

Gross domestic product, income and expenditure, fourth quarter 2017

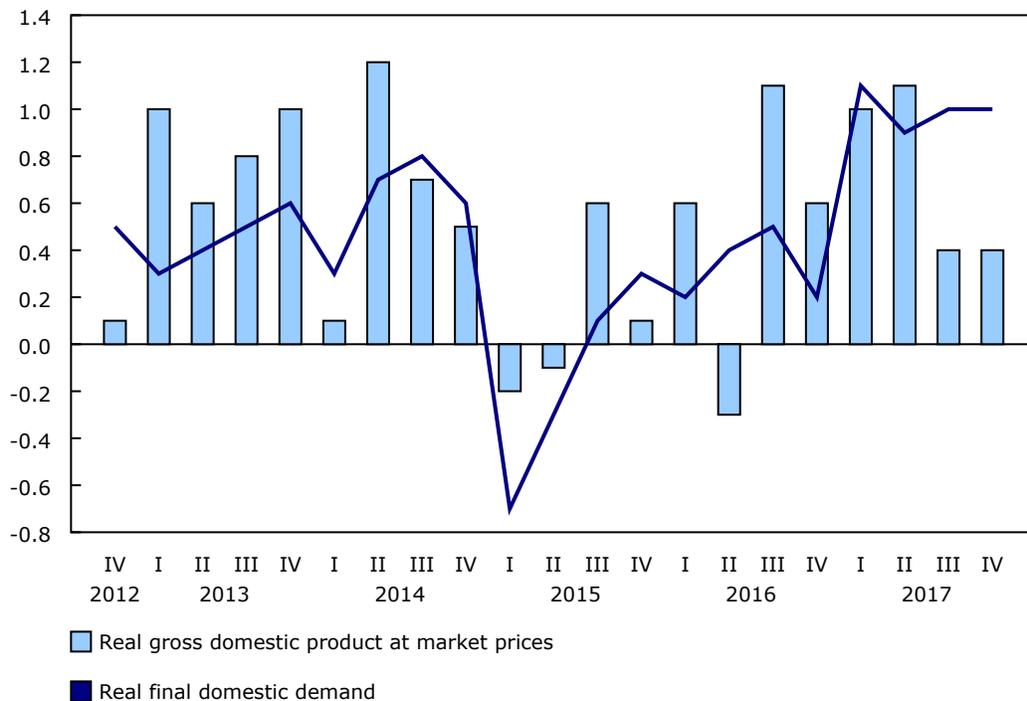
Released at 8:30 a.m. Eastern time in *The Daily*, Friday, March 2, 2018

Real gross domestic product (GDP) grew 0.4% in the fourth quarter, the same rate as the previous quarter. Final domestic demand rose 1.0%.

Business investment increased 2.3%. Investment in residential structures rose 3.2% on the strength of both resale activity and new construction. Businesses also increased outlays for the fourth consecutive quarter on machinery and equipment (+3.0%) and non-residential structures (+1.3%).

Chart 1
Gross domestic product and final domestic demand

quarterly % change, chained (2007) dollars



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

Businesses accumulated \$14.2 billion of inventories in the fourth quarter, as manufacturers, retailers and wholesalers all added to their stocks.

