

Catalogue no. 13-010-X

Canadian Economic Accounts Quarterly Review

Second quarter 2009



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Symbols

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0 ^S	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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Note of Appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Related products and serviceswww.statcan.ca/nea**GDP by income and by expenditure**

CANSIM tables 380-0001 to 380-0017, 380-0019 to 380-0035, 380-0037, 380-0056 to 380-0062, 382-0006, 384-0001, 384-0002, 384-0004 to 384-0013, and 384-0036

Publications:

Guide to the Income and Expenditure Accounts 13-017-XWE
 Provincial and Territorial Economic Accounts Review 13-016-XWE

Data tables 13-019-XWE, 13-021-XWE, 13-018-XWE

GDP by industry

CANSIM table 379-0027

Publication:

Gross Domestic Product by Industry 15-001-XIE

Balance of international payments

CANSIM tables 376-0001 to 376-0036 and 376-0060 to 376-0061

Publication:

Canada's Balance of International Payments 67-001-XIE

Financial flow accounts

CANSIM tables 378-0001, 378-0002

Data tables 13-020-XWE

Labour productivity, hourly compensation and unit labour cost

CANSIM tables 383-0008 to 383-0015

Publication:

The Canadian productivity accounts - Data 15-003-XIE
 Canadian Productivity Review 15-206-XIE

International investment position

CANSIM tables 376-0037 to 376-0042 and 376-0051 to 376-0059

Publication:

Canada's International Investment Position 67-202-XIE

National balance sheet accounts

CANSIM tables 378-0003 to 378-0010, 378-0012 to 378-0014

Data tables 13-022-XWE

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 2009.

GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2008.

Labour productivity, hourly compensation and unit labour cost:

The estimates for Canada were revised back to the first quarter of 2009 at the aggregate level and to the first quarter of 2008 at the industry level.

Section A Overview

Second quarter 2009 and June 2009

Real gross domestic product (GDP) increased 0.1% in June, the first monthly increase since July 2008. For the second quarter as a whole real GDP decreased 0.9%, a less pronounced rate of decline than the 1.6% drop in the previous quarter. Final domestic demand increased 0.1% in the second quarter.

Chart A.1
Contributions to percent change in real gross domestic product (GDP), second quarter 2009

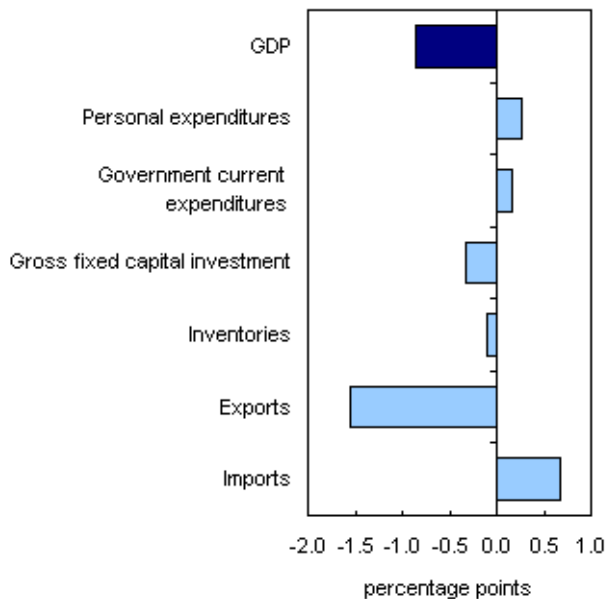


Table A.1
Real gross domestic product^[1]

	Change	Annualized change	Year-over-year change
	%		
First quarter 2008	-0.2	-0.7	1.7
Second quarter 2008	0.1	0.3	0.7
Third quarter 2008	0.1	0.4	0.3
Fourth quarter 2008	-0.9	-3.7	-1.0
First quarter 2009	-1.6	-6.1	-2.3
Second quarter 2009	-0.9	-3.4	-3.2

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.

Increased purchases of motor vehicles pushed consumer spending higher in the second quarter, while a rebound in housing resales sparked activity in the residential real estate market. Exports of goods and services and business investment in machinery and equipment were both down, but not as sharply as in the first quarter.

The output of goods-producing industries continued to decline (-3.6%), with the manufacturing and energy sectors being the hardest hit. The service sector increased 0.3% following two consecutive quarterly declines, with the output of real estate agents and brokers contributing the most to the increase.

Note to readers

Percentage changes for expenditure-based and industry-based statistics (such as personal expenditures, investment, exports, imports and output) are calculated using volume measures that are 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.

Real GDP contracted at an annualized rate of 3.4% in the second quarter, compared with a 1.0% decline in the U.S. economy.

Chart A.2
Final domestic demand outpaces gross domestic product

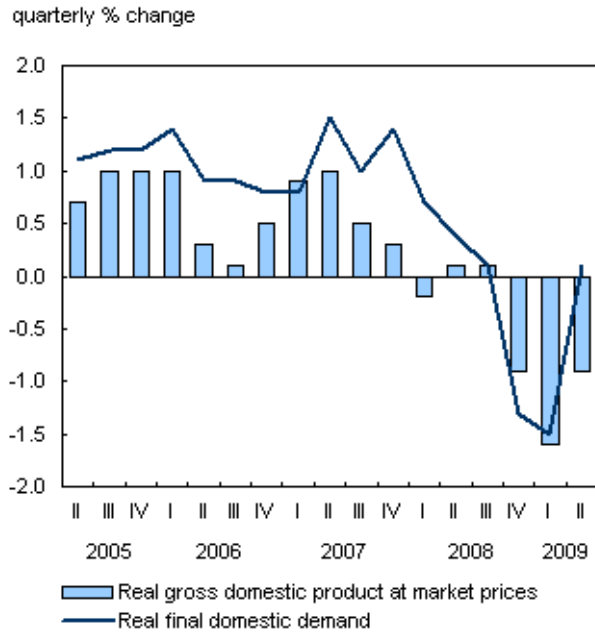


Table A.2 Canadian economic accounts key indicators[1]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	812,496	820,916	827,116	831,936	824,428	820,248	784,839	823,116
	1.6	1.0	0.8	0.6	-0.9	-0.5	5.6	4.9
Corporation profits before taxes	213,056	229,532	237,708	182,900	147,508	131,168	204,131	215,799
	2.8	7.7	3.6	-23.1	-19.4	-11.1	4.1	5.7
Interest and miscellaneous investment income	76,572	85,660	86,136	77,568	65,720	66,492	71,847	81,484
	4.0	11.9	0.6	-9.9	-15.3	1.2	7.7	13.4
Net income of unincorporated business	93,516	95,500	97,860	98,108	96,000	97,540	90,407	96,246
	2.9	2.1	2.5	0.3	-2.1	1.6	4.4	6.5
Taxes less subsidies	164,368	166,016	166,464	163,220	159,916	161,516	166,443	165,017
	-2.8	1.0	0.3	-1.9	-2.0	1.0	3.7	-0.9
Personal disposable income	938,832	948,596	955,512	960,852	953,256	958,648	897,562	950,948
	2.6	1.0	0.7	0.6	-0.8	0.6	5.3	5.9
Personal saving rate[2]	3.3	3.4	3.1	4.9	4.5	4.5	2.5	3.7

Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	810,096	812,310	813,469	807,018	804,514	808,071	787,063	810,723
	0.6	0.3	0.1	-0.8	-0.3	0.4	4.6	3.0
Government current expenditure on goods and services	261,546	264,477	264,462	266,084	267,477	269,574	254,740	264,142
	1.4	1.1	-0.0	0.6	0.5	0.8	3.3	3.7
Gross fixed capital formation	318,328	318,118	318,616	305,999	286,570	282,381	312,482	315,265
	0.2	-0.1	0.2	-4.0	-6.3	-1.5	3.7	0.9
Investment in inventories	9,362	14,466	14,872	10,386	-8,909	-10,548	15,006	12,272

Exports of goods and services	498,552	493,352	488,152	464,964	424,701	402,504	510,323	486,255
	-0.6	-1.0	-1.1	-4.8	-8.7	-5.2	1.1	-4.7
Imports of goods and services	585,633	589,968	584,824	547,196	483,871	473,282	572,078	576,905
	-1.2	0.7	-0.9	-6.4	-11.6	-2.2	5.8	0.8
Gross domestic product at market prices	1,323,013	1,324,093	1,325,452	1,312,880	1,292,424	1,281,390	1,315,907	1,321,360
	-0.2	0.1	0.1	-0.9	-1.6	-0.9	2.5	0.4
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
GDP at basic prices, by industry								
Goods producing industries	366,990	365,912	366,089	356,561	340,230	327,984	374,126	363,888
	-1.1	-0.3	0.0	-2.6	-4.6	-3.6	0.5	-2.7
Industrial production	266,931	265,380	265,103	256,531	243,656	233,575	274,908	263,486
	-1.8	-0.6	-0.1	-3.2	-5.0	-4.1	0.2	-4.2
Energy sector	83,934	82,555	83,175	82,395	80,833	77,424	85,827	83,015
	-1.1	-1.6	0.8	-0.9	-1.9	-4.2	1.0	-3.3
Manufacturing	178,532	178,643	176,834	168,375	156,785	150,813	185,311	175,596
	-2.4	0.1	-1.0	-4.8	-6.9	-3.8	-0.9	-5.2
Non-durable manufacturing	70,615	70,783	70,169	68,116	66,360	64,498	72,507	69,921
	-1.4	0.2	-0.9	-2.9	-2.6	-2.8	-1.8	-3.6
Durable manufacturing	108,182	108,116	106,908	100,374	90,271	86,106	113,149	105,895
	-3.1	-0.1	-1.1	-6.1	-10.1	-4.6	-0.3	-6.4
Construction	74,385	74,829	75,510	74,783	71,718	70,196	72,890	74,877
	1.2	0.6	0.9	-1.0	-4.1	-2.1	2.9	2.7
Services producing industries	862,031	864,963	867,347	863,544	859,388	861,696	846,591	864,471
	0.5	0.3	0.3	-0.4	-0.5	0.3	3.5	2.1
Wholesale trade	72,012	71,682	70,929	66,964	63,686	63,668	70,256	70,397
	-0.1	-0.5	-1.1	-5.6	-4.9	-0.0	5.5	0.2
Retail trade	74,486	74,979	75,154	73,848	73,139	73,292	72,391	74,617
	1.0	0.7	0.2	-1.7	-1.0	0.2	5.8	3.1
Transportation and warehousing	56,917	57,069	56,921	56,112	55,020	54,551	56,624	56,755
	0.1	0.3	-0.3	-1.4	-1.9	-0.9	1.7	0.2
Finance, insurance, real estate and renting	245,987	246,430	247,508	247,853	248,750	252,464	240,536	246,945
	0.8	0.2	0.4	0.1	0.4	1.5	4.0	2.7
Information and communication technologies	58,333	58,758	58,997	58,738	58,256	58,087	57,199	58,707
	0.5	0.7	0.4	-0.4	-0.8	-0.3	4.0	2.6

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 2009

Consumer spending strengthens

Consumer spending on goods and services advanced 0.4%. Increased spending on durable goods (+1.5%), particularly motor vehicles, contributed to the second quarter gain. Increased spending on financial services, mostly on mutual funds and on stock and bond commissions, contributed to the growth in services (+0.4%).

Housing demand increases

Investment in residential structures increased 1.7% in the second quarter, halting five consecutive quarterly declines. Ownership transfer costs related to housing resale activity rebounded by 40%. This rebound offset a decline in the value of new housing construction. Renovation activity was also up (+2.2%) after weakening throughout most of 2008.

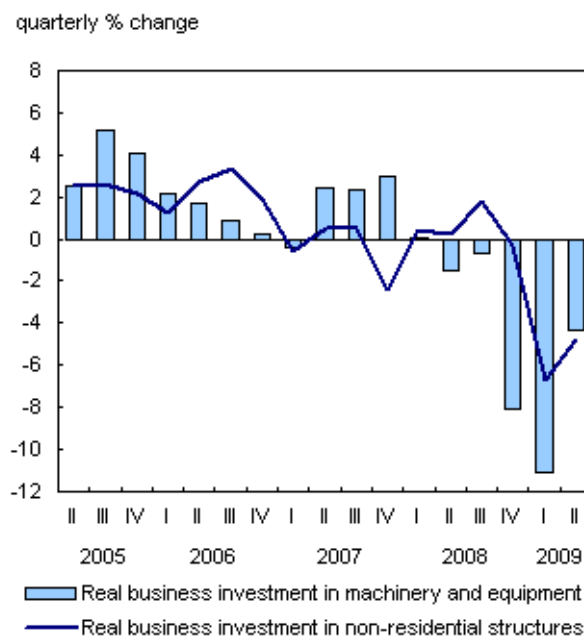
Decline in non-residential capital expenditure moderates

Businesses continued to reduce investment in buildings and engineering projects. However, the decline in engineering structures in the second quarter (-5.6%) was less pronounced than in the first quarter (-8.8%).

Investment fell in almost all categories of business machinery and equipment in the second quarter. Trucks and telecommunications equipment were the exceptions, as businesses increased their expenditures on both, following significant decreases in the previous two quarters. As a result, the 4.3% decline in expenditures on machinery and equipment was not as sharp as the 11% drop in the previous quarter.

Government investment in buildings and engineering projects increased 4.7%, the 11th consecutive quarterly advance.

Chart B.1
Decline in machinery and equipment investment not as sharp



Inventories drawn down again

Inventories were drawn down substantially for a second consecutive quarter. Manufacturers, wholesalers, retailers and farmers all recorded lower inventories in the second quarter.

The economy-wide stock-to-sales ratio edged up to 0.79, equivalent to 72 days of sales, the highest since 1996.

Decline in imports eases

Imports fell 2.2% in the second quarter. This was the fourth quarterly decrease in a row, but was not as steep as in the previous two quarters. Machinery and equipment as well as industrial goods and materials were major contributors to the decline. On the other hand, small increases were recorded in automotive products, "other consumer goods," and agricultural and fish products.

Exports continue to fall

Exports of goods and services dropped 5.2% in the second quarter, after falling 8.7% in the first quarter. Most categories of goods declined, particularly machinery and

equipment, industrial goods and materials, and energy products. Exports of services fell 0.3%, after declining substantially in the first quarter.

Economy-wide incomes down slightly

Nominal GDP decreased 0.6% in the quarter, a much slower decline than in the two previous quarters. Corporate profits fell 11%, the third consecutive quarterly double-digit decline. As in the previous two quarters, lower profits were recorded by energy, mining and financial industries. Labour income fell 0.5%. Business sector labour income declined 1.1%, while there was a 1.3% increase in government sector labour income.

Personal income edged up, after falling 0.9% in the first quarter, as Employment Insurance benefits increased 23%. Personal outlays were virtually unchanged from the first quarter, as a drop in personal income taxes helped offset an increase in personal expenditure on goods and services. The saving rate in the personal sector remained at 4.5%.

National saving rate falls again

The national saving rate was 4.4%, its lowest rate since 1994. Both personal and corporate saving rose slightly in the second quarter. Government sector saving (all levels combined) was down for a second consecutive quarter as government revenues continued to decline.

Purchasing power declines

Real gross domestic income (GDI), a measure of Canada's purchasing power, fell 0.5% in the second quarter. The drop in real GDI was less pronounced than the drop in real GDP, as Canada's quarterly terms of trade improved for the first time since the second quarter of 2008. Real GDI was down 8.2% from the second quarter of 2008.

Economy-wide prices increase for the first time in three quarters

The price of goods and services produced in Canada increased 0.3%, after declines in the two previous quarters. Excluding energy, prices increased 0.7%. The price of final domestic demand was unchanged.

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars[1]								
Wages, salaries and supplementary labour income	812,496 1.6	820,916 1.0	827,116 0.8	831,936 0.6	824,428 -0.9	820,248 -0.5	784,839 5.6	823,116 4.9
Corporation profits before taxes	213,056 2.8	229,532 7.7	237,708 3.6	182,900 -23.1	147,508 -19.4	131,168 -11.1	204,131 4.1	215,799 5.7
Government business enterprise profits before taxes	16,680 7.6	16,936 1.5	14,840 -12.4	13,844 -6.7	13,172 -4.9	12,492 -5.2	15,725 7.9	15,575 -1.0
Interest and miscellaneous investment income	76,572 4.0	85,660 11.9	86,136 0.6	77,568 -9.9	65,720 -15.3	66,492 1.2	71,847 7.7	81,484 13.4
Accrued net income of farm operators from farm production	1,792 409.1	2,872 60.3	3,724 29.7	2,844 -23.6	208 -92.7	140 -32.7	433 ...	2,808 548.5
Net income of non-farm unincorporated business, including rent	91,724 1.3	92,628 1.0	94,136 1.6	95,264 1.2	95,792 0.6	97,400 1.7	89,974 3.8	93,438 3.9
Inventory valuation adjustment	-2,900 ...	-4,016 ...	-7,508 ...	-9,916 ...	1,624 ...	7,676 ...	2,947 ...	-6,085 ...
Taxes less subsidies, on factors of production	69,892 1.2	70,752 1.2	70,892 0.2	69,832 -1.5	69,064 -1.1	69,156 0.1	67,948 5.0	70,342 3.5
Net domestic product at basic prices	1,279,312 1.6	1,315,280 2.8	1,327,044 0.9	1,264,272 -4.7	1,217,516 -3.7	1,204,772 -1.0	1,237,844 5.9	1,296,477 4.7
Taxes less subsidies, on products	94,476 -5.6	95,264 0.8	95,572 0.3	93,388 -2.3	90,852 -2.7	92,360 1.7	98,495 2.9	94,675 -3.9
Capital consumption allowances	202,836 1.6	206,036 1.6	209,120 1.5	212,088 1.4	214,440 1.1	216,920 1.2	195,712 5.6	207,520 6.0
Statistical discrepancy	2,048 ...	1,800 ...	932 ...	856 ...	-1,252 ...	-1,652 ...	893 ...	1,409 ...
Gross domestic product at market prices	1,578,672 1.2	1,618,380 2.5	1,632,668 0.9	1,570,604 -3.8	1,521,556 -3.1	1,512,400 -0.6	1,532,944 5.8	1,600,081 4.4

