



Catalogue no. 13-010-XIE

Canadian economic accounts quarterly review

Fourth quarter 2004



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Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
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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
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the Statistics Act
E	use with caution
F	too unreliable to be published

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Statistics Canada
System of National Accounts

Canadian economic accounts quarterly review

Fourth quarter 2004

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Related products and services

GDP by income and by expenditure

CANSIM tables	380-0001 to 380-0017, 380-0019 to 380-0035, 380-0037, 380-0056 to 380-0058, 382-0006, 384-0001, 384-0002, 384-0004 to 384-0013, and 384-0036
Publication: National income and expenditure accounts	13-001-XIB
Tables and analytical document: Income and expenditure accounts Estimates of labour income Provincial economic accounts	13-001-PPB 13F0016XPB 13-213-PPB
Spreadsheets	13-001-DDB, 13F0016DDB, 13-213-DDB, 13-001-XDB, 13F0016XDB, 13-213-XDB

GDP by industry

CANSIM tables	379-0017 to 379-0022
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
Tables and analytical document Spreadsheets	13-014-PPB 13-014-DDB, 13-014-XDB

Labour productivity, hourly compensation and unit labour cost

CANSIM tables	383-0008 to 383-0015
Publication: Productivity growth in Canada	15-204-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
Publication: National balance sheet accounts, quarterly estimates	13-214-XIE
Spreadsheets	13-214-DDB, 13-214-XDB

Latest developments in the Canadian economic accounts

Publication:	13-605-XIE
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About this publication

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

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

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

Revision policy

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

With this release revisions have been made back to the first quarter of 2004.

GDP by industry:

Since the third quarter release of the *Canadian economic accounts quarterly review*, revisions were made back to January 2004.

Overview

Fourth quarter 2004

Real Gross Domestic Product (GDP) increased 0.4% in the fourth quarter, slowing from 0.7% in the third. Exports declined for a second consecutive quarter, while final domestic demand strengthened to 1.1% growth. GDP grew 0.2% in December following a 0.3% increase in November and a flat performance in October.

Real Gross domestic product, chained (1997) dollars¹

	Change	Annualized change	Year-over- year change
	%		
First quarter 2004	0.7	2.8	1.7
Second quarter 2004	1.1	4.5	3.0
Third quarter 2004	0.7	2.9	3.4
Fourth quarter 2004	0.4	1.7	3.0
2004	2.8	...	2.8

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.

The goods and services sectors of the economy expanded at similar rates, but within the goods sector manufacturing output was flat. Growth in profits continued at the reduced pace of 1.5% evidenced in the third quarter.

Growth in consumer spending was sustained at 1.0%, and housing investment posted another solid increase (+1.7%). Businesses accelerated investment in machinery and equipment, while growth in non-residential construction activity softened.

Inventory accumulation increased in the fourth quarter, with the build-up concentrated in wholesale and manufacturing, especially for durable goods. Retail inventory accumulation was reduced significantly.

Real Gross domestic product at basic prices, by industry, chained (1997) dollars

	July 2004 ^f	August 2004 ^f	September 2004 ^f	October 2004 ^f	November 2004 ^f	December 2004 ^p
	Seasonally adjusted, month-to-month % change					
All industries	0.3	0.3	0.1	0.0	0.3	0.2
Goods-producing industries	0.4	0.7	-0.1	-0.0	0.4	0.4
Service-producing industries	0.2	0.2	0.1	0.1	0.3	0.2
Industrial production	0.2	0.8	-0.3	-0.1	0.4	0.5
Energy sector	-0.2	0.3	0.5	0.0	1.2	1.4
Wholesale trade	0.7	0.6	-0.3	-0.1	1.6	0.8
Retail trade	0.6	1.0	0.7	0.7	-0.4	-1.5

^f Revised figure

^p Preliminary figure

Economy-wide prices, as measured by the GDP chain price index, rose 0.8%. Excluding energy, the increase was 0.5%.

The United States economy grew at an annualized rate of 3.8% in the fourth quarter, in contrast to an annualized growth of 1.7% for Canada.

Canadian economic accounts key indicators[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,808 <i>1.1</i>	636,296 <i>1.4</i>	642,160 <i>0.9</i>	649,208 <i>1.1</i>	613,718 <i>3.5</i>	638,868 <i>4.1</i>
Corporation profits before taxes	148,916 <i>4.7</i>	154,064 <i>3.5</i>	165,904 <i>7.7</i>	179,348 <i>8.1</i>	182,064 <i>1.5</i>	184,740 <i>1.5</i>	151,210 <i>10.0</i>	178,014 <i>17.7</i>
Interest and miscellaneous investment income	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,100 <i>5.4</i>	56,508 <i>4.5</i>	58,320 <i>3.2</i>	58,452 <i>0.2</i>	51,508 <i>6.9</i>	56,845 <i>10.4</i>
Net income of unincorporated business	78,160 <i>0.6</i>	79,232 <i>1.4</i>	80,936 <i>2.2</i>	82,540 <i>2.0</i>	83,400 <i>1.0</i>	83,976 <i>0.7</i>	78,076 <i>4.5</i>	82,713 <i>5.9</i>
Taxes less subsidies	144,664 <i>3.8</i>	146,596 <i>1.3</i>	146,624 <i>0.0</i>	150,668 <i>2.8</i>	152,552 <i>1.3</i>	153,792 <i>0.8</i>	142,653 <i>2.4</i>	150,909 <i>5.8</i>
Personal disposable income	714,548 <i>0.2</i>	719,504 <i>0.7</i>	729,340 <i>1.4</i>	739,284 <i>1.4</i>	744,116 <i>0.7</i>	752,180 <i>1.1</i>	713,548 <i>3.0</i>	741,230 <i>3.9</i>
Personal saving rate[2]	0.7	1.3	0.6	0.8	0.3	0.0	1.4	0.4

Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	624,729 <i>1.1</i>	625,780 <i>0.2</i>	635,195 <i>1.5</i>	638,125 <i>0.5</i>	643,833 <i>0.9</i>	650,300 <i>1.0</i>	620,444 <i>3.1</i>	641,863 <i>3.5</i>
Government current expenditure on goods and services	206,820 <i>0.1</i>	208,788 <i>1.0</i>	210,297 <i>0.7</i>	211,285 <i>0.5</i>	212,081 <i>0.4</i>	213,214 <i>0.5</i>	206,466 <i>3.8</i>	211,719 <i>2.5</i>
Gross fixed capital formation	227,857 <i>3.1</i>	230,826 <i>1.3</i>	234,429 <i>1.6</i>	236,917 <i>1.1</i>	239,955 <i>1.3</i>	244,280 <i>1.8</i>	224,837 <i>4.9</i>	238,895 <i>6.3</i>
Investment in inventories	3,434 <i>...</i>	12,150 <i>...</i>	4,078 <i>...</i>	2,041 <i>...</i>	18,435 <i>...</i>	22,203 <i>...</i>	11,888 <i>...</i>	11,689 <i>...</i>
Exports of goods and services	434,813 <i>-0.5</i>	444,732 <i>2.3</i>	450,123 <i>1.2</i>	469,047 <i>4.2</i>	465,044 <i>-0.9</i>	460,950 <i>-0.9</i>	439,799 <i>-2.4</i>	461,291 <i>4.9</i>
Imports of goods and services	401,081 <i>-0.8</i>	417,823 <i>4.2</i>	422,274 <i>1.1</i>	432,087 <i>2.3</i>	446,638 <i>3.4</i>	455,690 <i>2.0</i>	405,977 <i>3.8</i>	439,172 <i>8.2</i>
Gross domestic product at market prices	1,095,469 <i>0.3</i>	1,104,391 <i>0.8</i>	1,112,104 <i>0.7</i>	1,124,486 <i>1.1</i>	1,132,573 <i>0.7</i>	1,137,337 <i>0.4</i>	1,096,359 <i>2.0</i>	1,126,625 <i>2.8</i>
GDP at basic prices, by industry								
Goods producing industries	316,431 <i>0.6</i>	320,947 <i>1.4</i>	322,899 <i>0.6</i>	326,369 <i>1.1</i>	330,568 <i>1.3</i>	332,366 <i>0.5</i>	317,208 <i>1.7</i>	328,051 <i>3.4</i>
Services producing industries	698,179 <i>0.3</i>	704,532 <i>0.9</i>	708,826 <i>0.6</i>	716,115 <i>1.0</i>	721,122 <i>0.7</i>	724,627 <i>0.5</i>	697,886 <i>2.5</i>	717,672 <i>2.8</i>
Industrial production	237,477 <i>0.6</i>	240,806 <i>1.4</i>	241,821 <i>0.4</i>	245,109 <i>1.4</i>	248,327 <i>1.3</i>	249,231 <i>0.4</i>	238,435 <i>0.7</i>	246,122 <i>3.2</i>
Non-durable manufacturing	71,963 <i>-1.3</i>	72,901 <i>1.3</i>	73,217 <i>0.4</i>	73,985 <i>1.0</i>	75,004 <i>1.4</i>	74,860 <i>-0.2</i>	72,913 <i>-0.0</i>	74,267 <i>1.9</i>
Durable manufacturing	100,748 <i>0.4</i>	103,385 <i>2.6</i>	103,914 <i>0.5</i>	106,545 <i>2.5</i>	109,047 <i>2.3</i>	109,206 <i>0.1</i>	101,679 <i>0.2</i>	107,178 <i>5.4</i>
Information and communication technologies sector (ICT)	56,801 <i>1.1</i>	58,853 <i>3.6</i>	59,395 <i>0.9</i>	60,088 <i>1.2</i>	62,033 <i>3.2</i>	62,467 <i>0.7</i>	57,076 <i>3.8</i>	60,996 <i>6.9</i>
Manufacturing	172,932 <i>-0.4</i>	176,482 <i>2.1</i>	177,324 <i>0.5</i>	180,693 <i>1.9</i>	184,197 <i>1.9</i>	184,204 <i>0.0</i>	174,820 <i>0.1</i>	181,605 <i>3.9</i>
Agriculture, forestry, fishing and hunting	22,878 <i>-0.9</i>	23,011 <i>0.6</i>	23,584 <i>2.5</i>	23,640 <i>0.2</i>	24,126 <i>2.1</i>	24,338 <i>0.9</i>	22,842 <i>7.6</i>	23,922 <i>4.7</i>
Construction	56,456 <i>1.3</i>	57,520 <i>1.9</i>	57,939 <i>0.7</i>	57,997 <i>0.1</i>	58,492 <i>0.9</i>	59,222 <i>1.2</i>	56,273 <i>4.4</i>	58,412 <i>3.8</i>
Wholesale trade	61,053 <i>-0.4</i>	64,099 <i>5.0</i>	63,664 <i>-0.7</i>	65,471 <i>2.8</i>	66,625 <i>1.8</i>	67,457 <i>1.2</i>	61,941 <i>5.6</i>	65,804 <i>6.2</i>
Retail trade	57,963 <i>1.9</i>	57,419 <i>-0.9</i>	58,527 <i>1.9</i>	58,878 <i>0.6</i>	59,856 <i>1.7</i>	60,238 <i>0.6</i>	57,126 <i>2.8</i>	59,375 <i>3.9</i>

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

2 Actual rate.

GDP by income and by expenditure

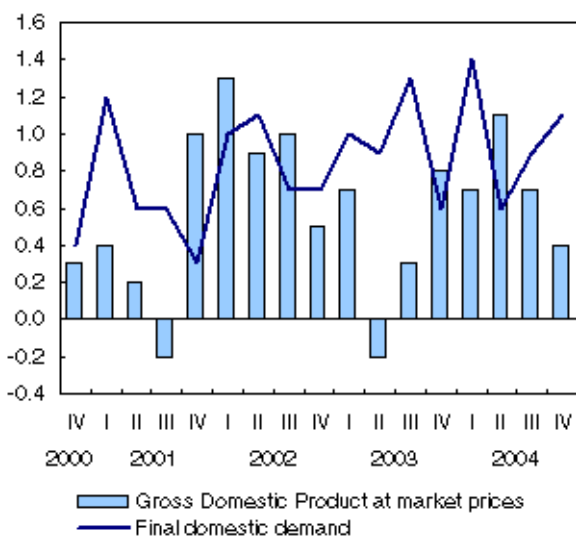
Fourth quarter 2004 and annual 2004

Real Gross Domestic Product (GDP) rose 0.4% in the fourth quarter, slowing from 0.7% in the third quarter, as exports declined. Final domestic demand increased 1.1%, as consumer spending, business investment in machinery and equipment, and government spending all gained strength.

The Canadian economy grew at an annualized rate of 1.7% in the fourth quarter, down from 2.9% in the third quarter. In comparison, the US economy advanced at an annualized rate of 3.8%, down from 4.0% in the third quarter.

GDP growth slowed

Quarterly % change, chained (1997) dollars



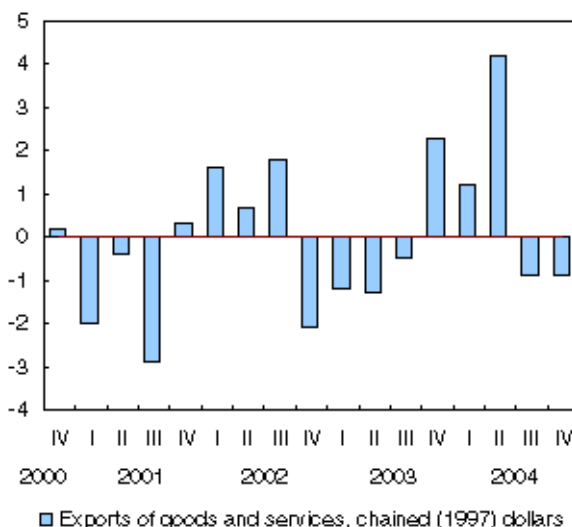
Economy-wide prices, as measured by the chain price index for GDP, rose 0.8%, slowing from the 1.0% pace of the previous quarter. Excluding energy, the index was up 0.5%. The Canadian dollar appreciated 7.1% against the US dollar in the fourth quarter, after gaining 4.0% in the third quarter. Influenced by the exchange rate, both export and import prices declined in all groups, except energy. The implicit price index for final domestic demand was up a modest 0.1% for the quarter.

Exports declined for the second consecutive quarter

Exports declined 0.9% in the fourth quarter, matching the decline of the third quarter. All of the goods categories declined, with the exception of industrial goods and materials (+0.6%), and automotive products (+0.7%). Exports of machinery and equipment posted the second consecutive quarterly decline, after strong increases in the first half of 2004. Exports of agricultural and fish products posted its largest quarterly decline this year (-3.9%), and exports of forestry products also declined for the second consecutive quarter (-0.1%), dampened by the slowing US housing market.

Exports slipped for second consecutive quarter

Quarterly % change



In contrast, exports of services increased 0.8% led by strong exports of commercial services (+3.3%). Exports of both travel and transportation services declined, after slowing considerably in the third quarter.

Sustained growth in consumer spending

Consumer spending increased 1.0% in the fourth quarter, similar to its third quarter increase of 0.9%, but down from the strong growth posted in the first quarter (+1.5%). Purchases of durable goods slowed to 1.0%, from the third quarter pace of 1.3%, and purchases of semi-durable goods were flat.

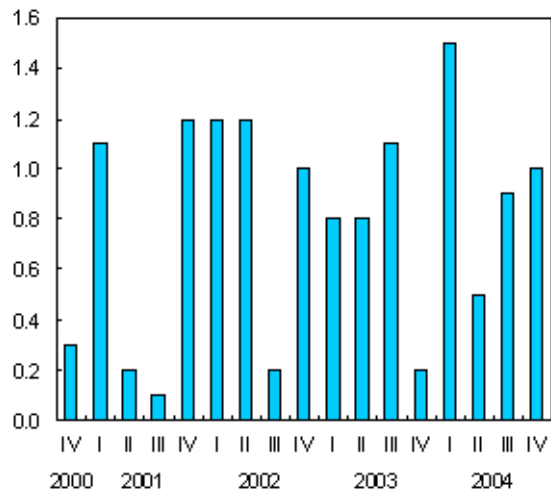
Spending on food, beverages and tobacco increased 0.5%, restrained by declines in alcoholic beverages purchased in stores (-1.0%) and tobacco products (-0.8%). Although purchases of tobacco products have fallen steadily for the last three years, purchases of alcoholic beverages declined for the first time since the second quarter of 2003, affected by the strike at the Société des alcools du Québec.

Expenditures on furniture, furnishings and household equipment and maintenance slowed to 0.4% from a third quarter growth of 2.0%. Expenditures on household appliances and semi-durable household furnishings slowed considerably during the quarter, while spending on household supplies edged down. Spending on clothing and footwear declined for the first time this year (-0.7%).

