

Gross domestic product, income and expenditure, second quarter 2017

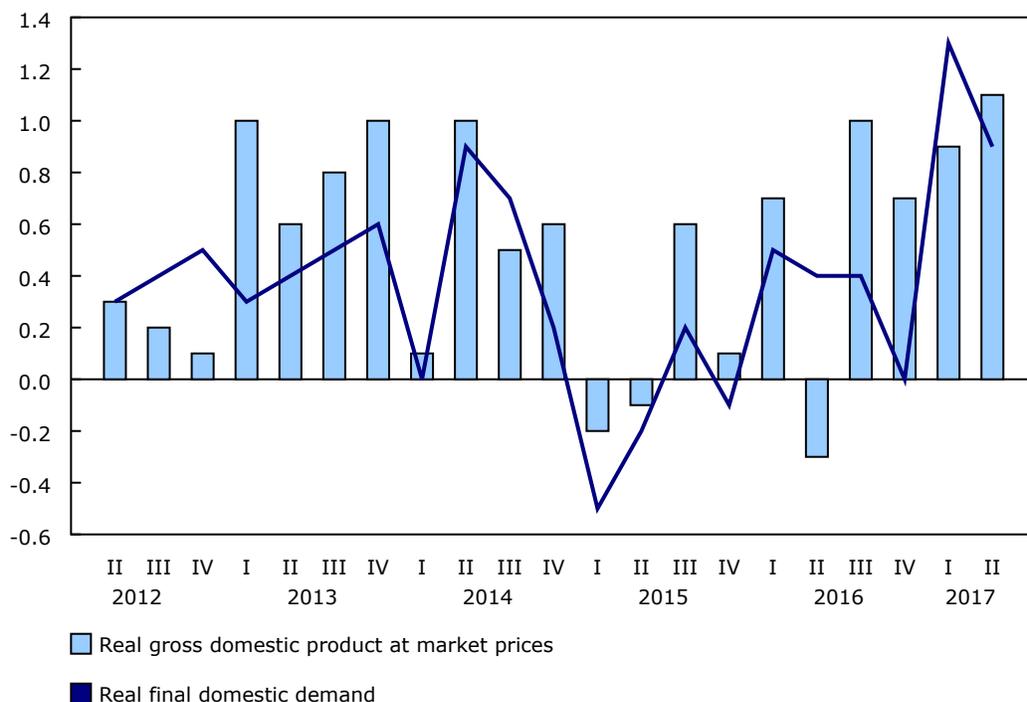
Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, August 31, 2017

Real gross domestic product (GDP) rose 1.1% in the second quarter, following a 0.9% gain in the first quarter. The cumulative growth in the first two quarters of the year (+2.0%) was the strongest since 2002 (+2.1%). Household final consumption expenditure and exports of goods were important contributors to second quarter growth.

Real gross national income, a measure of the purchasing power of productive income earned by Canadian residents, advanced a more modest 0.4% in the second quarter, constrained by worsening terms of trade. Export prices increased 0.5%, while import prices rose 2.7% in tandem with a depreciating Canadian dollar.

Chart 1
Gross domestic product and final domestic demand

quarterly % change, chained (2007) dollars



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

Household spending on goods advanced 1.9%, with outlays on durables, semi-durables and non-durables all increasing. Outlays on services rose 0.5%. Overall, household final consumption expenditure advanced 1.1% in the second quarter, after increasing 1.2% the previous quarter.

Growth in export volumes accelerated to 2.3% following a 0.4% gain in the first quarter. Exports of goods rose 2.8%, with energy products (+9.2%) contributing the most to the increase. Exports of services edged down 0.1% as commercial services fell 0.6%.

Imports rose 1.8%, about half the pace of the previous quarter. Imports of goods increased 2.5% while those of services declined 1.0%.

