

Gross domestic product, income and expenditure, fourth quarter 2018

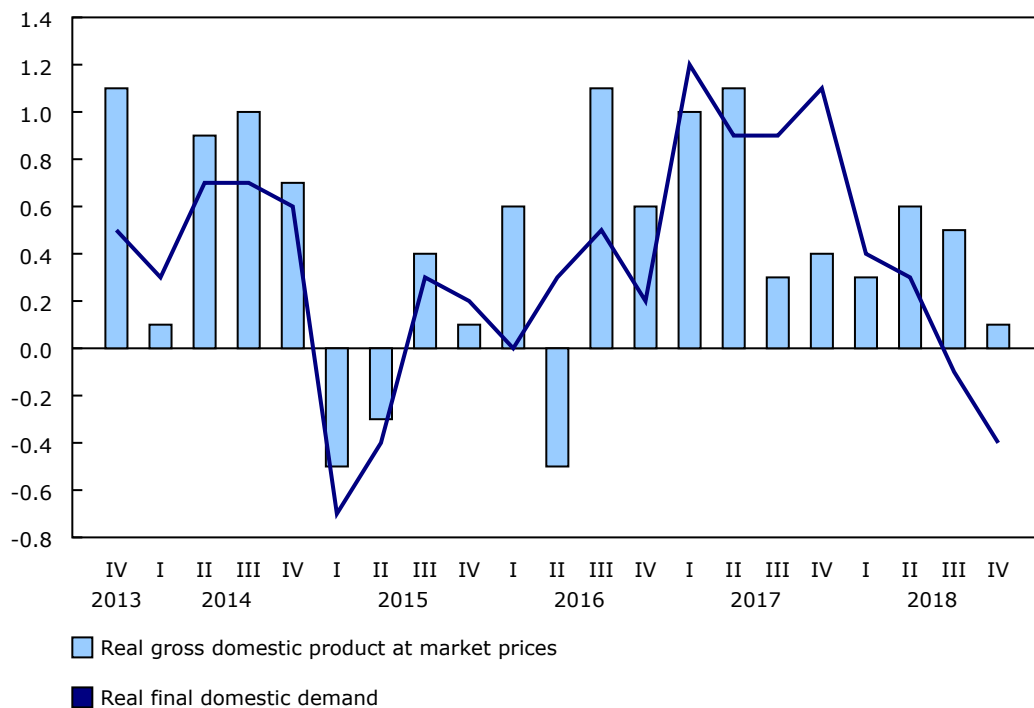
Released at 8:30 a.m. Eastern time in *The Daily*, Friday, March 1, 2019

Growth in real gross domestic product (GDP) slowed to 0.1% in the fourth quarter, the slowest pace since the second quarter of 2016. Real gross national income fell 1.0%, largely owing to lower export prices of crude oil and crude bitumen. Final domestic demand was down 0.4% as investment continued to fall. Annual growth was 1.8% for 2018, following a 3.0% increase in 2017.

In comparison, real GDP in the United States grew 2.9% in 2018.

Chart 1
Gross domestic product and final domestic demand

quarterly % change, chained (2012) dollars



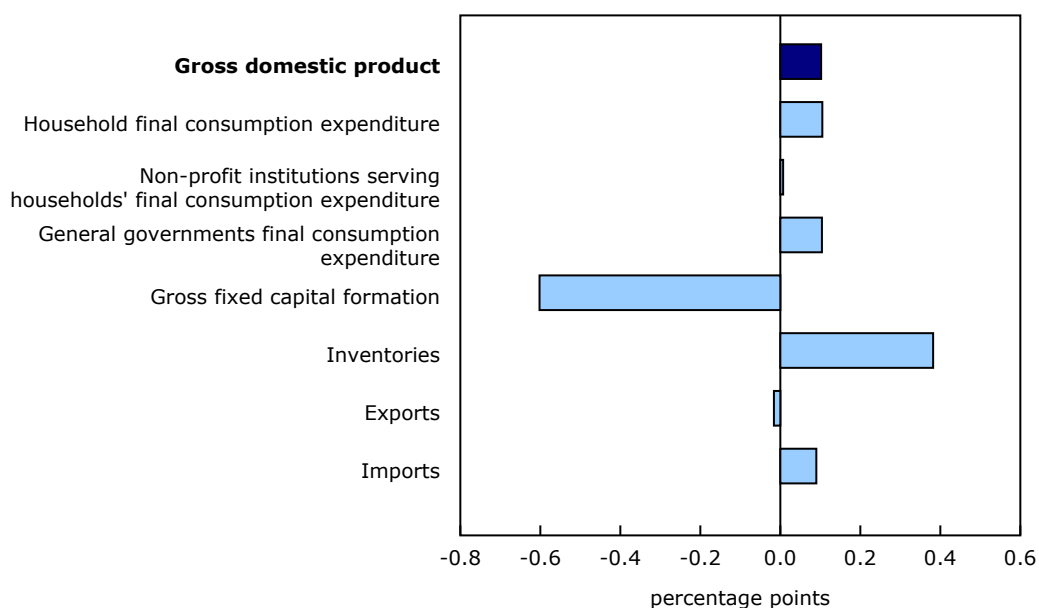
Source(s): Table 36-10-0104-01.