Spending on recreation, entertainment, education and cultural services also slowed this quarter (+0.1%). Spending on recreational services was down 1.6%, partly as a result of reduced expenditures on spectator sports.

Consumer spending sustained

Quarterly % change



■ Personal expenditure on consumer goods and services, chained (1997) dollars

In contrast, spending on transportation and communications increased 1.6%, up from the previous quarter growth of 0.5%. Purchases of motor vehicles increased 0.9% in the fourth quarter after two weak quarters, as consumers took advantage of lucrative financing incentives.

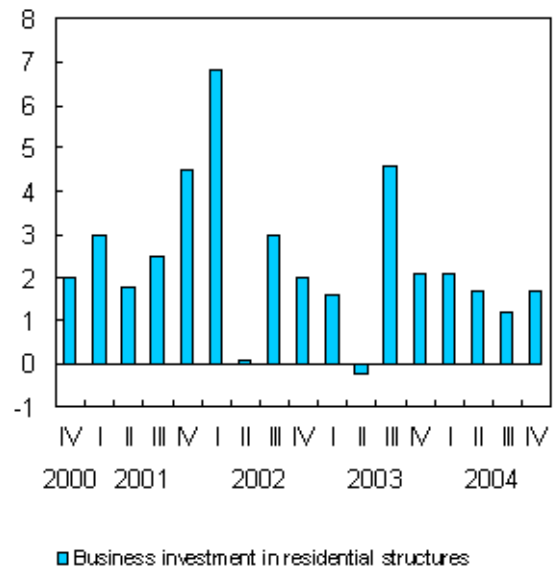
Purchased transportation also increased 1.1%, as trips to both US and non-US destinations increased, helped by the stronger dollar.

Housing investment still strong

Business investment in residential construction increased 1.7% in the fourth quarter, its sixth consecutive quarterly increase. Quarterly growth in new housing construction activity has averaged 1.6% throughout 2004.

Investment in housing remained strong

Quarterly % change, chained (1997) dollars



■ Business investment in residential structures

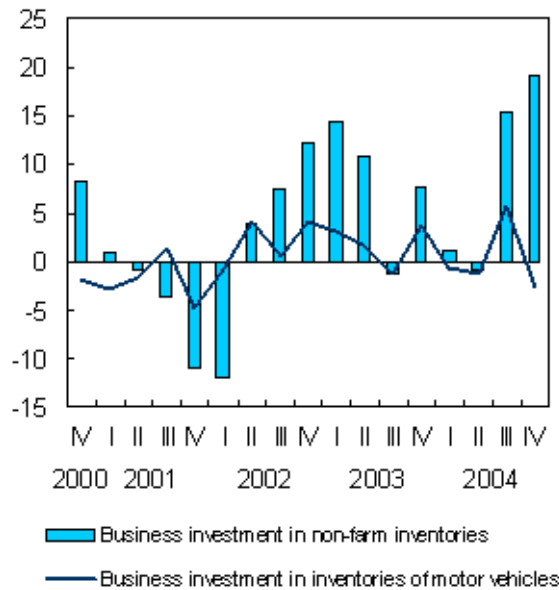
In addition, renovation activity posted two healthy quarterly increases in a row. Ownership transfer costs, however, declined for the second time, reflecting a weaker resale market.

Massive build-up of inventories

Non-farm businesses increased inventories by \$19.2 billion in the fourth quarter, after building up extensive inventories in the previous quarter. The build-up was concentrated in wholesale trade and manufacturing, especially durable goods. In contrast, retail trade inventories were only up slightly, reduced by a draw-down of motor vehicles after a large build-up the previous quarter.

Massive build-up of inventories

Billions of chained (1997) dollars



The economy-wide inventory-to-sales ratio edged up, leaving sufficient inventories to satisfy 62 days of sales at the current pace.

Corporate profits weakened

After posting healthy increases in the first two quarters of 2004, corporate profits weakened in the second half of the year, increasing only 1.5% in each of the last two quarters. Declining exports restrained manufacturing profits, and earnings weakened among financial corporations. Profits were strong in the transportation industry, but manufacturers had mixed results. Wood, paper and chemical companies fared well, while earnings fell back for petroleum and coal, primary metals, and motor vehicle manufacturing.

Investment in plant and equipment remained strong

Business investment in plant and equipment posted another healthy increase, the strongest this year (+2.2%). Business investment in buildings and engineering projects remained weak in the fourth quarter (+0.4%). Investment in machinery and equipment increased 3.4% in the fourth quarter, after averaging 2.3% in the previous three

quarters. Large increases were registered in computers and other office equipment, furniture, trucks, and industrial machinery.

Import growth slowed

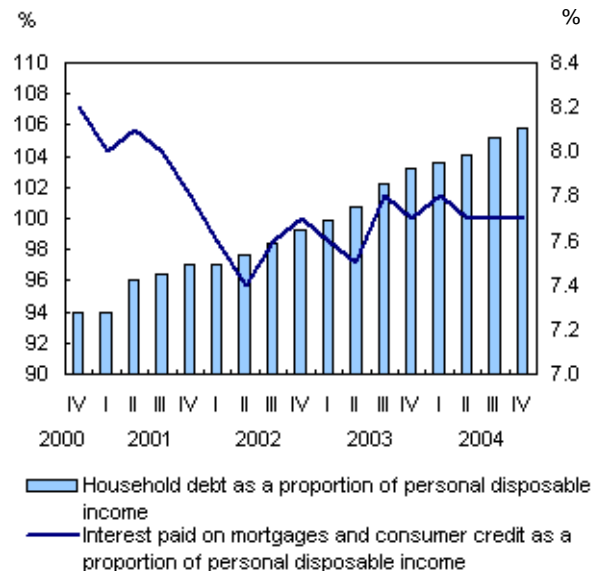
Overall, growth in imports of goods and services slowed to 2.0% in the fourth quarter, as imports of goods slowed to 1.7%, from 4.1% last quarter. Imports of machinery and equipment maintained growth (+3.1%), while growth in imports of industrial goods and materials slowed considerably (+1.6%).

On the other hand, imports of services jumped 3.5%, following two weak quarters. Travel services (+8.0%) and commercial services (+3.1%) rebounded from third quarter declines, encouraged by the strength in the dollar.

Personal saving slipped further

Personal disposable income strengthened in the fourth quarter (+1.1%), following a gain of 0.7% in the third quarter, helped by growth in labour income of 1.1%. Personal expenditure on consumer goods and services (in nominal terms) grew at a faster rate than disposable income, resulting in a negligible personal saving rate. The debt-to-income ratio increased to 105.8 in the fourth quarter, as households carried almost \$1.06 of debt for each dollar of disposable income.

Debt service charges stable in relation to income



Government surplus continued to improve

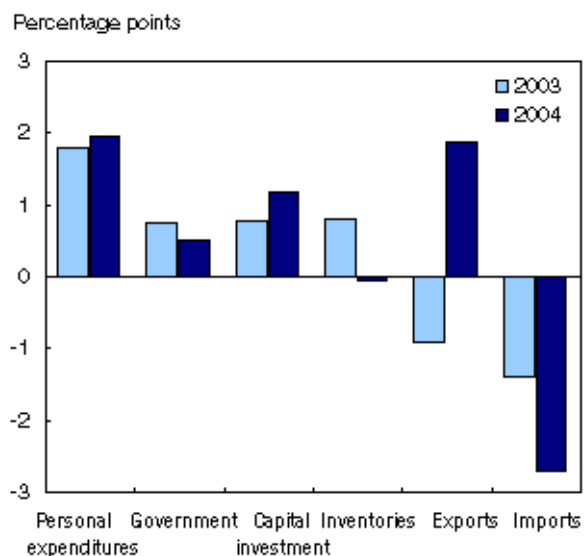
The government surplus (on a national accounts basis) grew substantially in the fourth quarter bringing the annual surplus to \$16.8 billion. Government revenues slowed in

the quarter to 1.2% and outlays accelerated 1.1%, but capital transfers to businesses declined, returning to previous levels, thus adding to surplus.

Year-end review

Real GDP advanced 2.8% in 2004 up from 2.0% in 2003, although weaker than 2002 (+3.4%). Exports rebounded in 2004 and corporate profits soared. Businesses increased inventories, and consumer spending maintained a steady pace. Final domestic demand grew 3.8%, up slightly from 2003.

Contributions to percent change in GDP



Economy-wide prices, as measured by the chain price index for GDP, rose 3.2%. Excluding energy, the index was up 3.0% compared to 2.1% last year. The Canadian dollar appreciated a further 7.7% against the US dollar in 2004, following the 12% gain posted in 2003. The implicit price index for final domestic demand rose 1.7% up from 1.3%.

Consumer spending continued steady pace in 2004

Growth in consumer spending continued at a steady pace in 2004 (+3.5%). Personal expenditures grew at an average rate of 3.3% over the previous 4 years. Consumer spending on semi-durable goods contributed markedly to the 2004 increase, up 5.6% from 3.1% in 2003. More specifically, spending on clothing and footwear jumped 4.8%, especially at beginning of the year, as spending on men's and boy's clothing almost doubled its pace from last year.

Spending on furniture, furnishings and household equipment and maintenance advanced 6.1%, spurred by a strong housing market and increased renovations activity. Furniture, carpets and other floor coverings, household appliances, and semi-durable household furnishings all posted growth of over 7% in 2004.

Spending on services also registered strong growth of 3.9% for the second consecutive year led primarily by purchased transportation (+5.7%). Air transport rebounded from the weakness of the previous three years encouraged by the strength of the Canadian dollar.

Financial and legal services also increased (+5.0%), as spending on mutual fund and stock and bond commissions increased substantially in 2004.

In contrast, purchases of new and used motor vehicles declined again in 2004 (-3.2%), after falling 1.7% in 2003, despite numerous financing incentives offered by dealers and manufacturers throughout the year.

Investment in residential structures still increasing in 2004

Although down from the double-digit growth registered in 2002, business investment in residential construction increased 8.4% in 2004. Investment in new housing construction was up (+8.6%), especially in Quebec and British Columbia. Renovations activity increased 8.9%, following robust growth in 2003. Sales of multiple dwellings outpaced sales of single dwellings in 2004.

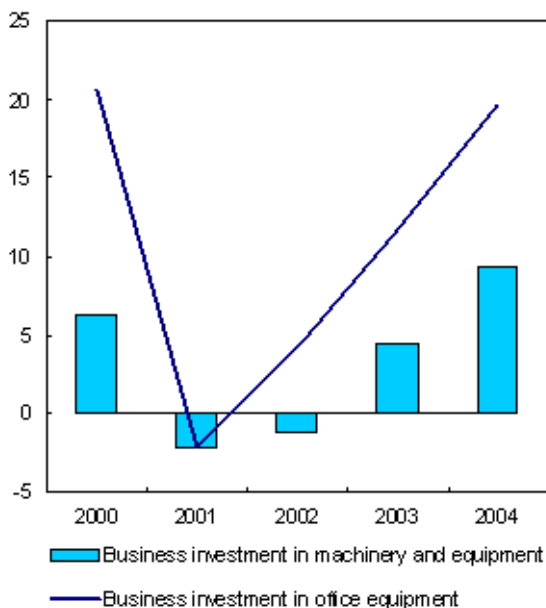
Businesses invested heavily in machinery and equipment

Business investment in plant and equipment grew 6.1% in 2004, almost double the pace of 2003. Substantial outlays in machinery and equipment (+9.4%), not seen since 1999, offset much slower growth in non-residential building and engineering projects. Since 2002, businesses have acquired machinery and equipment rather than investing in new plants.

For the second consecutive year, businesses invested heavily in computers and other office equipment, up 19.7% in 2004. In addition, investment in industrial machinery posted a substantial increase in 2004 (+8.8%), on top of 10.0% registered in 2003. Substantial increases were also noted in telecommunications equipment (+20.2%) and other transportation equipment (+15.1%).

Business investment in machinery and equipment strong

Quarterly % change, chained (1997) dollars



Imports growth more than doubled pace

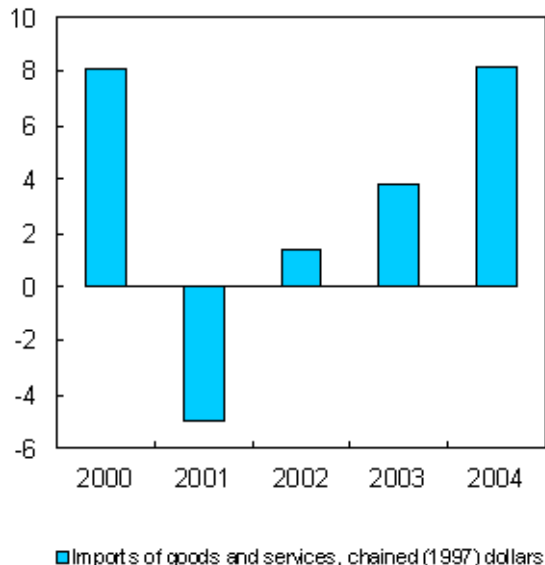
Overall, imports of goods more than doubled their pace to 8.5% in 2004, up from 3.4% in 2003. Substantial increases in imports of machinery and equipment (+12.7%) and industrial goods and materials (+10.4%) led the way.

Imports of energy products remained strong in 2004, averaging 9.3% over the last two years.

Imports of services also posted a strong increase of 6.7% in 2004, led by imports of travel services (+14.3%) and transportation services (+14.4%).

Imports post substantial increase

Quarterly % change



Exports rebounded in 2004

Export demand increased 4.9% in 2004, reversing the decline of 2.4% in 2003. Exports climbed steadily in the first half of the year, but declined in the second half. Increases were widespread as most categories of goods grew above 5.0% in 2004, except energy products (+2.6%) and other consumer goods (+0.5%).

In contrast, exports of services were much weaker increasing 2.7%, although both travel and transportation significantly reversed declines of last year, with increases of 10.5% and 11.9%, respectively. Both exports of travel and transportation services have returned to pre-SARS levels.

Corporate profits skyrocketed in 2004

Corporate profits continued to climb in 2004 (+17.7%). Corporate profits grew on average 9.3% over the previous two years, reversing the decline in 2001. Manufacturers rebounded strongly from a turbulent 2003 benefiting from hefty global demand and robust commodity prices. Wood and paper manufacturers, petroleum and coal producers, primary metal producers and chemical manufacturers all recorded substantial profit growth, while motor vehicle and parts manufacturers saw their earnings drop in 2004.

Wholesalers reported their highest level of profits, especially wholesalers of building materials, and machinery and equipment. Many wholesalers and retailers benefited from the appreciation of the Canadian dollar, as the price of imported goods declined, allowing higher profit margins. Higher prices for metals and oil drove up the profits of metal mining companies and oil and gas producers.

With outlays holding steady, the corporate sector registered another increase in its net lending position reaching a record \$81 billion in 2004.

Personal saving lowest on record

Labour income increased 4.1% in 2004 up from 3.5% in 2003, maintaining steady growth since the hefty increase of 2000. Increases occurred in mining, construction, and finance and real estate, while slowdowns were registered in public administration and manufacturing. Employment growth slowed in 2004.

The personal saving rate in 2004 was 0.4%, down from 1.4% in 2003. The saving rate fell to the lowest level on record since the 1930's. Consumer spending (in nominal terms) grew faster than personal disposable income, with almost all disposable income being spent on consumer goods and services. The combined saving of all sectors of the economy expanded 12.3% in 2004, following 15.3% growth in the previous year.

Government surplus improved in 2004

The surplus (on a national accounts basis) of all levels of government more than doubled to \$16.8 billion in 2004, a level not seen since 2000. Government income was pushed up by strong corporate tax liabilities and higher resource royalties, whereas the growth in outlays was held back by lower interest payments, and lower electricity price-cap subsidies in Ontario.