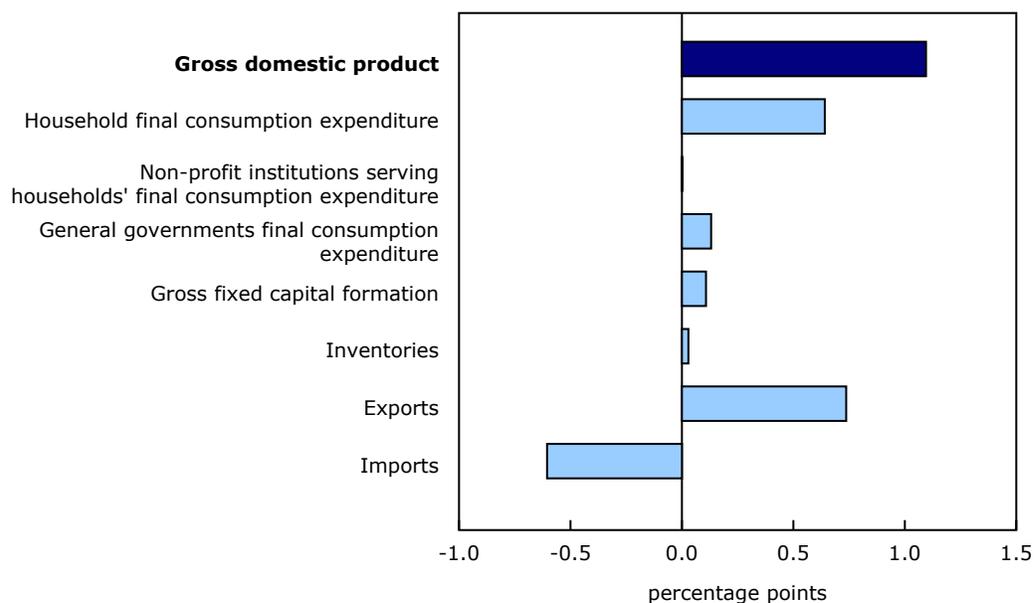


Business gross fixed capital formation slowed to 0.5% growth, following a 3.1% increase in the first quarter. The deceleration was mostly attributable to lower investment in housing (-1.2%). Business investment in non-residential structures rose 2.4% after increasing 1.0% in the first quarter.

Businesses accumulated another \$11.5 billion in inventories in the second quarter, after adding \$10.5 billion to their stocks in the first. Despite the strong inventory accumulation, the stock-to-sales ratio declined 0.8%.

Expressed at an annualized rate, real GDP rose 4.5% in the second quarter. In comparison, real GDP in the United States grew 3.0%.

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



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

Household spending increases

Household final consumption expenditure grew 1.1%, following a 1.2% increase the previous quarter.

Outlays on goods rose 1.9%, the strongest gain since the second quarter of 2007. The growth was evidenced in durable goods (+2.3%), semi-durable goods (+3.9%) and non-durable goods (+1.1%). Spending on services increased 0.5%.

Transport (+1.9%) contributed the most to the growth in household spending, as the purchase of vehicles rose 2.0%. Housing, water, electricity, gas and other fuels (+0.9%) and clothing and footwear (+5.0%) also contributed to the increase.

Housing market weakens

Investment in residential structures fell 1.2%, following a 2.9% increase the previous quarter. The decrease was due to a sharp decline in ownership transfer costs (-6.7%). A new tax on home purchases by non-residents in Ontario came into effect in April. Renovations increased 1.1% while new housing construction investment was virtually unchanged.

Exports rise

Exports of goods and services rose 2.3% in the second quarter, with an increase in the exports of goods (+2.8%) moderated by a decline in services (-0.1%).

The increase in exports was in large part due to significant growth in exports of energy products (+9.2%). Export volumes of crude oil and crude bitumen increased 7.4% in the second quarter, however prices fell, constraining the earnings of crude oil producers. Exports of natural gas, natural gas liquids and related products rose 14.4%. Industrial machinery, equipment and parts (+8.2%) was also an important contributor to export growth.

Imports grew 1.8%, led by higher imports of goods (+2.5%) and tempered by lower imported services (-1.0%)

Growth in imports was led by an increase in aircraft and other transportation equipment and parts (+13.0%) with contributions from energy products (+8.4%) and motor vehicles and parts (+1.8%). The increase was partially offset by a decline in commercial services (-2.7%).

