

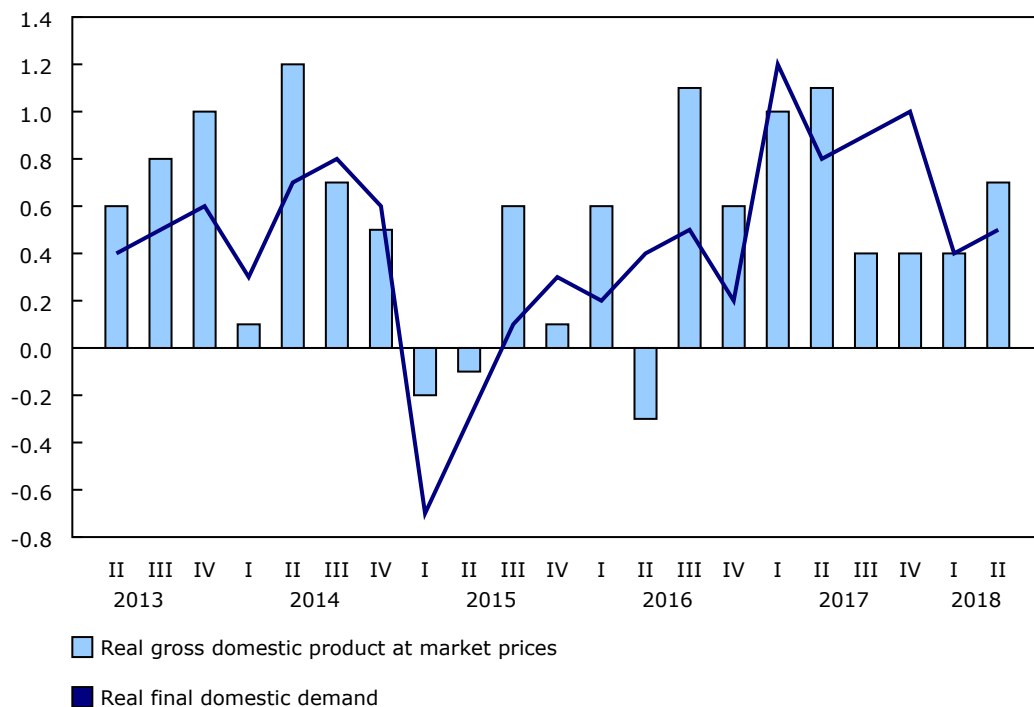
Gross domestic product, income and expenditure, second quarter 2018

Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, August 30, 2018

Real gross domestic product (GDP) growth accelerated to 0.7% in the second quarter, following a 0.4% gain in the first quarter. Meanwhile, final domestic demand rose 0.5%.

Chart 1
Gross domestic product and final domestic demand

quarterly % change, chained (2007) dollars



Source(s): Table 36-10-0104-01.

Growth was mainly driven by a 2.9% increase in export volumes—the largest gain since the second quarter of 2014. Exports of goods, led by energy products, rose 3.6% after increasing 0.3% in the first quarter. Exports of services edged down 0.2%, the first decline since the fourth quarter of 2015.

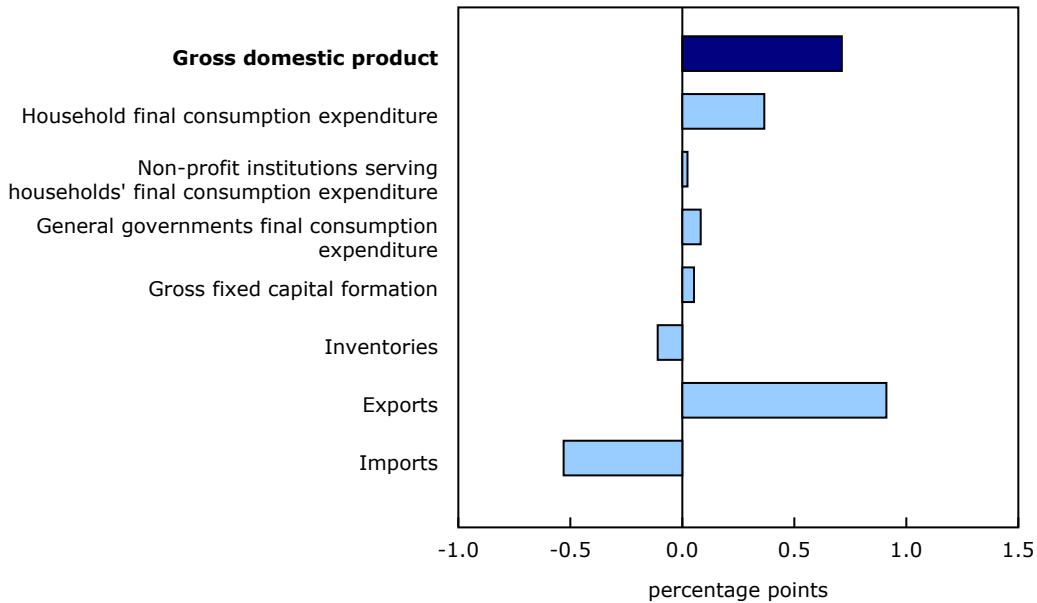
Household spending rose 0.6%, after increasing 0.3% in the first quarter. Outlays on services (+0.8%) was the largest contributor to the increase. Rebounds in semi-durable (+1.2%) and non-durable (+0.2%) goods and continued growth in durable goods (+0.5%) also contributed to the gain.