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

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,808 <i>1.1</i>	636,296 <i>1.4</i>	642,160 <i>0.9</i>	649,208 <i>1.1</i>	613,718 <i>3.5</i>	638,868 <i>4.1</i>
Corporation profits before taxes	148,916 <i>4.7</i>	154,064 <i>3.5</i>	165,904 <i>7.7</i>	179,348 <i>8.1</i>	182,064 <i>1.5</i>	184,740 <i>1.5</i>	151,210 <i>10.0</i>	178,014 <i>17.7</i>
Government business enterprise profits before taxes	10,544 <i>-0.5</i>	11,552 <i>9.6</i>	11,820 <i>2.3</i>	11,472 <i>-2.9</i>	12,036 <i>4.9</i>	12,100 <i>0.5</i>	11,643 <i>1.4</i>	11,857 <i>1.8</i>
Interest and miscellaneous investment income	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,100 <i>5.4</i>	56,508 <i>4.5</i>	58,320 <i>3.2</i>	58,452 <i>0.2</i>	51,508 <i>6.9</i>	56,845 <i>10.4</i>
Accrued net income of farm operators from farm production	252 <i>-68.2</i>	500 <i>98.4</i>	1,480 <i>196.0</i>	1,752 <i>18.4</i>	1,740 <i>-0.7</i>	1,828 <i>5.1</i>	694 <i>-21.9</i>	1,700 <i>145.0</i>
Net income of non-farm unincorporated business, including rent	77,908 <i>1.3</i>	78,732 <i>1.1</i>	79,456 <i>0.9</i>	80,788 <i>1.7</i>	81,660 <i>1.1</i>	82,148 <i>0.6</i>	77,382 <i>4.8</i>	81,013 <i>4.7</i>
Inventory valuation adjustment	2,832 ...	2,428 ...	-2,920 ...	-4,960 ...	940 ...	4,312 ...	4,876 ...	-657 ...
Taxes less subsidies, on factors of production	55,836 <i>0.9</i>	56,484 <i>1.2</i>	56,700 <i>0.4</i>	57,516 <i>1.4</i>	57,892 <i>0.7</i>	58,536 <i>1.1</i>	55,465 <i>3.2</i>	57,661 <i>4.0</i>
Net domestic product at basic prices	964,148 <i>0.6</i>	975,904 <i>1.2</i>	994,348 <i>1.9</i>	1,018,720 <i>2.5</i>	1,036,812 <i>1.8</i>	1,051,324 <i>1.4</i>	966,496 <i>5.6</i>	1,025,301 <i>6.1</i>
Taxes less subsidies, on products	88,828 <i>5.6</i>	90,112 <i>1.4</i>	89,924 <i>-0.2</i>	93,152 <i>3.6</i>	94,660 <i>1.6</i>	95,256 <i>0.6</i>	87,188 <i>1.9</i>	93,248 <i>7.0</i>
Capital consumption allowances	165,520 <i>1.4</i>	167,672 <i>1.3</i>	169,980 <i>1.4</i>	173,200 <i>1.9</i>	175,544 <i>1.4</i>	178,140 <i>1.5</i>	164,403 <i>5.3</i>	174,216 <i>6.0</i>
Statistical discrepancy	956 ...	36 ...	396 ...	1,612 ...	940 ...	-852 ...	685 ...	524 ...
Gross domestic product at market prices	1,219,452 <i>1.0</i>	1,233,724 <i>1.2</i>	1,254,648 <i>1.7</i>	1,286,684 <i>2.6</i>	1,307,956 <i>1.7</i>	1,323,868 <i>1.2</i>	1,218,772 <i>5.3</i>	1,293,289 <i>6.1</i>

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

Gross domestic product, expenditure-based, current prices and quarterly percentage change[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	694,632	695,324	709,468	718,180	726,584	736,292	688,707	722,631
	<i>1.5</i>	<i>0.1</i>	<i>2.0</i>	<i>1.2</i>	<i>1.2</i>	<i>1.3</i>	<i>4.8</i>	<i>4.9</i>
Durable goods	95,208	90,772	92,996	93,292	94,220	95,352	93,180	93,965
	<i>1.7</i>	<i>-4.7</i>	<i>2.5</i>	<i>0.3</i>	<i>1.0</i>	<i>1.2</i>	<i>1.2</i>	<i>0.8</i>
Semi-durable goods	58,392	58,640	60,264	60,868	61,828	61,844	58,295	61,201
	<i>0.2</i>	<i>0.4</i>	<i>2.8</i>	<i>1.0</i>	<i>1.6</i>	<i>0.0</i>	<i>2.5</i>	<i>5.0</i>
Non-durable goods	168,884	168,804	172,956	176,208	178,668	182,464	168,256	177,574
	<i>1.3</i>	<i>-0.0</i>	<i>2.5</i>	<i>1.9</i>	<i>1.4</i>	<i>2.1</i>	<i>6.2</i>	<i>5.5</i>
Services	372,148	377,108	383,252	387,812	391,868	396,632	368,976	389,891
	<i>1.8</i>	<i>1.3</i>	<i>1.6</i>	<i>1.2</i>	<i>1.0</i>	<i>1.2</i>	<i>5.5</i>	<i>5.7</i>
Government current expenditure on goods and services	238,812	243,160	246,176	248,968	250,640	253,300	237,711	249,771
	<i>1.0</i>	<i>1.8</i>	<i>1.2</i>	<i>1.1</i>	<i>0.7</i>	<i>1.1</i>	<i>6.3</i>	<i>5.1</i>
Government gross fixed capital formation	31,572	31,880	32,688	32,780	32,736	32,604	31,501	32,702
	<i>0.7</i>	<i>1.0</i>	<i>2.5</i>	<i>0.3</i>	<i>-0.1</i>	<i>-0.4</i>	<i>6.4</i>	<i>3.8</i>
Government investment in inventories	28	-8	-96	272	156	-248	15	21

Business gross fixed capital formation	208,660	211,040	216,264	223,932	227,528	229,692	205,875	224,354
	<i>3.7</i>	<i>1.1</i>	<i>2.5</i>	<i>3.5</i>	<i>1.6</i>	<i>1.0</i>	<i>4.1</i>	<i>9.0</i>
Residential structures	75,380	78,212	80,640	83,908	85,792	87,540	73,757	84,470
	<i>6.1</i>	<i>3.8</i>	<i>3.1</i>	<i>4.1</i>	<i>2.2</i>	<i>2.0</i>	<i>12.0</i>	<i>14.5</i>
Non-residential structures	51,456	52,252	52,456	53,752	55,068	55,696	51,155	54,243
	<i>1.7</i>	<i>1.5</i>	<i>0.4</i>	<i>2.5</i>	<i>2.4</i>	<i>1.1</i>	<i>3.0</i>	<i>6.0</i>
Machinery and equipment	81,824	80,576	83,168	86,272	86,668	86,456	80,963	85,641
	<i>2.8</i>	<i>-1.5</i>	<i>3.2</i>	<i>3.7</i>	<i>0.5</i>	<i>-0.2</i>	<i>-1.6</i>	<i>5.8</i>
Business investment in inventories	-2,576	7,100	-1,980	-1,784	14,116	18,524	7,662	7,219

Non-farm	-4,520	4,936	-3,088	-3,116	12,652	16,796	6,119	5,811

Farm	1,944	2,164	1,108	1,332	1,464	1,728	1,543	1,408

Exports of goods and services	452,796	452,188	467,780	508,028	506,584	495,684	461,596	494,519
	<i>-0.4</i>	<i>-0.1</i>	<i>3.4</i>	<i>8.6</i>	<i>-0.3</i>	<i>-2.2</i>	<i>-3.7</i>	<i>7.1</i>
Goods	392,108	390,180	405,252	443,208	442,136	430,528	400,004	430,281
	<i>-0.6</i>	<i>-0.5</i>	<i>3.9</i>	<i>9.4</i>	<i>-0.2</i>	<i>-2.6</i>	<i>-3.3</i>	<i>7.6</i>
Services	60,688	62,008	62,528	64,820	64,448	65,156	61,592	64,238
	<i>0.5</i>	<i>2.2</i>	<i>0.8</i>	<i>3.7</i>	<i>-0.6</i>	<i>1.1</i>	<i>-6.1</i>	<i>4.3</i>
Deduct: Imports of goods and services	403,520	406,924	415,256	442,084	449,448	442,828	413,611	437,404
	<i>-2.0</i>	<i>0.8</i>	<i>2.0</i>	<i>6.5</i>	<i>1.7</i>	<i>-1.5</i>	<i>-3.4</i>	<i>5.8</i>
Goods	332,576	333,896	341,212	366,504	375,732	368,372	341,835	362,955
	<i>-2.5</i>	<i>0.4</i>	<i>2.2</i>	<i>7.4</i>	<i>2.5</i>	<i>-2.0</i>	<i>-4.1</i>	<i>6.2</i>
Services	70,944	73,028	74,044	75,580	73,716	74,456	71,776	74,449
	<i>0.5</i>	<i>2.9</i>	<i>1.4</i>	<i>2.1</i>	<i>-2.5</i>	<i>1.0</i>	<i>0.2</i>	<i>3.7</i>
Statistical discrepancy	-952	-36	-396	-1,608	-940	848	-684	-524

Gross domestic product at market prices	1,219,452	1,233,724	1,254,648	1,286,684	1,307,956	1,323,868	1,218,772	1,293,289
	<i>1.0</i>	<i>1.2</i>	<i>1.7</i>	<i>2.6</i>	<i>1.7</i>	<i>1.2</i>	<i>5.3</i>	<i>6.1</i>
Final domestic demand	1,173,676	1,181,404	1,204,596	1,223,860	1,237,488	1,251,888	1,163,794	1,229,458
	<i>1.8</i>	<i>0.7</i>	<i>2.0</i>	<i>1.6</i>	<i>1.1</i>	<i>1.2</i>	<i>5.0</i>	<i>5.6</i>

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

Real Gross domestic product, expenditure-based, quarterly percentage change[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	624,729	625,780	635,195	638,125	643,833	650,300	620,444	641,863
	<i>1.1</i>	<i>0.2</i>	<i>1.5</i>	<i>0.5</i>	<i>0.9</i>	<i>1.0</i>	<i>3.1</i>	<i>3.5</i>
Durable goods	97,399	93,220	95,945	96,410	97,669	98,601	94,923	97,156
	<i>2.5</i>	<i>-4.3</i>	<i>2.9</i>	<i>0.5</i>	<i>1.3</i>	<i>1.0</i>	<i>2.0</i>	<i>2.4</i>
Semi-durable goods	56,448	56,297	58,207	58,853	60,047	60,031	56,142	59,285
	<i>0.6</i>	<i>-0.3</i>	<i>3.4</i>	<i>1.1</i>	<i>2.0</i>	<i>-0.0</i>	<i>3.1</i>	<i>5.6</i>
Non-durable goods	139,941	140,836	142,549	142,477	143,511	145,274	140,078	143,453
	<i>0.2</i>	<i>0.6</i>	<i>1.2</i>	<i>-0.1</i>	<i>0.7</i>	<i>1.2</i>	<i>2.1</i>	<i>2.4</i>
Services	332,052	335,907	339,274	341,264	343,636	347,336	330,098	342,878
	<i>1.2</i>	<i>1.2</i>	<i>1.0</i>	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>3.9</i>	<i>3.9</i>
Government current expenditure on goods and services	206,820	208,788	210,297	211,285	212,081	213,214	206,466	211,719
	<i>0.1</i>	<i>1.0</i>	<i>0.7</i>	<i>0.5</i>	<i>0.4</i>	<i>0.5</i>	<i>3.8</i>	<i>2.5</i>
Government gross fixed capital formation	30,787	31,233	31,690	31,228	31,094	31,161	30,709	31,293
	<i>0.3</i>	<i>1.4</i>	<i>1.5</i>	<i>-1.5</i>	<i>-0.4</i>	<i>0.2</i>	<i>6.8</i>	<i>1.9</i>
Government investment in inventories	24	-4	-80	232	136	-216	14	18

Business gross fixed capital formation	197,167	199,693	202,839	205,764	208,918	213,162	194,235	207,671
	<i>3.5</i>	<i>1.3</i>	<i>1.6</i>	<i>1.4</i>	<i>1.5</i>	<i>2.0</i>	<i>4.6</i>	<i>6.9</i>
Residential structures	63,298	64,621	65,963	67,073	67,910	69,062	62,262	67,502
	<i>4.6</i>	<i>2.1</i>	<i>2.1</i>	<i>1.7</i>	<i>1.2</i>	<i>1.7</i>	<i>7.5</i>	<i>8.4</i>
Non-residential structures	45,109	45,501	44,900	45,177	45,589	45,777	44,928	45,361
	<i>1.0</i>	<i>0.9</i>	<i>-1.3</i>	<i>0.6</i>	<i>0.9</i>	<i>0.4</i>	<i>1.0</i>	<i>1.0</i>
Machinery and equipment	88,229	88,920	91,569	93,153	95,206	98,464	86,441	94,598
	<i>4.2</i>	<i>0.8</i>	<i>3.0</i>	<i>1.7</i>	<i>2.2</i>	<i>3.4</i>	<i>4.5</i>	<i>9.4</i>
Business investment in inventories	3,410	12,160	4,174	1,779	18,285	22,445	11,876	11,671

Non-farm	-1,212	7,766	1,118	-835	15,377	19,219	7,889	8,720

Farm	4,558	4,086	2,650	2,172	2,080	2,326	3,715	2,307

Exports of goods and services	434,813	444,732	450,123	469,047	465,044	460,950	439,799	461,291
	<i>-0.5</i>	<i>2.3</i>	<i>1.2</i>	<i>4.2</i>	<i>-0.9</i>	<i>-0.9</i>	<i>-2.4</i>	<i>4.9</i>
Goods	377,254	386,402	391,366	409,242	405,556	400,992	381,819	401,789
	<i>-0.7</i>	<i>2.4</i>	<i>1.3</i>	<i>4.6</i>	<i>-0.9</i>	<i>-1.1</i>	<i>-2.2</i>	<i>5.2</i>
Services	57,654	58,445	58,883	59,954	59,636	60,104	58,087	59,644
	<i>0.6</i>	<i>1.4</i>	<i>0.7</i>	<i>1.8</i>	<i>-0.5</i>	<i>0.8</i>	<i>-3.9</i>	<i>2.7</i>
Deduct: Imports of goods and services	401,081	417,823	422,274	432,087	446,638	455,690	405,977	439,172
	<i>-0.8</i>	<i>4.2</i>	<i>1.1</i>	<i>2.3</i>	<i>3.4</i>	<i>2.0</i>	<i>3.8</i>	<i>8.2</i>
Goods	339,224	352,555	356,183	366,596	381,483	388,085	343,906	373,087
	<i>-1.2</i>	<i>3.9</i>	<i>1.0</i>	<i>2.9</i>	<i>4.1</i>	<i>1.7</i>	<i>3.4</i>	<i>8.5</i>
Services	61,695	64,972	65,772	65,467	65,460	67,769	61,986	66,117
	<i>1.5</i>	<i>5.3</i>	<i>1.2</i>	<i>-0.5</i>	<i>-0.0</i>	<i>3.5</i>	<i>5.7</i>	<i>6.7</i>
Statistical discrepancy	-855	-32	-351	-1,405	-814	729	-616	-460

Gross domestic product at market prices	1,095,469	1,104,391	1,112,104	1,124,486	1,132,573	1,137,337	1,096,359	1,126,625
	<i>0.3</i>	<i>0.8</i>	<i>0.7</i>	<i>1.1</i>	<i>0.7</i>	<i>0.4</i>	<i>2.0</i>	<i>2.8</i>
Final domestic demand	1,059,110	1,065,043	1,079,477	1,085,821	1,095,272	1,107,057	1,051,568	1,091,907
	<i>1.3</i>	<i>0.6</i>	<i>1.4</i>	<i>0.6</i>	<i>0.9</i>	<i>1.1</i>	<i>3.6</i>	<i>3.8</i>

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

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

Real Gross domestic product, expenditure-based, annualized percentage change[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	4.4	0.7	6.2	1.9	3.6	4.1	3.1	3.5
Durable goods	10.5	-16.1	12.2	2.0	5.3	3.9	2.0	2.4
Semi-durable goods	2.5	-1.1	14.3	4.5	8.4	-0.1	3.1	5.6
Non-durable goods	0.6	2.6	5.0	-0.2	2.9	5.0	2.1	2.4
Services	4.9	4.7	4.1	2.4	2.8	4.4	3.9	3.9
Government current expenditure on goods and services	0.4	3.9	2.9	1.9	1.5	2.2	3.8	2.5
Government gross fixed capital formation	1.0	5.9	6.0	-5.7	-1.7	0.9	6.8	1.9
Government investment in inventories[2]	-16	-28	-76	312	-96	-352	54	4
Business gross fixed capital formation	14.9	5.2	6.5	5.9	6.3	8.4	4.6	6.9
Residential structures	19.7	8.6	8.6	6.9	5.1	7.0	7.5	8.4
Non-residential structures	4.0	3.5	-5.2	2.5	3.7	1.7	1.0	1.0
Machinery and equipment	17.8	3.2	12.5	7.1	9.1	14.4	4.5	9.4
Business investment in inventories[2]	-11,247	8,750	-7,986	-2,395	16,506	4,160	9,753	-205
Non-farm[2]	-11,897	8,978	-6,648	-1,953	16,212	3,842	5,013	831
Farm[2]	960	-472	-1,436	-478	-92	246	4,581	-1,408
Exports of goods and services	-1.9	9.4	4.9	17.9	-3.4	-3.5	-2.4	4.9
Goods	-2.6	10.1	5.2	19.6	-3.6	-4.4	-2.2	5.2
Services	2.5	5.6	3.0	7.5	-2.1	3.2	-3.9	2.7
Deduct: Imports of goods and services	-3.0	17.8	4.3	9.6	14.2	8.4	3.8	8.2
Goods	-4.8	16.7	4.2	12.2	17.3	7.1	3.4	8.5
Services	6.1	23.0	5.0	-1.8	-0.0	14.9	5.7	6.7
Statistical discrepancy[2]	-19	823	-319	-1,054	591	1,543	272	156
Gross domestic product at market prices	1.4	3.3	2.8	4.5	2.9	1.7	2.0	2.8
Final domestic demand	5.2	2.3	5.5	2.4	3.5	4.4	3.6	3.8

