



# Canadian Economic Accounts Quarterly Review



Second quarter 2007



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...	not applicable
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0 <sup>s</sup>	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
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r	revised
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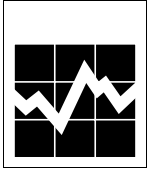
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Statistics Canada  
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# Canadian Economic Accounts Quarterly Review

Second quarter 2007

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Estimates of Labour Income	13F0016XPB
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### Balance of international payments

CANSIM tables	376-0001 to 376-0036 and 376-0060 to 376-0061
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### International investment position

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Canada's International Investment Position	67-202-XIE

### National balance sheet accounts

CANSIM tables	378-0003 to 378-0010
Publication:	
National Balance Sheet Accounts	13-214-XIE
Spreadsheets	13-214-DDB, 13-214-XDB

### Latest developments in the Canadian economic accounts

Publication	13-605-XIE
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## About this publication

This publication presents an overview of the economic developments reported in Canada's national accounts for the most recent quarter. The overview covers several broad areas: 1) Gross domestic product (GDP) by income and by expenditure, 2) GDP by industry, 3) Balance of international payments, 4) Financial flow accounts 5) Labour productivity and other related variables, 6) International investment position and 7) National balance sheet.

The publication examines quarterly trends in the major aggregates that comprise GDP, both income- and expenditure-based, as well as prices and the financing of economic activity by institutional sector. GDP is also examined by industry, both for the last month of the quarter and the quarter as a whole. Canada's transactions with non-residents related to international trade, investment income flows, transfers and international investing and financing activities are summarized. The quarterly productivity estimates are meant to assist in the analysis of the short-run relationship between the fluctuations of output, employment, compensation and hours worked. Complete national balance sheets provide estimates of Canada's wealth. Canada's financial position with the rest of the world is also articulated. The overview is accompanied by graphics and several detailed statistical tables. Some issues also contain more technical articles, explaining national accounts methodology or analysing a particular aspect of the economy.

This publication carries the detailed analyses, charts and statistical tables that, prior to its first issue, were released in *The Daily* (11-001-XIE) under the headings National Economic and Financial Accounts, Canada's Balance of International Payments and Gross Domestic Product by industry.

## Revision policy

**GDP by income and by expenditure, Balance of international payments, Financial flow accounts, Labour productivity, hourly compensation and unit labour cost, International investment position, National balance sheet:**

Preceding quarters of the year are revised when the current quarter is published. Each year revisions extending back four years are made with the publication of first quarter data. They are not normally revised again except when historical revisions are carried out.

### **GDP by industry:**

Revisions arise from updates to benchmark data, projectors and seasonal adjustment. January to June: Back to the beginning of the previous year; July: Back to January of fifth previous year; August to December: Back to January of current year. Occasionally, there are historical revisions due to conceptual, methodological and classification changes—the most recent with the July 2002 GDP release.

## Revisions in this issue

**GDP by income and by expenditure, Balance of international payments, Financial flow accounts, International investment position, National balance sheet:**

With this release revisions have been made back to the first quarter of 2007.

### **GDP by industry:**

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2006.

### **Labour productivity, hourly compensation and unit labour cost:**

With this release revisions have been made back to the first quarter of 2007 at the aggregate level and to the first quarter of 2006 at the industry level.

## Section A Overview

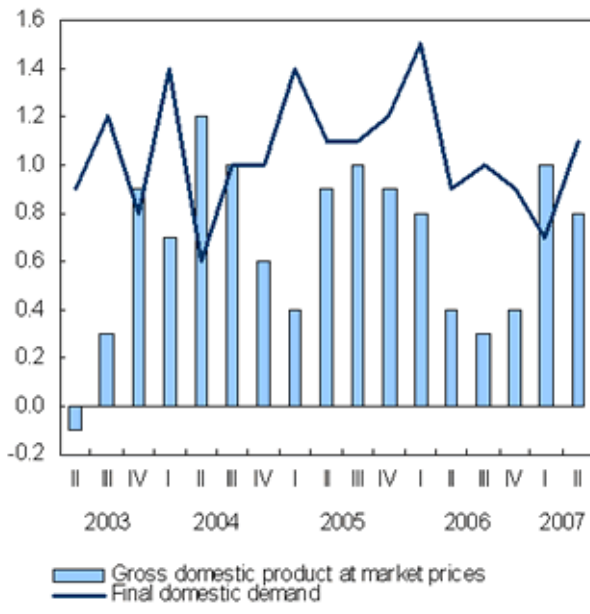
Second quarter 2007 and June 2007

The Canadian economy posted a second consecutive quarter of strong growth. Real gross domestic product (GDP) was up 0.8% in the second quarter of 2007, easing from the pace set in the first quarter (+1.0%). This strength was widespread as consumer and investment expenditures accelerated from the first quarter while businesses also continued to add to inventories. Despite a substantial appreciation of the Canadian dollar relative to its U.S. counterpart, exports also increased, outpacing first quarter gains.

**Chart A.1**

**Final domestic demand strengthens to again outpace GDP**

Quarterly % change, chained (2002) dollars



The economy grew at a 3.4% annualized rate in the second quarter, down slightly from the strong pace set in the first. This growth was similar to that of the U.S. economy (+4.0%) which gained substantial momentum in the second quarter.

**Table A.1**

**Real gross domestic product, chained (2002) dollars<sup>[1]</sup>**

	Change	Annualized change	Year-over-year change
	%		
First quarter 2006	0.8	3.4	3.6
Second quarter 2006	0.4	1.5	3.1
Third quarter 2006	0.3	1.3	2.4
Fourth quarter 2006	0.4	1.5	1.9
First quarter 2007	1.0	3.9	2.0
Second quarter 2007	0.8	3.4	2.5

1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

Growth was concentrated in the latter two-thirds of the second quarter. Economic activity increased 0.2% in June, after growing 0.3% in May and remaining essentially unchanged in April. A significant increase in natural gas extraction and a rebound in oil and gas exploration propelled the growth in June.

Final domestic demand picked up steam in the second quarter of 2007 (+1.1%), outpacing GDP. Consumer spending, led by purchases of durable goods, was the largest contributor to growth. Residential construction continued to build on first quarter gains by expanding 1.3% in the second quarter. Business investment in machinery and equipment rebounded following a sharp drop in the first quarter.

### Note to readers

Percentage changes for expenditure-based and industry-based statistics (such as consumer expenditures, investment, exports, imports output) are calculated using volume measures, that is, adjusted for price variations. Percentage changes for income-based statistics (such as labour income, corporate profits and farm income) are calculated using nominal values, that is, not adjusted for price variations.

For more information please contact an Information Officer in the Income and Expenditure Accounts Division at 613-951-3640 or [lead-info-dcrd@statcan.ca](mailto:lead-info-dcrd@statcan.ca). More information on chain Fisher methodology is available at [Chain Fisher volume index - Methodology](#) (catalogue 13-605-XIE).



Table A.2

## Monthly gross domestic product by industry at basic prices

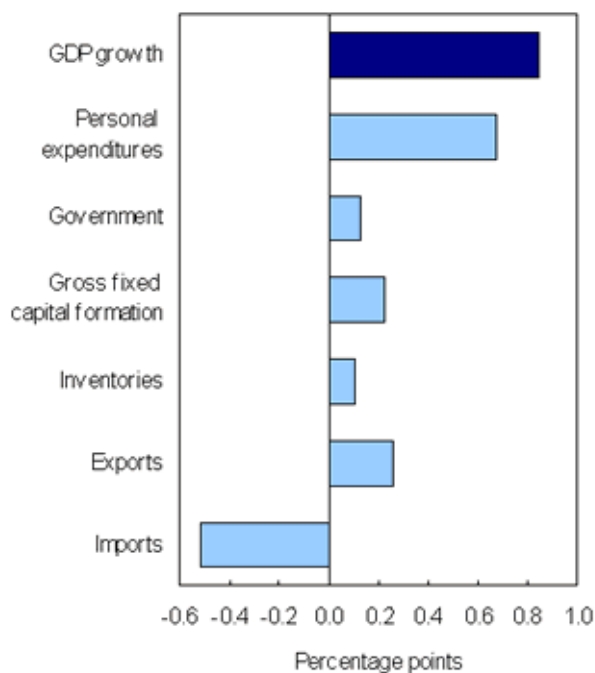
	January 2007 <sup>r</sup>	February 2007 <sup>r</sup>	March 2007 <sup>r</sup>	April 2007 <sup>r</sup>	May 2007 <sup>r</sup>	June 2007 <sup>p</sup>
Seasonally adjusted, chained (1997) dollars, month-to-month % change						
<b>All industries</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>-0.0</b>	<b>0.3</b>	<b>0.2</b>
Goods-producing industries	0.1	0.9	0.0	-0.0	-0.1	0.3
Services-producing industries	0.2	0.2	0.6	-0.0	0.5	0.2
Industrial production	0.0	1.3	0.1	-0.0	-0.2	0.4
Manufacturing	-1.3	0.4	0.8	-0.2	0.0	-0.4
Retail trade	-0.1	-0.7	1.7	0.3	2.3	-0.6
Energy sector	2.6	2.8	-1.2	0.3	-0.8	1.5

r Revised figures

p Preliminary figures

Chart A.2

## Contributions to percent change in GDP, second quarter 2007



Both the services and goods producing industries' grew in the second quarter, increasing 0.9% and 0.3% respectively. Growth came mainly from retail and wholesale trade, utilities, the finance and insurance sector, and construction. The manufacturing sector posted its first quarterly increase since the fourth quarter of 2005. However, these gains were partly offset by declines in oil and gas exploration, accommodation and food services, agriculture, and forestry.

Industrial production (the output of utilities, mines and factories) advanced 0.4%. Utilities posted significant gains, while manufacturing moved ahead slightly. Mining receded as a result of the decline in oil and gas exploration. Industrial production in the United States rose (+0.8%), as manufacturing and mining posted gains, while utilities slipped.

Economy-wide prices in Canada, as measured by the chain price index for GDP, rose 1.4% (+1.7% excluding energy) in the second quarter following an energy-related 1.6% increase in the first quarter.

**Consumer spending picks up**

Personal expenditure rose 1.2% in the second quarter, fuelled by gains in income. Consumers opened their pocket books to finance a surge in purchases of goods, notably motor vehicles, household appliances and recreational, sporting and camping equipment. Retail sales were particularly strong in May.

**Residential investment remains strong for a second consecutive quarter**

Despite increases in mortgage rates, Canadians continued to invest in housing in the second quarter. Investment increased 1.3% following a strong 2.0% increase in the first quarter. The main source of strength continued to be the resale market as ownership transfer costs accounted for more than half of the increase.

**Machinery and equipment spending rebounds while business non-residential spending slows**

After faltering in the first quarter, business investment in machinery and equipment rebounded 1.5% in the second quarter. A sharp gain in the Canadian dollar relative to the US currency reduced the cost of imports from the U.S.

Business investment in non-residential structures was up 0.5% in the second quarter. After registering strong advances in 2006, engineering construction was flat in the second quarter with weak drilling activity recorded in the mining sector. Building investment, on the other hand, advanced 2.2%.

**Non-farm inventories continue to accumulate**

Another \$4.8 billion was added to inventories in the second quarter, following a \$3.2 billion addition in the first. Non-durable manufactured goods swelled in the second quarter, after two quarters of decline. Conversely, motor vehicle stocks in the retail sector were down sharply, reflecting the increased sales of these products.

**Exports re-energize**

After pausing in the first quarter, exports of goods and services advanced 0.7% in the second quarter. Energy products surged 3.3%. Manufactured goods registered mixed results as automotive products fell 2.7% while industrial goods and materials advanced 1.2%, recouping the losses of the first quarter.

Spurred by the jump in the Canadian dollar and strong domestic demand, imports rose 1.6%, following a small decline in the first quarter. Business demand for machinery and equipment bounced back in the second quarter, as these assets accounted for over one third of the overall increase in imports. Imports of consumer goods, which have grown every quarter since the second quarter of 2005, also rose substantially, reflecting the increases in personal expenditure. Automobile product imports dropped 1.4%, moderating these increases.

**Labour income continues strong**

After a robust first quarter (+2.2%), labour income (in nominal terms) remained strong in the second quarter, rising 1.8%. High employment rates provided a solid foundation for these gains. Pay equity payments in Quebec and special pension contributions in Newfoundland and Labrador contributed to the growth in both the first and second quarters. Removing the effect of these special payments from both quarters, labour income would have risen by 1.7% in the second quarter and 1.8% in the first.

**Profits ease, unincorporated income remains firm**

Corporate profits (in nominal terms) grew by 1.2% in the second quarter following a 2.2% increase in the first quarter. Wholesale and retail trade saw large gains boosted by personal spending. With mineral prices on the rise, profits were also strong in the mining sector. On the other hand, earnings of manufacturers, specifically motor vehicles and parts manufacturers and wood and paper producers, slipped. Chartered banks and property and casualty insurers also saw their profits decline in the second quarter.

Income of non-farm unincorporated business remained firm (+1.6%). After two years of low earnings, farm operators have registered significant income increases in 2007. An upward movement in prices for many crops has been instrumental in these gains.

**Government sector saving advances sharply**

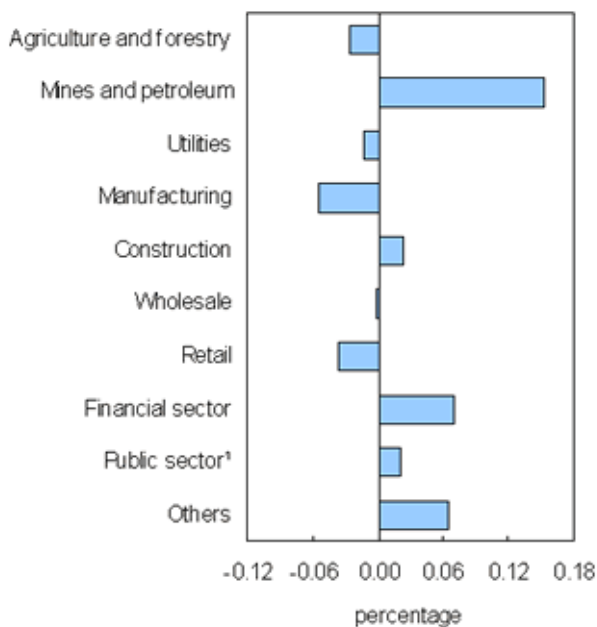
Government sector saving expanded sharply in the second quarter, largely as a result of increased income. Personal income taxes registered a 5.9% gain fuelled by sustained growth in labour income and a large increase in taxes paid on interest and capital gains. Taxes on products also advanced on the strength of retail sales.

### GDP by industry, June 2007

Economic activity increased 0.2% in June, its average pace since the beginning of the year, after growing 0.3% in May and remaining essentially unchanged in April. Both the goods- and service-producing industries advanced. Significant increases in natural gas extraction and a rebound in oil and gas exploration largely contributed to the overall growth. Gains were also registered in construction, the financial sector and in personal and business service industries, notably the gambling industry and food services. These increases were partially offset by declines in manufacturing, retail trade, agriculture, forestry, as well as utilities.

#### Chart A.3

##### Main industrial sectors' contribution to total growth



1. Education, health and public administration.

The energy sector advanced 1.5% in June, after declining in May. Natural gas extraction grew sharply helped by the strengthening of demand in the United States and the return to normal levels of storage in both countries. Domestic demand stayed relatively stable over the last several months. Crude oil production rose slightly. Oil and gas exploration grew strongly (+10%) after three months of significant decline, but its level is about one-third lower than that of January.

The construction sector rose 0.4% in June. Residential (+0.4%) and non-residential building (+0.7%) construction along with engineering and repair work (+0.3%) all posted increases for the month. The construction of single-family homes, which rose for the second consecutive month after a prolonged decline, largely contributed to the advances in residential construction in June.

Retail trade retreated 0.6% in June, following a very strong May (+2.3%). Sales by new car dealers remained high but returned to their April level. Used car and recreational motor vehicle dealers also saw their sales reduced. Wholesale trade was stagnant in June, following a robust May (+1.5%).

The manufacturing sector slipped 0.4%. The 0.8% reduction in the production of durable goods overshadowed the 0.3% increase in non-durable goods. Of the 21 major manufacturing groups, 13 decreased, accounting for 61% of total manufacturing value added. Recording their third consecutive monthly decrease, motor vehicle manufacturing (-5.3%) and associated parts production (-1.1%) led the decline for the month.

Industrial production (the output of mines, utilities and factories) rose 0.4% in June. The robust showing of mining outweighed the declines reported by factories and utilities. In comparison, all three sectors increased in the United States resulting in an overall gain of 0.6% in June.

**Table A.3 Canadian economic accounts key indicators[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted at annual rates, millions of dollars at current prices								
<b>GDP by income and by expenditure</b>								
Wages, salaries and supplementary labour income	727,568 2.4	730,928 0.5	739,764 1.2	751,268 1.6	767,796 2.2	781,992 1.8	694,041 6.0	737,382 6.2
Corporation profits before taxes	194,664 -4.0	197,444 1.4	201,864 2.2	201,464 -0.2	205,872 2.2	208,244 1.2	189,357 11.9	198,859 5.0
Interest and miscellaneous investment income	65,592 -3.6	65,880 0.4	65,464 -0.6	64,304 -1.8	66,568 3.5	69,380 4.2	61,070 12.9	65,310 6.9
Net income of unincorporated business	85,624 0.2	86,064 0.5	86,408 0.4	87,200 0.9	89,280 2.4	91,664 2.7	84,957 1.0	86,324 1.6
Taxes less subsidies	161,812 2.2	164,092 1.4	160,384 -2.3	160,040 -0.2	163,780 2.3	167,748 2.4	156,181 4.9	161,582 3.5
Personal disposable income	834,500 3.5	833,116 -0.2	844,976 1.4	856,616 1.4	874,912 2.1	882,180 0.8	791,486 4.3	842,302 6.4
Personal saving rate[2]	3.3 ...	1.7 ...	1.8 ...	2.2 ...	2.7 ...	1.8 ...	1.6 ...	2.3 ...
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	743,529 1.4	750,550 0.9	759,897 1.2	766,839 0.9	773,201 0.8	782,554 1.2	724,942 3.8	755,204 4.2
Government current expenditure on goods and services	248,187 1.2	250,155 0.8	251,113 0.4	252,961 0.7	254,463 0.6	256,078 0.6	242,557 2.2	250,604 3.3
Gross fixed capital formation	295,807 2.2	297,993 0.7	300,447 0.8	303,625 1.1	304,806 0.4	307,913 1.0	279,345 8.5	299,468 7.2
Investment in inventories	10,321 ...	17,572 ...	12,838 ...	61 ...	3,210 ...	4,750 ...	13,575 ...	10,198 ...
Exports of goods and services	504,602 -1.8	502,355 -0.4	505,539 0.6	508,881 0.7	509,900 0.2	513,582 0.7	501,732 2.2	505,344 0.7
Imports of goods and services	532,055 -0.7	544,582 2.4	552,820 1.5	551,615 -0.2	551,016 -0.1	559,672 1.6	519,435 7.5	545,268 5.0
Gross domestic product at market prices	1,275,510 0.8	1,280,142 0.4	1,284,213 0.3	1,288,949 0.4	1,301,284 1.0	1,312,257 0.8	1,247,780 3.1	1,282,204 2.8
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
<b>GDP at basic prices, by industry</b>								
Goods producing industries	336,461 0.1	334,306 -0.6	333,961 -0.1	332,332 -0.5	335,127 0.8	336,203 0.3	331,595 2.0	334,265 0.8
Industrial production	245,094 -0.5	242,426 -1.1	241,942 -0.2	239,131 -1.2	241,022 0.8	242,076 0.4	243,485 1.0	242,148 -0.5
Energy sector	64,519 -0.9	64,294 -0.3	64,721 0.7	63,337 -2.1	64,681 2.1	64,961 0.4	63,767 1.5	64,218 0.7
Manufacturing	175,853 -0.3	173,170 -1.5	171,664 -0.9	169,868 -1.0	169,875 0.0	170,409 0.3	174,987 0.7	172,639 -1.3
Non-durable manufacturing	70,451 -1.0	69,339 -1.6	68,814 -0.8	68,208 -0.9	67,739 -0.7	68,384 1.0	71,317 -1.2	69,203 -3.0
Durable manufacturing	105,277 0.2	103,709 -1.5	102,727 -0.9	101,536 -1.2	102,024 0.5	101,903 -0.1	103,516 2.1	103,312 -0.2
Construction	67,248 2.6	67,995 1.1	68,694 1.0	69,790 1.6	70,578 1.1	71,124 0.8	63,689 5.7	68,432 7.4
Services producing industries	749,690 1.2	756,852 1.0	761,889 0.7	766,930 0.7	774,755 1.0	781,349 0.9	732,506 3.2	758,840 3.6
Wholesale trade	69,501 2.3	70,592 1.6	71,192 0.9	70,349 -1.2	72,009 2.4	72,471 0.6	65,997 6.9	70,408 6.7
Retail trade	64,164 2.3	65,425 2.0	65,992 0.9	66,187 0.3	66,990 1.2	68,695 2.5	62,219 4.7	65,442 5.2
Transportation and warehousing	52,460 0.7	52,791 0.6	52,893 0.2	52,910 0.0	53,372 0.9	53,502 0.2	51,241 3.5	52,764 3.0
Finance, insurance, real estate and renting	218,613 1.1	220,840 1.0	223,318 1.1	225,958 1.2	228,996 1.3	231,699 1.2	213,985 3.7	222,182 3.8
Information and communication technologies	64,023 1.2	64,712 1.1	65,393 1.1	65,948 0.8	66,676 1.1	67,534 1.3	62,359 5.2	65,019 4.3

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. Actual rate.

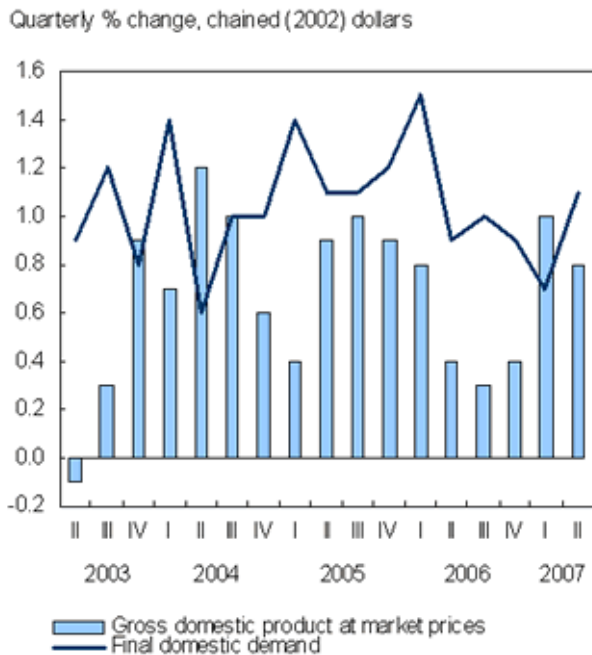
## Section B

### GDP by income and by expenditure

Second quarter 2007

The Canadian economy posted a second consecutive quarter of strong growth. Real gross domestic product (GDP) was up 0.8% in the second quarter of 2007, easing from the pace set in the first quarter (+1.0%). This strength was widespread as consumer and investment expenditures accelerated from the first quarter while businesses also continued to add to inventories. Despite a substantial appreciation of the Canadian dollar relative to its U.S. counterpart, exports also increased, outpacing first quarter gains.

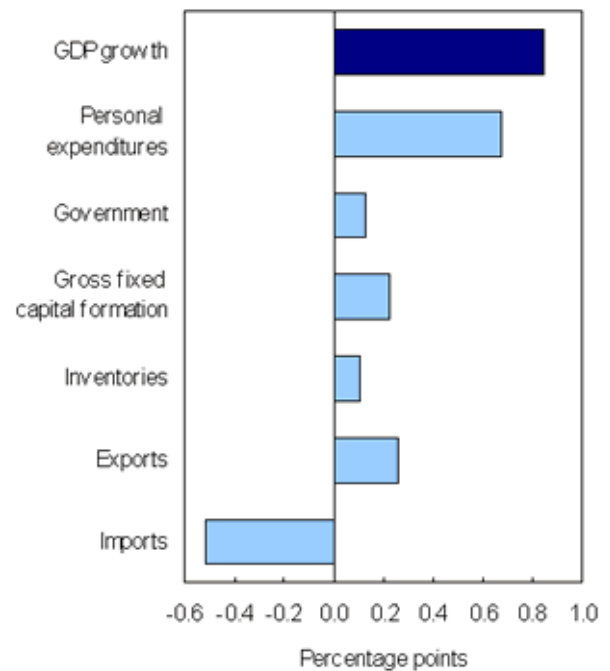
**Chart B.1**  
Final domestic demand strengthens to again outpace GDP



The economy grew at a 3.4% annualized rate in the second quarter, down slightly from the strong pace set in the first. This growth was similar to that of the U.S. economy (+4.0%) which gained substantial momentum in the second quarter.

Final domestic demand picked up steam in the second quarter of 2007 (+1.1%), outpacing the GDP. Consumer spending, led by purchases of durable goods, was the largest contributor to growth. Residential construction continued to build on first quarter gains by expanding 1.3% in the second quarter. Business investment in machinery and equipment rebounded following a sharp drop in the first quarter.

