

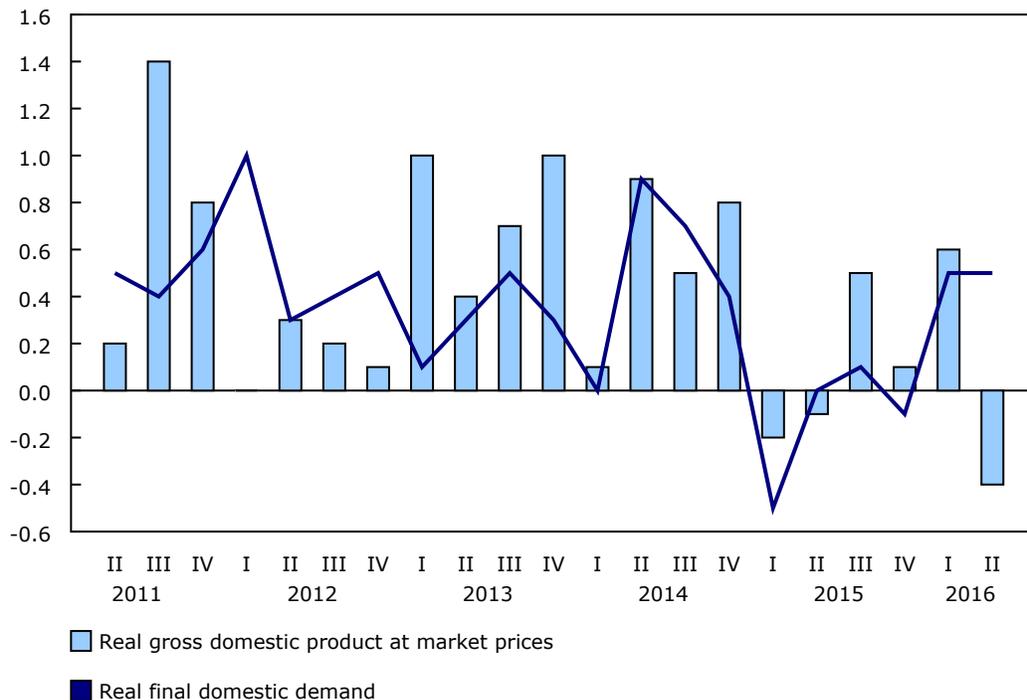
Gross domestic product, income and expenditure, second quarter 2016

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, August 31, 2016

Real gross domestic product (GDP) decreased 0.4% in the second quarter, after increasing 0.6% in the first quarter. This was the largest decline in quarterly GDP since the second quarter of 2009.

Chart 1
Gross domestic product and final domestic demand

quarterly % change, chained (2007) dollars



Source(s): CANSIM table [380-0064](#).

Excluding the impact of the large decline in crude petroleum output, which was due to continued weakness in the energy sector and the wildfire in Fort McMurray, real GDP grew 0.1%.

Exports of goods and services largely contributed to the decline in real GDP, down 4.5% in the second quarter, following a 1.9% increase in the first quarter. The slowdown in the second quarter was mainly attributable to a 5.5% decrease in the exports of goods, while exports of services grew 0.6%.

Imports rose 0.3% in the second quarter, following a 0.4% gain in the first quarter. Imports of goods increased 0.3%, while imports of services were unchanged.

Final domestic demand advanced 0.5%, the same pace as in the previous quarter.

Household final consumption expenditure continued to rise, up 0.5%, virtually matching the pace in the previous four quarters. Growth in the second quarter was mostly attributable to increased outlays on services (+0.8%), while household spending on goods was up 0.2%.