1 Quarter to quarter percentage change, annualized.

2 Actual change in millions of dollars, at annual rates.

Contributions to percentage change in real Gross domestic product, expenditure-based[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.609	0.096	0.846	0.260	0.498	0.557	1.799	1.943
Durable goods	0.195	-0.334	0.214	0.036	0.094	0.069	0.158	0.176
Semi-durable goods	0.030	-0.013	0.160	0.053	0.095	-0.001	0.151	0.264
Non-durable goods	0.022	0.088	0.167	-0.007	0.099	0.168	0.294	0.333
Services	0.362	0.354	0.306	0.179	0.209	0.322	1.197	1.170
Government current expenditure on goods and services	0.020	0.187	0.142	0.092	0.073	0.102	0.743	0.498
Government gross fixed capital formation	0.007	0.037	0.038	-0.038	-0.011	0.005	0.175	0.050
Government investment in inventories	-0.001	-0.003	-0.007	0.029	-0.009	-0.031	0.005	0.000
Business gross fixed capital formation	0.586	0.219	0.269	0.249	0.266	0.350	0.785	1.168
Residential structures	0.272	0.130	0.132	0.109	0.081	0.111	0.429	0.517
Non-residential structures	0.041	0.037	-0.056	0.026	0.038	0.017	0.044	0.042
Machinery and equipment	0.274	0.052	0.194	0.115	0.146	0.222	0.312	0.609
Business investment in inventories	-0.956	0.725	-0.657	-0.194	1.329	0.320	0.791	-0.066
Non-farm	-1.022	0.763	-0.559	-0.162	1.336	0.305	0.401	0.037
Farm	0.066	-0.038	-0.098	-0.032	-0.007	0.015	0.390	-0.104
Exports of goods and services	-0.183	0.835	0.447	1.589	-0.336	-0.337	-0.915	1.866
Goods	-0.214	0.767	0.409	1.498	-0.310	-0.376	-0.705	1.730
Services	0.031	0.068	0.038	0.091	-0.027	0.039	-0.210	0.136
Deduct: Imports of goods and services	-0.258	1.357	0.351	0.779	1.143	0.682	1.385	2.713
Goods	-0.344	1.052	0.279	0.807	1.143	0.486	1.043	2.329
Services	0.086	0.305	0.073	-0.028	-0.001	0.196	0.343	0.384
Statistical discrepancy	-0.002	0.075	-0.029	-0.095	0.053	0.136	0.025	0.015
Gross domestic product at market prices	0.338	0.814	0.698	1.113	0.719	0.421	2.023	2.761
Final domestic demand	1.222	0.539	1.295	0.563	0.825	1.014	3.503	3.659

1 The chained (1997) 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.

Gross domestic product, implicit chain price indexes[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
	Using seasonally adjusted data, (1997 = 100)							
Personal expenditure on consumer goods and services	111.2 <i>0.5</i>	111.1 <i>-0.1</i>	111.7 <i>0.5</i>	112.5 <i>0.7</i>	112.9 <i>0.4</i>	113.2 <i>0.3</i>	111.0 <i>1.6</i>	112.6 <i>1.4</i>
Government current expenditure on goods and services	115.5 <i>0.9</i>	116.5 <i>0.9</i>	117.1 <i>0.5</i>	117.8 <i>0.6</i>	118.2 <i>0.3</i>	118.8 <i>0.5</i>	115.2 <i>2.4</i>	118.0 <i>2.5</i>
Government gross fixed capital formation	102.5 <i>0.4</i>	102.1 <i>-0.4</i>	103.1 <i>1.0</i>	105.0 <i>1.8</i>	105.3 <i>0.3</i>	104.6 <i>-0.7</i>	102.6 <i>-0.4</i>	104.5 <i>1.9</i>
Business gross fixed capital formation	105.8 <i>0.2</i>	105.7 <i>-0.1</i>	106.6 <i>0.9</i>	108.8 <i>2.1</i>	108.9 <i>0.1</i>	107.8 <i>-1.0</i>	106.0 <i>-0.5</i>	108.0 <i>1.9</i>
Exports of goods and services	104.1 <i>0.0</i>	101.7 <i>-2.3</i>	103.9 <i>2.2</i>	108.3 <i>4.2</i>	108.9 <i>0.6</i>	107.5 <i>-1.3</i>	105.0 <i>-1.4</i>	107.2 <i>2.1</i>
Imports of goods and services	100.6 <i>-1.2</i>	97.4 <i>-3.2</i>	98.3 <i>0.9</i>	102.3 <i>4.1</i>	100.6 <i>-1.7</i>	97.2 <i>-3.4</i>	101.9 <i>-6.9</i>	99.6 <i>-2.3</i>
Gross domestic product at market prices	111.3 <i>0.6</i>	111.7 <i>0.4</i>	112.8 <i>1.0</i>	114.4 <i>1.4</i>	115.5 <i>1.0</i>	116.4 <i>0.8</i>	111.2 <i>3.2</i>	114.8 <i>3.2</i>
<i>Final domestic demand</i>	<i>110.8</i> <i>0.5</i>	<i>110.9</i> <i>0.1</i>	<i>111.6</i> <i>0.6</i>	<i>112.7</i> <i>1.0</i>	<i>113.0</i> <i>0.3</i>	<i>113.1</i> <i>0.1</i>	<i>110.7</i> <i>1.3</i>	<i>112.6</i> <i>1.7</i>

1 The first line is the series itself. The second line, italicized, is the period to period percentage change at quarterly rates.

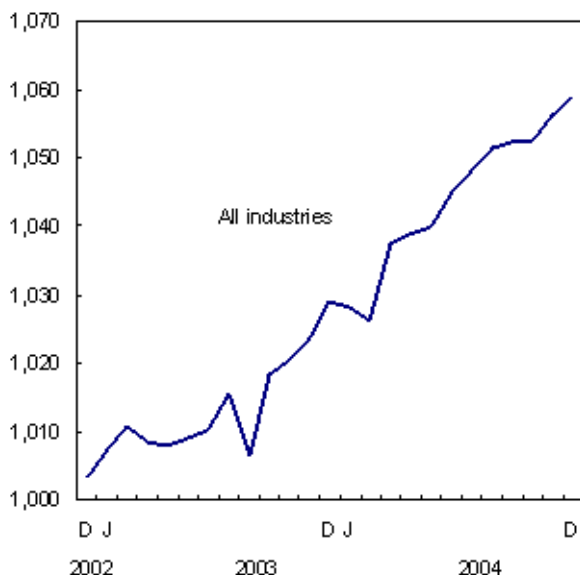
GDP by industry

December 2004 and fourth quarter 2004

The Canadian economy ended the year on a robust path, growing by 0.2% in December following a 0.3% increase in November and a flat performance in October. The growth in December was mainly on the strength of wholesaling activity, the energy sector, and motor vehicle production. Disappointing retail sales reined in economic growth in the final month of 2004.

Economic activity rises

GDP billions of chained \$ (1997)



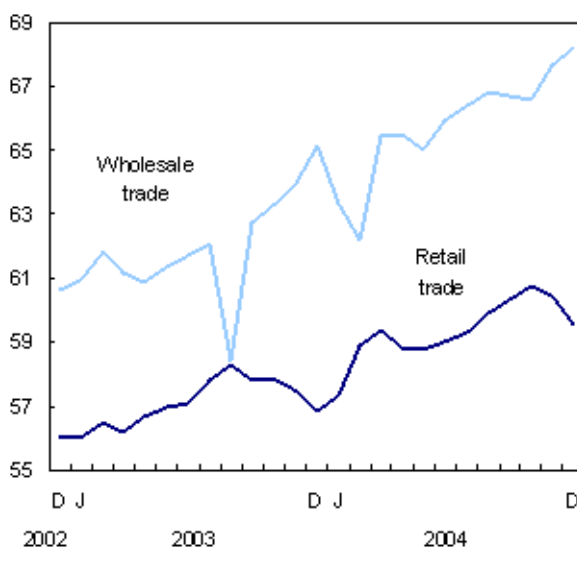
Wholesaling up while retailing is driven down by cars and alcohol

Wholesaling activity increased 0.8% in December with strength concentrated in motor vehicles. Wholesalers of household goods and petroleum products also enjoyed increased activity. Wholesaling of machinery and electrical equipment, including computers, lost some ground after a strong November.

Retailing activity decreased 1.5% in December. New car sales and a strike by employees of Quebec liquor stores accounted for much of the decline. Lower than usual Christmas sales also featured in the drop in retailing activity. Retail trade excluding new car dealerships and beer, liquor and alcohol stores decreased 0.2%. Retailers of computers, home electronics, clothing, footwear and sporting goods, however, did report significant gains.

Wholesaling is booming while retailing awaits better times

GDP billions of chained \$ (1997)



Industrial production advances

Industrial production (the output of Canada's factories, mines and utilities) grew 0.5% in December with all three sectors increasing. Manufacturing output and mining, oil and gas extraction were up 0.3%. Utilities were up 2.9% due to increased demand for electricity brought about by cold weather in much of central Canada and the Prairies. The energy sector increased 1.4%. In the United States, the index of industrial production increased 0.7% with all three sectors showing strength.

Motor vehicles drive manufacturing higher

Output in the manufacturing sector increased by 0.3% in December. Overall, only 12 of the 21 major groups advanced. The production of motor vehicles (+1.7%) was responsible for much of this growth as it partially recovered from a November decrease. The output of motor vehicle parts, plastic components and tires increased 0.6% in December. Output of refineries was up 2.9%.

Paper manufacturing was up 1.4% with increases in every type except paper bags and coated paper products (-1.0%). Sawmills increased their output 2.4% partly because of the continued high levels of residential construction in Canada and the United States.

Meat products manufacturers reduced their output by 2.8%. Seafood products manufacturers (+4.1%), however, continued to benefit from increased demand abroad.

Fortunes in the mining, oil and gas sector mixed

The mining, oil and gas extraction sector increased by 0.3% in December. Oil and gas extraction retracted by 0.3% because of production difficulties in Alberta and the oil spill at the Terra Nova platform. Support activities for mining, oil and gas extraction (mostly drilling and rigging) continued to soar, rising 5.3% in December on the heels of a 5.1% increase in November and an 11% jump in October.

Output from metal mines increased 0.7% in December, lifted by iron, gold and silver ore mines. Output of copper ores and concentrates fell due to reduced demand on foreign markets. The production of potash increased 18% spurred by new contracts with China. Reduced diamond finds pulled down the output of miscellaneous non-metallic minerals mines (-21%). The output of this industry has fallen dramatically since the August 2004 peak, reaching the levels of 2002.

The slide in non-residential building construction halted

Output of the construction sector increased 0.3% in December. Much of this growth was attributable to increased activity in engineering and repairs construction (+0.6%). Non-residential building construction activity inched 0.1% higher, stopping a downward slide that started in July 2003. A sharp increase in the construction of industrial buildings was offset by a further decline in institutional structures. The construction of new commercial buildings was flat.

Growth in residential construction was flat in December. An increase in the construction of new single detached dwellings was offset by decreases in multiple dwellings units, such as row houses and apartment buildings. Housing starts in urban areas decreased in Quebec, Ontario and the western provinces, while there were increases in the Atlantic provinces and British Columbia. Sales of existing homes decreased in December, lowering the activity of real estate agents and brokers by 1.7%.

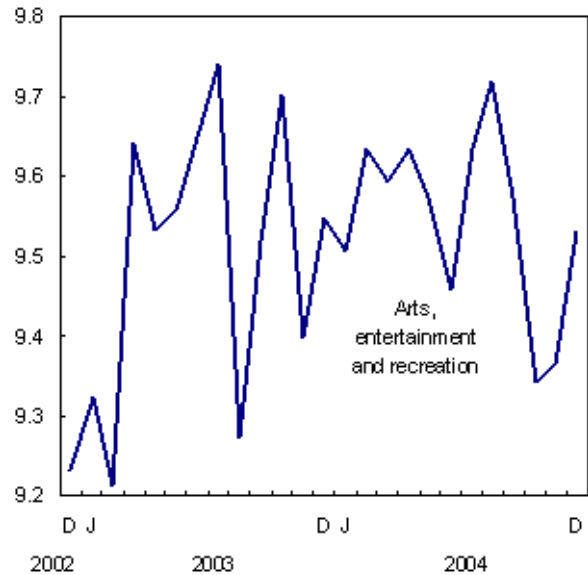
Other industries

The transportation and warehousing sector increased by 0.8% in December. Pipeline transportation was up 2.1% with increases in the transportation of crude petroleum and natural gas. Air transportation was up (+1.7%) as were rail (+0.8%) and truck transportation (+0.1%). Activity in the warehousing of farm products jumped 11%. Telecommunication industries increased their output 0.6% mostly because of a strong increase in long-distance calls and continued growth in cell phone popularity.

The arts, entertainment and recreation sector made some comeback in December after a September and October slide resulting from the National Hockey League (NHL) lockout. It is an indication that major league hockey fans were spending more on other forms of entertainment.

NHL on ice

GDP billions of chained \$ (1997)



Industry profile, fourth quarter 2004

In the fourth quarter of 2004, the economic activity grew by 0.5%. Both the goods and services sectors of the economy advanced at a similar pace. A strong dollar (vis-à-vis the U.S. currency) hurt manufacturers as output in this sector was flat. Industrial production (the output of Canada's factories, mines and utilities), however, was up 0.4% spurred by increased output from utilities (+2.3%) and in the mining, oil and gas sector (+0.6%).

Output of the finance, insurance and real estate and leasing industries was up 0.7% with increased activity at banks and other credit intermediation services (+0.4%). Higher volumes on the Canadian stock exchanges helped raise the output of securities brokers and other financial activities by 0.2%. The activity of real estate agents and brokers (-3.3%) was hampered by reduced sales of existing homes.

Wholesaling activity increased 1.2%, benefiting from increased demand for imported goods. Gains were widespread across the industry, particularly machinery and equipment, building supplies and motor vehicles. Wholesaling of food products and beverages was down.

Weak December sales restrained retailing activity in the fourth quarter (+0.6%), particularly in beer, wine and liquor stores, which were affected by a Quebec strike. Increased retailing activity was recorded in automotive products stores and supermarkets.

Output in the manufacturing sector was flat in the fourth quarter. Only 10 of the 21 major groups recorded gains. Increases in the manufacturing of food, furniture, wood and fabricated metal products were offset by decreases in transportation equipment, primary metal products, printing and clothing.

Mining and oil and gas extraction was up 0.6%. High energy prices spurred oil and gas exploration activity, up 17% in the fourth quarter. Iron mining rebounded after a major strike shaved off nearly half of its output in the third quarter. These more than offset a drop in miscellaneous non-metallic mineral products extraction (which includes diamonds). A slight reduction in crude petroleum extraction resulted from various production difficulties. Output of utilities was up 2.3% on account of increased electricity generation. The overall energy sector was up 1.7%.

Construction activity was up 1.2%. Residential construction increased by 2.6%. This sector has increased steadily on a quarterly basis since the third quarter of 2000. Non-residential construction was down 1.4%, its fifth consecutive quarterly decline.

Activity in the arts, entertainment and recreation sector declined due to the NHL lockout. Output in the public sector was dampened by strike activity in the federal government.

Industry profile, 2004

Economic activity advanced by 3.0% in 2004, exceeding the 2003 pace (+2.2%) with a backdrop of a strong Canadian dollar, a strengthening of most natural resource prices and continued low interest rates. In 2004, the dollar reached its highest level vis-à-vis the U.S. currency since 1993. Demand from China was particularly strong for certain basic commodities. The price of a barrel of crude oil on international markets reached an all-time high due to worries about supply disruptions and reviews of proven reserves.

Manufacturers, wholesalers and residential contractors were among those to reap the economic benefits of this growth.

The manufacturing sector was up 3.9%, after posting virtually no gain in 2003. Except for textile and leather products, clothing and paper products, all the major groups saw an increase. Together the textile and leather products and clothing decreased 7.0% in 2004, standing 21% below their 2000 levels. With the reduction of trade barriers and fierce competition from Asian countries these industries have been in sharp decline since the turn of the century.