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars[1]								
Personal expenditure on consumer goods and services	882,504 1.1	891,924 1.1	901,228 1.0	889,132 -1.3	887,052 -0.2	892,596 0.6	850,921 6.2	891,197 4.7
Durable goods	115,748 2.1	113,688 -1.8	112,492 -1.1	107,688 -4.3	104,536 -2.9	106,188 1.6	111,767 5.8	112,404 0.6
Semi-durable goods	70,228 -0.1	70,812 0.8	71,300 0.7	69,732 -2.2	69,292 -0.6	69,364 0.1	69,372 4.7	70,518 1.7
Non-durable goods	212,296 1.6	217,196 2.3	221,988 2.2	214,368 -3.4	213,400 -0.5	212,896 -0.2	204,088 5.3	216,462 6.1
Services	484,232 0.8	490,228 1.2	495,448 1.1	497,344 0.4	499,824 0.5	504,148 0.9	465,694 6.9	491,813 5.6
Government current expenditure on goods and services	306,468 2.1	312,704 2.0	315,356 0.8	320,148 1.5	323,688 1.1	328,512 1.5	294,776 6.4	313,669 6.4
Government gross fixed capital formation	49,604 6.6	52,212 5.3	54,816 5.0	56,596 3.2	57,636 1.8	58,872 2.1	44,548 9.8	53,307 19.7
Government investment in inventories	136 ...	-24 ...	-92 ...	96 ...	-16 ...	-24 ...	15 ...	29 ...
Business gross fixed capital formation	306,776 0.4	309,428 0.9	313,204 1.2	307,284 -1.9	283,744 -7.7	273,744 -3.5	302,246 6.7	309,173 2.3
Residential structures	110,276 -1.1	110,532 0.2	109,464 -1.0	102,428 -6.4	95,096 -7.2	96,636 1.6	108,050 10.1	108,175 0.1
Non-residential structures and equipment	196,500 1.4	198,896 1.2	203,740 2.4	204,856 0.5	188,648 -7.9	177,108 -6.1	194,196 4.8	200,998 3.5
Non-residential structures	94,552 1.9	97,092 2.7	100,120 3.1	100,604 0.5	94,480 -6.1	89,672 -5.1	92,705 8.7	98,092 5.8
Machinery and equipment	101,948 0.9	101,804 -0.1	103,620 1.8	104,252 0.6	94,168 -9.7	87,436 -7.1	101,491 1.5	102,906 1.4
Business investment in inventories	2,968 ...	10,908 ...	13,396 ...	7,660 ...	-12,120 ...	-15,400 ...	11,391 ...	8,733 ...
Non-farm	2,920 ...	9,564 ...	9,952 ...	5,224 ...	-9,648 ...	-12,324 ...	12,493 ...	6,915 ...
Farm	48 ...	1,344 ...	3,444 ...	2,436 ...	-2,472 ...	-3,076 ...	-1,102 ...	1,818 ...
Exports of goods and services	543,576 5.2	577,472 6.2	589,300 2.0	538,348 -8.6	456,924 -15.1	418,964 -8.3	534,557 1.9	562,174 5.2
Goods	471,996 6.0	505,528 7.1	516,588 2.2	465,324 -9.9	387,760 -16.7	350,580 -9.6	463,130 2.0	489,859 5.8
Services	71,580 0.4	71,944 0.5	72,712 1.1	73,024 0.4	69,164 -5.3	68,384 -1.1	71,427 1.5	72,315 1.2
Deduct: Imports of goods and services	511,312 2.5	534,444 4.5	553,612 3.6	547,800 -1.0	476,600 -13.0	446,512 -6.3	504,618 3.5	536,792 6.4
Goods	419,960 3.5	440,628 4.9	460,104 4.4	451,260 -1.9	384,688 -14.8	357,444 -7.1	415,228 2.7	442,988 6.7
Services	91,352 -1.9	93,816 2.7	93,508 -0.3	96,540 3.2	91,912 -4.8	89,068 -3.1	89,390 7.2	93,804 4.9
Statistical discrepancy	-2,048 ...	-1,800 ...	-928 ...	-860 ...	1,248 ...	1,648 ...	-892 ...	-1,409 ...
Gross domestic product at market prices	1,578,672 1.2	1,618,380 2.5	1,632,668 0.9	1,570,604 -3.8	1,521,556 -3.1	1,512,400 -0.6	1,532,944 5.8	1,600,081 4.4
Final domestic demand	1,545,352 1.3	1,566,268 1.4	1,584,604 1.2	1,573,160 -0.7	1,552,120 -1.3	1,553,724 0.1	1,492,491 6.4	1,567,346 5.0

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted at annual rates, millions of chained (2002) dollars[1]								
Personal expenditure on consumer goods and services	810,096	812,310	813,469	807,018	804,514	808,071	787,063	810,723
	0.6	0.3	0.1	-0.8	-0.3	0.4	4.6	3.0
Durable goods	126,401	125,448	125,209	121,409	118,761	120,492	117,998	124,617
	3.9	-0.8	-0.2	-3.0	-2.2	1.5	7.6	5.6
Semi-durable goods	73,860	74,674	75,051	73,796	72,809	72,679	71,702	74,345
	1.3	1.1	0.5	-1.7	-1.3	-0.2	5.6	3.7
Non-durable goods	176,338	176,707	176,629	176,022	176,653	176,958	173,793	176,424
	0.0	0.2	-0.0	-0.3	0.4	0.2	3.2	1.5
Services	436,470	438,327	439,424	437,839	437,620	439,505	425,494	438,015
	0.0	0.4	0.3	-0.4	-0.1	0.4	4.3	2.9
Government current expenditure on goods and services	261,546	264,477	264,462	266,084	267,477	269,574	254,740	264,142
	1.4	1.1	-0.0	0.6	0.5	0.8	3.3	3.7
Government gross fixed capital formation	43,223	44,446	45,216	46,171	47,144	48,891	39,893	44,764
	4.4	2.8	1.7	2.1	2.1	3.7	6.0	12.2
Government investment in inventories	116	-20	-76	80	-12	-20	14	25

Business gross fixed capital formation	275,053	273,577	273,271	259,576	239,062	233,063	272,580	270,369
	-0.4	-0.5	-0.1	-5.0	-7.9	-2.5	3.4	-0.8
Residential structures	80,262	79,999	79,002	74,016	69,729	70,782	80,468	78,320
	-1.6	-0.3	-1.2	-6.3	-5.8	1.5	2.9	-2.7
Non-residential structures and equipment	197,217	195,929	196,935	188,407	171,554	163,745	194,176	194,622
	0.2	-0.7	0.5	-4.3	-8.9	-4.6	3.7	0.2
Non-residential structures	70,290	70,463	71,759	71,533	66,768	63,567	71,068	71,011
	0.4	0.2	1.8	-0.3	-6.7	-4.8	3.0	-0.1
Machinery and equipment	129,118	127,192	126,248	116,080	103,152	98,710	124,092	124,660
	0.1	-1.5	-0.7	-8.1	-11.1	-4.3	4.4	0.5
Business investment in inventories	9,223	14,487	14,959	10,293	-8,894	-10,526	14,990	12,241

Non-farm	5,995	10,315	8,575	4,584	-10,181	-11,024	14,054	7,367

Farm	2,120	3,054	5,200	4,560	-21	-869	-159	3,734

Exports of goods and services	498,552	493,352	488,152	464,964	424,701	402,504	510,323	486,255
	-0.6	-1.0	-1.1	-4.8	-8.7	-5.2	1.1	-4.7
Goods	434,196	429,674	424,406	401,086	364,074	341,778	444,647	422,341
	-0.4	-1.0	-1.2	-5.5	-9.2	-6.1	1.3	-5.0
Services	64,350	63,673	63,783	64,048	60,719	60,559	65,688	63,964
	-1.4	-1.1	0.2	0.4	-5.2	-0.3	-0.2	-2.6
Deduct: Imports of goods and services	585,633	589,968	584,824	547,196	483,871	473,282	572,078	576,905
	-1.2	0.7	-0.9	-6.4	-11.6	-2.2	5.8	0.8
Goods	485,731	490,845	488,852	455,381	396,795	386,682	475,278	480,202
	-0.5	1.1	-0.4	-6.8	-12.9	-2.5	5.4	1.0
Services	99,859	99,161	96,105	91,848	86,685	86,080	96,807	96,743
	-4.1	-0.7	-3.1	-4.4	-5.6	-0.7	7.4	-0.1
Statistical discrepancy	-1,716	-1,473	-753	-719	1,060	1,396	-765	-1,165

Gross domestic product at market prices	1,323,013	1,324,093	1,325,452	1,312,880	1,292,424	1,281,390	1,315,907	1,321,360
	-0.2	0.1	0.1	-0.9	-1.6	-0.9	2.5	0.4
Final domestic demand	1,388,755	1,393,794	1,395,415	1,377,873	1,356,693	1,358,014	1,353,135	1,388,959
	0.7	0.4	0.1	-1.3	-1.5	0.1	4.1	2.6

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	2.5	1.1	0.6	-3.1	-1.2	1.8	4.6	3.0
Durable goods	16.7	-3.0	-0.8	-11.6	-8.4	6.0	7.6	5.6
Semi-durable goods	5.1	4.5	2.0	-6.5	-5.2	-0.7	5.6	3.7
Non-durable goods	0.1	0.8	-0.2	-1.4	1.4	0.7	3.2	1.5
Services	0.1	1.7	1.0	-1.4	-0.2	1.7	4.3	2.9
Government current expenditure on goods and services	5.7	4.6	-0.0	2.5	2.1	3.2	3.3	3.7
Government gross fixed capital formation	18.9	11.8	7.1	8.7	8.7	15.7	6.0	12.2
Government investment in inventories[2]	104	-136	-56	156	-92	-8	47	11
Business gross fixed capital formation	-1.7	-2.1	-0.4	-18.6	-28.1	-9.7	3.4	-0.8
Residential structures	-6.1	-1.3	-4.9	-23.0	-21.2	6.2	2.9	-2.7
Non-residential structures and equipment	0.8	-2.6	2.1	-16.2	-31.3	-17.0	3.7	0.2
Non-residential structures	1.5	1.0	7.6	-1.3	-24.1	-17.8	3.0	-0.1
Machinery and equipment	0.2	-5.8	-2.9	-28.5	-37.6	-16.1	4.4	0.5
Business investment in inventories[2]	-15,892	5,264	472	-4,666	-19,187	-1,632	2,868	-2,750
Non-farm[2]	-17,489	4,320	-1,740	-3,991	-14,765	-843	2,818	-6,687
Farm[2]	1,751	934	2,146	-640	-4,581	-848	-62	3,893
Exports of goods and services	-2.3	-4.1	-4.1	-17.7	-30.4	-19.3	1.1	-4.7
Goods	-1.8	-4.1	-4.8	-20.2	-32.1	-22.3	1.3	-5.0
Services	-5.6	-4.1	0.7	1.7	-19.2	-1.0	-0.2	-2.6
Deduct: Imports of goods and services	-4.7	3.0	-3.4	-23.4	-38.9	-8.5	5.8	0.8
Goods	-2.1	4.3	-1.6	-24.7	-42.4	-9.8	5.4	1.0
Services	-15.6	-2.8	-11.8	-16.6	-20.7	-2.8	7.4	-0.1
Statistical discrepancy[2]	-625	243	720	34	1,779	336	-1,521	-401
Gross domestic product at market prices	-0.7	0.3	0.4	-3.7	-6.1	-3.4	2.5	0.4
Final domestic demand	2.8	1.5	0.5	-4.9	-6.0	0.4	4.1	2.6

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.351	0.152	0.079	-0.443	-0.177	0.258	2.528	1.631
Durable goods	0.282	-0.054	-0.013	-0.211	-0.150	0.100	0.548	0.389
Semi-durable goods	0.056	0.048	0.022	-0.074	-0.060	-0.008	0.251	0.161
Non-durable goods	0.002	0.028	-0.006	-0.047	0.049	0.024	0.435	0.202
Services	0.011	0.130	0.076	-0.112	-0.016	0.142	1.294	0.880
Government current expenditure on goods and services	0.266	0.216	-0.001	0.121	0.108	0.167	0.640	0.700
Government gross fixed capital formation	0.132	0.089	0.057	0.072	0.076	0.139	0.168	0.356
Government investment in inventories	0.008	-0.010	-0.004	0.012	-0.007	-0.001	0.004	0.001
Business gross fixed capital formation	-0.085	-0.104	-0.021	-0.992	-1.562	-0.465	0.677	-0.162
Residential structures	-0.110	-0.023	-0.085	-0.429	-0.378	0.094	0.200	-0.187
Non-residential structures and equipment	0.026	-0.081	0.063	-0.563	-1.184	-0.559	0.477	0.025
Non-residential structures	0.022	0.015	0.110	-0.020	-0.432	-0.297	0.181	-0.006
Machinery and equipment	0.004	-0.096	-0.047	-0.544	-0.752	-0.262	0.296	0.032
Business investment in inventories	-1.002	0.330	0.028	-0.305	-1.281	-0.106	0.163	-0.228
Non-farm	-1.107	0.272	-0.110	-0.261	-0.995	-0.058	0.184	-0.444
Farm	0.105	0.058	0.138	-0.045	-0.286	-0.049	-0.021	0.216
Exports of goods and services	-0.196	-0.368	-0.382	-1.707	-2.889	-1.542	0.395	-1.623
Goods	-0.130	-0.321	-0.389	-1.726	-2.646	-1.530	0.403	-1.498
Services	-0.066	-0.048	0.008	0.019	-0.244	-0.012	-0.008	-0.125
Deduct: Imports of goods and services	-0.386	0.241	-0.293	-2.292	-4.038	-0.670	1.924	0.231
Goods	-0.138	0.282	-0.113	-2.024	-3.688	-0.629	1.504	0.236
Services	-0.248	-0.041	-0.180	-0.268	-0.350	-0.042	0.421	-0.005
Statistical discrepancy	-0.047	0.018	0.054	0.003	0.136	0.026	-0.119	-0.030
Gross domestic product at market prices	-0.187	0.082	0.103	-0.949	-1.558	-0.854	2.531	0.414
Final domestic demand	0.665	0.353	0.113	-1.242	-1.555	0.099	4.013	2.525

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
	Using seasonally adjusted data, (2002 = 100)[1]							
Personal expenditure on consumer goods and services	108.9 0.4	109.8 0.8	110.8 0.9	110.2 -0.5	110.3 0.1	110.5 0.2	108.1 1.6	109.9 1.7
Government current expenditure on goods and services	117.2 0.8	118.2 0.9	119.2 0.8	120.3 0.9	121.0 0.6	121.9 0.7	115.7 3.0	118.7 2.6
Government gross fixed capital formation	114.8 2.1	117.5 2.4	121.2 3.1	122.6 1.2	122.3 -0.2	120.4 -1.6	111.7 3.6	119.0 6.6
Business gross fixed capital formation	111.5 0.8	113.1 1.4	114.6 1.3	118.4 3.3	118.7 0.3	117.5 -1.0	110.9 3.2	114.4 3.2
Exports of goods and services	109.0 5.8	117.1 7.4	120.7 3.1	115.8 -4.1	107.6 -7.1	104.1 -3.3	104.7 0.9	115.7 10.4
Imports of goods and services	87.3 3.7	90.6 3.8	94.7 4.5	100.1 5.7	98.5 -1.6	94.3 -4.3	88.3 -2.1	93.2 5.6
Gross domestic product at market prices	119.3 1.4	122.2 2.4	123.2 0.8	119.6 -2.9	117.7 -1.6	118.0 0.3	116.5 3.1	121.1 3.9
Final domestic demand	111.3 0.6	112.4 1.0	113.6 1.1	114.2 0.5	114.4 0.2	114.4 0.0	110.3 2.2	112.9 2.3

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

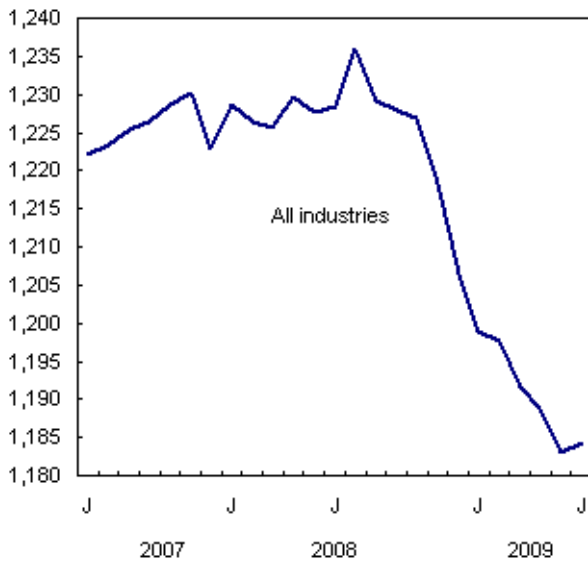
Section C GDP by industry

June 2009

Real GDP rose 0.1% in June, after 10 consecutive monthly declines. The output of service industries rose 0.4% in June, the largest increase since the start of the year. Goods-producing industries registered another decline (-0.6%), although it was less pronounced than those of the previous seven months.

Chart C.1
Real gross domestic product increases slightly in June

billions of chained (2002) dollars



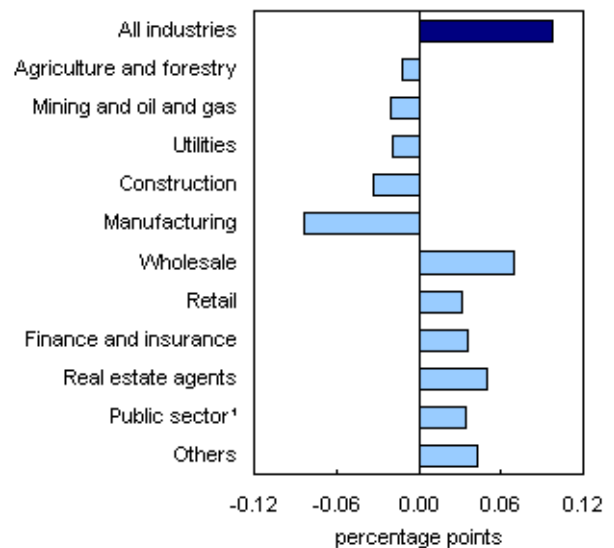
Oil and gas extraction, wholesale trade and real estate agents and brokers were the sectors that contributed the most to the growth of GDP. Retail trade, finance and public administration activities also increased. Decreases in metallic ore mines, manufacturing and, to a lesser extent, construction, partly offset these increases.

After three consecutive monthly declines, oil and gas extraction rose 1.3% in June, with both components posting gains. However, extraction of metallic ores, particularly in copper, nickel, lead and zinc mines (-33%), contracted sharply, mainly because of temporary closures attributable to weak demand and maintenance work.

The volume of wholesale trade activities rose 1.3% in June, with most wholesalers recording an increase. Value added in retail trade rose 0.5% in June, following an identical result in May.

The manufacturing sector declined 0.7% in June, with 14 of the 21 major groups contracting. Durable goods manufacturing fell 1.4%, while the manufacturing of non-durable goods advanced 0.1%. The production and processing of non-ferrous metals (except aluminium) decreased sharply (-20%), mainly because of temporary plant closures related to faltering demand.

Chart C.2
Main industrial sectors' contribution to the percent change in real GDP, June 2009



1. Education, health and public administration.

The home resale market made another strong advance, which led to an 8.3% increase in the activities of real estate agents and brokers. However, the construction sector declined 0.5% in June. This drop was mainly attributable to a sizable 1.5% decrease in residential building construction.