**Chart B.2**  
Contributions to percent change in GDP, second quarter 2007

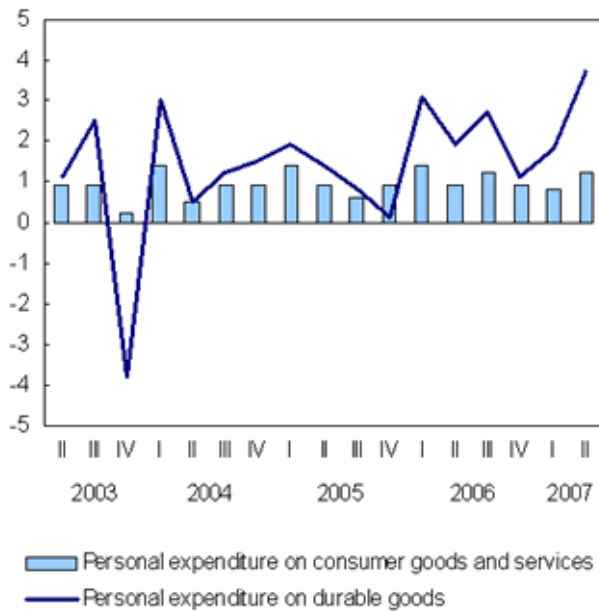


#### Consumer spending picks up

Personal expenditure rose 1.2% in the second quarter, fuelled by gains in income. Consumers opened their pocket books to finance a surge in purchases of goods, notably motor vehicles, household appliances and recreational, sporting and camping equipment. Retail sales were particularly strong in May.

**Chart B.3**  
**Consumer durables lead personal spending higher**

Quarterly % change, chained (2002) dollars



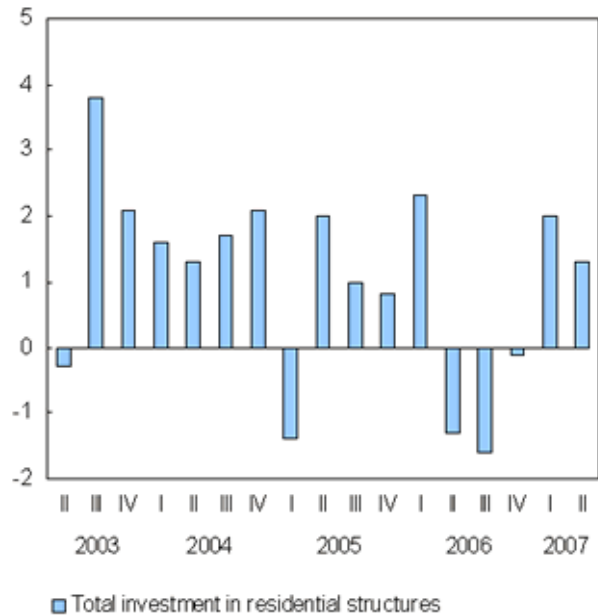
Energy products such as electricity and natural gas also registered increases due to cooler than normal temperatures in most regions of the country. Strength in spending on financial and legal services was led by strong increases in stock and bonds commissions and in mutual funds. One of the few expenditure items that did see a decline was restaurants and accommodation services.

**Residential investment remains strong for a second consecutive quarter**

Despite increases in mortgage rates, Canadians continued to invest in housing in the second quarter. Investment increased 1.3% following a strong 2.0% increase in the first quarter. The main source of strength continued to be the resale market as ownership transfer costs accounted for more than half of the increase. The resale market remained strong in Ontario and British Columbia. The value of new housing construction registered its second consecutive quarter of modest growth after sharp quarterly declines in the second half of 2006.

**Chart B.4**  
**Housing investment posts another strong quarter**

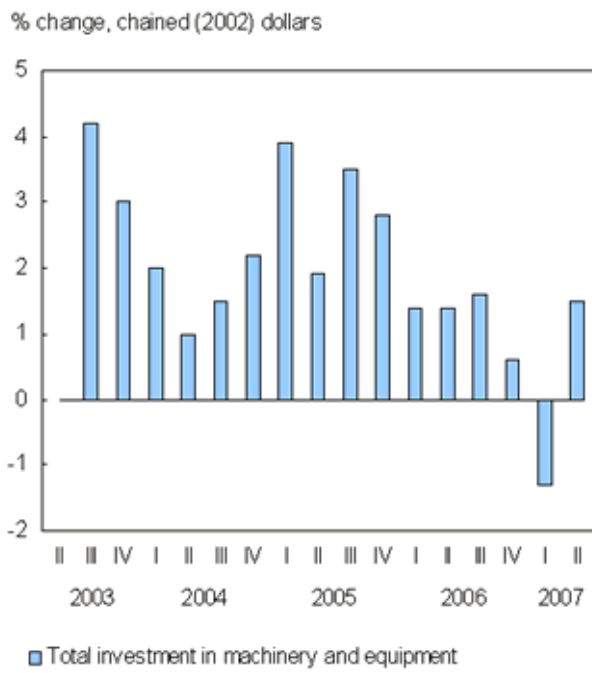
Quarterly % change, chained (2002) dollars



### Machinery and equipment spending rebounds while business non-residential spending slows

After faltering in the first quarter, business investment in machinery and equipment rebounded 1.5% in the second quarter. A sharp gain in the Canadian dollar relative to the US currency reduced the cost of imports from the U.S. Aggregate prices for machinery and equipment have dropped over 17% since 2002, largely as a result of the appreciation of the Canadian dollar.

**Chart B.5**  
Investment in machinery and equipment rebounds



Business investment in non-residential structures was up 0.5% in the second quarter. After registering strong advances in 2006, engineering construction was flat in the second quarter with weak drilling activity recorded in the mining sector. Building investment, on the other hand, advanced 2.2%.

Overall business capital formation represented 19% of GDP (in nominal terms) in the second quarter. This ratio has been steadily increasing over the past few years and stood at 17% as recently as 2003.

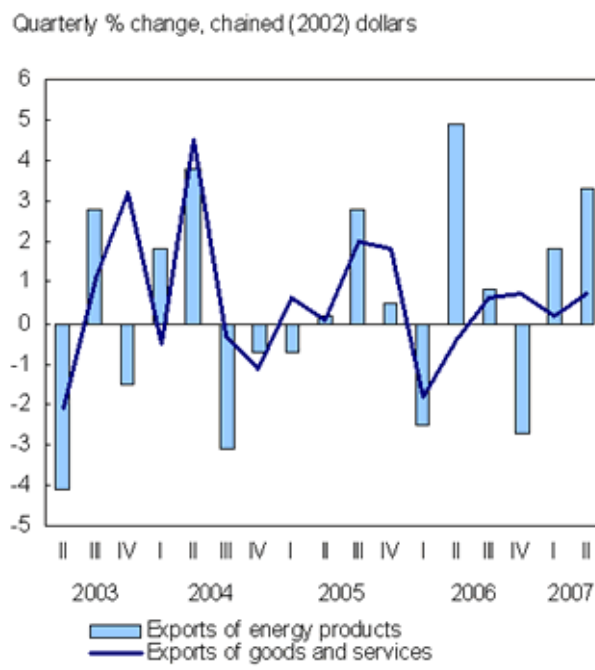
### Non-farm inventories continue to accumulate

Another \$4.8 billion was added to inventories in the second quarter, following a \$3.2 billion addition in the first. Inventory changes varied across products. Non-durable manufactured goods swelled in the second quarter, after two quarters of decline. Conversely, motor vehicle stocks in the retail sector were down sharply, reflecting the increased sales of these products. The non-farm stock-to-sales ratio edged down in the quarter.

### Exports re-energize

After pausing in the first quarter, exports of goods and services advanced 0.7% in the second quarter. Energy products surged 3.3%. Manufactured goods registered mixed results as automotive products fell 2.7% while industrial goods and materials advanced 1.2%, recouping the losses of the first quarter.

### Export growth fuelled by energy



After peaking at 47% of GDP (in nominal terms) in the fourth quarter of 2000, exports have steadily declined as a share of GDP. In the second quarter of 2007, this share has fallen to 36% of GDP, its lowest level since 1994.

Spurred by the jump in the Canadian dollar and strong domestic demand, imports rose 1.6%, following a small decline in the first quarter. Business demand for machinery and equipment bounced back in the second quarter, as these assets accounted for over one third of the overall increase in imports. The first quarter of 2007 was the only quarter in the past sixteen in which machinery and equipment imports had not grown. Imports of consumer goods, which have grown every quarter since the second quarter of 2005, also rose substantially, reflecting the increases in personal expenditure. Automobile product imports dropped 1.4%, moderating these increases.

#### **Prices remain relatively firm**

The first two quarters of 2007 recorded a significant increase in prices. Economy-wide prices in Canada, as measured by the chain-price index for gross domestic product, rose 1.4% in the second quarter following an energy-related 1.6% increase in the first. However, energy had a moderating effect on prices in the second quarter as economy-wide prices excluding energy were up 1.7%, following a 1.0% increase in the first.

In the second quarter, residential and non-residential construction prices remained strong. Raw materials prices accelerated, while prices on consumer goods and services eased.

Export prices fell, led by declines in forestry and automotive products, despite continued growth in prices of industrial goods and materials. Prices of mining products, particularly uranium, grew dramatically this quarter. The jump in the Canadian dollar diminished some of these gains for Canadian exporters as many of these commodities are traded on a US dollar basis.

The chain price index for government expenditure rose sharply in the first (+1.6%) and second (+1.3%) quarters of 2007, reflecting in part both pay equity payments in Quebec and special pension contributions in Newfoundland and Labrador. Without these payments, gains would have been much lower for the first (+0.6%) and second quarters (+0.8%).

#### **Labour income continues strong**

After a robust first quarter (+2.2%), labour income (in nominal terms) remained strong in the second quarter, rising 1.8%. High employment rates provided a solid foundation for these gains. Pay equity payments in Quebec and special pension contributions in Newfoundland and Labrador contributed to the growth in both the first and second quarters. Removing the effect of these special payments from both quarters, labour income would have risen by 1.7% in the second quarter and 1.8% in the first.

#### **Profits ease, unincorporated income remains firm**

Corporate profits (in nominal terms) grew by 1.2% in the second quarter following a 2.2% increase in the first quarter. Wholesale and retail trade saw large gains boosted by personal spending. With mineral prices on the rise, profits were also strong in the mining sector. On the other hand, earnings of manufacturers, specifically motor vehicles and parts manufacturers and wood and paper producers, slipped. Chartered banks and property and casualty insurers also saw their profits decline in the second quarter.

Profits have reached 14% of GDP and have been trending upward since 2002, when they represented 12% of GDP. This trend in profits is consistent with the growth of business investment.

Income of non-farm unincorporated business remained firm (+1.6%). After two years of low earnings, farm operators have registered significant income increases in 2007. An upward movement in prices for many crops has been instrumental in these gains.

#### **Government sector saving advances sharply**

Government sector saving expanded sharply in the second quarter, largely as a result of increased income. Personal income taxes registered a 5.9% gain fuelled by sustained growth in labour income and a large increase in taxes paid on interest and capital gains. Taxes on products also advanced on the strength of retail sales. Despite the special payments in Quebec and Newfoundland and Labrador, government outlays moderated in the second quarter, advancing 0.9%, following a 1.6% increase in the first.



**Table B.1 Gross domestic product, income-based, current prices and quarterly percentage change[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	727,568 2.4	730,928 0.5	739,764 1.2	751,268 1.6	767,796 2.2	781,992 1.8	694,041 6.0	737,382 6.2
Corporation profits before taxes	194,664 -4.0	197,444 1.4	201,864 2.2	201,464 -0.2	205,872 2.2	208,244 1.2	189,357 11.9	198,859 5.0
Government business enterprise profits before taxes	13,912 -8.9	14,156 1.8	13,668 -3.4	13,556 -0.8	15,168 11.9	15,672 3.3	14,578 12.8	13,823 -5.2
Interest and miscellaneous investment income	65,592 -3.6	65,880 0.4	65,464 -0.6	64,304 -1.8	66,568 3.5	69,380 4.2	61,070 12.9	65,310 6.9
Accrued net income of farm operators from farm production	400 -61.7	240 -40.0	268 11.7	468 74.6	1,212 159.0	2,188 80.5	1,321 -57.5	344 -74.0
Net income of non-farm unincorporated business, including rent	85,224 1.0	85,824 0.7	86,140 0.4	86,732 0.7	88,068 1.5	89,476 1.6	83,636 3.2	85,980 2.8
Inventory valuation adjustment	540 ...	-444 ...	-1,376 ...	-5,820 ...	-2,584 ...	2,776 ...	-933 ...	-1,775 ...
Taxes less subsidies, on factors of production	63,736 1.2	64,448 1.1	64,620 0.3	64,880 0.4	66,056 1.8	66,892 1.3	61,847 4.8	64,421 4.2
<b>Net domestic product at basic prices</b>	<b>1,151,636</b> <b>0.7</b>	<b>1,158,476</b> <b>0.6</b>	<b>1,170,412</b> <b>1.0</b>	<b>1,176,852</b> <b>0.6</b>	<b>1,208,156</b> <b>2.7</b>	<b>1,236,620</b> <b>2.4</b>	<b>1,104,917</b> <b>7.0</b>	<b>1,164,344</b> <b>5.4</b>
Taxes less subsidies, on products	98,076 2.9	99,644 1.6	95,764 -3.9	95,160 -0.6	97,724 2.7	100,856 3.2	94,334 5.0	97,161 3.0
Capital consumption allowances	181,868 1.1	183,876 1.1	185,752 1.0	187,504 0.9	190,072 1.4	192,496 1.3	176,338 4.8	184,750 4.8
Statistical discrepancy	-216 ...	224 ...	468 ...	-268 ...	244 ...	568 ...	-509 ...	52 ...
<b>Gross domestic product at market prices</b>	<b>1,431,364</b> <b>0.9</b>	<b>1,442,220</b> <b>0.8</b>	<b>1,452,396</b> <b>0.7</b>	<b>1,459,248</b> <b>0.5</b>	<b>1,496,196</b> <b>2.5</b>	<b>1,530,540</b> <b>2.3</b>	<b>1,375,080</b> <b>6.5</b>	<b>1,446,307</b> <b>5.2</b>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

**Table B.2 Gross domestic product, expenditure-based, current prices and quarterly percentage change[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	787,992	799,220	809,776	817,020	830,368	845,384	760,701	803,502
	1.8	1.4	1.3	0.9	1.6	1.8	5.6	5.6
Durable goods	103,712	104,784	106,808	107,560	109,380	113,388	100,014	105,716
	3.0	1.0	1.9	0.7	1.7	3.7	4.7	5.7
Semi-durable goods	65,680	66,664	67,444	67,484	69,144	70,044	63,055	66,818
	3.2	1.5	1.2	0.1	2.5	1.3	4.0	6.0
Non-durable goods	192,860	196,540	197,692	195,196	199,344	203,708	187,836	195,572
	0.9	1.9	0.6	-1.3	2.1	2.2	6.2	4.1
Services	425,740	431,232	437,832	446,780	452,500	458,244	409,796	435,396
	1.7	1.3	1.5	2.0	1.3	1.3	5.8	6.2
Government current expenditure on goods and services	277,800	277,720	280,064	283,640	289,752	295,400	262,650	279,806
	4.2	-0.0	0.8	1.3	2.2	1.9	5.5	6.5
Government gross fixed capital formation	39,340	40,128	40,668	41,208	41,552	42,184	36,296	40,336
	2.8	2.0	1.3	1.3	0.8	1.5	13.1	11.1
Government investment in inventories	100	-96	-116	-52	16	-72	27	-41
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	271,016	274,660	280,012	285,852	291,484	296,204	253,074	277,885
	3.0	1.3	1.9	2.1	2.0	1.6	10.3	9.8
Residential structures	96,932	98,160	98,552	99,900	103,672	106,984	89,791	98,386
	4.5	1.3	0.4	1.4	3.8	3.2	8.3	9.6
Non-residential structures and equipment	174,084	176,500	181,460	185,952	187,812	189,220	163,283	179,499
	2.1	1.4	2.8	2.5	1.0	0.7	11.4	9.9
Non-residential structures	80,824	83,980	87,368	90,620	92,820	94,756	72,674	85,698
	4.4	3.9	4.0	3.7	2.4	2.1	17.1	17.9
Machinery and equipment	93,260	92,520	94,092	95,332	94,992	94,464	90,609	93,801
	0.2	-0.8	1.7	1.3	-0.4	-0.6	7.3	3.5
Business investment in inventories	6,056	15,440	11,640	-1,840	92	1,676	9,642	7,824
	...	...	...	...	...	...	...	...
Non-farm	6,584	16,416	11,992	-1,516	852	2,020	9,038	8,369
	...	...	...	...	...	...	...	...
Farm	-528	-976	-352	-324	-760	-344	604	-545
	...	...	...	...	...	...	...	...
Exports of goods and services	522,568	518,504	526,512	531,240	547,676	546,320	520,379	524,706
	-4.8	-0.8	1.5	0.9	3.1	-0.2	5.1	0.8
Goods	454,464	449,124	457,168	462,028	477,460	476,104	451,779	455,696
	-5.1	-1.2	1.8	1.1	3.3	-0.3	5.3	0.9
Services	68,104	69,380	69,344	69,212	70,216	70,216	68,600	69,010
	-2.3	1.9	-0.1	-0.2	1.5	0.0	3.5	0.6
Deduct: Imports of goods and services	473,720	483,136	495,696	498,088	504,504	495,988	468,197	487,660
	-1.2	2.0	2.6	0.5	1.3	-1.7	6.2	4.2
Goods	392,492	400,520	411,860	412,692	419,028	411,096	388,282	404,391
	-1.3	2.0	2.8	0.2	1.5	-1.9	6.9	4.1
Services	81,228	82,616	83,836	85,396	85,476	84,892	79,915	83,269
	-0.3	1.7	1.5	1.9	0.1	-0.7	3.2	4.2
Statistical discrepancy	212	-220	-464	268	-240	-568	508	-51
	...	...	...	...	...	...	...	...
<b>Gross domestic product at market prices</b>	<b>1,431,364</b>	<b>1,442,220</b>	<b>1,452,396</b>	<b>1,459,248</b>	<b>1,496,196</b>	<b>1,530,540</b>	<b>1,375,080</b>	<b>1,446,307</b>
	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.5</b>	<b>2.5</b>	<b>2.3</b>	<b>6.5</b>	<b>5.2</b>
<i>Final domestic demand</i>	<i>1,376,148</i>	<i>1,391,728</i>	<i>1,410,520</i>	<i>1,427,720</i>	<i>1,453,156</i>	<i>1,479,172</i>	<i>1,312,721</i>	<i>1,401,529</i>
	<i>2.5</i>	<i>1.1</i>	<i>1.4</i>	<i>1.2</i>	<i>1.8</i>	<i>1.8</i>	<i>6.7</i>	<i>6.8</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

**Table B.3 Real gross domestic product, expenditure-based, quarterly percentage change[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	743,529	750,550	759,897	766,839	773,201	782,554	724,942	755,204
	1.4	0.9	1.2	0.9	0.8	1.2	3.8	4.2
Durable goods	106,463	108,498	111,390	112,667	114,695	118,915	102,468	109,755
	3.1	1.9	2.7	1.1	1.8	3.7	5.3	7.1
Semi-durable goods	66,928	68,138	69,351	69,700	71,393	72,093	63,866	68,529
	3.4	1.8	1.8	0.5	2.4	1.0	4.3	7.3
Non-durable goods	168,656	170,187	171,346	171,030	171,818	173,626	167,859	170,305
	0.3	0.9	0.7	-0.2	0.5	1.1	1.9	1.5
Services	402,356	404,747	409,104	414,880	417,030	420,027	391,140	407,772
	1.1	0.6	1.1	1.4	0.5	0.7	4.3	4.3
Government current expenditure on goods and services	248,187	250,155	251,113	252,961	254,463	256,078	242,557	250,604
	1.2	0.8	0.4	0.7	0.6	0.6	2.2	3.3
Government gross fixed capital formation	37,511	37,914	37,955	38,336	38,131	38,290	35,086	37,929
	2.3	1.1	0.1	1.0	-0.5	0.4	10.9	8.1
Government investment in inventories	88	-84	-96	-40	12	-60	24	-33
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	258,293	260,075	262,489	265,286	266,671	269,619	244,256	261,536
	2.2	0.7	0.9	1.1	0.5	1.1	8.1	7.1
Residential structures	80,041	78,974	77,711	77,690	79,273	80,278	76,976	78,604
	2.3	-1.3	-1.6	-0.0	2.0	1.3	3.5	2.1
Non-residential structures and equipment	179,309	182,598	186,880	189,984	189,427	191,349	168,019	184,693
	2.1	1.8	2.3	1.7	-0.3	1.0	10.8	9.9
Non-residential structures	68,787	70,523	72,651	74,707	75,366	75,774	63,480	71,667
	3.4	2.5	3.0	2.8	0.9	0.5	10.8	12.9
Machinery and equipment	110,247	111,598	113,532	114,184	112,570	114,243	104,641	112,390
	1.1	1.2	1.7	0.6	-1.4	1.5	10.8	7.4
Business investment in inventories	10,218	17,668	12,953	112	3,193	4,820	13,544	10,238
	...	...	...	...	...	...	...	...
Non-farm	9,090	16,943	11,893	-721	2,557	3,734	11,055	9,301
	...	...	...	...	...	...	...	...
Farm	333	-483	63	156	-179	312	2,004	17
	...	...	...	...	...	...	...	...
Exports of goods and services	504,602	502,355	505,539	508,881	509,900	513,582	501,732	505,344
	-1.8	-0.4	0.6	0.7	0.2	0.7	2.2	0.7
Goods	440,489	437,427	441,107	444,776	445,527	449,120	436,649	440,950
	-1.7	-0.7	0.8	0.8	0.2	0.8	2.4	1.0
Services	64,154	64,931	64,471	64,172	64,436	64,534	65,105	64,432
	-2.2	1.2	-0.7	-0.5	0.4	0.2	1.0	-1.0
Deduct: Imports of goods and services	532,055	544,582	552,820	551,615	551,016	559,672	519,435	545,268
	-0.7	2.4	1.5	-0.2	-0.1	1.6	7.5	5.0
Goods	443,064	454,479	462,483	461,088	461,705	469,836	432,703	455,279
	-0.8	2.6	1.8	-0.3	0.1	1.8	8.1	5.2
Services	89,088	90,235	90,513	90,687	89,526	90,107	86,834	90,131
	0.0	1.3	0.3	0.2	-1.3	0.6	4.5	3.8
Statistical discrepancy	189	-195	-410	237	-209	-487	464	-45
	...	...	...	...	...	...	...	...
<b>Gross domestic product at market prices</b>	<b>1,275,510</b>	<b>1,280,142</b>	<b>1,284,213</b>	<b>1,288,949</b>	<b>1,301,284</b>	<b>1,312,257</b>	<b>1,247,780</b>	<b>1,282,204</b>
	<b>0.8</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>1.0</b>	<b>0.8</b>	<b>3.1</b>	<b>2.8</b>
<i>Final domestic demand</i>	<i>1,286,677</i>	<i>1,297,838</i>	<i>1,310,523</i>	<i>1,322,465</i>	<i>1,331,478</i>	<i>1,345,473</i>	<i>1,246,194</i>	<i>1,304,376</i>
	<i>1.5</i>	<i>0.9</i>	<i>1.0</i>	<i>0.9</i>	<i>0.7</i>	<i>1.1</i>	<i>4.5</i>	<i>4.7</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. Chained dollar series are calculated as the product of the chain-type quantity index and the current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

**Table B.4 Real gross domestic product, expenditure-based, annualized percentage change[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	5.5	3.8	5.1	3.7	3.4	4.9	3.8	4.2
Durable goods	12.8	7.9	11.1	4.7	7.4	15.5	5.3	7.1
Semi-durable goods	14.3	7.4	7.3	2.0	10.1	4.0	4.3	7.3
Non-durable goods	1.0	3.7	2.8	-0.7	1.9	4.3	1.9	1.5
Services	4.7	2.4	4.4	5.8	2.1	2.9	4.3	4.3
Government current expenditure on goods and services	4.9	3.2	1.5	3.0	2.4	2.6	2.2	3.3
Government gross fixed capital formation	9.4	4.4	0.4	4.1	-2.1	1.7	10.9	8.1
Government investment in inventories[2]	28	-172	-12	56	52	-72	4	-57
Business gross fixed capital formation	9.0	2.8	3.8	4.3	2.1	4.5	8.1	7.1
Residential structures	9.5	-5.2	-6.2	-0.1	8.4	5.2	3.5	2.1
Non-residential structures and equipment	8.8	7.5	9.7	6.8	-1.2	4.1	10.8	9.9
Non-residential structures	14.3	10.5	12.6	11.8	3.6	2.2	10.8	12.9
Machinery and equipment	4.3	5.0	7.1	2.3	-5.5	6.1	10.8	7.4
Business investment in inventories[2]	-2,257	7,450	-4,715	-12,841	3,081	1,627	5,653	-3,307
Non-farm[2]	-885	7,853	-5,050	-12,614	3,278	1,177	5,751	-1,754
Farm[2]	-1,709	-816	546	93	-335	491	-386	-1,987
Exports of goods and services	-6.9	-1.8	2.6	2.7	0.8	2.9	2.2	0.7
Goods	-6.6	-2.8	3.4	3.4	0.7	3.3	2.4	1.0
Services	-8.7	4.9	-2.8	-1.8	1.7	0.6	1.0	-1.0
Deduct: Imports of goods and services	-2.6	9.8	6.2	-0.9	-0.4	6.4	7.5	5.0
Goods	-3.1	10.7	7.2	-1.2	0.5	7.2	8.1	5.2
Services	0.1	5.3	1.2	0.8	-5.0	2.6	4.5	3.8
Statistical discrepancy[2]	168	-384	-215	647	-446	-278	637	-509
<b>Gross domestic product at market prices</b>	<b>3.4</b>	<b>1.5</b>	<b>1.3</b>	<b>1.5</b>	<b>3.9</b>	<b>3.4</b>	<b>3.1</b>	<b>2.8</b>
<i>Final domestic demand</i>	6.2	3.5	4.0	3.7	2.8	4.3	4.5	4.7

1. Quarter to quarter percentage change, annualized.  
2. Actual change in millions of dollars, at annual rates.

**Table B.5 Contributions to percentage change in real gross domestic product, expenditure-based[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.743	0.520	0.689	0.509	0.463	0.669	2.146	2.284
Durable goods	0.218	0.138	0.193	0.084	0.132	0.267	0.391	0.506
Semi-durable goods	0.152	0.083	0.082	0.023	0.111	0.045	0.200	0.328
Non-durable goods	0.035	0.123	0.093	-0.025	0.062	0.140	0.269	0.196
Services	0.339	0.177	0.322	0.427	0.158	0.216	1.286	1.254
Government current expenditure on goods and services	0.229	0.153	0.074	0.142	0.115	0.123	0.426	0.629
Government gross fixed capital formation	0.062	0.030	0.003	0.028	-0.015	0.012	0.269	0.214
Government investment in inventories	0.002	-0.014	-0.001	0.004	0.005	-0.006	0.000	-0.005
Business gross fixed capital formation	0.408	0.131	0.177	0.206	0.102	0.214	1.437	1.299
Residential structures	0.151	-0.091	-0.110	-0.002	0.140	0.088	0.230	0.140
Non-residential structures and equipment	0.256	0.222	0.287	0.208	-0.037	0.126	1.207	1.159
Non-residential structures	0.187	0.143	0.176	0.171	0.055	0.034	0.526	0.687
Machinery and equipment	0.070	0.079	0.111	0.037	-0.092	0.093	0.680	0.472
Business investment in inventories	-0.160	0.512	-0.327	-0.886	0.211	0.110	0.379	-0.261
Non-farm	-0.066	0.556	-0.358	-0.892	0.230	0.080	0.404	-0.133
Farm	-0.095	-0.044	0.031	0.005	-0.019	0.029	-0.025	-0.129
Exports of goods and services	-0.674	-0.162	0.229	0.240	0.073	0.261	0.849	0.262
Goods	-0.564	-0.220	0.263	0.262	0.054	0.254	0.797	0.316
Services	-0.110	0.058	-0.034	-0.022	0.019	0.007	0.052	-0.054
Deduct: Imports of goods and services	-0.222	0.776	0.508	-0.075	-0.037	0.518	2.492	1.623
Goods	-0.223	0.703	0.491	-0.086	0.038	0.481	2.224	1.407
Services	0.001	0.073	0.018	0.011	-0.075	0.037	0.268	0.216
Statistical discrepancy	0.013	-0.030	-0.017	0.050	-0.035	-0.021	0.052	-0.041
<b>Gross domestic product at market prices</b>	<b>0.845</b>	<b>0.363</b>	<b>0.318</b>	<b>0.369</b>	<b>0.957</b>	<b>0.843</b>	<b>3.066</b>	<b>2.759</b>
<i>Final domestic demand</i>	1.442	0.833	0.943	0.886	0.665	1.017	4.277	4.427

1. The chained (2002) dollars data shown in the table "Real gross domestic product, expenditure-based, quarterly percentage change" are not additive. The contributions to percentage change shown in the above table are additive and provide a measure of the composition of GDP growth.