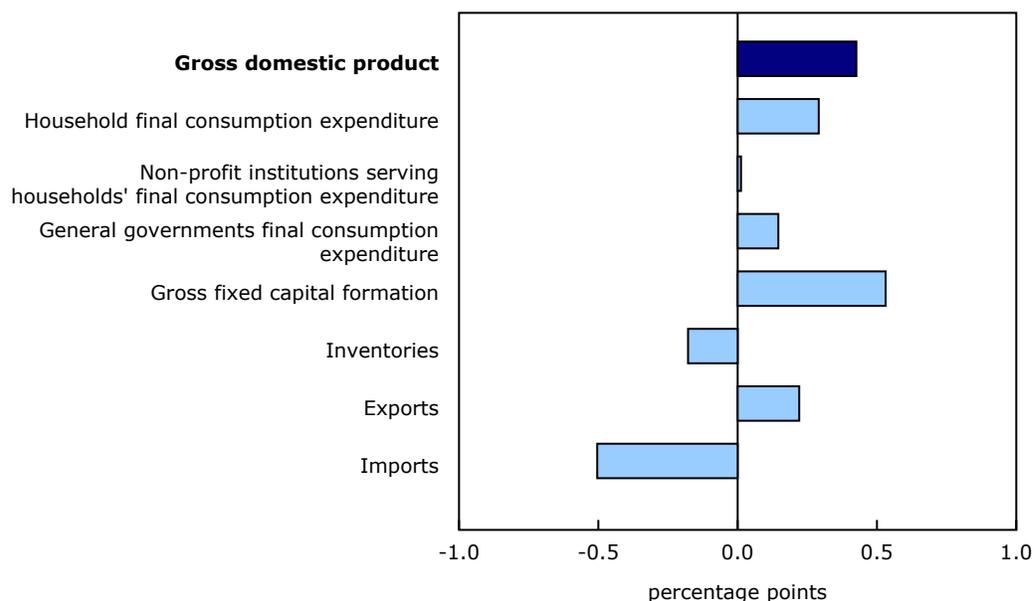
Real household final consumption expenditure slowed to 0.5% growth, following a 0.9% increase in the previous quarter. Spending was up on durable (+0.4%), semi-durable (+0.3%) and non-durable (+0.4%) goods, as well as on services (+0.6%).

Export volumes increased 0.7% following a 2.7% decline in the third quarter, while real imports were 1.5% higher. Improved terms of trade boosted economy-wide purchasing power, and real gross national income increased 1.0%. Export prices rose 3.6% in the fourth quarter on the strength of energy products, compared with a 1.5% increase in import prices.



Expressed at an annualized rate, real GDP rose 1.7% in the fourth quarter. In comparison, real GDP in the United States grew 2.5%.

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



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

Housing investment accelerates

Business gross fixed capital formation grew 2.3% in the fourth quarter, compared with 0.8% in the previous quarter. Higher investment in residential structures was the main contributor, increasing 3.2% following a flat third quarter. Ownership transfer costs rose 9.3%, indicating increased resale activity. New mortgage stress test measures were anticipated for 2018. New housing construction (+3.0%) also rose, while renovations edged down 0.1%.

Outlays on non-residential structures increased 1.3% on higher investment in engineering structures (+2.1%), while investment in non-residential buildings declined 0.8%.

Business investment in machinery and equipment rose 3.0%, primarily because of increased outlays on aircraft and other transportation equipment.

Investment in intellectual property products was unchanged overall. Increased outlays on research and development (+2.1%) and software (+1.1%) were offset by declines in mineral exploration and evaluation (-11.0%).

Inventories continue to accumulate

Businesses added \$14.2 billion to inventories in the fourth quarter, following additions of \$17.0 billion in the third quarter.

Non-farm inventories accounted for most of the accumulation, adding \$13.1 billion to stocks. Retailers added \$4.8 billion to stocks, of which \$2.4 billion consisted of motor vehicles. Wholesalers added \$4.1 billion to inventories.

Farm inventories rose by \$1.1 billion, compared with a \$498 million increase in the third quarter.

The economy-wide stock-to-sales ratio increased from 0.761 in the third quarter to 0.763 in the fourth quarter.

Household spending decelerates

Household final consumption expenditure grew 0.5%, following a 0.9% gain in the previous quarter. Increases were recorded in services (+0.6%) and in durable (+0.4%), semi-durable (+0.3%) and non-durable (+0.4%) goods.

Expenditures on insurance and financial services (+1.5%), recreation and culture (+0.9%) and food (+0.7%) increased, while purchases of vehicles were flat.