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

	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
All industries	1,218,438	1,206,541	1,198,862	1,197,693	1,191,569	1,188,753	1,183,105	1,184,255
	-0.7	-1.0	-0.6	-0.1	-0.5	-0.2	-0.5	0.1
Goods-producing industries	357,054	349,900	343,718	341,331	335,641	332,037	326,889	325,026
	-1.6	-2.0	-1.8	-0.7	-1.7	-1.1	-1.6	-0.6
Agriculture, forestry, fishing and hunting	25,921	25,817	25,916	25,879	25,621	25,545	25,290	25,115
	0.2	-0.4	0.4	-0.1	-1.0	-0.3	-1.0	-0.7
Mining and oil and gas extraction	55,047	54,310	54,001	53,654	51,875	51,071	49,972	49,840
	-0.8	-1.3	-0.6	-0.6	-3.3	-1.5	-2.2	-0.3
Utilities	30,542	30,380	30,341	30,051	30,120	29,847	29,752	29,520
	-1.5	-0.5	-0.1	-1.0	0.2	-0.9	-0.3	-0.8
Construction	75,059	73,576	72,241	71,836	71,077	70,674	70,143	69,772
	-0.9	-2.0	-1.8	-0.6	-1.1	-0.6	-0.8	-0.5
Manufacturing	168,523	163,538	158,359	157,058	154,939	153,133	150,204	149,102
	-2.6	-3.0	-3.2	-0.8	-1.3	-1.2	-1.9	-0.7
Services-producing industries	864,161	859,696	858,507	859,891	859,766	860,778	860,556	863,753
	-0.3	-0.5	-0.1	0.2	-0.0	0.1	-0.0	0.4
Wholesale trade	67,024	65,254	63,926	63,782	63,350	63,483	63,339	64,182
	-2.3	-2.6	-2.0	-0.2	-0.7	0.2	-0.2	1.3
Retail trade	74,370	72,318	73,106	73,018	73,292	72,920	73,289	73,667
	-0.6	-2.8	1.1	-0.1	0.4	-0.5	0.5	0.5
Transportation and warehousing	56,240	55,474	54,991	55,198	54,872	54,803	54,282	54,568
	-0.7	-1.4	-0.9	0.4	-0.6	-0.1	-1.0	0.5
Information and cultural industries	45,386	45,318	45,481	45,415	45,381	45,318	45,232	45,130
	-0.1	-0.1	0.4	-0.1	-0.1	-0.1	-0.2	-0.2
Finance, insurance and real estate	247,543	247,807	247,666	248,737	249,848	251,386	252,265	253,742
	-0.3	0.1	-0.1	0.4	0.4	0.6	0.3	0.6
Professional, scientific and technical services	58,763	58,540	58,462	58,480	58,252	58,218	58,048	57,954
	-0.0	-0.4	-0.1	0.0	-0.4	-0.1	-0.3	-0.2
Administrative and waste management services	30,887	30,759	30,710	30,542	30,183	30,022	29,803	29,671
	-0.3	-0.4	-0.2	-0.5	-1.2	-0.5	-0.7	-0.4
Educational services	60,896	61,092	61,113	61,251	61,214	61,190	61,218	61,304
	0.0	0.3	0.0	0.2	-0.1	-0.0	0.0	0.1
Health care and social assistance	80,334	80,598	80,493	80,646	80,774	80,843	80,991	81,181
	0.5	0.3	-0.1	0.2	0.2	0.1	0.2	0.2
Arts, entertainment and recreation	11,838	11,768	11,897	11,951	11,851	11,939	11,612	11,704
	-0.1	-0.6	1.1	0.5	-0.8	0.7	-2.7	0.8
Accommodation and food services	27,706	27,469	27,355	27,550	27,363	27,203	26,972	27,032
	0.2	-0.9	-0.4	0.7	-0.7	-0.6	-0.8	0.2
Other services (except public administration)	32,834	32,848	32,872	32,888	32,896	32,868	32,831	32,842
	0.1	0.0	0.1	0.0	0.0	-0.1	-0.1	0.0
Public administration	70,457	70,568	70,550	70,568	70,654	70,782	70,889	71,020
	0.2	0.2	-0.0	0.0	0.1	0.2	0.2	0.2
Other aggregations								
Industrial production	256,712	251,257	246,462	244,559	239,946	236,889	232,584	231,253
	-1.9	-2.1	-1.9	-0.8	-1.9	-1.3	-1.8	-0.6
Non-durable manufacturing industries	67,965	67,340	66,838	66,420	65,821	64,437	64,509	64,547
	-1.6	-0.9	-0.7	-0.6	-0.9	-2.1	0.1	0.1
Durable manufacturing industries	100,693	96,204	91,381	90,488	88,944	88,579	85,462	84,277
	-3.4	-4.5	-5.0	-1.0	-1.7	-0.4	-3.5	-1.4
Business sector industries	1,017,141	1,004,697	997,012	995,622	989,443	986,456	980,637	981,479
	-0.9	-1.2	-0.8	-0.1	-0.6	-0.3	-0.6	0.1
Non-business sector industries	201,340	201,933	201,957	202,184	202,254	202,434	202,620	202,930
	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.2
ICT sector, total	58,606	58,606	58,278	58,356	58,135	58,173	58,002	58,086
	-0.7	0.0	-0.6	0.1	-0.4	0.1	-0.3	0.1
Energy sector	82,444	81,597	81,556	81,560	79,383	78,057	76,769	77,445
	-0.8	-1.0	-0.1	0.0	-2.7	-1.7	-1.7	0.9

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.

Table C.2 Real gross domestic product by industry, at basic prices, quarterly and annually[1]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Goods-producing industries	366,990	365,912	366,089	356,561	340,230	327,984	374,126	363,888
	-1.1	-0.3	0.0	-2.6	-4.6	-3.6	0.5	-2.7
Agriculture, forestry, fishing and hunting	25,980	26,107	25,825	25,870	25,805	25,317	26,478	25,945
	-0.9	0.5	-1.1	0.2	-0.2	-1.9	-4.2	-2.0
Mining and oil and gas extraction	55,691	54,918	55,687	54,955	53,177	50,294	57,288	55,313
	-1.0	-1.4	1.4	-1.3	-3.2	-5.4	1.0	-3.4
Utilities	31,594	31,185	31,116	30,645	30,171	29,706	31,344	31,135
	-1.1	-1.3	-0.2	-1.5	-1.5	-1.5	3.9	-0.7
Construction	74,385	74,829	75,510	74,783	71,718	70,196	72,890	74,877
	1.2	0.6	0.9	-1.0	-4.1	-2.1	2.9	2.7
Manufacturing	178,532	178,643	176,834	168,375	156,785	150,813	185,311	175,596
	-2.4	0.1	-1.0	-4.8	-6.9	-3.8	-0.9	-5.2
Services-producing industries	862,031	864,963	867,347	863,544	859,388	861,696	846,591	864,471
	0.5	0.3	0.3	-0.4	-0.5	0.3	3.5	2.1
Wholesale trade	72,012	71,682	70,929	66,964	63,686	63,668	70,256	70,397
	-0.1	-0.5	-1.1	-5.6	-4.9	-0.0	5.5	0.2
Retail trade	74,486	74,979	75,154	73,848	73,139	73,292	72,391	74,617
	1.0	0.7	0.2	-1.7	-1.0	0.2	5.8	3.1
Transportation and warehousing	56,917	57,069	56,921	56,112	55,020	54,551	56,624	56,755
	0.1	0.3	-0.3	-1.4	-1.9	-0.9	1.7	0.2
Information and cultural industries	44,755	44,985	45,331	45,372	45,426	45,227	44,349	45,111
	-0.3	0.5	0.8	0.1	0.1	-0.4	2.6	1.7
Finance, insurance and real estate	245,987	246,430	247,508	247,853	248,750	252,464	240,536	246,945
	0.8	0.2	0.4	0.1	0.4	1.5	4.0	2.7
Professional, scientific and technical services	58,296	58,362	58,669	58,698	58,398	58,073	57,874	58,506
	0.0	0.1	0.5	0.0	-0.5	-0.6	3.4	1.1
Administrative and waste management services	31,260	31,208	31,097	30,871	30,478	29,832	30,948	31,109
	0.0	-0.2	-0.4	-0.7	-1.3	-2.1	3.2	0.5
Educational services	59,974	60,366	60,667	60,959	61,193	61,237	58,863	60,492
	0.6	0.7	0.5	0.5	0.4	0.1	3.1	2.8
Health care and social assistance	78,358	78,875	79,468	80,283	80,638	81,005	77,035	79,246
	0.6	0.7	0.8	1.0	0.4	0.5	2.8	2.9
Arts, entertainment and recreation	11,621	11,736	11,745	11,819	11,900	11,752	11,716	11,730
	-1.1	1.0	0.1	0.6	0.7	-1.2	2.3	0.1
Accommodation and food services	27,782	27,925	27,682	27,612	27,423	27,069	27,146	27,750
	0.5	0.5	-0.9	-0.3	-0.7	-1.3	1.7	2.2
Other services (except public administration)	32,187	32,407	32,650	32,827	32,885	32,847	31,542	32,518
	0.7	0.7	0.8	0.5	0.2	-0.1	3.2	3.1
Public administration	68,586	69,112	69,691	70,452	70,591	70,897	67,463	69,460
	0.8	0.8	0.8	1.1	0.2	0.4	2.0	3.0
Other aggregations								
Industrial production	266,931	265,380	265,103	256,531	243,656	233,575	274,908	263,486
	-1.8	-0.6	-0.1	-3.2	-5.0	-4.1	0.2	-4.2
Non-durable manufacturing industries	70,615	70,783	70,169	68,116	66,360	64,498	72,507	69,921
	-1.4	0.2	-0.9	-2.9	-2.6	-2.8	-1.8	-3.6
Durable manufacturing industries	108,182	108,116	106,908	100,374	90,271	86,106	113,149	105,895
	-3.1	-0.1	-1.1	-6.1	-10.1	-4.6	-0.3	-6.4
Business sector industries	1,029,705	1,029,986	1,031,184	1,015,947	994,026	982,857	1,025,436	1,026,706
	-0.2	0.0	0.1	-1.5	-2.2	-1.1	2.5	0.1
Non-business sector industries	197,112	198,570	199,890	201,419	202,132	202,661	193,838	199,248
	0.7	0.7	0.7	0.8	0.4	0.3	2.6	2.8
ICT sector, total	58,333	58,758	58,997	58,738	58,256	58,087	57,199	58,707
	0.5	0.7	0.4	-0.4	-0.8	-0.3	4.0	2.6
Energy sector	83,934	82,555	83,175	82,395	80,833	77,424	85,827	83,015
	-1.1	-1.6	0.8	-0.9	-1.9	-4.2	1.0	-3.3

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.

Section D

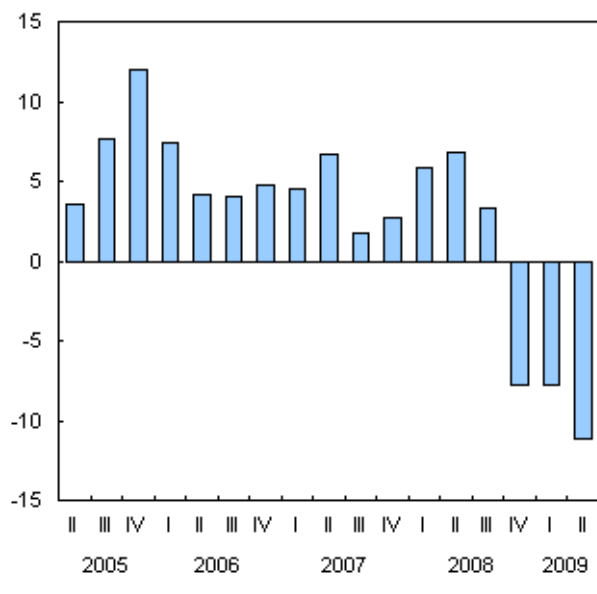
Balance of international payments

Second quarter 2009

Canada's overall current account deficit expanded to \$11.2 billion during the second quarter of 2009, which also marked the first quarterly deficit on international trade in goods in more than 30 years in. This marked the third quarterly current account deficit since the Canadian economy contracted in the fourth quarter of 2008.

Chart D.1
Current account deficit increases

billions of dollars, seasonally adjusted



In the capital and financial account (unadjusted for seasonal variation), net borrowing from abroad continued. In particular, cross-border financial flows in securities provided substantial inflows of funds to Canada in the second quarter of 2009. A large part of this activity was led by a surge in new issues of Canadian bonds purchased by foreign investors.

Current account

Balance on goods deteriorates to register first deficit since 1976

The value of Canada's international trade in goods continued to shrink in the second quarter of 2009, with the decline in exports again exceeding that of imports. Goods exports fell \$9.3 billion to \$87.6 billion, with reductions spread over most commodities. For their part, imports of goods were down \$6.8 billion to \$89.4 billion. As a result, the overall goods balance (-\$1.7 billion) posted a deficit for the first time since the first quarter of 1976. Trade flows with the United States have been a significant factor in this development as the bilateral goods surplus with the United States narrowed further, down \$3.2 billion in the second quarter from the previous quarter. Over the last three quarters, the bilateral goods surplus with the United States has fallen by \$17.6 billion.

Reductions on total exports were widespread in the second quarter. Machinery and equipment were down \$3.5 billion as volumes dropped for all components. Industrial goods fell \$2.2 billion mainly on lower volumes, amounting to a drop of almost 40% over the last three quarters. Sales of automotive products edged down in the second quarter following a significant reduction in the previous quarter. The value of energy products sold abroad declined \$1.8 billion. Natural gas prices fell by more than one-third during the quarter, which led to a reduction of \$2.3 billion in the value of exports for that commodity; however, exports of crude petroleum were up \$1.3 billion, despite lower volumes.

Note to readers

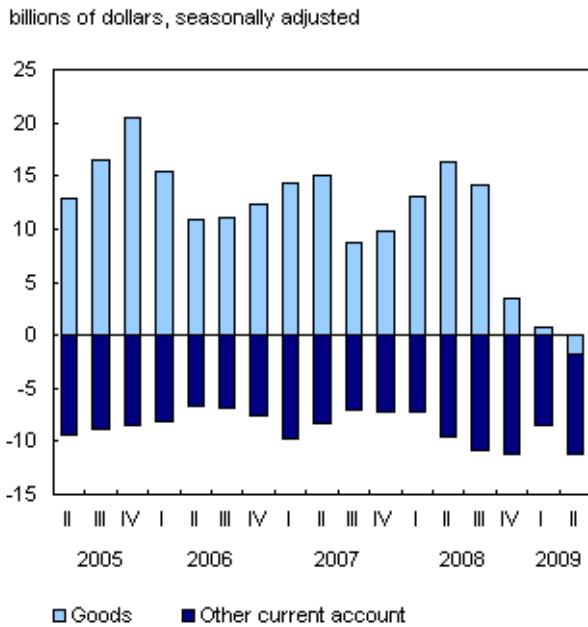
The balance of payments covers all economic transactions between Canadian residents and non-residents, in two accounts — the current account and the capital and financial account.

The current account covers transactions in goods, services, investment income and current transfers. Exports and interest income are examples of receipts, while imports and interest expense are payments. The overall balance of receipts and payments is Canada's current account 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 in three functional classes: direct investment, portfolio investment and all other types of investment. These flows arise from financial activities of either Canadian residents (foreign assets of Canadian investors) or non-residents (Canadian liabilities to foreign investors). Transactions resulting in capital inflows to Canada are presented as positive values while those giving rise to capital outflows from Canada are shown as negative values.

In principle, a current account surplus corresponds to an equivalent net outflow in the capital and financial account; and, a current account deficit corresponds to an equivalent net inflow in the capital and financial account. In other words, the two accounts should add to zero. In practice, as data are compiled from multiple sources, this is rarely the case and gives rise to measurement error. The statistical discrepancy is the unobserved net inflow or outflow.

Chart D.2
Goods balance records first deficit since 1976

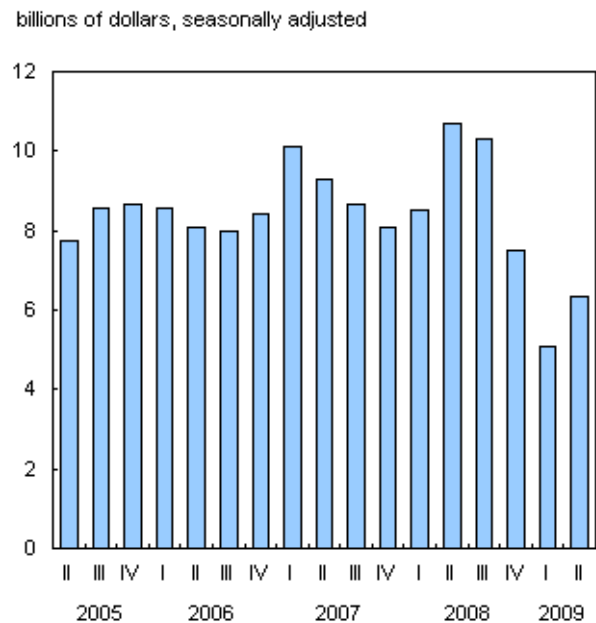


As the Canadian dollar appreciated (+8.5% against the U.S. dollar), lower prices were more important in explaining overall import declines in the second quarter. Imports of machinery and equipment dominated with a decline of \$3.2 billion, about evenly accounted for by lower volumes and lower prices. Industrial goods imports fell \$2.4 billion, led by lower prices for almost all the commodities and supplemented by lower volumes for metals and metal ores. Automotive products were flat in the second quarter, following a large import decline in the first quarter. Imports of energy products were largely unchanged in the second quarter, as increases in volume of crude petroleum were more than offset by declines in the volumes of other energy products.

Services deficit narrows, while investment income deficit expands

The overall services deficit narrowed in the second quarter as deficits in transportation and in commercial services were reduced somewhat. Both transportation payments and receipts continued to decline in line with lower activity in merchandise trade. Commercial services payments edged down, despite an increase in the commissions paid on new issues of Canadian bonds and on trade of outstanding foreign stocks. However, the travel deficit was unchanged in the second quarter at \$2.9 billion, as lower receipts from American travellers in Canada were offset by lower spending by Canadians travelling to countries other than United States.

Chart D.3
Profits on foreign direct investment in Canada up after three quarters of decline



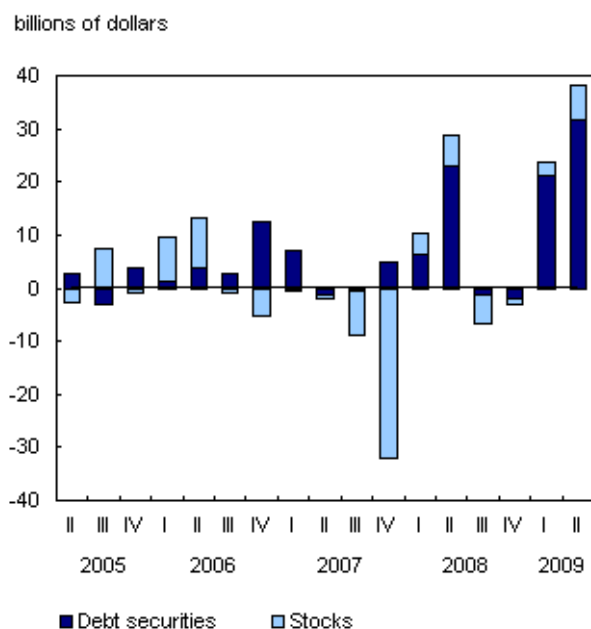
In the second quarter, payments on investment income increased \$0.7 billion such that the deficit on investment income expanded \$1.0 billion. On the payments side, profits accruing to foreign direct investors were up \$1.3 billion, largely accounted for by the transportation equipment sector. At the same time, income receipts on portfolio assets were down \$0.4 billion.