The slowing of GDP in Canada in the fourth quarter mainly reflected a 2.7% drop in investment spending. Exports of goods and services (-0.1%) also edged down.

These declines were largely offset by higher inventory accumulation, as businesses accumulated \$12.5 billion of non-farm inventory following investment of \$3.5 billion in the previous quarter. The economy-wide stock-to-sales ratio increased from 0.825 in the third quarter to 0.840 in the fourth quarter.



Chart 2
Contributions to percent change in real gross domestic product, fourth quarter 2018



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

Household spending slows and the housing market softens

Household spending slowed for the second consecutive quarter, edging up 0.2% in the fourth quarter following a 0.3% increase in the third quarter. Outlays for services rose 0.5%, led by life insurance and financial services (+0.9%), while outlays on goods declined 0.2%. Durable goods fell 0.5%, largely because of a 0.6% decrease in spending on motor vehicles. Outlays for semi-durable goods declined 0.3%, while non-durable goods were flat in the fourth quarter.

Housing investment fell 3.9% as the market continued to soften, with the largest decrease in new construction (-5.5%), followed by renovations (-2.7%) and ownership transfer costs (-2.6%).

Non-residential business investment continues to fall

Overall business investment in non-residential structures, and machinery and equipment fell 2.9%, the sharpest drop since the fourth quarter of 2016. Business investment in non-residential buildings declined 3.1%, while investment in engineering structures fell 4.3%, following a 3.1% decline in the previous quarter. Machinery and equipment investment decreased 1.2%, after a 3.9% decline in the third quarter.

These declines were moderated by a 6.1% increase in business investment in intellectual property products, following a 1.8% decline in the previous quarter. The increase was mainly attributable to mineral exploration and evaluation, which can be influenced by anticipated prices and potential new reserves.

On an annual basis, overall business investment rose 0.3% in 2018, despite a 2.3% decline in housing investment, which fell in tandem with higher interest rates and more stringent conditions for obtaining mortgages.

Export and import volumes edge down

Export volumes edged down 0.1%, following a 0.8% increase in the previous quarter. A 1.6% rise in services exports partly offset a 0.4% decline in goods exports. Export were down sharply for forestry products and building and packaging materials (-3.2%). Export were also down for metal and non-metallic mineral (-2.0%) and energy (-0.6%) products.