**Table B.6 Gross domestic product, implicit chain price indexes[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
	Using seasonally adjusted data, (2002 = 100)							
Personal expenditure on consumer goods and services	106.0 0.5	106.5 0.5	106.6 0.1	106.5 -0.1	107.4 0.8	108.0 0.6	104.9 1.7	106.4 1.4
Government current expenditure on goods and services	111.9 2.9	111.0 -0.8	111.5 0.5	112.1 0.5	113.9 1.6	115.4 1.3	108.3 3.3	111.6 3.1
Government gross fixed capital formation	104.9 0.6	105.8 0.9	107.1 1.2	107.5 0.4	109.0 1.4	110.2 1.1	103.4 2.0	106.3 2.8
Business gross fixed capital formation	104.9 0.8	105.6 0.7	106.7 1.0	107.8 1.0	109.3 1.4	109.9 0.5	103.6 2.0	106.3 2.6
Exports of goods and services	103.6 -3.0	103.2 -0.4	104.1 0.9	104.4 0.3	107.4 2.9	106.4 -0.9	103.7 2.8	103.8 0.1
Imports of goods and services	89.0 -0.6	88.7 -0.3	89.7 1.1	90.3 0.7	91.6 1.4	88.6 -3.3	90.2 -1.2	89.4 -0.8
<b>Gross domestic product at market prices</b>	<b>112.2 0.0</b>	<b>112.7 0.4</b>	<b>113.1 0.4</b>	<b>113.2 0.1</b>	<b>115.0 1.6</b>	<b>116.6 1.4</b>	<b>110.2 3.4</b>	<b>112.8 2.4</b>
<i>Final domestic demand</i>	<i>107.0 1.0</i>	<i>107.2 0.2</i>	<i>107.6 0.4</i>	<i>108.0 0.4</i>	<i>109.1 1.0</i>	<i>109.9 0.7</i>	<i>105.3 2.1</i>	<i>107.5 2.0</i>

1. The first line is the series itself. The second line is the percentage change.

## Section C GDP by industry

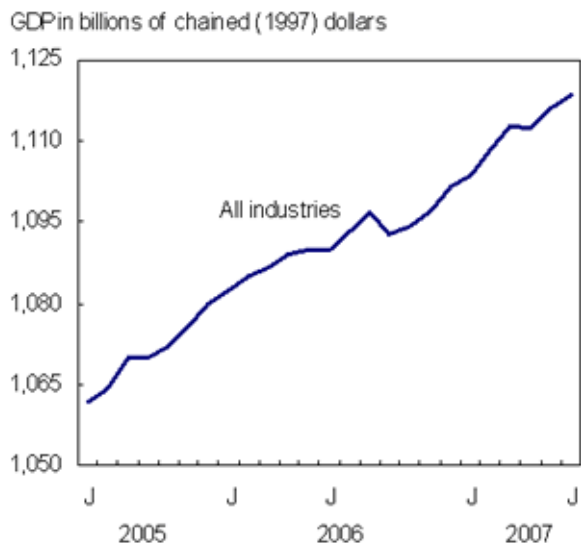
June 2007 and second quarter 2007

Economic activity increased 0.2% in June, its average pace since the beginning of the year, after growing 0.3% in May and remaining essentially unchanged in April. Both the goods- and service-producing industries advanced. Significant increases in natural gas extraction and a rebound in oil and gas exploration largely contributed to the overall growth. Gains were also registered in construction, the financial sector and in personal and business service industries, notably the gambling industry and food services. These increases were partially offset by declines in manufacturing, retail trade, agriculture, forestry, as well as utilities.

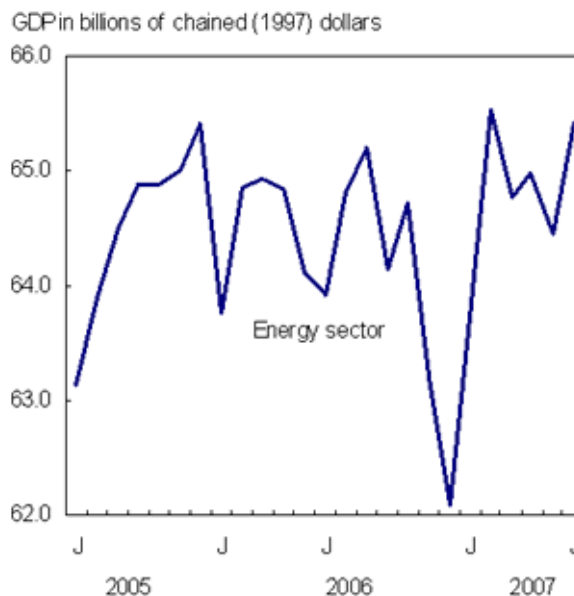
gas exploration grew strongly (+10%) after three months of significant decline, but its level is about a third lower than that of January. Electricity production slipped 0.3%.

The output of the mining sector, excluding oil and natural gas, increased 0.4% in June. The 2.7% drop experienced in miscellaneous non-metallic mineral mines (which include diamonds) was partly offset by the strength in metal ore mines (+0.8%). For the second consecutive month, the ongoing recovery from the iron ore labour disputes earlier this year, has significantly contributed to the strength of the metal ore mines.

**Chart C.1**  
Economic activity moves ahead



**Chart C.2**  
Natural gas production bolsters the energy sector



### Energy sector continues to seesaw

The energy sector advanced 1.5% in June, after declining in May. Natural gas extraction grew sharply helped by the strengthening of demand in the United States and the return to normal levels of storage in both countries. Domestic demand stayed relatively stable over the last several months. Crude oil production rose slightly. Oil and

**Note to readers**

The monthly gross domestic product (GDP) by industry data are chained volume estimates with 1997 as their reference year. This means that the estimates for each industry and aggregate are obtained from a chained volume index multiplied by the industry's value added in 1997. For the period 1997 to 2003, the monthly estimates are benchmarked to annually chained Fisher volume indexes of GDP obtained from the constant-price input-output tables. For the period starting with January 2004, the estimates are derived by chaining a fixed-weight Laspeyres volume index to the prior period. The fixed weights are the industry output and input prices of 2003. This makes the monthly GDP by industry estimates more comparable with the expenditure-based GDP data, chained quarterly.

The monthly industry-based GDP estimates will continue using a 1997 reference period until the regular annual revision of these data in October 2007.

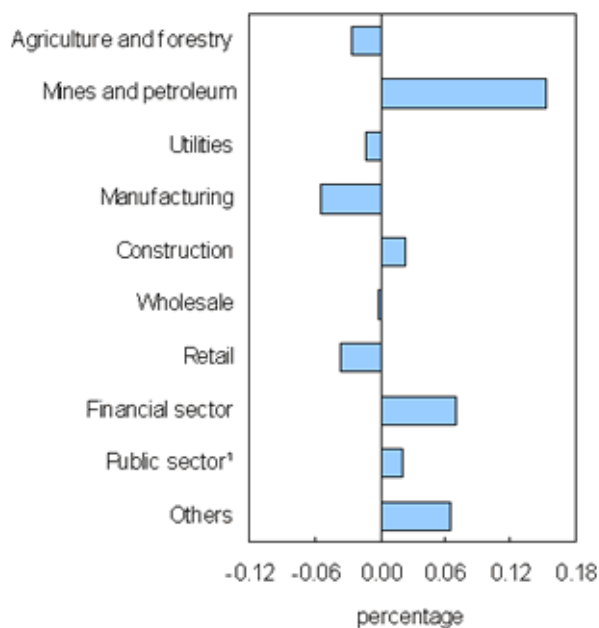
### Construction moves forward

The construction sector rose 0.4% in June. Residential (+0.4%) and non-residential building (+0.7%) construction along with engineering and repair work (+0.3%), all posted increases for the month. The construction of single-family homes, which rose for the second consecutive month after a prolonged decline, largely contributed to the advances in residential construction in June. However, the construction of apartments declined. The non-residential sector benefited from robust commercial and industrial construction, while institutional building construction edged-up slightly.

The home resale market continued its ascent in June. In particular, the number of units sold in Quebec reached an all-time-high. This resulted in a 0.5% increase for the real estate agents and brokers industry.

**Chart C.3**

#### Main industrial sectors' contribution to total growth



1. Education, health and public administration.

### Retail trade slips

Retail trade retreated 0.6% in June, following a very strong May (+2.3%). Sales by new car dealers remained high but returned to their April level. Used car and recreational motor vehicle dealers also saw their sales reduced. Lower spending in furniture and general merchandise stores (which include department stores) added to the weakness. Elsewhere, sales by clothing and home furnishings stores and supermarkets, advanced. Despite the overall decline in June, retailers' activities have remained at a high level for a third consecutive month.

### Wholesale trade edges down

Wholesale trade was stagnant in June, following a robust May (+1.5%). The gains recorded by motor vehicle, computers and machinery and equipment merchants, were partly offset by the declines posted by the office and professional equipment, and pharmaceutical vendors.

### Motor vehicle manufacturing decreases for the third straight month

The manufacturing sector slipped 0.4%. The 0.8% reduction in the production of durable goods overshadowed the 0.3% increase in non-durable goods. Of the 21 major manufacturing groups, 13 decreased, accounting for 61% of total manufacturing value added.

Recording their third consecutive monthly decrease, motor vehicle manufacturing (-5.3%) and associated parts production (-1.1%) led the decline for the month. Notable declines were also recorded in the manufacturing of fabricated and primary metal products, and machinery. Conversely, gains were posted by aerospace product and parts manufacturers (+1.7%), and industries engaged in chemical and plastic product manufacturing.

Industrial production (the output of mines, utilities and factories) rose 0.4% in June. The robust showing of mining outweighed the declines reported by factories and utilities. In comparison, all three sectors increased in the United States resulting in an overall gain of 0.6% in June.

### Other industries

Output in the finance and insurance sector grew 0.4%. This increase was fuelled by a modest rise in lending activities in June. However, trading on the financial markets was weak after a strong May. The gambling industry grew 11% in June mostly because of special draws to commemorate the anniversary of a lottery. Tourism-related industries presented a mixed picture, with accommodation services edging down 0.1% while food services posted a gain of 0.7%.

### Second quarter 2007

Economic activity grew at a slightly slower pace in the second quarter of 2007 than in the first. After remaining essentially unchanged in April, output grew in both May and June.

Both the service (+0.9%) and goods (+0.3%) producing industries increased in the second quarter. Growth came mainly from retail and wholesale trade, utilities, the finance and insurance sector, and construction. The manufacturing sector posted its first quarterly increase since the fourth quarter of 2005. However, these gains were partly offset by declines in oil and gas exploration, accommodation and food services, agriculture, and forestry.

Retail trade leaped 2.5% in the second quarter largely due to a rebound in sales of motor vehicles. Used and recreational motor vehicle and parts dealers, gasoline stations, general merchandise stores (including department stores), home electronic and appliance stores, and supermarkets, also contributed to the increase. Imports of several categories of goods intended for personal consumption accelerated during the quarter. Conversely, specialized building materials and garden stores declined.

Wholesale trade edged forward 0.6% in the second quarter largely on the strength of sales by merchants of food products, household and personal products, machinery and equipment, and office and professional equipment. However, apparel and motor vehicle vendors fell back. Wholesalers as well as manufacturers benefited from the pick-up in demand for machinery and equipment.

The finance and insurance sector advanced 1.4% on the strength of banking and brokerage. Stockbrokers' activities grew 4.9% due to healthy trading on the stocks markets. Real estate agents and brokers posted a robust gain, owing to a vibrant home-resale sector.

The energy sector increased 0.4%. Although oil and gas extraction (+2.0%) and utilities (+3.1%) realized sizeable gains, oil and gas exploration tumbled (-29%) during the quarter. Low natural gas prices have caused exploration companies to significantly reduce their activities. As well, the current production capacity of existing wells appears to be sufficient to meet demand. As a result, the number of wells being utilized has decreased.

Construction activities grew 0.8% in the second quarter of 2007. All types of construction activities increased, with non-residential building construction leading the sector. The advance in residential construction reflected increased spending on renovations, as the work put in place of new dwellings was essentially unchanged from the first quarter.

Manufacturing activities increased 0.3% in the second quarter. Of the 21 major groups, 15 posted gains, accounting for 59% of total manufacturing value added. Despite a substantial appreciation of the Canadian dollar relative to its U.S. counterpart, exports also increased, outpacing first quarter gains. The production of non-durables grew 1.0%, while durables declined 0.1%. Food, and beverage and tobacco manufacturing increased, contrasting with previous quarters. Manufacturers of fabricated metal products and of machinery, as well as printing recorded notable increases. Motor vehicle manufacturing dropped 5.9%, heavy-duty trucks being the hardest hit. Paper and wood products manufacturing continued their decline.

Industrial production (the output of utilities, mines and factories) edged forward 0.4%. Utilities posted a significant gain, while manufacturing moved ahead slightly. Mining receded as a result of the decline in oil and gas exploration. In comparison, industrial production in the United States rose 0.8%, as manufacturers and mining posted gains, while utilities slipped.

The accommodation industry suffered its second dismal quarter, and food services lost ground. However, air carriers managed to post a gain (+0.3%).



Table C.1 Real gross domestic product by industry, at basic prices, monthly[1]

	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
Seasonally adjusted at annual rates, millions chained (1997) dollars								
<b>All industries</b>	<b>1,097,099</b> <i>0.3</i>	<b>1,101,665</b> <i>0.4</i>	<b>1,103,413</b> <i>0.2</i>	<b>1,108,273</b> <i>0.4</i>	<b>1,112,668</b> <i>0.4</i>	<b>1,112,550</b> <i>-0.0</i>	<b>1,116,167</b> <i>0.3</i>	<b>1,118,416</b> <i>0.2</i>
<b>Goods-producing industries</b>	<b>332,315</b> <i>0.1</i>	<b>332,599</b> <i>0.1</i>	<b>333,068</b> <i>0.1</i>	<b>336,111</b> <i>0.9</i>	<b>336,202</b> <i>0.0</i>	<b>336,183</b> <i>-0.0</i>	<b>335,766</b> <i>-0.1</i>	<b>336,661</b> <i>0.3</i>
Agriculture, forestry, fishing and hunting	25,064 <i>1.2</i>	25,053 <i>-0.0</i>	25,204 <i>0.6</i>	25,147 <i>-0.2</i>	24,949 <i>-0.8</i>	24,793 <i>-0.6</i>	24,539 <i>-1.0</i>	24,231 <i>-1.3</i>
Mining and oil and gas extraction	39,450 <i>-2.0</i>	38,643 <i>-2.0</i>	39,557 <i>2.4</i>	40,710 <i>2.9</i>	40,186 <i>-1.3</i>	39,935 <i>-0.6</i>	39,501 <i>-1.1</i>	40,521 <i>2.6</i>
Utilities	27,017 <i>-2.2</i>	26,953 <i>-0.2</i>	27,574 <i>2.3</i>	28,318 <i>2.7</i>	28,110 <i>-0.7</i>	28,800 <i>2.5</i>	28,975 <i>0.6</i>	28,830 <i>-0.5</i>
Construction	69,642 <i>0.3</i>	70,324 <i>1.0</i>	70,609 <i>0.4</i>	70,511 <i>-0.1</i>	70,613 <i>0.1</i>	70,808 <i>0.3</i>	71,147 <i>0.5</i>	71,418 <i>0.4</i>
Manufacturing	170,096 <i>1.1</i>	171,222 <i>0.7</i>	169,000 <i>-1.3</i>	169,641 <i>0.4</i>	170,985 <i>0.8</i>	170,610 <i>-0.2</i>	170,631 <i>0.0</i>	169,987 <i>-0.4</i>
<b>Services-producing industries</b>	<b>766,502</b> <i>0.4</i>	<b>770,850</b> <i>0.6</i>	<b>772,136</b> <i>0.2</i>	<b>773,874</b> <i>0.2</i>	<b>778,254</b> <i>0.6</i>	<b>778,153</b> <i>-0.0</i>	<b>782,274</b> <i>0.5</i>	<b>783,619</b> <i>0.2</i>
Wholesale trade	70,087 <i>0.6</i>	71,264 <i>1.7</i>	71,169 <i>-0.1</i>	71,839 <i>0.9</i>	73,020 <i>1.6</i>	71,741 <i>-1.8</i>	72,846 <i>1.5</i>	72,825 <i>-0.0</i>
Retail trade	65,663 <i>-0.4</i>	66,988 <i>2.0</i>	66,920 <i>-0.1</i>	66,461 <i>-0.7</i>	67,589 <i>1.7</i>	67,795 <i>0.3</i>	69,352 <i>2.3</i>	68,937 <i>-0.6</i>
Transportation and warehousing	53,033 <i>1.0</i>	53,200 <i>0.3</i>	53,227 <i>0.1</i>	53,399 <i>0.3</i>	53,490 <i>0.2</i>	53,557 <i>0.1</i>	53,563 <i>0.0</i>	53,386 <i>-0.3</i>
Information and cultural industries	44,897 <i>0.1</i>	44,831 <i>-0.1</i>	44,749 <i>-0.2</i>	45,083 <i>0.7</i>	45,298 <i>0.5</i>	45,298 <i>0.0</i>	45,098 <i>-0.4</i>	45,342 <i>0.5</i>
Finance, insurance and real estate	225,930 <i>0.4</i>	226,869 <i>0.4</i>	228,018 <i>0.5</i>	228,942 <i>0.4</i>	230,029 <i>0.5</i>	230,860 <i>0.4</i>	231,705 <i>0.4</i>	232,533 <i>0.4</i>
Professional, scientific and technical services	49,597 <i>0.5</i>	49,707 <i>0.2</i>	49,921 <i>0.4</i>	50,112 <i>0.4</i>	50,303 <i>0.4</i>	50,427 <i>0.2</i>	50,650 <i>0.4</i>	50,814 <i>0.3</i>
Administrative and waste management services	26,036 <i>0.1</i>	26,144 <i>0.4</i>	26,214 <i>0.3</i>	26,346 <i>0.5</i>	26,422 <i>0.3</i>	26,446 <i>0.1</i>	26,513 <i>0.3</i>	26,565 <i>0.2</i>
Educational services	48,309 <i>0.1</i>	48,350 <i>0.1</i>	48,421 <i>0.1</i>	48,510 <i>0.2</i>	48,620 <i>0.2</i>	48,727 <i>0.2</i>	48,856 <i>0.3</i>	49,001 <i>0.3</i>
Health care and social assistance	62,497 <i>0.6</i>	62,667 <i>0.3</i>	62,852 <i>0.3</i>	62,975 <i>0.2</i>	63,103 <i>0.2</i>	63,220 <i>0.2</i>	63,388 <i>0.3</i>	63,531 <i>0.2</i>
Arts, entertainment and recreation	9,513 <i>1.9</i>	9,603 <i>0.9</i>	9,346 <i>-2.7</i>	9,421 <i>0.8</i>	9,486 <i>0.7</i>	9,401 <i>-0.9</i>	9,522 <i>1.3</i>	9,787 <i>2.8</i>
Accommodation and food services	24,678 <i>1.7</i>	24,910 <i>0.9</i>	24,796 <i>-0.5</i>	24,211 <i>-2.4</i>	24,292 <i>0.3</i>	23,954 <i>-1.4</i>	24,125 <i>0.7</i>	24,226 <i>0.4</i>
Other services (except public administration)	27,142 <i>0.3</i>	27,172 <i>0.1</i>	27,239 <i>0.2</i>	27,308 <i>0.3</i>	27,362 <i>0.2</i>	27,384 <i>0.1</i>	27,435 <i>0.2</i>	27,507 <i>0.3</i>
Public administration	61,185 <i>0.2</i>	61,306 <i>0.2</i>	61,427 <i>0.2</i>	61,526 <i>0.2</i>	61,634 <i>0.2</i>	61,635 <i>0.0</i>	61,578 <i>-0.1</i>	61,501 <i>-0.1</i>
<b>Other aggregations</b>								
Industrial production	239,160 <i>-0.1</i>	238,828 <i>-0.1</i>	238,897 <i>0.0</i>	242,001 <i>1.3</i>	242,168 <i>0.1</i>	242,108 <i>-0.0</i>	241,614 <i>-0.2</i>	242,507 <i>0.4</i>
Non-durable manufacturing industries	68,400 <i>0.1</i>	67,899 <i>-0.7</i>	67,873 <i>-0.0</i>	67,489 <i>-0.6</i>	67,856 <i>0.5</i>	67,962 <i>0.2</i>	68,501 <i>0.8</i>	68,688 <i>0.3</i>
Durable manufacturing industries	101,568 <i>1.8</i>	103,219 <i>1.6</i>	101,003 <i>-2.1</i>	102,044 <i>1.0</i>	103,024 <i>1.0</i>	102,537 <i>-0.5</i>	102,006 <i>-0.5</i>	101,165 <i>-0.8</i>
Business sector industries	932,137 <i>0.3</i>	936,493 <i>0.5</i>	937,928 <i>0.2</i>	942,510 <i>0.5</i>	946,568 <i>0.4</i>	946,266 <i>-0.0</i>	949,685 <i>0.4</i>	951,713 <i>0.2</i>
Non-business sector industries	165,366 <i>0.3</i>	165,604 <i>0.1</i>	165,915 <i>0.2</i>	166,219 <i>0.2</i>	166,578 <i>0.2</i>	166,750 <i>0.1</i>	166,969 <i>0.1</i>	167,196 <i>0.1</i>
ICT sector, total	65,860 <i>-0.1</i>	66,087 <i>0.3</i>	66,013 <i>-0.1</i>	66,800 <i>1.2</i>	67,215 <i>0.6</i>	67,488 <i>0.4</i>	67,308 <i>-0.3</i>	67,805 <i>0.7</i>
Energy sector	63,201 <i>-2.3</i>	62,094 <i>-1.8</i>	63,727 <i>2.6</i>	65,541 <i>2.8</i>	64,775 <i>-1.2</i>	64,994 <i>0.3</i>	64,456 <i>-0.8</i>	65,433 <i>1.5</i>

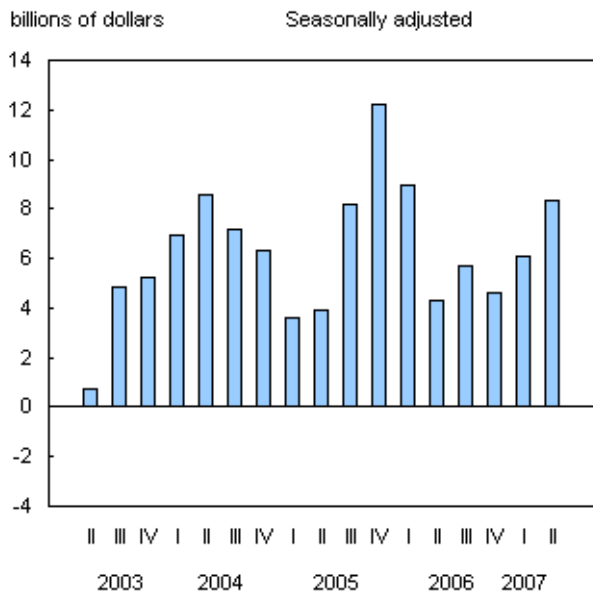
1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period-to-period percentage change at monthly rates.