Transportation equipment rose 6.3%. Chemical products manufacturing increased 6.6% with strong advances for most chemical products. The pharmaceutical industry that was expanding at double digit growth rates in past years, only advanced modestly in 2003 and 2004. Production of machinery jumped 7.8%. There was a rebound in the manufacturing of information and communication technologies products (+12%) after three years of decreases. The fabrication of computers and electronic products increased 13%.

Wholesale trade activity increased 6.2% with particular strength in household and personal goods, pharmaceuticals, automotive products, building materials and computers. Retail trade services increased 3.9% led by home furnishings, furniture, home electronics, and hardware stores, as well as pharmacies.

The transportation and warehousing sector increased 4.4% due to increased foreign demand for Canadian products. The year 2004 saw railcar shortages and delays at harbours.

The finance and insurance industries had a bright year, increasing by 4.8%. Banks, insurance and investment dealers all posted strong gains.

Mining and oil and gas extraction was up 2.7%. Oil and gas extraction was up 2.1% due to the increased demand brought about by supply uncertainties, but various production difficulties hampered this industry during the year. Support activities for mining, oil and gas extraction (mostly drilling and rigging) were up 3.6% after a banner 2003 year. Strong international demand for steel also helped coal (+8.2%) and copper, nickel, lead and zinc mines (+4.9%) to rebound. A strike in iron mines reduced their output by 11%. Demand from China and improved sowing conditions in Canada helped pushed the output of potash mines by 11%. Increased production of diamonds bolstered the output of miscellaneous non-metallic mineral mines (+15%).

Construction activity was up 3.8%. Residential building construction was booming (+8.7%), while non-residential building construction retracted for the first time in 3 years (-4.9%). Engineering, repairs and other construction activities were up 3.6%. Activities of real estate agents and brokers increased 5.1%.

Real Gross domestic product by industry, at basic prices, monthly[1]

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	December 2003 to December 2004
Seasonally adjusted at annual rates, millions chained (1997) dollars							%
All industries	1,048,125 <i>0.3</i>	1,051,492 <i>0.3</i>	1,052,150 <i>0.1</i>	1,052,605 <i>0.0</i>	1,056,219 <i>0.3</i>	1,058,859 <i>0.2</i>	2.9
Goods producing industries	329,229 <i>0.4</i>	331,405 <i>0.7</i>	331,071 <i>-0.1</i>	330,954 <i>-0.0</i>	332,330 <i>0.4</i>	333,815 <i>0.4</i>	3.3
Agriculture, forestry, fishing and hunting	24,160 <i>1.6</i>	24,017 <i>-0.6</i>	24,201 <i>0.8</i>	24,349 <i>0.6</i>	24,363 <i>0.1</i>	24,302 <i>-0.3</i>	5.2
Mining and oil and gas extraction	37,746 <i>-0.4</i>	37,832 <i>0.2</i>	37,429 <i>-1.1</i>	37,732 <i>0.8</i>	37,912 <i>0.5</i>	38,011 <i>0.3</i>	-0.2
Utilities	25,632 <i>0.9</i>	25,919 <i>1.1</i>	26,147 <i>0.9</i>	25,970 <i>-0.7</i>	26,371 <i>1.5</i>	27,128 <i>2.9</i>	6.1
Construction	58,167 <i>0.9</i>	58,510 <i>0.6</i>	58,798 <i>0.5</i>	58,930 <i>0.2</i>	59,277 <i>0.6</i>	59,459 <i>0.3</i>	2.6
Manufacturing	183,216 <i>0.4</i>	184,901 <i>0.9</i>	184,474 <i>-0.2</i>	183,779 <i>-0.4</i>	184,171 <i>0.2</i>	184,663 <i>0.3</i>	4.1
Services producing industries	720,031 <i>0.2</i>	721,151 <i>0.2</i>	722,183 <i>0.1</i>	722,774 <i>0.1</i>	724,998 <i>0.3</i>	726,108 <i>0.2</i>	2.7
Wholesale trade	66,411 <i>0.7</i>	66,820 <i>0.6</i>	66,643 <i>-0.3</i>	66,560 <i>-0.1</i>	67,639 <i>1.6</i>	68,172 <i>0.8</i>	4.6
Retail trade	59,331 <i>0.6</i>	59,919 <i>1.0</i>	60,319 <i>0.7</i>	60,718 <i>0.7</i>	60,449 <i>-0.4</i>	59,548 <i>-1.5</i>	4.8
Transportation and warehousing	50,302 <i>-0.3</i>	50,261 <i>-0.1</i>	50,484 <i>0.4</i>	50,721 <i>0.5</i>	50,633 <i>-0.2</i>	50,930 <i>0.6</i>	3.5
Information and cultural industries	43,039 <i>0.3</i>	43,017 <i>-0.1</i>	43,051 <i>0.1</i>	43,179 <i>0.3</i>	43,482 <i>0.7</i>	43,659 <i>0.4</i>	4.4
Finance, insurance and real estate	210,431 <i>0.2</i>	211,031 <i>0.3</i>	211,607 <i>0.3</i>	211,923 <i>0.1</i>	212,487 <i>0.3</i>	213,013 <i>0.2</i>	3.4
Professional, scientific and technical services	46,335 <i>-0.1</i>	46,385 <i>0.1</i>	46,305 <i>-0.2</i>	46,454 <i>0.3</i>	46,420 <i>-0.1</i>	46,411 <i>-0.0</i>	2.0
Administrative and waste management services	22,147 <i>0.1</i>	22,181 <i>0.2</i>	22,157 <i>-0.1</i>	22,129 <i>-0.1</i>	22,206 <i>0.3</i>	22,242 <i>0.2</i>	2.5
Educational services	45,397 <i>-0.9</i>	45,151 <i>-0.5</i>	45,008 <i>-0.3</i>	45,264 <i>0.6</i>	45,295 <i>0.1</i>	45,198 <i>-0.2</i>	-0.2
Health care and social assistance	63,038 <i>0.5</i>	63,075 <i>0.1</i>	63,076 <i>0.0</i>	62,950 <i>-0.2</i>	63,010 <i>0.1</i>	63,173 <i>0.3</i>	1.1
Arts, entertainment and recreation	9,634 <i>1.9</i>	9,718 <i>0.9</i>	9,574 <i>-1.5</i>	9,343 <i>-2.4</i>	9,365 <i>0.2</i>	9,530 <i>1.8</i>	-0.2
Accommodation and food services	23,382 <i>0.0</i>	23,219 <i>-0.7</i>	23,594 <i>1.6</i>	23,559 <i>-0.1</i>	23,630 <i>0.3</i>	23,729 <i>0.4</i>	1.9
Other services (except public administration)	24,473 <i>-0.3</i>	24,424 <i>-0.2</i>	24,608 <i>0.8</i>	24,600 <i>-0.0</i>	24,664 <i>0.3</i>	24,743 <i>0.3</i>	1.3
Public administration	57,586 <i>0.7</i>	57,478 <i>-0.2</i>	57,299 <i>-0.3</i>	56,952 <i>-0.6</i>	57,394 <i>0.8</i>	57,470 <i>0.1</i>	0.8
Other aggregations							
Industrial production	247,281 <i>0.2</i>	249,226 <i>0.8</i>	248,473 <i>-0.3</i>	248,107 <i>-0.1</i>	249,123 <i>0.4</i>	250,464 <i>0.5</i>	3.3
Non-durable manufacturing industries	74,675 <i>-0.2</i>	75,127 <i>0.6</i>	75,211 <i>0.1</i>	74,569 <i>-0.9</i>	74,847 <i>0.4</i>	75,165 <i>0.4</i>	2.9
Durable manufacturing industries	108,393 <i>0.8</i>	109,637 <i>1.1</i>	109,112 <i>-0.5</i>	109,079 <i>-0.0</i>	109,186 <i>0.1</i>	109,354 <i>0.2</i>	4.9
Business sector industries	890,307 <i>0.3</i>	894,027 <i>0.4</i>	895,024 <i>0.1</i>	895,627 <i>0.1</i>	898,679 <i>0.3</i>	901,086 <i>0.3</i>	3.3
Non-business sector industries	158,028 <i>0.2</i>	157,690 <i>-0.2</i>	157,358 <i>-0.2</i>	157,214 <i>-0.1</i>	157,776 <i>0.4</i>	158,012 <i>0.1</i>	0.6
ICT sector, total	61,469 <i>1.7</i>	62,460 <i>1.6</i>	62,171 <i>-0.5</i>	62,070 <i>-0.2</i>	62,754 <i>1.1</i>	62,576 <i>-0.3</i>	5.7

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

Real Gross domestic product by industry, at basic prices, quarterly and annually[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted at annual rates, millions chained (1997) dollars								
Goods producing industries	316,431	320,947	322,899	326,369	330,568	332,366	317,208	328,051
	<i>0.6</i>	<i>1.4</i>	<i>0.6</i>	<i>1.1</i>	<i>1.3</i>	<i>0.5</i>	<i>1.7</i>	<i>3.4</i>
Agriculture, forestry, fishing and hunting	22,878	23,011	23,584	23,640	24,126	24,338	22,842	23,922
	<i>-0.9</i>	<i>0.6</i>	<i>2.5</i>	<i>0.2</i>	<i>2.1</i>	<i>0.9</i>	<i>7.6</i>	<i>4.7</i>
Mining and oil and gas extraction	37,505	37,662	37,672	37,996	37,669	37,885	36,797	37,806
	<i>4.2</i>	<i>0.4</i>	<i>0.0</i>	<i>0.9</i>	<i>-0.9</i>	<i>0.6</i>	<i>3.9</i>	<i>2.7</i>
Utilities	25,543	25,406	25,643	25,388	25,899	26,490	25,818	25,855
	<i>-0.7</i>	<i>-0.5</i>	<i>0.9</i>	<i>-1.0</i>	<i>2.0</i>	<i>2.3</i>	<i>-2.3</i>	<i>0.1</i>
Construction	56,456	57,520	57,939	57,997	58,492	59,222	56,273	58,412
	<i>1.3</i>	<i>1.9</i>	<i>0.7</i>	<i>0.1</i>	<i>0.9</i>	<i>1.2</i>	<i>4.4</i>	<i>3.8</i>
Manufacturing	172,932	176,482	177,324	180,693	184,197	184,204	174,820	181,605
	<i>-0.4</i>	<i>2.1</i>	<i>0.5</i>	<i>1.9</i>	<i>1.9</i>	<i>0.0</i>	<i>0.1</i>	<i>3.9</i>
Services producing industries	698,179	704,532	708,826	716,115	721,122	724,627	697,886	717,672
	<i>0.3</i>	<i>0.9</i>	<i>0.6</i>	<i>1.0</i>	<i>0.7</i>	<i>0.5</i>	<i>2.5</i>	<i>2.8</i>
Wholesale trade	61,053	64,099	63,664	65,471	66,625	67,457	61,941	65,804
	<i>-0.4</i>	<i>5.0</i>	<i>-0.7</i>	<i>2.8</i>	<i>1.8</i>	<i>1.2</i>	<i>5.6</i>	<i>6.2</i>
Retail trade	57,963	57,419	58,527	58,878	59,856	60,238	57,126	59,375
	<i>1.9</i>	<i>-0.9</i>	<i>1.9</i>	<i>0.6</i>	<i>1.7</i>	<i>0.6</i>	<i>2.8</i>	<i>3.9</i>
Transportation and warehousing	47,495	48,697	49,033	50,176	50,349	50,761	47,954	50,080
	<i>0.0</i>	<i>2.5</i>	<i>0.7</i>	<i>2.3</i>	<i>0.3</i>	<i>0.8</i>	<i>0.3</i>	<i>4.4</i>
Information and cultural industries	42,421	41,948	42,188	42,861	43,036	43,440	42,354	42,881
	<i>-0.3</i>	<i>-1.1</i>	<i>0.6</i>	<i>1.6</i>	<i>0.4</i>	<i>0.9</i>	<i>2.3</i>	<i>1.2</i>
Finance, insurance and real estate	203,981	205,194	207,381	209,912	211,023	212,474	203,060	210,198
	<i>0.8</i>	<i>0.6</i>	<i>1.1</i>	<i>1.2</i>	<i>0.5</i>	<i>0.7</i>	<i>2.2</i>	<i>3.5</i>
Professional, scientific and technical services	45,404	45,515	45,940	46,365	46,342	46,428	45,391	46,269
	<i>-0.1</i>	<i>0.2</i>	<i>0.9</i>	<i>0.9</i>	<i>-0.0</i>	<i>0.2</i>	<i>3.1</i>	<i>1.9</i>
Administrative and waste management services	21,598	21,664	21,779	22,050	22,162	22,192	21,531	22,046
	<i>0.5</i>	<i>0.3</i>	<i>0.5</i>	<i>1.2</i>	<i>0.5</i>	<i>0.1</i>	<i>3.9</i>	<i>2.4</i>
Educational services	44,604	44,828	44,803	45,235	45,185	45,252	44,854	45,119
	<i>-0.9</i>	<i>0.5</i>	<i>-0.1</i>	<i>1.0</i>	<i>-0.1</i>	<i>0.1</i>	<i>0.6</i>	<i>0.6</i>
Health care and social assistance	61,977	62,283	62,345	62,079	63,063	63,044	61,755	62,633
	<i>0.3</i>	<i>0.5</i>	<i>0.1</i>	<i>-0.4</i>	<i>1.6</i>	<i>-0.0</i>	<i>3.9</i>	<i>1.4</i>
Arts, entertainment and recreation	9,512	9,549	9,577	9,556	9,642	9,413	9,508	9,547
	<i>-0.7</i>	<i>0.4</i>	<i>0.3</i>	<i>-0.2</i>	<i>0.9</i>	<i>-2.4</i>	<i>3.8</i>	<i>0.4</i>
Accommodation and food services	22,753	23,319	23,363	23,361	23,398	23,639	22,909	23,440
	<i>1.4</i>	<i>2.5</i>	<i>0.2</i>	<i>-0.0</i>	<i>0.2</i>	<i>1.0</i>	<i>-1.7</i>	<i>2.3</i>
Other services (except public administration)	24,136	24,359	24,420	24,512	24,502	24,669	24,184	24,526
	<i>-0.1</i>	<i>0.9</i>	<i>0.3</i>	<i>0.4</i>	<i>-0.0</i>	<i>0.7</i>	<i>1.8</i>	<i>1.4</i>
Public administration	56,368	56,857	57,027	57,118	57,454	57,272	56,438	57,218
	<i>-0.1</i>	<i>0.9</i>	<i>0.3</i>	<i>0.2</i>	<i>0.6</i>	<i>-0.3</i>	<i>2.9</i>	<i>1.4</i>
Other aggregations								
Industrial production	237,477	240,806	241,821	245,109	248,327	249,231	238,435	246,122
	<i>0.6</i>	<i>1.4</i>	<i>0.4</i>	<i>1.4</i>	<i>1.3</i>	<i>0.4</i>	<i>0.7</i>	<i>3.2</i>
Non-durable manufacturing industries	71,963	72,901	73,217	73,985	75,004	74,860	72,913	74,267
	<i>-1.3</i>	<i>1.3</i>	<i>0.4</i>	<i>1.0</i>	<i>1.4</i>	<i>-0.2</i>	<i>-0.0</i>	<i>1.9</i>
Durable manufacturing industries	100,748	103,385	103,914	106,545	109,047	109,206	101,679	107,178
	<i>0.4</i>	<i>2.6</i>	<i>0.5</i>	<i>2.5</i>	<i>2.3</i>	<i>0.1</i>	<i>0.2</i>	<i>5.4</i>
Business sector industries	858,049	868,142	874,293	885,015	893,119	898,464	858,512	887,723
	<i>0.5</i>	<i>1.2</i>	<i>0.7</i>	<i>1.2</i>	<i>0.9</i>	<i>0.6</i>	<i>2.2</i>	<i>3.4</i>
Non-business sector industries	155,484	156,343	156,446	156,506	157,692	157,667	155,550	157,078
	<i>-0.2</i>	<i>0.6</i>	<i>0.1</i>	<i>0.0</i>	<i>0.8</i>	<i>-0.0</i>	<i>2.2</i>	<i>1.0</i>
ICT sector, total	56,801	58,853	59,395	60,088	62,033	62,467	57,076	60,996
	<i>1.1</i>	<i>3.6</i>	<i>0.9</i>	<i>1.2</i>	<i>3.2</i>	<i>0.7</i>	<i>3.8</i>	<i>6.9</i>

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

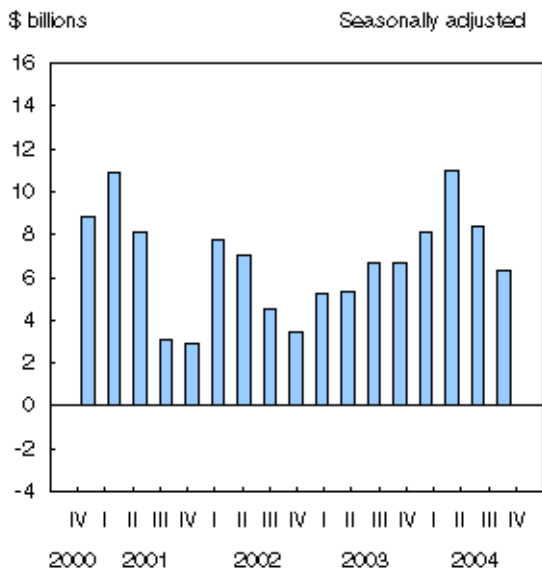
Balance of international payments

Fourth quarter 2004

Canada's **current account** surplus with the rest of the world declined \$2.1 billion in the fourth quarter to \$6.3 billion on a seasonally adjusted basis. This decline resulted from the second consecutive quarterly drop in the surplus for trade in goods as well as a higher deficit on investment income. For the year 2004, the current account surplus reached a record of \$33.8 billion, \$10.0 billion higher than 2003.

