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- **National Income and Expenditure Accounts, Fourth Quarter 1993** 2
Real GDP at market prices grew 0.9% in the fourth quarter of 1993 and 2.4% in calendar year 1993.
- **Real Gross Domestic Product at Factor Cost by Industry, December 1993** 11
Gross Domestic Product at factor cost rose 0.4% in December following increases of 0.2% in October and 0.5% in November.
- **Balance of International Payments, Fourth Quarter 1993** 15
The seasonally adjusted current account deficit remained at \$6.1 billion in the fourth quarter of 1993. On an annual basis, the deficit declined for the second year in a row in 1993, to \$25.2 billion.
- **Financial Flow Accounts, Fourth Quarter 1993 and 1993 Annual** 20
The demand for funds on financial markets continued to strengthen in the fourth quarter of 1993.

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National Income and Expenditure Accounts

Fourth Quarter 1993

Gross domestic product at market prices grew 1.1% in the fourth quarter of 1993 to a seasonally adjusted annual rate of \$721 billion. GDP at 1986 prices rose 0.9% (equivalent to a compound annual rate of 3.8%), while the implicit price index increased 0.2% (see Charts 1 and 2). In calendar year 1993, real GDP grew 2.4%.

Chart 1

GDP at 1986 prices

Quarterly % change

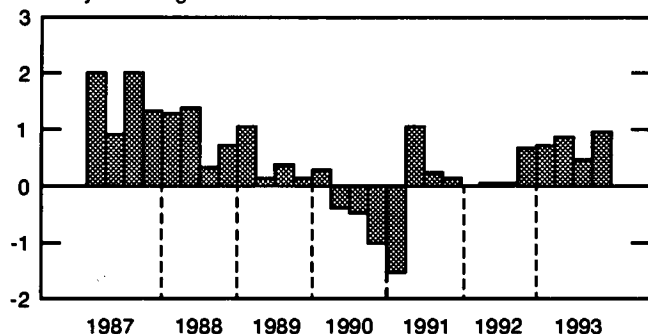
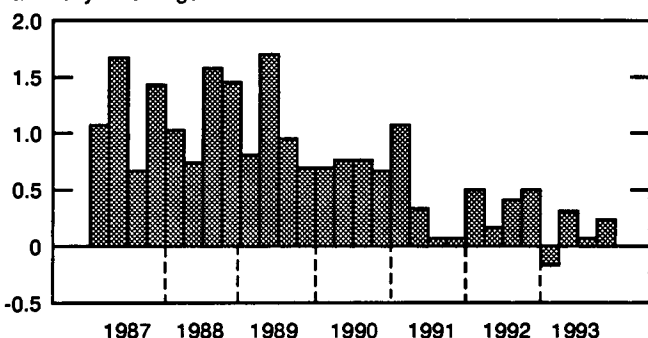


Chart 2

GDP implicit price index

Quarterly % change



The growth rate in the final quarter of 1993 was double that of the previous quarter. Large increases in merchandise exports, business plant and equipment investment and non-farm inventories accounted for most of the advance. Residential construction grew 1.2% and consumer spending rose a more modest 0.4%. Government current expenditure on goods and services fell in real terms to its lowest level in 11 quarters. Corporate profits surged 14.7% while labour income edged up 0.4%.

The tempo of the economic recovery picked up in calendar year 1993 as real GDP grew 2.4% (see Chart 7). Merchandise exports were the principal driving force, jumping 10.2% in volume. In addition, personal expenditure on consumer goods and services rose 1.6% and business plant and equipment spending increased 2.3%. The rate of inflation, as measured by the GDP implicit price index, dropped to just 0.8%, the lowest annual rate since 1961.

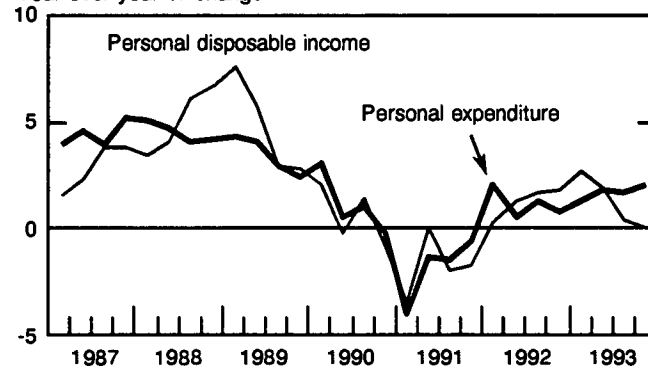
Personal expenditure on consumer goods and services

Personal expenditure grew 0.4% in volume during the fourth quarter as expenditure on services increased 0.5% and demand for goods rose 0.4%. Consumers continued to spend more despite weak personal disposable income (see Chart 3). As a result, the personal saving rate fell to 8.9%, the

Chart 3

Personal expenditure and disposable income at 1986 prices

Year-over-year % change



lowest in 3½ years. Financial services, particularly commissions on stocks, bonds and mutual funds, accounted for a substantial part of the increase in expenditure on services. A pickup in spending on motor vehicles, parts and repairs was the source for most of the gain in outlays on goods. Net expenditure abroad decreased for the third consecutive quarter, reflecting the continuing decline in the value of the Canadian dollar vis-à-vis the U.S. dollar. The number of travellers returning to Canada from outside the country dropped 3.0% in the quarter to 16.8 million while the count of non-residents entering Canada rose 0.6% to 9.2 million. For 1993 as a whole, real consumer spending on goods increased 2.4% and expenditure on services grew 0.9%.

Expenditure components of GDP at constant 1986 prices

	Fourth Quarter 1993		Year 1993	
	\$ change *	% change	\$ change *	% change
Final domestic demand	4,584	0.8	6,187	1.1
Personal expenditure	1,524	0.4	5,486	1.6
Durable goods	728	1.5	1,532	3.2
Semi-durable goods	-160	-0.5	848	2.9
Non-durable goods	40	0.0	1,508	1.7
Services	916	0.5	1,598	0.9
Government expenditure	-332	-0.2	274	0.2
Current goods and services	-620	-0.5	-113	-0.1
Investment	288	1.7	387	2.3
Business investment	3,392	3.2	427	0.4
Residential construction	368	1.2	-1,250	-3.8
Plant and equipment	3,024	4.0	1,677	2.3
Non-residential construction	500	2.2	-2,349	-9.2
Machinery and equipment	2,524	4.8	4,026	8.5
Inventory change	2,180	...	3,788	...
Government	16	...	32	...
Business non-farm	2,532	...	1,539	...
Farm	-368	...	2,217	...
Balance of trade on goods and services	-848	...	2,910	...
Exports of goods and services	6,620	3.4	17,227	9.6
Merchandise	6,720	3.8	16,118	10.2
Non-merchandise	-100	-0.5	1,109	5.4
Less: Imports of goods and services	7,468	3.7	14,317	7.6
Merchandise	8,668	5.1	15,826	10.3
Non-merchandise	-1,200	-3.6	-1,509	-4.3
Statistical discrepancy	-504	...	500	...
Gross Domestic Product at market prices	5,412	0.9	13,385	2.4

* Millions of constant 1986 dollars.

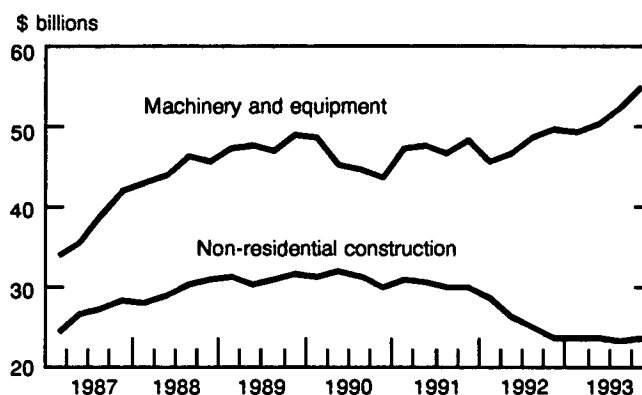
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Residential construction

Residential investment grew 1.2% in real terms after a decrease of similar size in the third quarter. The pickup was due to a 4.8% increase in real estate commissions associated with housing resale activity, mainly in central Canada, and a 1.8% rise in spending on alterations and improvements to existing dwellings. The third component of residential investment, new home building, fell for the fourth consecutive quarter, by 1.0%, despite a slight increase in housing starts. In 1993 as a whole, housing starts fell to 155,000, representing the third consecutive year with starts below the long-term average requirement of 180,000 to 190,000. Residential investment also decreased on the year, by 3.8% (see Chart 12), influenced by weak disposable income growth and generally cautious consumer sentiment.

Chart 4

Business plant and equipment investment at 1986 prices



Plant and equipment investment

Spurred by low interest rates, strong export demand, rising corporate profits and the temporary small business investment tax credits of Bill C-136, business plant and equipment investment spending increased significantly for the third consecutive quarter (see Chart 4). Purchases of machinery and equipment, accounting for about 60% of total plant and equipment outlays, jumped 4.8% in real terms due to higher spending on industrial machinery, office equipment, trucks and agricultural equipment. Business non-residential construction rose 2.2%, reflecting higher spending on both engineering and non-residential building construction projects. Real

business plant and equipment investment outlays grew 2.3% in 1993, after dropping in the previous year (see Chart 13).

Business Inventories

There was an accumulation of inventories by business in the fourth quarter, following a sharp decrease in the third. The increase was concentrated in wholesale and retail trade, where inventories rebounded sharply. A large part of the buildup was in non-durable goods and machinery and equipment products. The level of stocks held by manufacturers dropped during the quarter, by a substantial amount. Both durable and non-durable goods manufacturers liquidated stocks. In the farm sector, inventories accumulated at a pace similar to that in the third quarter. On an annual basis, non-farm inventories were reduced for a fourth consecutive year in 1993 but farm stocks were built up, reflecting an improved grain crop.

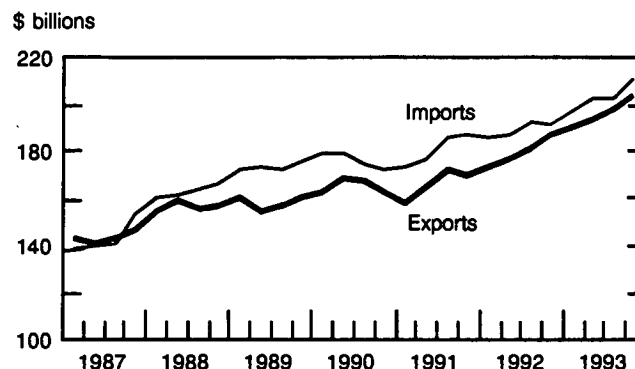
Exports and Imports

The strong upswing in exports since 1991 – stimulated by depreciation of the Canadian dollar, the pickup in the U.S. economy, and liberalized trading arrangements – continued in the fourth quarter (see Chart 5). Increased exports of office machines and equipment, motor vehicle parts, television and telecommunications equipment, lumber and coal accounted for much of the 3.8% overall volume growth. Imports more than matched the increase in exports, rising 5.1% in real terms during the quarter. A large part of the growth was attributable to passenger cars, trucks and office machines and equipment. Tobacco exports and imports were at unprecedented levels during the quarter, the latter largely through illegal channels. For 1993 as a whole, total real merchandise exports advanced 10.2% and imports 10.3%.

Exports of services decreased 0.5% in volume while imports of services dropped 3.6% in the fourth quarter. Lower travel receipts accounted for most of the drop in services exports, while reduced spending by Canadian travellers outside the country was the main factor behind the drop in imports of services. The annual volume changes were +5.4% for services exports and -4.3% for services imports.

Chart 5

Exports and Imports at 1986 prices



The balance of trade in goods and services, at current prices and seasonally adjusted at annual rates, was a small deficit of \$376 million in the fourth quarter following a \$260 million deficit in the third. The current account deficit, which also includes net investment income flows and transfer payments, was little changed at \$24.2 billion. The current account deficit for 1993 as a whole was \$25.2 billion, down from \$27.7 billion in 1992.