## Section D Balance of international payments

Second quarter 2007

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased \$2.2 billion in the second quarter to \$8.4 billion. Most of the gain came from the third consecutive improvement of the trade in goods surplus, as imports declined slightly in the second quarter.

**Chart D.1**  
**Highest current account surplus since the first quarter of 2006**



In the capital and financial account (not seasonally adjusted), the growth in Canada's foreign assets significantly outpaced that in international liabilities. Canadian portfolio investment in foreign securities continued to be the driving force behind the increase in foreign assets.

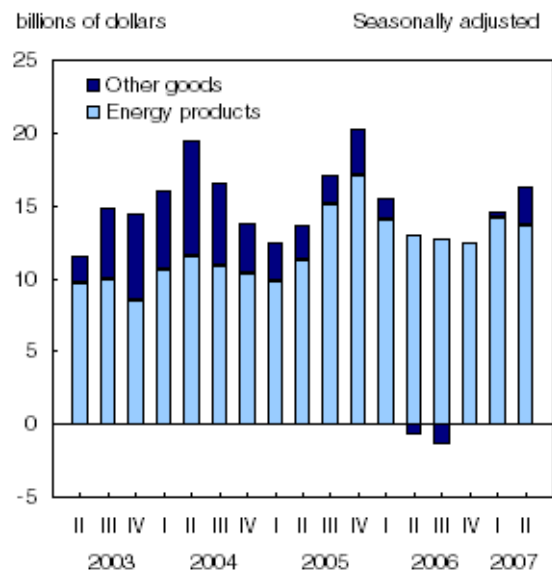
### Current account

#### Goods surplus increases again

The surplus on trade in goods went up for the third consecutive quarter, reaching its highest level since the fourth quarter of 2005. The \$1.6 billion increase pushed the surplus to \$16.3 billion in the second quarter as imports declined by \$2.0 billion.

After recording a record level during the first quarter, imports shrank \$2.0 billion to \$102.8 billion in the second quarter. Imports of machinery and equipment, automotive products and consumer goods all fell, largely due to lower prices. Energy products were the exception, with imports increasing by \$1.1 billion from the previous quarter.

**Chart D.2**  
**Goods surplus improves as import prices fall**



#### Note to readers

The **balance of payments** covers all economic transactions between Canadian residents and non-residents. It includes the current account and the capital and financial account.

The **current account** covers transactions on goods, services, investment income and current transfers. Transactions in exports and interest income are examples of receipts, while imports and interest expense are payments. The balance from these transactions determines if Canada's current account is in surplus or deficit.

The **capital and financial account** is mainly composed of transactions in financial instruments. Financial assets and liabilities with non-residents are presented under three functional classes: direct investment, portfolio investment and other investment. These investments belong either to Canadian residents (Canadian assets) or to foreign residents (Canadian liabilities). Transactions resulting in a capital inflow are presented as positive values while capital outflows from Canada are shown as negative values.

A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the **statistical discrepancy** is the net unobserved inflow or outflow needed to balance the accounts.

Of the \$1.3 billion drop in automotive products imports, \$1.0 billion was related to motor vehicle parts, which are usually closely related to the exports of cars.

Exports of industrial materials increased by \$1.4 billion, registering its seventh consecutive record high at \$27.4 billion. This was offset by declines in exports of other goods, leaving total exports at virtually the same level as in the first quarter.

Once again, the increase in exports of industrial materials was mainly due to higher prices. Most of the increase was driven by inorganic chemicals, including uranium, and nickel and copper components where prices rose, on average, by almost 30% in the second quarter.

Energy products exported increased \$0.6 billion due to higher volume and higher prices for petroleum products and coal products. However, crude petroleum fell half a billion dollars during the second quarter.

These increases were offset by lower exports of automotive products and machinery and equipment. Exports of cars, trucks and parts declined \$1.5 billion to \$19.4 billion. There has been persistent weakness in automotive exports recently. In fact, the five lowest levels since the end of 1998 have been registered during the last five quarters.

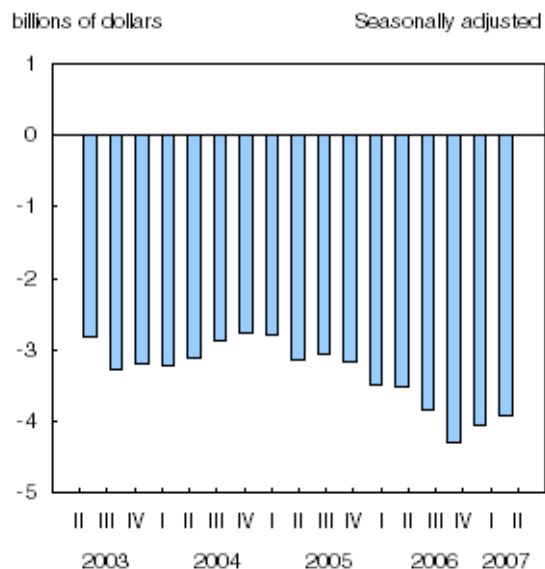
Forestry products exports continued their downward pattern. In the last three years, exports of forestry products have declined by more than 25% as the soft U.S. housing market and the strong Canadian dollar have led to reduced export volumes as well as lower prices for Canadian producers.

#### Small improvement in the services deficit

For the second consecutive quarter, the services deficit declined slightly but remained near the record high.

**Chart D.3**

#### Services deficit is down but remains important



For the second consecutive quarter, the travel deficit diminished by \$0.1 billion. There were more travellers from the United States visiting Canada for both same-day trips and longer trips in the second quarter, which resulted in a 4% increase in expenditures by visitors from the U.S.A.

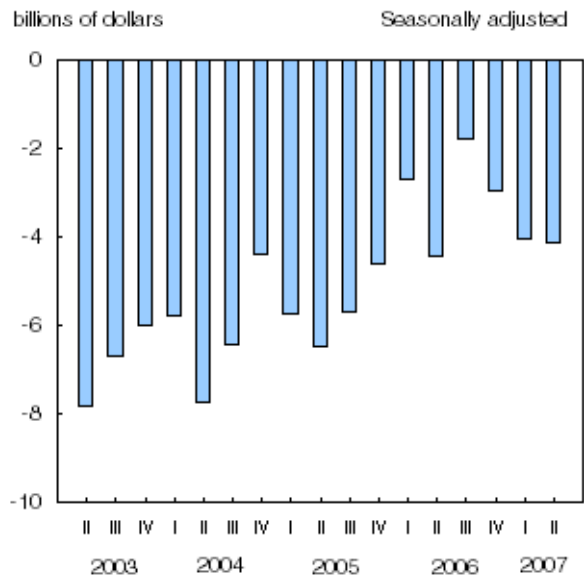
Canadian travel expenditure in the United States declined by 3% in the second quarter, despite an increase in the number of Canadians travelling south of the border. The increased number of travellers to the United States was mostly due to same-day trips. Although, in general, these travellers represent 60% of all Canadians going to the United States, their expenses account for only around 10% of all Canadian travel expenses in that country.

The transportation deficit also shrank by \$0.1 billion, largely because of passenger fares. At the same time, the deficit in commercial services increased slightly, still at its highest level since the fourth quarter of 2004, as a higher deficit in financial services was partially offset by a lower deficit on transactions in royalties and licences fees.

**Investment income deficit remains stable**

As both receipts and payments barely changed in the second quarter, the deficit on investment income stood at \$4.1 billion.

**Chart D.4**  
**Few changes in investment income deficit**



Profits earned by foreign direct investors in Canada increased \$0.4 billion to \$8.5 billion, just a few million dollars shy of the record of the third quarter of 2005. This was offset in part by slightly lower payments of interest notably on corporate and provincial enterprise bonds where both sectors count on a large share of bonds issued in US dollars.

Profits from Canadian direct investment abroad dropped slightly by \$0.1 billion to \$7.5 billion, but still remain high by historical standards.

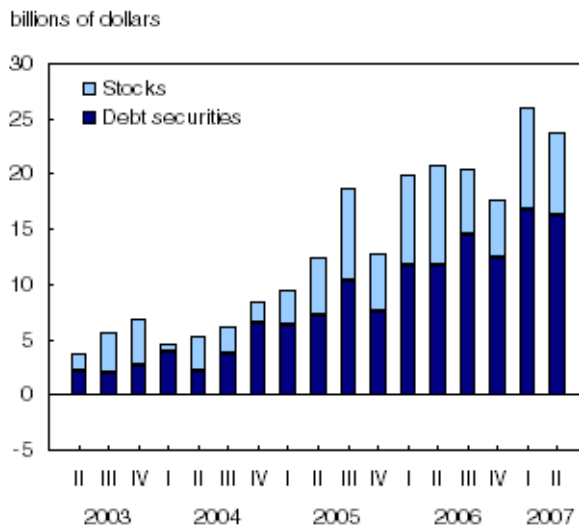
Interest earnings on foreign bonds continued to grow, gaining another \$0.1 billion in the second quarter. Canadians have made substantial acquisitions of foreign bonds in recent years.

**Financial account**

**Strong Canadian investment persists in foreign securities**

Following a record investment of \$26.0 billion in the previous quarter, Canadian investment in foreign securities continued its torrid pace in the second quarter. Continuing a well established trend, the bulk of the \$23.8 billion of acquisitions was in foreign bonds with most of the remaining investment in foreign stocks.

**Chart D.5**  
**Canadians keep adding foreign bonds to their portfolios<sup>1</sup>**



1. Reverse of Balance of Payments signs.

Investment in foreign bonds remained robust in the second quarter as Canadian investors acquired \$16.0 billion worth, nearly matching the record investment of \$16.5 billion set in the first quarter. Some \$10 billion worth of the investment in foreign bonds was denominated in Canadian dollars (maple bonds), bringing the year to date total to \$22.8 billion.

Canadians bought a further \$7.5 billion of foreign stocks in the second quarter after purchasing \$9.3 billion worth in the first quarter. Almost two-thirds (\$4.9 billion) went into non-U.S. stocks, the largest quarterly investment in non-U.S. stocks since the second quarter of 2001.

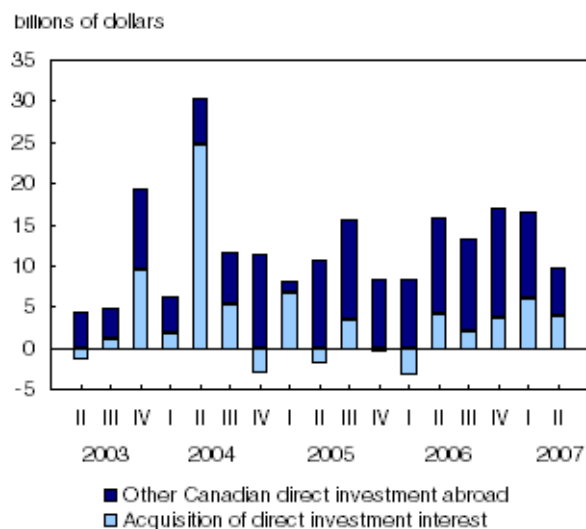
Investment in foreign money market paper totalled \$239 million for the quarter with purchases mainly focused in issues of U.S. corporations. However, these acquisitions were largely offset by a substantial divestment of U.S. treasury bills. Over the quarter, the interest rate spread between Canada and the U.S.A. on treasury bills continued to narrow in Canada's favour.

### Direct investment abroad slides to its lowest mark in five quarters

Direct investment abroad amounted to \$9.8 billion in the second quarter, a significant slowdown after four very strong quarters where investment averaged \$15.7 billion.

**Chart D.6**

#### Direct investment abroad continues, but at a slower pace<sup>1</sup>



1. Reverse of Balance of Payments signs.

This quarter's investment was largely explained by additional capital injected into existing foreign affiliates, mainly reinvested earnings. Direct investment abroad was almost entirely directed to the finance and insurance industry (\$9.4 billion) and targeted the U.S. economy in large measure (52%).

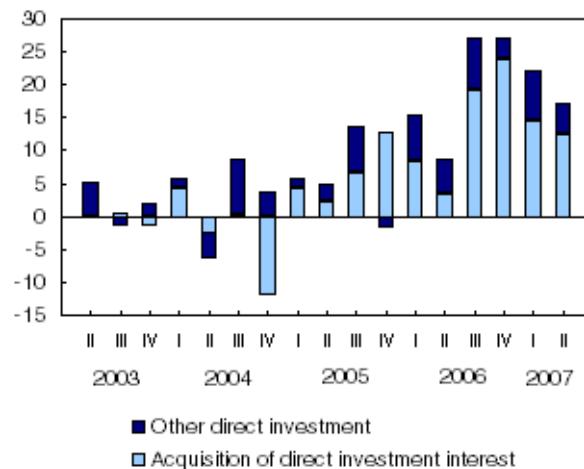
#### Acquisitions boost foreign direct investment in Canada

Foreign direct investors added another \$17.1 billion into the Canadian economy during the second quarter, bringing the total investment so far this year to \$39.2 billion. This was the second highest investment ever for the first six months of a year.

**Chart D.7**

#### Foreign acquisitions in the Canadian economy remain strong

billions of dollars



The bulk of the foreign injections in the second quarter were explained by acquisitions (\$12.4 billion). Over the last four quarters, foreign acquisitions in the Canadian economy have totalled \$70.1 billion and represent three-quarters of all the money injected by foreign direct investors during this period.

European investors dominated in the second quarter with investments totalling \$9.4 billion, followed by U.S. investors (\$4.9 billion). Energy and metallic minerals continued to be a sector that attracted the attention of foreign direct investors as they invested in this sector for a tenth consecutive quarter (\$9.2 billion).

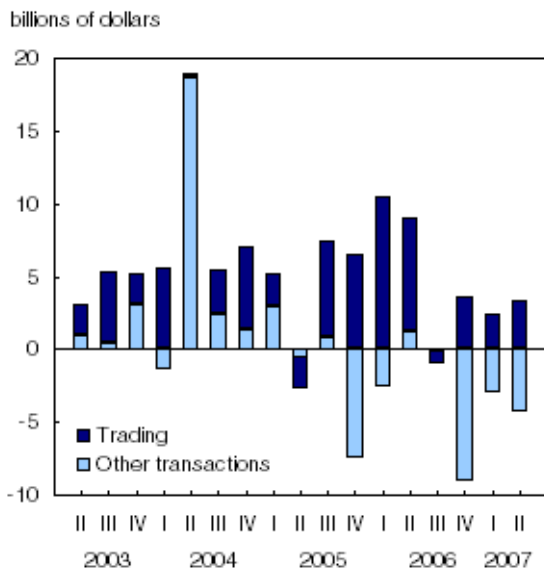
#### Foreign investors sell some of their holdings of Canadian securities

Foreign investors sold \$4.8 billion worth from their holdings of Canadian securities over the second quarter, their first divestment in two years. The quarter's divestment occurred almost entirely in Canadian bonds with only a slight reduction in holdings of Canadian stocks. These were partially offset by non-residents' investments in Canadian money market paper.

Non-residents withdrew \$4.9 billion worth of Canadian bonds from their investment portfolios, entirely due to \$6.0 billion worth of outstanding government issues, mostly issues of the Government of Canada. It was the largest foreign divestment in Canadian bonds in nearly four years and reversed a trend of strong foreign investment in these instruments since the third quarter of 2006.

Non-resident holdings of Canadian equities were reduced by \$899 million over the second quarter. Foreign investment in outstanding shares (\$3.3 billion) was overwhelmed by net retirements (\$4.2 billion), mainly due to the foreign takeover activity. Over the last three quarters, this activity has reduced foreign portfolio holdings by \$16.0 billion despite investment in outstanding shares totalling \$9.3 billion. The Standard and Poor's/Toronto Stock Exchange index rose 5.6% between March 2007 and June 2007.

**Chart D.8**  
**Foreign takeovers neutralize the investment in outstanding stocks**



Non-residents bought \$1.0 billion worth of Canadian money market paper during the second quarter. Investment was focused on Canadian corporate paper as foreign investors acquired \$961 million worth.

**Transactions in deposits, loans and reserves assets**

The other investment category of the financial account, which comprises international loans, deposits and reserves, recorded a net inflow of \$9.4 billion in the second quarter. This was up from a net inflow of \$2.5 billion in quarter one. This was essentially due to sizable inflows of international deposits for a second consecutive quarter, which more than offset increases in Canadian assets. The Canadian dollar made significant gains during the quarter against all major currencies, closing the quarter at \$93.9 US cents, up over 7 cents on the American dollar.

Table D.1 Balance of payments

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	128,452	132,405	131,426	130,643	134,856	138,815	518,762	522,926
Goods	113,132	115,548	111,946	115,070	119,120	121,799	451,783	455,696
Services	15,320	16,857	19,480	15,573	15,736	17,016	66,979	67,230
Investment income	13,309	14,748	16,492	17,050	15,519	16,587	48,213	61,599
Direct investment	6,791	7,609	8,677	9,523	7,523	8,026	26,017	32,600
Portfolio investment	3,721	4,202	4,262	4,682	5,215	5,420	12,380	16,867
Other investment	2,797	2,937	3,554	2,844	2,781	3,140	9,816	12,131
Current transfers	3,037	2,021	1,920	2,704	2,871	2,140	8,176	9,682
Current account receipts	144,799	149,174	149,838	150,397	153,245	157,542	575,151	594,207
<b>Payments</b>								
Goods and services	117,698	125,310	121,328	122,453	126,159	128,053	467,423	486,789
Goods	96,989	104,860	100,300	102,246	104,382	107,063	388,282	404,395
Services	20,709	20,450	21,028	20,207	21,776	20,990	79,141	82,394
Investment income	17,444	18,108	18,006	19,888	21,122	20,108	70,735	73,446
Direct investment	6,766	8,145	7,608	8,573	8,986	9,137	34,212	31,091
Portfolio investment	6,580	6,602	6,783	7,129	7,049	6,940	27,897	27,094
Other investment	4,097	3,361	3,616	4,186	5,087	4,031	8,625	15,260
Current transfers	3,664	1,781	2,090	2,859	3,541	1,875	9,051	10,394
Current account payments	138,806	145,199	141,423	145,200	150,822	150,036	547,208	570,629
<b>Balances</b>								
Goods and services	10,754	7,095	10,099	8,190	8,697	10,762	51,340	36,137
Goods	16,144	10,688	11,646	12,824	14,737	14,736	63,501	51,302
Services	-5,389	-3,593	-1,548	-4,635	-6,040	-3,974	-12,162	-15,165
Investment income	-4,135	-3,359	-1,514	-2,839	-5,603	-3,522	-22,522	-11,847
Direct investment	25	-535	1,069	951	-1,463	-1,111	-8,195	1,509
Portfolio investment	-2,859	-2,400	-2,521	-2,447	-1,834	-1,519	-15,518	-10,227
Other investment	-1,301	-424	-62	-1,342	-2,306	-891	1,191	-3,129
Current transfers	-627	239	-170	-154	-671	265	-875	-712
<b>Current account balance</b>	<b>5,992</b>	<b>3,975</b>	<b>8,415</b>	<b>5,197</b>	<b>2,424</b>	<b>7,506</b>	<b>27,943</b>	<b>23,578</b>
<b>Capital and financial account[1]</b>								
<b>Capital account</b>	<b>1,181</b>	<b>1,076</b>	<b>993</b>	<b>951</b>	<b>1,247</b>	<b>1,165</b>	<b>5,940</b>	<b>4,201</b>
<b>Financial account</b>	<b>-8,222</b>	<b>-5,769</b>	<b>-7,587</b>	<b>-1,164</b>	<b>-11,434</b>	<b>-11,705</b>	<b>-38,287</b>	<b>-22,741</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-5,244	-15,787	-13,245	-17,046	-16,618	-9,780	-40,645	-51,322
Portfolio investment	-19,876	-20,808	-20,372	-17,637	-26,015	-23,756	-53,279	-78,693
Foreign bonds	-10,613	-12,689	-9,533	-10,767	-16,450	-16,016	-29,238	-43,602
Foreign stocks	-8,202	-9,055	-5,892	-5,142	-9,333	-7,502	-21,951	-28,291
Foreign money market	-1,061	936	-4,946	-1,728	-232	-239	-2,089	-6,800
Other investment	-21,245	-20,938	-12,939	19,796	-21,215	-14,921	-22,157	-35,325
Loans	-1,936	-4,317	-6,377	429	-4,524	4,300	8,217	-12,201
Deposits	-13,273	-16,742	-4,069	25,901	-6,126	-9,068	-15,817	-8,183
Official international reserves	-3,637	909	52	1,662	-4,722	-366	-1,653	-1,013
Other assets	-2,399	-788	-2,545	-8,195	-5,843	-9,787	-12,903	-13,927
Total Canadian assets, net flows	-46,365	-57,533	-46,555	-14,887	-63,848	-48,457	-116,081	-165,339
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	15,263	8,784	27,223	27,047	22,050	17,145	35,046	78,317
Portfolio investment	10,200	12,849	4,166	5,328	6,673	-4,751	9,577	32,544
Canadian bonds	166	-843	6,351	12,341	7,906	-4,858	-78	18,015
Canadian stocks	8,022	9,091	-1,034	-5,264	-532	-899	9,133	10,814
Canadian money market	2,013	4,602	-1,151	-1,749	-702	1,006	522	3,715
Other investment	12,679	30,131	7,579	-18,653	23,690	24,358	33,171	31,737
Loans	884	3,226	7,048	716	1,177	1,975	3,496	11,873
Deposits	11,052	27,046	657	-18,032	21,844	22,329	28,951	20,724
Other liabilities	743	-141	-126	-1,337	669	54	723	-860
Total Canadian liabilities, net flows	38,143	51,764	38,968	13,723	52,414	36,752	77,793	142,598
<b>Total capital and financial account, net flows</b>	<b>-7,040</b>	<b>-4,694</b>	<b>-6,593</b>	<b>-213</b>	<b>-10,187</b>	<b>-10,541</b>	<b>-32,347</b>	<b>-18,540</b>
Statistical discrepancy	1,048	719	-1,821	-4,984	7,764	3,035	4,404	-5,038

1. A minus sign (-) denotes an outflow of capital resulting from an increase in claims on non-residents or from a decrease in liabilities to non-residents. Transactions are recorded on a net basis.