Businesses continued to accumulate inventories, adding \$13.4 billion to their stock, following a \$16.0 billion increase in the previous quarter. Both non-farm and farm inventories rose in the second quarter.

Business investment in non-residential structures (+0.5%), machinery and equipment (+0.3%) and intellectual property products (+0.2%) all decelerated in the second quarter. Housing investment grew 0.3%, following a 2.7% decline in the previous quarter.

Expressed at an annualized rate, real GDP was up 2.9% in the second quarter. In comparison, real GDP in the United States grew 4.2%.

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



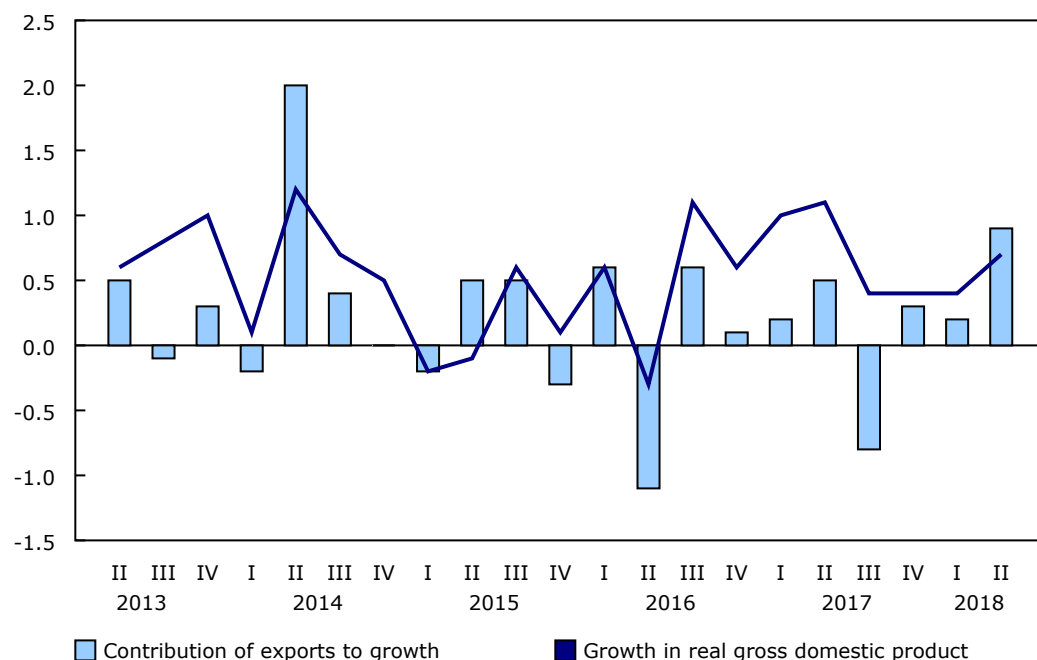
Source(s): Table 36-10-0104-01.

Exports drive overall growth

Growth in export volumes accelerated to 2.9% in the second quarter, due in part to notable increases in energy products (+5.6%) and consumer goods (+6.3%), particularly pharmaceutical products. Exports of aircraft, aircraft engines and aircraft parts (+13.4%) increased sharply on higher shipments of business jets to both the United States and non-US countries. Exports of services edged down 0.2%.

Chart 3
Contribution of exports to growth in real gross domestic product

percentage points



Source(s); Table 36-10-0406-01.

Total import volumes rose 1.6% in the second quarter, compared with 1.0% growth in the first quarter. Imports of goods increased 1.7%. Imports of refined petroleum energy products rose 45.1% to offset the complete shutdown of four Canadian refineries in April and May. These shutdowns typically occur once every five years. Additionally, aircraft and other transportation equipment and parts grew 9.1%. Imports of services (+1.1%) rebounded following a 0.8% decrease in the previous quarter.

Consumer spending accelerates

Household final consumption expenditure increased 0.6%, twice the pace of the first quarter and reversing the downward trend over the previous three quarters. Growth was largely attributable to outlays on services (+0.8%), which outpaced outlays on goods. Housing-related expenses (housing, water, electricity, gas and other fuels), up 0.6%, contributed the most to the widespread growth.