Price Indexes

As in the previous three quarters, inflation on a national accounts basis was very low in the fourth quarter. The chain price index for GDP excluding inventories, the best overall indicator of price change, grew just 0.2% after identical increases in each of the first three quarters of 1993. Prices of domestically consumed and exported goods and services rose by 0.4% and 0.8% respectively. But, as in the previous quarter, most of the increase was attributable to rising import prices (+1.5%). The effects of import price changes are netted out in the calculation of GDP, which measures domestic production. One important factor accounting for the faster growth of import prices was the weak Canadian dollar, which depreciated a further 1.6% vis-à-vis the U.S. dollar in the fourth quarter.

The annual rate of inflation in 1993 was 1.3%, based on the chain price index for GDP excluding inventories, a slight increase after an inflation rate of 1.1% in 1992. Unit labour costs grew just 0.2% in 1993, reflecting moderate increases in wage rates and continuing productivity gains.

Chain price indexes

	Fourth Quarter 1993	Year 1993
	% change	
Final domestic demand	0.4	1.7
Personal expenditure	0.4	1.7
Durable goods	0.6	1.6
Semi-durable goods	0.6	0.8
Non-durable goods	0.5	1.2
Services	0.3	2.1
Government expenditure	0.3	1.8
Current goods and services	0.3	1.8
Investment	0.0	1.2
Business investment	0.3	1.9
Residential construction	0.1	1.9
Non-residential construction	0.1	1.2
Machinery and equipment	0.6	2.4
Exports of goods and services	0.8	4.9
Merchandise	0.8	5.4
Non-merchandise	0.8	2.0
Less: Imports of goods and services	1.5	6.4
Merchandise	1.2	5.7
Non-merchandise	2.6	9.2
Gross Domestic Product at market prices¹	0.2	1.3

¹ Excludes value of physical change in inventories.

Personal Income

Personal income rose 0.3% in the quarter due mainly to growth in wages, salaries and supplementary labour income and in transfer payments from governments. Investment income of persons fell for the seventh consecutive quarter, reflecting the continuing decline in interest rates. Personal disposable (after-tax) income fell 0.7% in the quarter as federal and provincial income tax payments increased sharply following declines earlier in the year. Since consumer spending continued to rise moderately, the personal savings rate declined to 8.9% in the fourth quarter, from 10.2% in the third quarter.

Personal income rose 2.2% in calendar 1993, led by a 5.6% increase in government transfers and a 2.6% gain in labour income. Disposable income increased slightly more than did personal income as income tax payments decreased marginally for the second consecutive year.

Components of income at current prices

	Fourth Quarter 1993	Year 1993
	% change	
Personal income	0.3	2.2
Labour income	0.4	2.6
Net farm income	-0.8	24.2
Net unincorporated business income	1.1	4.0
Investment income	-1.7	-5.9
Government transfers	1.1	5.6
Other transfers to persons	3.3	4.5
Transfers to government	1.8	0.6
Income taxes	5.0	-0.2
Social insurance and pensions	1.1	2.2
Other transfers	-4.7	6.4
Personal disposable income	-0.7	2.7

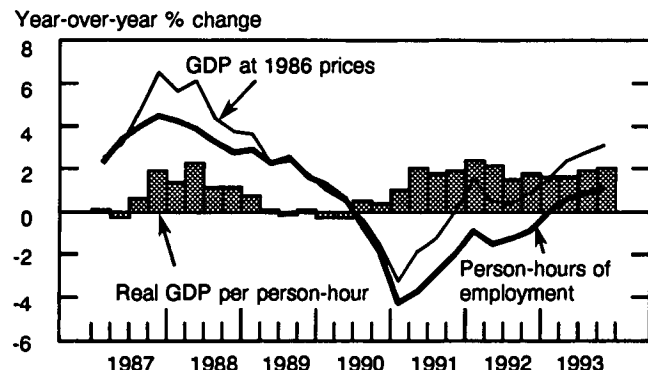
Business Income

Corporation profits before taxes, on a national accounts basis, rose 14.7% in the fourth quarter following a small decline in the third quarter. Both financial and non-financial corporations had higher profits, the former by 3.7% and the latter by 16.8%. Interest and miscellaneous investment income, the other major component of investment income, slipped 3.0% during the quarter as interest rates continued to fall. For all of 1993, corporate profits rebounded 19.8% (see Chart 16) and their share in GDP rose from 4.6% to 5.4% following a deep decline that extended over the previous four years. Interest and miscellaneous investment income fell 5.1% on the year.

Employment and hours worked

Paid employment advanced 0.3% during the quarter. The largest increases were in the Prairie provinces, British Columbia and Quebec. At the national level, the gain was entirely accounted for by a 0.6% rise in the number of full-time jobs, as part-time employment dropped. Manufacturing industries were responsible for almost all of the job growth. Average weekly hours worked per employee rose 0.2% and total paid hours increased 0.5%. Real GDP per hour worked, a measure of labour productivity, climbed 0.5% in the quarter and 1.9% on a year-over-year basis (see Chart 6). Annually, employment rose 0.7% as the number of part-time jobs increased 3.9% and full-time employment fell marginally.

Chart 6

Employment and output

provincial governments fell from \$17.0 billion in the third quarter to \$13.2 billion in the fourth, reflecting the combined effects of growing revenue and declining expenditure. At the federal level the deficit declined marginally as higher revenue was largely offset by an increase in transfer payments to provincial governments, persons and non-residents. In 1993 as a whole, the overall government deficit rose \$2.4 billion to \$48.1 billion (see Chart 18), with the entire increase attributable to the federal government. Government current expenditure on goods and services, adjusted for inflation, was essentially unchanged in 1993 (see Chart 11), the first year in which this aggregate did not grow since 1959.

Output by Industry

Goods production rose 1.2% after weakening in the previous two quarters. The growth was concentrated in manufacturing, where output rose a sharp 2.2% and 18 of 21 major groups recorded higher production. Manufacturers of durable goods increased output the most. Construction activity grew 1.2% due primarily to a rebound in engineering construction. Despite strength in the construction of apartments, residential construction rose only marginally. Building of other types of dwellings picked up toward the end of the quarter. Non-residential building construction rose 1.1% as activity on industrial projects remained strong. Output of utilities fell 1.8% as production of electricity and gas distribution weakened. Mining output declined 0.8% following a 1.3% gain the previous quarter. Production of crude oil and natural gas fell 3.1%; drilling activity grew 1.3%, a pace similar to the previous quarter.

Output of services rose 1.1% following increases of 0.7% the previous two quarters. Strong gains in the financial group and wholesale trade were responsible for the strength in services for a second consecutive quarter. In the financial group, mutual funds and brokerage activities remained strong while real estate activity picked up toward the end of the quarter. Wholesalers increased their sales a further 4.0% with sales of farm machinery and other machinery and equipment contributing most to the overall gain. Imports of agriculture machinery soared in the quarter, while domestic production also advanced rapidly during the fall months. Federal investment tax credits allowed by Bill C-136 ended in December. Transportation and storage services and communications output increased 1.4% and 1.5% respectively. Retail sales inched up 0.1% following gains of 0.9% and 0.6% the previous two quarters.

Employment and hours worked

	Fourth Quarter 1993	Year 1993
	thousands of employees	% change
Paid employment*	11,016	0.3
Goods-producing industries	2,785	0.7
Services-producing industries	8,231	0.2
Atlantic provinces	782	-0.5
Quebec	2,655	0.5
Ontario	4,297	-0.1
Prairie provinces	1,898	1.0
British Columbia	1,384	0.7
Full-time	8,724	0.6
Part-time	2,292	-1.0
Average weekly hours	...	0.2
Total paid hours worked	...	0.5

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

... Figures not appropriate or not applicable.
Based on Labour Force Survey data.

Government revenue and expenditure

The total government sector deficit fell to \$40.8 billion in the fourth quarter, from \$45.4 billion in the third quarter. Higher tax revenue, partly due to provincial income tax increases that took effect at mid-year, coupled with slow expenditure growth accounted for the drop. The aggregate deficit of