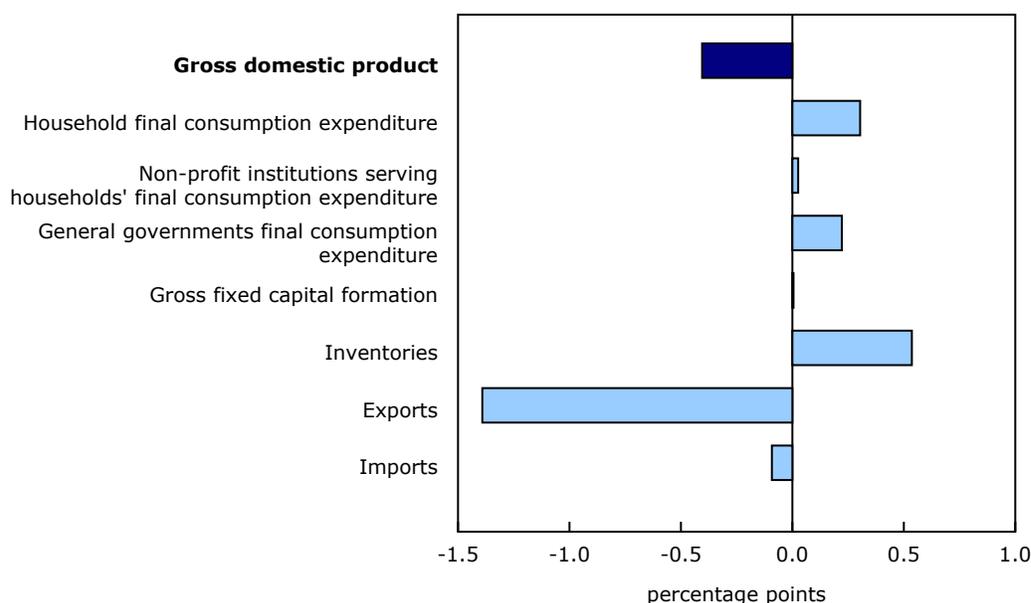
Government final consumption expenditure rose 1.0%, partly as a result of government spending related to the wildfire in Fort McMurray. This was the sixth consecutive quarterly increase in government final consumption expenditure.

Business gross fixed capital formation edged down 0.1%, following a similar decline in the previous quarter. The decrease in the second quarter was led by lower investment in non-residential structures (-1.1%), which was partially offset by higher investment in housing (+0.3%) and machinery and equipment (+0.5%).

Businesses drew down inventories by \$307 million to compensate for lower production and imports, following a withdrawal of \$8.5 billion in the previous quarter. Non-farm inventories were reduced by \$1.6 billion.

Expressed at an annualized rate, real GDP fell 1.6% in the second quarter. In comparison, real GDP in the United States grew 1.1%.

Chart 2
Contributions to percent change in real gross domestic product, second quarter



Source(s): CANSIM table [380-0064](#).