Business investment increases

Business gross fixed capital formation rose 0.5% in the second quarter, following a 3.1% increase in the first quarter.

Investment in non-residential structures grew 2.4%, after increasing 1.0% in the first quarter. The growth was largely attributable to engineering structures (+3.2%), while investment in non-residential buildings was virtually unchanged.

Intellectual property products (+2.1%) grew for the second straight quarter. Increased investment in mineral exploration and evaluation (+17.9%), on top of strong growth in the first quarter, continued the recovery following steady declines throughout 2015 and 2016. Research and development (+0.2%) edged up while software was flat.

Investment in machinery and equipment grew 0.9%, following a 6.6% increase the previous quarter. Growth in aircraft and other transportation equipment (+13.2%) was partially offset by a decline in industrial machinery and equipment (-0.9%).

Business inventories rise

Businesses' inventories rose by \$11.5 billion in the second quarter, following a \$10.5 billion increase the previous quarter.

Non-farm inventories rose by \$13.0 billion, as stocks in manufacturing (+\$3.3 billion), trade (+\$8.8 billion) and other non-farm (+\$1.9 billion) inventories all increased. Farm inventory stocks were reduced by \$892 million. Drawdowns in inventories of grain (-\$279 million) and other crops (-\$459 million) were the main contributors.

Retailers' inventories of durable goods rose by \$1.4 billion, despite a drawdown in motor vehicle inventories (-\$76 million). Stocks of non-durable goods increased by \$2.0 billion. Wholesalers accumulated inventories in both durable (+\$3.0 billion) and non-durable (+\$2.3 billion) goods.

The economy-wide stock-to sales ratio declined from 0.748 in the first quarter to 0.742 in the second quarter.

Household saving unchanged

Compensation of employees grew 0.8% in the second quarter (nominal terms), following a 1.0% gain in the first quarter. Wages and salaries rose 0.8% as an increase in services-producing industries (+1.1%) more than offset a decline in goods-producing industries (-0.1%).

The household saving rate rose from 4.3% in the first quarter to 4.6% in the second quarter, as household disposable income (+1.6%) outpaced household final consumption expenditure (+1.1%).

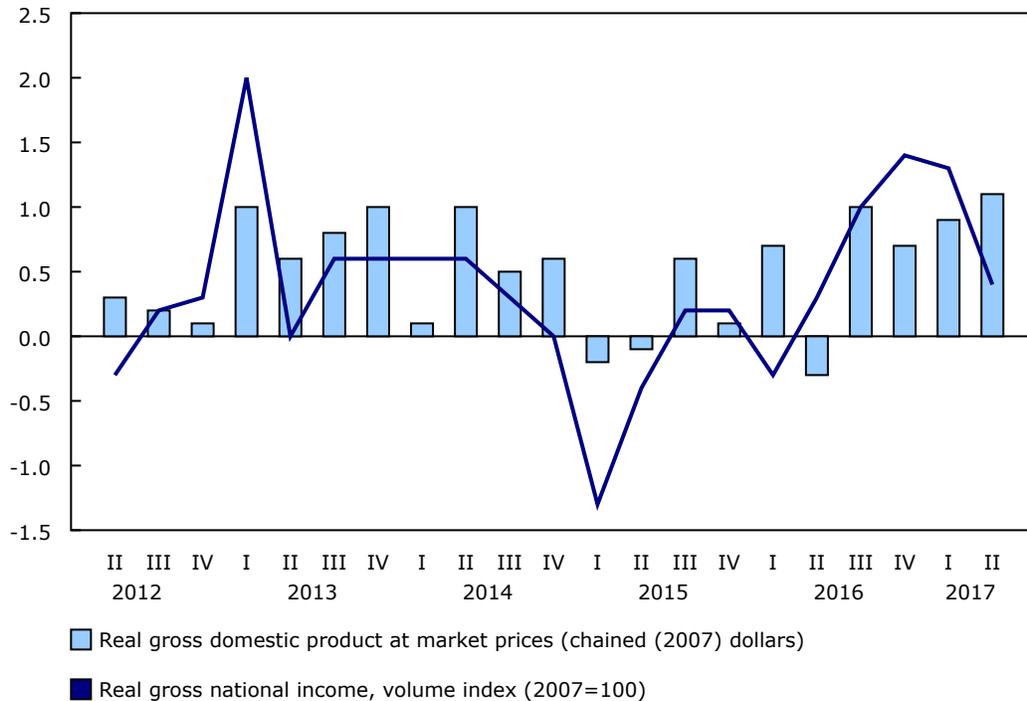
The household debt service ratio (defined as household mortgage and non-mortgage payments divided by disposable income) was unchanged from the first quarter figure of 14.15%.