Capital and financial account

Foreign demand for Canadian bonds leads inflows of funds

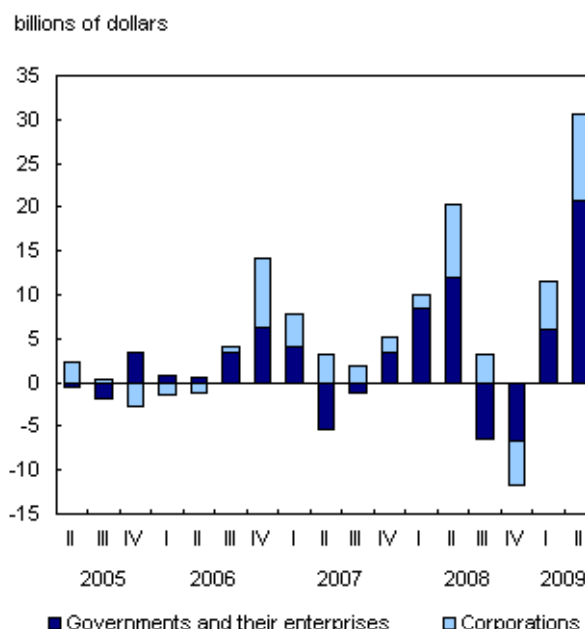
Non-residents invested \$38.3 billion in Canadian securities in the second quarter of 2009, as they acquired bonds at an unprecedented rate. This activity accounted for the lion's share of inflows of funds in the quarter. Overall, non-resident investors have picked up \$62 billion of Canadian securities in the first half of 2009.

Chart D.4
Non-residents continue to supply substantial funds to the Canadian economy through securities markets



In the second quarter, foreign investors added a further \$30.7 billion of Canadian bonds to their portfolios. Nearly 70% of this activity was comprised of new issues of bonds, reflecting strong borrowing of corporations and provincial governments. The remainder of this activity was mainly the result of secondary market purchases of federal bonds, as yields on these bonds increased to levels last seen in the third quarter of 2008.

Chart D.5
Foreign demand for corporate and government bonds up sharply



In addition, non-residents continued to buy Canadian money market instruments for the fifth straight quarter but at a much reduced pace, acquiring \$1.0 billion during the quarter compared with \$19.5 billion in the last two quarters. Although Canadian short-term interest rates remained above U.S. rates in the second quarter, the differential has narrowed.

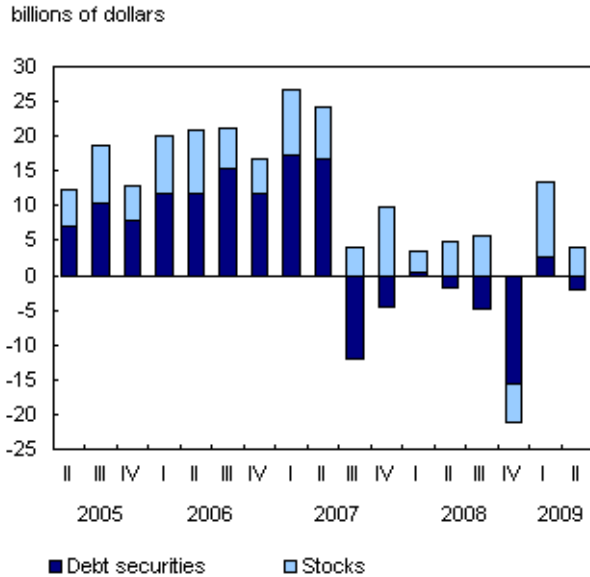
Foreign investment in Canadian equities was also relatively robust as Canadian stock prices increased strongly during the quarter. The Canadian stock market rebounded between March and June with the Standard and Poor's / Toronto Stock Exchange index up nearly 20% during the period. Acquisitions of Canadian stocks by non-resident investors were up \$6.6 billion in the second quarter, as investment focused on banking and other financial shares.

Canadian investment in foreign securities slows

Canadian investment in foreign securities slowed to \$2.1 billion in the second quarter from \$13.4 billion in the previous quarter, as investment in foreign equities was at a much reduced pace. Nevertheless, Canadian investors acquired \$4.1 billion of foreign shares in the second quarter as major global stock markets posted strong gains. Investment in the quarter was equally split between U.S. and non-U.S. instruments: the U.S. mainly private equities and the European shares mainly from the consumer products sector.

Meanwhile, Canadians disposed of \$1.9 billion of foreign debt instruments, both bonds and short-term paper, during the second quarter. Transactions in U.S. government debt instruments resulted in a substantial divestment of \$3.3 billion, partly offset by the acquisition of \$1.2 billion of non-U.S. debt securities. This was the first net investment in non-U.S. debt securities since the second quarter of 2007.

Chart D.6
Canadian purchases of foreign securities down, and remains relatively subdued since mid 2007



1. Reverse of Balance of Payments signs.

Direct investment activity remains subdued

Cross-border direct investment activity was again relatively moderate in the second quarter with little merger and acquisition activity. Canadian direct investment abroad of \$3.8 billion in the second quarter was comprised of earnings reinvested in operations of foreign subsidiaries, largely Canadian financial firms. Foreign direct investment in Canada amounted to a withdrawal of \$660 million of funds, mainly by U.S. and British direct investors.

Reductions of other Canadian liabilities moderate total inflows of funds

Transactions in the other investment account of the balance of payments resulted in a net outflow in the second quarter. Canadian liabilities to non-residents, essentially in the form of short-term loans and bank deposits, were down \$18.7 billion following sizable increases in the previous three quarters.

Table D.1 Balance of payments

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	131,218	147,681	148,813	132,622	109,463	106,085	532,763	560,335
Goods	115,269	130,062	128,806	115,720	93,933	89,518	463,127	489,857
Services	15,950	17,619	20,007	16,902	15,530	16,567	69,637	70,478
Investment income	18,643	19,814	17,608	15,603	14,043	14,198	76,546	71,667
Direct investment	9,794	11,050	9,223	7,523	6,186	6,625	41,884	37,590
Portfolio investment	5,546	5,739	5,647	5,265	5,698	5,292	22,066	22,198
Other investment	3,302	3,026	2,738	2,814	2,159	2,280	12,596	11,880
Current transfers	2,755	2,229	2,109	3,228	2,917	1,831	9,489	10,322
Current account receipts	152,616	169,725	168,530	151,453	126,423	122,113	618,798	642,324
Payments								
Goods and services	125,515	137,679	137,074	135,697	116,582	113,291	503,840	535,965
Goods	101,963	114,204	113,793	113,028	92,918	91,204	415,229	442,988
Services	23,552	23,475	23,281	22,669	23,664	22,087	88,611	92,977
Investment income	20,802	22,562	22,674	20,853	16,674	17,323	87,880	86,891
Direct investment	9,158	11,640	11,132	8,072	5,570	7,078	39,830	40,001
Portfolio investment	7,548	7,775	8,179	8,480	8,226	8,221	30,999	31,981
Other investment	4,096	3,147	3,363	4,302	2,877	2,024	17,051	14,908
Current transfers	3,480	2,453	2,659	2,760	3,582	2,227	11,473	11,353
Current account payments	149,797	162,695	162,407	159,310	136,838	132,842	603,192	634,209
Balances								
Goods and services	5,703	10,002	11,739	-3,074	-7,119	-7,206	28,924	24,370
Goods	13,306	15,858	15,013	2,692	1,015	-1,686	47,898	46,869
Services	-7,603	-5,856	-3,274	-5,766	-8,134	-5,520	-18,974	-22,499
Investment income	-2,159	-2,748	-5,066	-5,251	-2,631	-3,126	-11,334	-15,223
Direct investment	636	-590	-1,909	-549	615	-453	2,054	-2,411
Portfolio investment	-2,002	-2,036	-2,532	-3,214	-2,528	-2,928	-8,933	-9,783
Other investment	-794	-122	-626	-1,487	-718	256	-4,455	-3,029
Current transfers	-725	-224	-550	468	-665	-397	-1,984	-1,031
Current account balance	2,820	7,030	6,123	-7,857	-10,415	-10,728	15,606	8,115
Capital and financial account[1]								
Capital account	1,192	1,191	1,113	1,023	1,213	1,090	4,258	4,520
Financial account	-7,297	-5,201	-10,405	11,262	13,989	12,109	-23,819	-11,641
Canadian assets, net flows								
Canadian direct investment abroad	-29,841	-11,912	-26,676	-14,444	-2,235	-3,828	-64,056	-82,874
Portfolio investment	-3,454	-3,167	-783	21,057	-13,430	-2,140	-48,426	13,652
Foreign bonds	-685	1,121	4,319	11,599	-533	1,652	-28,902	16,354
Foreign stocks	-2,891	-4,815	-5,739	5,531	-10,795	-4,081	-30,946	-7,914
Foreign money market	121	527	637	3,927	-2,102	289	11,422	5,212
Other investment	-18,509	-7,754	-394	-7,654	-1,632	-826	-63,194	-34,311
Loans	-3,684	1,734	6,446	-5,123	720	-6,577	-10,237	-626
Deposits	-14,209	-7,797	-8,531	-6,691	3,474	1,765	-42,202	-37,227
Official international reserves	247	-1,816	-779	638	-1,078	-547	-4,644	-1,711
Other assets	-863	125	2,469	3,522	-4,747	4,533	-6,111	5,253
Total Canadian assets, net flows	-51,805	-22,833	-27,854	-1,041	-17,297	-6,794	-175,676	-103,533
Canadian liabilities, net flows								
Foreign direct investment in Canada	16,686	5,566	16,591	8,867	1,099	-660	116,448	47,710
Portfolio investment	10,157	28,648	-6,656	-3,092	23,604	38,278	-31,590	29,057
Canadian bonds	9,904	20,352	-3,333	-11,743	11,447	30,665	11,548	15,179
Canadian stocks	3,698	5,617	-5,323	-1,246	2,587	6,565	-41,994	2,746
Canadian money market	-3,445	2,679	2,000	9,897	9,570	1,047	-1,143	11,132
Other investment	17,664	-16,582	7,514	6,528	6,584	-18,715	66,999	15,124
Loans	965	-1,422	3,091	573	1,671	-9,839	13,084	3,208
Deposits	16,165	-15,598	4,270	8,535	4,674	-8,581	48,566	13,372
Other liabilities	534	438	153	-2,581	239	-294	5,349	-1,456
Total Canadian liabilities, net flows	44,507	17,632	17,449	12,303	31,286	18,903	151,857	91,891
Total capital and financial account, net flows	-6,105	-4,010	-9,292	12,285	15,201	13,199	-19,562	-7,122
Statistical discrepancy	3,285	-3,020	3,169	-4,428	-4,786	-2,471	3,955	-994

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	135,444	143,916	146,864	134,111	113,763	104,269	532,763	560,335
Goods	117,996	126,385	129,144	116,332	96,937	87,645	463,127	489,857
Services	17,448	17,531	17,719	17,779	16,826	16,625	69,637	70,478
Travel	4,034	4,026	4,053	4,006	3,891	3,829	16,468	16,119
Transportation	3,034	3,212	3,247	3,105	2,853	2,566	11,881	12,598
Commercial services	9,950	9,855	9,965	10,205	9,613	9,755	39,627	39,974
Government services	430	439	454	464	469	474	1,660	1,787
Investment income	19,017	19,214	17,902	15,534	14,144	13,902	76,546	71,667
Direct investment	10,141	10,625	9,475	7,348	6,301	6,423	41,884	37,590
Interest	620	758	829	483	390	350	1,935	2,690
Profits	9,521	9,867	8,646	6,866	5,911	6,073	39,949	34,900
Portfolio investment	5,523	5,608	5,672	5,395	5,614	5,226	22,066	22,198
Interest	1,647	1,749	1,764	1,477	1,655	1,426	8,067	6,637
Dividends	3,877	3,859	3,908	3,918	3,959	3,799	13,999	15,561
Other investment	3,353	2,981	2,755	2,791	2,230	2,253	12,596	11,880
Current transfers	2,427	2,569	2,494	2,831	2,604	2,074	9,489	10,322
Private	575	617	630	693	765	767	2,599	2,515
Official	1,852	1,952	1,864	2,138	1,839	1,307	6,890	7,807
Total receipts	156,889	165,699	167,260	152,476	130,512	120,245	618,798	642,324
Payments								
Goods and services	127,633	133,402	138,198	136,732	118,942	111,423	503,840	535,965
Goods	104,991	110,154	115,028	112,815	96,172	89,359	415,229	442,988
Services	22,642	23,247	23,170	23,918	22,769	22,064	88,611	92,977
Travel	7,209	7,247	7,245	7,032	6,775	6,726	26,511	28,734
Transportation	5,157	5,279	5,531	5,622	5,199	4,770	19,842	21,590
Commercial services	9,980	10,431	10,103	10,970	10,520	10,266	41,120	41,484
Government services	296	290	290	294	276	302	1,137	1,170
Investment income	20,683	22,571	22,972	20,664	16,596	17,332	87,880	86,891
Direct investment	9,277	11,434	11,066	8,225	5,688	6,933	39,830	40,001
Interest	745	728	737	738	626	617	3,711	2,947
Profits	8,532	10,706	10,329	7,487	5,062	6,316	36,118	37,054
Portfolio investment	7,589	7,760	8,145	8,487	8,290	8,217	30,999	31,981
Interest	5,511	5,622	5,909	6,328	6,232	6,180	22,851	23,370
Dividends	2,078	2,138	2,236	2,159	2,058	2,038	8,147	8,612
Other investment	3,817	3,377	3,762	3,952	2,619	2,182	17,051	14,908
Current transfers	2,702	2,977	2,833	2,840	2,704	2,692	11,473	11,353
Private	1,779	1,812	1,842	1,819	1,685	1,611	7,759	7,252
Official	924	1,165	991	1,021	1,019	1,081	3,713	4,101
Total payments	151,018	158,951	164,004	160,236	138,242	131,447	603,192	634,209
Balances								
Goods and services	7,811	10,514	8,666	-2,621	-5,178	-7,154	28,924	24,370
Goods	13,005	16,230	14,116	3,517	765	-1,714	47,898	46,869
Services	-5,194	-5,716	-5,451	-6,139	-5,943	-5,439	-18,974	-22,499
Travel	-3,175	-3,222	-3,193	-3,026	-2,884	-2,897	-10,043	-12,615
Transportation	-2,123	-2,068	-2,284	-2,518	-2,345	-2,203	-7,961	-8,992
Commercial services	-30	-576	-138	-765	-907	-511	-1,493	-1,510
Government services	134	150	164	170	193	172	522	618
Investment income	-1,666	-3,358	-5,070	-5,130	-2,452	-3,431	-11,334	-15,223
Direct investment	865	-809	-1,591	-876	613	-510	2,054	-2,411
Interest	-124	30	92	-255	-236	-267	-1,776	-258
Profits	989	-839	-1,683	-621	849	-244	3,830	-2,154
Portfolio investment	-2,066	-2,153	-2,472	-3,092	-2,676	-2,992	-8,933	-9,783
Interest	-3,865	-3,873	-4,144	-4,851	-4,577	-4,753	-14,784	-16,733
Dividends	1,799	1,721	1,672	1,758	1,901	1,761	5,851	6,950
Other investment	-464	-397	-1,007	-1,161	-389	71	-4,455	-3,029
Current transfers	-275	-408	-339	-9	-100	-618	-1,984	-1,031
Private	-1,203	-1,195	-1,213	-1,126	-920	-843	-5,160	-4,737
Official	928	787	874	1,117	820	225	3,176	3,706
Current account	5,871	6,748	3,257	-7,760	-7,730	-11,202	15,606	8,115

Section E

Financial flow accounts

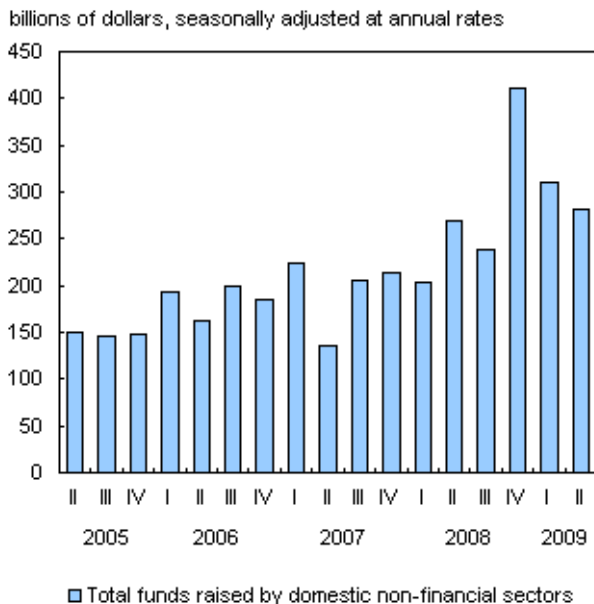
Second quarter 2009

Borrowing by domestic non-financial sectors fell between the first and second quarters of 2009, as federal government borrowing fell sharply following temporary measures to enhance liquidity in financial markets. Excluding this effect, domestic sectors increased their borrowing in the second quarter.

Provincial and corporate bond issuances accounted for more than 40% of total funds raised in the quarter, reflecting favourable bond rates for borrowers. Household borrowing was also up in the second quarter, albeit well below levels observed in recent periods before the current economic downturn.

Substantially decreased federal government borrowing associated with liquidity initiatives, including the Insured Mortgage Purchase Program, contributed to the decrease in overall funds raised by domestic non-financial sectors in the second quarter of 2009.

Chart E.1
Overall demand for funds recedes further



The Bank of Canada further reduced the target overnight rate, down 25 basis points to 0.25%, in April 2009. The five-year conventional mortgage rate increased by 30 basis points during the quarter to 5.85%, still considerably lower than the same time last year when the rate was 7.15%.

Canadian stock markets rebounded in the second quarter of 2009 with the Standard and Poor's / Toronto Stock Exchange composite index up nearly 20%, reflecting gains in energy and other commodity prices. This was the largest quarterly percentage increase since the fourth quarter of 1999 and a significant recovery from the record decline witnessed in the later part of 2008. The Canadian dollar appreciated during the second quarter of 2009 relative to its U.S. counterpart, closing the quarter at U.S. 88.8 cents.

Persons and unincorporated businesses

Overall household borrowing increased to \$98.3 billion during the second quarter of 2009, led by consumer credit and mortgages. However, lower interest rates helped keep the household debt service ratio in check, which edged down from 7.8% to 7.7%.

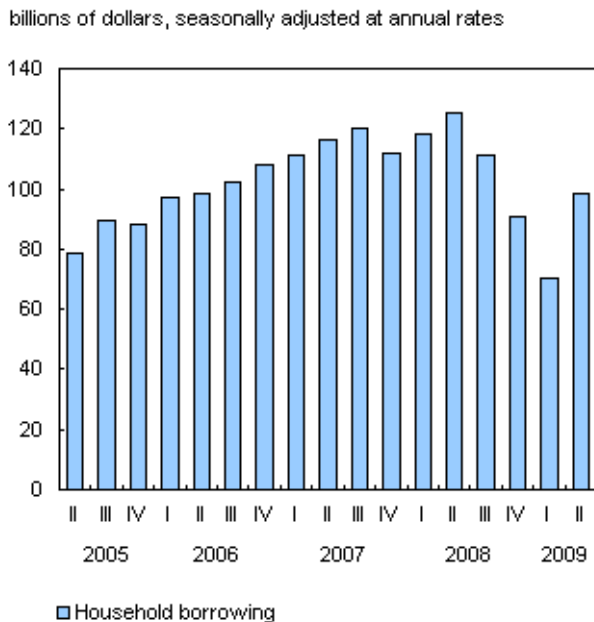
Consumer credit increased by 19% to \$26.9 billion while net new mortgage borrowings were up in excess of 30% to \$64.4 billion, though both were still well off the pace set prior to the economic downturn. The substantial increase in mortgage borrowing was related to increased activity in the resale housing markets, in the context of historically low borrowing costs. The consumer credit upswing reflected sizeable increases in motor vehicle purchases, as buyers were likely enticed by favourable dealer incentives.