Exports decline significantly

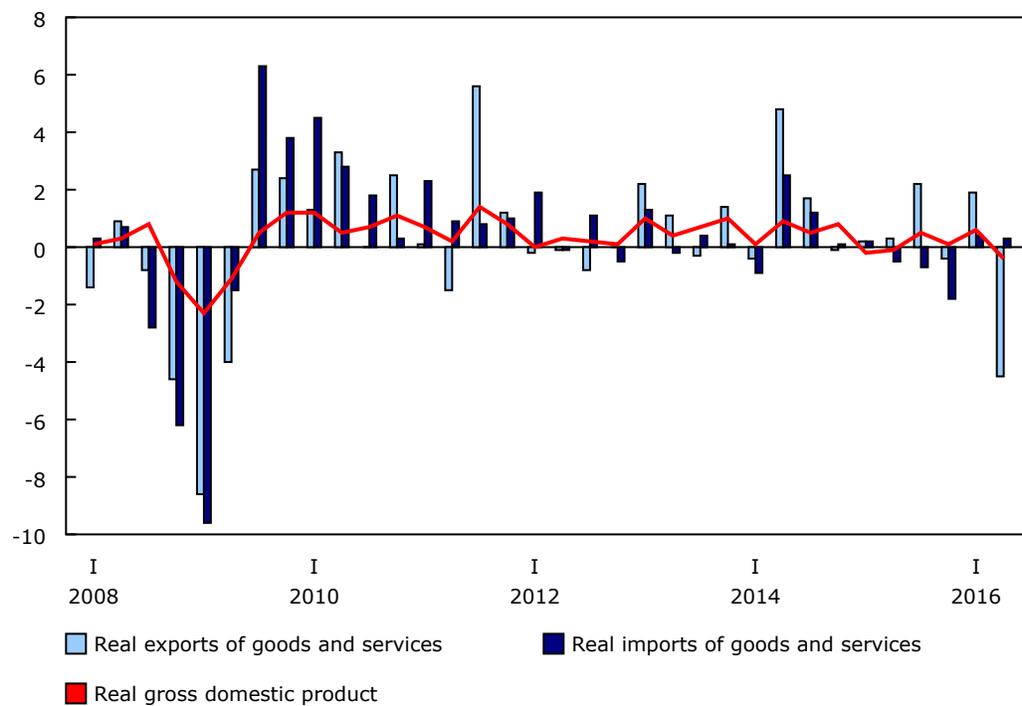
Exports of goods and services fell 4.5% in the second quarter. Exports of goods were down 5.5%, with the decrease widespread throughout most export categories. This was the largest decline in exports since the first quarter of 2009

Motor vehicles and parts were down 5.8%, mostly because of lower exports of passenger cars and light trucks (-6.6%). Exports of consumer goods (-6.8%) decreased across the board, resulting in the largest drop since the second quarter of 2003.

Lower exports of crude oil and crude bitumen (-9.6%) and refined petroleum energy products (-19.6%) pushed down exports of energy products (-7.5%). Exports of metal ores and non-metallic minerals were down 17.5%, the largest drop since the first quarter of 2009. The only major offset to the decline in exports was aircraft and other transportation equipment and parts, which rebounded 5.6% following two quarters of decrease.

Chart 3 Gross domestic product, exports and imports

quarterly % change, chained (2007) dollars



Source(s): CANSIM table 380-0064.

Following a 1.9% increase in the first quarter, exports of services rose 0.6% in the second quarter, slightly moderating the large decline in exports of goods. A gain in commercial services (+1.5%) more than offset the decrease in transportation services (-2.7%).

Household spending increases

Household final consumption expenditure grew 0.5%, mostly as a result of higher spending on services (+0.8%). Outlays on goods rose 0.2%, as increased spending on non-durable goods (+0.7%) was partially offset by lower spending on durable (-0.5%) and semi-durable (-0.5%) goods.

Food, beverage and accommodation services (+0.7%), operation of transport equipment (+0.8%) and electricity, gas and other fuels (+1.9%) all contributed to the gain in household expenditures. However, vehicle purchases decreased 1.2%, following four consecutive quarterly increases.

Expenditures by Canadians abroad rose 2.1%, as a result of higher outbound travel and an appreciation of the Canadian dollar relative to the US dollar.

Business investment continues to decline

Business investment edged down 0.1% in the second quarter, the same pace as in the previous quarter. This was the sixth consecutive quarterly decline, although the pace of contraction has slowed considerably in the last two quarters.

Investment in non-residential structures fell 1.1%, because of lower investment in engineering structures, as weakness in the energy sector continued. Investment in non-residential buildings was flat in the second quarter.

Business investment in residential structures was up 0.3%, following a 2.7% gain the previous quarter. The increase in the second quarter was mostly attributable to a rise in ownership transfer costs (+2.7%), which reflect activity in the resale market, while investment in new construction (-0.5%) and renovations (-0.3%) declined.

Business investment in machinery and equipment grew 0.5%, following five consecutive quarters of contraction. The gains were led by investment in aircraft and other transportation equipment (+18.5%), while investment in industrial machinery and equipment fell 1.8%.