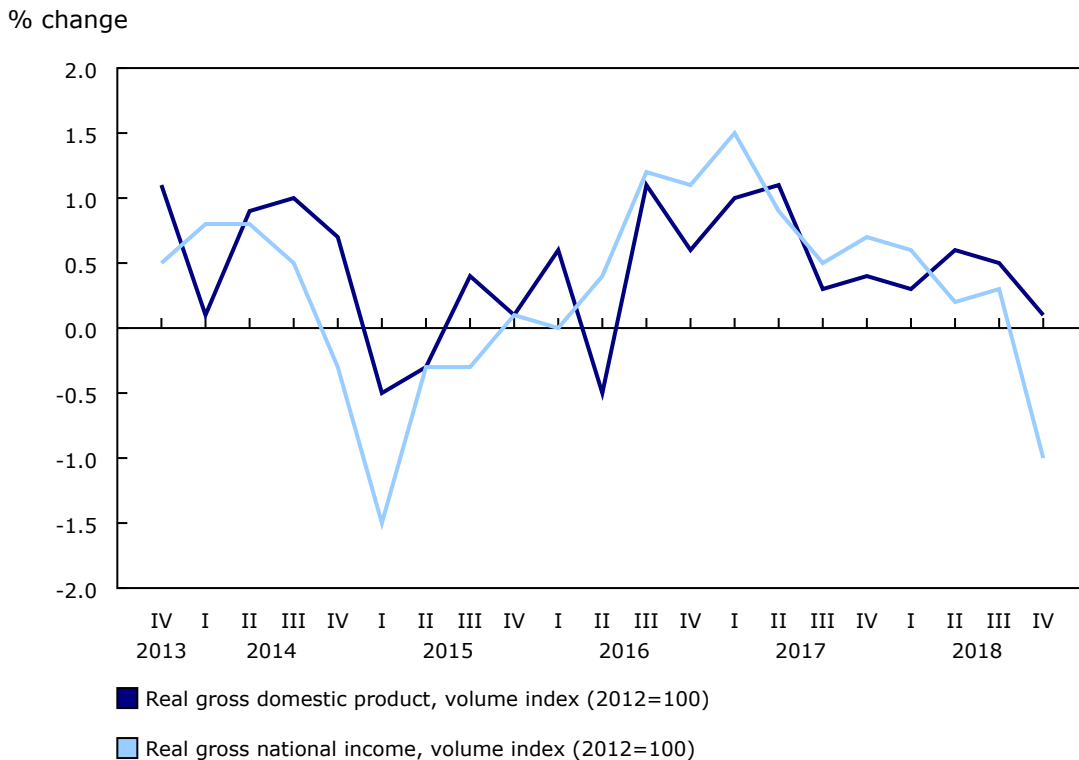
Increased exports of travel (+3.9%) and commercial (+1.8%) services more than offset lower exports of transportation services (-2.7%).

Import volumes were down 0.3% in the fourth quarter, after a 2.2% decline in the third quarter. Imports of basic and industrial chemicals, plastic and rubber products (-4.6%) were down sharply. Imports of motor vehicles and parts (-1.3%) and metal and non-metallic mineral products (-2.4%) were also down. Imports of energy products were flat, while aircraft, engines and parts rebounded 17.1%. Increased imports of travel services (+1.9%) and commercial services (+0.8%) pushed total service import growth to 1.2%.

Terms of trade decline and real gross national income falls

Canada's terms of trade—the ratio of prices of exports to prices of imports—fell 3.6% in the fourth quarter, primarily because of a 34.3% price decline in crude oil and crude bitumen exports. This was the largest terms of trade decline since the first quarter of 2009. Lower export prices reduced corporate earnings, and gross operating surplus fell 5.4% (nominal terms), mostly in oil and gas industries.

Chart 3
Real gross domestic product and real gross national income



Source(s): Table 36-10-0105-01.

Lower export prices led to a 1.0% drop in real gross national income (GNI), the real purchasing power of income earned by Canadian-owned factors. This was the sharpest decline in real GNI since the first quarter of 2015 (-1.5%). The GDP implicit price index, which reflects the price of domestically-produced goods and services, fell 0.8% in the fourth quarter, after rising 0.6% in the third quarter.

Household disposable income increases

A 1.2% rise in compensation of employees (nominal terms) boosted household disposable income (+0.8%); this, coupled with lower nominal household final consumption expenditure, resulted in a small increase in household savings and the household saving rate (+1.1%).

Cannabis (legal and illegal) is now included in the national economic accounts

With this release, cannabis (legalized on October 17, 2018) is fully integrated in the national economic accounts, including estimates of legal and illegal economic activities related to cannabis production, distribution and consumption for non-medical and medical use. Before this release, only economic activities related to legal use for medical purposes were recorded.

Expressed at an annual rate, household spending on cannabis totalled \$5.9 billion (in nominal terms) in the fourth quarter, with illegal cannabis accounting for \$4.7 billion and legal cannabis \$1.2 billion. Cannabis accounted for 0.5% of total household spending, and non-medical cannabis accounted for 11.2% of spending on alcohol, tobacco and cannabis in the fourth quarter.

Annual gross domestic product growth slows in 2018

The economy grew 1.8% in 2018, compared with 3.0% growth in the previous year. The slowdown in 2018 was evidenced in most GDP components, with the exception of exports. The nominal growth of the compensation of employees was also higher in 2018.

Household final consumption expenditure slowed to 2.1% growth following a 3.6% increase in the previous year. Growth in overall business investment slowed to 0.3% following a 2.3% gain in 2017. The slowdown in 2018 reflected a 2.3% decline in housing investment and a 1.7% increase in non-residential construction and machinery and equipment investment. Exports volumes rose at a faster pace, accelerating from 1.1% growth in 2017 to 3.3% in 2018.