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.

Chart E.2
Total household borrowing up, still well below historical levels



Government

The government sector was again a net borrower from the rest of the economy, a pattern that emerged in the latter part of 2008. Federal and provincial government revenues fell further in the second quarter of 2009, down 4.7% and 1.7%, respectively. This contributed to further deficits (on a System of National Accounts basis), as revenues from taxes on corporations, government business enterprises and persons declined while overall expenditures increased.

Borrowing by the federal government dropped from \$182.9 billion in the first quarter to \$34.7 billion in the second quarter of 2009 (these are expressed at seasonally adjusted annual rates; on a quarterly basis the government raised \$45.7 billion in the first quarter and \$8.7 billion in the second quarter of 2009). The high level of borrowing activity in the previous two quarters was associated with liquidity initiatives, including the Insured Mortgage Purchase Program.

Other levels of government borrowed \$83.7 billion in the second quarter of 2009, comprised primarily of substantial provincial bond and short-term paper issuances.

Corporations

Corporate profits were down sharply again in the second quarter of 2009. Fixed capital investment of private non-financial corporations slowed for the third quarter in a row,

which contributed to this sector remaining a net lender to the rest of the economy for the second consecutive quarter.

Funds raised by the private non-financial corporations sector grew from \$14.6 billion in the previous quarter to \$62.2 billion in the second quarter. The rise in demand for borrowed funds by this sector reflected significant new bond issuances. However, total assets were up significantly over the previous quarter, in particular financial assets.

Financial institutions

Institutional investors' and lending institutions' investment in domestic fixed income securities and net new loan issuances slowed, while consumer credit and mortgages lending picked-up. Issuances of *National Housing Act* mortgage-backed securities were significantly lower in the second quarter of 2009, on the heels of the two largest quarterly issuances on record.

Non-residents

Non-resident investment in Canadian securities remained high for a second consecutive quarter. The increase in portfolio investment was buoyed by a boost in domestic debt security issues, in particular provincial and corporate bonds. The non-resident sector continued to be a net lender to the economy in the second quarter, a pattern that emerged in the fourth quarter of 2008.

Table E.1 Financial market summary table

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised								
Persons and unincorporated business	118,528	125,144	111,152	90,940	70,072	98,340	114,786	111,441
Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615
Bank loans	-328	1,676	3,412	4,172	1,684	2,512	935	2,233
Other loans	7,376	2,572	7,236	4,888	-3,288	4,596	3,217	5,518
Mortgages	76,728	85,924	70,028	59,620	49,148	64,380	76,269	73,075
Non-financial private corporations	79,760	67,408	70,672	58,060	14,600	62,236	77,717	68,975
Bank loans	12,540	5,348	27,968	56,780	-9,120	-14,912	20,226	25,659
Other loans	-908	-3,936	1,876	-6,136	-9,940	-15,280	-281	-2,276
Other short-term paper	17,660	2,924	-6,864	-3,568	-5,948	-3,616	3,738	2,538
Mortgages	21,976	19,692	16,992	17,368	7,216	21,116	18,105	19,007
Bonds	8,300	24,148	21,968	-8,964	15,192	49,972	12,437	11,363
Shares	20,192	19,232	8,732	2,580	17,200	24,956	23,492	12,684
Non-financial government enterprises	-5,088	-3,328	-2,996	-3,324	5,112	2,980	329	-3,684
Bank loans	-768	464	-156	-316	56	44	-225	-194
Other loans	3,460	-2,688	936	288	-92	372	-719	499
Other short-term paper	552	-944	-1,236	-532	2,004	-508	70	-540
Mortgages	0	12	-4	4	-8	-4	-4	3
Bonds	-8,332	-172	-2,536	-2,768	3,152	3,076	1,207	-3,452
Shares	0	0	0	0	...	...	0	0
Federal government	4,500	56,772	7,192	219,972	182,900	34,740	-19,856	72,109
Bank loans	168	148	152	144	12	24	139	153
Other loans	0	0	0	0	...	...	0	0
Canada short-term paper	1,356	59,424	18,940	183,124	68,076	80	-8,587	65,711
Canada Savings Bonds	-1,516	-1,056	-832	16	-184	-336	-2,229	-847
Other bonds	4,492	-1,744	-11,068	36,688	114,996	34,972	-9,179	7,092
Other levels of government	5,500	22,880	52,644	46,332	37,836	83,724	21,347	31,839
Bank loans	108	516	528	1,084	1,956	-2,668	292	559
Other loans	716	504	824	156	1,176	3,712	695	550
Other short-term paper	-668	-2,356	32,116	30,256	-3,652	17,216	5,544	14,837
Mortgages	12	-8	-4	0	4	0	-16	0
Provincial bonds	4,580	21,920	18,144	13,876	34,988	63,632	12,914	14,630
Municipal bonds	708	2,316	1,048	1,104	3,268	1,788	2,004	1,294
Other bonds	44	-12	-12	-144	96	44	-86	-31
Total funds raised by domestic non-financial sectors	203,200	268,876	238,664	411,980	310,520	282,020	194,323	280,680
Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615
Bank loans	11,720	8,152	31,904	61,864	-5,412	-15,000	21,367	28,410
Other loans	10,644	-3,548	10,872	-804	-12,144	-6,600	2,912	4,291
Canada short-term paper	1,356	59,424	18,940	183,124	68,076	80	-8,587	65,711
Other short-term paper	17,544	-376	24,016	26,156	-7,596	13,092	9,352	16,835
Mortgages	98,716	105,620	87,012	76,992	56,360	85,492	94,354	92,085
Bonds	8,276	45,400	26,712	39,808	171,508	153,148	17,068	30,049
Shares	20,192	19,232	8,732	2,580	17,200	24,956	23,492	12,684

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

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars								
Income	1,217,668	1,222,648	1,229,092	1,236,932	1,225,652	1,226,472	1,170,715	1,226,585
	2.2	0.4	0.5	0.6	-0.9	0.1	5.8	4.8
Wages, salaries and supplementary labour income	812,496	820,916	827,116	831,936	824,428	820,248	784,839	823,116
	1.6	1.0	0.8	0.6	-0.9	-0.5	5.6	4.9
Unincorporated business net income[2]	93,516	95,500	97,860	98,108	96,000	97,540	90,407	96,246
	2.9	2.1	2.5	0.3	-2.1	1.6	4.4	6.5
Interest, dividends and miscellaneous investment income	141,508	142,144	140,304	138,328	133,552	132,044	137,344	140,571
	1.7	0.4	-1.3	-1.4	-3.5	-1.1	9.7	2.3
Current transfers from government	165,628	159,620	159,116	163,836	166,492	171,684	153,264	162,050
	5.2	-3.6	-0.3	3.0	1.6	3.1	5.0	5.7
Current transfers from corporations	2,080	2,100	2,112	2,056	1,940	1,984	2,263	2,087
	-1.3	1.0	0.6	-2.7	-5.6	2.3	-6.0	-7.8
Current transfers from non-residents	2,440	2,368	2,584	2,668	3,240	2,972	2,598	2,515
	-2.6	-3.0	9.1	3.3	21.4	-8.3	1.6	-3.2
Outlay	1,186,388	1,190,800	1,199,216	1,189,780	1,183,072	1,183,436	1,148,268	1,191,546
	1.0	0.4	0.7	-0.8	-0.6	0.0	6.7	3.8
Personal expenditure on goods and services	882,504	891,924	901,228	889,132	887,052	892,596	850,921	891,197
	1.1	1.1	1.0	-1.3	-0.2	0.6	6.2	4.7
Current transfers to government	278,836	274,052	273,580	276,080	272,396	267,824	273,153	275,637
	0.8	-1.7	-0.2	0.9	-1.3	-1.7	7.7	0.9
Current transfers to corporations	19,580	19,412	19,040	19,220	18,500	18,108	18,663	19,313
	1.4	-0.9	-1.9	0.9	-3.7	-2.1	11.2	3.5
Current transfers to non-residents	5,468	5,412	5,368	5,348	5,124	4,908	5,531	5,399
	-0.9	-1.0	-0.8	-0.4	-4.2	-4.2	23.5	-2.4
Saving	31,280	31,848	29,876	47,152	42,580	43,036	22,447	35,039
	84.2	1.8	-6.2	57.8	-9.7	1.1	-25.6	56.1
Disposable income[3]	938,832	948,596	955,512	960,852	953,256	958,648	897,562	950,948
	2.6	1.0	0.7	0.6	-0.8	0.6	5.3	5.9
Saving rate	3.3	3.4	3.1	4.9	4.5	4.5	2.5	3.7

Gross saving and capital transfers	82,784	84,376	82,172	100,460	96,976	97,964	71,170	87,448
	24.4	1.9	-2.6	22.3	-3.5	1.0	-6.0	22.9
Saving	31,280	31,848	29,876	47,152	42,580	43,036	22,447	35,039
	84.2	1.8	-6.2	57.8	-9.7	1.1	-25.6	56.1
Capital consumption allowances	47,732	48,532	49,008	49,880	50,624	51,152	45,568	48,788
	2.1	1.7	1.0	1.8	1.5	1.0	7.1	7.1
Net capital transfers	3,772	3,996	3,288	3,428	3,772	3,776	3,155	3,621
	34.7	5.9	-17.7	4.3	10.0	0.1	4.7	14.8
Deduct: Non-financial capital acquisition	131,104	134,736	135,712	134,164	117,724	127,364	128,584	133,929
	-0.9	2.8	0.7	-1.1	-12.3	8.2	11.7	4.2
Net lending	-48,320	-50,360	-53,540	-33,704	-20,748	-29,400	-57,414	-46,481

Transactions in financial assets	69,308	83,520	52,116	59,640	53,436	71,756	57,594	66,146

Currency and deposits	55,588	123,128	51,912	81,072	69,432	81,320	43,968	77,925

Canadian debt securities	-4,660	-58,792	-18,244	15,140	-7,560	-5,836	-18,423	-16,639

Corporate shares and mutual funds	4,888	4,664	21,056	-18,808	-8,016	-4,048	2,561	2,950

Life insurance and pensions	52,468	53,364	30,444	40,532	37,328	43,580	49,239	44,202

Other financial assets	-38,976	-38,844	-33,052	-58,296	-37,748	-43,260	-19,751	-42,292

Transactions in liabilities	117,424	133,816	107,304	90,512	71,632	98,932	116,120	112,264

Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615

Bank and other loans	7,048	4,248	10,648	9,060	-1,604	7,108	4,152	7,751

Mortgages	76,728	85,924	70,028	59,620	49,148	64,380	76,269	73,075

Trade payables	-1,104	8,672	-3,848	-428	1,560	592	1,334	823

Net financial investment	-48,116	-50,296	-55,188	-30,872	-18,196	-27,176	-58,526	-46,118

Sector discrepancy	-204	-64	1,648	-2,832	-2,552	-2,224	1,112	-363

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars								
Income	409,116	432,400	437,508	363,804	316,644	306,604	397,391	410,707
	-0.1	5.7	1.2	-16.8	-13.0	-3.2	4.6	3.4
Corporation profits before taxes	213,056	229,532	237,708	182,900	147,508	131,168	204,131	215,799
	2.8	7.7	3.6	-23.1	-19.4	-11.1	4.1	5.7
Government business enterprise profits before taxes	16,680	16,936	14,840	13,844	13,172	12,492	15,725	15,575
	7.6	1.5	-12.4	-6.7	-4.9	-5.2	7.9	-1.0
Inventory valuation adjustment	-2,900	-4,016	-7,508	-9,916	1,624	7,676	2,947	-6,085

Interest, dividends and miscellaneous receipts[2]	106,832	115,412	118,580	105,088	85,180	85,604	100,371	111,478
	-1.9	8.0	2.7	-11.4	-18.9	0.5	-0.5	11.1
Interest on consumer debt	19,580	19,412	19,040	19,220	18,500	18,108	18,663	19,313
	1.4	-0.9	-1.9	0.9	-3.7	-2.1	11.2	3.5
Interest on public debt[3]	55,868	55,124	54,848	52,668	50,660	51,556	55,554	54,627
	1.0	-1.3	-0.5	-4.0	-3.8	1.8	1.2	-1.7
Outlay	295,372	306,592	315,456	290,088	253,744	242,256	292,974	301,877
	-0.7	3.8	2.9	-8.0	-12.5	-4.5	5.0	3.0
Interest, dividends and miscellaneous payments	233,392	239,504	245,708	234,376	208,676	205,768	231,652	238,245
	-1.6	2.6	2.6	-4.6	-11.0	-1.4	5.8	2.8
Direct taxes	59,216	64,120	66,604	52,728	42,540	34,012	57,748	60,667
	3.3	8.3	3.9	-20.8	-19.3	-20.0	4.0	5.1
Other current transfers	2,764	2,968	3,144	2,984	2,528	2,476	3,574	2,965
	-11.0	7.4	5.9	-5.1	-15.3	-2.1	-20.6	-17.0
Saving	113,744	125,808	122,052	73,716	62,900	64,348	104,417	108,830
	1.5	10.6	-3.0	-39.6	-14.7	2.3	3.4	4.2
Gross saving and capital transfers	240,892	254,440	252,264	207,596	197,864	200,532	229,327	238,798
	0.8	5.6	-0.9	-17.7	-4.7	1.3	3.7	4.1
Saving	113,744	125,808	122,052	73,716	62,900	64,348	104,417	108,830
	1.5	10.6	-3.0	-39.6	-14.7	2.3	3.4	4.2
Capital consumption allowances	125,264	126,988	128,888	130,312	131,284	132,492	121,634	127,863
	1.4	1.4	1.5	1.1	0.7	0.9	4.5	5.1
Net capital transfers	1,884	1,644	1,324	3,568	3,680	3,692	3,276	2,105
	-44.6	-12.7	-19.5	169.5	3.1	0.3	-10.4	-35.7
Deduct: Non-financial capital acquisition	178,640	185,600	190,888	180,780	153,900	130,980	185,053	183,977
	-6.8	3.9	2.8	-5.3	-14.9	-14.9	4.1	-0.6
Net lending	62,252	68,840	61,376	26,816	43,964	69,552	44,274	54,821

Transactions in financial assets	654,808	669,344	436,372	778,956	445,972	491,448	696,341	634,870

<i>Of which:</i>								
Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615

Bank and other loans	60,156	20,436	73,772	56,680	-17,592	-20,812	48,885	52,761

Mortgages	101,288	107,504	88,496	77,324	57,120	85,952	97,856	93,653

Short-term paper	18,880	37,564	5,116	131,436	10,684	-35,788	161	48,249

Bonds	76,860	114,756	102,300	265,260	294,364	160,448	91,968	139,794

Shares	-6,772	32,640	-26,960	-41,284	67,780	59,844	19,236	-10,594

Foreign investments	-24,548	7,896	-22,232	-77,048	49,360	-20,712	59,652	-28,983

Transactions in liabilities	566,552	602,008	378,072	750,524	395,904	434,608	643,651	574,289

<i>Of which:</i>								
Currency and deposits	71,752	166,008	77,560	89,260	18,724	32,044	172,974	101,145

Bank and other loans	51,336	-2,096	48,516	56,028	-35,312	-36,588	58,322	38,446

Short-term paper	10,816	-48,352	-41,236	-16,964	-30,916	-24,224	3,791	-23,934

Bonds	88,972	158,672	96,736	159,000	166,944	156,464	95,494	125,845

Shares	151,772	102,804	61,732	32,856	88,828	177,100	125,807	87,291

Life insurance and pensions	48,372	49,160	25,992	36,680	32,724	40,180	44,640	40,051

Net financial investment	88,256	67,336	58,300	28,432	50,068	56,840	52,690	60,581

Sector discrepancy	-26,004	1,504	3,076	-1,616	-6,104	12,712	-8,416	-5,760

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars								
Income	632,660	642,976	645,844	622,236	596,204	582,868	623,174	635,929
	0.2	1.6	0.4	-3.7	-4.2	-2.2	5.2	2.0
Taxes on incomes	261,684	262,336	264,612	253,872	239,912	225,356	255,364	260,626
	1.5	0.2	0.9	-4.1	-5.5	-6.1	8.2	2.1
Contributions to social insurance plans	71,304	71,188	70,264	70,784	70,420	69,916	70,467	70,885
	0.5	-0.2	-1.3	0.7	-0.5	-0.7	2.5	0.6
Taxes on production and imports	181,304	182,864	183,200	180,204	177,244	178,168	182,590	181,893
	-2.1	0.9	0.2	-1.6	-1.6	0.5	3.2	-0.4
Other current transfers from persons	12,332	12,556	12,700	12,808	11,780	11,888	11,961	12,599
	0.7	1.8	1.1	0.9	-8.0	0.9	6.5	5.3
Investment income	56,664	64,012	64,552	53,324	45,240	45,508	54,337	59,638
	1.9	13.0	0.8	-17.4	-15.2	0.6	2.1	9.8
Sales of goods and services[2]	49,372	50,020	50,516	51,244	51,608	52,032	48,455	50,288
	-0.1	1.3	1.0	1.4	0.7	0.8	5.1	3.8
Outlay	606,376	607,524	609,208	617,860	622,636	633,528	580,725	610,242
	2.7	0.2	0.3	1.4	0.8	1.7	5.0	5.1
Gross current expenditure on goods and services[2]	355,840	362,724	365,872	371,392	375,296	380,544	343,231	363,957
	1.8	1.9	0.9	1.5	1.1	1.4	6.2	6.0
Current transfers	187,220	182,096	180,784	185,904	188,924	193,704	174,042	184,001
	5.0	-2.7	-0.7	2.8	1.6	2.5	4.3	5.7
Interest on the public debt	63,316	62,704	62,552	60,564	58,416	59,280	63,452	62,284
	0.9	-1.0	-0.2	-3.2	-3.5	1.5	0.7	-1.8
Saving	26,284	35,452	36,636	4,376	-26,432	-50,660	42,449	25,687
	-35.3	34.9	3.3	-88.1	...	...	8.3	-39.5
Gross saving and capital transfers	55,236	65,092	67,700	33,368	3,500	-20,496	68,785	55,349
	-18.4	17.8	4.0	-50.7	-89.5	...	8.7	-19.5
Saving	26,284	35,452	36,636	4,376	-26,432	-50,660	42,449	25,687
	-35.3	34.9	3.3	-88.1	...	...	8.3	-39.5
Capital consumption allowances	29,840	30,516	31,224	31,896	32,532	33,276	28,510	30,869
	2.1	2.3	2.3	2.2	2.0	2.3	7.8	8.3
Net capital transfers	-888	-876	-160	-2,904	-2,600	-3,112	-2,174	-1,207