Business investment in intellectual property products held steady in the second quarter, following five consecutive quarters of decline. Increased outlays on mineral exploration and evaluation (+1.7%) and software (+1.4%) were offset by lower spending on research and development (-3.0%).

Inventories drawn down

Businesses drew down inventories by \$307 million in the second quarter, mainly because of a decrease in overall supply, which was due to a combination of lower production, manufacturing stocks and imports. This followed a reduction of \$8.5 billion in the first quarter.

Businesses reduced their non-farm inventories by \$1.6 billion in the second quarter, with manufacturing inventories down by \$2.7 billion. An increase of \$892 million in farm inventories offset some of the decline in non-farm inventories.

Retail inventories increased by \$2.2 billion, with stocks up for both non-durable (+\$1.5 billion) and durable (+\$643 million) goods. Wholesale inventories were reduced by \$1.1 billion, with the decrease mainly in durable goods (-\$986 million).

Sales declined at a faster pace than stocks in the second quarter; as a result, the economy-wide stock-to-sales ratio increased to 0.762.

Income-based gross domestic product

Compensation of employees increased 0.4% in the second quarter, as both wages and salaries (+0.4%) and social contributions of employers (+0.5%) rose.

The gross operating surplus of corporations decreased 3.0%, as the gross operating surplus of financial corporations fell 28.5%. Insurance payouts due to the wildfire in Fort McMurray contributed to this sharp decline. The gross operating surplus of non-financial corporations declined 0.3%.

Terms of trade strengthen

Export prices rose 0.3% in the second quarter, while import prices fell 1.4%, resulting in strengthened terms of trade. The price of final domestic demand edged up 0.1%. The GDP implicit price index, representing the overall price of goods and services produced in Canada, increased 0.4% in the second quarter, following a 0.4% decline in the first quarter.

Real gross domestic income edged up 0.2%, the combined effect of an appreciation of the Canadian dollar relative to its US counterpart and stronger energy prices.

Household saving rate increases slightly

The household saving rate was 4.2% in the second quarter, up from 4.1% in the previous quarter, with household disposable income increasing at a faster pace than household final consumption expenditure (in nominal terms).

The household debt service ratio (defined as household mortgage and non-mortgage payments divided by disposable income) increased from 14.06% in the first quarter to 14.15% in the second quarter, as interest and obligated payments grew.

The national saving rate fell for the seventh consecutive quarter, reaching 0.8% in the second quarter, with national disposable income decreasing 0.4%.

Note to readers

For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

Percentage changes for expenditure-based statistics (such as personal expenditures, investment, exports and imports) are calculated from volume measures that are adjusted for price variations. Percentage changes for income-based and flow-of-funds statistics (such as labour income, corporate profits, mortgage borrowing and total funds raised) are calculated from nominal values; that is, they are not adjusted for price variations.

There are two ways of expressing growth rates for gross domestic product (GDP) and other time series found in this release.

1. Unless otherwise stated, the growth rates in this release represent the percentage change in the series from one quarter to the next, such as from the first quarter to the second quarter of 2016.
2. Quarterly growth can be expressed at an annual rate by using a compound growth formula, similar to the way in which a monthly interest rate can be expressed at an annual rate. Expressing growth at an annual rate facilitates comparisons with official GDP statistics from the United States. Both the quarterly growth rate and the annualized quarterly growth rate should be interpreted as an indication of the latest trend in GDP.

Revisions

Data on GDP for the second quarter of 2016 were released along with revised data for the first quarter of 2016. These data incorporate new and revised data, as well as updated data on seasonal trends.

Real-time CANSIM tables

Real-time CANSIM tables 380-8063 and 380-8064 will be updated on September 7. For more information, consult the document [Real-time CANSIM tables](#).

Next release

Data on GDP by income and expenditure for the third quarter will be released on November 30.