Chart 7
GDP at 1986 prices

Annual % change

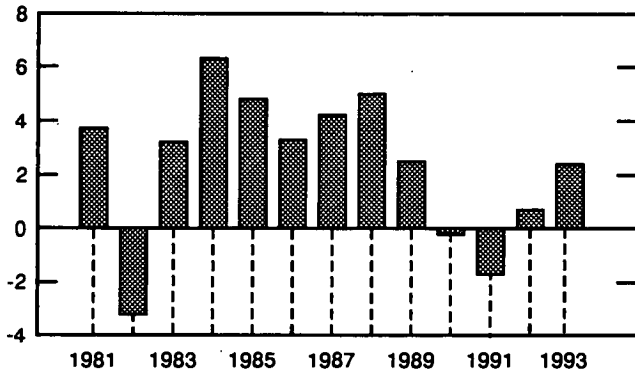


Chart 8
GDP implicit price index

Annual % change

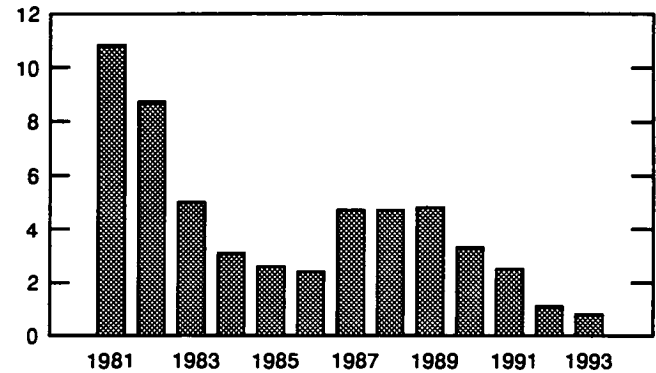


Chart 9
Real GDP per capita and person-hours of employment

Annual % change

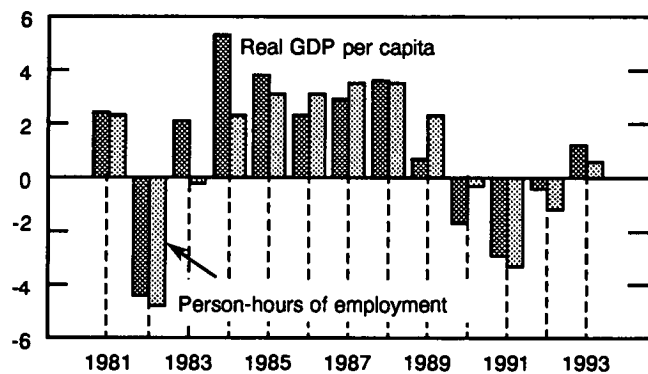


Chart 10
Consumer expenditure at 1986 prices

Annual % change

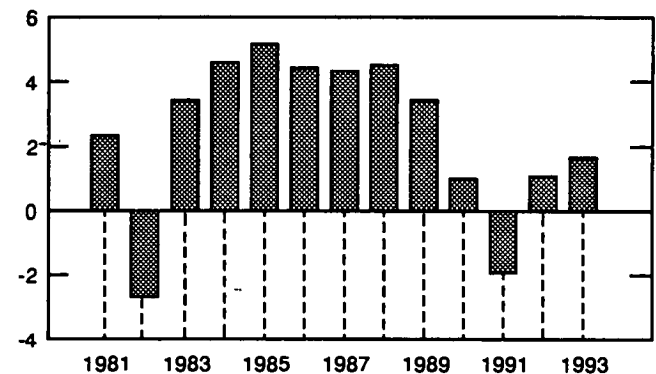


Chart 11
Government current expenditure on goods and services at 1986 prices

Annual % change

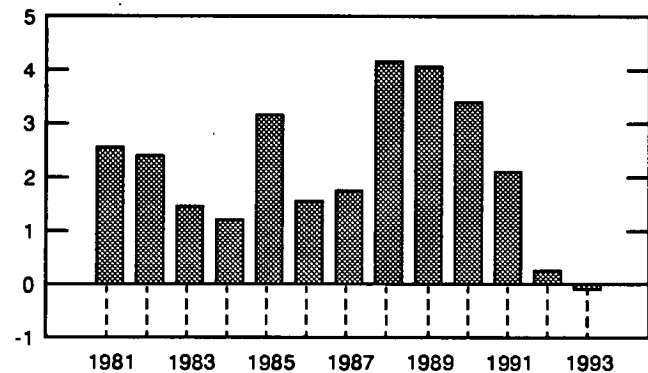


Chart 12
Residential construction at 1986 prices

Annual % change

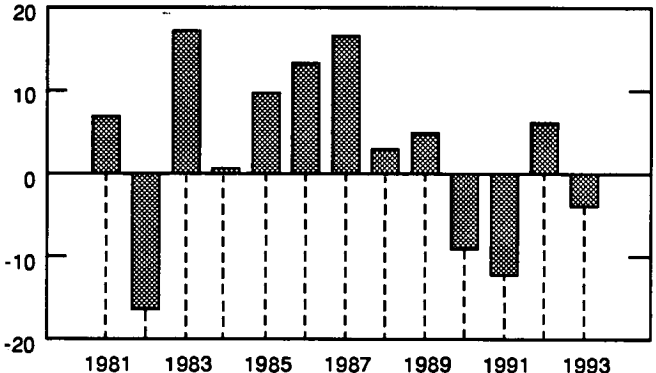


Chart 13
Plant and equipment investment at 1986 prices

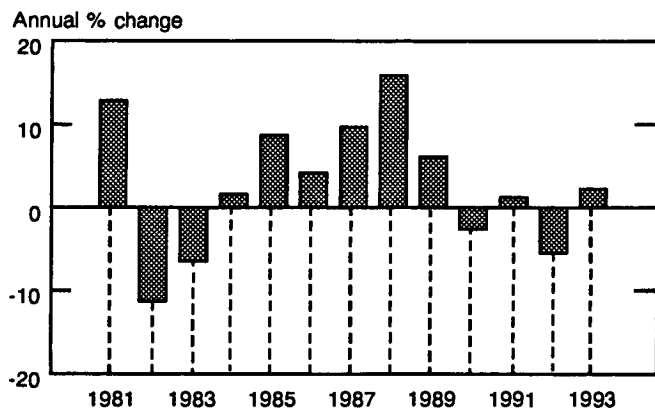


Chart 14
Balance of trade in goods and services

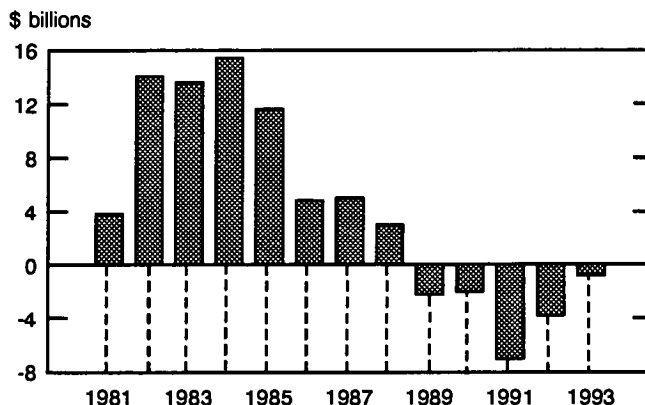


Chart 15
Labour Income

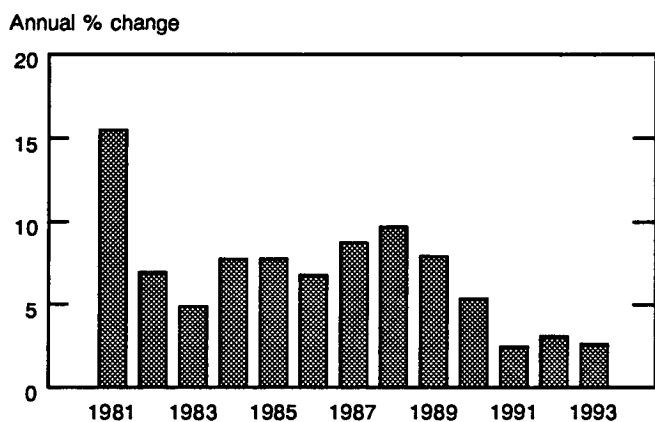


Chart 16
Corporation profits before taxes

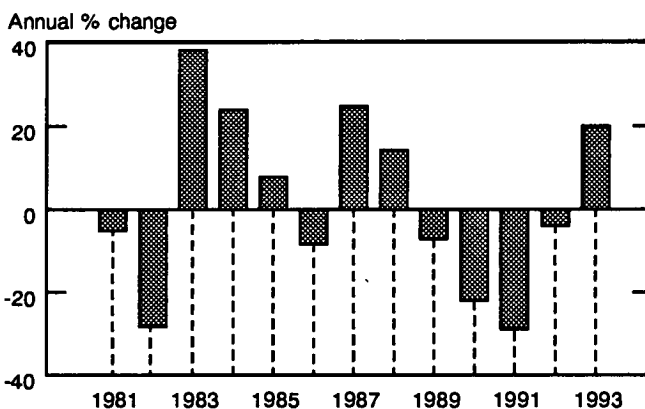


Chart 17
Personal disposable income

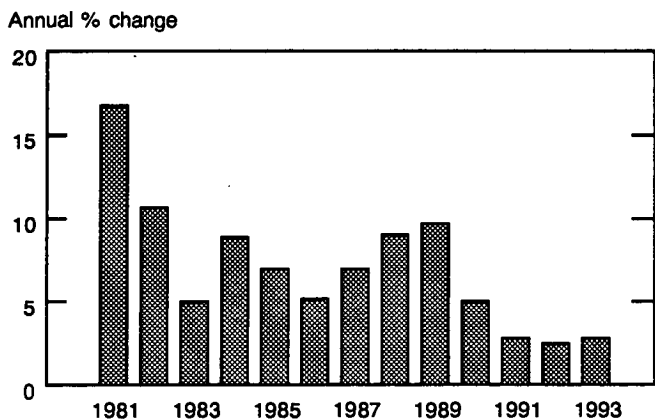
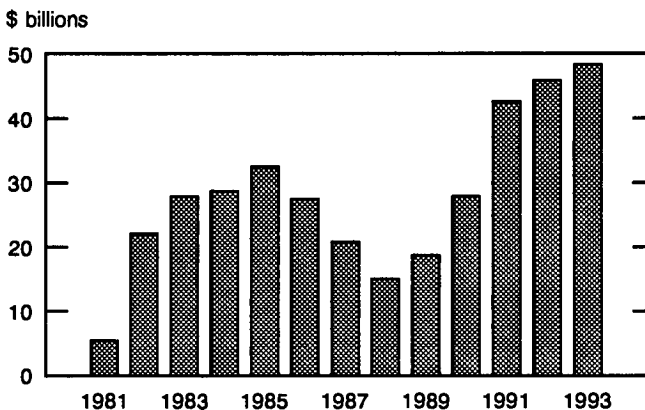


Chart 18
Total government sector deficit



Only nine of 18 trade groups posted higher sales. Motor vehicle dealers increased their sales the most, reflecting a 5.0% increase in sales of motor vehicles – mostly North American models. Government services edged down 0.1% as provincial government services dropped 0.6%. Several provincial governments implemented forced days of leave without pay in December.

Output by Industry at constant 1986 prices

	Fourth Quarter 1993	Year 1993
	% change	
GDP at factor cost	1.1	2.7
Goods-producing industries	1.2	3.3
Primary industries	-0.1	7.2
Manufacturing	2.2	4.9
Construction	1.2	-4.9
Utilities	-1.8	0.8
Services-producing industries	1.1	2.4
Transportation and communications	1.4	2.7
Wholesale and retail trade	2.1	4.3
Finance, insurance and real estate	2.1	3.8
Community, business and personal services	0.1	1.3
Government administration	-0.1	-0.8

Available on CANSIM: 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 1993 issue of *National Income and Expenditure Accounts* (13-001, \$25/\$100) will be released in March. A set of 59 printed tables of unadjusted and seasonally adjusted data plus supplementary analytical tables and charts is also available on release day (\$50/\$180).

On release day at 8:30 a.m., the complete quarterly national accounts data set is available on microcomputer diskette by modem transfer (\$125/\$500). The diskettes are also available by mail seven days after the official release date (\$25/\$100).

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

	First Quarter 1993	Second Quarter 1993	Third Quarter 1993	Fourth Quarter 1993	Year 1993	Third Quarter 1993 to Fourth Quarter 1993	1992 to 1993
	\$ millions					% change at quarterly rates	% change at annual rates
	seasonally adjusted at annual rates						
Wages, salaries and supplementary labour income ¹	400,480	401,052	403,404	404,936	402,468	0.4	2.6
Corporation profits before taxes	35,424	38,156	36,984	42,412	38,244	14.7	19.8
Interest and miscellaneous investment income	54,348	54,612	53,500	51,896	53,589	-3.0	-5.1
Accrued net income of farm operators from farm production	3,440	4,496	4,852	4,832	4,405	-0.4	18.4
Net income of non-farm unincorporated business, including rent	37,928	38,376	38,816	39,252	38,593	1.1	4.0
Inventory valuation adjustment	-4,180	-1,420	-3,148	-2,560	-2,827	588 ²	374 ²
Net domestic income at factor cost	527,440	535,272	534,408	540,768	534,472	1.2	3.1
Indirect taxes less subsidies	87,056	87,748	90,500	92,164	89,367	1.8	5.4
Capital consumption allowances	83,588	83,772	85,608	85,120	84,522	-0.6	2.6
Statistical discrepancy	2,096	2,080	2,324	2,948	2,362	624 ²	-598 ²
Gross Domestic Product at market prices	700,180	708,872	712,840	721,000	710,723	1.1	3.2

¹ Includes military pay and allowances.

² Actual change in millions of dollars.

Gross Domestic Product, expenditure-based

	First Quarter 1993	Second Quarter 1993	Third Quarter 1993	Fourth Quarter 1993	Year 1993	Third Quarter 1993 to Fourth Quarter 1993	1992 to 1993
\$ millions at current prices						% change at quarterly rates	% change at annual rates
seasonally adjusted at annual rates							
Personal expenditure on consumer goods and services	427,196	430,904	434,816	438,512	432,857	0.9	3.2
Durable goods	54,564	55,228	56,096	57,320	55,802	2.2	4.7
Semi-durable goods	38,864	39,332	39,704	39,736	39,409	0.1	3.6
Non-durable goods	113,416	113,500	113,948	114,452	113,829	0.4	2.7
Services	220,352	222,844	225,068	227,004	223,817	0.9	3.0
Government current expenditure on goods and services	150,824	150,568	151,184	150,768	150,836	-0.3	1.7
Government investment in fixed capital	16,576	16,720	16,812	16,924	16,758	0.7	1.3
Government investment in inventories	-16	-52	16	36	-4	20 ¹	36 ¹
Business investment in fixed capital	110,116	111,772	112,812	116,108	112,702	2.9	-0.7
Residential construction	42,460	43,744	43,448	43,844	43,374	0.9	-1.4
Non-residential construction	27,692	27,992	27,564	28,144	27,848	2.1	-7.8
Machinery and equipment	39,964	40,036	41,800	44,120	41,480	5.6	5.7
Business investment in inventories	-1,284	2,628	-220	1,980	776	2,200 ¹	3,334 ¹
Non-farm	-2,180	1,344	-1,736	828	-436	2,564 ¹	1,522 ¹
Farm and grain in commercial channels	896	1,284	1,516	1,152	1,212	-364 ¹	1,812 ¹
Exports of goods and services	198,776	204,936	210,528	218,836	208,269	3.9	14.5
Merchandise	172,636	178,044	182,600	190,828	181,027	4.5	15.6
Non-merchandise	26,140	26,892	27,928	28,008	27,242	0.3	7.3
Deduct: Imports of goods and services	199,916	206,524	210,788	219,212	209,110	4.0	12.6
Merchandise	160,212	166,352	170,860	179,844	169,317	5.3	14.7
Non-merchandise	39,704	40,172	39,928	39,368	39,793	-1.4	4.3
Statistical discrepancy	-2,092	-2,080	-2,320	-2,952	-2,361	-632 ¹	598 ¹
Gross Domestic Product at market prices	700,180	708,872	712,840	721,000	710,723	1.1	3.2
Final domestic demand	704,712	709,964	715,624	722,312	713,153	0.9	2.2
\$ millions at 1986 prices							
Personal expenditure on consumer goods and services	338,972	340,636	341,856	343,380	341,211	0.4	1.6
Durable goods	48,020	48,496	48,928	49,656	48,775	1.5	3.2
Semi-durable goods	30,288	30,624	30,816	30,656	30,596	-0.5	2.9
Non-durable goods	88,488	88,548	88,768	88,808	88,653	0.0	1.7
Services	172,176	172,968	173,344	174,260	173,187	0.5	0.9
Government current expenditure on goods and services	117,360	116,828	116,592	115,972	116,688	-0.5	-0.1
Government investment in fixed capital	17,024	17,240	17,232	17,520	17,254	1.7	2.3
Government investment in inventories	-16	-44	16	32	-3	16 ¹	32 ¹
Business investment in fixed capital	103,760	105,388	106,708	110,100	106,489	3.2	0.4
Residential construction	31,220	31,780	31,364	31,732	31,524	1.2	-3.8
Non-residential construction	23,184	23,524	23,008	23,508	23,306	2.2	-9.2
Machinery and equipment	49,356	50,084	52,336	54,860	51,659	4.8	8.5
Business investment in inventories	-780	2,332	-360	1,804	749	2,164 ¹	3,756 ¹
Non-farm	-1,532	1,156	-1,748	784	-335	2,532 ¹	1,539 ¹
Farm and grain in commercial channels	752	1,176	1,388	1,020	1,084	-368 ¹	2,217 ¹
Exports of goods and services	189,864	193,932	197,596	204,216	196,402	3.4	9.6
Merchandise	169,160	172,720	175,488	182,208	174,894	3.8	10.2
Non-merchandise	20,704	21,212	22,108	22,008	21,508	-0.5	5.4
Deduct: Imports of goods and services	197,408	202,688	203,132	210,600	203,457	3.7	7.6
Merchandise	162,460	168,100	169,924	178,592	169,769	5.1	10.3
Non-merchandise	34,948	34,588	33,208	32,008	33,688	-3.6	-4.3
Statistical discrepancy	-1,688	-1,672	-1,868	-2,372	-1,900	-504 ¹	500 ¹
Gross Domestic Product at market prices	567,088	571,952	574,640	580,052	573,433	0.9	2.4
Final domestic demand	577,116	580,092	582,388	586,972	581,642	0.8	1.1
implicit price indexes, 1986 = 100							
Personal expenditure on consumer goods and services	126.0	126.5	127.2	127.7	126.9	0.4	1.5
Government current expenditure on goods and services	128.5	128.9	129.7	130.0	129.3	0.2	1.8
Government investment in fixed capital	97.4	97.0	97.6	96.6	97.2	-1.0	-1.0
Business investment in fixed capital	106.1	106.1	105.7	105.5	105.8	-0.2	-1.0
Exports of goods and services	104.7	105.7	106.5	107.2	106.0	0.7	4.4
Deduct: Imports of goods and services	101.3	101.9	103.8	104.1	102.8	0.3	4.7
Gross Domestic Product at market prices	123.5	123.9	124.0	124.3	123.9	0.2	0.8
Final domestic demand	122.1	122.4	122.9	123.1	122.6	0.2	1.1