Deduct: Non-financial capital acquisition	49,740	52,188	54,724	56,692	57,620	58,848	44,563	53,336
	6.9	4.9	4.9	3.6	1.6	2.1	10.0	19.7
Net lending	5,496	12,904	12,976	-23,324	-54,120	-79,344	24,222	2,013

Transactions in financial assets	33,220	72,236	77,636	222,760	166,544	73,372	33,795	101,463

Currency and deposits	8,624	1,008	7,260	81,280	11,484	-29,452	2,116	24,543

Loans	3,548	4,324	2,672	2,448	408	5,268	2,175	3,248

Canadian securities	23,084	22,660	11,228	-6,748	-30,392	35,832	15,481	12,556

Other financial assets	-2,036	44,244	56,476	145,780	185,044	61,724	14,023	61,116

Transactions in liabilities	38,536	63,732	67,132	245,596	221,492	156,028	11,136	103,749

Bank and other loans	992	1,168	1,504	1,384	3,144	1,068	1,126	1,262

Short-term paper	688	57,068	51,056	213,380	64,424	17,296	-3,043	80,548

Bonds	8,520	16,348	2,304	48,476	150,964	100,872	4,713	18,912

Other liabilities	28,336	-10,852	12,268	-17,644	2,960	36,792	8,340	3,027

Net financial investment	-5,316	8,504	10,504	-22,836	-54,948	-82,656	22,659	-2,286

Sector discrepancy	10,812	4,400	2,472	-488	828	3,312	1,563	4,299

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted data at annual rates, millions of dollars								
Income	589,612	612,652	638,552	633,768	550,156	516,688	588,642	618,646
	0.9	3.9	4.2	-0.7	-13.2	-6.1	3.8	5.1
Sales of goods (imports)	419,960	440,628	460,104	451,260	384,688	357,444	415,228	442,988
	3.5	4.9	4.4	-1.9	-14.8	-7.1	2.7	6.7
Sales of services (imports)	91,352	93,816	93,508	96,540	91,912	89,068	89,390	93,804
	-1.9	2.7	-0.3	3.2	-4.8	-3.1	7.2	4.9
Interest, dividends and miscellaneous receipts	67,492	66,300	73,608	74,608	62,740	59,408	72,551	70,502
	-9.0	-1.8	11.0	1.4	-15.9	-5.3	6.1	-2.8
Current transfers	10,808	11,908	11,332	11,360	10,816	10,768	11,473	11,352
	-4.6	10.2	-4.8	0.2	-4.8	-0.4	4.4	-1.1
Outlay	608,368	642,872	656,772	601,180	511,900	469,840	597,252	627,298
	3.8	5.7	2.2	-8.5	-14.9	-8.2	1.6	5.0
Purchases of goods (exports)	471,996	505,528	516,588	465,324	387,760	350,580	463,130	489,859
	6.0	7.1	2.2	-9.9	-16.7	-9.6	2.0	5.8
Purchases of services (exports)	71,580	71,944	72,712	73,024	69,164	68,384	71,427	72,315
	0.4	0.5	1.1	0.4	-5.3	-1.1	1.5	1.2
Interest, dividends and miscellaneous payments	55,084	55,124	57,496	51,508	44,560	42,580	53,206	54,803
	-7.7	0.1	4.3	-10.4	-13.5	-4.4	-1.1	3.0
Current transfers	9,708	10,276	9,976	11,324	10,416	8,296	9,489	10,321
	1.1	5.9	-2.9	13.5	-8.0	-20.4	-0.7	8.8
Saving	-18,756	-30,220	-18,220	32,588	38,256	46,848	-8,610	-8,652
	...	...	...	...	17.4	22.5	...	...
Gross saving and capital transfers	-23,524	-34,984	-22,672	28,496	33,404	42,492	-12,867	-13,171
	...	...	...	...	17.2	27.2	...	...
Saving	-18,756	-30,220	-18,220	32,588	38,256	46,848	-8,610	-8,652
	...	...	...	...	17.4	22.5	...	...
Net capital transfers	-4,768	-4,764	-4,452	-4,092	-4,852	-4,356	-4,257	-4,519

Net lending[2]	-23,524	-34,984	-22,672	28,496	33,404	42,492	-12,867	-13,171

Transactions in financial assets	99,332	63,824	71,948	76,328	81,908	60,268	135,618	77,858

Currency and deposits	-24,556	5,324	16,180	-21,148	17,088	-36,320	12,903	-6,050

Loans	-2,492	2,296	-1,808	4,820	-9,520	2,384	23,466	704

Short-term paper	-9,596	4,588	11,212	35,996	42,512	6,852	-329	10,550

Bonds	24,444	76,228	-4,792	-35,908	40,520	92,272	11,279	14,993

Shares	5,824	1,616	-10,496	14,040	3,420	2,420	-41,993	2,746

Other financial assets	105,708	-26,228	61,652	78,528	-12,112	-7,340	130,292	54,915

Transactions in liabilities	134,156	89,368	85,564	51,052	58,832	7,276	152,441	90,035

Official reserves	-8,272	7,800	4,440	2,876	-2,460	2,816	4,644	1,711

Currency and deposits	-14,216	20,484	5,868	-5,580	43,940	-13,416	15,248	1,639

Bank and other loans	1,836	23,736	13,968	-2,524	7,068	15,252	10,926	9,254

Foreign investments	-17,616	-14,564	-6,148	-92,912	53,056	-25,260	62,952	-32,810

Other liabilities	172,424	51,912	67,436	149,192	-42,772	27,884	58,671	110,241

Net financial investment	-34,824	-25,544	-13,616	25,276	23,076	52,992	-16,823	-12,177

Sector discrepancy	11,300	-9,440	-9,056	3,220	10,328	-10,500	3,956	-994

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 2009

The labour productivity of Canadian businesses did not change in the second quarter, marking the fifth consecutive quarter with little variation. Unit labour cost increased 0.3% in the second quarter, a deceleration from the increases of 0.8% in the first quarter and 1.7% in the fourth quarter of 2008.

Since the second quarter of 2008, the real gross domestic product (GDP) of Canadian businesses has changed at roughly the same pace as hours worked, resulting in little change in productivity over the last five quarters. During that period, real GDP and hours worked both declined by 4.9% cumulatively.

Output and hours worked both fell 1.3% in the second quarter of 2009, after dropping 2.1% in the first quarter of the year.

A slight upturn in domestic demand led to an increase in output and productivity in the services-producing industries, which offset a decline in the goods-producing industries.

An upswing in wholesale and retail trade and the financial industries in the second quarter boosted the service sector's productivity by 0.6%, while the goods sector posted a 0.5% decline. After falling sharply in the previous two quarters, manufacturing productivity was almost unchanged, edging down 0.1% in the second quarter.

Hours worked in the goods sector fell 3.2%, a fourth consecutive quarterly decrease. Hours worked also shrank in service industries for a fifth straight quarter, but

the rate of decline was much lower than in goods. Service sector hours were down 0.5% in the second quarter, much the same pace as in the previous two quarters.

The labour productivity of American businesses rose 1.6% in the second quarter, its largest gain in six years. In the previous three quarters, productivity followed essentially the same pattern in the United States as in Canada.

Labour costs per unit of production in Canadian dollars were up 0.3% for Canada in the second quarter, their smallest increase since the second quarter of 2007.

With little change in productivity in the last five quarters, increases in unit labour costs have essentially reflected the advance in hourly compensation.

After five consecutive quarters of depreciation, the Canadian dollar rose 6.7% in value against its US counterpart in the second quarter. That translated into a 7.0% increase in Canadian unit labour costs expressed in American dollars, the first quarterly increase since the second quarter of 2008. In comparison, unit labour costs in American businesses were down 1.5% in the second quarter, their largest drop in nine years.

Note to reader

This chapter presents a comprehensive analysis comparing labour productivity growth in Canada and the United-States in recent years.

The term "productivity" herein refers to labour productivity. For the purposes of this analysis, labour productivity, gross domestic product (GDP), and unit labour cost cover the business sector only.

Calculations of the productivity growth rate and its related variables in the text and tables below are based on index numbers rounded to three decimal places. On CANSIM, the index numbers are rounded to one decimal place.

For more information about the productivity program, see the new National Economic Accounts module. You can also order a copy of a technical note about the quarterly estimates of productivity by sending an email to productivity.measures@statcan.gc.ca.

Revisions

In the United States, the Bureau of Labor Statistics recently revised historically its estimates of labour productivity in the business sector. The data released today incorporates revisions to the US data that affected GDP and hours worked. The latest revisions for the last four years of Canada's productivity and related variables were released in *The Daily* on June 16, 2009.

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.

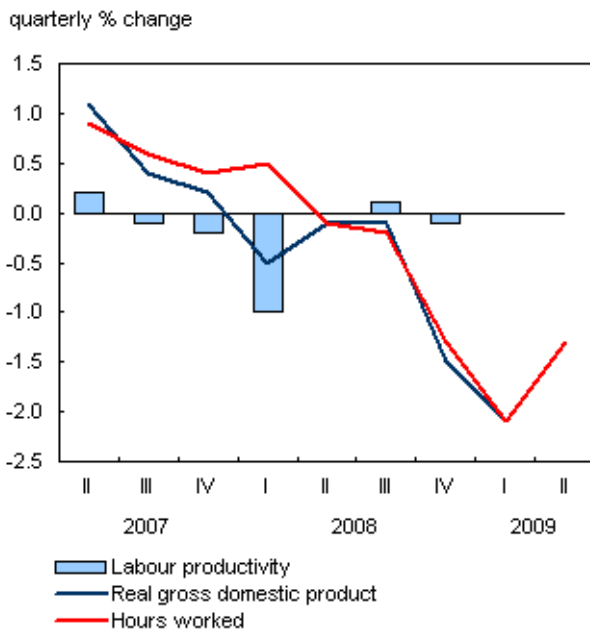
Unit labour cost in U.S. dollars is the equivalent of the ratio of Canadian unit labour cost to the exchange rate. This latter corresponds to the U.S. dollar value expressed in Canadian dollars.

Comparing labour productivity growth in Canada and the U.S.

U.S. labour productivity outpaces Canada in the second quarter of 2009

With a 1.6% jump in the second quarter, the labour productivity of American businesses recorded its largest gain in six years. In the previous three quarters, productivity followed essentially the same pattern in the United States as in Canada.

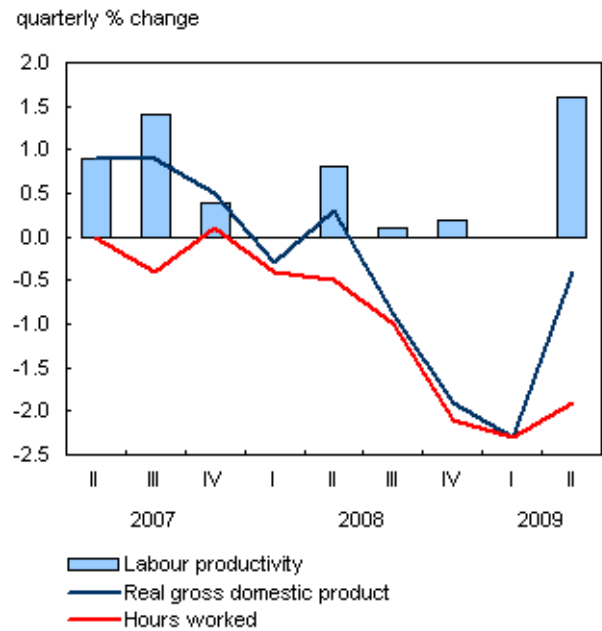
Chart F.1 The decline in hours worked again mirrors the decrease in output in Canadian businesses



Since the second quarter of 2008, the real gross domestic product (GDP) of Canadian businesses has changed at roughly the same pace as hours worked, resulting in little change in productivity in the last five quarters. During that period, real GDP and hours worked have both declined by 4.9% cumulatively.

South of the border, the contraction of real GDP decelerated sharply compared with the first quarter, while the pace of the downturn in hours worked remained steady, which translated into a strong gain in U.S. productivity in the second quarter.

Chart F.2 Hours worked fell much faster than output in American businesses



The distinct slowdown in the contraction of U.S. real GDP in the second quarter is primarily attributable to a deceleration in the decline in exports and residential and non-residential investment.

The competitiveness of Canadian businesses lost ground in the second quarter

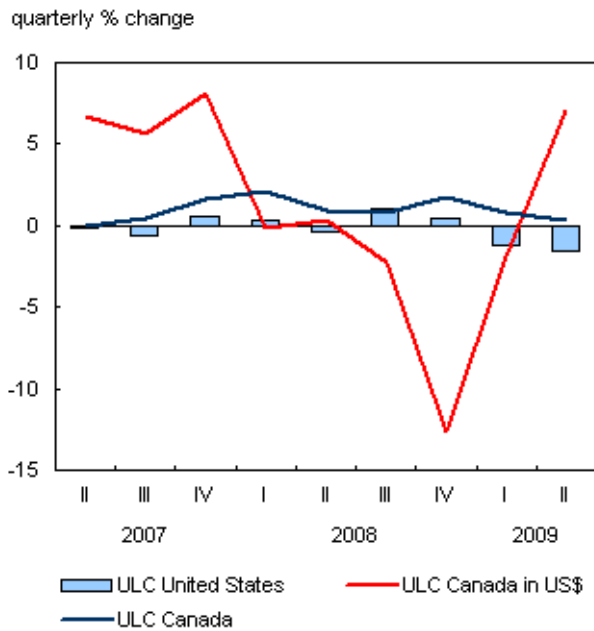
Labour costs per unit of production in Canadian dollars—an indicator of inflationary pressure—rose 0.3% for Canadian businesses in the second quarter. That was the lowest growth rate since the second quarter of 2007.

With little change in productivity in the last five quarters, increases in unit labour costs have essentially reflected the advance in hourly compensation.

Fuelled by the 6.7% increase in the value of the Canadian dollar against its U.S. counterpart, the growth rate of Canadian unit labour costs in American dollars was 7.0% in the second quarter. In the previous five quarters, the indicator fell an average of 4.3% per quarter¹, as the value of the Canadian dollar declined in every quarter during that period.

1. The average quarterly growth rate for the last five quarters is calculated using five quarters of time series data, which provide four quarters of growth rates. All average growth rates in this article are calculated in this manner, such that the initial time period is included in the time series, but the growth rate of the initial period is not.

Chart F.3
Canadian unit labour costs (ULC) in American dollars rebound



In American businesses, unit labour costs fell 1.5% in the second quarter, the largest decrease in nine years. This reflects the substantial productivity gain in the United States, as American workers' hourly compensation remained the same as in the first quarter.

Both countries saw the same decrease in output during the last two years, but the decline in hours was larger in the United States

Over the last eight quarters, hours worked shrank almost twice as fast in American businesses as in Canadian businesses. During that period, hours worked fell by an average of 1.1% per quarter in the United States and 0.6% in Canada.

At the same time, real GDP contracted at almost the same rate on both sides of the border: 0.7% per quarter in the United States and 0.8% in Canada.

With the recent revisions in the United States, the productivity gap remains high, despite a downward revision in 2008.

For the most recent years, historical revisions in U.S. data raised labour productivity growth in the United States slightly in 2007 and reduced it by 0.8 percentage points in 2008.

Following incorporation of those revisions, average annual productivity growth in American businesses between 2004 and 2007 is now 1.5% (compared with 1.4% before the revisions), comparable to productivity growth in Canadian businesses (+1.3%).

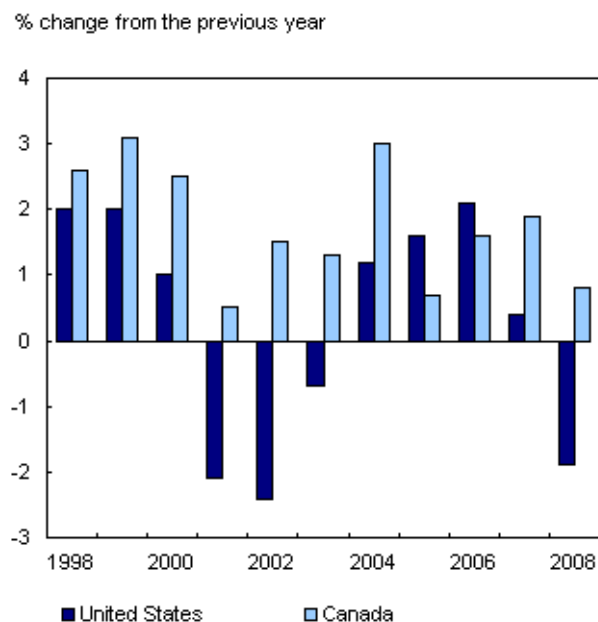
However, for 2008, the year when the economic downturn started, there remains a wide gap in productivity growth between the two countries, despite substantial downward revisions in the United States. The annual gap in productivity growth for 2008 declined from 3.8 percentage points in favour of the United States before revision to 3.0 percentage points after the revision. The gap is mainly due to the very different trends in hours worked in the two countries during that year.

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 percentage change	
1981 to 2008	1.3	2.1	2.1
1981 to 2000	1.6	1.9	2.0
2000 to 2008	0.7	2.5	2.6
2000 to 2004	0.7	3.3	3.6
2004 to 2007	1.3	1.4	1.5
2008	-1.1	2.7	1.9

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - Second quarter 2009, published in *NEWS*, September 2.

Chart F.4
In 2008, hours worked kept rising in Canada and fell sharply in the United States



Moreover, a substantial gap in average annual productivity growth persisted between Canada and the United States during the period from 2000 to 2004, as American productivity growth at that time was just over five times higher than Canadian productivity growth.

For the period from 2000 to 2008, average annual productivity growth is now 0.7% in Canada and 2.6% in the United States. During that period, real GDP growth was comparable on both sides of the border, but hours worked increased much faster in Canada.

Specifically, real GDP growth in Canada averaged 2.1% per year between 2000 and 2008, while the rate of increase in hours worked was 1.4%. In comparison, American real GDP grew by 2.3% on average during the same period, and hours worked declined by 0.3%.

Historical revisions of American data for the last two decades (1981 to 2000) had virtually no impact on the gaps between Canada and the United States. The annual gap in productivity growth during that period rose from 0.3 percentage points in favour of the United States before revision to 0.4 percentage points after revision.