Growth in corporate earnings slowed considerably in 2018, as gross operating surplus grew 1.8% in nominal terms, following a 9.1% increase in 2017. Growth in compensation of employees was slightly higher in 2018 (+4.6%) than in 2017 (+4.3%).

Note to readers

This release incorporates legal and illegal economic activities related to cannabis for non-medical and medical use, which have been incorporated in national accounts time series back to 1961 to preserve time series continuity. Non-medical use became legal on October 17, 2018. For more information on the impact of cannabis-related key economic statistics please consult the following document, "[Incorporating the cannabis market in the national economic accounts, fourth quarter 2018.](#)"

Despite the delayed release of international merchandise trade data for the December reference month, the fourth quarter releases of Canada's balance of international payments and gross domestic product incorporate December 2018 data on exports to the United States. However, because of the unusual circumstances created by the temporary closure of US Customs and Boarder Protection, these statistics are subject to revisions.

Percentage changes for expenditure-based statistics (such as household final consumption expenditure, gross fixed capital formation, exports, and imports) are calculated from volume measures that are adjusted for price variations. Percentage changes for income-based statistics (such as compensation of employees and operating surplus of corporations) are calculated from nominal values; that is, they are not adjusted for price variations.

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

There are two ways of expressing growth rates for 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 to the fourth 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 allows 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 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 March 11.

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.

Data on gross domestic product, income and expenditure are 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 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	Third quarter 2018	Fourth quarter 2018
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	1.8	1.8	1.0	0.5	0.7	1.2	1,121,828	1,135,000
Gross operating surplus	-1.0	0.8	0.6	1.9	2.2	-5.4	600,720	568,556
Gross mixed income	-0.2	2.3	0.2	1.4	0.8	1.0	265,420	267,952
Taxes less subsidies on production	-0.2	1.4	0.1	-0.0	-0.8	1.0	97,372	98,392
Taxes less subsidies, on products and imports	-0.4	0.8	1.1	-0.5	2.3	0.7	153,660	154,760
Statistical discrepancy (millions of dollars)	120	1,024	-240	416	-1,396	-704	-812	-1,516
Gross domestic product at market prices	0.6	1.6	0.7	0.9	1.1	-0.7	2,238,188	2,223,144

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

Table 2
Real gross domestic product by expenditure account, quarterly change – Seasonally adjusted at annual rates, chained (2012) dollars

	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	Third quarter 2018	Fourth quarter 2018
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	0.8	0.7	0.5	0.5	0.3	0.3	1,609,768	1,614,165
Household final consumption expenditure	0.9	0.6	0.4	0.4	0.3	0.2	1,164,637	1,166,783
Non-profit institutions serving households' final consumption expenditure	1.1	-0.8	1.0	1.7	0.6	0.5	29,788	29,932
General governments final consumption expenditure	0.5	1.0	0.6	0.6	0.4	0.5	415,730	417,805
Gross fixed capital formation	1.2	2.5	0.1	-0.4	-1.7	-2.7	435,966	424,259
Business gross fixed capital formation	0.5	2.1	0.2	-0.1	-2.2	-2.5	357,163	348,268
Residential structures	-0.3	3.0	-2.5	0.1	-1.4	-3.9	139,197	133,761
Non-residential structures, machinery and equipment	1.3	1.9	1.7	-0.4	-2.8	-2.9	185,619	180,315
Intellectual property products	-0.0	-0.7	3.9	0.0	-1.8	6.1	32,631	34,610
General governments gross fixed capital formation	4.5	4.2	-0.3	-1.7	0.4	-3.7	76,214	73,370
Investment in inventories (millions of dollars)	7,804	-8,309	5,539	-5,959	-9,971	8,033	5,389	13,422
Exports of goods and services	-2.7	1.4	0.2	3.5	0.8	-0.1	664,782	664,437
Less: imports of goods and services	0.3	1.9	1.2	1.3	-2.2	-0.3	656,591	654,843
Statistical discrepancy (millions of dollars)	-115	-958	217	-385	1,293	663	748	1,411
Gross domestic product at market prices	0.3	0.4	0.3	0.6	0.5	0.1	2,061,339	2,063,439
Final domestic demand	0.9	1.1	0.4	0.3	-0.1	-0.4	2,044,079	2,036,317

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

Table 3
Real gross domestic product by expenditure account, annualized change – Seasonally adjusted at annual rates, chained (2012) dollars