Corporate earnings edge down

The gross operating surplus of corporations edged down 0.1% in the second quarter. Gross operating surplus of non-financial corporations grew 0.3%, a fourth consecutive quarterly gain. Financial corporations' gross operating surplus fell a further 4.7% following a 0.9% decline in the first quarter.

Chart 3
Gross domestic product and real gross national income

quarterly % change



Source(s): CANSIM tables [380-0064](#) and [380-0065](#).

Real gross national income increased 0.4% as worsening terms of trade constrained growth. Export prices grew 0.5% while import prices rose 2.7%. The implicit price of final domestic demand increased 0.3%, while the GDP implicit price index (the price of goods and services produced in Canada) declined 0.3%.



In celebration of the country's 150th birthday, Statistics Canada is presenting snapshots from our rich statistical history.

Today, we look at the evolution of gross national income (GNI) since 1961.

In addition to domestic production, the real purchasing power of a nation's income is influenced by three factors: the prices of exported and imported products, exchange rates and the inflow of labour and investment income from abroad less the outflow of income to foreigners.

By incorporating these factors, real GNI captures a nation's true purchasing power, which is not fully reflected by real gross domestic product (GDP). Real GDP measures the volume of production from within a country's geographical boundary. In nominal terms, GDP and GNI are equal in the absence of international transactions. Real GNI takes into account changes in the terms of trade (the ratio of export to import prices) and exchange rates to reflect the purchasing power earned by Canadian-owned factors of production.

From 1961 to 2016, the annual growth rates of real GDP and real GNI averaged 3.15% and 3.22% respectively, indicating that over the long term, the net impact of those factors have tended to be insignificant in Canada.

In the short term, however, the two measures can diverge substantially. In 1998, for instance, a 6.8% drop in the exchange rate (CAN\$1.00=US\$0.67) in the aftermath of the East-Asian financial crisis, dampened real GNI growth to 2.0% compared with a 3.9% increase in real GDP. In 2008, primarily owing to the high prices of exported products including oil, real GNI rose 2.5%, whereas real GDP grew 1.0%, implying that the country could purchase more goods and services than it produced in that period.

In 2009, real GNI fell 6.2%, but real GDP declined by only 3.0%. The sharper drop in GNI captures the loss in purchasing power due to a sudden drop in commodity prices in the wake of the global financial crisis, while prices of major import items (including motor vehicles and parts) were relatively stable. The divergence indicates that the nation was worse off than indicated by the drop in real GDP.

In 2010, 2011 and 2013, real GNI grew faster than real GDP, as international factors were favourable for the income of Canada. In 2013, for instance, a 10.6% decrease in net-income outflow contributed to real GNI, which grew by 2.7% compared with a 2.5% growth of real GDP. From 2014 to 2016, with the fall in oil prices again, the reverse occurred.

By combining domestic and foreign factors, real GNI provides a distinct signal in periods of volatility in exchange rates, prices of traded products, and net-inflow of incomes. Consequently, to undertake informed economic analysis, real GNI should be considered in conjunction with real GDP.

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 of 2017 to the second quarter of 2017.
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 2017 were released along with revised data from the first quarter of 2017. 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 11. 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 December 1.