Table F.1 Business sector - Labour productivity and related variables for Canada and the United States[1, 2]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009
Seasonally adjusted						
Percent change from previous quarter						
Canada						
Labour productivity	-1.0	-0.0	0.1	-0.1	-0.0	-0.0
Real GDP	-0.5	-0.1	-0.1	-1.5	-2.1	-1.3
Hours worked	0.5	-0.1	-0.2	-1.3	-2.1	-1.3
Hourly compensation	1.1	0.9	0.9	1.5	0.8	0.3
Unit labour cost	2.1	0.9	0.8	1.7	0.8	0.3
Exchange rate[3]	-2.3	-0.6	-3.0	-14.1	-2.7	6.7
Unit labour cost in US\$	-0.1	0.3	-2.3	-12.6	-1.9	7.0
United States						
Labour productivity	0.0	0.8	0.1	0.2	0.0	1.6
Real GDP	-0.3	0.3	-0.9	-1.9	-2.3	-0.4
Hours worked	-0.4	-0.5	-1.0	-2.1	-2.3	-1.9
Hourly compensation	0.4	0.4	1.1	0.6	-1.2	0.0
Unit labour cost	0.3	-0.4	1.0	0.4	-1.2	-1.5
Percent change from same quarter of previous year						
Canada						
Labour productivity	-1.1	-1.3	-1.0	-1.0	-0.0	-0.0
Real GDP	1.2	0.0	-0.5	-2.2	-3.8	-4.9
Hours worked	2.3	1.4	0.5	-1.2	-3.7	-4.9
Hourly compensation	3.1	3.8	4.4	4.6	4.2	3.5
Unit labour cost	4.3	5.2	5.5	5.6	4.2	3.6
Exchange rate[3]	16.6	8.7	0.3	-19.0	-19.4	-13.4
Unit labour cost in US\$	21.7	14.4	5.8	-14.5	-16.0	-10.4
United States						
Labour productivity	2.7	2.6	1.3	1.1	1.1	1.9
Real GDP	2.0	1.4	-0.5	-2.8	-4.7	-5.3
Hours worked	-0.7	-1.2	-1.7	-3.9	-5.7	-7.1
Hourly compensation	2.9	2.6	2.9	2.5	0.9	0.6
Unit labour cost	0.2	0.0	1.6	1.4	-0.2	-1.3
Percent change from previous quarter at annualized rate[4]						
Canada						
Labour productivity	-3.9	-0.0	0.6	-0.6	-0.0	-0.1
Real GDP	-1.9	-0.5	-0.4	-5.8	-8.2	-5.1
Hours worked	2.0	-0.4	-0.9	-5.2	-8.2	-5.0
Hourly compensation	4.6	3.6	3.8	6.3	3.2	1.1
Unit labour cost	8.8	3.7	3.1	6.9	3.2	1.2
Unit labour cost in US\$	-0.5	1.3	-8.9	-41.7	-7.3	31.1
United States						
Labour productivity	0.2	3.1	0.3	0.8	0.2	6.5
Real GDP	-1.3	1.1	-3.7	-7.2	-8.7	-1.4
Hours worked	-1.5	-1.9	-4.0	-8.0	-8.9	-7.5
Hourly compensation	1.5	1.6	4.5	2.6	-4.7	0.2
Unit labour cost	1.3	-1.5	4.2	1.8	-4.9	-6.0

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

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

4. 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, 2]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009
Seasonally adjusted						
Percent change from previous quarter						
Canada						
All jobs	0.7	0.0	-0.3	-0.7	-1.6	-0.7
Hours worked	0.5	-0.1	-0.2	-1.3	-2.1	-1.3
Average hours	-0.2	-0.1	0.1	-0.7	-0.5	-0.6
Labour share[3]	0.5	-2.0	-0.1	5.9	3.1	0.2
United States						
All jobs	-0.3	-0.4	-0.6	-1.6	-1.8	-1.5
Hours worked	-0.4	-0.5	-1.0	-2.1	-2.3	-1.9
Average hours	-0.1	-0.0	-0.4	-0.4	-0.5	-0.5
Labour share[3]	0.2	-0.7	-0.0	0.7	-1.8	-1.5
Percent change from same quarter of previous year						
Canada						
All jobs	2.1	1.9	1.2	-0.2	-2.5	-3.2
Hours worked	2.3	1.4	0.5	-1.2	-3.7	-4.9
Average hours	0.2	-0.5	-0.6	-0.9	-1.3	-1.7
Labour share[3]	0.3	-0.8	-1.0	4.3	7.0	9.3
United States						
All jobs	-0.3	-0.8	-1.1	-3.0	-4.4	-5.4
Hours worked	-0.7	-1.2	-1.7	-3.9	-5.7	-7.1
Average hours	-0.4	-0.4	-0.6	-0.9	-1.4	-1.8
Labour share[3]	-1.3	-1.3	-0.3	0.1	-1.8	-2.6
Percent change from previous quarter at annualized rates[4]						
Canada						
All jobs	2.9	0.1	-1.2	-2.7	-6.2	-2.8
Hours worked	2.0	-0.4	-0.9	-5.2	-8.2	-5.0
Average hours	-0.9	-0.6	0.3	-2.6	-2.1	-2.2
Labour share[3]	2.1	-7.6	-0.2	25.6	13.1	0.9
United States						
All jobs	-1.3	-1.8	-2.4	-6.4	-6.9	-5.8
Hours worked	-1.5	-1.9	-4.0	-8.0	-8.9	-7.5
Average hours	-0.2	-0.1	-1.6	-1.7	-2.1	-1.8
Labour share[3]	0.7	-2.9	-0.1	2.7	-6.8	-5.8

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

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

4. 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, 2]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Using seasonally adjusted data, (2002 = 100)								
Business sector - goods	100.2	99.8	100.2	100.5	101.6	101.1	103.0	100.2
	-1.6	-0.4	0.5	0.3	1.1	-0.5	0.8	-2.8
Agriculture, forestry, fishing and hunting	124.3	127.5	128.4	134.3	134.7	132.3	123.0	128.6
	0.8	2.5	0.7	4.6	0.3	-1.8	-0.8	4.6
Construction	93.8	93.0	92.7	93.6	97.1	98.1	97.1	93.3
	-1.1	-0.9	-0.3	1.0	3.7	1.0	-2.3	-3.9
Manufacturing	108.1	108.4	108.6	107.2	105.7	105.6	110.2	108.1
	-2.1	0.3	0.2	-1.4	-1.3	-0.1	2.7	-1.9
Business sector - services	107.7	108.0	108.2	107.7	107.2	107.8	107.3	107.9
	-0.1	0.3	0.2	-0.5	-0.5	0.6	0.8	0.5
Wholesale trade	125.9	124.7	122.5	115.8	111.3	113.9	123.6	122.2
	-0.3	-1.0	-1.7	-5.5	-3.9	2.4	3.0	-1.1
Retail trade	117.7	118.7	120.0	119.7	118.8	119.5	115.5	119.0
	0.2	0.9	1.1	-0.3	-0.7	0.5	3.9	3.1
Transportation and warehousing	97.9	100.9	103.0	102.8	101.7	102.1	100.6	101.2
	-1.7	3.1	2.1	-0.2	-1.1	0.4	-0.8	0.5
Information and cultural industries	117.0	115.8	115.6	114.8	115.6	114.2	116.7	115.8
	-2.4	-1.1	-0.1	-0.7	0.7	-1.3	0.7	-0.8
Finance, real estate and company management	106.2	105.5	103.9	102.5	103.0	104.0	105.7	104.5
	0.4	-0.7	-1.5	-1.3	0.5	1.0	2.4	-1.1
Professional, scientific and technical services	99.7	100.2	100.3	100.9	100.4	100.2	100.6	100.3
	0.6	0.5	0.2	0.6	-0.5	-0.1	-1.4	-0.3
Administrative and support, waste management and remediation services	97.0	96.8	97.5	98.8	99.1	98.6	99.1	97.5
	-1.6	-0.2	0.7	1.4	0.2	-0.5	-0.6	-1.6
Accommodation and food services	100.0	99.3	98.0	97.4	99.5	98.9	98.6	98.7
	-0.5	-0.7	-1.3	-0.7	2.2	-0.6	-1.4	0.0
Other commercial services	104.0	106.3	107.8	110.2	109.5	109.9	103.6	107.1
	1.7	2.2	1.4	2.2	-0.6	0.4	-1.1	3.4

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

Table F.4 Indexes of unit labour cost by industry[1, 2]

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Using seasonally adjusted data (2002 = 100)								
Business sector - goods	125.4	126.2	126.5	129.9	131.1	132.1	119.8	127.0
	2.1	0.6	0.2	2.7	0.9	0.8	4.0	6.0
Agriculture, forestry, fishing and hunting	92.2	89.3	91.5	88.9	84.4	82.3	92.3	90.5
	-1.8	-3.2	2.5	-2.8	-5.2	-2.5	4.0	-2.0
Construction	133.9	135.6	136.8	139.6	141.5	142.3	126.5	136.5
	2.6	1.2	0.9	2.1	1.3	0.6	8.3	7.9
Manufacturing	111.6	110.5	110.2	114.9	116.6	116.1	108.7	111.8
	1.2	-1.0	-0.2	4.3	1.5	-0.5	0.7	2.9
Business sector - services	115.6	116.7	117.7	119.3	120.6	120.4	112.9	117.3
	1.6	0.9	0.9	1.4	1.0	-0.2	3.5	3.9
Wholesale trade	102.9	104.2	106.2	113.3	120.0	117.3	101.4	106.6
	2.8	1.2	1.9	6.7	5.9	-2.3	2.0	5.2
Retail trade	107.6	108.5	110.2	111.4	112.3	112.3	106.9	109.4
	0.3	0.9	1.6	1.1	0.8	0.0	0.4	2.4
Transportation and warehousing	117.7	118.0	119.5	121.3	124.5	123.6	113.7	119.1
	2.2	0.3	1.2	1.5	2.6	-0.7	3.7	4.8
Information and cultural industries	110.0	110.1	110.4	110.6	110.9	112.2	105.4	110.3
	2.9	0.1	0.2	0.2	0.3	1.2	3.1	4.6
Finance, real estate and company management	120.0	121.7	121.7	122.1	123.8	121.8	117.4	121.4
	1.1	1.4	-0.1	0.4	1.3	-1.6	3.1	3.4
Professional, scientific and technical services	120.5	120.6	120.8	124.0	124.0	126.0	115.3	121.5
	2.0	0.1	0.2	2.6	0.0	1.6	4.3	5.3
Administrative and support, waste management and remediation services	123.9	126.4	128.6	128.4	123.7	123.4	121.9	126.8
	1.9	2.0	1.8	-0.2	-3.6	-0.3	5.8	4.1
Accommodation and food services	128.5	131.2	136.4	134.2	133.7	135.9	125.1	132.6
	1.0	2.1	3.9	-1.6	-0.3	1.6	8.5	6.0
Other commercial services	117.9	117.7	116.9	116.7	117.2	118.9	116.6	117.3
	1.2	-0.1	-0.7	-0.1	0.5	1.4	4.6	0.6

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

2. Calculations of growth rates are based on index numbers rounded to three decimal places.

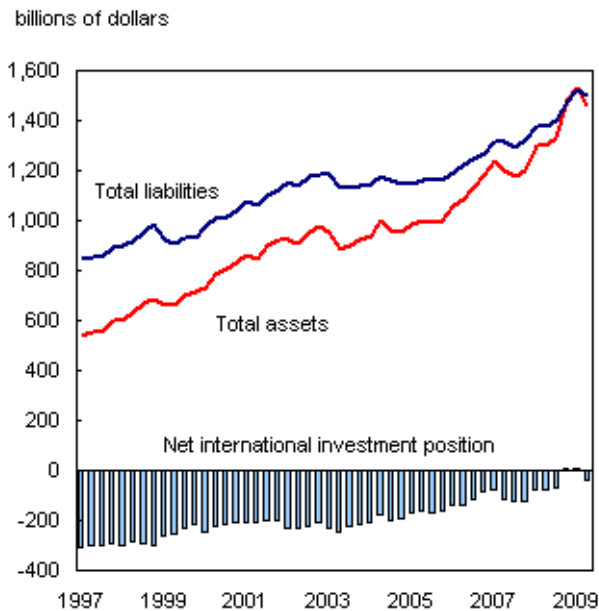
Section G

International investment position

Second quarter 2009

Canada had a \$34.8 billion net foreign debt position at the end of the second quarter following two quarters in a net asset position. The \$45.3 billion decline in the net international investment position from the first to second quarter resulted largely from a \$31.5 billion downward revaluation due to a sharp appreciation of the Canadian dollar, and a \$12.1 billion net inflow of funds from abroad linked to a larger current account deficit. International assets decreased in value by 4.6% during the quarter to \$1,464.3 billion, while international liabilities decreased 1.6% to \$1,499.2 billion.

Chart G.1
Canada's international investment position



Appreciation of Canadian dollar lowers international assets more than liabilities

The volatility of the Canadian dollar continued to dominate the change in the value of international assets and liabilities in the second quarter. The Canadian dollar appreciated strongly against most major currencies, in sharp contrast to its depreciation in the previous quarter. In the second quarter, the Canadian dollar gained 8.5% against the U.S. dollar, 5.6% against the Japanese Yen, and 2.7% against the Euro, while losing 5.4% against the British Pound. This resulted in a \$71.6 billion decline in the value of foreign currency denominated international assets and a \$40.1 billion reduction in the value of international liabilities, some of which are denominated in foreign currencies. The overall effect was a \$31.5 billion decline in Canada's net international investment position.

Net portfolio liability position widens on non-resident investment in Canadian securities

Current transactions also contributed to the deterioration in the net international investment position, as liabilities outpaced assets by \$12.1 billion. Non-resident investors added \$18.9 billion of Canadian assets to their portfolios, with substantial purchases of Canadian bonds in the second quarter. On the other hand, Canadian investment abroad was well below levels prior to mid-2007, amounting to \$6.8 billion. The resulting net inflow of funds from abroad was in line with a larger current account deficit in the quarter, the third since the economy contracted in the fourth quarter of 2008.

Net asset position on direct investment narrows on revaluation of assets

Canada's net asset position on direct investment narrowed to \$121.5 billion at the end of the second quarter. With minimal direct investment activity, the appreciating Canadian dollar reduced foreign currency denominated direct investment assets. The value of Canadian direct investment abroad declined \$28.3 billion (-4.3%) in the second quarter.

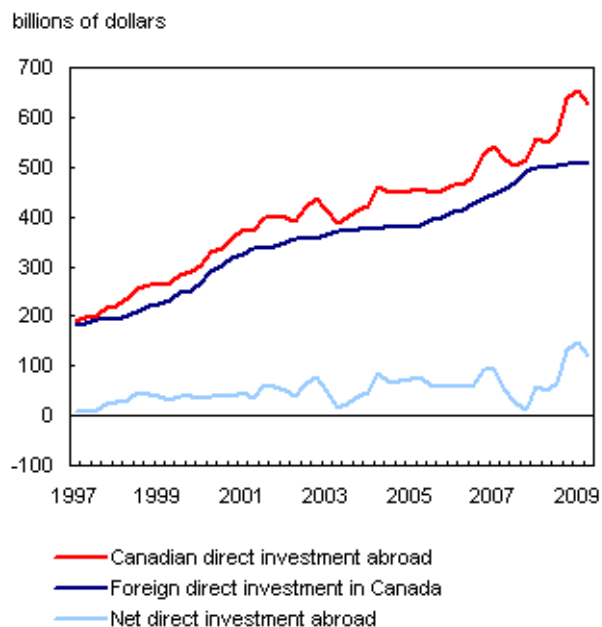
Note to readers

The international investment position presents the value and composition of Canada's foreign assets and liabilities to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. The excess of international liabilities over assets can be referred to as Canada's net foreign debt. The excess of international assets over liabilities can be referred to as Canada's net foreign assets. The valuation of the assets and liabilities in the international investment position are measured at book value, unless otherwise stated. Book value represents the value of assets and liabilities recorded in the books of the enterprise in which the investment is made.

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 Canada's 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.

Chart G.2
Direct investment position



Although Canadian equity markets rallied more strongly than global equity markets during the quarter, Canadian investor's foreign equity assets were up by more than the value of foreign holdings of Canadian equities as a result of the larger size of foreign equity assets. Nevertheless, the rise in foreign equity assets was reduced by \$18.2 billion as a result of the appreciation of the Canadian dollar during the quarter.

Canadian bond liabilities up sharply in the quarter

Non-residents continued their acquisition of Canadian bonds during the quarter (+\$30.7 billion), while also increasing their holdings of equity, and money market investments. The revaluation effect of the increase in the Canadian dollar removed \$21.0 billion from the value of Canadian bond liabilities denominated in foreign currencies.

On the other hand, Canadian investors lost \$21.5 billion on downward foreign currency revaluations, while adding \$2.1 billion to their holdings through acquisitions of foreign securities in the second quarter.

The appreciation of the Canadian dollar moderates the gains in foreign equity markets

Canada's overall net international investment position can also be calculated with portfolio investment assets and liabilities of tradable securities valued at market prices. By this measure, Canada also generated a net foreign debt position of \$3.1 billion in the second quarter, from a net asset position in the previous quarter. Canadian assets declined 0.5% to \$1,690.1 billion and liabilities rose 1.8% to \$1,693.2 billion.

Table G.1 International investment position at period-end

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Millions of dollars								
Assets								
Canadian direct investment abroad	555,608	550,088	568,596	637,281	654,938	626,630	515,445	637,281
Portfolio investment abroad								
Foreign bonds	141,800	139,711	137,797	141,909	144,745	136,806	135,371	141,909
<i>Foreign bonds at market value</i>	166,324	161,883	164,597	175,985	176,505	172,412	153,329	175,985
Foreign stocks	245,264	244,486	246,374	278,939	292,695	280,457	226,627	278,939
<i>Foreign stocks at market value</i>	574,040	557,225	503,295	451,554	424,309	469,489	603,804	451,554
Foreign money market	7,637	7,071	6,621	3,488	5,752	5,046	7,511	3,488
<i>Foreign money market at market value</i>	7,671	7,089	6,637	3,501	5,756	5,056	7,548	3,501
Other investment								
Loans	86,535	88,071	83,274	94,527	98,655	97,490	77,274	94,527
Deposits	177,540	184,474	197,338	225,190	227,557	212,486	157,898	225,190
Official international reserves	43,589	45,027	45,500	51,364	53,149	50,763	40,593	51,364
<i>Official international reserves at market value</i>	44,198	44,719	45,739	53,436	54,897	51,942	40,724	53,436
Other assets	42,359	43,349	46,120	53,473	56,755	54,628	37,925	53,473
Total assets								
at book value	1,300,333	1,302,277	1,331,620	1,486,171	1,534,246	1,464,305	1,198,644	1,486,171
with portfolio investment at market value	1,654,275	1,636,898	1,615,596	1,694,947	1,699,372	1,690,133	1,593,947	1,694,947
Liabilities								
Foreign direct investment in Canada	497,947	499,223	503,061	504,864	505,797	505,138	491,287	504,864
Portfolio investment								
Canadian bonds	407,159	425,130	426,891	454,085	472,947	483,264	384,652	454,085
<i>Canadian bonds at market value</i>	430,317	436,512	438,477	467,863	472,360	490,024	399,531	467,863
Canadian stocks	97,147	99,175	96,722	95,967	97,727	101,478	95,767	95,967
<i>Canadian stocks at market value</i>	361,716	397,595	317,681	241,691	237,090	288,638	370,969	241,691
Canadian money market	18,772	21,388	23,660	34,906	44,827	44,376	21,999	34,906
<i>Canadian money market at market value</i>	18,939	21,545	23,751	35,036	44,988	44,513	22,211	35,036
Other investment								
Loans	62,677	56,711	59,312	64,550	64,861	55,210	61,184	64,550
Deposits	269,175	251,805	261,931	301,156	313,711	286,324	243,518	301,156
Other liabilities	26,427	26,611	26,532	23,921	23,939	23,360	25,952	23,921
Total liabilities								
at book value	1,379,303	1,380,044	1,398,109	1,479,450	1,523,809	1,499,150	1,324,359	1,479,450
with portfolio investment at market value	1,667,198	1,690,002	1,630,745	1,639,081	1,662,746	1,693,207	1,614,652	1,639,081
Net international investment position								
at book value	-78,971	-77,767	-66,489	6,721	10,437	-34,845	-125,716	6,721
with portfolio investment at market value	-12,923	-53,104	-15,149	55,866	36,626	-3,074	-20,705	55,866

Section H

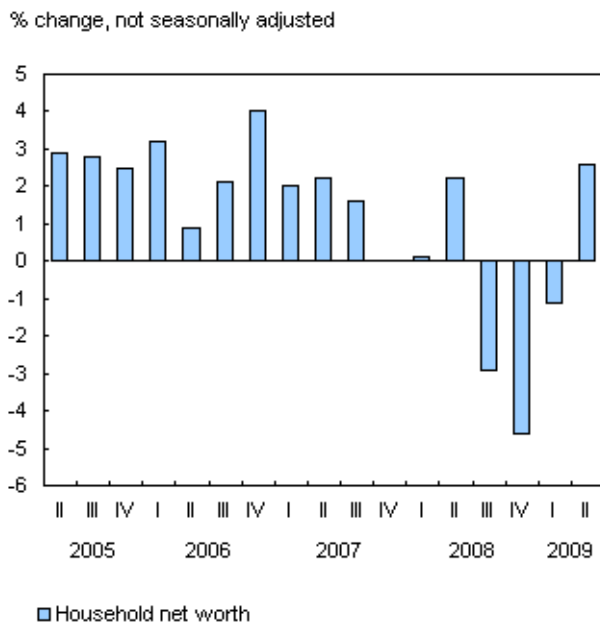
National balance sheet accounts

Second quarter 2009

Household net worth picks up, led by large stock market gains

Household net worth advanced \$141 billion to \$5.6 trillion in the second quarter, after losing ground in the three previous quarters. Canadian stock markets recovered partially in the second quarter with the Standard and Poor's / Toronto Stock Exchange composite index up nearly 20%. The resulting increase in the value of household financial assets (including shares, mutual funds, and pension assets) was the principal factor behind the rise in household net worth.