Spending on goods grew 0.5% following a flat first quarter, with rebounds in semi-durable (+1.2%) and non-durable (+0.2%) goods. Purchases of vehicles declined 0.5%.

Housing investment increases

Investment in housing increased 0.3% in the second quarter, following a 2.7% drop in the first quarter. Declines in ownership transfer costs (-3.4%) continued, while new constructions (-0.3%) contracted for the first time since the third quarter of 2016. However, these declines were more than offset by a sharp 2.9% increase in outlays on renovations.

Business investment decelerates

Business gross fixed capital formation increased 0.4%, the slowest pace since the fourth quarter of 2016, as investment growth in non-residential structures, machinery and equipment, and intellectual property products all decelerated in the second quarter.

Machinery and equipment investment rose 0.3% following a 3.9% increase in the first quarter, with aircraft and other transportation equipment (+5.8%), industrial machinery and equipment (+0.7%) and computers and computer peripheral equipment (+1.8%) accounting for the majority of the growth.

Businesses accumulate inventories

Businesses added \$13.4 billion to inventories in the second quarter, less than the \$16.0 billion accumulated in the previous quarter. Most of the accumulation came from wholesalers (+\$9.0 billion), with manufacturers (+\$2.8 billion) also adding to their stock.

Investment in retail inventories declined to \$0.5 billion, while farm inventories increased \$0.9 billion.

Economy-wide income increases

The GDP implicit price index, representing the price of goods and services produced in Canada, increased 0.5% in the second quarter, while real gross national income (the real purchasing power of income earned by Canadian-owned factors of production) rose 0.7%, the same pace as real GDP.

Gross operating surplus (in nominal terms) grew 2.1%, compared with a 0.5% gain in the first quarter, as earnings of energy producers were boosted by higher crude oil prices and volumes.

Household disposable income rose 0.7%, up slightly from the previous quarter (+0.6%). Compensation of employees increased 0.7%, the slowest pace since the third quarter of 2016. The household saving rate fell from 3.9% in the first quarter to 3.4% in the second quarter, as household spending outpaced disposable income.

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 2018 to the second quarter of 2018.
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.

Debt service ratio

Starting with the second quarter 2018 release, the debt service ratio table 36-10-0435 (formerly CANSIM 380-0073) will be published in the quarterly release of the Financial and wealth accounts in table 11-10-0065: National balance sheet accounts, debt service indicators, households on September 14. A mapping between the current and new series will be available upon request.

Revisions

Data on GDP for the second quarter have been released along with revised data from the first quarter of 2018. These data incorporate new and revised data, as well as updated data on seasonal trends.

Real-time tables

Real-time tables 36-10-0430-01 and 36-10-0431-01 will be updated on September 10.

Next release

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

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

	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	First quarter 2018	Second quarter 2018
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	1.0	0.9	1.4	1.4	1.1	0.7	1,117,884	1,126,000
Gross operating surplus	3.5	0.2	-0.8	1.8	0.5	2.1	576,440	588,692
Gross mixed income	2.4	0.8	0.8	1.5	0.4	1.4	256,288	259,812
Taxes less subsidies on production	0.8	5.4	-1.1	0.8	-0.1	0.5	97,024	97,548
Taxes less subsidies, on products and imports	0.8	3.3	0.0	0.6	1.4	0.9	149,976	151,368
Statistical discrepancy (millions of dollars)	-1,792	1,160	-1,912	2,668	-1,924	1,804	-408	1,396
Gross domestic product at market prices	1.7	1.1	0.4	1.5	0.8	1.3	2,197,204	2,224,816

Source(s): Table [36-10-0103-01](#).

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

	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	First quarter 2018	Second quarter 2018
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	1.0	0.8	0.8	0.6	0.4	0.6	1,465,120	1,473,901
Household final consumption expenditure	1.0	1.1	0.8	0.5	0.3	0.6	1,076,688	1,083,677
Non-profit institutions serving households' final consumption expenditure	-1.2	0.0	0.8	-0.3	1.1	1.6	25,420	25,836
General governments final consumption expenditure	1.2	0.2	0.9	0.9	0.6	0.4	364,772	366,209
Gross fixed capital formation	2.0	0.7	1.2	2.3	0.6	0.2	411,176	412,095
Business gross fixed capital formation	2.7	0.9	0.9	2.3	0.6	0.4	338,937	340,190
Residential structures	1.7	-0.3	-0.0	3.2	-2.7	0.3	127,740	128,092
Non-residential structures, machinery and equipment	3.4	1.8	1.5	1.9	2.7	0.5	181,779	182,622
Intellectual property products	2.9	1.7	2.2	0.7	3.4	0.2	31,161	31,237
General governments gross fixed capital formation	-1.1	-0.3	2.8	2.0	1.0	-0.5	69,847	69,489
Investment in inventories (millions of dollars)	11,065	3,940	5,457	-2,500	90	-1,737	15,849	14,112
Exports of goods and services	0.6	1.6	-2.6	1.0	0.6	2.9	590,305	607,635
Less: imports of goods and services	3.5	1.0	0.3	1.9	1.0	1.6	612,329	621,979
Statistical discrepancy (millions of dollars)	1,560	-1,007	1,660	-2,297	1,642	-1,528	345	-1,183
Gross domestic product at market prices	1.0	1.1	0.4	0.4	0.4	0.7	1,877,784	1,891,153
Final domestic demand	1.2	0.8	0.9	1.0	0.4	0.5	1,873,223	1,882,843