Impact of the Fort McMurray wildfire and evacuation on measures of gross domestic product

Disasters—such as wildfires, floods, ice storms or other major catastrophes—have an impact on economic activity because 1) production is affected (for example, it can be disrupted due to lost capacity and hours worked), 2) structures, equipment, and other assets are damaged or destroyed and must later be repaired or replaced, and 3) transactions, such as payments of insurance benefits or government disaster relief, take place as a result of the damages incurred.

GDP is the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period. Disasters are reflected in GDP measures only insofar as they affect measures of income, expenditures, and production; GDP is not directly affected by the loss of property (structures and equipment) produced in previous periods. Some transactions that result in transfer payments between institutional sectors do not directly affect GDP.

While GDP may be affected by the actions that consumers, businesses, and governments take in response to a disaster, these actions are generally not separately identifiable, and they may be spread out over a long period of time. In the case of the May 2016 wildfire that affected the Fort McMurray region in Alberta, the Monthly Survey of Manufacturing, the Monthly Retail Trade Survey and the Monthly Wholesale Trade Survey collected information from a subset of their national samples to assess the impact of the wildfire for the May and June 2016 reference periods. While some respondents across all three surveys indicated that they had been affected by the wildfire, most were not able to quantify the impact of the fire.

Table 1
Gross domestic product by income account – Seasonally adjusted at annual rates

	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	First quarter 2016	Second quarter 2016
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	0.9	0.4	0.2	0.7	0.4	0.4	1,036,096	1,040,292
Gross operating surplus	-6.3	-0.1	0.3	-1.7	-0.4	-3.0	502,124	487,168
Gross mixed income	1.3	1.3	1.0	1.1	0.7	3.8	237,684	246,728
Taxes less subsidies on production	0.9	0.7	1.4	0.2	0.2	-0.1	86,480	86,428
Taxes less subsidies, on products and imports	0.8	1.4	1.2	1.0	0.6	0.4	134,844	135,392
Statistical discrepancy (millions of dollars)	744	-2,216	992	-484	1,596	292	504	796
Gross domestic product at market prices	-1.0	0.3	0.5	0.1	0.3	-0.0	1,997,732	1,996,804

Source(s): CANSIM table [380-0063](#).

Table 2
Real gross domestic product by expenditure account, quarterly change – Seasonally adjusted at annual rates, chained (2007) dollars

	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	First quarter 2016	Second quarter 2016
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	0.3	0.6	0.5	0.4	0.6	0.7	1,385,136	1,394,756
Household final consumption expenditure	-0.0	0.6	0.6	0.5	0.6	0.5	1,012,228	1,017,654
Non-profit institutions serving households' final consumption expenditure	-0.7	1.5	0.2	0.1	0.8	1.8	25,228	25,680
General governments final consumption expenditure	1.2	0.7	0.2	0.1	0.7	1.0	348,921	352,554
Gross fixed capital formation	-3.2	-2.1	-1.2	-1.5	-0.2	0.0	379,970	380,049
Business gross fixed capital formation	-3.9	-2.5	-1.4	-1.6	-0.1	-0.1	311,968	311,592
Residential structures	1.6	0.0	0.7	0.5	2.7	0.3	125,222	125,607
Non-residential structures, machinery and equipment	-6.4	-4.1	-3.0	-3.3	-2.1	-0.5	160,868	160,090
Intellectual property products	-9.5	-2.7	-1.0	-0.9	-1.1	-0.0	26,873	26,867
General governments gross fixed capital formation	0.5	-0.2	-0.4	-1.0	-0.3	0.7	65,421	65,856
Investment in inventories (millions of dollars)	5,459	-7,869	-6,918	-5,422	-3,378	9,466	-8,964	502
Exports of goods and services	0.2	0.3	2.2	-0.4	1.9	-4.5	589,293	563,045
Less: imports of goods and services	0.2	-0.5	-0.7	-1.8	0.4	0.3	565,592	567,146
Statistical discrepancy (millions of dollars)	-657	1,967	-879	431	-1,418	-262	-446	-708
Gross domestic product at market prices	-0.2	-0.1	0.5	0.1	0.6	-0.4	1,783,386	1,776,171
Final domestic demand	-0.5	-0.0	0.1	-0.1	0.5	0.5	1,762,282	1,771,861

Source(s): CANSIM table [380-0064](#).