**Table D.2 Current account**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	130,215	129,186	131,187	132,338	136,433	136,066	518,762	522,926
Goods	113,615	112,282	114,294	115,506	119,365	119,029	451,783	455,696
Services	16,600	16,904	16,893	16,832	17,068	17,037	66,979	67,230
Travel	4,083	4,213	4,178	4,124	4,106	4,191	16,674	16,598
Transportation	3,005	2,965	3,049	3,111	3,240	3,241	11,750	12,129
Commercial services	9,054	9,290	9,224	9,140	9,257	9,143	36,888	36,708
Government services	458	436	443	457	465	462	1,666	1,795
Investment income	13,892	14,323	16,498	16,885	16,060	15,995	48,213	61,599
Direct investment	7,328	7,407	8,716	9,150	7,942	7,738	26,017	32,600
Interest	272	398	434	276	379	272	1,045	1,380
Profits	7,056	7,009	8,282	8,874	7,562	7,467	24,971	31,220
Portfolio investment	3,702	4,129	4,295	4,741	5,239	5,271	12,380	16,867
Interest	1,288	1,480	1,582	1,838	2,033	2,163	3,652	6,189
Dividends	2,414	2,649	2,712	2,903	3,206	3,108	8,728	10,679
Other investment	2,862	2,787	3,488	2,995	2,880	2,985	9,816	12,131
Current transfers	2,627	2,282	2,252	2,521	2,437	2,419	8,176	9,682
Private	740	644	673	623	664	653	2,697	2,680
Official	1,887	1,638	1,579	1,897	1,773	1,766	5,479	7,002
<b>Total receipts</b>	<b>146,734</b>	<b>145,791</b>	<b>149,938</b>	<b>151,744</b>	<b>154,929</b>	<b>154,480</b>	<b>575,151</b>	<b>594,207</b>
<b>Payments</b>								
Goods and services	118,229	120,562	123,701	124,297	125,889	123,739	467,423	486,789
Goods	98,123	100,128	102,968	103,175	104,757	102,774	388,282	404,395
Services	20,106	20,434	20,732	21,122	21,133	20,966	79,141	82,394
Travel	5,670	5,685	5,874	6,081	5,964	5,918	22,059	23,311
Transportation	4,591	4,721	4,823	5,058	5,035	4,943	17,566	19,194
Commercial services	9,586	9,773	9,779	9,726	9,884	9,849	38,503	38,865
Government services	259	255	255	256	250	255	1,013	1,024
Investment income	16,578	18,760	18,259	19,848	20,101	20,123	70,735	73,446
Direct investment	6,384	8,584	7,555	8,569	8,456	8,900	34,212	31,091
Interest	366	365	365	370	356	360	1,501	1,465
Profits	6,018	8,219	7,190	8,199	8,100	8,541	32,711	29,626
Portfolio investment	6,539	6,584	6,797	7,175	7,004	6,928	27,897	27,094
Interest	5,433	5,448	5,624	5,819	5,883	5,734	23,369	22,324
Dividends	1,106	1,136	1,173	1,355	1,120	1,195	4,528	4,770
Other investment	3,655	3,592	3,908	4,105	4,642	4,294	8,625	15,260
Current transfers	2,965	2,139	2,313	2,977	2,826	2,256	9,051	10,394
Private	2,038	1,330	1,417	2,129	1,915	1,409	5,172	6,913
Official	927	809	896	849	911	847	3,879	3,481
<b>Total payments</b>	<b>137,772</b>	<b>141,462</b>	<b>144,273</b>	<b>147,123</b>	<b>148,817</b>	<b>146,118</b>	<b>547,208</b>	<b>570,629</b>
<b>Balances</b>								
Goods and services	11,986	8,624	7,487	8,041	10,544	12,327	51,340	36,137
Goods	15,492	12,154	11,325	12,331	14,609	16,256	63,501	51,302
Services	-3,506	-3,530	-3,839	-4,290	-4,065	-3,928	-12,162	-15,165
Travel	-1,588	-1,472	-1,696	-1,957	-1,859	-1,727	-5,385	-6,713
Transportation	-1,586	-1,757	-1,775	-1,948	-1,795	-1,702	-5,815	-7,065
Commercial services	-532	-482	-556	-587	-627	-706	-1,615	-2,157
Government services	199	181	188	202	215	207	653	770
Investment income	-2,686	-4,437	-1,761	-2,963	-4,041	-4,128	-22,522	-11,847
Direct investment	944	-1,176	1,161	581	-514	-1,162	-8,195	1,509
Interest	-94	34	69	-94	24	-88	-455	-85
Profits	1,038	-1,210	1,092	674	-538	-1,074	-7,740	1,594
Portfolio investment	-2,836	-2,455	-2,502	-2,434	-1,765	-1,657	-15,518	-10,227
Interest	-4,144	-3,968	-4,042	-3,982	-3,851	-3,571	-19,718	-16,135
Dividends	1,308	1,513	1,540	1,548	2,086	1,913	4,200	5,908
Other investment	-793	-806	-420	-1,110	-1,762	-1,309	1,191	-3,129
Current transfers	-337	143	-61	-457	-390	163	-875	-712
Private	-1,297	-686	-744	-1,505	-1,251	-756	-2,475	-4,233
Official	960	829	683	1,049	861	919	1,600	3,521
<b>Current account</b>	<b>8,963</b>	<b>4,330</b>	<b>5,665</b>	<b>4,622</b>	<b>6,113</b>	<b>8,362</b>	<b>27,943</b>	<b>23,578</b>



## Section E

### Financial flow accounts

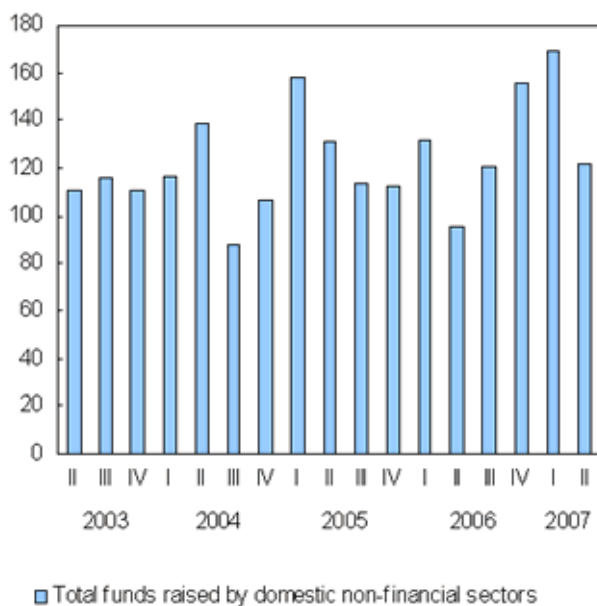
Second quarter 2007

Total funds raised by domestic non-financial sectors on financial markets amounted to \$121.6 billion in the second quarter of 2007 (seasonally adjusted at annual rates), down from the first quarter of 2007. New private sector financing by both households and non-financial corporations was more than offset by the drop of government sector marketable debt, which was driven by a sharp reduction in federal government short-term paper.

#### Chart E.1

##### Overall demand for funds falls

Billions of dollars, seasonally adjusted at annual rates



Rising indicators characterized financial markets during the second quarter of 2007. The S&P/Toronto Stock Exchange Composite Index broke the 14,000 mark during the quarter, closing the quarter at 13,906. Although the bank rate had continued unchanged since May 2006, both mortgage rates and bond yields rose modestly after remaining steady during the first quarter of 2007. The Canadian dollar appreciated to the 91 cent mark against the U.S. dollar during the second quarter of 2007.

#### Household sector

Households continued the trend of stronger borrowing in terms of mortgage and consumer credit. Sustained growth in new housing investment and strong growth in the re-sale market in the second quarter was a factor behind increased mortgage demand. A pick-up in consumer spending, particularly on consumer durables, contributed to increased recourse to consumer credit.

Household debt in the form of mortgages and consumer credit as a proportion of disposable income edged up, amounting to 113.3%. However, debt servicing charges remained stable at about 8% of personal disposable income.

Lower saving in the second quarter translated into a slower accumulation of financial assets. Investment in financial assets by households during the second quarter was led by the acquisition of deposits and pension assets.

#### Note to readers

The Financial Flow Accounts (FFA) measure net lending or borrowing by examining financial transactions in the economy by sector. The FFA arrive at a measure of net financial investment which is the difference between change in financial assets and liabilities. (e.g., net purchases of securities less net issuance of securities).

The Financial Flow Accounts also provide the link between financial and non-financial activity in the economy which ties estimates of saving and non-financial asset formation (e.g., investment in new housing) with the underlying financial transactions.

**Corporate sector**

The corporate sector's position as net lender to the rest of the economy remained strong in the second quarter, with corporate saving remaining at high levels.

Private non-financial corporations were active in financial markets, particularly in new share issuances. The faster growth of net saving and share issues relative to debt bodes well for changes in leverage for this sector, in terms of debt to equity.

Financial institutions added substantially to their holdings of deposits, bonds and foreign investments in the second quarter, while reducing their positions in short-term paper.

**Government sector**

A significant reduction of federal government short-term debt, as well the extension of the trend of retirements exceeding gross new issues for Government of Canada bonds, resulted in a significant drop in overall government sector debt. This was only partly offset by net new financing by other levels of government. The overall government surplus expanded in the second quarter of 2007, largely on strong revenue growth.

**Chart E.2**  
**Net reduction in total government market debt**

Billions of dollars, seasonally adjusted at annual rates

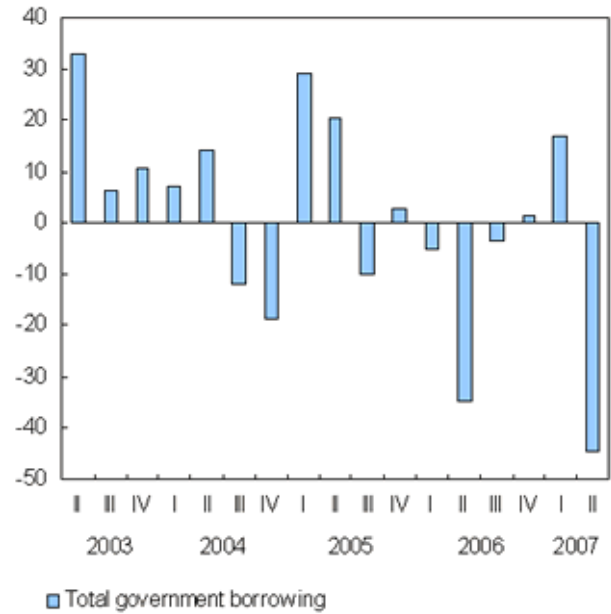


Table E.1 Financial market summary table

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised</b>								
<b>Persons and unincorporated business</b>	<b>80,856</b>	<b>75,760</b>	<b>77,056</b>	<b>82,928</b>	<b>87,344</b>	<b>89,500</b>	<b>70,555</b>	<b>79,150</b>
Consumer credit	26,528	27,792	28,868	29,920	30,344	31,632	25,122	28,277
Bank loans	2,564	2,000	1,676	2,828	1,844	-820	1,684	2,267
Other loans	5,576	236	212	2,340	3,564	2,872	763	2,091
Mortgages	46,188	45,732	46,300	47,840	51,592	55,816	42,986	46,515
<b>Non-financial private corporations</b>	<b>54,484</b>	<b>51,272</b>	<b>41,948</b>	<b>70,388</b>	<b>70,364</b>	<b>78,244</b>	<b>48,741</b>	<b>54,523</b>
Bank loans	-4,060	8,828	548	5,320	12,436	15,340	5,319	2,659
Other loans	6,260	2,664	-596	-5,076	-6,480	-5,116	2,537	813
Other short-term paper	21,224	16,124	7,948	15,920	2,532	6,876	3,895	15,304
Mortgages	11,940	13,628	14,692	18,564	18,764	20,752	9,971	14,706
Bonds	-3,268	-3,776	12,444	16,076	23,536	7,024	6,852	5,369
Shares	22,388	13,804	6,912	19,584	19,576	33,368	20,167	15,672
<b>Non-financial government enterprises</b>	<b>1,836</b>	<b>2,844</b>	<b>5,360</b>	<b>1,044</b>	<b>-5,380</b>	<b>-1,488</b>	<b>-1,356</b>	<b>2,771</b>
Bank loans	-160	692	376	28	-740	-24	-59	234
Other loans	872	-552	-528	1,104	228	664	54	224
Other short-term paper	576	-356	4,608	-820	-2,356	-2,176	-630	1,002
Mortgages	0	-4	-4	-4	-4	-4	2	-3
Bonds	548	3,064	908	736	-2,508	40	-723	1,314
Shares	0	0	0	0	0	12	0	0
<b>Federal government</b>	<b>-3,076</b>	<b>-31,944</b>	<b>-3,596</b>	<b>-2,448</b>	<b>6,980</b>	<b>-49,592</b>	<b>2,309</b>	<b>-10,266</b>
Bank loans	-96	-64	-20	36	492	-356	141	-36
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	3,764	-21,956	-1,144	4,592	13,064	-33,996	11,036	-3,686
Canada Savings Bonds	-2,180	-1,936	-1,748	-3,124	-2,248	-1,904	-1,751	-2,247
Other bonds	-4,564	-7,988	-684	-3,952	-4,328	-13,336	-7,117	-4,297
<b>Other levels of government</b>	<b>-1,920</b>	<b>-2,708</b>	<b>108</b>	<b>3,524</b>	<b>9,852</b>	<b>4,960</b>	<b>8,207</b>	<b>-249</b>
Bank loans	1,368	-540	20	216	876	1,872	209	266
Other loans	-224	188	-20	564	372	592	732	127
Other short-term paper	2,712	5,148	-6,952	-4,740	968	-7,316	-4,440	-958
Mortgages	16	-12	-4	0	8	-8	-13	0
Provincial bonds	-8,292	-8,568	5,216	6,840	5,900	8,768	10,121	-1,201
Municipal bonds	2,316	628	1,728	752	1,580	1,000	1,290	1,356
Other bonds	184	448	120	-108	148	52	308	161
<b>Total funds raised by domestic non-financial sectors</b>	<b>132,180</b>	<b>95,224</b>	<b>120,876</b>	<b>155,436</b>	<b>169,160</b>	<b>121,624</b>	<b>128,456</b>	<b>125,929</b>
<b>Consumer credit</b>	<b>26,528</b>	<b>27,792</b>	<b>28,868</b>	<b>29,920</b>	<b>30,344</b>	<b>31,632</b>	<b>25,122</b>	<b>28,277</b>
<b>Bank loans</b>	<b>-384</b>	<b>10,916</b>	<b>2,600</b>	<b>8,428</b>	<b>14,908</b>	<b>16,012</b>	<b>7,294</b>	<b>5,390</b>
<b>Other loans</b>	<b>12,484</b>	<b>2,536</b>	<b>-932</b>	<b>-1,068</b>	<b>-2,316</b>	<b>-988</b>	<b>4,086</b>	<b>3,255</b>
<b>Canada short-term paper</b>	<b>3,764</b>	<b>-21,956</b>	<b>-1,144</b>	<b>4,592</b>	<b>13,064</b>	<b>-33,996</b>	<b>11,036</b>	<b>-3,686</b>
<b>Other short-term paper</b>	<b>24,512</b>	<b>20,916</b>	<b>5,604</b>	<b>10,360</b>	<b>1,144</b>	<b>-2,616</b>	<b>-1,175</b>	<b>15,348</b>
<b>Mortgages</b>	<b>58,144</b>	<b>59,344</b>	<b>60,984</b>	<b>66,400</b>	<b>70,360</b>	<b>76,556</b>	<b>52,946</b>	<b>61,218</b>
<b>Bonds</b>	<b>-15,256</b>	<b>-18,128</b>	<b>17,984</b>	<b>17,220</b>	<b>22,080</b>	<b>1,644</b>	<b>8,980</b>	<b>455</b>
<b>Shares</b>	<b>22,388</b>	<b>13,804</b>	<b>6,912</b>	<b>19,584</b>	<b>19,576</b>	<b>33,380</b>	<b>20,167</b>	<b>15,672</b>

**Table E.2 Sector accounts - Persons and unincorporated businesses[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>1,084,032</b>	<b>1,082,796</b>	<b>1,097,596</b>	<b>1,114,472</b>	<b>1,140,784</b>	<b>1,160,052</b>	<b>1,032,247</b>	<b>1,094,724</b>
	2.9	-0.1	1.4	1.5	2.4	1.7	5.1	6.1
Wages, salaries and supplementary labour income	727,568	730,928	739,764	751,268	767,796	781,992	694,041	737,382
	2.4	0.5	1.2	1.6	2.2	1.8	6.0	6.2
Unincorporated business net income[2]	85,624	86,064	86,408	87,200	89,280	91,664	84,957	86,324
	0.2	0.5	0.4	0.9	2.4	2.7	1.0	1.6
Interest, dividends and miscellaneous investment income	119,448	123,016	124,116	126,924	131,660	134,732	114,048	123,376
	2.2	3.0	0.9	2.3	3.7	2.3	5.4	8.2
Current transfers from government	146,740	138,456	142,804	144,732	147,492	147,084	134,766	143,183
	7.3	-5.6	3.1	1.4	1.9	-0.3	3.6	6.2
Current transfers from corporations	1,692	1,760	1,812	1,852	1,900	1,968	1,737	1,779
	5.8	4.0	3.0	2.2	2.6	3.6	-25.4	2.4
Current transfers from non-residents	2,960	2,572	2,692	2,496	2,656	2,612	2,698	2,680
	15.3	-13.1	4.7	-7.3	6.4	-1.7	7.4	-0.7
<b>Outlay</b>	<b>1,056,504</b>	<b>1,068,564</b>	<b>1,082,564</b>	<b>1,095,456</b>	<b>1,117,180</b>	<b>1,144,612</b>	<b>1,019,422</b>	<b>1,075,772</b>
	1.6	1.1	1.3	1.2	2.0	2.5	6.2	5.5
Personal expenditure on goods and services	787,992	799,220	809,776	817,020	830,368	845,384	760,701	803,502
	1.8	1.4	1.3	0.9	1.6	1.8	5.6	5.6
Current transfers to government	249,532	249,680	252,620	257,856	265,872	277,872	240,761	252,422
	0.9	0.1	1.2	2.1	3.1	4.5	7.7	4.8
Current transfers to corporations	14,968	15,648	16,144	16,416	16,664	17,048	14,013	15,794
	3.2	4.5	3.2	1.7	1.5	2.3	10.0	12.7
Current transfers to non-residents	4,012	4,016	4,024	4,164	4,276	4,308	3,947	4,054
	2.6	0.1	0.2	3.5	2.7	0.7	13.8	2.7
<b>Saving</b>	<b>27,528</b>	<b>14,232</b>	<b>15,032</b>	<b>19,016</b>	<b>23,604</b>	<b>15,440</b>	<b>12,825</b>	<b>18,952</b>
	102.5	-48.3	5.6	26.5	24.1	-34.6	-41.6	47.8
Disposable income[3]	834,500	833,116	844,976	856,616	874,912	882,180	791,486	842,302
	3.5	-0.2	1.4	1.4	2.1	0.8	4.3	6.4
Saving rate	3.3	1.7	1.8	2.2	2.7	1.8	1.6	2.3
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>72,672</b>	<b>59,728</b>	<b>60,808</b>	<b>64,852</b>	<b>71,764</b>	<b>64,020</b>	<b>57,803</b>	<b>64,515</b>
	26.6	-17.8	1.8	6.7	10.7	-10.8	-7.9	11.6
Saving	27,528	14,232	15,032	19,016	23,604	15,440	12,825	18,952
	102.5	-48.3	5.6	26.5	24.1	-34.6	-41.6	47.8
Capital consumption allowances	41,432	42,024	42,572	43,204	43,936	44,632	39,981	42,308
	1.4	1.4	1.3	1.5	1.7	1.6	6.0	5.8
Net capital transfers	3,712	3,472	3,204	2,632	4,224	3,948	4,997	3,255
	26.1	-6.5	-7.7	-17.9	60.5	-6.5	62.3	-34.9
Deduct: Non-financial capital acquisition	115,856	117,036	117,924	117,604	124,120	128,716	108,361	117,105
	4.0	1.0	0.8	-0.3	5.5	3.7	8.6	8.1
<b>Net lending</b>	<b>-43,184</b>	<b>-57,308</b>	<b>-57,116</b>	<b>-52,752</b>	<b>-52,356</b>	<b>-64,696</b>	<b>-50,558</b>	<b>-52,590</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>40,356</b>	<b>23,988</b>	<b>19,400</b>	<b>33,236</b>	<b>40,540</b>	<b>31,564</b>	<b>21,883</b>	<b>29,245</b>
	...	...	...	...	...	...	...	...
Currency and deposits	24,132	40,756	32,148	37,004	10,700	31,084	4,371	33,510
	...	...	...	...	...	...	...	...
Canadian debt securities	-14,604	-20,328	-25,052	-10,208	-7,720	-13,316	-11,559	-17,548
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	21,228	-12,692	-5,320	3,144	28,040	5,372	14,326	1,590
	...	...	...	...	...	...	...	...
Life insurance and pensions	44,040	55,160	43,924	41,564	42,736	48,604	40,987	46,172
	...	...	...	...	...	...	...	...
Other financial assets	-34,440	-38,908	-26,300	-38,268	-33,216	-40,180	-26,242	-34,479
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>84,408</b>	<b>80,268</b>	<b>80,232</b>	<b>84,884</b>	<b>92,592</b>	<b>93,920</b>	<b>72,033</b>	<b>82,448</b>
	...	...	...	...	...	...	...	...
Consumer credit	26,528	27,792	28,868	29,920	30,344	31,632	25,122	28,277
	...	...	...	...	...	...	...	...
Bank and other loans	8,140	2,236	1,888	5,168	5,408	2,052	2,447	4,358
	...	...	...	...	...	...	...	...
Mortgages	46,188	45,732	46,300	47,840	51,592	55,816	42,986	46,515
	...	...	...	...	...	...	...	...
Trade payables	3,552	4,508	3,176	1,956	5,248	4,420	1,478	3,298
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-44,052</b>	<b>-56,280</b>	<b>-60,832</b>	<b>-51,648</b>	<b>-52,052</b>	<b>-62,356</b>	<b>-50,150</b>	<b>-53,203</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	868	-1,028	3,716	-1,104	-304	-2,340	-408	613
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. Sum of accrued net income of farm operators from farm production and net income of non-farm unincorporated business, including rent.

3. Total income minus current transfers to government.

Table E.3 Sector accounts - Corporations and government business enterprises, total[1]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>364,336</b>	<b>367,388</b>	<b>379,884</b>	<b>402,076</b>	<b>377,020</b>	<b>390,056</b>	<b>350,618</b>	<b>378,421</b>
	-3.1	0.8	3.4	5.8	-6.2	3.5	11.8	7.9
Corporation profits before taxes	194,664	197,444	201,864	201,464	205,872	208,244	189,357	198,859
	-4.0	1.4	2.2	-0.2	2.2	1.2	11.9	5.0
Government business enterprise profits before taxes	13,912	14,156	13,668	13,556	15,168	15,672	14,578	13,823
	-8.9	1.8	-3.4	-0.8	11.9	3.3	12.8	-5.2
Inventory valuation adjustment	540	-444	-1,376	-5,820	-2,584	2,776	-933	-1,775
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[2]	85,436	85,380	94,588	121,668	86,988	90,940	79,331	96,768
	-5.5	-0.1	10.8	28.6	-28.5	4.5	20.1	22.0
Interest on consumer debt	14,968	15,648	16,144	16,416	16,664	17,048	14,013	15,794
	3.2	4.5	3.2	1.7	1.5	2.3	10.0	12.7
Interest on public debt[3]	54,816	55,204	54,996	54,792	54,912	55,376	54,272	54,952
	0.6	0.7	-0.4	-0.4	0.2	0.8	-0.6	1.3
<b>Outlay</b>	<b>260,860</b>	<b>258,888</b>	<b>260,084</b>	<b>269,652</b>	<b>264,108</b>	<b>271,444</b>	<b>248,425</b>	<b>262,371</b>
	-2.0	-0.8	0.5	3.7	-2.1	2.8	8.4	5.6
Interest, dividends and miscellaneous payments	206,284	207,236	206,312	208,852	207,260	215,840	196,802	207,171
	-3.2	0.5	-0.4	1.2	-0.8	4.1	9.0	5.3
Direct taxes	49,620	49,420	51,192	55,496	52,476	53,216	49,492	51,432
	-2.9	-0.4	3.6	8.4	-5.4	1.4	7.6	3.9
Other current transfers	4,956	2,232	2,580	5,304	4,372	2,388	2,131	3,768
	138.3	-55.0	15.6	105.6	-17.6	-45.4	-18.1	76.8
<b>Saving</b>	<b>103,476</b>	<b>108,500</b>	<b>119,800</b>	<b>132,424</b>	<b>112,912</b>	<b>118,612</b>	<b>102,193</b>	<b>116,050</b>
	-5.7	4.9	10.4	10.5	-14.7	5.0	20.8	13.6
<b>Gross saving and capital transfers</b>	<b>221,980</b>	<b>227,724</b>	<b>240,204</b>	<b>253,900</b>	<b>235,608</b>	<b>242,800</b>	<b>217,059</b>	<b>235,952</b>
	-2.3	2.6	5.5	5.7	-7.2	3.1	11.7	8.7
Saving	103,476	108,500	119,800	132,424	112,912	118,612	102,193	116,050
	-5.7	4.9	10.4	10.5	-14.7	5.0	20.8	13.6
Capital consumption allowances	115,500	116,692	117,784	118,608	120,148	121,572	111,932	117,146
	0.9	1.0	0.9	0.7	1.3	1.2	4.3	4.7
Net capital transfers	3,004	2,532	2,620	2,868	2,548	2,616	2,934	2,756
	-2.0	-15.7	3.5	9.5	-11.2	2.7	18.5	-6.1
Deduct: Non-financial capital acquisition	161,216	173,064	173,728	166,408	167,456	169,164	154,355	168,604
	1.5	7.3	0.4	-4.2	0.6	1.0	14.1	9.2
<b>Net lending</b>	<b>60,764</b>	<b>54,660</b>	<b>66,476</b>	<b>87,492</b>	<b>68,152</b>	<b>73,636</b>	<b>62,704</b>	<b>67,348</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>540,852</b>	<b>460,392</b>	<b>565,544</b>	<b>579,636</b>	<b>663,680</b>	<b>680,768</b>	<b>463,862</b>	<b>536,606</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Consumer credit	26,528	27,792	28,868	29,920	30,344	31,632	25,122	28,277
	...	...	...	...	...	...	...	...
Bank and other loans	27,080	19,932	32,880	32,828	40,684	20,668	7,335	28,180
	...	...	...	...	...	...	...	...
Mortgages	66,232	68,412	69,364	73,560	79,620	87,072	60,490	69,392
	...	...	...	...	...	...	...	...
Short-term paper	84,316	-13,940	13,420	42,744	16,620	-16,340	24,393	31,635
	...	...	...	...	...	...	...	...
Bonds	50,700	45,652	57,372	90,280	50,032	93,100	66,894	61,001
	...	...	...	...	...	...	...	...
Shares	-2,648	-11,712	-616	8,296	7,280	10,500	17,551	-1,670
	...	...	...	...	...	...	...	...
Foreign investments	66,676	71,912	75,964	98,284	118,192	131,272	51,864	78,209
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>488,268</b>	<b>404,328</b>	<b>502,260</b>	<b>495,892</b>	<b>586,688</b>	<b>594,108</b>	<b>398,083</b>	<b>472,687</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Currency and deposits	77,612	83,852	100,872	114,656	150,224	135,780	93,312	94,248
	...	...	...	...	...	...	...	...
Bank and other loans	-6,380	11,736	5,580	19,856	24,924	24,560	7,880	7,698
	...	...	...	...	...	...	...	...
Short-term paper	52,880	25,932	42,836	41,596	22,728	12,564	23,527	40,811
	...	...	...	...	...	...	...	...
Bonds	73,772	46,184	68,608	118,692	71,332	87,964	64,159	76,814
	...	...	...	...	...	...	...	...
Shares	103,640	50,064	61,936	111,756	105,888	118,932	60,272	81,849
	...	...	...	...	...	...	...	...
Life insurance and pensions	39,472	50,644	38,768	36,136	36,536	44,376	38,364	41,255
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>52,584</b>	<b>56,064</b>	<b>63,284</b>	<b>83,744</b>	<b>76,992</b>	<b>86,660</b>	<b>65,779</b>	<b>63,919</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	8,180	-1,404	3,192	3,748	-8,840	-13,024	-3,075	3,429
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. Includes interest and dividends received from non-residents.