In the **capital and financial account** (not seasonally adjusted), growth in Canada's foreign assets outpaced that in international liabilities. There was a moderate increase to direct investment assets and a record advance in Canadian portfolio holdings of foreign bonds. Canadian liabilities with the rest of the world grew due to foreign buying of portfolio stocks and bonds.

Current account surplus down again



By the end of the fourth quarter, the Canadian dollar jumped nearly 4 cents against the US dollar, closing 2004 above 83 US cents. However, the Canadian dollar lost ground against other major currencies during the quarter.

Current account

Goods surplus falls

The surplus on trade in goods was \$15.5 billion in the fourth quarter, down \$1.1 billion from the third quarter. Exports decreased by \$2.9 billion to \$107.6 billion. The decline was spread over all the major categories of goods except energy products where price increases led to a gain.

Imports diminished by \$1.8 billion to \$92.1 billion. Energy prices were also responsible for higher imports for these products. However this was more than offset by larger drops for machinery and equipment products and automotive products.

For 2004 the goods surplus stood at \$67.3 billion, the largest in three years. Both exports and imports reached record levels helped by larger values of trade in industrial goods. While two-thirds of the increase for exports came from transactions with the United States, only half of the variation for imports was related to that country, confirming the larger import share of other countries such as China.

Note to readers

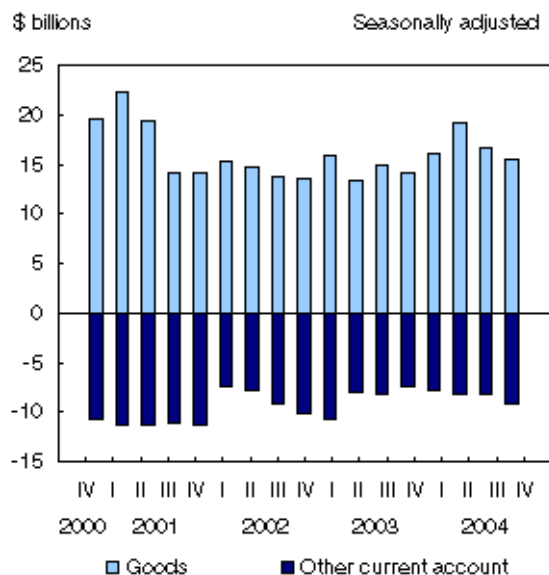
The **balance of payments** covers all economic transactions between Canadian residents and non-residents. It includes the **current account** and the **capital and financial account**.

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

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

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

Both goods and non-goods contribute to the lower surplus



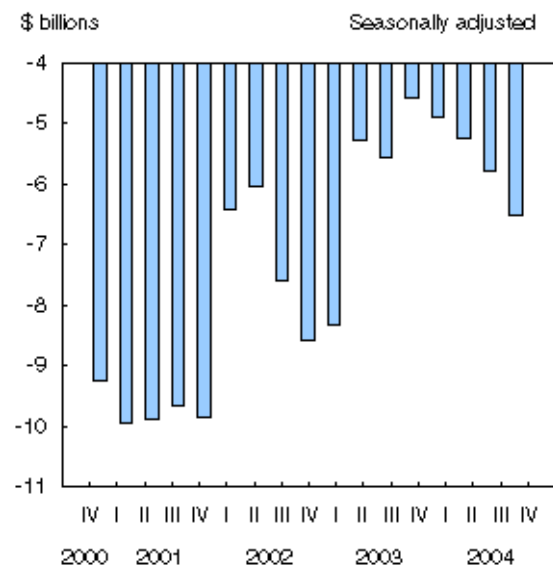
Lower profits earned on direct investment abroad

In the fourth quarter, the deficit on investment income increased for the fourth consecutive quarter. The change came from the lower profits earned by Canadians on their direct investment abroad, following two strong quarters. Profits earned in the quarter decreased by \$1.0 billion.

Payments on investment income have decreased slightly in the fourth quarter as lower payments were made on foreign-held Canadian bonds. As about half of these bonds have been issued in US dollars, the significant appreciation of the Canadian dollar against the US dollar over the last two years has led to a \$1.0 billion reduction in interest paid this quarter compared to the payments at the end of 2002.

For the year, the deficit on investment income was reduced by \$1.3 billion as receipts grew more than payments. The deficit was the lowest since 1992 and this only three years after registering a record deficit. In 2004, both profits earned abroad by Canadians and profits on foreign direct investment in Canada increased significantly over their 2003 levels.

Lower income from foreign operations leads to a higher income deficit



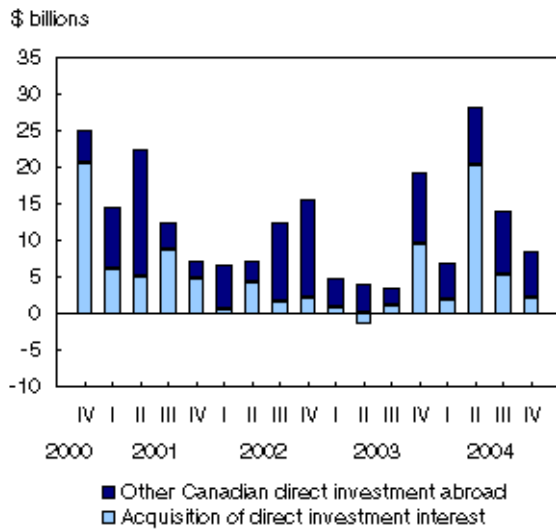
Services remained stable

In the fourth quarter, the deficit on services remained unchanged at \$2.6 billion. A lower deficit on commercial service transactions was offset by a higher deficit for travel. All of the change for travel came from higher payments. In the fourth quarter, the number of travellers who spent at least one night in Canada remained virtually unchanged while more Canadians travelled abroad, especially to the United States.

For the year, the deficit for services increased by \$0.3 billion. Travel and commercial services contributed to this increase.

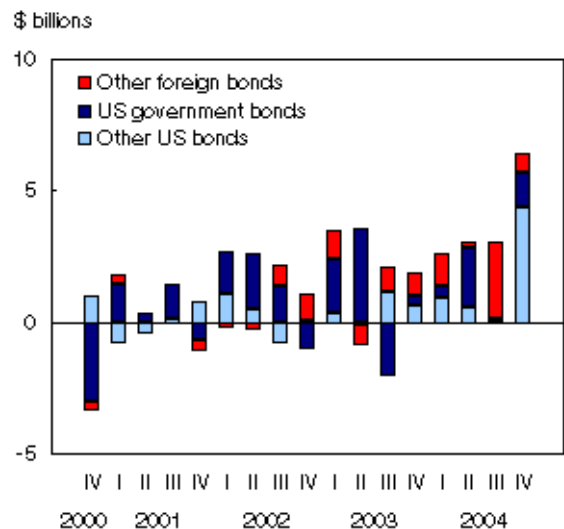
At \$4.1 billion, the 2004 travel deficit surpassed the 2003 deficit which was, at that time, the highest in nine years. While lower revenues were almost entirely responsible for the larger deficit in 2003, payments in 2004 grew more than the rebound in revenues. Despite the strong Canadian dollar vis-à-vis the US dollar, spending by Canadian travellers grew almost twice as fast for overseas destinations as for travel to the United States.

Direct investment abroad moderates¹



1. Reverse of Balance of Payments signs.

Record investment in foreign bonds¹



1. Reverse of Balance of Payments signs.

Financial account

Moderate increase in direct investment abroad

Canadian direct investors injected \$8.3 billion into foreign economies during the quarter which was down significantly from the previous two quarters. For 2004 however, direct investment abroad was at its highest in four years. The annual total of \$57.5 billion went in roughly equal measures to acquisitions and to increases in the working capital of foreign affiliates. Geographically, just over 70% of the year's direct investment went to the United States while four-fifths was invested in just two broad industry groups: finance and insurance and energy and metallic minerals.

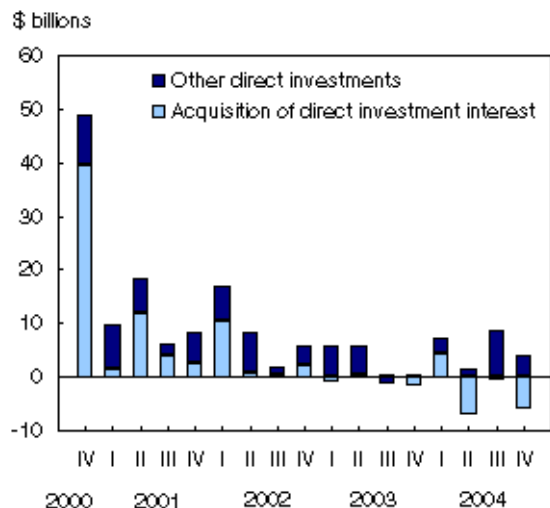
Investment in foreign bonds soars

Canadian investment in foreign securities in the quarter was entirely in bonds as it has been for most of 2004. For the year, over 90% of the \$16.2 billion invested by Canadians in foreign securities was in bonds.

Canadian investors made their highest-ever quarterly purchase of foreign bonds. The \$6.4 billion purchase in the quarter went two-thirds to US corporate bonds with the remainder mostly in US treasuries. The investment for 2004 was by far the largest ever, almost doubling the previous high established in 2003. The annual investment of \$15.1 billion was roughly split between US corporate bonds, overseas bonds and US treasuries.

Meanwhile, Canadian demand for foreign equities was negligible in quarter four. This capped the investment for 2004 at \$1.1 billion, which was the lowest investment in foreign equities since the mid-1980s. This low net investment masked a shift in composition as Canadian investors bought US stocks (\$7 billion) but sold-off overseas shares (\$6 billion).

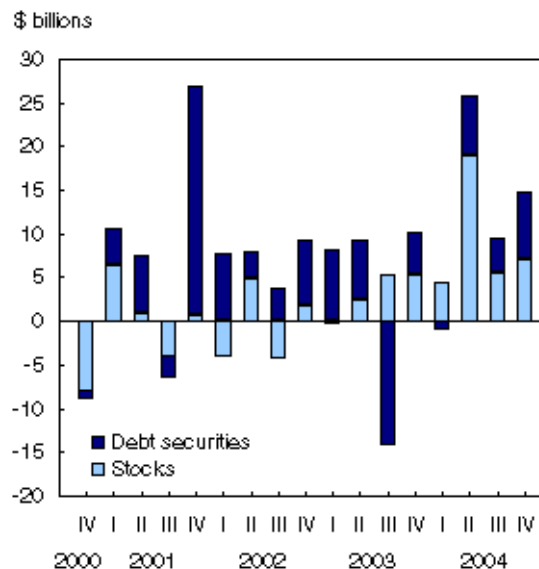
Repatriation of assets leads to withdrawal of foreign direct investment in Canada



Canadians repatriate assets held by foreign direct investors

Acquisitions were negative for the fourth time in the last five quarters leading to a net outflow from Canada on foreign direct investment. Negative acquisitions result when Canadians on balance repatriate companies from foreign investors. The \$1.8 billion negative investment in the quarter pulled down the annual total to a modest \$8.5 billion investment. For the year 2004, most of the investment came from reinvested earnings. Geographically, foreign direct investment in Canada rose from US and Asian investors but declined from EU investors. There were two large international mergers accounting for the EU reduction.

Canadian securities attract foreign buyers



Robust foreign investment in Canadian securities

Foreign portfolio investors upped their holdings of Canadian securities by \$14.8 billion in the quarter. Similar to the third quarter, foreign investors bought equal amounts of bonds and equities.

Two-thirds of the \$7.3 billion investment in Canadian bonds in the quarter went to corporate bonds, an amount similar to the two previous quarters. Provincial government and federal enterprise bonds accounted for the remaining third. There was a foreign divestment in federal direct bonds as several foreign-currency issues tied to official reserves, matured. The quarter's investment originated mostly from the United States. For the year as a whole, foreign investors picked up \$20.2 billion in Canadian bonds; a substantial increase over the \$7.0 billion purchased in 2003 but just half the high of 2001. Virtually all of the buying in 2004 came from US investors while on a currency basis, the year's investment was roughly split between Canadian and US dollar denominated issues.

With share prices up over 6% in the quarter, foreign investors bought \$7.1 billion of Canadian equities. Unlike the second and third quarters when special events were the principal reasons underlying foreign investment, the buying in the fourth quarter came mainly from trade in outstanding shares. American and British investors were responsible for the purchases in quarter four. For 2004, the \$35.8 billion was a record investment by foreign investors with just over 40% from trading. There were a number of large deals throughout the year that led to a record level of money being raised on equity markets in Canada which attracted foreign investors. The year also witnessed the

largest Canadian takeover of a foreign company in history, where new treasury shares were issued by the Canadian company.

In the market for short-term instruments, the seesaw pattern of investment continued as foreign investors bought a small \$0.3 billion worth. Throughout 2004, foreign investors regularly sold their holdings of money market paper culminating in an overall reduction of \$2.7 billion for the year. Every sector other than federal government enterprises experienced a decline. While Canadian short term rates remained relatively stable throughout the year, US rates increased markedly from their historic low recorded in January of 2004. The resulting differential between the two countries, while still favouring investment in Canada, fell to 0.28% in December, its lowest level in three years.

Other investment

Similar to the third quarter, net transactions in the other investment account led to a capital outflow due to a reduction in other investment liabilities. All liabilities were reduced with deposits between Canadian banks and their foreign affiliates in foreign currencies leading the way.

On the asset side of the ledger, a large increase in deposit assets mostly in foreign currencies between related banks was more than offset by reductions in the other three asset categories. Specifically, there were large reductions to loans under repurchase agreements and the largest quarterly decrease in Canada's international reserves in ten years.

The Canadian dollar continued to appreciate strongly against the US dollar in the fourth quarter which brought the gain for 2004 to almost 8%, closing the year at 83.19 US cents. It was the Canadian dollar's third annual gain against its American counterpart. While the Canadian dollar lost ground vis-à-vis all other major currencies in quarter four, there was little change over 2004 against the euro, pound and Swiss franc.