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

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	First quarter 2017	Second quarter 2017
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	0.7	0.4	0.5	1.2	1.0	0.8	1,073,868	1,082,468
Gross operating surplus	-0.2	-3.6	6.4	4.2	4.2	-0.1	558,132	557,608
Gross mixed income	1.2	3.4	-1.7	0.3	1.4	0.7	245,700	247,316
Taxes less subsidies on production	1.4	0.6	0.9	0.8	1.2	4.5	91,248	95,388
Taxes less subsidies, on products and imports	1.7	0.8	1.3	1.2	0.9	1.7	140,964	143,308
Statistical discrepancy (millions of dollars)	-864	-108	-4	-516	1,424	-1,116	1,436	320
Gross domestic product at market prices	0.6	-0.2	1.7	1.8	1.9	0.7	2,111,348	2,126,408

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 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	First quarter 2017	Second quarter 2017
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	0.7	0.7	0.4	0.6	0.9	1.0	1,423,705	1,437,697
Household final consumption expenditure	0.6	0.6	0.7	0.7	1.2	1.1	1,049,324	1,061,240
Non-profit institutions serving households' final consumption expenditure	0.3	-0.2	0.3	0.2	-0.4	0.1	24,820	24,844
General governments final consumption expenditure	1.0	1.2	-0.4	0.3	0.3	0.6	351,508	353,717
Gross fixed capital formation	-0.3	-0.5	0.4	-2.0	2.5	0.5	387,752	389,603
Business gross fixed capital formation	-0.6	-0.4	0.2	-2.7	3.1	0.5	320,328	322,075
Residential structures	2.4	0.3	-1.3	1.5	2.9	-1.2	129,404	127,850
Non-residential structures, machinery and equipment	-2.7	-1.1	2.3	-6.0	3.3	1.7	165,071	167,940
Intellectual property products	-0.6	0.5	-4.6	-2.5	3.5	2.1	26,918	27,488
General governments gross fixed capital formation	1.0	-0.7	1.1	1.6	-0.3	0.1	65,307	65,391
Investment in inventories (millions of dollars)	-2,835	7,237	4,090	-7,948	13,075	519	10,553	11,072
Exports of goods and services	2.0	-3.6	2.2	0.2	0.4	2.3	584,725	598,305
Less: imports of goods and services	0.9	0.3	1.1	-3.0	3.7	1.8	583,353	593,879
Statistical discrepancy (millions of dollars)	770	93	14	453	-1,233	966	-1,244	-278
Gross domestic product at market prices	0.7	-0.3	1.0	0.7	0.9	1.1	1,829,254	1,849,280
Final domestic demand	0.5	0.4	0.4	0.0	1.3	0.9	1,808,202	1,823,927

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 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	First quarter 2017	Second quarter 2017
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	2.8	2.9	1.7	2.5	3.7	4.0	1,423,705	1,437,697
Household final consumption expenditure	2.4	2.3	3.0	3.0	4.8	4.6	1,049,324	1,061,240
Non-profit institutions serving households' final consumption expenditure	1.2	-0.8	1.3	0.8	-1.7	0.4	24,820	24,844
General governments final consumption expenditure	3.9	4.7	-1.7	1.3	1.1	2.5	351,508	353,717
Gross fixed capital formation	-1.3	-1.9	1.6	-7.8	10.5	1.9	387,752	389,603
Business gross fixed capital formation	-2.2	-1.7	1.0	-10.6	13.2	2.2	320,328	322,075
Residential structures	9.8	1.1	-5.1	6.3	12.3	-4.7	129,404	127,850
Non-residential structures, machinery and equipment	-10.3	-4.4	9.5	-22.0	13.7	7.1	165,071	167,940
Intellectual property products	-2.3	2.1	-17.0	-9.8	14.7	8.7	26,918	27,488
General governments gross fixed capital formation	4.2	-2.9	4.7	6.5	-1.3	0.5	65,307	65,391
Investment in inventories (millions of dollars)	-2,835	7,237	4,090	-7,948	13,075	519	10,553	11,072
Exports of goods and services	8.4	-13.6	9.2	0.8	1.5	9.6	584,725	598,305
Less: imports of goods and services	3.5	1.4	4.3	-11.3	15.6	7.4	583,353	593,879
Statistical discrepancy (millions of dollars)	770	93	14	453	-1,233	966	-1,244	-278
Gross domestic product at market prices	2.8	-1.4	4.2	2.7	3.7	4.5	1,829,254	1,849,280
Final domestic demand	1.8	1.8	1.7	0.1	5.1	3.5	1,808,202	1,823,927