¹ Actual change in millions of dollars.

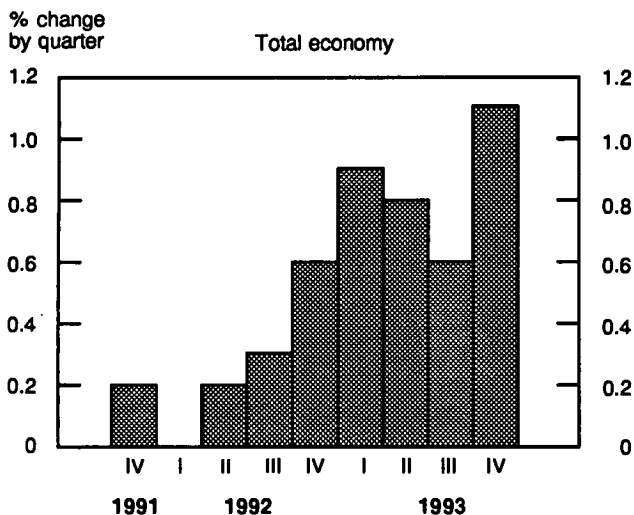
Real Gross Domestic Product at Factor Cost by Industry

December 1993

Gross Domestic Product at factor cost rose 0.4% in December following increases of 0.2% in October and 0.5% in November. On average, GDP has grown 0.4% per month over the most recent four months. Growth in services accelerated to 0.6%, from 0.3% in October and 0.5% in November. The financial group and wholesale trade were primarily responsible for the acceleration. Goods production edged up 0.1% following increases of 0.2% and 0.5% in the previous two months.

Gross Domestic Product

Seasonally adjusted at 1986 prices



Services-producing Industries

All the major services-producing industries except government services recorded higher output. Finance, insurance and real estate, and wholesale trade posted the largest gains for a second consecutive month. Retail trade and transportation and storage services rebounded sharply following declines in November. Communications continued to grow at the same brisk pace as in November. Community, business, and personal services also advanced, but more slowly than in November.

Finance, insurance and real estate services jumped 1.5% after increasing 1.1% in November. A

steady flow of money into mutual funds bolstered this industry throughout 1993. This underlying strength was augmented in November and December by a pickup in housing resales, which had slumped since June, and by a surge in activity by securities brokers in December. Listings and sales of houses rose most rapidly in Ontario and Quebec. Brokerage activities soared in December after a disappointing Canadian Savings Bond campaign in November. New bond issues by various levels of governments contributed significantly to the advance.

Wholesalers enjoyed a 1.2% increase in sales after gains of over 1.0% in each of the previous three months. Sales of farm machinery and of other machinery and equipment contributed most to the overall gain. Imports of agricultural machinery soared in December, while domestic production has advanced rapidly since last August. Federal investment tax credits allowed by Bill C-136 were terminated at the end of December.

Retail sales rebounded 0.7% after sagging from August to November. Despite the gain, only eight of 18 trade groups posted higher sales. Motor vehicle dealers accounted for most of the growth. Sales of motor vehicles, especially North American models, improved for a third consecutive month. Retailers of furniture and appliances and general merchandise stores also contributed to the advance. Lower sales in supermarkets and service stations moderated the gain.

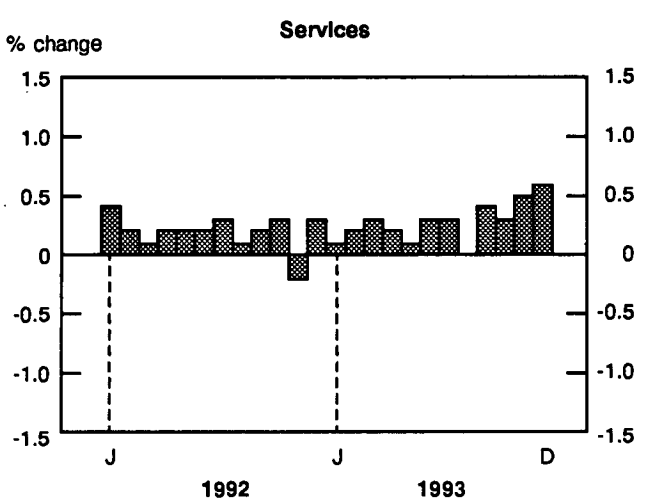
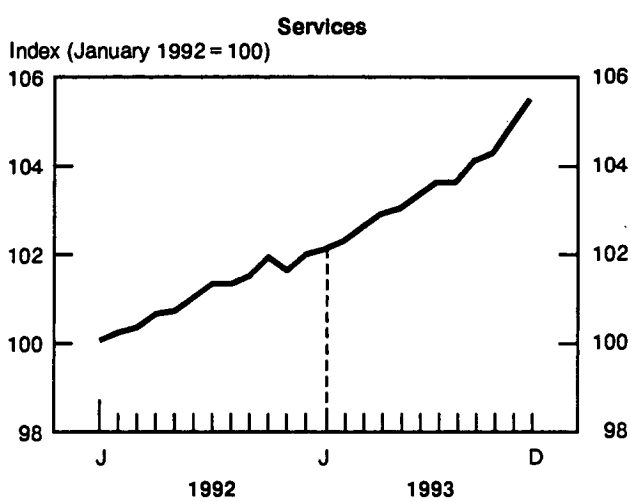
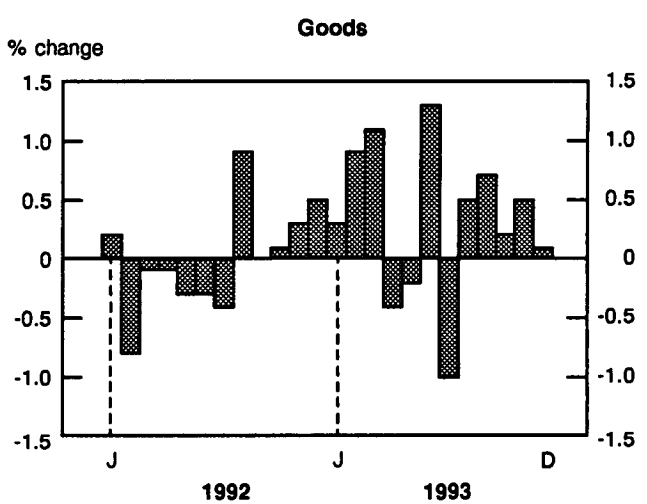
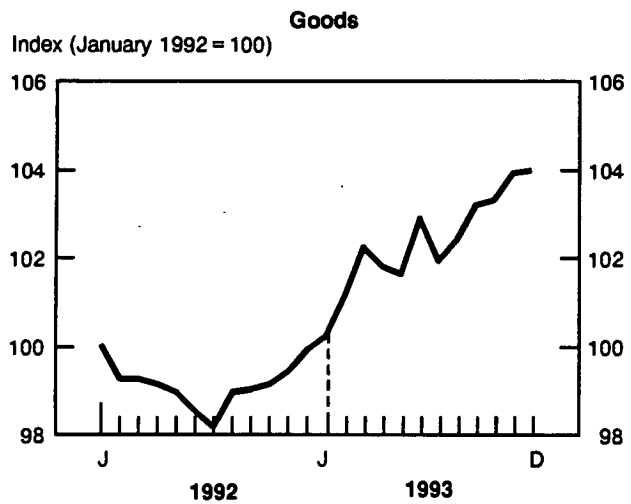
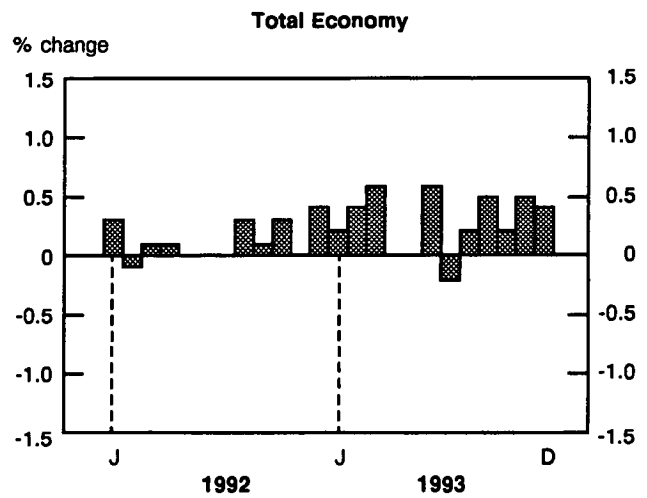
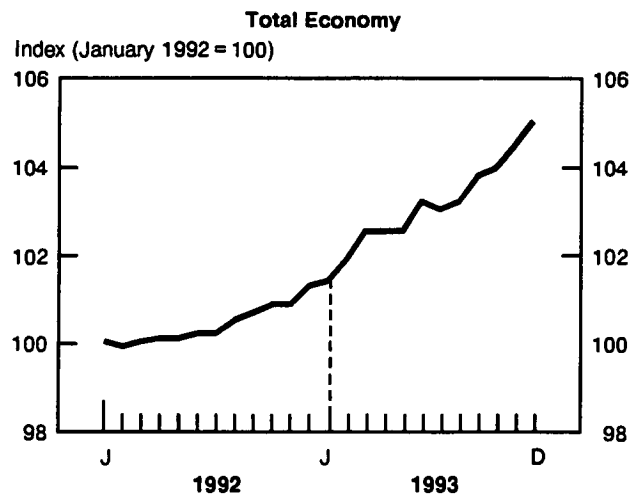
Transportation and storage services increased 0.9% after declining 0.8% in November. Transportation services rose 1.4% led by a 4.4% gain in railway services. Higher carloadings of grain, coal, and iron ore contributed most to the increase. Air transportation rose 2.3% after several declines. Trucking services slowed to 0.3%, mainly because of slower shipments by manufacturers. Pipeline operators reduced output 1.5%, its second consecutive decline. Throughput of natural gas fell 1.3% as domestic consumption dropped in November and December.