	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	Third quarter 2018	Fourth quarter 2018
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	3.1	2.7	1.8	1.9	1.4	1.1	1,609,768	1,614,165
Household final consumption expenditure	3.5	2.4	1.5	1.7	1.3	0.7	1,164,637	1,166,783
Non-profit institutions serving households' final consumption expenditure	4.5	-3.1	3.9	7.2	2.2	1.9	29,788	29,932
General governments final consumption expenditure	1.8	4.0	2.4	2.4	1.6	2.0	415,730	417,805
Gross fixed capital formation	4.9	10.2	0.2	-1.5	-6.7	-10.3	435,966	424,259
Business gross fixed capital formation	2.2	8.7	0.6	-0.5	-8.4	-9.6	357,163	348,268
Residential structures	-1.0	12.5	-9.7	0.6	-5.5	-14.7	139,197	133,761
Non-residential structures, machinery and equipment	5.3	7.7	7.0	-1.4	-10.8	-10.9	185,619	180,315
Intellectual property products	-0.1	-2.6	16.5	0.2	-7.1	26.6	32,631	34,610
General governments gross fixed capital formation	19.4	18.1	-1.1	-6.5	1.8	-14.1	76,214	73,370
Investment in inventories (millions of dollars)	7,804	-8,309	5,539	-5,959	-9,971	8,033	5,389	13,422
Exports of goods and services	-10.4	5.7	1.0	14.6	3.3	-0.2	664,782	664,437
Less: imports of goods and services	1.3	7.7	4.7	5.2	-8.6	-1.1	656,591	654,843
Statistical discrepancy (millions of dollars)	-115	-958	217	-385	1,293	663	748	1,411
Gross domestic product at market prices	1.3	1.7	1.3	2.6	2.0	0.4	2,061,339	2,063,439
Final domestic demand	3.5	4.3	1.5	1.2	-0.5	-1.5	2,044,079	2,036,317

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

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

	Third quarter 2018	Fourth quarter 2018	Fourth quarter 2018		
			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 (2012) dollars		percentage points		
Final consumption expenditure	1,609,768	1,614,165	0.216	0.363	0.866
Household final consumption expenditure	1,164,637	1,166,783	0.105	0.181	0.421
Goods	521,333	520,262	-0.051	-0.017	-0.204
Durable goods	154,144	153,352	-0.038	0.027	-0.152
Semi-durable goods	84,747	84,465	-0.013	0.004	-0.052
Non-durable goods	282,462	282,460	0.000	-0.048	0.000
Services	643,323	646,455	0.156	0.198	0.625
Non-profit institutions serving households' final consumption expenditure	29,788	29,932	0.007	0.017	0.028
General governments final consumption expenditure	415,730	417,805	0.104	0.165	0.417
Gross fixed capital formation	435,966	424,259	-0.602	0.129	-2.411
Business gross fixed capital formation	357,163	348,268	-0.458	0.084	-1.830
Residential structures	139,197	133,761	-0.290	0.033	-1.162
Non-residential structures, machinery and equipment	185,619	180,315	-0.266	0.050	-1.065
Non-residential structures	112,545	108,078	-0.220	0.024	-0.881
Machinery and equipment	72,522	71,631	-0.046	0.026	-0.184
Intellectual property products	32,631	34,610	0.099	0.002	0.397
Non-profit institutions serving households' gross fixed capital formation	2,730	2,758	0.001	0.000	0.004
General governments gross fixed capital formation	76,214	73,370	-0.146	0.045	-0.585
Investment in inventories	5,389	13,422	0.382	-0.101	1.530
Exports of goods and services	664,782	664,437	-0.016	-1.279	-0.068
Goods	553,560	551,406	-0.104	-1.283	-0.417
Services	110,601	112,379	0.087	0.004	0.349
Less: imports of goods and services	656,591	654,843	-0.090	-0.115	-0.365
Goods	535,412	532,136	-0.168	-0.099	-0.673
Services	121,426	122,862	0.077	-0.017	0.308
Statistical discrepancy	748	1,411	0.032	0.000	0.128
Gross domestic product at market prices	2,061,339	2,063,439	0.102	-0.773	0.410
Final domestic demand	2,044,079	2,036,317	-0.386	0.492	-1.545

Source(s): Tables [36-10-0104-01](#) and [36-10-0106-01](#).