Balance of payments

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	112,766	112,425	115,279	129,876	125,958	121,504	459,974	492,618
Goods	95,292	98,493	101,576	114,213	107,480	107,011	400,010	430,279
Services	17,475	13,932	13,703	15,663	18,479	14,494	59,964	62,338
Investment income	8,354	9,122	8,896	10,761	10,140	9,101	32,700	38,897
Direct investment	4,348	5,239	4,981	6,528	5,809	4,707	16,455	22,025
Portfolio investment	2,353	2,243	2,200	2,297	2,300	2,360	9,321	9,157
Other investment	1,654	1,640	1,715	1,935	2,031	2,034	6,923	7,715
Current transfers	1,490	1,820	2,007	1,605	1,594	1,814	6,714	7,019
Current account receipts	122,611	123,367	126,182	142,241	137,692	132,419	499,388	538,533
Payments								
Goods and services	98,449	101,037	103,354	114,379	109,905	108,842	412,688	436,481
Goods	80,420	83,643	84,716	95,812	91,280	91,143	341,833	362,952
Services	18,029	17,393	18,638	18,567	18,625	17,699	70,855	73,529
Investment income	13,483	13,387	14,754	15,747	15,345	15,488	56,443	61,335
Direct investment	4,896	4,774	5,901	7,206	6,768	6,893	20,884	26,766
Portfolio investment	7,129	6,893	6,843	6,919	6,897	6,685	28,755	27,344
Other investment	1,458	1,719	2,011	1,623	1,680	1,911	6,804	7,225
Current transfers	1,475	1,520	2,171	1,442	1,529	1,752	6,440	6,894
Current account payments	113,407	115,943	120,279	131,568	126,780	126,083	475,570	504,710
Balances								
Goods and services	14,318	11,388	11,925	15,496	16,053	12,663	47,287	56,137
Goods	14,872	14,850	16,860	18,401	16,200	15,868	58,177	67,328
Services	-554	-3,462	-4,936	-2,904	-146	-3,205	-10,891	-11,191
Investment income	-5,129	-4,265	-5,858	-4,986	-5,205	-6,388	-23,743	-22,438
Direct investment	-548	464	-919	-677	-959	-2,186	-4,429	-4,741
Portfolio investment	-4,777	-4,650	-4,643	-4,622	-4,597	-4,325	-19,433	-18,186
Other investment	196	-80	-296	313	350	123	119	490
Current transfers	14	301	-164	163	64	62	274	125
Current account balance	9,204	7,424	5,902	10,673	10,912	6,336	23,818	33,824
Capital and financial account[1]								
Capital account	1,067	917	933	1,209	1,118	1,155	3,968	4,415
Financial account	-6,456	-8,775	-9,653	-8,554	-7,157	-3,500	-24,694	-28,862
Canadian assets, net flows								
Canadian direct investment abroad	-3,510	-19,258	-6,953	-28,262	-13,948	-8,291	-30,191	-57,453
Portfolio investment	-2,812	-5,154	-2,449	-4,555	-3,473	-5,697	-12,519	-16,174
Foreign bonds	-5	-1,901	-2,612	-3,057	-3,030	-6,402	-8,071	-15,102
Foreign stocks	-2,807	-3,253	163	-1,498	-443	705	-4,449	-1,073
Other investment	2,227	-8,046	-652	-13,425	2,262	3,766	-25,401	-8,049
Loans	6,256	2,627	-848	-2,187	490	4,479	6,171	1,935
Deposits	292	-9,205	-1,508	-6,402	6,572	-7,189	-23,234	-8,528
Official international reserves	4	1,749	-236	243	-517	3,937	4,693	3,427
Other assets	-4,325	-3,217	1,939	-5,079	-4,282	2,539	-13,030	-4,882
Total Canadian assets, net flows	-4,095	-32,459	-10,054	-46,242	-15,158	-10,222	-68,111	-81,677
Canadian liabilities, net flows								
Foreign direct investment in Canada	-863	-827	7,166	-5,093	8,235	-1,761	9,222	8,548
Portfolio investment	-8,820	10,130	3,201	25,839	9,417	14,752	18,469	53,208
Canadian bonds	-12,240	3,947	1,622	5,085	6,103	7,346	7,000	20,156
Canadian stocks	5,394	5,227	4,351	18,914	5,450	7,056	12,931	35,771
Canadian money market	-1,975	956	-2,772	1,841	-2,136	349	-1,461	-2,719
Other investment	7,323	14,380	-9,965	16,942	-9,651	-6,268	15,726	-8,942
Loans	-264	4,472	1,010	3,540	-7,237	-1,535	1,741	-4,222
Deposits	7,525	10,131	-10,519	14,714	-1,095	-3,666	18,265	-566
Other liabilities	61	-223	-457	-1,312	-1,319	-1,066	-4,280	-4,154
Total Canadian liabilities, net flows	-2,361	23,683	402	37,688	8,001	6,723	43,417	52,814
Total capital and financial account, net flows	-5,389	-7,859	-8,720	-7,344	-6,039	-2,344	-20,725	-24,447
Statistical discrepancy	-3,814	434	2,817	-3,329	-4,873	-3,992	-3,092	-9,376

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.

Current account

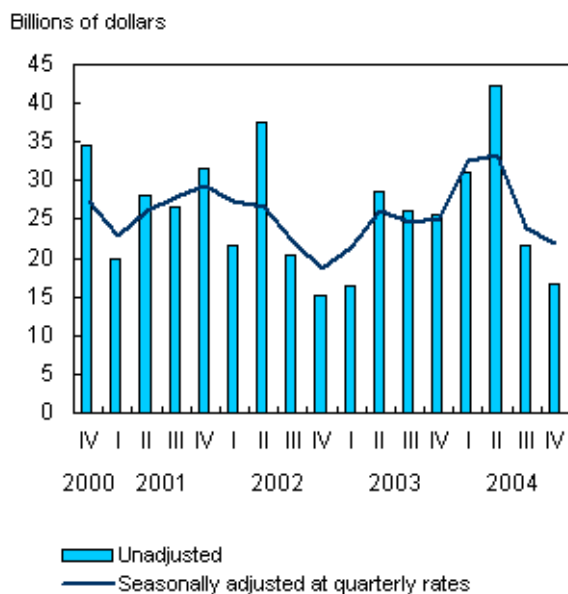
	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	112,786	112,635	116,489	126,538	126,157	123,434	459,974	492,618
Goods	98,030	97,545	101,312	110,803	110,534	107,631	400,010	430,280
Services	14,757	15,090	15,177	15,735	15,623	15,803	59,964	62,338
Travel	3,552	3,732	4,024	4,174	4,187	4,171	14,746	16,557
Transportation	2,517	2,637	2,779	3,027	3,055	2,996	10,285	11,857
Commercial services	8,338	8,372	8,015	8,144	7,989	8,236	33,551	32,384
Government services	349	350	359	390	391	399	1,382	1,540
Investment income	8,362	9,068	9,025	10,590	10,059	9,223	32,700	38,897
Direct investment	4,398	5,131	5,060	6,431	5,754	4,780	16,455	22,025
Interest	185	175	137	148	149	146	748	580
Profits	4,213	4,956	4,922	6,283	5,605	4,634	15,707	21,445
Portfolio investment	2,327	2,315	2,221	2,250	2,290	2,396	9,321	9,157
Interest	463	480	473	545	555	614	1,814	2,187
Dividends	1,864	1,836	1,748	1,705	1,736	1,782	7,508	6,970
Other investment	1,637	1,622	1,744	1,909	2,014	2,047	6,923	7,715
Current transfers	1,651	1,706	1,750	1,785	1,785	1,698	6,714	7,019
Private	651	632	695	642	704	621	2,558	2,662
Official	1,000	1,073	1,055	1,143	1,081	1,077	4,156	4,357
Total receipts	122,799	123,409	127,264	138,914	138,001	134,355	499,388	538,533
Payments								
Goods and services	100,644	101,505	103,576	110,291	112,127	110,487	412,688	436,481
Goods	83,143	83,469	85,302	91,628	93,929	92,092	341,833	362,952
Services	17,501	18,035	18,274	18,664	18,198	18,394	70,855	73,529
Travel	4,590	5,002	5,184	5,285	5,020	5,214	18,608	20,703
Transportation	3,603	3,592	3,759	3,999	4,055	3,961	14,225	15,774
Commercial services	9,082	9,213	9,101	9,149	8,894	8,990	37,119	36,133
Government services	226	228	230	230	229	230	903	919
Investment income	13,913	13,641	13,922	15,840	15,848	15,726	56,443	61,335
Direct investment	5,174	5,039	5,382	7,117	7,103	7,164	20,884	26,766
Interest	474	475	561	567	571	567	1,862	2,267
Profits	4,700	4,564	4,820	6,550	6,532	6,597	19,022	24,500
Portfolio investment	7,147	6,942	6,803	6,935	6,911	6,694	28,755	27,344
Interest	6,429	6,189	6,156	6,225	6,199	5,998	25,849	24,578
Dividends	718	753	647	710	712	696	2,905	2,765
Other investment	1,592	1,660	1,737	1,788	1,834	1,867	6,804	7,225
Current transfers	1,606	1,601	1,623	1,760	1,671	1,840	6,440	6,894
Private	902	925	943	988	974	998	3,607	3,903
Official	704	676	681	773	696	842	2,833	2,991
Total payments	116,163	116,747	119,121	127,892	129,645	128,052	475,570	504,710
Balances								
Goods and services	12,142	11,130	12,913	16,247	14,029	12,948	47,287	56,137
Goods	14,887	14,075	16,010	19,175	16,604	15,539	58,177	67,328
Services	-2,744	-2,945	-3,097	-2,929	-2,575	-2,591	-10,891	-11,191
Travel	-1,038	-1,271	-1,160	-1,112	-832	-1,043	-3,862	-4,147
Transportation	-1,086	-955	-980	-972	-1,000	-965	-3,940	-3,917
Commercial services	-744	-841	-1,086	-1,005	-904	-753	-3,567	-3,749
Government services	123	121	130	160	162	170	479	622
Investment income	-5,551	-4,572	-4,897	-5,250	-5,789	-6,502	-23,743	-22,438
Direct investment	-776	92	-322	-686	-1,349	-2,384	-4,429	-4,741
Interest	-289	-300	-424	-419	-422	-421	-1,114	-1,686
Profits	-487	392	102	-267	-927	-1,963	-3,315	-3,055
Portfolio investment	-4,820	-4,626	-4,582	-4,685	-4,621	-4,298	-19,433	-18,186
Interest	-5,966	-5,709	-5,683	-5,680	-5,644	-5,384	-24,036	-22,391
Dividends	1,146	1,083	1,101	995	1,023	1,086	4,602	4,205
Other investment	45	-38	7	122	181	180	119	490
Current transfers	45	104	127	25	115	-142	274	125
Private	-251	-293	-247	-346	-270	-378	-1,049	-1,241
Official	296	397	374	371	385	235	1,323	1,366
Current account	6,636	6,662	8,143	11,022	8,355	6,303	23,818	33,824

Financial flows

Fourth quarter 2004

Overall demand for credit by domestic non-financial sectors eased while household borrowing increased as demand for mortgages remained strong. Total funds raised by domestic non-financial sectors on credit markets amounted to \$89.4 billion in the fourth quarter of 2004, seasonally adjusted at annual rates (\$22.4 billion at quarterly rates). The demand for funds in both the private and public sectors declined for the second consecutive quarter. Over the same period, households increased their share of total funds raised.

Total funds raised by all domestic non-financial sectors declined



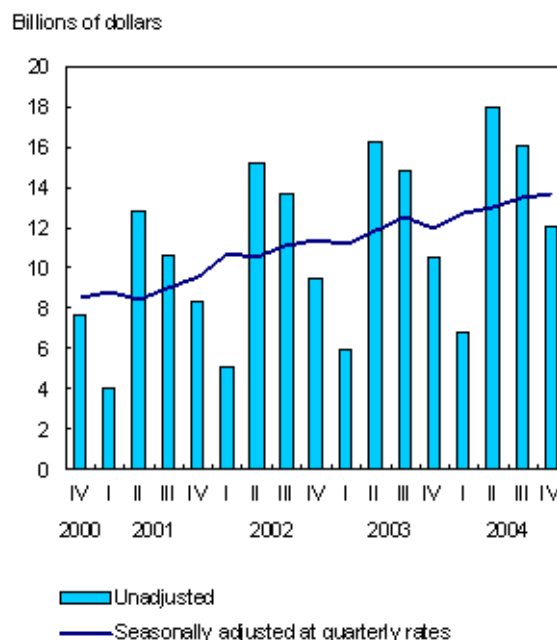
Financial market developments during the quarter included: a tightening of monetary conditions; an increase in short-term interest rates; a general decline in long-term interest rates; a strengthening of the Canadian dollar and, a stronger stock market performance with stock prices rising for the second consecutive quarter.

Household demand for mortgages rises

Personal saving slipped as investment in residential real estate and borrowing advanced further, while investment in financial assets continued its downward trend. Household borrowing was led by continued demand for mortgage credit, reflecting the ongoing strength in the housing market and encouraged by the decline in the five-year mortgage rate.

With sustained demand for durable goods and a rise in personal expenditure in non-durable goods as well as services, consumer credit borrowing by households remained high. The growth in total household debt that includes mortgages and consumer credit outpaced the growth in personal disposable income resulting in an increased debt-income ratio from 105.1 percent in the third quarter to 105.8 percent in the fourth quarter. However, the effect of this increase on debt servicing was moderated by lower mortgage rates.

Household borrowing on the rise



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).

Newly incorporated tables present data on sector financial transactions, illustrating the flow of funds by financial instruments. These tables 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.

Corporations build surpluses during the year

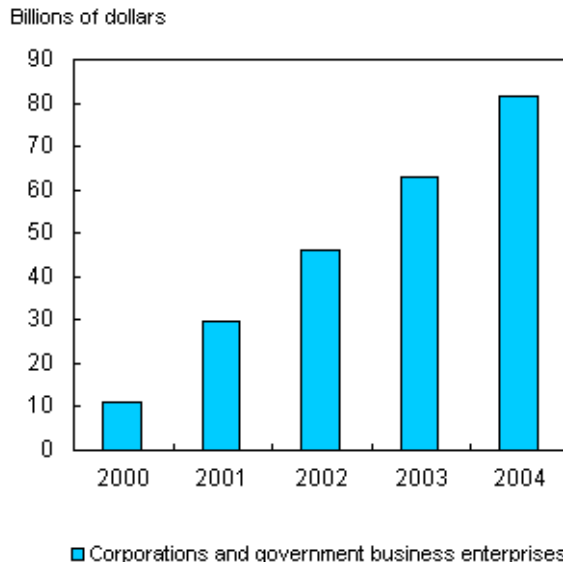
Demand for funds by non-financial private corporations softened further from \$44.7 billion in the third quarter to \$36.0 billion in the fourth quarter (\$10.8 billion and \$7.4 billion at quarterly rates, respectively). Share issues were up in line with share prices, but overall borrowing was down. The overall corporate surplus was down in the quarter, as business investment in plant and equipment strengthened and profits weakened.

Nevertheless, for the year as a whole, the surplus was up strongly as undistributed corporate earnings continued to post strong gains. Annual net lending by the corporate sector grew almost \$20 billion for the second consecutive year to more than \$80 billion, reflecting corporations' moderate approach to capital investment while strengthening their balance sheets.

Overall government borrowing declines

Federal government borrowing declined for the second consecutive quarter, in line with gains in surplus posted during the fourth quarter. Bond liabilities of the federal government dropped sharply, reflecting the expanded surplus. However, borrowing requirements for other levels of government continued to rise in the fourth quarter. The provincial government sector had significant issues of long-term debt in the form of provincial bonds which were slightly offset by a decline in short-term debt.

Continued string of corporate surpluses



Financial market summary table

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised:								
Persons and unincorporated business	52,664	49,908	55,076	53,684	55,736	56,640	50,251	55,284
Consumer credit	18,972	17,056	18,624	18,816	19,504	20,072	17,639	19,254
Bank loans	1,324	692	1,956	436	504	532	1,181	857
Other loans	1,520	1,152	2,128	1,128	1,536	1,268	1,552	1,515
Mortgages	30,848	31,008	32,368	33,304	34,192	34,768	29,879	33,658
Non-financial private corporations	37,164	62,892	71,552	67,144	44,716	35,988	40,624	54,850
Bank loans	2,520	-736	9,800	8,088	7,444	6,784	-894	8,029
Other loans	-5,848	204	-3,652	-2,120	-5,712	-5,244	-3,354	-4,182
Other short-term paper	-6,068	-15,200	3,616	1,536	-3,660	4,912	-10,084	1,601
Mortgages	5,980	5,672	5,960	6,504	6,744	6,784	4,972	6,498
Bonds	7,776	28,064	20,376	20,040	20,572	3,272	18,513	16,065
Shares	32,804	44,888	35,452	33,096	19,328	19,480	31,471	26,839
Non-financial government enterprises	-4,320	-5,844	-5,200	1,224	1,096	-272	-780	-788
Bank loans	-1,128	748	-616	-120	132	404	344	-50
Other loans	-368	-1,220	-2,428	1,664	1,696	148	2,197	270
Other short-term paper	-1,940	-4,616	-3,144	2,276	-908	-2,144	-1,703	-980
Mortgages	-4	-4	-8	0	-4	-4	-6	-4
Bonds	-864	-736	1,004	-2,628	192	1,336	-1,589	-24
Shares	-16	-16	-8	32	-12	-12	-23	0
Federal government	2,036	-9,772	-10,728	-15,344	-21,672	-26,740	-1,567	-18,621
Bank loans	112	108	224	108	116	112	106	140
Other loans	-4	8	0	0	0	0	0	0
Canada short-term paper	14,232	9,464	-5,296	3,188	-688	2,676	12,231	-30
Canada Savings Bonds	-1,544	-1,392	-892	-828	-1,352	-2,700	-1,290	-1,443
Other bonds	-10,760	-17,960	-4,764	-17,812	-19,748	-26,828	-12,614	-17,288
Other levels of government	10,700	2,768	4,196	38,016	17,804	23,812	8,407	20,957
Bank loans	-304	752	-1,328	-144	-740	204	265	-502
Other loans	824	532	1,732	416	1,308	892	630	1,087
Other short-term paper	-5,644	2,624	-27,524	28,372	-5,428	-3,672	-1,013	-2,063
Mortgages	-76	28	24	-12	-32	-8	-13	-7
Provincial bonds	13,996	-568	28,768	6,940	21,332	25,120	7,702	20,540
Municipal bonds	1,872	-608	2,496	2,420	1,340	1,256	813	1,878
Other bonds	32	8	28	24	24	20	23	24
Total funds raised by domestic non-financial sectors	98,244	99,952	114,896	144,724	97,680	89,428	96,935	111,682
Consumer credit	18,972	17,056	18,624	18,816	19,504	20,072	17,639	19,254
Bank loans	2,524	1,564	10,036	8,368	7,456	8,036	1,002	8,474
Other loans	-3,876	676	-2,220	1,088	-1,172	-2,936	1,025	-1,310
Canada short-term paper	14,232	9,464	-5,296	3,188	-688	2,676	12,231	-30
Other short-term paper	-13,652	-17,192	-27,052	32,184	-9,996	-904	-12,800	-1,442
Mortgages	36,748	36,704	38,344	39,796	40,900	41,540	34,832	40,145
Bonds	10,508	6,808	47,016	8,156	22,360	1,476	11,558	19,752
Shares	32,788	44,872	35,444	33,128	19,316	19,468	31,448	26,839