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

Table 5
Canadian economic accounts key indicators – Seasonally adjusted

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017
Economy-wide						
Real gross domestic income (index 2007=100)	109.5	109.6	111.0	112.4	114.1	114.6
Gross domestic product deflator (index 2007=100)	112.0	112.2	113.0	114.3	115.4	115.0
Terms of trade (index 2007=100)	89.7	90.9	91.7	93.6	95.4	93.4
Household sector						
Household disposable income (millions of dollars)	1,148,456	1,153,192	1,170,936	1,185,316	1,194,172	1,213,848
Household net saving (millions of dollars)	55,692	56,388	61,684	62,380	51,176	55,396
Household saving rate (%)	4.8	4.9	5.3	5.3	4.3	4.6
Household debt service ratio (%)	14.12	14.26	14.19	14.13	14.15	14.15
Government sector						
General government disposable income (millions of dollars)	407,972	411,244	409,092	412,896	420,512	426,228
General government net saving (millions of dollars)	-17,200	-18,732	-21,024	-21,084	-16,512	-17,648
Corporate sector						
Non-financial corporations' net operating surplus (millions of dollars)	178,932	171,392	190,664	206,752	230,932	228,112
Financial corporations' net operating surplus (millions of dollars)	34,816	19,096	33,708	38,400	38,024	35,652
Non-financial corporations' net saving (millions of dollars)	-46,480	-49,604	-43,564	-36,612	-5,764	-12,716
Financial corporations' net saving (millions of dollars)	36,840	22,980	36,368	47,488	38,180	32,508
National						
National net saving (millions of dollars)	30,524	13,432	34,936	53,552	69,420	59,160
National saving rate (%)	1.9	0.8	2.1	3.2	4.0	3.4

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

Table 6
Real gross domestic product by expenditure account, year-over-year change – Seasonally adjusted at annual rates, chained (2007) dollars

	2011	2012	2013	2014	2015	2016	2015	2016
	year-over-year % change						millions of dollars	
Final consumption expenditure	2.0	1.6	1.7	2.2	1.8	2.2	1,368,439	1,399,074
Household final consumption expenditure	2.2	1.9	2.6	2.8	1.9	2.4	1,002,349	1,026,219
Non-profit institutions serving households' final consumption expenditure	6.2	1.9	2.7	-1.3	2.0	0.8	24,673	24,861
General governments final consumption expenditure	1.3	0.7	-0.7	0.8	1.5	2.0	342,793	349,503
Gross fixed capital formation	4.6	4.9	1.3	0.9	-4.6	-3.1	396,027	383,753
Business gross fixed capital formation	7.9	6.6	2.7	1.9	-6.2	-3.9	330,057	317,112
Residential structures	1.6	5.6	-0.3	2.7	3.8	3.0	121,329	125,005
Non-residential structures, machinery and equipment	12.8	8.6	5.6	3.2	-11.5	-8.6	181,861	166,146
Intellectual property products	5.7	0.1	-2.2	-8.2	-9.0	-4.1	28,295	27,122
General governments gross fixed capital formation	-7.6	-3.0	-5.9	-4.2	4.5	1.1	63,803	64,499
Investment in inventories (millions of dollars)	11,757	-5,000	8,671	-5,438	-5,531	-4,276	3,861	-415
Exports of goods and services	4.8	2.6	2.7	5.8	3.4	1.0	574,588	580,587
Less: imports of goods and services	5.6	3.6	1.6	2.2	0.3	-0.9	577,125	571,914
Statistical discrepancy (millions of dollars)	356	9	849	-717	-159	593	-974	-381
Gross domestic product at market prices	3.1	1.7	2.5	2.6	0.9	1.5	1,770,196	1,796,178
Final domestic demand	2.6	2.4	1.6	1.9	0.3	1.0	1,762,150	1,779,731

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

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 document "[Revision to Quarterly Income and Expenditure Accounts: 1961 to 1980](#)", which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

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 also available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available.

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).