Table 5
Canadian economic accounts key indicators – Seasonally adjusted

	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018
Economy-wide						
Real gross domestic income (index 2012=100)	108.4	109.4	110.0	110.4	110.8	109.7
Gross domestic product deflator (index 2012=100)	106.0	107.2	107.7	108.0	108.6	107.7
Terms of trade (index 2012=100)	93.7	95.1	95.9	95.4	95.0	91.6
Household sector						
Household disposable income (millions of dollars)	1,195,692	1,211,084	1,212,612	1,224,004	1,227,644	1,237,732
Household net saving (millions of dollars)	25,872	28,036	18,096	14,440	9,096	14,192
Household saving rate (%)	2.2	2.3	1.5	1.2	0.7	1.1
Government sector						
General government disposable income (millions of dollars)	455,436	460,328	469,328	471,044	475,632	480,488
General government net saving (millions of dollars)	11,796	10,380	14,484	11,892	11,988	10,820
Corporate sector						
Non-financial corporations' net operating surplus (millions of dollars)	240,012	242,588	242,700	249,224	257,424	224,060
Financial corporations' net operating surplus (millions of dollars)	37,820	36,932	38,168	38,036	39,540	39,312
Non-financial corporations' net saving (millions of dollars)	13,960	2,792	4,936	12,288	28,132	-8,840
Financial corporations' net saving (millions of dollars)	20,048	33,228	32,752	24,552	20,424	26,452
National						
National net saving (millions of dollars)	73,888	78,164	75,228	67,412	72,716	45,100
National saving rate (%)	4.2	4.4	4.2	3.7	4.0	2.5

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](#).

Table 6
Real gross domestic product by expenditure account, year-over-year change – Seasonally adjusted at annual rates, chained (2012) dollars

	2013	2014	2015	2016	2017	2018	2017	2018
	year-over-year % change						millions of dollars	
Final consumption expenditure	1.7	2.0	2.0	2.1	3.1	2.2	1,571,546	1,606,163
Household final consumption expenditure	2.6	2.7	2.2	2.1	3.6	2.1	1,138,490	1,162,106
Non-profit institutions serving households' final consumption expenditure	2.6	-0.8	4.7	6.4	-0.6	2.8	28,816	29,615
General governments final consumption expenditure	-0.8	0.6	1.4	1.8	2.1	2.5	404,666	414,833
Gross fixed capital formation	1.4	2.3	-5.2	-4.3	3.0	0.8	433,764	437,246
Business gross fixed capital formation	2.9	3.3	-6.4	-4.6	2.3	0.3	357,966	358,999
Residential structures	-0.6	1.6	3.8	3.5	2.4	-2.3	142,008	138,774
Non-residential structures, machinery and equipment	5.9	4.7	-11.3	-9.9	2.5	1.7	183,986	187,160
Intellectual property products	-1.2	0.8	-11.5	-5.8	1.2	4.1	32,100	33,426
General governments gross fixed capital formation	-5.6	-3.4	1.5	-2.3	6.3	3.4	73,145	75,657
Investment in inventories (millions of dollars)	10,983	-6,889	-8,384	-241	15,291	-3,709	17,582	13,873
Exports of goods and services	2.4	6.2	3.4	1.3	1.1	3.3	635,697	656,530
Less: imports of goods and services	2.0	2.5	0.6	-0.0	4.2	2.9	643,038	661,476
Statistical discrepancy (millions of dollars)	925	-397	-847	231	1,077	408	-44	364
Gross domestic product at market prices	2.3	2.9	0.7	1.1	3.0	1.8	2,016,448	2,053,423
Final domestic demand	1.6	2.1	0.3	0.6	3.1	1.9	2,003,941	2,041,820

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

Available tables: [12-10-0134-01](#), [12-10-0135-01](#), [34-10-0163-01](#), [36-10-0103-01](#) to [36-10-0109-01](#), [36-10-0111-01](#), [36-10-0112-01](#), [36-10-0114-01](#) to [36-10-0118-01](#), [36-10-0121-01](#) to [36-10-0132-01](#), [36-10-0135-01](#), [36-10-0205-01](#), [36-10-0369-01](#), [36-10-0477-01](#), [36-10-0484-01](#), [36-10-0597-01](#), [36-10-0598-01](#), [36-10-0601-01](#) and [36-10-0603-01](#).

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

The document, "[Incorporating the cannabis market in the national economic accounts, fourth quarter 2018](#)," which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

The product *Cannabis Stats Hub* ([13-610-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).