Community, business, and personal services slowed to 0.3% as gains in business services and in accommodation and food services were mostly offset by a 3.5% decline in amusement services. Business services grew 0.8% after declining in the previous two months. Accommodation and food services rose 0.6%, mostly because of higher spending in restaurants.

Government services fell 0.9% as provincial government services tumbled 2.8%. Several provinces implemented forced holidays in December.

Gross Domestic Product

Seasonally adjusted at 1986 prices



Goods-producing Industries

Goods production increased marginally as moderate gains in construction and manufacturing were mostly offset by declines in utilities and mining. Forestry and fishing also decreased; agriculture rose slightly.

Construction activity rose 1.2%, led by engineering (+1.5%) and residential construction (+2.0%). Engineering construction has been spurred by activity on oil and gas projects in recent months. Construction of single dwellings rebounded following declines for most of the year and contributed most to the advance in residential construction. Construction of apartments continued to improve, increasing for a fifth consecutive month. Non-residential construction receded 0.6% due to weakness on public and commercial projects. Activity on industrial projects increased every month in 1993.

Manufacturers increased production 0.3% in December, the fifth consecutive increase. Production of electric and electrical products dominated the overall gain. Producers of primary metals, wood, and paper and allied products also contributed. Manufacturers of fabricated metal products, transportation equipment, and chemical products posted the largest declines. Ten of 21 major groups recorded lower production.

Manufacturers of electrical and electronic products increased output 3.9% after a 3.2% gain in November. A 9.9% surge in production of office machinery accounted for most of the gain. Manufacturers of office machinery have boosted production sharply since September. Exports have also advanced substantially since September. Higher production of electronic equipment contributed to the overall increase, but a decline in the output of telecommunications equipment moderated the gain.

Production of primary metal products rose 1.3% after declining 1.5% in November. The gain was widespread, with iron and steel producers recording

the only decline. Production of steel pipes and tubes rose the most. Unfilled orders accumulated rapidly during the second half of 1993.

Wood production rose 1.8%, its fourth consecutive increase. Sawmill operators boosted output 3.9%, helped by a surge in exports of lumber products. Inventories of lumber have been declining for several months.

Production of paper and allied products accelerated to 0.9%, from 0.4% in October and 0.6% in November. Production accelerated in every industry except pulp and paper, where output inched ahead 0.1%. Producers of pulp and newsprint boosted output but this was moderated by a cutback by manufacturers of other paper. Foreign demand for wood pulp, newsprint, and other paper continued to increase in December.

Manufacturers of transportation equipment curtailed production 0.6% following a marginal increase in November. Producers of motor vehicles curbed output a further 5.3% following declines in October and November, as temporary plant shutdowns for retooling continued into December. Production of parts grew 1.9% as exports advanced and inventories were built up.

Output of utilities dropped 1.5% mostly due to warmer weather and lower production of electricity in December. Residential and commercial consumption of natural gas also declined.

Mining output declined 0.9%, its third consecutive decline. Operators of gold, iron, and coal mines all reduced production.

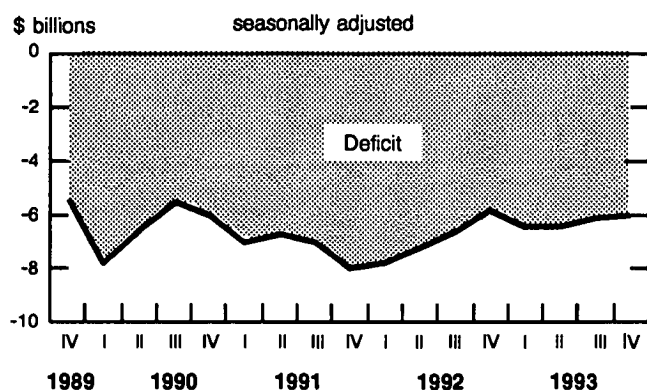
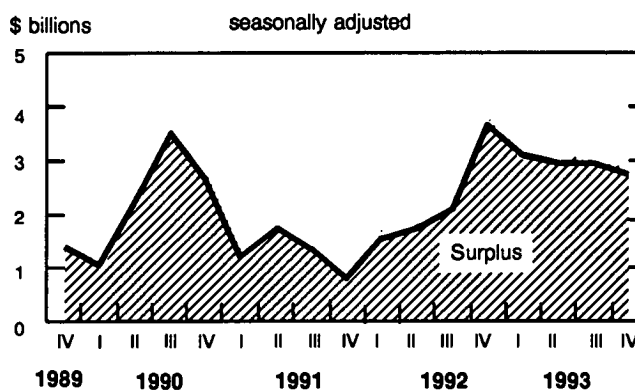
Available on CANSIM: matrices 4670-4674.

The December 1993 issue of *Gross Domestic Product by Industry* (15-001, \$12.70/\$127) is scheduled for release in March.

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

Gross Domestic Product at factor cost by industry

	1992	1993			
	December	September	October	November	December
\$ millions at 1986 prices					
seasonally adjusted at annual rates					
Total economy	508,075.4	520,538.7	521,750.2	524,438.2	526,731.0
Goods-producing industries	169,519.9	175,071.9	175,339.8	176,270.7	176,437.5
Services-producing industries	338,555.5	345,466.8	346,410.4	348,167.5	350,293.5
Business sector	414,790.8	427,993.5	429,139.0	431,925.8	434,563.6
Goods	168,546.5	174,103.4	174,349.5	175,276.7	175,418.1
Agriculture	10,929.9	11,921.4	11,990.3	11,929.4	11,962.0
Fishing and trapping	746.1	707.4	737.4	726.4	709.5
Logging industry	3,242.1	3,209.3	3,271.4	3,235.4	3,168.3
Mining industries	19,668.9	22,285.0	21,875.7	21,861.5	21,666.8
Manufacturing industries	90,725.2	93,199.6	93,586.6	94,437.4	94,716.6
Construction industries	27,733.5	27,305.2	27,384.0	27,626.5	27,968.7
Other utility industries	15,500.8	15,475.5	15,504.1	15,460.1	15,226.2
Services	246,244.3	253,890.1	254,789.5	256,649.1	259,145.5
Transportation and storage	21,899.0	22,943.8	23,036.0	22,859.8	23,062.5
Communications industries	19,137.7	19,568.7	19,658.9	19,839.0	19,990.2
Wholesale trade	30,889.9	32,299.9	32,647.3	33,260.8	33,652.2
Retail trade	30,165.8	31,031.1	31,118.6	31,083.6	31,299.8
Finance, insurance and real estate	83,360.8	86,696.2	87,247.1	88,179.0	89,523.0
Community, business and personal services	60,791.1	61,350.4	61,081.6	61,426.9	61,617.8
Non-business Sector	93,284.6	92,545.2	92,611.2	92,512.4	92,167.4
Goods	973.4	968.5	990.3	994.0	1,019.4
Services	92,311.2	91,576.7	91,620.9	91,518.4	91,148.0
Government service industry	34,200.7	33,633.1	33,689.5	33,645.0	33,328.5
Community and personal services	54,529.4	54,316.1	54,294.4	54,276.0	54,244.9
Other services	3,581.1	3,627.5	3,637.0	3,597.4	3,574.6
Other aggregations					
Industrial production	126,868.3	131,928.6	131,956.7	132,753.0	132,629.0
Non-durable manufacturing	41,608.9	42,382.9	42,312.7	42,648.9	42,599.6
Durable manufacturing	49,116.3	50,816.7	51,273.9	51,788.5	52,117.0

Current account balance**Merchandise trade balance****Balance of International Payments**

Fourth Quarter 1993

Seasonally adjusted, the current account deficit of \$6.1 billion was virtually unchanged in the fourth quarter of 1993. A narrowing in the merchandise trade surplus was offset by lower deficits on travel and on investment income. Both merchandise exports and imports continued to rise, with imports advancing more than exports. This reduced the merchandise surplus to \$2.7 billion, in line with the downward trend from late 1992. The deficit on travel fell to \$1.7 billion, its lowest level in almost three years, reflecting lower expenditures in the United States by Canadian travellers. The reduction in the deficit on investment income, to \$6.1 billion, resulted from lower dividend payments.

In the capital account, which is unadjusted, a record net inflow of \$11.1 billion resulted from the foreign currency transactions of Canadian banks, virtually offsetting the large net outflows recorded earlier in the year. While investing \$8.0 billion in Canadian stocks and money market paper, non-residents sold off \$5.3 billion of Canadian bonds. This was their first net quarterly disinvestment of any significance in Canadian bonds and it arose from trading over \$250 billion of Canadian bonds during the quarter in a very volatile market. At the same time, Canadian residents continued to invest heavily in foreign securities, purchasing a record \$6.7 billion of foreign stocks and bonds.

The Canadian dollar continued to depreciate against the U.S. dollar, touching 74.16 U.S. cents in late December, its lowest level since 1987.

Current account, seasonally adjusted

The current account deficit of \$6.1 billion was made up of a surplus of \$2.7 billion on merchandise trade and a deficit of \$8.8 billion on non-merchandise transactions.

Merchandise imports rose in the quarter by a further 5.3% to \$45.0 billion. The widespread increase was led by automotive products and machinery and equipment. Declines were limited to aircraft and other transportation equipment and to energy.

Merchandise exports advanced by 4.5% to \$47.7 billion. The increase was also widespread, with the largest gains from forest products and from machinery and equipment. Lower exports were recorded in energy products (especially natural gas), metallic ores and trucks.

The \$6.1 billion deficit on investment income was made up of receipts of \$2.1 billion and payments of \$8.2 billion. More than 75% of the payments flowed to foreign holders of Canadian bonds.

Current and capital accounts, unadjusted

The current account deficit amounted to \$5.8 billion, slightly below the level of the fourth quarter of 1992. A narrowing in the deficit on non-merchandise transactions more than compensated for a decline in the merchandise surplus.

Financial liabilities

Among financial liabilities, the \$11.1 billion banking net inflow was largely from the U.S. and U.K. offices of Canadian banks.

The \$2.7 billion acquisition of Canadian stocks brought to \$12.8 billion the total foreign investment in the stock market since the fourth quarter of 1992. The funds continued to come mainly from the United States to purchase outstanding issues.

Non-residents returned to the Canadian money market to purchase \$4.4 billion on a net basis, of which \$2.7 billion was in federal treasury bills. The funds came from various countries.

The \$5.3 billion net foreign disinvestment in Canadian bonds was largely in federal issues. The net foreign selling was widespread geographically, except for U.S. investors who added marginally to their holdings of Canadian bonds. During the quarter, Canadian interest rates declined more than rates in the United States, narrowing further the differential in favour of investment in Canada.

Financial assets

The \$4.3 billion net investment in foreign stocks by Canadian residents was widely dispersed geographically, with over 50% of the funds directed to the Asian market and 19% to the U.S. market. Canadian mutual funds accounted for three-quarters of the net portfolio investment abroad.

The Canadian investment of \$2.4 billion in foreign bonds was more concentrated geographically, with two-thirds going to the United States.

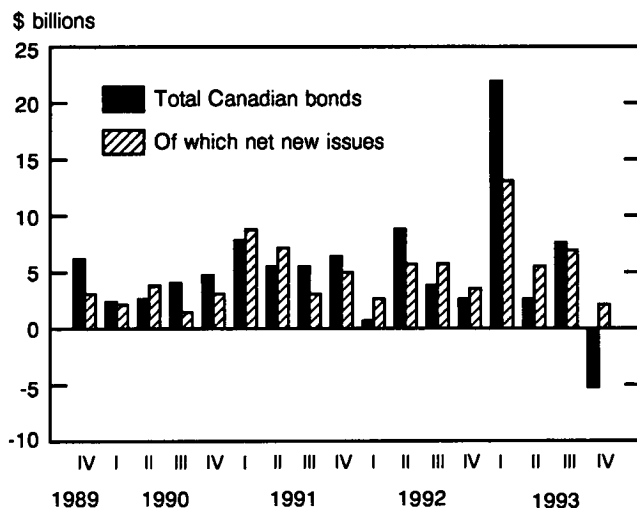
Following two quarters of reduction, Canadian official reserves increased by \$2.0 billion. Large offsetting movements were recorded within the quarter, reflecting pressures on the Canadian dollar.