Export volumes increase

Real exports rose 0.7% following a 2.7% decline in the third quarter.

Exports of goods rose 0.6%, following a 3.4% drop in the previous quarter. The gain was led by basic and industrial chemical, plastic and rubber products (+7.9%). Forestry products and building and packing materials (+3.5%) also contributed to the gain, as did motor vehicles and parts (+1.3%).

Exports of services (+1.3%) increased for the eighth consecutive quarter, mainly travel services (+4.4%).

Real imports were 1.5% higher in the fourth quarter, after edging up 0.1% in the previous quarter.

Imports of goods increased 1.8%, with notable gains in aircraft and other transportation equipment and parts (+24.6%) and electronic and electrical equipment and parts (+6.2%).

Imports of services increased 0.4% following 1.3% growth in the third quarter. Most of the gain was in commercial services (+1.6%), while imports of travel services declined 1.6% following 4.3% growth in the third quarter.

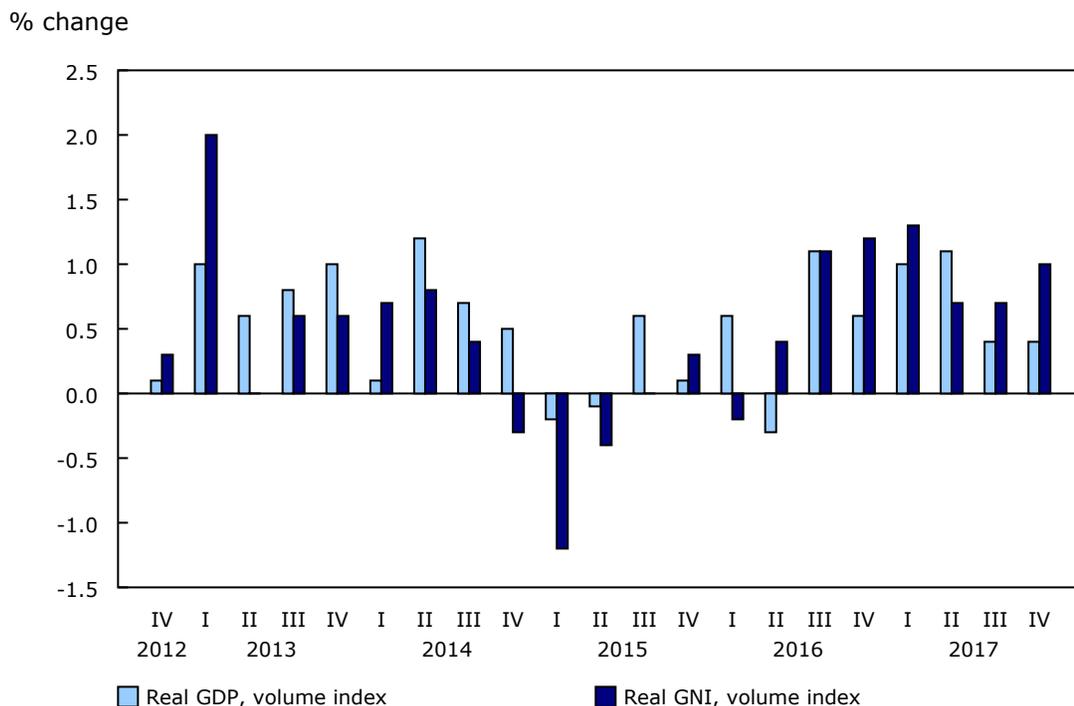
Following a 3.9% decline in the third quarter, export prices rebounded 3.6%, notably energy products. Import prices (+1.5%) advanced more slowly and the terms of trade improved.

Growth in economy-wide income accelerates as terms of trade improve

Real gross national income (the real purchasing power of income from Canadian-owned factors of production) grew 1.0% in the fourth quarter, outpacing real GDP growth and reflecting the improved terms of trade. The GDP implicit price index, which is the overall price of goods and services produced in Canada, increased 1.2% in the fourth quarter.