Table 3
Real gross domestic product by expenditure account, annualized change – Seasonally adjusted at annual rates, chained (2007) dollars

	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	First quarter 2016	Second quarter 2016
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	1.1	2.5	1.8	1.4	2.5	2.8	1,385,136	1,394,756
Household final consumption expenditure	-0.1	2.3	2.3	1.8	2.4	2.2	1,012,228	1,017,654
Non-profit institutions serving households' final consumption expenditure	-2.6	6.2	0.8	0.4	3.2	7.4	25,228	25,680
General governments final consumption expenditure	4.7	2.8	0.6	0.4	2.7	4.2	348,921	352,554
Gross fixed capital formation	-12.0	-8.0	-4.9	-6.0	-0.6	0.1	379,970	380,049
Business gross fixed capital formation	-14.6	-9.5	-5.6	-6.4	-0.4	-0.5	311,968	311,592
Residential structures	6.6	0.1	2.6	1.8	11.3	1.2	125,222	125,607
Non-residential structures, machinery and equipment	-23.2	-15.5	-11.4	-12.5	-8.1	-1.9	160,868	160,090
Intellectual property products	-32.8	-10.5	-3.9	-3.5	-4.3	-0.1	26,873	26,867
General governments gross fixed capital formation	1.9	-0.6	-1.6	-4.0	-1.3	2.7	65,421	65,856
Investment in inventories (millions of dollars)	5,459	-7,869	-6,918	-5,422	-3,378	9,466	-8,964	502
Exports of goods and services	0.9	1.2	9.0	-1.5	8.0	-16.7	589,293	563,045
Less: imports of goods and services	0.9	-1.8	-2.8	-7.0	1.6	1.1	565,592	567,146
Statistical discrepancy (millions of dollars)	-657	1,967	-879	431	-1,418	-262	-446	-708
Gross domestic product at market prices	-1.0	-0.5	2.2	0.5	2.5	-1.6	1,783,386	1,776,171
Final domestic demand	-2.2	-0.1	0.3	-0.3	1.8	2.2	1,762,282	1,771,861

Source(s): CANSIM table [380-0064](#).

Table 4
Real gross domestic product by expenditure account – Seasonally adjusted at annual rates

	First quarter 2016	Second quarter 2016	Second quarter 2016		
			Contributions to percent change in real gross domestic product	Contributions to percent change in implicit price indexes	Annualized contributions to percent change in real gross domestic product
	millions of chained (2007) dollars		percentage points		
Final consumption expenditure	1,385,136	1,394,756	0.553	0.042	2.195
Household final consumption expenditure	1,012,228	1,017,654	0.304	0.012	1.209
Goods	463,394	464,258	0.046	0.134	0.183
Durable goods	148,134	147,456	-0.033	0.039	-0.131
Semi-durable goods	85,957	85,546	-0.020	0.020	-0.080
Non-durable goods	231,734	233,449	0.099	0.074	0.394
Services	548,734	553,165	0.258	-0.122	1.026
Non-profit institutions serving households' final consumption expenditure	25,228	25,680	0.026	0.007	0.103
General governments final consumption expenditure	348,921	352,554	0.222	0.023	0.883
Gross fixed capital formation	379,970	380,049	0.005	0.006	0.020
Business gross fixed capital formation	311,968	311,592	-0.023	0.021	-0.087
Residential structures	125,222	125,607	0.024	0.051	0.095
Non-residential structures, machinery and equipment	160,868	160,090	-0.046	-0.042	-0.182
Non-residential structures	90,295	89,286	-0.064	0.000	-0.254
Machinery and equipment	68,940	69,259	0.018	-0.042	0.072
Intellectual property products	26,873	26,867	0.000	0.011	0.000
Non-profit institutions serving households' gross fixed capital formation	2,615	2,633	0.001	0.000	0.004
General governments gross fixed capital formation	65,421	65,856	0.026	-0.015	0.103
Investment in inventories	-8,964	502	0.536	-0.265	2.131
Exports of goods and services	589,293	563,045	-1.391	0.071	-5.531
Goods	504,364	476,822	-1.424	0.098	-5.662
Services	86,149	86,707	0.033	-0.027	0.131
Less: imports of goods and services	565,592	567,146	0.092	-0.505	0.366
Goods	458,344	459,845	0.089	-0.457	0.354
Services	107,078	107,126	0.003	-0.048	0.012
Statistical discrepancy	-446	-708	-0.015	0.000	-0.060
Gross domestic product at market prices	1,783,386	1,776,171	-0.405	0.360	-1.611
Final domestic demand	1,762,282	1,771,861	0.557	0.048	2.215