1993 annual review

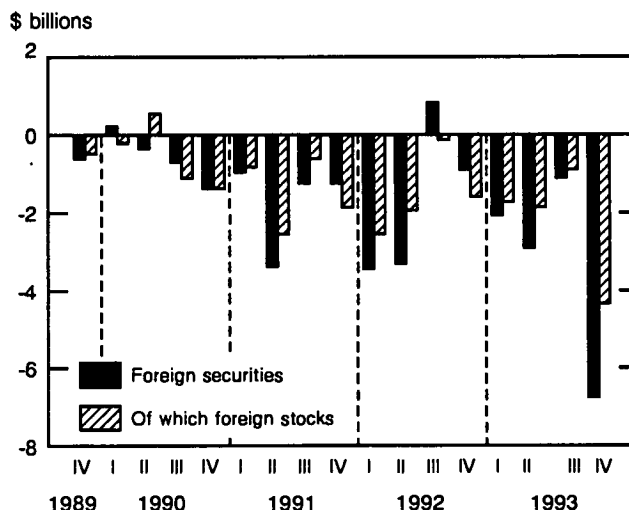
The current account deficit declined to \$25.2 billion in 1993, or 3.5% of the GDP. This second consecutive drop reversed the pattern of higher deficits that began in 1985 and that culminated in a record \$29.0 billion deficit in 1991 (4.3% of the GDP). The decline in 1993 was entirely accounted for by the merchandise surplus, which climbed to \$11.7 billion—its highest level in eight years. The deficit on non-merchandise transactions continued its rising trend, reaching a record \$36.8 billion in 1993. This was largely brought about by higher net interest payments abroad. In 1993, however, the travel deficit narrowed for the first time in seven years.

In the capital account, very large offsetting movements were recorded as non-residents invested massively in Canada, whereas Canadian residents sharply stepped up their investment abroad. Foreign investment in 1993 reached records in all Canadian securities: \$27.0 billion in bonds, \$11.9 billion in stocks, and \$9.3 billion in the money market. Canadian residents channelled abroad a record \$12.8 billion into foreign-portfolio securities and \$9.2 billion into direct investment in their enterprises abroad.

Foreign Investment In Canadian bonds



Canadian Investment in foreign securities



The statistical discrepancy (the balancing item between the current and capital accounts) amounted to a net debit of \$7.0 billion.

Current account

The current account deficit of \$25.2 billion was made up of an \$11.7 billion surplus on merchandise trade and a \$36.9 billion deficit on non-merchandise transactions.

The surplus on merchandise trade rose to its highest level since 1985, responding to the strength of the U.S. economy. This was the third year of higher surpluses with the United States, which accounted for as much as 80% of Canadian exports and 73% of Canadian imports. Canada's overall deficit with other countries increased sharply during 1993, from \$7.8 billion to \$10.1 billion. A notable exception was Japan, where the Canadian deficit narrowed to \$0.4 billion in 1993, from \$1.6 billion.

Both merchandise exports and imports advanced strongly in 1993, 16% and 15% respectively, at market prices. (The increase was also very significant in volume.) Exports at market prices amounted to \$181.0 billion in 1993, with increases led by automotive products and—to a lesser extent—by machinery and equipment, forestry products and energy products. Imports reached \$169.3 billion, with major increases in machinery and equipment, automotive products, industrial materials, and consumer goods.

Led by higher interest payments on bonds, the deficit on investment income increased to a new record of \$24.7 billion. Financial fees on new issues of bonds abroad in turn added to the deficit on business services, which reached a record \$4.7 billion.

The reduction in the travel deficit (from \$8.2 billion to \$7.7 billion) was entirely with the United States and paralleled a further depreciation of the Canadian dollar against the U.S. dollar. The reduction arose from both higher spending by U.S. visitors in Canada and lower spending by Canadian travellers—the first reduction in such spending since 1979. Net payments for overseas travel showed a further rise.

Capital account

Financial liabilities

Foreign residents purchased, on balance, \$27.0 billion of Canadian bonds, surpassing the previous record of \$25.2 billion in 1991. More than half the

funds went into provincial issues and over one-fifth went into Government of Canada bonds. The foreign funds were directed into new issues, which reached a record \$54.0 billion. Some 46% of gross new bond issues were denominated in Canadian dollars, comparable to the high proportions of Canadian dollar issues observed in the last few years. Retirements were at \$26.5 billion, also a record high. Canadian borrowers called some of their bonds prior to maturity in order to refinance them at lower rates.

Foreign investment in Canadian stocks increased to a record \$11.9 billion in 1993, virtually doubling the previous record set in 1987. Foreign investment, which came mainly from the United States, was mostly directed into existing issues.

Financial assets

Canadian enterprises channelled, on a net basis, \$9.2 billion of direct investment abroad, the second largest net outflow on record. Over two-thirds of the net investment went into countries other than the United States. The investment was also widespread among industries.

Canadian residents invested a record \$8.7 billion in foreign stocks and \$4.0 billion in foreign bonds. The net investment in foreign stocks was widespread geographically, with significant amounts going to the Asian market, whereas the bond investment was more concentrated in the United States.

Net loans and subscriptions by the Government of Canada and its enterprises were virtually nil on a net basis, in contrast to large net outflows in previous years. The decline reflected lower advances on exports credits as repayments by non-residents remained substantial.

The Canadian dollar continued to decline against the U.S. dollar, in line with its downward trend that started in the fall of 1991. The Canadian dollar also depreciated against the Japanese yen during 1993, but strengthened against other major currencies.

Available on CANSIM: matrices 1364, 1370, 2323-2329, 2331-2339, 2343-2349, 2353-2355 and 2357.

The fourth quarter 1993 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. □

Balance of International payments

	1992	1993				1992	1993
	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
	\$ millions						
	unadjusted						
Current account							
Receipts							
Merchandise exports	42,399	42,669	46,765	43,411	48,182	156,567	181,026
Non-merchandise							
Services	5,630	5,437	6,942	8,749	6,114	25,381	27,242
Investment income ¹	1,991	2,402	2,216	2,187	2,205	8,934	9,010
Transfers	1,105	962	1,078	1,189	1,056	4,361	4,285
Total non-merchandise receipts	8,726	8,801	10,236	12,125	9,375	38,676	40,537
Total receipts	51,125	51,470	57,001	55,535	57,557	195,243	221,563
Payments							
Merchandise imports	38,134	39,933	43,331	41,462	44,591	147,587	169,316
Non-merchandise							
Services	9,069	10,218	10,143	10,205	9,230	38,162	39,795
Investment income ¹	8,774	8,333	8,539	8,257	8,560	33,134	33,690
Transfers	971	1,238	907	898	937	4,043	3,981
Total non-merchandise payments	18,814	19,789	19,589	19,361	18,727	75,339	77,466
Total payments	56,948	59,722	62,921	60,822	63,318	222,926	246,782
Balances							
Merchandise	+4,265	+2,737	+3,433	+1,949	+3,591	+8,979	+11,710
Non-merchandise	-10,088	-10,988	-9,353	-7,236	-9,352	-36,663	-36,929
Total current account	-5,823	-8,251	-5,920	-5,287	-5,761	-27,683	-25,219
Capital account²							
Canadian claims on non-residents, net flows							
Canadian direct investment abroad ¹	-1,790	-2,254	-1,977	-3,536	-1,475	-4,500	-9,242
Portfolio securities							
Foreign bonds	+728	-335	-1,058	-206	-2,417	-548	-4,016
Foreign stocks	-1,593	-1,722	-1,829	-867	-4,325	-6,223	-8,743
Government of Canada assets							
Official international reserves	+953	-1,094	+1,878	+1,766	-1,952	+6,987	+598
Loans and subscriptions	-317	+63	-132	+94	-37	-1,696	-12
Non-bank deposits abroad	+1,347	-2,283	+1,232	-2,360	+1,744	+1,636	-1,667
Other claims	+694	+2,316	+303	+655	+426	+399	+3,699
Total Canadian claims, net flow	+22	-5,309	-1,584	-4,455	-8,036	-3,945	-19,384
Canadian liabilities to non-residents, net flows							
Foreign direct investment in Canada ¹	+2,184	+204	+1,104	+1,317	+559	+6,000	+3,184
Portfolio securities							
Canadian bonds	+2,668	+21,973	+2,697	+7,594	-5,265	+15,794	+26,998
Canadian stocks	+943	+2,304	+3,021	+3,857	+2,705	+1,036	+11,887
Canadian banks' net foreign currency transactions with non-residents ³	+27	-6,133	+672	-7,526	+11,142	-3,550	-1,845
Money market instruments							
Government of Canada paper	+2,292	+3,086	+3,511	+1,688	+2,654	+1,915	+10,940
Other paper	+234	-1,974	+854	-2,304	+1,780	+2,983	-1,643
Allocation of special drawing rights	-	-	-	-	-	-	-
Other liabilities	+1,501	-1,170	+331	+1,100	+1,802	+3,603	+2,063
Total Canadian liabilities, net flow	+9,850	+18,290	+12,190	+5,727	+15,377	+27,782	+51,584
Total capital account, net flow	+9,872	+12,981	+10,607	+1,272	+7,341	+23,837	+32,200
Statistical discrepancy	-4,049	-4,730	-4,687	+4,015	-1,580	+3,846	-6,981

¹ Excludes retained earnings.² A minus sign denotes an outflow of capital resulting from an increase in claims on non-residents or a decrease in liabilities to non-residents.³ When the banks' foreign currency position (booked in Canada) with non-residents is a net asset, series is classified as part of Canadian claims on non-residents.

- Nil or zero.

Current account

	1992	1993				1992	1993
	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
	\$ millions						
	seasonally adjusted						
Receipts							
Merchandise exports	42,190	43,159	44,511	45,650	47,707	156,567	181,026
Non-merchandise							
Services							
Travel	2,006	2,049	2,168	2,290	2,196	8,059	8,703
Freight and shipping	1,495	1,472	1,505	1,542	1,618	5,991	6,137
Business services	2,412	2,509	2,544	2,613	2,666	9,376	10,331
Government transactions	218	228	222	219	231	856	901
Other services	276	277	284	318	291	1,098	1,169
Total services	6,408	6,535	6,723	6,981	7,003	25,381	27,242
Investment income ¹							
Interest	929	865	895	1,028	1,032	4,303	3,820
Dividends	935	1,473	1,356	1,292	1,070	4,631	5,190
Total investment income	1,864	2,338	2,250	2,320	2,102	8,934	9,010
Transfers:							
Inheritances and immigrants' funds	416	342	404	414	405	1,751	1,564
Personal and institutional remittances	267	288	279	283	285	1,042	1,135
Canadian withholding tax	434	413	390	388	395	1,569	1,586
Total transfers	1,116	1,042	1,073	1,085	1,085	4,361	4,285
Total non-merchandise receipts	9,388	9,915	10,047	10,386	10,190	38,676	40,537
Total receipts	51,578	53,073	54,558	56,036	57,896	195,243	221,563
Payments							
Merchandise imports	38,541	40,052	41,588	42,715	44,961	147,587	169,316
Non-merchandise							
Services							
Travel	3,890	4,081	4,243	4,174	3,891	16,215	16,389
Freight and shipping	1,507	1,459	1,485	1,408	1,561	5,691	5,913
Business services	3,639	3,774	3,709	3,788	3,773	13,839	15,043
Government transactions	377	386	374	378	380	1,510	1,518
Other services	226	229	232	234	237	908	932
Total services	9,639	9,928	10,044	9,982	9,842	38,162	39,795
Investment income ¹							
Interest	7,275	7,379	7,480	7,336	7,434	28,513	29,629
Dividends	988	1,003	1,027	1,264	768	4,621	4,061
Total investment income	8,263	8,382	8,506	8,600	8,202	33,134	33,690
Transfers							
Inheritances and emigrants' funds	82	81	84	88	87	324	340
Personal and institutional remittances	287	298	298	300	302	1,141	1,198
Official contributions	548	741	465	421	479	2,255	2,106
Foreign withholding tax	79	91	84	82	79	323	337
Total transfers	996	1,211	931	892	947	4,043	3,981
Total non-merchandise payments	18,899	19,521	19,481	19,474	18,990	75,339	77,466
Total payments	57,440	59,573	61,069	62,189	63,951	222,926	246,782
Balances							
Merchandise	+3,649	+3,106	+2,923	+2,935	+2,746	+8,979	+11,710
Non-merchandise							
Services	-3,232	-3,393	-3,321	-3,001	-2,839	-12,781	-12,553
Investment income ¹	-6,400	-6,044	-6,256	-6,280	-6,100	-24,200	-24,680
Transfers	+120	-169	+142	+193	+138	+318	+304
Total non-merchandise	-9,512	-9,606	-9,434	-9,089	-8,801	-36,663	-36,929
Total current account	-5,863	-6,500	-6,511	-6,154	-6,055	-27,683	-25,219

¹ Excludes retained earnings.