Nominal earnings of non-financial corporations (gross operating surplus) rose 2.7%, following a 1.0% decline in the third quarter, while the earnings of financial corporations declined 1.2%.

Chart 3
Real gross domestic product (GDP) and real gross national income (GNI)



Source(s): CANSIM table [380-0065](#).

Household disposable income increases

Household disposable income rose 1.3%, following a 1.4% gain in the third quarter. The growth was mainly due to increased compensation of employees (+1.5%), on higher wages and salaries in most industries, particularly in services-producing industries.

The household saving rate rose from 4.0% in the third quarter to 4.2% in the fourth quarter as household disposable income outpaced household final consumption expenditure. Because of rising interest payments (+3.0%), primarily due to increased mortgage costs, the debt service ratio of households edged up to 13.83%.

Annual GDP growth accelerates in 2017

Real GDP rose 3.0% in 2017, following 1.4% growth in 2016. Much of this growth was attributable to the first two quarters of 2017, with deceleration observed toward the end of the year. Final domestic demand advanced 3.0% with steady growth throughout the year.

Household final consumption expenditure rose 3.5%, with increased outlays on goods (+3.9%) and services (+3.2%). Increased expenditures on insurance and financial services (+5.0%) and purchases of vehicles (+6.3%) were strong contributors to growth.

Business gross fixed capital formation rose 2.6%, following a 4.5% decline in 2016. Investment in machinery and equipment (+6.0%) and residential structures (+3.1%) both increased sharply. Investment in non-residential structures rose 0.3%, following two annual declines.

Also contributing to growth was business investment in inventories, up by \$13.9 billion, of which \$13.6 billion was in non-farm inventories. Manufacturers, wholesalers, and retailers all added to their stocks in each quarter.

Exports grew 1.0% for the second consecutive year, with gains in both goods (+0.6%) and services (+2.8%). Imports increased 3.6% after falling 1.0% in 2016.

Compensation of employees rose 3.9% (nominal terms), contributing to a 4.8% gain in household disposable income. This was slightly faster than the growth in household final consumption expenditure (+4.6%), and the household saving rate consequently edged up to 3.6%.

The gross operating surplus of corporations increased 9.5% as earnings of both non-financial and financial corporations rose sharply.

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 third quarter of 2017 to the fourth 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 fourth quarter of 2017 were released along with revised data from the first quarter of 2017 through the third 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 March 12. For more information, consult the document [Real-time CANSIM tables](#).

Next release

Data on GDP by income and expenditure for the first quarter will be released on May 31.

Sustainable Development Goals

On January 1, 2016, the world officially began implementation of the [2030 Agenda for Sustainable Development](#)—the United Nations' transformative plan of action that addresses urgent global challenges over the next 15 years. The plan is based on 17 specific sustainable development goals.

Gross domestic product, income and expenditure is an example of how Statistics Canada supports the reporting on the Global Goals for Sustainable Development. This release will be used in helping to measure the following goals:



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

	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	Third quarter 2017	Fourth quarter 2017
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	0.4	1.1	0.9	0.8	1.4	1.5	1,090,060	1,106,204
Gross operating surplus	6.7	3.9	3.7	0.0	-0.8	2.1	562,952	575,000
Gross mixed income	-1.8	0.2	2.0	0.9	0.6	1.1	250,132	252,984
Taxes less subsidies on production	1.1	1.1	0.8	5.5	-1.1	1.0	96,524	97,500
Taxes less subsidies, on products and imports	0.6	0.4	0.8	3.4	0.5	0.1	147,744	147,876
Statistical discrepancy (millions of dollars)	-172	496	-692	120	-2,408	2,004	-1,588	416
Gross domestic product at market prices	1.7	1.7	1.7	1.0	0.4	1.6	2,145,824	2,179,980