Source(s): Table 36-10-0104-01.

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

	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	First quarter 2018	Second quarter 2018
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	4.0	3.3	3.2	2.5	1.5	2.4	1,465,120	1,473,901
Household final consumption expenditure	4.0	4.3	3.1	2.2	1.0	2.6	1,076,688	1,083,677
Non-profit institutions serving households' final consumption expenditure	-4.8	0.0	3.4	-1.1	4.5	6.7	25,420	25,836
General governments final consumption expenditure	4.8	0.8	3.5	3.8	2.6	1.6	364,772	366,209
Gross fixed capital formation	8.2	2.9	5.0	9.5	2.5	0.9	411,176	412,095
Business gross fixed capital formation	11.1	3.8	3.8	9.7	2.3	1.5	338,937	340,190
Residential structures	7.1	-1.3	-0.1	13.5	-10.5	1.1	127,740	128,092
Non-residential structures, machinery and equipment	14.3	7.5	5.9	8.0	11.4	1.9	181,779	182,622
Intellectual property products	11.9	6.8	9.2	3.0	14.4	1.0	31,161	31,237
General governments gross fixed capital formation	-4.2	-1.1	11.6	8.4	4.0	-2.0	69,847	69,489
Investment in inventories (millions of dollars)	11,065	3,940	5,457	-2,500	90	-1,737	15,849	14,112
Exports of goods and services	2.6	6.4	-9.9	3.9	2.4	12.3	590,305	607,635
Less: imports of goods and services	14.9	4.1	1.3	7.7	4.2	6.5	612,329	621,979
Statistical discrepancy (millions of dollars)	1,560	-1,007	1,660	-2,297	1,642	-1,528	345	-1,183
Gross domestic product at market prices	4.0	4.6	1.7	1.7	1.4	2.9	1,877,784	1,891,153
Final domestic demand	4.9	3.2	3.6	4.1	1.7	2.1	1,873,223	1,882,843

Source(s): Table 36-10-0104-01.

Table 5
Canadian economic accounts key indicators – Seasonally adjusted

	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018
Economy-wide						
Real gross domestic income (index 2007=100)	114.3	115.0	115.7	116.7	117.2	118.1
Gross domestic product deflator (index 2007=100)	115.2	115.2	115.3	116.5	117.0	117.6
Terms of trade (index 2007=100)	94.7	93.4	93.7	95.3	95.6	95.7
Household sector						
Household disposable income (millions of dollars)	1,181,540	1,200,800	1,219,692	1,232,624	1,239,656	1,248,172
Household net saving (millions of dollars)	35,788	39,672	52,976	55,092	48,620	42,160
Household saving rate (%)	3.0	3.3	4.3	4.5	3.9	3.4
Government sector						
General government disposable income (millions of dollars)	434,544	460,780	440,336	441,852	454,656	462,912
General government net saving (millions of dollars)	-5,404	14,972	-7,272	-11,720	-3,724	36
Corporate sector						
Non-financial corporations' net operating surplus (millions of dollars)	238,036	234,916	233,088	239,180	239,204	246,020
Financial corporations' net operating surplus (millions of dollars)	37,796	36,236	36,288	36,360	36,572	37,564
Non-financial corporations' net saving (millions of dollars)	3,324	-10,980	-14,876	-13,488	-9,932	-6,008
Financial corporations' net saving (millions of dollars)	37,328	19,576	40,460	42,644	37,312	35,060
National						
National net saving (millions of dollars)	70,360	65,024	70,716	75,744	73,512	74,404
National saving rate (%)	4.1	3.7	4.0	4.2	4.1	4.1

Source(s): Tables [36-10-0105-01](#), [36-10-0106-01](#), [36-10-0111-01](#), [36-10-0112-01](#), [36-10-0118-01](#) and [36-10-0116-01](#).

Available tables: [34-10-0163-01](#), [36-10-0103-01](#), [36-10-0112-01](#), [36-10-0114-01](#), [36-10-0118-01](#), [36-10-0121-01](#), [36-10-0127-01](#), [36-10-0205-01](#), [36-10-0477-01](#) and [36-10-0484-01](#).

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.

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).