Chart H.1
Household net worth up after three quarters of decline



Household credit market debt (consumer credit plus mortgages and loans) advanced at a quicker pace than in the first quarter. This was led by substantial mortgage borrowing related to increased activity in the resale housing markets and an upswing in consumer credit, which reflected a pickup in motor vehicle purchases.

Despite the growth in credit market debt, households debt relative to net worth edged down during the second quarter, as gains in assets more than offset the increase in liabilities. Households had 24.8 cents of debt for every dollar of net worth, compared with 24.9 cents in the first quarter.

Government net debt continues to increase

The net worth of the government sector was largely unchanged in the second quarter, as the gains in the value of assets offset increased liabilities.

The federal government's credit market debt increased by \$9.4 billion in the second quarter, with significantly less borrowing activity than in the previous two quarters. Funds raised in the previous two quarters were associated with liquidity initiatives, including the Insured Mortgage Purchase Program.

The credit market debt of other levels of government also rose during the quarter, due to substantial provincial bond and short-term paper issuances. Overall, total government net debt (at book value) as a percentage of gross domestic product increased to 39.8%, from 38.3% in the previous quarter and from 36.0% in the same quarter last year. Nevertheless, it remained well below the 90% range reached in the mid-1990s.

Corporate debt-to-equity ratio down

The net worth of the overall corporate sector declined \$208 billion in the second quarter, largely reflecting market driven increases in the value of corporations' equity owned by shareholders, coupled with declines in the value of non-financial assets.

Although bond issuances were strong during the quarter, overall credit market debt of non-financial private corporations was down, led by decreases in loans and short-term paper. Non-financial private corporations' credit market debt-to-equity ratio decreased in the second quarter.

Note to readers

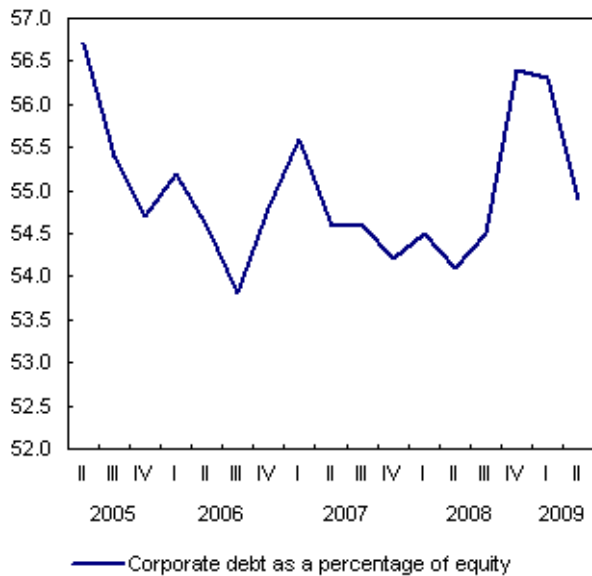
The national balance sheet accounts are comprised of the balance sheets of all of the sectors of the economy: the persons and unincorporated business (households), corporate, government and non-resident sectors. They cover all national non-financial assets and financial claims and associated liabilities outstanding in all sectors.

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 the persons and unincorporated business, corporate and government sectors.

Quarterly series, both book and market value, are available from the first quarter of 1990. Marketable securities are at market value, unless otherwise stated. For more information on the market value estimates, consult the Balance sheet estimates at market value page of our website.

Chart H.2
Corporate leverage decreases

not seasonally adjusted data



effect on those same foreign currency denominated assets. Canada recorded a net foreign debt position (on a market value basis) in the second quarter, reversing a net asset position posted in the previous quarter.

On a per capita basis, national net worth fell from \$178,800 in first quarter to \$176,100 in the second quarter.

Financial institutions and institutional investor's financial positions improve

Institutional investors, such as trustee pension plans and mutual funds, witnessed an increase in the value of their marketable securities, with the partial recovery in equity markets in the second quarter. These gains were moderated by losses on foreign currency denominated assets, resulting from a substantial appreciation of the Canadian dollar in the quarter. Financial institutions also recorded increases in loan assets during the second quarter, including mortgages and consumer credit.

Issuances of *National Housing Act* mortgage-backed securities were significantly lower in the second quarter than in the previous quarter, when the market for these securities was augmented by the Insured Mortgage Purchase Program. This resulted in lower purchases of debt instruments by financial institutions during the quarter.

National net worth

National net worth declined for the second consecutive quarter, and has fallen by \$92.9 billion in the first half of 2009.

The change in national net worth reflected continued declines in national saving and an expanded international balance of payments deficit, as well as substantial revaluation effects. The impact of rising foreign equity markets on Canadian institutional investors' international assets was more than offset by the downward revaluation

Table H.1 National balance sheet accounts

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	First quarter to second quarter 2009
	Market value, not seasonally adjusted, billions of dollars						change in \$ billions
National net worth^[1]	5,728	5,792	5,942	6,030	6,005	5,937	-68
	1.5	1.1	2.6	1.5	-0.4	-1.1	...
National wealth ^[1]	5,741	5,845	5,958	5,976	5,970	5,942	-28
	1.4	1.8	1.9	0.3	-0.1	-0.5	...
Net foreign debt	-13	-53	-15	54	35	-4	-39
National net worth, by sector							
Personal sector	5,835	5,964	5,789	5,526	5,463	5,604	141
Corporate sector	-92	-185	153	528	609	401	-208
Government sector	-16	13	0	-24	-67	-68	-1
	Market value, not seasonally adjusted, dollars						change in dollars
National net worth per capita	172,600	173,900	177,700	180,000	178,800	176,100	-2,700

...not applicable

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 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Millions of dollars at quarter end								
Total assets	18,379,749	18,799,725	18,604,458	18,604,618	18,699,715	18,991,425	18,190,275	18,604,618
Non-financial assets	5,741,043	5,845,006	5,957,590	5,976,420	5,969,993	5,941,585	5,663,316	5,976,420
Residential structures	1,607,802	1,635,549	1,663,755	1,663,195	1,653,152	1,645,848	1,589,239	1,663,195
Non-residential structures	1,329,622	1,359,817	1,391,466	1,420,814	1,424,328	1,414,895	1,311,897	1,420,814
Machinery and equipment	444,811	447,279	447,189	448,022	465,262	461,594	443,560	448,022
Consumer durables	393,391	397,910	398,264	399,969	394,780	402,283	398,226	399,969
Inventories	231,127	230,227	247,746	246,667	240,511	226,814	229,155	246,667
Land	1,734,290	1,774,224	1,809,170	1,797,753	1,791,960	1,790,151	1,691,239	1,797,753
Net financial assets	-13,363	-52,640	-15,298	53,922	35,037	-4,117	-20,625	53,922
Financial assets	12,638,706	12,954,719	12,646,868	12,628,198	12,729,722	13,049,840	12,526,959	12,628,198
Official reserves	43,589	45,027	45,500	51,364	53,149	50,763	40,593	51,364
Gold & foreign currency	41,813	43,168	43,620	48,635	49,978	47,493	38,932	48,635
IMF reserve position	686	788	814	1,522	1,955	2,106	655	1,522
Special drawing rights	1,090	1,071	1,066	1,207	1,216	1,164	1,006	1,207
Currency and bank deposits	1,003,692	1,047,967	1,055,328	1,097,686	1,087,864	1,093,744	1,002,860	1,097,686
Other deposits	256,481	265,313	268,449	272,732	278,618	284,804	251,605	272,732
Foreign currency deposits	186,834	186,909	203,725	209,540	243,964	228,372	180,424	209,540
Consumer credit	351,027	360,189	369,064	374,505	378,971	386,898	345,571	374,505
Trade receivables	279,492	284,832	286,680	291,145	288,749	288,405	276,500	291,145
Bank loans	278,327	280,082	293,381	307,004	303,064	290,293	272,399	307,004
Other loans	233,628	237,317	238,648	244,252	245,543	236,661	226,765	244,252
Canada short-term paper	110,011	123,086	124,570	164,460	172,788	168,926	107,002	164,460
Other short-term paper	251,864	238,132	238,399	239,567	196,409	195,167	251,933	239,567
Mortgages	964,134	991,915	1,017,110	1,037,781	1,046,081	1,068,593	946,442	1,037,781
Canada bonds	252,372	252,880	259,776	276,635	304,188	302,435	253,030	276,635
(of which CSB's)	13,068	13,009	12,953	12,389	12,529	12,689	13,237	12,389
Provincial bonds	343,826	340,520	344,420	347,670	355,825	363,282	340,969	347,670
Municipal bonds	44,464	44,792	44,598	45,862	47,300	48,224	43,894	45,862
Other bonds	566,039	580,555	599,895	657,203	707,688	714,639	546,715	657,203
Life insurance & pensions	1,446,853	1,473,478	1,412,893	1,348,649	1,333,321	1,382,462	1,467,567	1,348,649
Corporate claims	1,602,337	1,644,362	1,705,319	1,826,072	1,857,719	1,859,955	1,511,665	1,826,072
Government claims	231,373	244,694	251,562	281,645	312,981	322,268	222,216	281,645
Shares	2,447,714	2,593,672	2,241,728	1,884,376	1,842,257	2,054,677	2,513,142	1,884,376
Foreign investments	747,911	726,132	674,514	631,317	608,895	647,267	764,519	631,317
Other financial assets	996,738	992,865	971,309	1,038,733	1,064,348	1,062,005	961,148	1,038,733
Liabilities and net worth	18,379,749	18,799,725	18,604,458	18,604,618	18,699,715	18,991,425	18,190,275	18,604,618
Liabilities	12,652,069	13,007,359	12,662,166	12,574,276	12,694,685	13,053,957	12,547,584	12,574,276
Currency and bank deposits	1,025,233	1,071,026	1,079,571	1,122,754	1,116,022	1,123,390	1,023,402	1,122,754
Other deposits	256,481	265,313	268,449	272,732	278,618	284,804	251,605	272,732
Foreign currency deposits	171,712	164,380	186,387	186,845	209,796	183,254	170,648	186,845
Consumer credit	351,027	360,189	369,064	374,505	378,971	386,898	345,571	374,505
Trade payables	281,966	286,255	288,573	292,726	291,623	287,957	278,683	292,726
Bank loans	257,522	258,073	266,490	280,985	277,944	265,290	254,122	280,985
Other loans	248,485	249,400	248,800	250,390	248,430	238,176	243,433	250,390
Canada short-term paper	118,484	132,852	137,119	183,771	201,208	200,868	117,712	183,771
Other short-term paper	260,761	248,173	247,124	253,013	210,918	206,422	261,885	253,013
Mortgages	964,607	992,389	1,017,592	1,038,293	1,046,609	1,069,104	946,908	1,038,293
Canada bonds	304,820	304,126	307,294	322,342	354,384	353,446	297,513	322,342
(of which CSB's)	13,068	13,009	12,953	12,389	12,529	12,689	13,237	12,389
Provincial bonds	455,498	452,966	458,820	475,390	483,550	495,727	448,475	475,390
Municipal bonds	48,800	49,199	48,870	50,500	51,942	52,922	47,980	50,500
Other bonds	820,703	842,505	864,647	939,678	989,111	1,009,866	783,985	939,678
Life insurance & pensions	1,446,853	1,473,478	1,412,893	1,348,649	1,333,321	1,382,462	1,467,567	1,348,649
Corporate claims	632,286	637,279	645,705	682,414	697,943	704,837	602,585	682,414
Government claims	231,373	244,694	251,562	281,645	312,981	322,268	222,216	281,645
Shares	3,810,713	4,016,621	3,613,255	3,213,069	3,182,751	3,467,705	3,841,696	3,213,069
Other liabilities	964,745	958,441	949,951	1,004,575	1,028,563	1,018,561	941,598	1,004,575
Net worth	5,727,680	5,792,366	5,942,292	6,030,342	6,005,030	5,937,468	5,642,691	6,030,342

Table H.3 Credit market summary table

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	1,239,195	1,273,365	1,301,946	1,326,337	1,340,116	1,365,650	1,218,003	1,326,337
Consumer credit	351,027	360,189	369,064	374,505	378,971	386,898	345,571	374,505
Bank loans	32,867	32,792	33,900	35,184	36,283	36,309	32,848	35,184
Other loans	75,330	77,360	75,922	77,466	78,448	78,662	72,819	77,466
Mortgages	779,971	803,024	823,060	839,182	846,414	863,781	766,765	839,182
Non-financial private corporations	716,921	726,864	745,056	778,886	782,523	773,133	699,396	778,886
Bank loans	155,874	156,690	161,760	177,154	174,219	161,255	151,252	177,154
Other loans	71,917	75,732	74,352	72,956	70,116	65,575	79,270	72,956
Other short-term paper	70,685	69,410	68,836	66,452	67,919	66,042	62,203	66,452
Mortgages	167,197	170,777	175,842	180,574	181,882	186,951	162,333	180,574
Bonds	251,248	254,255	264,266	281,750	288,387	293,310	244,338	281,750
Non-financial government enterprises	64,444	63,306	62,716	63,568	64,336	63,863	64,653	63,568
Bank loans	2,098	2,282	2,206	2,016	2,043	2,169	2,211	2,016
Other loans	7,107	6,390	6,633	6,688	6,723	6,756	6,188	6,688
Other short-term paper	3,397	3,298	3,109	3,079	2,649	2,248	3,518	3,079
Mortgages	89	93	93	93	90	90	91	93
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	49,408	48,898	48,328	49,578	50,733	50,497	50,165	49,578
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,224	2,224	2,226	1,993	1,977	1,982	2,359	1,993
Federal government	388,658	401,328	400,576	457,628	505,718	515,132	384,078	457,628
Bank loans	107	107	108	108	53	53	100	108
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	118,484	132,852	137,119	183,771	201,208	200,868	117,712	183,771
Canada bonds	270,067	268,369	263,349	273,749	304,457	314,211	266,266	273,749
Canada savings bonds	13,068	13,009	12,953	12,389	12,529	12,689	13,237	12,389
Other bonds	256,999	255,360	250,396	261,360	291,928	301,522	253,029	261,360
Other levels of government	437,679	446,053	457,467	480,460	481,005	498,888	437,201	480,460
Bank loans	5,099	4,942	4,994	5,232	5,982	4,981	4,673	5,232
Other loans	17,291	17,315	17,474	17,618	17,119	18,066	17,068	17,618
Other short-term paper	16,684	19,621	25,789	36,212	29,462	33,516	21,375	36,212
Mortgages	1,839	1,839	1,839	1,839	1,840	1,840	1,839	1,839
Provincial bonds	345,963	350,680	355,477	367,516	373,594	386,738	341,783	367,516
Municipal bonds	47,002	47,867	48,107	48,258	49,225	49,966	46,647	48,258
Other bonds	3,801	3,789	3,787	3,785	3,783	3,781	3,816	3,785
Total funds raised by domestic non-financial sectors	2,846,897	2,910,916	2,967,761	3,106,879	3,173,698	3,216,666	2,803,331	3,106,879
Consumer credit	351,027	360,189	369,064	374,505	378,971	386,898	345,571	374,505
Bank loans	196,045	196,813	202,968	219,694	218,580	204,767	191,084	219,694
Other loans	171,645	176,797	174,381	174,728	172,406	169,059	175,345	174,728
Canada short-term paper	118,484	132,852	137,119	183,771	201,208	200,868	117,712	183,771
Other short-term paper	90,766	92,329	97,734	105,743	100,030	101,806	87,096	105,743
Mortgages	949,096	975,733	1,000,834	1,021,688	1,030,226	1,052,662	931,028	1,021,688
Bonds	969,834	976,203	985,661	1,026,750	1,072,277	1,100,606	955,495	1,026,750
Non-residents	51,832	55,631	62,978	69,385	71,298	70,201	46,576	69,385
Bank loans	20,805	22,009	26,891	26,019	25,120	25,003	18,277	26,019
Other loans	31,027	33,622	36,087	43,366	46,178	45,198	28,299	43,366
Mortgages	0	0	0	0	0	...	0	0
Total borrowing excluding domestic financial institutions	2,898,729	2,966,547	3,030,739	3,176,264	3,244,996	3,286,867	2,849,907	3,176,264
Domestic financial institutions	880,729	892,109	906,307	954,086	960,336	965,032	854,107	954,086
Bank loans	61,477	61,260	63,522	61,291	59,364	60,523	63,038	61,291
Other loans	76,840	72,603	74,419	75,662	76,024	69,117	68,088	75,662
Other short-term paper	169,995	155,844	149,390	147,270	110,888	104,616	174,789	147,270
Mortgages	15,511	16,656	16,758	16,605	16,383	16,442	15,880	16,605
Bonds	556,906	585,746	602,218	653,258	697,677	714,334	532,312	653,258
Total funds raised = total funds supplied	3,779,458	3,858,656	3,937,046	4,130,350	4,205,332	4,251,899	3,704,014	4,130,350
Assets of:								
Persons and unincorporated business	106,733	102,345	106,973	113,386	104,344	106,293	101,444	113,386
Non-financial corporations	84,668	86,118	85,947	89,857	85,812	82,006	87,932	89,857
Governments	273,043	276,791	284,976	283,427	276,427	288,914	273,139	283,427
Non-residents	463,690	484,653	487,350	529,534	557,093	567,042	444,561	529,534
Domestic financial institutions	2,873,133	2,929,724	2,992,452	3,133,997	3,203,266	3,229,018	2,818,577	3,133,997