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

	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	Third quarter 2017	Fourth quarter 2017
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	0.5	0.7	0.9	0.9	0.9	0.6	1,452,030	1,460,322
Household final consumption expenditure	0.8	0.9	0.9	1.1	0.9	0.5	1,069,349	1,074,862
Non-profit institutions serving households' final consumption expenditure	-0.1	0.0	-0.9	1.1	1.1	0.9	25,644	25,864
General governments final consumption expenditure	-0.2	0.3	1.0	0.4	0.9	0.7	358,993	361,512
Gross fixed capital formation	0.5	-1.4	2.0	0.7	1.1	2.3	399,028	408,291
Business gross fixed capital formation	0.2	-2.2	2.7	0.9	0.8	2.3	328,937	336,478
Residential structures	-0.7	1.1	2.3	-0.7	-0.0	3.2	127,328	131,385
Non-residential structures, machinery and equipment	1.8	-4.7	2.9	2.3	1.3	2.0	173,295	176,738
Intellectual property products	-4.9	-2.1	4.0	0.8	1.4	0.0	29,736	29,749
General governments gross fixed capital formation	2.1	2.4	-1.3	-0.2	2.8	2.5	67,677	69,355
Investment in inventories (millions of dollars)	4,279	-9,172	12,378	3,853	2,861	-3,082	16,889	13,807
Exports of goods and services	2.1	0.3	0.7	1.5	-2.7	0.7	580,383	584,654
Less: imports of goods and services	1.1	-2.3	3.3	1.5	0.1	1.5	595,104	604,304
Statistical discrepancy (millions of dollars)	158	-421	609	-108	2,086	-1,731	1,374	-357
Gross domestic product at market prices	1.1	0.6	1.0	1.1	0.4	0.4	1,861,926	1,869,857
Final domestic demand	0.5	0.2	1.1	0.9	1.0	1.0	1,847,648	1,865,486

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

	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	Third quarter 2017	Fourth quarter 2017
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	1.9	2.8	3.5	3.8	3.7	2.3	1,452,030	1,460,322
Household final consumption expenditure	3.1	3.5	3.5	4.6	3.7	2.1	1,069,349	1,074,862
Non-profit institutions serving households' final consumption expenditure	-0.3	0.2	-3.4	4.4	4.5	3.5	25,644	25,864
General governments final consumption expenditure	-0.9	1.2	3.9	1.4	3.6	2.8	358,993	361,512
Gross fixed capital formation	2.0	-5.5	8.2	2.9	4.5	9.6	399,028	408,291
Business gross fixed capital formation	0.7	-8.5	11.4	3.7	3.2	9.5	328,937	336,478
Residential structures	-2.9	4.4	9.4	-2.9	-0.2	13.4	127,328	131,385
Non-residential structures, machinery and equipment	7.6	-17.6	12.1	9.5	5.4	8.2	173,295	176,738
Intellectual property products	-18.0	-8.0	16.8	3.2	5.8	0.2	29,736	29,749
General governments gross fixed capital formation	8.6	10.1	-4.9	-0.9	11.6	10.3	67,677	69,355
Investment in inventories (millions of dollars)	4,279	-9,172	12,378	3,853	2,861	-3,082	16,889	13,807
Exports of goods and services	8.8	1.1	2.7	6.3	-10.4	3.0	580,383	584,654
Less: imports of goods and services	4.6	-9.0	13.9	6.2	0.3	6.3	595,104	604,304
Statistical discrepancy (millions of dollars)	158	-421	609	-108	2,086	-1,731	1,374	-357
Gross domestic product at market prices	4.3	2.2	4.0	4.4	1.5	1.7	1,861,926	1,869,857
Final domestic demand	2.0	0.9	4.5	3.6	3.9	3.9	1,847,648	1,865,486