3. Interest on the public debt is routed to other sectors of the economy through the corporate sector due to incomplete information on transactions of government debt instruments.

Table E.4 Sector accounts - Government[1]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>579,292</b>	<b>580,264</b>	<b>580,640</b>	<b>589,552</b>	<b>599,316</b>	<b>615,504</b>	<b>559,746</b>	<b>582,437</b>
	0.3	0.2	0.1	1.5	1.7	2.7	7.0	4.1
Taxes on incomes	230,512	227,920	232,120	242,824	246,208	257,880	219,949	233,344
	1.4	-1.1	1.8	4.6	1.4	4.7	8.9	6.1
Contributions to social insurance plans	65,612	67,092	67,440	67,448	68,516	69,440	65,340	66,898
	-0.4	2.3	0.5	0.0	1.6	1.3	5.2	2.4
Taxes on production and imports	177,896	179,420	175,808	175,868	179,120	182,736	173,081	177,248
	1.2	0.9	-2.0	0.0	1.8	2.0	4.7	2.4
Other current transfers from persons	10,576	10,644	10,568	10,668	10,716	10,832	10,442	10,614
	1.2	0.6	-0.7	0.9	0.4	1.1	3.1	1.6
Investment income	50,740	50,796	49,756	47,124	48,800	48,140	48,446	49,604
	-6.9	0.1	-2.0	-5.3	3.6	-1.4	11.8	2.4
Sales of goods and services[2]	43,956	44,392	44,948	45,620	45,956	46,476	42,488	44,729
	1.4	1.0	1.3	1.5	0.7	1.1	5.6	5.3
<b>Outlay</b>	<b>551,884</b>	<b>543,064</b>	<b>550,724</b>	<b>557,160</b>	<b>566,208</b>	<b>571,568</b>	<b>524,279</b>	<b>550,708</b>
	3.8	-1.6	1.4	1.2	1.6	0.9	4.2	5.0
Gross current expenditure on goods and services[2]	321,756	322,112	325,012	329,260	335,708	341,876	305,138	324,535
	3.8	0.1	0.9	1.3	2.0	1.8	5.5	6.4
Current transfers	167,408	157,852	162,688	164,852	167,388	166,368	156,376	163,200
	5.4	-5.7	3.1	1.3	1.5	-0.6	4.0	4.4
Interest on the public debt	62,720	63,100	63,024	63,048	63,112	63,324	62,765	62,973
	0.1	0.6	-0.1	0.0	0.1	0.3	-1.7	0.3
<b>Saving</b>	<b>27,408</b>	<b>37,200</b>	<b>29,916</b>	<b>32,392</b>	<b>33,108</b>	<b>43,936</b>	<b>35,467</b>	<b>31,729</b>
	-40.3	35.7	-19.6	8.3	2.2	32.7	78.8	-10.5
<b>Gross saving and capital transfers</b>	<b>50,352</b>	<b>60,660</b>	<b>53,464</b>	<b>56,388</b>	<b>57,312</b>	<b>68,320</b>	<b>57,900</b>	<b>55,216</b>
	-26.5	20.5	-11.9	5.5	1.6	19.2	37.8	-4.6
Saving	27,408	37,200	29,916	32,392	33,108	43,936	35,467	31,729
	-40.3	35.7	-19.6	8.3	2.2	32.7	78.8	-10.5
Capital consumption allowances	24,936	25,160	25,396	25,692	25,988	26,292	24,425	25,296
	1.2	0.9	0.9	1.2	1.2	1.2	4.9	3.6
Net capital transfers	-1,992	-1,700	-1,848	-1,696	-1,784	-1,908	-1,992	-1,809
	...	...	...	...	...	...	...	...
Deduct: Non-financial capital acquisition	39,440	40,032	40,552	41,156	41,568	42,112	36,323	40,295
	2.9	1.5	1.3	1.5	1.0	1.3	13.1	10.9
<b>Net lending</b>	<b>10,912</b>	<b>20,628</b>	<b>12,912</b>	<b>15,232</b>	<b>15,744</b>	<b>26,208</b>	<b>21,577</b>	<b>14,921</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>376</b>	<b>12,004</b>	<b>20,132</b>	<b>52,388</b>	<b>25,720</b>	<b>-3,552</b>	<b>57,107</b>	<b>21,225</b>
	...	...	...	...	...	...	...	...
Currency and deposits	-2,904	5,428	2,212	412	612	9,952	2,951	1,287
	...	...	...	...	...	...	...	...
Loans	5,724	-1,352	-744	1,092	264	1,920	4,053	1,180
	...	...	...	...	...	...	...	...
Canadian securities	-8,596	11,772	20,580	11,552	10,900	4,628	21,909	8,827
	...	...	...	...	...	...	...	...
Other financial assets	6,152	-3,844	-1,916	39,332	13,944	-20,052	28,194	9,931
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>-11,736</b>	<b>-6,932</b>	<b>11,628</b>	<b>35,828</b>	<b>6,728</b>	<b>-28,984</b>	<b>35,625</b>	<b>7,197</b>
	...	...	...	...	...	...	...	...
Bank and other loans	1,048	-416	-20	816	1,740	2,108	1,082	357
	...	...	...	...	...	...	...	...
Short-term paper	6,476	-16,808	-8,096	-148	14,032	-41,312	6,596	-4,644
	...	...	...	...	...	...	...	...
Bonds	-13,420	-19,364	2,728	-60	908	-1,160	2,323	-7,529
	...	...	...	...	...	...	...	...
Other liabilities	-5,840	29,656	17,016	35,220	-9,952	11,380	25,624	19,013
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>12,112</b>	<b>18,936</b>	<b>8,504</b>	<b>16,560</b>	<b>18,992</b>	<b>25,432</b>	<b>21,482</b>	<b>14,028</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-1,200	1,692	4,408	-1,328	-3,248	776	95	893
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. In GDP, government current expenditure is recorded on a net basis, that is, after deduction of sales of goods and services. In the government sector accounts, sales of goods and services to other sectors are shown separately as part of revenue, and current expenditure is recorded on a gross basis, which leaves saving unchanged.

Table E.5 Sector accounts - Non-residents[1]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>547,032</b>	<b>552,068</b>	<b>564,928</b>	<b>574,236</b>	<b>574,200</b>	<b>570,224</b>	<b>534,710</b>	<b>559,566</b>
	-1.3	0.9	2.3	1.6	-0.0	-0.7	7.3	4.6
Sales of goods (imports)	392,492	400,520	411,860	412,692	419,028	411,096	388,282	404,391
	-1.3	2.0	2.8	0.2	1.5	-1.9	6.9	4.1
Sales of services (imports)	81,228	82,616	83,836	85,396	85,476	84,892	79,915	83,269
	-0.3	1.7	1.5	1.9	0.1	-0.7	3.2	4.2
Interest, dividends and miscellaneous receipts	61,452	60,376	59,980	64,240	58,392	65,212	57,462	61,512
	-6.5	-1.8	-0.7	7.1	-9.1	11.7	14.5	7.0
Current transfers	11,860	8,556	9,252	11,908	11,304	9,024	9,051	10,394
	31.5	-27.9	8.1	28.7	-5.1	-20.2	19.5	14.8
<b>Outlay</b>	<b>570,372</b>	<b>566,188</b>	<b>584,156</b>	<b>619,868</b>	<b>601,236</b>	<b>601,852</b>	<b>561,477</b>	<b>585,146</b>
	-4.1	-0.7	3.2	6.1	-3.0	0.1	6.7	4.2
Purchases of goods (exports)	454,464	449,124	457,168	462,028	477,460	476,104	451,779	455,696
	-5.1	-1.2	1.8	1.1	3.3	-0.3	5.3	0.9
Purchases of services (exports)	68,104	69,380	69,344	69,212	70,216	70,216	68,600	69,010
	-2.3	1.9	-0.1	-0.2	1.5	0.0	3.5	0.6
Interest, dividends and miscellaneous payments	37,296	38,556	48,636	78,544	43,812	45,856	32,922	50,758
	-2.2	3.4	26.1	61.5	-44.2	4.7	37.7	54.2
Current transfers	10,508	9,128	9,008	10,084	9,748	9,676	8,176	9,682
	34.4	-13.1	-1.3	11.9	-3.3	-0.7	14.3	18.4
<b>Saving</b>	<b>-23,340</b>	<b>-14,120</b>	<b>-19,228</b>	<b>-45,632</b>	<b>-27,036</b>	<b>-31,628</b>	<b>-26,767</b>	<b>-25,580</b>
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>-28,064</b>	<b>-18,424</b>	<b>-23,204</b>	<b>-49,436</b>	<b>-32,024</b>	<b>-36,284</b>	<b>-32,706</b>	<b>-29,782</b>
	...	...	...	...	...	...	...	...
Saving	-23,340	-14,120	-19,228	-45,632	-27,036	-31,628	-26,767	-25,580
	...	...	...	...	...	...	...	...
Net capital transfers	-4,724	-4,304	-3,976	-3,804	-4,988	-4,656	-5,939	-4,202
	...	...	...	...	...	...	...	...
<b>Net lending[2]</b>	<b>-28,064</b>	<b>-18,424</b>	<b>-23,204</b>	<b>-49,436</b>	<b>-32,024</b>	<b>-36,284</b>	<b>-32,706</b>	<b>-29,782</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>130,280</b>	<b>173,808</b>	<b>136,904</b>	<b>73,704</b>	<b>149,404</b>	<b>111,076</b>	<b>59,075</b>	<b>128,674</b>
	...	...	...	...	...	...	...	...
Currency and deposits	-10,304	40,172	-19,844	5,568	67,652	-15,084	4,200	3,898
	...	...	...	...	...	...	...	...
Loans	-11,792	-5,828	-2,888	640	-120	1,636	-1,894	-4,967
	...	...	...	...	...	...	...	...
Short-term paper	11,620	10,208	2,700	-15,024	5,352	-3,312	520	2,376
	...	...	...	...	...	...	...	...
Bonds	1,480	948	33,552	34,836	28,432	-6,016	-546	17,704
	...	...	...	...	...	...	...	...
Shares	31,584	16,436	2,876	-7,636	-7,876	-14,696	9,134	10,815
	...	...	...	...	...	...	...	...
Other financial assets	107,692	111,872	120,508	55,320	55,964	148,548	47,661	98,848
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>150,924</b>	<b>192,528</b>	<b>147,860</b>	<b>122,360</b>	<b>193,336</b>	<b>160,812</b>	<b>96,186</b>	<b>153,418</b>
	...	...	...	...	...	...	...	...
Official reserves	3,060	-380	1,764	-384	6,652	4,008	1,655	1,015
	...	...	...	...	...	...	...	...
Currency and deposits	13,036	20,328	19,520	7,204	12,032	1,556	6,389	15,022
	...	...	...	...	...	...	...	...
Bank and other loans	18,204	-804	21,800	8,720	8,756	-4,496	-1,915	11,980
	...	...	...	...	...	...	...	...
Foreign investments	78,816	88,576	87,344	110,520	127,568	137,680	61,234	91,314
	...	...	...	...	...	...	...	...
Other liabilities	37,808	84,808	17,432	-3,700	38,328	22,064	28,823	34,087
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-20,644</b>	<b>-18,720</b>	<b>-10,956</b>	<b>-48,656</b>	<b>-43,932</b>	<b>-49,736</b>	<b>-37,111</b>	<b>-24,744</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-7,420	296	-12,248	-780	11,908	13,452	4,405	-5,038
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.

2. This account presents the saving as well as the net lending or borrowing position of non-residents with respect to their transactions with Canadian residents. The sign of these aggregates is, therefore, the reverse of what appears in the Canadian Balance of International Payments.

## Section F

### Labour productivity, hourly compensation and unit labour cost

Second quarter 2007

Labour productivity in the Canadian business sector grew moderately (+0.2%) between April and June of 2007, following the strong gain (+0.7%) in the first three months of the year.

This slowing in productivity in the second quarter was directly attributable to an acceleration in hours worked that were dedicated to production. Hours worked for businesses increased at more than double the pace in the second quarter than in the first. At the same time, the pace of economic growth remained about the same.

**Chart F.1**

**Productivity growth in Canada's business sector slows**



#### Note to readers

This chapter presents an analysis on labour productivity for the aggregate business sector and its constituent industries (15 two-digit NAICS industries) and sub-sectors (goods and services). The statistical series for total economy, business sector and non-commercial sector start with the first quarter of 1981, while those at industry level are available only back to the first quarter of 1997.

The term "productivity" refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

For more information about the productivity program, see the new National Economic Accounts module ([www.statcan.ca/nea](http://www.statcan.ca/nea)). You can also order a copy of a technical note about the quarterly estimates of productivity by sending an email to [productivity.measures@statcan.ca](mailto:productivity.measures@statcan.ca).

#### Revisions

With this release, Canadian estimates have been revised back to the first quarter of 2007 at the aggregate level and to the first quarter of 2006 at the industry level. In the United States, the Bureau of Labor Statistics recently made revisions to its labour productivity estimates for the years 2004 to 2006, incorporating recent revisions of the U.S. National Accounts by the Bureau of Economic Analysis.

**Labour productivity** is the ratio of output to labour input (hours worked). Quarterly estimates of productivity are derived from a Fisher chained index of GDP, or of value added, in the business sector. Economic performance as measured by labour productivity must be interpreted carefully, since these estimates reflect changes in other inputs in addition to the growth in productive efficiency.

**Labour compensation** includes all payments in cash or in kind made by domestic producers to persons as remuneration for work. This includes salaries and supplementary labour income of paid workers, plus the imputed labour income of self-employed workers.

**Unit labour cost** is the labour cost per unit of output. It is calculated as the ratio of labour compensation to real value added. It is also the equivalent of the ratio of labour compensation per hour worked to labour productivity. The unit labour cost will increase when hourly compensation rises faster than labour productivity.

**Unit labour cost in US dollars** is the equivalent of the ratio of Canadian unit labour cost to the exchange rate. This latter corresponds to the U.S. dollar value expressed in Canadian dollars.



In the United States, labour productivity among American businesses surged 0.9% between April and June, after edging forward (+0.1%) in the first three months of the year. This was its strongest performance since the third quarter of 2005, when the indicator reached 1.2%. The recovery in American productivity in the second quarter reflected a notable acceleration in economic activity.

**Chart F.2**

**U.S. productivity rebounds strongly**



On a quarterly basis, labour productivity growth in Canada and the United States has been very volatile, but on average these indicators have evolved at a similar pace since the third quarter of 2004.

In Canada, the increase in the number of hours worked between April and June was concentrated in full-time work, which led to a 0.3% increase in hours per job. Hours per job declined during the two previous quarters.

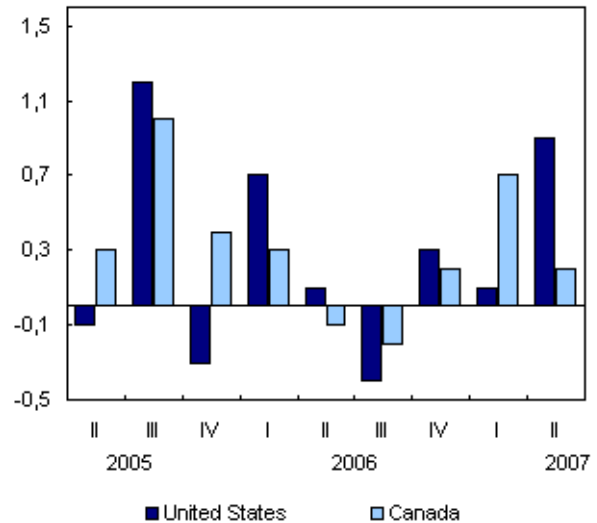
**Growth in output comparable, but labour market more dynamic in Canada**

Productivity growth in the United States and Canada moved in opposite directions in the second quarter compared with the first. While second-quarter productivity growth in Canada cooled, it heated up sharply south of the border.

**Chart F.3**

**Productivity gap is widely in favour of the U.S. during the second quarter**

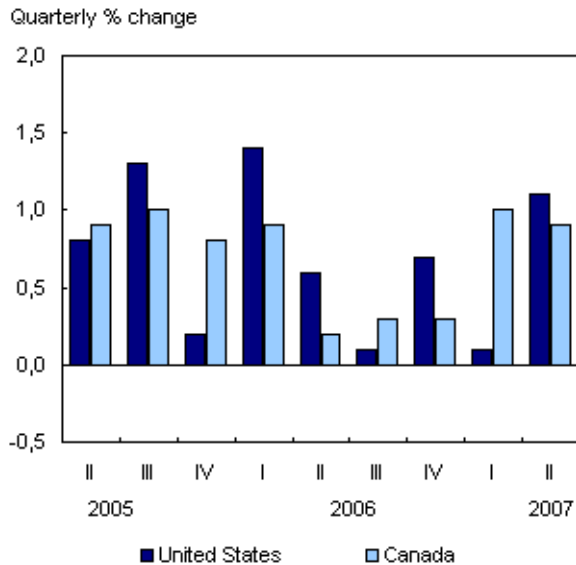
Quarterly % change



In Canada, economic output among businesses recorded a second consecutive quarter of strong growth (+0.9%). Driven by rising incomes, personal expenditure on goods and services continued to sustain economic activity. Spending accelerated to 1.2%, led by a pick-up in consumer outlays on durable goods.

Production rose at comparable pace among Canadian and American businesses between April and June. However, after stagnating in the previous quarter, economic activity in the U.S. business sector rose strongly (+1.1%) — the strongest since the first three months of 2006. This rebound helped American businesses to achieve better productivity gains than those in Canada.

**Chart F.4**  
**Comparable GDP growth in both countries**



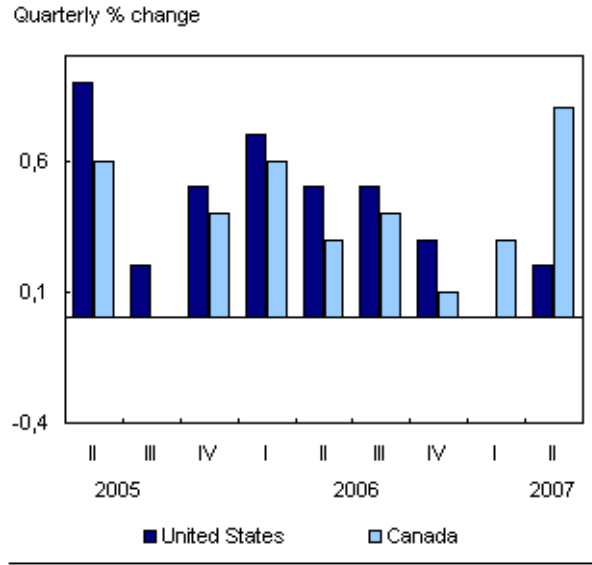
The rebound in American GDP growth is essentially attributed to the strong recovery in net exports (exports minus imports of goods and services) and the acceleration in business investments (mainly in infrastructure investment).

Unlike in previous quarters, consumer spending played a very small part in American GDP growth. The slowdown in consumer spending occurred amidst high gasoline prices and a continued slowing in the housing market.

Differences in labour market performances in both countries also played a role in the faster productivity growth among American businesses. In Canada, the growth in economic activity was accompanied by a more dynamic labour market.

Hours worked devoted to production in Canadian businesses grew 0.8% in the second quarter, more than twice as fast as the 0.3% rise in the first quarter. Full-time work was the main component in the increase in hours worked between April and June. The rise in hours worked in the second quarter was concentrated in administration and support services, accommodation and food services and other commercial services, where productivity levels are relatively low.

**Chart F.5**  
**Higher growth in hours worked in Canada**



By comparison, hours worked in American companies rose only 0.2% in the second quarter, after remaining unchanged in the first three months of the year.

**Canadian businesses watch their competitiveness weaken as the loonie soars**

As with productivity in the second quarter, the United States had an advantage over Canada in terms of unit labour costs, particularly when the exchange rate appreciation is taken into consideration.

Unit labour cost, a measure of the cost of wages and benefits of workers per unit of economic output, once again rose more in Canada than in the United States between April and June, when measured in their respective national currencies.

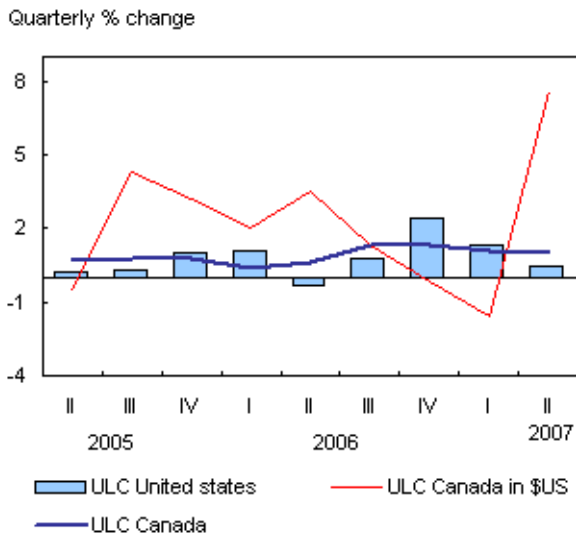
The cost of labour per unit of production for Canadian companies was up 1.0% in the second quarter, following a 1.1% increase in the previous quarter. This slight slowdown in unit labour cost in Canada observed over the April-June period is attributable to the strong deceleration in the increase in hourly wages, which fell from 1.8% in the first quarter to 1.1% in the second quarter.

Since the third quarter of 2006, the growth in this indicator has been at or above 1.0%. The increase in labour compensation during the first two quarters of 2007 stems, in part, from pay equity payments in Quebec and special contributions to the Newfoundland and Labrador pension fund.

Since 2006, these payments have had a significant upward effect in unit labour cost. Excluding these special payments, unit labour cost for the overall economy increases 0.9% and 1.0% in the first and second quarter, respectively.

For American businesses, unit labour costs were up only 0.5% in the second quarter, decelerating from 1.3% in the first quarter and 2.4% in the last quarter of 2006. In the meantime, hourly compensation in the United States picked up, in the second quarter at the same rate as in the first (+1.3%), considerably slower than in the last quarter of 2006 (+2.8%).

**Chart F.6**  
**Canadian unit labour costs in US\$ leaps sharply**



The competitive position of American businesses looked even better when the unit labour cost is adjusted for the exchange rate. The loonie rose sharply (+6.3%) over the American greenback in the second quarters, following two quarters of depreciation. The strength of the Canadian dollar in the second quarter led to a 7.6% jump in the Canadian unit labour cost in U.S. dollars after two quarters of decline.

Despite this deterioration in cost competitiveness, exports of Canadian goods and services still rebounded by 0.7% in the second quarter, after a mere 0.2% rise in the first three months of 2007. Canadian businesses capitalized on the dollar's strength by investing in machinery and equipment, boosting their acquisitions in this area by 1.5% between April and June, after allowing them to fall in the first quarter.

#### **Downward revisions in productivity growth in the U.S. for each of the three previous years**

The United States recently revised their estimates on labour productivity in the business sector. The data released today incorporate these revisions to the American data that affected the GDP between 2004 and 2006. The latest revisions for Canada's four-year GDP are available in *The Daily* of June 12, 2007.

Overall, the American data revisions lowered the annual rate of growth in American labour productivity for each of the three previous years (2004 to 2006). Throughout this period, American business productivity grew by 2.0% on average, or 0.3 percentage points less than previously estimated.

For 2006, U.S. productivity growth was revised downward from 1.7% to 1.0%, a rate now identical to that in Canada during the same year. With these revised data, productivity growth has been on average similar in both countries since the third quarter of 2004 — a marked improvement in Canada's case.

However, the revisions had almost no medium-term impact on previous estimates. Between 2000 and 2006, annual average growth in American productivity was revised downward, from 2.9% to 2.7%. Despite this revision, the growth in American productivity remained almost three times higher than Canada's, which came to 1.0% for the same period.

During this period, GDP growth was similar on both sides of the border, but hours worked rose much more in Canada. More precisely, the annual average growth in GDP was 2.5% for Canada and 2.6% south of the border. On the other hand, hours worked increased an average of 1.5% per year in Canada while it declined by 0.1% over the same period.

**Table F.0 Comparison of annual labour productivity growth in the business sector before and after revision**

	Canada	United States	
		Before revision	After revision
	annual % change		
1981-2006	1.5	2.2	2.1
1981-2000	1.6	1.9	1.9
2000-2006	1.0	2.9	2.7
2003	0.3	3.8	3.8
2004	0.0	3.1	2.9
2005	2.5	2.1	2.0
2006	1.0	1.7	1.0

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - Second quarter 2007, published in *NEWS*, September 6.

