508 | 26,392 | 27,012 | 31,780 |
| Bonds | 59,148 | 27,644 | 59,956 | 46,940 | 25,604 |
| Shares | 10,432 | 9,512 | 10,304 | 9,520 | 5,544 |

- Nil or zero.

DATA AVAILABILITY ANNOUNCEMENTS

Government Revenue and Expenditure System of National Accounts (SNA) Basis

Fourth Quarter 1992

Detailed revenue and expenditure estimates (SNA basis) of the federal, provincial and local governments for the quarter ended December 31, 1992 are now available. Revised estimates for the quarters ended March 31, 1992, June 30, 1992 and September 30, 1992 are also available.

Available on CANSIM: matrices 2711-2713.

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

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). ■

Process Cheese and Instant Skim Milk Powder

January 1993

Production of process cheese in January 1993 totalled 4 689 584 kilograms, a decrease of 19.5% from December 1992 but an increase of 7.6% from January 1992.

Production of instant skim milk powder in January totalled 392 241 kilograms, a decrease of 17.9% from December 1992 but an increase of 16.4% from January 1992.

Available on CANSIM: matrix 188 (series 1.10).

The January 1993 issue of *Production and Inventories of Process Cheese and Instant Skim Milk Powder* (32-024, \$5/\$50) will be available at a later date. See "How to Order Publications".

For more detailed information on this release, contact Peter Zylstra (613-951-3511), Industry Division. ■

Cement

January 1993

Canadian manufacturers shipped 257 701 tonnes of cement in January 1993, a decrease of 13.2% from the 296 765 (revised) tonnes shipped a year earlier and a decrease of 44.2% from the 461 600 tonnes shipped in December 1992.

Available on CANSIM: matrices 92 and 122 (series 35).

The January 1993 issue of *Cement* (44-001, \$5/\$50) will be available at a later date.

For more detailed information on this release, contact Roland Joubert (613-951-3527), Industry Division. ■

Tea, Coffee and Cocoa

December 1992

Data on tea, coffee and cocoa for the fourth quarter of 1992 are now available.

Production and Stocks of Tea, Coffee and Cocoa (32-025, \$6.75/\$27) will be released at a later date.

Available on CANSIM: matrix 188 (series 1.7 and 1.8).

For further detailed information on this release, contact Peter Zylstra (613-951-3511), Industry Division. ■

Processed Fruits And Vegetables

December 1992

Data on processed fruits and vegetables for December 1992 are now available.

Canned and Frozen Fruits and Vegetables - Monthly (32-011, \$5/\$50) will be released at a later date.

For further information, contact Peter Zylstra (613-951-3511), Industry Division. ■



1010136249

The Daily, March 1, 1993

PUBLICATIONS RELEASED

Interprovincial Wholesale Commodity Survey, 1990.

Catalogue number 63-542

(Canada: \$48; United States: US\$58;
Other Countries: US\$67).

Labour Force Activity - The Nation, 1991 Census.

Catalogue number 93-324

(Canada: \$40; United States: US\$48;
Other Countries: US\$56).

Available at 8:30 a.m. on Tuesday, March 2, 1993.

Labour Force Activity of Women by Presence of Children - The Nation, 1991 Census.

Catalogue number 93-325

(Canada: \$40; United States: US\$48;
Other Countries: US\$56).

Available at 8:30 a.m. on Tuesday, March 2, 1993.

Industry and Class of Worker - The Nation, 1991 Census.

Catalogue number 93-326

(Canada: \$40; United States: US\$48;
Other Countries: US\$56).

Available at 8:30 a.m. on Tuesday, March 2, 1993.

Occupation - The Nation, 1991 Census.

Catalogue number 93-327

(Canada: \$40; United States: US\$48;
Other Countries: US\$56).

Available at 8:30 a.m. on Tuesday, March 2, 1993.

The paper used in this publication meets the minimum requirements of American National Standard for Information Sciences - Permanence of Paper for Printed Library Materials, ANSI Z39.48 - 1984.



How to Order Publications

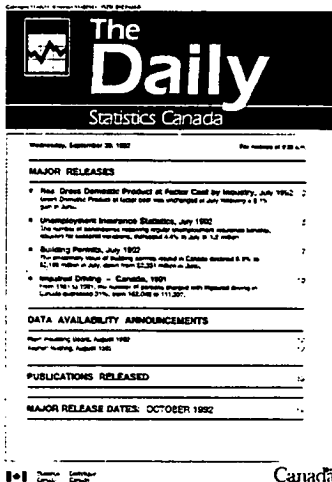
Simplify your search for data with the Statistics Canada Catalogue 1992. Using the keyword index, you'll find sources for statistics on all areas of Canadian social and economic activity. For easy access to over 800 Statistics Canada products and services, order the Statistics Canada Catalogue 1992 (11-204E, \$13.95; United States: US\$17; Other Countries: US\$20).

You may order Statistics Canada products and services by telephone. From Canada and the United States, call toll-free 1-800-267-6677. From all other locations, call 613-951-7277 (not toll-free).

You may purchase Statistics Canada publications by writing to Publication Sales, Room 1710, Main Building, Statistics Canada, Ottawa K1A 0T6.

Please enclose a cheque or money order payable to the Receiver General for Canada/Publications. Provide full information on each publication order (catalogue number, title, issue). Canadian customers, please add 7% GST.

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



Statistics Canada's Official Release Bulletin for Statistical Information

Catalogue 11-001E. Price: Canada: \$120.00 annually; United States: US\$144.00 annually;
Other Countries: US\$163.00 annually

Published by the Communications Division
Statistics Canada, 10-N, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

Senior Editor: Greg Thomson (613-951-1187)

Editor: Tim Prichard (613-951-1103)

Published by authority of the Minister responsible for Statistics Canada. © Minister of Industry, Science and Technology, 1993. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission from Licence Services, Marketing Division, Statistics Canada, Ottawa, Ontario, Canada K1A 0T6.