Note: Figures may not add due to rounding.

Financial Flow Accounts

Fourth Quarter and 1993 Annual (Preliminary)

The demand for funds on financial markets continued to strengthen in the fourth quarter of 1993.

Total funds raised by domestic non-financial sectors on credit and equity markets amounted to \$134.7 billion in the fourth quarter of 1993, seasonally adjusted at annual rates (see Chart 1). This was up about 30% from the third quarter. For 1993 as a whole, the demand for funds on financial markets recovered to the pre-recession level of 1989. This recovery in financing was led by non-financial private corporations.

Among the more important financial developments during the fourth quarter were the following: households, the federal government, and non-financial private corporations all sharply increased their demand for funds; consumer credit borrowing firmed; bank loans provided a net source of funds (in contrast to the third quarter); long-term debt issues were significant in most sectors of the economy; share issues continued to be a major financing vehicle of corporations, as stock markets benefited from considerable investor demand for equities and equity mutual funds; and, nominal interest rates fell, although the declines varied by instrument.

Monetary conditions

Despite some downward pressure on the exchange rate during the fourth quarter, interest rates continued to ease. The Bank Rate fell throughout the quarter, resulting in an overall drop of about 80 basis points. This led to further downward movements in other rates. Declines were more pronounced for

short- to medium-term marketable securities, while yields on securities with longer terms to maturity experienced moderate downward movements. A notable development was the downshift of one full percentage point in the five-year mortgage rate in November, bringing it to a low of 7.75%.

The narrowly defined money supply, M1, registered double-digit annual growth in the range of 14%, as interest rates generally declined across the maturity spectrum during 1993. By June, the interest rate on prime business loans at chartered banks fell to a level lower than its counterpart rate in the United States, and it maintained that relative position for the rest of 1993. The easing of monetary conditions occurred against a backdrop of a relatively stable Canadian dollar for the first seven months of the year. However, the pattern of narrowing short-term interest rate differentials between Canada and U.S., combined with uncertainty about the outcome of the October election and renewed concerns about government debt and deficits late in the year, contributed to volatility in the domestic currency in the August to December period. Nevertheless, the dollar stabilized by year-end and interest rates closed at considerably lower levels than at the outset. The Bank Rate fell more than three full percentage points in the 12 months, to a level just over 4% by 1993 year-end.

Corporate sector

Non-financial private corporations accounted for 37% of all funds raised in the fourth quarter of 1993. Financing was up 43% over the previous quarter (see Chart 2), against a backdrop of strong business investment in machinery and equipment, inventory

Funds raised on financial markets by non-financial sectors

	1991				1992				1993			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total funds raised (% of GDP)	19.9	14.7	12.7	13.6	9.6	17.6	11.9	12.5	18.9	14.2	14.4	18.7
Sectoral shares (% of total)												
Personal sector	11.9	22.7	25.3	22.9	30.3	17.4	29.0	33.0	17.7	21.7	21.2	21.2
Non-financial private corporations	33.4	3.2	-0.3	18.0	9.6	14.1	15.9	4.0	20.4	16.4	33.3	36.5
Government business enterprises	14.2	8.6	8.1	3.7	15.3	4.4	5.0	-1.0	9.8	-3.3	-1.0	-3.9
Federal government	27.0	30.9	43.3	27.7	30.6	26.1	38.6	21.8	29.2	36.4	21.5	31.2
Other levels of government	13.4	34.5	23.6	27.7	14.2	38.0	11.5	42.2	22.8	28.8	24.9	15.0
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures may not add due to rounding.

Chart 1
Total funds raised on credit markets by domestic non-financial sectors
Seasonally adjusted at annual rates

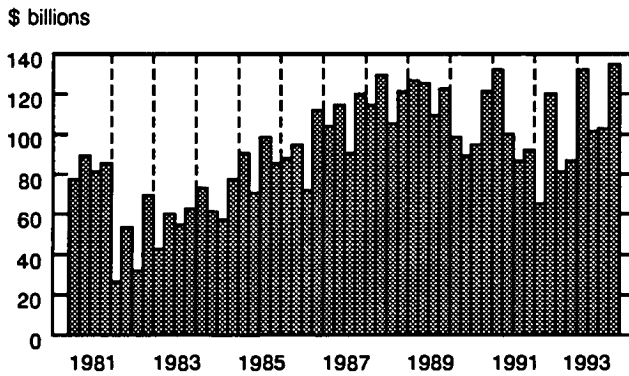


Chart 2
Funds raised by non-financial private corporations
Seasonally adjusted at annual rates

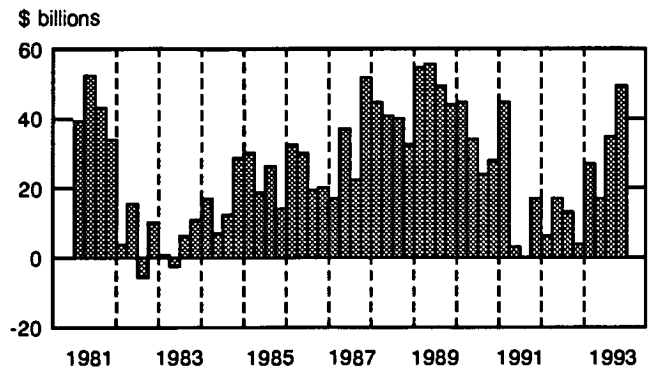


Chart 3
Non-financial private corporations, share issues
Seasonally adjusted at annual rates

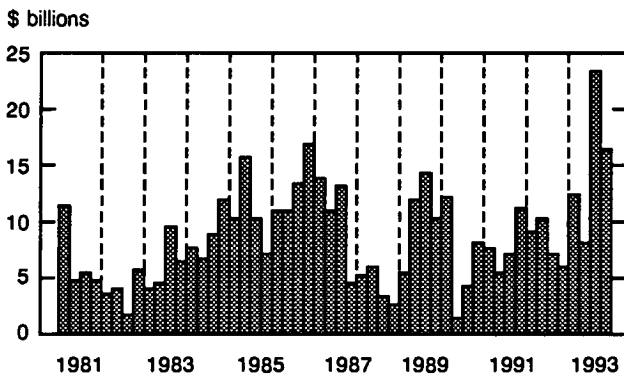


Chart 4
Funds raised by the federal government
Seasonally adjusted at annual rates

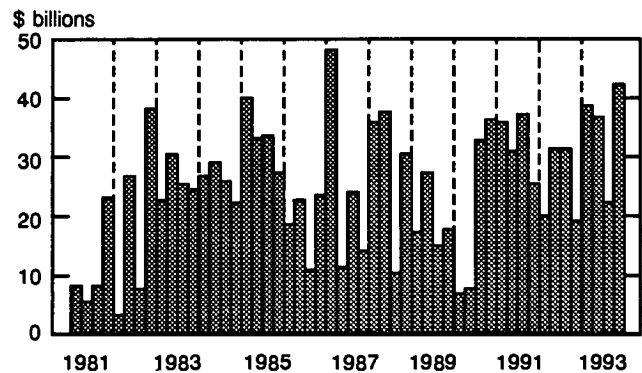


Chart 5
Consumer credit borrowing in the personal sector
Seasonally adjusted at annual rates

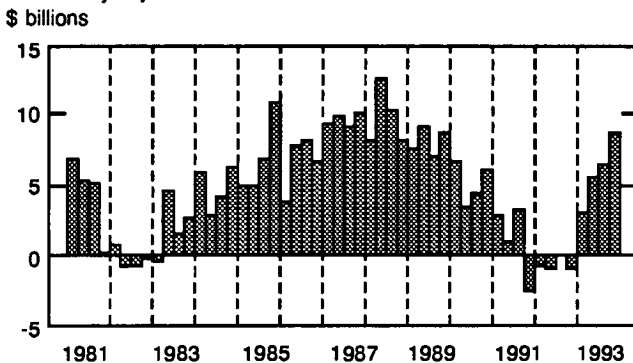
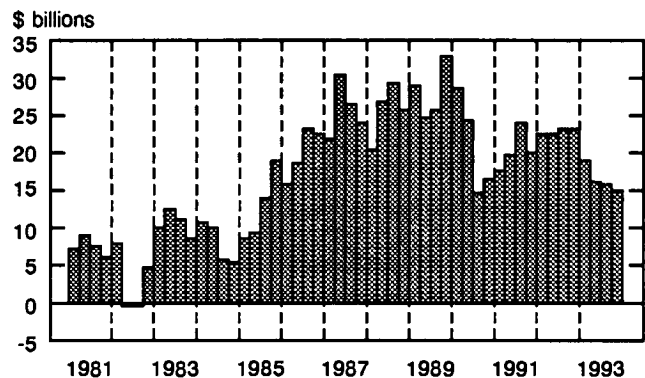


Chart 6
Mortgage borrowing in the personal sector
Seasonally adjusted at annual rates



accumulation and improved corporate profits. Borrowing via bank loans provided the largest source of external funds in the quarter. For 1993 as a whole, financial activity returned to levels more consistent with the period prior to 1990; this represented a substantial rise over the depressed financing level of recent years, and was consistent with growth in business fixed capital formation. Responding to strong advances in share prices over the year, equity issues strengthened substantially in 1993, accounting for half of all funds raised (see Chart 3).

In contrast to the trend for private corporations, the outstanding credit market debt of non-financial government business enterprises was reduced on a net basis in the fourth quarter. Most of the decline was attributable to provincial enterprises and it followed substantial borrowing in the first quarter of 1993.

Government sector

Borrowing by the federal government was up in the fourth quarter to almost double the third-quarter level, despite a slight narrowing in the deficit (see Chart 4). This rise was prompted by weaker

borrowing and by reductions in financial asset holdings earlier in the year. The demand for funds in the quarter was realized through issues of short-term paper and marketable bonds. Bond issues were concentrated in the medium-term maturity range, consistent with the sharpest declines in yields. For 1993, a full one-third more funds were raised on financial markets than for 1992, as the annual deficit advanced from \$26 to \$30 billion, on a national accounts basis. Funds raised in 1993 were in the form of issues of money market instruments and marketable bonds, as Canada Savings Bonds were repaid on a net basis.

The demand for funds by other levels of government softened in the fourth quarter, most notably for provincial governments. The decrease was in line with a reduction in the consolidated fiscal deficit of the provinces. For 1993, however, borrowing by other levels of government stood above the level for the previous year. This took place even with lower provincial and local government borrowing requirements in 1993. Some of the additional funds were used to build up financial assets. The bulk of the funds that the provincial governments raised in 1993 came through issues of long-term debt.