## Industry analysis

### Net slowdown of productivity in the goods sector

Overall productivity fell -0.2% in the goods sector in the second quarter of 2007 compared to the previous quarter (+1.2%), reflecting declines in the construction industry (-2.0%) and in the agriculture, forestry, fishing and hunting industry (-2.5%) (that registered a drop in its production in the second quarter (-2.3%). Despite increased construction activity in the second quarter, mainly in non-residential construction and household renovations, productivity fell with the sharp 2.8% rise in hours worked in construction.

On the other hand, a rebound in the mining, oil and gas extraction industry (+2.5%) and the third consecutive rise in the manufacturing sector (+0.9%) partly compensated for the declines. The rise in the productivity of the mining, oil, and gas extraction industry originates from a change in the industrial composition of this sector following the dramatic decline in mine exploration which is more labour intensive than other components of this industry.

In the service sector, productivity growth was also weaker in the second quarter. The two hardest hit sectors were accommodation and food services (-2.8%), as a result of a drop in production, and administrative and support, waste management and remediation services (-0.7%).

Retail trade (+1.7%) and finance and insurance (+0.4%) industries, on the other hand, had a positive impact on productivity of the service sector in the second quarter. Retail trade advanced in large part because of higher sales of motor vehicle and other durable goods. The finance and insurance sector has been registering growth for six consecutive quarters.

**Less upward pressure on hourly compensation in the goods sector**

Acceleration of hourly compensation registered for business sector industries in the last two quarters, slowed in the second quarter of 2007 (+1.1%) mainly because of industry producing goods.

In the goods sector, the rise in hourly compensation (+0.7%) was moderate in comparison to that observed in the first quarter (+2.5%). The rate of growth in the second quarter was similar to the first two quarters of 2006. This slowdown is attributable to several industries, including construction, manufacturing and agriculture, forestry, fishing and hunting. On the other hand, the mining, oil and gas extraction industry again experienced a significant (+3.9%) boost in hourly pay in the second quarter of 2007, surpassing the notable performance observed in the first quarter.

In the service sector, the growth in hourly compensation remained strong in the second quarter (+1.3%), maintaining the same pace as in the previous quarter. The finance and insurance industries and retail trade posted second quarter increases of 2.2% and 1.6%, respectively.

**Deteriorating unit labour costs in the service sector**

The slower pace in hourly compensation of 1.1% led to the stabilization of unit labour cost growth for business sector industries (1.0%) even though productivity gains were modest (0.2%). Unit labour costs are used to monitor inflationary pressures by comparing relative differences between changes in hourly wages and productivity.

In the second quarter of 2007, unit labour costs in the service sector accelerated by 1.3% mainly because of the increases in the finance and insurance industry (2.0%) and in business services (3.2%). These two industries experienced a strong rise in their hourly compensation in the second quarter. This is the third quarter in a row to have had large increases in unit costs in the service sector. The first quarter of 2007 brought a 0.9% increase, and the last quarter of 2006 a 1.1% increase.

The rise in labour costs in the goods sector was a bit more modest in the second quarter, (+0.9%) compared to the previous quarter (+1.2%). The growth in this sector stemmed largely from the construction industry (+2.8%) following a drop in productivity in this industry. The utilities industry registered a drop of 2.2% in the labour unit costs while the manufacturing sector edged down (-0.1%).

**Table F.1 Business sector - Labour productivity and related variables for Canada and the United States[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
Labour productivity	0.3	-0.1	-0.2	0.2	0.7	0.2
Real GDP	0.9	0.2	0.3	0.3	1.0	0.9
Hours worked	0.6	0.3	0.4	0.1	0.3	0.8
Hourly compensation	0.7	0.5	1.0	1.7	1.8	1.1
Unit labour cost	0.4	0.6	1.3	1.3	1.1	1.0
Exchange rate[2]	-1.5	-2.8	-0.1	1.6	2.8	-6.3
Unit labour cost in US\$	2.0	3.5	1.3	-0.2	-1.6	7.6
<b>United States</b>						
Labour productivity	0.7	0.1	-0.4	0.3	0.1	0.9
Real GDP	1.4	0.6	0.1	0.7	0.1	1.1
Hours worked	0.7	0.5	0.5	0.3	0.0	0.2
Hourly compensation	1.7	-0.1	0.4	2.8	1.3	1.3
Unit labour cost	1.1	-0.3	0.8	2.4	1.3	0.5
Percent change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	2.0	1.7	0.4	0.2	0.6	0.9
Real GDP	3.7	3.0	2.2	1.7	1.8	2.5
Hours worked	1.6	1.4	1.8	1.5	1.2	1.6
Hourly compensation	4.8	4.3	3.5	3.9	5.1	5.7
Unit labour cost	2.7	2.6	3.1	3.7	4.4	4.8
Exchange rate[2]	-5.9	-9.7	-6.7	-2.8	1.4	-2.2
Unit labour cost in US\$	9.2	13.7	10.4	6.8	2.9	7.1
<b>United States</b>						
Labour productivity	1.5	1.7	0.2	0.7	0.2	0.8
Real GDP	3.8	3.6	2.4	2.8	1.5	2.0
Hours worked	2.3	1.8	2.2	2.1	1.3	1.1
Hourly compensation	4.2	3.9	2.8	4.8	4.4	5.9
Unit labour cost	2.7	2.2	2.6	4.1	4.3	5.1
Percent change from previous quarter at annualized rate[3]						
<b>Canada</b>						
Labour productivity	1.0	-0.3	-0.7	0.7	2.8	0.7
Real GDP	3.6	0.9	1.2	1.2	4.1	3.8
Hours worked	2.4	1.4	1.7	0.3	1.4	3.1
Hourly compensation	2.7	2.1	4.2	6.8	7.3	4.6
Unit labour cost	1.7	2.4	5.2	5.5	4.4	4.0
Unit labour cost in US\$	8.4	14.8	5.4	-0.8	-6.4	34.3
<b>United States</b>						
Labour productivity	2.5	0.8	-1.5	1.2	0.2	3.5
Real GDP	5.5	2.5	0.6	2.6	0.2	4.6
Hours worked	2.9	1.7	2.2	1.4	0.0	1.0
Hourly compensation	7.2	-0.4	1.6	11.4	5.5	5.5
Unit labour cost	4.6	-1.2	3.1	10.1	5.3	1.9

1. Source: U.S. data are from the Bureau of Labor Statistics, Productivity and costs, published in NEWS.

2. The exchange rate corresponds to the U.S. dollar value expressed in Canadian dollars.

3. The change at annualized rates corresponds to the annual growth rate that would have been observed if the growth over the quarter had been the same for the whole year.

**Table F.2 Business sector - Some related variables for labour markets[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
All jobs	0.6	0.3	0.2	0.6	0.7	0.4
Hours worked	0.6	0.3	0.4	0.1	0.3	0.8
Average hours	0.0	0.1	0.3	-0.5	-0.3	0.3
Labour share[2]	1.0	0.0	0.8	1.4	-0.4	-0.6
<b>United States</b>						
All jobs	0.7	0.4	0.3	0.3	0.2	0.2
Hours worked	0.7	0.5	0.5	0.3	0.0	0.2
Average hours	-0.1	0.0	0.3	-0.1	-0.2	0.1
Labour share[2]	0.4	-1.1	0.2	2.3	0.3	-0.2
Percent change from same quarter of previous year						
<b>Canada</b>						
All jobs	2.0	1.4	1.4	1.6	1.7	1.8
Hours worked	1.6	1.4	1.8	1.5	1.2	1.6
Average hours	-0.3	0.0	0.4	-0.1	-0.4	-0.2
Labour share[2]	-0.6	-0.7	1.1	3.4	1.9	1.2
<b>United States</b>						
All jobs	2.0	1.8	1.9	1.8	1.3	1.1
Hours worked	2.3	1.8	2.2	2.1	1.3	1.1
Average hours	0.3	0.0	0.3	0.1	0.0	0.1
Labour share[2]	-0.4	-1.1	-0.4	1.8	1.6	2.6
Percent change from previous quarter at annualized rates[3]						
<b>Canada</b>						
All jobs	2.4	1.0	0.7	2.3	2.7	1.7
Hours worked	2.4	1.4	1.7	0.3	1.4	3.1
Average hours	0.0	0.4	1.2	-2.0	-1.2	1.2
Labour share[2]	4.3	0.0	3.4	5.9	-1.6	-2.4
<b>United States</b>						
All jobs	3.0	1.7	1.3	1.3	1.0	1.0
Hours worked	2.9	1.7	2.2	1.4	0.0	1.0
Average hours	-0.4	0.0	1.2	-0.4	-0.8	0.4
Labour share[2]	1.7	-4.5	0.8	9.5	1.2	-0.8

1. Source: U.S. data are from the Bureau of Labor Statistics, Productivity and costs, published in NEWS.

2. This is the ratio of labour compensation to GDP at market prices in current dollars.

3. The change at annualized rates corresponds to the annual growth rate that would have been observed if the growth over the quarter had been the same for the whole year.

**Table F.3 Indexes of labour productivity by industry[1]**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Using seasonally adjusted data, (1997 = 100)								
<b>Business sector - goods</b>	<b>117.3</b>	<b>116.1</b>	<b>115.6</b>	<b>115.6</b>	<b>117.0</b>	<b>116.8</b>	<b>116.0</b>	<b>116.2</b>
	<i>0.0</i>	<i>-1.0</i>	<i>-0.4</i>	<i>0.0</i>	<i>1.2</i>	<i>-0.2</i>	<i>1.3</i>	<i>0.2</i>
Agriculture, forestry, fishing and hunting	159.0	157.1	154.3	159.6	163.9	159.8	156.9	157.5
	<i>1.3</i>	<i>-1.2</i>	<i>-1.8</i>	<i>3.4</i>	<i>2.7</i>	<i>-2.5</i>	<i>3.8</i>	<i>0.4</i>
Construction	115.0	116.4	116.6	117.4	117.7	115.4	112.4	116.4
	<i>1.8</i>	<i>1.2</i>	<i>0.2</i>	<i>0.7</i>	<i>0.3</i>	<i>-2.0</i>	<i>-0.7</i>	<i>3.5</i>
Manufacturing	120.8	118.6	117.5	118.0	118.9	120.0	118.7	118.7
	<i>-0.2</i>	<i>-1.8</i>	<i>-0.9</i>	<i>0.4</i>	<i>0.8</i>	<i>0.9</i>	<i>3.6</i>	<i>0.0</i>
<b>Business sector - services</b>	<b>117.6</b>	<b>118.0</b>	<b>118.4</b>	<b>118.3</b>	<b>118.8</b>	<b>118.9</b>	<b>115.7</b>	<b>118.1</b>
	<i>0.6</i>	<i>0.3</i>	<i>0.3</i>	<i>-0.1</i>	<i>0.4</i>	<i>0.1</i>	<i>2.6</i>	<i>2.0</i>
Wholesale trade	139.1	141.8	143.1	142.0	144.5	144.0	132.1	141.5
	<i>1.8</i>	<i>1.9</i>	<i>0.9</i>	<i>-0.8</i>	<i>1.8</i>	<i>-0.3</i>	<i>7.4</i>	<i>7.1</i>
Retail trade	129.5	130.7	131.5	130.6	132.3	134.5	125.4	130.6
	<i>2.2</i>	<i>0.9</i>	<i>0.6</i>	<i>-0.7</i>	<i>1.3</i>	<i>1.7</i>	<i>2.3</i>	<i>4.1</i>
Transportation and warehousing	113.2	112.9	112.1	112.8	113.6	112.9	112.0	112.8
	<i>-0.9</i>	<i>-0.3</i>	<i>-0.7</i>	<i>0.6</i>	<i>0.7</i>	<i>-0.6</i>	<i>4.0</i>	<i>0.6</i>
Information and cultural industries	123.8	123.8	123.9	123.6	123.4	123.7	119.6	123.8
	<i>0.7</i>	<i>0.0</i>	<i>0.1</i>	<i>-0.2</i>	<i>-0.2</i>	<i>0.2</i>	<i>4.5</i>	<i>3.5</i>
Finance, real estate and company management	106.8	108.4	109.8	110.7	111.6	112.0	108.1	108.9
	<i>0.6</i>	<i>1.5</i>	<i>1.3</i>	<i>0.8</i>	<i>0.8</i>	<i>0.4</i>	<i>-1.9</i>	<i>0.8</i>
Professional, scientific and technical services	118.1	118.1	117.4	117.5	117.5	118.1	117.8	117.8
	<i>0.0</i>	<i>0.0</i>	<i>-0.6</i>	<i>0.1</i>	<i>0.0</i>	<i>0.5</i>	<i>1.6</i>	<i>0.0</i>
Administrative and support, waste management and remediation services	97.3	98.5	98.4	98.3	98.7	98.0	96.2	98.1
	<i>0.6</i>	<i>1.2</i>	<i>-0.1</i>	<i>-0.1</i>	<i>0.4</i>	<i>-0.7</i>	<i>0.9</i>	<i>2.0</i>
Accommodation and food services	116.0	113.8	114.4	116.1	113.9	110.7	112.9	115.1
	<i>1.5</i>	<i>-1.9</i>	<i>0.5</i>	<i>1.5</i>	<i>-1.9</i>	<i>-2.8</i>	<i>2.2</i>	<i>1.9</i>
Other commercial services	109.7	108.6	108.1	107.9	107.6	107.2	109.7	108.6
	<i>-0.8</i>	<i>-1.0</i>	<i>-0.5</i>	<i>-0.2</i>	<i>-0.3</i>	<i>-0.4</i>	<i>2.4</i>	<i>-1.0</i>

1. The first line is the series itself. The second line is the percentage change.



Table F.4 Indexes of unit labour cost by industry[1]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Using seasonally adjusted data (1997 = 100)								
<b>Business sector - goods</b>	<b>113.3</b>	<b>114.9</b>	<b>116.5</b>	<b>117.8</b>	<b>119.2</b>	<b>120.3</b>	<b>112.7</b>	<b>115.6</b>
	<i>0.4</i>	<i>1.4</i>	<i>1.4</i>	<i>1.1</i>	<i>1.2</i>	<i>0.9</i>	<i>1.5</i>	<i>2.6</i>
Agriculture, forestry, fishing and hunting	101.8	97.8	97.2	94.9	97.3	97.6	100.3	97.9
	<i>1.4</i>	<i>-3.9</i>	<i>-0.6</i>	<i>-2.4</i>	<i>2.5</i>	<i>0.3</i>	<i>-7.6</i>	<i>-2.4</i>
Construction	103.3	104.2	105.5	105.0	107.7	110.7	105.9	104.5
	<i>-3.0</i>	<i>0.9</i>	<i>1.2</i>	<i>-0.5</i>	<i>2.6</i>	<i>2.8</i>	<i>2.5</i>	<i>-1.3</i>
Manufacturing	107.8	109.4	111.1	112.5	113.2	113.1	107.5	110.2
	<i>0.7</i>	<i>1.5</i>	<i>1.6</i>	<i>1.3</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.2</i>	<i>2.5</i>
<b>Business sector - services</b>	<b>115.8</b>	<b>115.8</b>	<b>116.3</b>	<b>117.6</b>	<b>118.6</b>	<b>120.2</b>	<b>113.8</b>	<b>116.4</b>
	<i>0.3</i>	<i>0.0</i>	<i>0.4</i>	<i>1.1</i>	<i>0.9</i>	<i>1.3</i>	<i>2.6</i>	<i>2.3</i>
Wholesale trade	94.1	92.2	92.8	95.7	97.0	97.6	95.3	93.7
	<i>-1.7</i>	<i>-2.0</i>	<i>0.7</i>	<i>3.1</i>	<i>1.4</i>	<i>0.6</i>	<i>-1.6</i>	<i>-1.6</i>
Retail trade	102.9	103.5	101.8	101.6	100.8	100.8	103.9	102.5
	<i>-2.7</i>	<i>0.6</i>	<i>-1.6</i>	<i>-0.2</i>	<i>-0.8</i>	<i>0.0</i>	<i>1.5</i>	<i>-1.3</i>
Transportation and warehousing	111.9	111.3	111.3	113.2	114.9	115.7	112.0	111.9
	<i>-0.3</i>	<i>-0.5</i>	<i>0.0</i>	<i>1.7</i>	<i>1.5</i>	<i>0.7</i>	<i>0.9</i>	<i>-0.0</i>
Information and cultural industries	112.8	113.9	114.3	116.2	115.9	117.0	109.2	114.3
	<i>0.8</i>	<i>1.0</i>	<i>0.4</i>	<i>1.7</i>	<i>-0.3</i>	<i>0.9</i>	<i>2.3</i>	<i>4.6</i>
Finance, real estate and company management	121.2	123.0	122.8	124.2	124.8	127.3	117.8	122.8
	<i>0.7</i>	<i>1.5</i>	<i>-0.2</i>	<i>1.1</i>	<i>0.5</i>	<i>2.0</i>	<i>4.6</i>	<i>4.2</i>
Professional, scientific and technical services	123.6	123.1	127.5	128.9	129.5	129.9	120.6	125.8
	<i>1.6</i>	<i>-0.4</i>	<i>3.6</i>	<i>1.1</i>	<i>0.5</i>	<i>0.3</i>	<i>2.4</i>	<i>4.3</i>
Administrative and support, waste management and remediation services	131.4	131.1	134.1	136.6	140.2	143.8	129.8	133.3
	<i>0.5</i>	<i>-0.2</i>	<i>2.3</i>	<i>1.9</i>	<i>2.6</i>	<i>2.6</i>	<i>3.4</i>	<i>2.7</i>
Accommodation and food services	127.2	127.7	126.3	125.7	127.5	132.7	122.7	126.7
	<i>0.3</i>	<i>0.4</i>	<i>-1.1</i>	<i>-0.5</i>	<i>1.4</i>	<i>4.1</i>	<i>6.9</i>	<i>3.3</i>
Other commercial services	129.5	130.6	131.5	132.9	135.6	139.9	123.4	131.1
	<i>3.8</i>	<i>0.8</i>	<i>0.7</i>	<i>1.1</i>	<i>2.0</i>	<i>3.2</i>	<i>4.4</i>	<i>6.3</i>

1. The first line is the series itself. The second line is the percentage change.

## Section G

# Canada's International investment position

Second quarter 2007

Canada's net external liabilities jumped during the second quarter of 2007 in the wake of a surging Canadian dollar.

The Canadian dollar value of both international assets and liabilities were down at the end of June. However the decline in international assets, which are influenced more by exchange rate movements, was almost four times the decrease in liabilities.

As a result, net external liabilities (the difference between Canada's external assets and foreign liabilities) increased \$32.0 billion to \$124.4 billion.

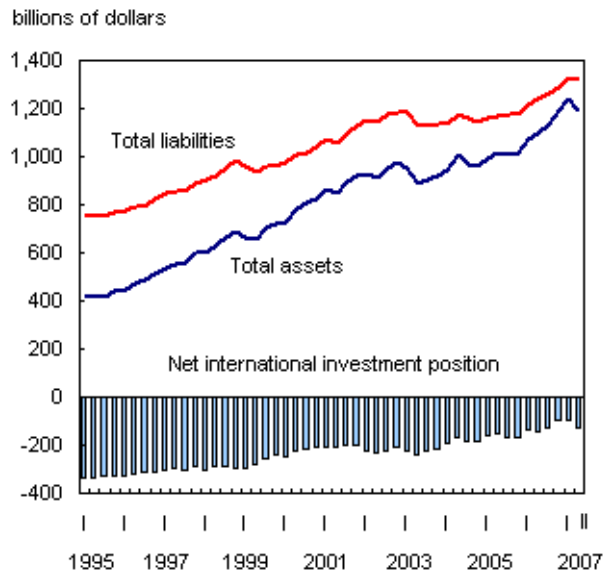
The value of international assets fell to \$1,193.1 billion, a drop of \$44.0 billion from the previous quarter.

The dollar, which gained in value compared to major foreign currencies from March 31st to June 30th, removed \$76.8 billion from the value of these assets. This more than offset gains resulting from financial transactions, especially from investment in foreign bonds and stocks.

At the same time, the nation's international liabilities declined \$12.0 billion to \$1,317.6 billion. This impact of the strengthening dollar was partly offset by increased activity in international acquisitions of Canadian firms.

Net external liabilities at the end of June represented 8.1% of Canada's gross domestic product, up from 6.2% the previous quarter, which was a record low.

**Chart G.1**  
Canada's international investment position



The Canadian dollar made appreciable gains against major foreign currencies in the second quarter. It gained 8.4% against the US dollar, 6.2% against the pound sterling, 7.0% against the Euro and 13.2% against the Japanese yen.

### Note to readers

#### Currency valuation

The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of our international liabilities are in foreign currencies.

When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

**Assets: Substantial decline in value of direct investment abroad**

The stronger Canadian dollar in the second quarter had a large impact on the value of Canadian direct investment abroad, which fell by \$28.0 billion to \$508.2 billion at the end of June.

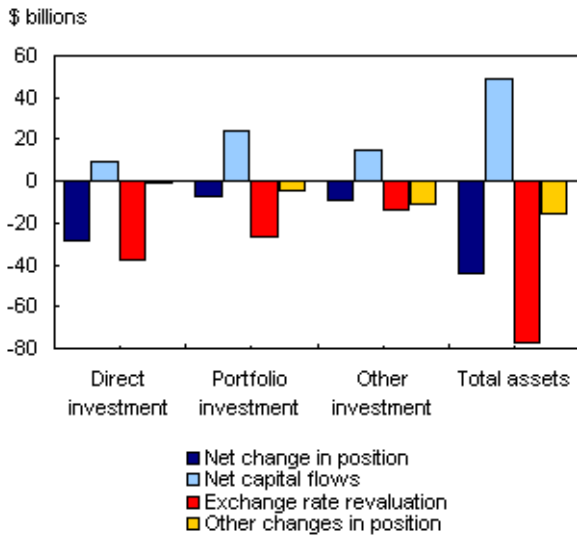
The injection of capital into existing affiliates was completely offset by the currency movements. The stronger dollar removed \$37.2 billion from the value of Canadian direct investment abroad.

Canadian direct investment in the United States fell by \$13.8 billion to \$220.7 billion while Canadian direct investment in all other countries decreased by \$14.2 billion to \$287.5 billion.

Despite the negative impact from the stronger Canadian dollar, Canadian holdings of foreign bonds increased by \$6.8 billion to \$151.1 billion as Canadians made large purchases during the quarter, especially of maple bonds.

Holdings of foreign stocks decreased to reach \$205.1 billion, down \$13.5 billion from the end of March. At the same time, Canadian holdings of foreign money market paper decreased slightly to \$19.8 billion.

**Chart G.2**  
**Contributions to net change in asset values between the first and second quarters of 2007**



**Liabilities: Increase in foreign direct investment in Canada**

Foreign investors added \$10.0 billion to their direct investment position in Canada. Foreign direct investment in Canada reached \$473.2 billion at the end of June.

Foreign direct investors were active in acquisitions of Canadian firms and this contributed to the increase.

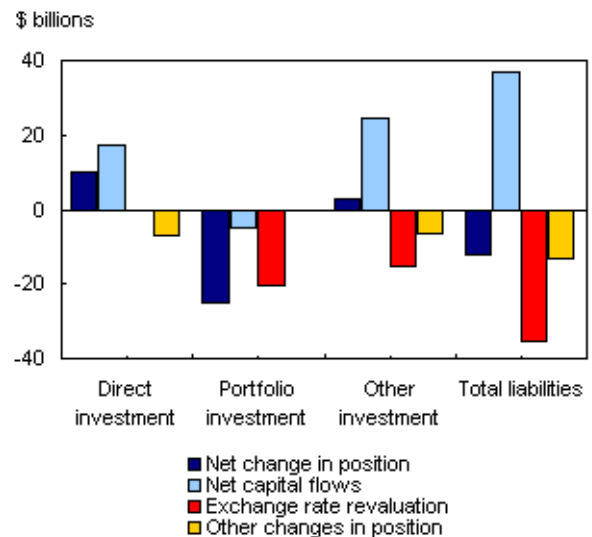
Canada's net asset position on direct investment - the difference between Canadian direct investment abroad and foreign direct investment in Canada - decreased to \$35.0 billion at the end of June, the lowest level since the third quarter of 2003.

Transactions in Canadian bonds reduced foreign holdings by \$4.9 billion in the second quarter.

Combined with the currency effect (more than one-half of the outstanding Canadian bonds held by foreign investors are issued in foreign currencies), the total holdings of Canadian bonds fell by \$25.0 billion to \$385.1 billion.

Foreign holdings of Canadian stocks decreased slightly to \$111.1 billion at the end of the quarter while foreign holdings of Canadian money market paper were up by less than a billion to \$24.1 billion.