Source(s): CANSIM tables [380-0064](#) and [380-0066](#).

Table 5
Canadian economic accounts key indicators – Seasonally adjusted

	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016
Economy-wide						
Real gross domestic income (index 2007=100)	109.9	109.6	109.5	109.0	109.0	109.2
Gross domestic product deflator (index 2007=100)	111.9	112.4	112.4	112.4	112.0	112.4
Terms of trade (index 2007=100)	94.8	94.5	92.7	91.1	89.2	90.8
Household sector						
Household disposable income (millions of dollars)	1,095,484	1,120,168	1,119,968	1,126,004	1,137,504	1,150,424
Household net saving (millions of dollars)	52,676	58,672	47,764	47,152	46,316	48,612
Household saving rate (%)	4.8	5.2	4.3	4.2	4.1	4.2
Household debt service ratio (%)	14.15	13.97	14.08	14.05	14.06	14.15
Government sector						
General government disposable income (millions of dollars)	404,900	412,088	400,940	410,544	405,908	406,148
General government net saving (millions of dollars)	-10,860	-6,764	-20,680	-12,616	-21,600	-26,272
Corporate sector						
Non-financial corporations' net operating surplus (millions of dollars)	199,712	197,068	192,308	183,980	180,428	174,204
Financial corporations' net operating surplus (millions of dollars)	35,192	36,268	38,016	34,448	36,512	22,068
Non-financial corporations' net saving (millions of dollars)	-23,796	-25,904	-26,516	-39,068	-36,848	-38,924
Financial corporations' net saving (millions of dollars)	49,536	36,980	52,864	53,308	45,808	31,072
National						
National net saving (millions of dollars)	66,408	59,220	50,008	44,540	30,832	13,116
National saving rate (%)	4.1	3.7	3.1	2.7	1.9	0.8

Source(s): CANSIM tables [380-0065](#), [380-0066](#), [380-0071](#), [380-0072](#), [380-0073](#), [380-0076](#) and [380-0079](#).

Available in CANSIM: tables [031-0009](#), [380-0063 to 380-0076](#), [380-0078 to 380-0088](#) and [382-0006](#).

Definitions, data sources and methods: survey numbers [1901](#), [2602](#), [2820](#) and [5169](#).

The *System of Macroeconomic Accounts* module, accessible from the *Browse by key resource* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The *Methodological Guide: Canadian System of Macroeconomic Accounts (13-607-X)* is available from the *Browse by key resource* module of our website, under *Publications*.

The *User Guide: Canadian System of Macroeconomic Accounts (13-606-G)* is available from the *Browse by key resource* module of our website, under *Publications*. This publication has been updated with a chapter on the history of Canada's macroeconomic accounts and a chapter on the income and expenditure accounts.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).