Debt-to-income ratios

	1991				1992				1993			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
\$ billions												
Persons and unincorporated businesses*												
Debt												
Consumer credit	98.4	98.7	99.5	98.9	98.7	98.4	98.3	98.0	98.7	100.2	101.8	104.0
Mortgages	273.7	279.0	285.2	290.5	296.5	302.5	308.6	314.7	319.4	323.4	327.4	331.1
Total	372.1	377.7	384.8	389.5	395.2	400.9	406.9	412.7	418.2	423.6	429.2	435.1
Personal disposable income	462.5	468.4	469.5	463.8	468.0	478.1	481.2	480.4	487.7	494.3	490.4	487.0
Debt-to-income ratio (%)	80.5	80.6	82.0	84.0	84.5	83.9	84.6	85.9	85.7	85.7	87.5	89.3
Debt-to-GDP ratio (%)	55.8	55.8	56.7	57.2	57.8	58.5	59.1	59.3	59.7	59.8	60.2	60.4
Federal government**												
Debt	323.3	330.6	339.7	345.8	351.0	359.0	367.1	372.0	381.6	390.8	396.4	406.9
Debt-to-GDP ratio (%)	48.4	48.8	50.0	50.8	51.3	52.4	53.3	53.4	54.5	55.1	55.6	56.4
Other government												
Debt	167.8	176.6	181.9	188.5	191.6	203.8	206.9	216.8	224.3	231.6	238.0	243.1
Debt-to-GDP ratio (%)	25.1	26.1	26.8	27.7	28.0	29.7	30.1	31.1	32.0	32.7	33.4	33.7
Non-financial private corporations												
Debt	341.6	340.5	338.6	340.8	341.3	344.4	346.5	346.2	352.9	357.0	365.6	377.9
Debt-to-GDP ratio (%)	51.2	50.3	49.9	50.1	49.9	50.2	50.3	49.7	50.4	50.4	51.3	52.4
Gross Domestic Product (GDP)	667.4	676.9	678.8	680.6	683.9	685.4	688.4	696.5	700.2	708.9	712.8	721.0

* Consumer credit and mortgages only.

** National Accounts basis, excludes superannuation accounts.

Note: Figures may not add due to rounding.

Personal sector

The demand for funds in the personal sector firmed in the fourth quarter. This was largely because borrowing to finance consumer spending was up sharply (see Chart 5), in line with strong increases in spending on motor vehicles, furniture, and appliances. However, demand for mortgage financing was flat in the fourth quarter (see Chart 6); this reflected activity in the resale housing market offset by weakness in new residential construction. The large decline in five-year mortgage rates over the quarter appeared to have little stimulative effect. Overall, the level of mortgage borrowing for the year was lower than in 1992, as total net new funds raised in this instrument stood at about 70% of the 1992 level. In contrast, consumer credit borrowing was up substantially over 1991 and 1992, while remaining below its 1989 pre-recession level. Nevertheless, the growth in borrowing outpaced gains in after-tax income, with the result that the ratio of consumer credit and mortgage debt to personal disposable income moved up to 89.3%, a new historical high.

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

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

The fourth quarter 1993 issue of *Financial Flow Accounts* (13-014, \$25/\$100) will be released in March. A computer printout containing the detailed financial flows matrices is also available from the National Accounts and Environment Division on release day (\$50/\$200).

On release day at 8:30 a.m., the complete financial flows data set is available on microcomputer diskette by modem transfer (\$300/\$1200). The diskettes are also available by mail, seven days after the official release date (\$60/\$240).

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

Financial market summary table

	Fourth Quarter 1992	First Quarter 1993	Second Quarter 1993	Third Quarter 1993	Fourth Quarter 1993
\$ millions					
seasonally adjusted at annual rates					
Persons and unincorporated business					
Funds raised	28,644	23,360	21,876	21,868	28,532
Consumer credit	-916	3,104	5,664	6,468	8,820
Bank loans	1,616	1,732	2,524	2,660	1,052
Other loans	5,044	-1,080	-2,104	-3,036	3,748
Mortgages	23,104	18,868	15,900	15,852	15,076
Bonds	-204	736	-108	-76	-164
Non-financial private corporations					
Funds raised	3,472	26,988	16,592	34,328	49,184
Bank loans	8,588	5,444	-19,992	-3,980	20,756
Other loans	3,288	-4,256	4,080	-2,556	-3,748
Other short-term paper	-30,916	5,668	10,164	3,000	5,120
Mortgages	8,008	7,412	4,540	5,660	3,756
Bonds	8,464	252	9,736	8,788	6,916
Shares	6,040	12,468	8,064	23,416	16,384
Non-financial government enterprises					
Funds raised	-872	12,976	-3,312	-1,020	-5,308
Bank loans	1,848	-2,592	-400	468	-164
Other loans	-56	2,564	-3,800	372	748
Other short-term paper	1,852	892	2,552	-760	-600
Mortgages	-8	-24	-16	-16	-12
Bonds	-5,488	12,136	-1,648	-1,084	-5,280
Shares	980	-	-	-	-
Federal government					
Funds raised	18,928	38,548	36,744	22,156	42,056
Other loans	-4	-	-4	-4	-4
Canada short-term paper	7,544	14,408	12,168	3,200	21,856
Canada Saving Bonds	-5,448	-1,724	-148	-2,440	-8,728
Marketable bonds	16,836	25,864	24,728	21,400	28,932
Other levels of government					
Funds raised	36,676	30,164	29,088	25,620	20,244
Bank loans	1,172	-660	-192	428	-196
Other loans	192	72	728	2,612	968
Short-term paper	11,992	-11,400	15,608	-11,824	9,860
Provincial bonds	22,596	38,536	13,376	30,360	10,320
Municipal bonds	788	3,584	-432	4,048	-688
Other bonds	-64	32	-	-4	-20
Total funds raised by domestic non-financial sectors	86,848	132,036	100,988	102,952	134,708
Consumer credit	-916	3,104	5,664	6,468	8,820
Bank loans	13,224	3,924	-18,060	-424	21,448
Other loans	8,464	-2,700	-1,100	-2,612	1,712
Canada short-term paper	7,544	14,408	12,168	3,200	21,856
Other short-term paper	-17,072	-4,840	28,324	-9,584	14,380
Mortgages	31,104	26,256	20,424	21,496	18,820
Bonds	37,480	79,416	45,504	60,992	31,288
Shares	7,020	12,468	8,064	23,416	16,384

- Nil or zero.

DATA AVAILABILITY ANNOUNCEMENTS

Government Revenue and Expenditure (SNA Basis)

Fourth Quarter 1993

Federal, provincial and local government revenue and expenditure estimates on a national accounts basis for the quarter ended December 31, 1993 are now available. Revised estimates for the quarters ended March 31, 1993, June 30, 1993, and September 30, 1993, are also available.

Available on CANSIM: matrices 2711-2713.

For further information, contact James Temple (613-951-1832) or Paul Blouin (613-951-8563), 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 Jo-Anne Thibault, Data Dissemination and External Relations Co-ordinator (613-951-0767). ■

Hospital Morbidity

1991-92

In 1991-92, there were 3.6 million separations from general and allied hospitals, accounting for 41.4 million days of care. (The term "separation" refers to a discharge of an inpatient case, and includes those who die while in hospital.) During the past decade, the number of hospital separations and days have remained fairly stable: in 1981-82, separations numbered 3.6 million and accounted for 43.8 million days of care. In terms of rates per 100,000 population, hospital separations decreased by 8% to 13,482 in 1991-92, from 14,621 in 1981-82, while hospital days decreased by 15% to 152,956, from 179,750.

For further information, contact Information Request Unit (613-951-1746), Canadian Centre for Health Information. ■

Surgical Procedures and Treatments

1991-92

The number of separations from general and allied hospitals for surgical procedures and treatments (excluding diagnostic and therapeutic procedures) was 1.8 million in 1991-92. The number has remained somewhat stable for the last decade. In 1991-92, surgical procedures and treatments were undertaken on 49% of total separations and utilized 37% of total hospital days. Since 1981-82, the separation rate per 100,000 population has decreased by 10% to 6,607, from 7,317.

For further information, contact Information Request Unit (613-951-1746), Canadian Centre for Health Information. ■

Hospital Statistics

1990-91

Data from the 1990-91 Annual Hospitals Survey present a comprehensive picture of hospital utilization and expenditures. The hospitals responding to the 1990-91 survey represent 93% of the public hospitals and 97% of the 167,245 provincially approved beds in public hospitals.

The average cost per patient-day rose by 14.5% to \$471 per day in 1990-91, from \$411 in 1989-90. Operating costs for these public hospitals totalled almost \$22 billion.

The number of adults and children admitted to public hospitals was 3.6 million, while patient-days totalled 47.4 million. Percentage occupancy (based on beds staffed and in operation) was down slightly to 83.7%, from 84.3% in 1989-90. Average length of stay decreased by 7% to 12.8 days.

Annual hospital statistics are now available in advance of the release of the 1990-91 issue of *Hospital Annual Statistics—Parts 1-5* (83-242, \$70) and *Hospital Indicators—Parts 1-4* (83-246, \$50), which will be available at a later date.

For further information, contact Information Requests Unit (613-951-1746, fax: 613-951-0792), Canadian Centre for Health Information. ■

Residential Care Facilities

1991-92

Statistics and indicators from the Annual Survey of Residential Care Facilities are now available for 1991-92.

The database consists of 3,480 reporting facilities with 176,406 beds. This represents 64% of the total operating facilities and 73% of the approved beds.

For this survey, residential care facilities include all institutions with a minimum of four beds. These facilities offer the services of nursing homes; homes for the aged, physically disabled, developmentally delayed, psychiatrically disabled, emotionally disturbed children, delinquents and transients; and children's facilities.

Information collected relates to the residents, personnel and finances of these facilities. Data are compiled by province, principal characteristic and type of care of the predominant group of residents.

In 1991-92, the average occupancy rate in residential care facilities was 95.5%, a rate consistent with previous years. The occupancy rate varied from a high of 97.4% in facilities for the aged to a low of 84.3% for alcohol/drug facilities.

The percentage of total residents requiring a higher level of care increased to 65% in 1991-92, from 61% in 1990-91. The average cost per bed

staffed and in operation was \$38,628 in 1991-92, up from \$35,230 in 1990-91.

The average expenditure per resident day in 1991-92 was \$110.90, a 9.3% increase from 1990-91.

For further information, contact Information Requests Unit, (613-951-1746, fax: 613-951-0792), Canadian Centre for Health Information. ■

Process Cheese and Instant Skim Milk Powder

January 1994

Production of process cheese in January totalled 4 371 418 kilograms, down 32.8% from December 1993 and down 6.8% from January 1993.

Production of instant skim milk powder in January totalled 337 401 kilograms, down 34.0% from December 1993 and down 14.0% from January 1993.

Available on CANSIM: matrix 188 (series 1.10).

The January 1994 issue of *Production and Inventories of Process Cheese and Instant Skim Milk Powder* (32-024, \$5/\$50) will be available shortly. See "How to Order Publications".

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

PUBLICATION RELEASED

Production, Shipments and Stocks on Hand of Sawmills East of the Rockies (Excluding Newfoundland and Prince Edward Island), December 1993.

Catalogue number 35-002

(Canada: \$10/\$100; United States: US\$12/US\$120;
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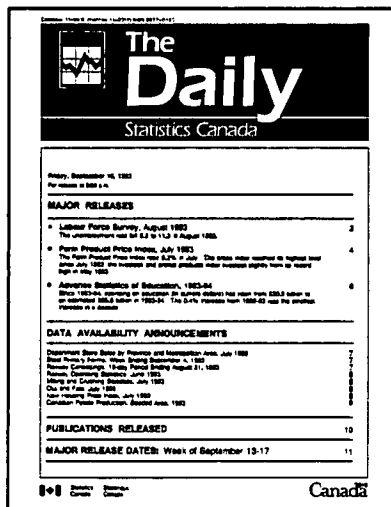
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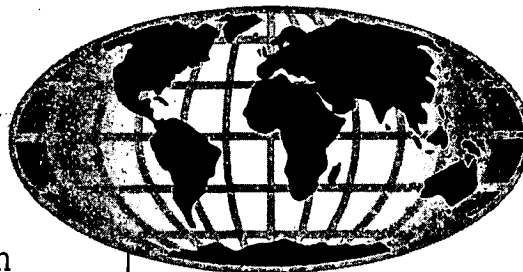
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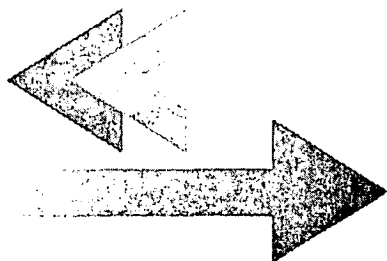
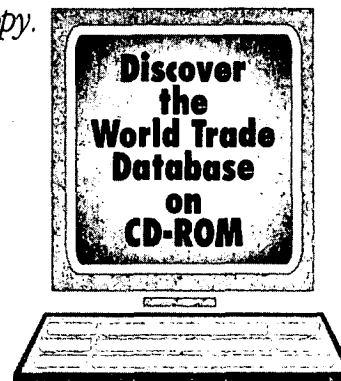
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