**Chart G.3**  
**Contributions to net change in liability values between the first and second quarters of 2007**



**Table G.1 International investment position at period-end**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	468,635	468,500	480,635	523,260	536,210	508,177	459,606	523,260
Portfolio investment abroad								
Foreign bonds	93,361	103,207	112,763	128,505	144,266	151,114	82,276	128,505
<i>Foreign bonds at market value</i>	<i>98,875</i>	<i>108,378</i>	<i>121,474</i>	<i>138,171</i>	<i>155,304</i>	<i>160,071</i>	<i>88,744</i>	<i>138,171</i>
Foreign stocks	201,897	200,794	202,720	216,194	218,570	205,073	197,082	216,194
<i>Foreign stocks at market value</i>	<i>481,446</i>	<i>464,047</i>	<i>491,609</i>	<i>559,671</i>	<i>574,256</i>	<i>567,922</i>	<i>445,564</i>	<i>559,671</i>
Foreign money market	14,122	12,916	17,870	19,966	20,128	19,774	13,055	19,966
<i>Foreign money market at market value</i>	<i>14,166</i>	<i>12,964</i>	<i>17,941</i>	<i>20,062</i>	<i>20,195</i>	<i>19,825</i>	<i>13,108</i>	<i>20,062</i>
Other investment								
Loans	60,356	63,556	71,298	72,360	76,882	70,617	45,957	72,360
Deposits	135,203	147,845	152,119	131,427	136,742	137,217	120,813	131,427
Official international reserves	42,149	40,301	40,131	40,959	45,507	42,534	38,030	40,959
<i>Official international reserves at market value</i>	<i>42,088</i>	<i>40,089</i>	<i>40,256</i>	<i>40,862</i>	<i>45,386</i>	<i>41,991</i>	<i>38,400</i>	<i>40,862</i>
Other assets	57,548	55,864	57,287	57,758	58,801	58,634	56,605	57,758
Total assets								
at book value	1,073,271	1,092,983	1,134,822	1,190,429	1,237,105	1,193,140	1,013,424	1,190,429
with portfolio investment at market value	<i>1,358,317</i>	<i>1,361,243</i>	<i>1,432,619</i>	<i>1,543,571</i>	<i>1,603,776</i>	<i>1,564,454</i>	<i>1,268,797</i>	<i>1,543,571</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	419,321	423,498	435,328	448,858	463,204	473,153	407,610	448,858
Portfolio investment								
Canadian bonds	382,566	374,022	379,586	404,590	410,071	385,111	380,818	404,590
<i>Canadian bonds at market value</i>	<i>404,576</i>	<i>387,896</i>	<i>404,346</i>	<i>430,163</i>	<i>433,016</i>	<i>397,986</i>	<i>408,768</i>	<i>430,163</i>
Canadian stocks	108,519	112,513	112,428	112,571	111,382	111,063	105,818	112,571
<i>Canadian stocks at market value</i>	<i>350,676</i>	<i>346,754</i>	<i>351,733</i>	<i>379,482</i>	<i>387,509</i>	<i>407,366</i>	<i>318,934</i>	<i>379,482</i>
Canadian money market	22,868	27,059	25,931	24,515	23,730	24,089	20,783	24,515
<i>Canadian money market at market value</i>	<i>22,997</i>	<i>27,242</i>	<i>26,136</i>	<i>24,716</i>	<i>23,951</i>	<i>24,282</i>	<i>20,899</i>	<i>24,716</i>
Other investment								
Loans	43,555	45,529	50,013	49,508	51,629	50,220	41,645	49,508
Deposits	213,699	234,571	235,692	227,149	246,862	251,513	201,025	227,149
Other liabilities	22,500	21,915	21,674	22,225	22,676	22,411	22,156	22,225
Total liabilities								
at book value	1,213,028	1,239,107	1,260,652	1,289,417	1,329,552	1,317,560	1,179,855	1,289,417
with portfolio investment at market value	<i>1,477,324</i>	<i>1,487,405</i>	<i>1,524,922</i>	<i>1,582,101</i>	<i>1,628,847</i>	<i>1,626,931</i>	<i>1,421,037</i>	<i>1,582,101</i>
<b>Net international investment position</b>								
at book value	-139,757	-146,124	-125,829	-98,988	-92,448	-124,420	-166,431	-98,988
with portfolio investment at market value	<i>-119,007</i>	<i>-126,162</i>	<i>-92,303</i>	<i>-38,530</i>	<i>-25,071</i>	<i>-62,477</i>	<i>-152,240</i>	<i>-38,530</i>

## Section H

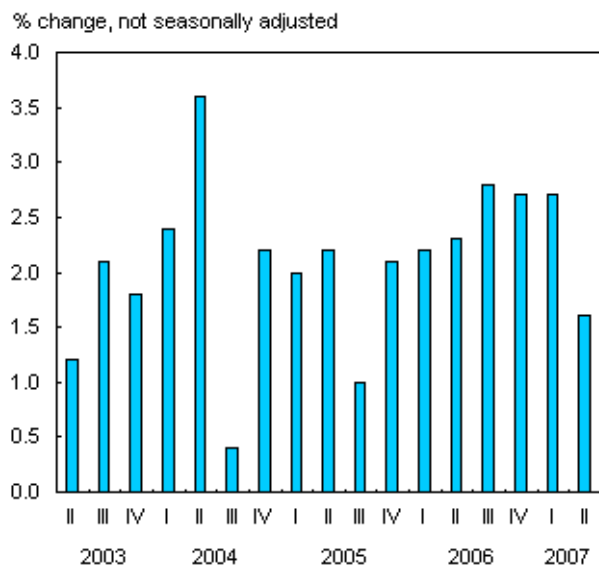
### National balance sheet accounts

Second quarter 2007

National net worth reached \$5.3 trillion by the end of the second quarter of 2007, or \$162,200 per capita. National net worth expanded by \$86 billion (+1.6%) in the second quarter, growing less than any of the previous six quarters.

**Chart H.1**

#### Growth in national net worth slows



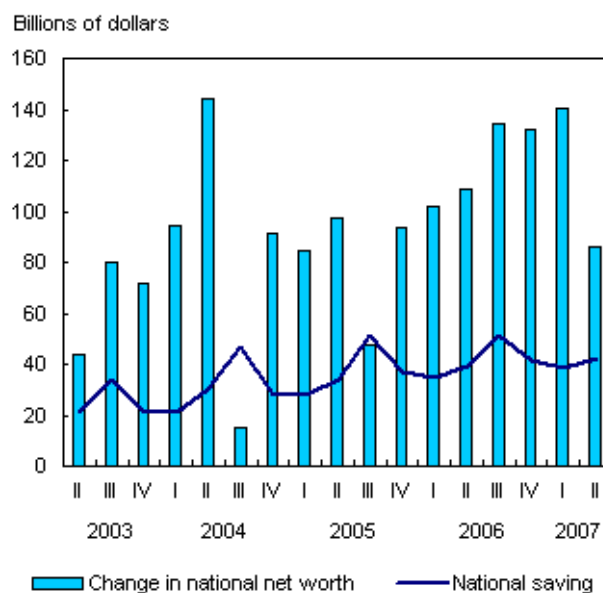
National wealth (economy-wide non-financial assets) grew 2.3% in the second quarter, abetted by strong economic growth during the quarter. Residential real estate continued to be the major contributor to growth in national wealth, accounting for over half of the gain.

National saving led by governments and corporations contributed to the advance of national net worth in the second quarter. Strong stock markets and residential real estate prices also continued to support the increase in national net worth. However, this gain in the second quarter of 2007 was notably restrained by an increase in

Canadians' net foreign indebtedness (with marketable securities on a market value basis). The revaluation caused by a sharp appreciation of the Canadian dollar had a devaluing effect on foreign assets held by Canadians, contributing to Canadians' increased net indebtedness. Foreign acquisition of Canadian corporate assets was also a factor in increased Canadian liabilities to non-residents.

**Chart H.2**

#### Saving and revaluations drive change in national net worth



#### Household net worth gains ease further

Growth in household net worth continued to slow, but still grew 1.9% in the second quarter. Non-financial assets advanced at twice the rate of financial assets, but the growth in liabilities (+2.8%) outpaced that of assets (+2.0%).

#### Note to readers

The national balance sheet accounts are statements of the balance sheets of all of the various sectors of the economy. They consist of the non-financial assets owned in the various sectors of the economy and of financial claims outstanding. National wealth is the sum of non-financial assets (produced assets, land surrounding structures and agricultural land) in all sectors of the economy. National net worth is national wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of persons, corporations and governments.

National saving is the sum of saving of persons, corporations and governments. National saving and investment contribute to change in national net worth. The revaluation of assets and liabilities is also responsible for changes in national net worth. The causes of revaluation include changes in non-financial asset prices, equity prices, interest rates, exchange rates and loan allowances.

Quarterly series, both book and market value, are available from the first quarter of 1990; market value estimates have been available since June 2004. For more information on the market value estimates, consult *Balance sheet estimates at market value*.

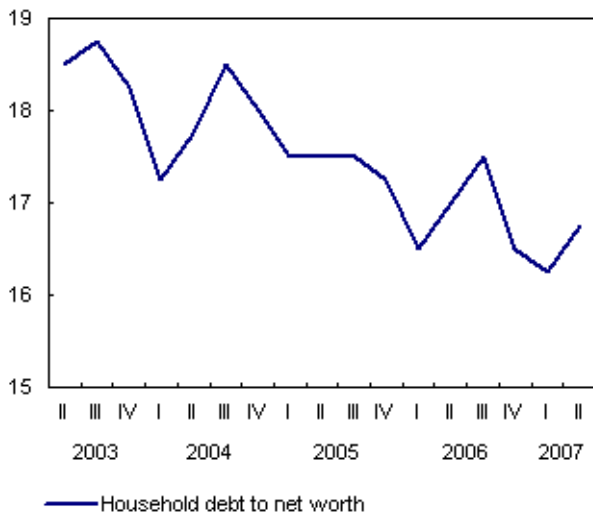
The value of financial assets grew at a reduced pace in the second quarter, in part due to the dampening effect of the sharply appreciating Canadian dollar on foreign currency-denominated investments held in mutual funds and pension plans. Nonetheless, pension assets and equities (including mutual fund units), as well as deposits, were the main contributors to growth in financial asset holdings of the household sector during the quarter.

Residential real estate grew slightly faster than in the first quarter, providing the bulk of the increase in non-financial assets. This reflected its relative size among household assets, along with sustained strength in new housing construction and in re-sale activity in the second quarter.

Household debt, the sum of mortgage and consumer credit, accelerated sharply over the second quarter of 2007, outpacing growth in personal disposable income. The strong rise in household debt reflects robust spending on residential real estate and consumer goods during the quarter. This, combined with slackened growth in asset values, were factors behind the rise in the household debt-to-net worth ratio to 17.7%.

**Chart H.3**  
**Household leverage rises**

As a % of net worth, not seasonally adjusted data

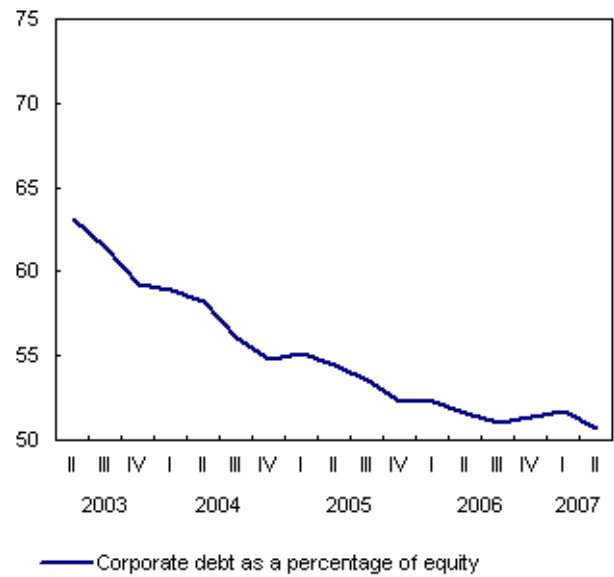


**Non-financial corporate leverage falls**

In the second quarter, corporations experienced conditions of sustained growth in net saving, steady business investment and appreciating stock prices. To meet their financing needs, private non-financial corporations turned away from credit market debt and towards share issuance, resulting in a decrease in corporate leverage and resuming the long-term downward trend in the debt-to-equity ratio.

**Chart H.4**  
**Corporate leverage resumes downward trend**

As a % of equity, not seasonally adjusted data



**Total government debt further reduced**

The surplus of all levels of government expanded in the second quarter, and with increases in financial assets coinciding with a reduction in liabilities, the total government net debt (total liabilities less total financial assets) fell for a 13th consecutive quarter. The decrease in total liabilities was led by a significant reduction in short-term paper obligations of the federal government. The net retirement of Government of Canada and provincial government bonds also contributed to this public debt reduction. Net government debt as a percentage of gross domestic product (GDP) declined further, representing less than half of GDP, compared to almost 90% a decade ago.

**Asset growth of financial institutions slows**

Financial institutions, who are traditional net lenders to other sectors of the economy, saw growth in their financial assets decelerate during the second quarter. Sectors primarily involved in investment activities (such as trustee pension plans and mutual funds) felt the impact of the appreciating Canadian dollar through the devaluation of their foreign investment portfolios. This revaluation effect was partially offset by the increased mortgage and consumer credit holdings of sectors primarily involved in lending activities, such as chartered banks.

Table H.1 National balance sheet accounts[1]

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	4,863 1.4	4,978 2.4	5,079 2.0	5,157 1.5	5,284 2.5	5,407 2.3	4,794 6.9	5,157 7.6
Net foreign debt	-119 ...	-126 ...	-92 ...	-38 ...	-25 ...	-62 ...	-152 ...	-38 ...
National net worth	4,744 2.2	4,852 2.3	4,987 2.8	5,119 2.6	5,260 2.8	5,346 1.6	4,642 7.5	5,119 10.3
National net worth per capita (dollars)	145,900 2.0	148,700 1.9	152,400 2.5	156,200 2.5	160,100 2.5	162,200 1.3	143,000 6.4	156,200 9.2

1. The first line is the series itself expressed in billions of dollars. The second line, is the period-to-period percentage change.

Table H.2 National balance sheet, market value

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Millions of dollars at quarter end								
<b>Total assets</b>	<b>15,668,595</b>	<b>15,831,119</b>	<b>16,176,314</b>	<b>16,713,938</b>	<b>17,106,046</b>	<b>17,404,013</b>	<b>15,265,125</b>	<b>16,713,938</b>
Non-financial assets	4,862,553	4,978,126	5,079,134	5,157,467	5,284,251	5,407,484	4,794,042	5,157,467
Residential structures	1,351,097	1,396,461	1,436,971	1,465,798	1,496,902	1,532,512	1,314,745	1,465,798
Non-residential structures	1,122,534	1,134,659	1,150,708	1,165,960	1,193,286	1,222,921	1,131,290	1,165,960
Machinery and equipment	415,396	419,098	423,775	429,636	446,540	443,449	413,633	429,636
Consumer durables	376,377	379,022	379,953	386,824	387,284	394,180	374,978	386,824
Inventories	210,164	211,411	218,399	215,949	219,877	218,003	206,397	215,949
Land	1,386,985	1,437,475	1,469,328	1,493,300	1,540,362	1,596,419	1,352,999	1,493,300
Net financial assets	-118,817	-125,767	-92,224	-38,233	-24,730	-61,741	-152,490	-38,233
Financial assets	10,806,042	10,852,993	11,097,180	11,556,471	11,821,795	11,996,529	10,471,083	11,556,471
Official reserves	42,149	40,301	40,130	40,960	45,508	42,533	38,029	40,960
Gold & foreign currency	39,865	38,033	37,860	38,867	43,547	40,756	35,357	38,867
IMF reserve position	1,213	1,219	1,218	970	834	740	1,629	970
Special drawing rights	1,071	1,049	1,052	1,123	1,127	1,037	1,043	1,123
Currency and bank deposits	876,247	889,827	907,028	919,320	923,343	950,321	856,234	919,320
Other deposits	211,807	218,536	221,349	225,308	230,926	235,362	210,475	225,308
Foreign currency deposits	116,938	107,362	123,750	137,908	149,029	154,321	107,659	137,908
Consumer credit	278,254	287,155	295,291	302,103	307,042	317,291	273,869	302,103
Trade receivables	257,919	259,145	260,901	263,727	265,689	268,122	254,173	263,727
Bank loans	224,152	230,660	231,522	233,352	244,395	248,142	216,670	233,352
Other loans	223,677	223,543	225,771	233,575	235,091	239,523	219,123	233,575
Canada short-term paper	122,768	109,859	109,471	113,158	124,291	109,668	120,159	113,158
Other short-term paper	185,706	194,725	201,766	214,354	219,421	221,588	175,390	214,354
Mortgages	760,600	779,866	799,973	816,121	830,108	855,373	748,525	816,121
Canada bonds	270,074	266,802	271,376	264,057	257,428	256,126	273,451	264,057
(of which CSB's)	17,342	17,125	16,917	15,465	15,083	14,821	17,712	15,465
Provincial bonds	308,271	302,500	303,300	302,988	303,282	298,955	307,675	302,988
Municipal bonds	38,275	37,975	39,891	39,759	41,879	41,745	37,745	39,759
Other bonds	442,082	443,962	454,081	485,922	494,038	505,930	427,744	485,922
Life insurance & pensions	1,307,661	1,301,870	1,335,293	1,396,073	1,421,004	1,437,296	1,269,192	1,396,073
Corporate claims	1,243,276	1,270,534	1,296,282	1,308,610	1,348,558	1,340,609	1,217,074	1,308,610
Government claims	214,062	212,445	215,102	217,751	223,789	223,152	209,243	217,751
Shares	2,198,478	2,187,560	2,223,792	2,391,990	2,451,462	2,531,219	2,094,538	2,391,990
Foreign investments	598,244	587,630	633,771	720,657	752,640	750,871	550,399	720,657
Other financial assets	885,402	900,736	907,340	928,778	952,872	968,382	863,716	928,778
<b>Liabilities and net worth</b>	<b>15,668,595</b>	<b>15,831,119</b>	<b>16,176,314</b>	<b>16,713,938</b>	<b>17,106,046</b>	<b>17,404,013</b>	<b>15,265,125</b>	<b>16,713,938</b>
Liabilities	10,924,859	10,978,760	11,189,404	11,594,704	11,846,525	12,058,270	10,623,573	11,594,704
Currency and bank deposits	891,776	911,300	924,187	940,210	944,772	968,964	872,473	940,210
Other deposits	211,807	218,536	221,349	225,308	230,926	235,362	210,475	225,308
Foreign currency deposits	115,012	104,615	118,590	132,089	153,044	156,005	116,274	132,089
Consumer credit	278,254	287,155	295,291	302,103	307,042	317,291	273,869	302,103
Trade payables	257,912	260,081	262,418	265,928	266,674	269,272	251,353	265,928
Bank loans	211,862	219,065	214,747	217,241	225,534	233,342	207,364	217,241
Other loans	219,818	218,497	220,778	222,459	225,533	231,154	217,614	222,459
Canada short-term paper	136,334	123,882	122,969	126,307	135,947	121,090	129,632	126,307
Other short-term paper	193,644	206,124	212,111	223,451	230,226	232,947	185,764	223,451
Mortgages	760,947	780,209	800,316	816,467	830,452	855,712	748,873	816,467
Canada bonds	323,397	317,507	319,197	315,538	308,155	296,905	325,531	315,538
(of which CSB's)	17,342	17,125	16,917	15,465	15,083	14,821	17,712	15,465
Provincial bonds	428,646	417,297	422,158	429,054	428,645	412,828	432,043	429,054
Municipal bonds	42,128	41,995	44,086	44,047	46,045	45,742	41,787	44,047
Other bonds	662,021	656,218	680,648	727,545	739,399	738,724	649,473	727,545
Life insurance & pensions	1,307,661	1,301,870	1,335,293	1,396,073	1,421,004	1,437,296	1,269,192	1,396,073
Corporate claims	501,602	525,979	547,096	513,323	544,182	550,125	478,062	513,323
Government claims	214,062	212,445	215,102	217,751	223,789	223,152	209,243	217,751
Shares	3,307,471	3,303,705	3,353,072	3,575,247	3,655,298	3,786,916	3,161,224	3,575,247
Other liabilities	860,505	872,280	879,996	904,563	929,858	945,443	843,327	904,563
<b>Net worth</b>	<b>4,743,736</b>	<b>4,852,359</b>	<b>4,986,910</b>	<b>5,119,234</b>	<b>5,259,521</b>	<b>5,345,743</b>	<b>4,641,552</b>	<b>5,119,234</b>



Table H.3 Credit market summary table

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	1,003,661	1,027,765	1,049,971	1,067,745	1,083,038	1,112,353	988,955	1,067,745
Consumer credit	278,254	287,155	295,291	302,103	307,042	317,291	273,869	302,103
Bank loans	35,964	36,709	36,575	36,985	37,582	37,774	34,349	36,985
Other loans	73,610	73,268	72,992	73,703	74,593	75,422	72,249	73,703
Mortgages	615,833	630,633	645,113	654,954	663,821	681,866	608,488	654,954
Non-financial private corporations	602,500	606,460	613,040	633,195	645,876	649,216	593,075	633,195
Bank loans	119,307	123,724	122,149	121,360	125,414	130,705	117,001	121,360
Other loans	74,681	75,525	77,132	76,958	74,295	74,829	74,696	76,958
Other short-term paper	47,270	49,722	51,561	57,088	59,679	59,508	44,784	57,088
Mortgages	120,538	123,660	127,266	132,176	136,869	142,105	117,270	132,176
Bonds	240,704	233,829	234,932	245,613	249,619	242,069	239,324	245,613
Non-financial government enterprises	65,221	65,618	67,552	67,502	66,191	65,602	64,436	67,502
Bank loans	2,597	2,804	2,755	2,678	2,621	2,659	2,465	2,678
Other loans	7,338	7,062	7,082	7,376	7,455	7,568	7,083	7,376
Other short-term paper	5,809	5,476	7,436	6,204	5,713	5,749	5,676	6,204
Mortgages	99	98	96	95	94	93	99	95
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	47,641	48,440	48,444	48,500	47,694	46,863	47,376	48,500
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,616	1,617	1,618	2,528	2,493	2,549	1,616	2,528
Federal government	421,169	406,110	404,422	403,096	413,712	394,074	412,102	403,096
Bank loans	101	101	101	101	167	47	100	101
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	136,334	123,882	122,969	126,307	135,947	121,090	129,632	126,307
Canada bonds	284,734	282,127	281,352	276,688	277,598	272,937	282,370	276,688
Canada savings bonds	17,342	17,125	16,917	15,465	15,083	14,821	17,712	15,465
Other bonds	267,392	265,002	264,435	261,223	262,515	258,116	264,658	261,223
Other levels of government	397,582	399,523	398,013	404,608	410,436	408,654	398,354	404,608
Bank loans	3,715	3,443	3,550	3,705	4,767	5,172	3,005	3,705
Other loans	15,079	15,026	15,067	15,228	15,204	15,289	15,072	15,228
Other short-term paper	13,092	18,592	15,067	15,663	15,666	15,519	13,947	15,663
Mortgages	2,000	2,000	2,000	2,000	1,999	1,999	2,000	2,000
Provincial bonds	319,055	315,301	315,973	321,567	324,115	321,335	320,883	321,567
Municipal bonds	40,914	41,327	42,522	42,543	44,795	45,462	39,706	42,543
Other bonds	3,727	3,834	3,834	3,902	3,890	3,878	3,741	3,902
Total funds raised by domestic non-financial sectors	2,490,133	2,505,476	2,532,998	2,576,146	2,619,253	2,629,899	2,456,922	2,576,146
Consumer credit	278,254	287,155	295,291	302,103	307,042	317,291	273,869	302,103
Bank loans	161,684	166,781	165,130	164,829	170,551	176,357	156,920	164,829
Other loans	170,708	170,881	172,273	173,265	171,547	173,108	169,100	173,265
Canada short-term paper	136,334	123,882	122,969	126,307	135,947	121,090	129,632	126,307
Other short-term paper	66,171	73,790	74,064	78,955	81,058	80,776	64,407	78,955
Mortgages	738,470	756,391	774,475	789,225	802,783	826,063	727,857	789,225
Bonds	938,512	926,596	928,796	941,462	950,325	935,214	935,137	941,462
Non-residents	44,338	42,649	47,083	50,391	53,060	47,133	40,315	50,391
Bank loans	12,290	11,595	16,775	16,111	18,861	14,800	9,306	16,111
Other loans	32,048	31,054	30,308	34,280	34,199	32,333	31,009	34,280
Mortgages	...	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,534,471	2,548,125	2,580,081	2,626,537	2,672,313	2,677,032	2,497,237	2,626,537
Domestic financial institutions	654,674	669,581	691,649	732,901	756,352	785,124	627,056	732,901
Bank loans	50,178	52,284	49,617	52,412	54,983	56,985	50,444	52,412
Other loans	49,110	47,616	48,505	49,194	53,986	58,046	48,514	49,194
Other short-term paper	127,473	132,334	138,047	144,496	149,168	152,171	121,357	144,496
Mortgages	22,477	23,818	25,841	27,242	27,669	29,649	21,016	27,242
Bonds	405,436	413,529	429,639	459,557	470,546	488,273	385,725	459,557
Total funds raised = total funds supplied	3,189,145	3,217,706	3,271,730	3,359,438	3,428,665	3,462,156	3,124,293	3,359,438
<b>Assets of:</b>								
Persons and unincorporated business	106,167	98,575	100,589	92,918	90,110	89,588	111,454	92,918
Non-financial corporations	76,900	77,101	77,585	80,451	81,606	84,324	76,479	80,451
Governments	225,753	227,192	236,962	237,515	244,190	245,513	225,126	237,515
Non-residents	425,520	419,677	422,181	443,641	450,117	425,652	423,968	443,641
Domestic financial institutions	2,378,907	2,418,471	2,457,232	2,527,662	2,584,494	2,638,701	2,311,316	2,527,662