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

Table 5
Canadian economic accounts key indicators – Seasonally adjusted

	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017
Economy-wide						
Real gross domestic income (index 2007=100)	111.5	112.8	114.2	115.0	115.6	116.7
Gross domestic product deflator (index 2007=100)	113.1	114.4	115.3	115.2	115.2	116.6
Terms of trade (index 2007=100)	92.0	93.8	94.6	93.5	93.6	95.5
Household sector						
Household disposable income (millions of dollars)	1,165,316	1,180,888	1,181,348	1,199,864	1,217,228	1,232,676
Household net saving (millions of dollars)	49,236	49,332	35,472	36,636	48,380	51,192
Household saving rate (%)	4.2	4.2	3.0	3.1	4.0	4.2
Household debt service ratio (%)	13.64	13.57	13.78	13.79	13.80	13.83
Government sector						
General government disposable income (millions of dollars)	421,148	424,692	434,008	462,360	442,892	447,704
General government net saving (millions of dollars)	-8,672	-9,088	-5,668	17,128	-5,704	-5,292
Corporate sector						
Non-financial corporations' net operating surplus (millions of dollars)	200,768	216,928	238,504	235,000	232,676	243,012
Financial corporations' net operating surplus (millions of dollars)	34,552	38,552	37,972	36,212	36,116	35,308
Non-financial corporations' net saving (millions of dollars)	-30,900	-22,676	6,020	-8,204	-13,152	-6,980
Financial corporations' net saving (millions of dollars)	34,132	38,888	36,152	18,688	39,488	39,776
National						
National net saving (millions of dollars)	42,644	57,228	72,276	66,004	67,968	80,180
National saving rate (%)	2.6	3.4	4.2	3.8	3.9	4.5

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

	2012	2013	2014	2015	2016	2017	2016	2017
	year-over-year % change						millions of dollars	
Final consumption expenditure	1.6	1.7	2.1	2.0	2.3	3.1	1,400,951	1,444,290
Household final consumption expenditure	1.9	2.6	2.7	2.1	2.4	3.5	1,027,118	1,062,953
Non-profit institutions serving households' final consumption expenditure	1.9	2.7	-0.8	4.8	-0.5	0.5	25,362	25,491
General governments final consumption expenditure	0.7	-0.7	0.5	1.6	2.2	2.2	349,986	357,729
Gross fixed capital formation	4.9	1.3	2.4	-5.1	-3.0	2.8	387,663	398,429
Business gross fixed capital formation	6.6	2.7	3.4	-6.1	-4.5	2.6	320,469	328,803
Residential structures	5.6	-0.3	2.2	3.8	3.3	3.1	124,780	128,608
Non-residential structures, machinery and equipment	8.6	5.6	4.8	-11.3	-9.4	2.6	167,770	172,060
Intellectual property products	0.1	-2.2	0.3	-8.4	-6.4	1.0	29,178	29,475
General governments gross fixed capital formation	-3.0	-5.9	-3.4	0.3	5.1	3.8	64,785	67,218
Investment in inventories (millions of dollars)	-5,000	8,671	-6,168	-3,951	-3,733	12,747	978	13,725
Exports of goods and services	2.6	2.7	5.9	3.5	1.0	1.0	581,691	587,271
Less: imports of goods and services	3.6	1.6	2.3	0.7	-1.0	3.6	574,302	594,946
Statistical discrepancy (millions of dollars)	9	849	-364	1,403	-1,964	948	-1,023	-75
Gross domestic product at market prices	1.7	2.5	2.9	1.0	1.4	3.0	1,801,368	1,855,422
Final domestic demand	2.4	1.6	2.1	0.3	1.1	3.0	1,785,434	1,839,393

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

Available in CANSIM: tables [031-0009](#), [380-0063 to 380-0076](#), [380-0078 to 380-0088](#), [380-0100 to 380-0107](#) and [382-0006](#).

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

The *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)) is available.

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

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The *System of Macroeconomic Accounts* module features an up-to-date portrait of national and provincial economies and their structure.

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).