Sector accounts - Persons and unincorporated businesses

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Income	927,432	933,732	946,492	958,696	967,320	977,008	924,608	962,379
	<i>0.8</i>	<i>0.7</i>	<i>1.4</i>	<i>1.3</i>	<i>0.9</i>	<i>1.0</i>	<i>3.0</i>	<i>4.1</i>
Wages, salaries and supplementary labour income	614,552	620,840	627,808	636,296	642,160	649,208	613,718	638,868
	<i>0.7</i>	<i>1.0</i>	<i>1.1</i>	<i>1.4</i>	<i>0.9</i>	<i>1.1</i>	<i>3.5</i>	<i>4.1</i>
Unincorporated business net income[1]	78,160	79,232	80,936	82,540	83,400	83,976	78,076	82,713
	<i>0.6</i>	<i>1.4</i>	<i>2.2</i>	<i>2.0</i>	<i>1.0</i>	<i>0.7</i>	<i>4.5</i>	<i>5.9</i>
Interest, dividends and miscellaneous investment income	105,568	104,012	106,192	107,616	107,428	107,916	104,409	107,288
	<i>1.5</i>	<i>-1.5</i>	<i>2.1</i>	<i>1.3</i>	<i>-0.2</i>	<i>0.5</i>	<i>-1.2</i>	<i>2.8</i>
Current transfers from government	125,084	125,636	127,308	128,236	130,096	132,028	124,492	129,417
	<i>0.6</i>	<i>0.4</i>	<i>1.3</i>	<i>0.7</i>	<i>1.5</i>	<i>1.5</i>	<i>2.9</i>	<i>4.0</i>
Current transfers from corporations	1,464	1,488	1,464	1,440	1,420	1,396	1,358	1,430
	<i>8.6</i>	<i>1.6</i>	<i>-1.6</i>	<i>-1.6</i>	<i>-1.4</i>	<i>-1.7</i>	<i>6.4</i>	<i>5.3</i>
Current transfers from non-residents	2,604	2,524	2,784	2,568	2,816	2,484	2,555	2,663
	<i>10.7</i>	<i>-3.1</i>	<i>10.3</i>	<i>-7.8</i>	<i>9.7</i>	<i>-11.8</i>	<i>-0.4</i>	<i>4.2</i>
Outlay	922,392	924,504	941,848	953,148	965,320	976,996	914,441	959,328
	<i>1.8</i>	<i>0.2</i>	<i>1.9</i>	<i>1.2</i>	<i>1.3</i>	<i>1.2</i>	<i>4.4</i>	<i>4.9</i>
Personal expenditure on goods and services	694,632	695,324	709,468	718,180	726,584	736,292	688,707	722,631
	<i>1.5</i>	<i>0.1</i>	<i>2.0</i>	<i>1.2</i>	<i>1.2</i>	<i>1.3</i>	<i>4.8</i>	<i>4.9</i>
Current transfers to government	212,884	214,228	217,152	219,412	223,204	224,828	211,060	221,149
	<i>2.7</i>	<i>0.6</i>	<i>1.4</i>	<i>1.0</i>	<i>1.7</i>	<i>0.7</i>	<i>2.9</i>	<i>4.8</i>
Current transfers to corporations	12,232	12,284	12,500	12,776	12,712	12,984	12,054	12,743
	<i>2.5</i>	<i>0.4</i>	<i>1.8</i>	<i>2.2</i>	<i>-0.5</i>	<i>2.1</i>	<i>10.8</i>	<i>5.7</i>
Current transfers to non-residents	2,644	2,668	2,728	2,780	2,820	2,892	2,620	2,805
	<i>5.6</i>	<i>0.9</i>	<i>2.2</i>	<i>1.9</i>	<i>1.4</i>	<i>2.6</i>	<i>6.4</i>	<i>7.1</i>
Saving	5,040	9,228	4,644	5,548	2,000	12	10,167	3,051
	<i>-64.6</i>	<i>83.1</i>	<i>-49.7</i>	<i>19.5</i>	<i>-64.0</i>	<i>-99.4</i>	<i>-53.9</i>	<i>-70.0</i>
Disposable income[2]	714,548	719,504	729,340	739,284	744,116	752,180	713,548	741,230
	<i>0.2</i>	<i>0.7</i>	<i>1.4</i>	<i>1.4</i>	<i>0.7</i>	<i>1.1</i>	<i>3.0</i>	<i>3.9</i>
Saving rate	0.7	1.3	0.6	0.8	0.3	0.0	1.4	0.4

Gross saving and capital transfers	42,840	46,428	43,080	45,432	42,452	40,912	47,172	42,969
	<i>-15.6</i>	<i>8.4</i>	<i>-7.2</i>	<i>5.5</i>	<i>-6.6</i>	<i>-3.6</i>	<i>-18.2</i>	<i>-8.9</i>
Saving	5,040	9,228	4,644	5,548	2,000	12	10,167	3,051
	<i>-64.6</i>	<i>83.1</i>	<i>-49.7</i>	<i>19.5</i>	<i>-64.0</i>	<i>-99.4</i>	<i>-53.9</i>	<i>-70.0</i>
Capital consumption allowances	36,436	36,816	37,456	38,268	38,868	39,568	36,144	38,540
	<i>1.5</i>	<i>1.0</i>	<i>1.7</i>	<i>2.2</i>	<i>1.6</i>	<i>1.8</i>	<i>6.0</i>	<i>6.6</i>
Net capital transfers	1,364	384	980	1,616	1,584	1,332	861	1,378
	<i>105.4</i>	<i>-71.8</i>	<i>155.2</i>	<i>64.9</i>	<i>-2.0</i>	<i>-15.9</i>	<i>-42.8</i>	<i>60.0</i>
Deduct: Non-financial capital acquisition	91,324	95,240	99,552	102,420	104,308	105,860	90,789	103,035
	<i>1.6</i>	<i>4.3</i>	<i>4.5</i>	<i>2.9</i>	<i>1.8</i>	<i>1.5</i>	<i>15.5</i>	<i>13.5</i>
Net lending	-48,484	-48,812	-56,472	-56,988	-61,856	-64,948	-43,617	-60,066

Transactions in financial assets	3,888	-3,528	-13,444	12,268	-1,384	-11,568	6,641	-3,532

Currency and deposits	38,544	16,572	55,264	19,816	28,272	10,248	26,063	28,400

Canadian debt securities	10,032	-11,404	-20,748	5,640	-1,224	7,012	-3,666	-2,330

Corporate shares and mutual funds	6,172	10,360	-4,888	8,764	3,104	3,252	6,377	2,558

Life insurance and pensions	34,468	37,368	40,208	38,160	36,044	28,284	24,138	35,674

Other financial assets	-85,328	-56,424	-83,280	-60,112	-67,580	-60,364	-46,271	-67,834

Transactions in liabilities	52,736	48,096	58,468	57,588	56,000	54,072	50,776	56,532

Consumer credit	18,972	17,056	18,624	18,816	19,504	20,072	17,639	19,254

Bank and other loans	2,844	1,844	4,084	1,564	2,040	1,800	2,733	2,372

Mortgages	30,848	31,008	32,368	33,304	34,192	34,768	29,879	33,658

Trade payables	72	-1,812	3,392	3,904	264	-2,568	525	1,248

Net financial investment	-48,848	-51,624	-71,912	-45,320	-57,384	-65,640	-44,135	-60,064

Sector discrepancy	364	2,812	15,440	-11,668	-4,472	692	518	-2

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

2 Total income minus current transfers to government.

Sector accounts - Corporations and government business enterprises: total

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Income	294,752	299,084	307,676	324,848	333,884	340,044	297,874	326,613
	0.5	1.5	2.9	5.6	2.8	1.8	9.5	9.6
Corporation profits before taxes	148,916	154,064	165,904	179,348	182,064	184,740	151,210	178,014
	4.7	3.5	7.7	8.1	1.5	1.5	10.0	17.7
Government business enterprise profits before taxes	10,544	11,552	11,820	11,472	12,036	12,100	11,643	11,857
	-0.5	9.6	2.3	-2.9	4.9	0.5	1.4	1.8
Inventory valuation adjustment	2,832	2,428	-2,920	-4,960	940	4,312	4,876	-657

Interest, dividends and miscellaneous receipts[1]	66,312	64,568	66,156	72,936	73,184	72,932	64,114	71,302
	4.0	-2.6	2.5	10.2	0.3	-0.3	6.9	11.2
Interest on consumer debt	12,232	12,284	12,500	12,776	12,712	12,984	12,054	12,743
	2.5	0.4	1.8	2.2	-0.5	2.1	10.8	5.7
Interest on public debt[2]	53,916	54,188	54,216	53,276	52,948	52,976	53,977	53,354
	0.3	0.5	0.1	-1.7	-0.6	0.1	-1.9	-1.2
Outlay	218,580	220,152	220,568	232,312	233,888	239,856	218,699	231,656
	-0.3	0.7	0.2	5.3	0.7	2.6	4.2	5.9
Interest, dividends and miscellaneous payments	171,652	172,936	170,920	178,340	178,960	183,720	172,460	177,985
	-2.1	0.7	-1.2	4.3	0.3	2.7	1.2	3.2
Direct taxes	45,152	45,368	47,920	52,148	53,212	54,444	44,555	51,931
	7.0	0.5	5.6	8.8	2.0	2.3	17.4	16.6
Other current transfers	1,776	1,848	1,728	1,824	1,716	1,692	1,684	1,740
	3.7	4.1	-6.5	5.6	-5.9	-1.4	8.1	3.3
Saving	76,172	78,932	87,108	92,536	99,996	100,188	79,175	94,957
	2.9	3.6	10.4	6.2	8.1	0.2	27.7	19.9
Gross saving and capital transfers	184,264	188,096	198,680	206,240	217,552	217,128	185,921	209,900
	2.6	2.1	5.6	3.8	5.5	-0.2	12.9	12.9
Saving	76,172	78,932	87,108	92,536	99,996	100,188	79,175	94,957
	2.9	3.6	10.4	6.2	8.1	0.2	27.7	19.9
Capital consumption allowances	106,176	107,704	109,176	111,340	112,856	114,468	105,472	111,960
	1.5	1.4	1.4	2.0	1.4	1.4	5.3	6.2
Net capital transfers	1,916	1,460	2,396	2,364	4,700	2,472	1,274	2,983
	132.5	-23.8	64.1	-1.3	98.8	-47.4	-47.4	134.1
Deduct: Non-financial capital acquisition	114,760	122,896	114,736	119,728	137,336	142,352	122,748	128,538
	-6.6	7.1	-6.6	4.4	14.7	3.7	3.4	4.7
Net lending	69,504	65,200	83,944	86,512	80,216	74,776	63,173	81,362

Transactions in financial assets	213,692	300,380	362,720	390,780	300,240	239,968	202,029	323,427

<i>Of which:</i>								
Consumer credit	18,972	17,056	18,624	18,816	19,504	20,072	17,639	19,254

Bank and other loans	-8,668	-3,976	25,272	30,528	24,024	17,856	462	24,420

Mortgages	38,456	39,556	42,208	46,932	43,468	45,672	36,849	44,570

Short-term paper	-9,456	-6,660	-8,436	13,908	-9,448	-7,040	-2,443	-2,754

Bonds	65,912	34,636	84,844	-168	15,720	-12,596	26,814	21,950

Shares	-6,052	44,880	24,468	31,584	37,768	11,440	2,644	26,315

Foreign investments	33,816	23,808	3,480	21,904	22,616	3,032	21,606	12,758

Transactions in liabilities	156,012	225,920	272,284	318,880	226,984	181,888	139,550	250,009

<i>Of which:</i>								
Currency and deposits	54,328	75,676	77,532	105,764	81,076	72,916	49,775	84,322

Bank and other loans	-13,688	-2,872	11,904	13,136	2,268	7,084	-5,501	8,598

Short-term paper	-13,972	-25,628	8,080	8,856	-4,140	5,508	-12,876	4,576

Bonds	43,684	54,104	44,416	36,936	50,608	23,680	37,507	38,910

Shares	55,508	55,296	56,548	68,408	38,336	17,132	37,257	45,106

Life insurance and pensions	29,204	35,548	37,688	33,196	31,996	27,068	22,577	32,487

Net financial investment	57,680	74,460	90,436	71,900	73,256	58,080	62,479	73,418

Sector discrepancy	11,824	-9,260	-6,492	14,612	6,960	16,696	694	7,944

1 Includes interest and dividends received from non-residents.

2 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.

Sector accounts - Government

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Income	500,540	504,316	510,868	521,456	529,500	535,768	497,430	524,398
	1.9	0.8	1.3	2.1	1.5	1.2	5.2	5.4
Taxes on incomes	192,232	193,140	198,068	204,792	209,228	211,632	190,198	205,930
	4.0	0.5	2.6	3.4	2.2	1.1	4.6	8.3
Contributions to social insurance plans	60,532	61,280	61,624	61,816	61,908	62,316	60,302	61,916
	1.3	1.2	0.6	0.3	0.1	0.7	6.0	2.7
Taxes on production and imports	159,832	161,684	162,856	165,200	167,088	169,104	158,623	166,062
	1.8	1.2	0.7	1.4	1.1	1.2	4.3	4.7
Other current transfers from persons	9,268	9,472	9,604	9,524	9,604	9,632	9,269	9,591
	0.6	2.2	1.4	-0.8	0.8	0.3	4.8	3.5
Investment income	41,592	41,888	41,104	42,132	43,576	44,952	42,522	42,941
	-5.8	0.7	-1.9	2.5	3.4	3.2	12.5	1.0
Sales of goods and services[1]	37,084	36,852	37,612	37,992	38,096	38,132	36,516	37,958
	2.5	-0.6	2.1	1.0	0.3	0.1	3.2	3.9
Outlay	484,032	488,088	494,568	496,224	498,980	504,680	482,907	498,613
	0.1	0.8	1.3	0.3	0.6	1.1	4.3	3.3
Gross current expenditure on goods and services[1]	275,896	280,012	283,788	286,960	288,736	291,432	274,227	287,729
	1.2	1.5	1.3	1.1	0.6	0.9	5.9	4.9
Current transfers	143,720	144,096	147,044	146,648	148,196	151,508	143,956	148,349
	-1.3	0.3	2.0	-0.3	1.1	2.2	5.1	3.1
Interest on the public debt	64,416	63,980	63,736	62,616	62,048	61,740	64,724	62,535
	-0.9	-0.7	-0.4	-1.8	-0.9	-0.5	-3.2	-3.4
Saving	16,508	16,228	16,300	25,232	30,520	31,088	14,523	25,785
	115.2	-1.7	0.4	54.8	21.0	1.9	46.5	77.5
Gross saving and capital transfers	40,404	41,200	40,004	49,680	52,528	56,008	39,143	49,555
	23.2	2.0	-2.9	24.2	5.7	6.6	19.3	26.6
Saving	16,508	16,228	16,300	25,232	30,520	31,088	14,523	25,785
	115.2	-1.7	0.4	54.8	21.0	1.9	46.5	77.5
Capital consumption allowances	22,908	23,152	23,348	23,592	23,820	24,104	22,787	23,716
	1.1	1.1	0.8	1.0	1.0	1.2	4.3	4.1
Net capital transfers	988	1,820	356	856	-1,812	816	1,833	54
	-59.6	84.2	-80.4	140.4	...	...	72.8	-97.1
Deduct: Non-financial capital acquisition	31,600	31,876	32,600	33,060	32,900	32,364	31,516	32,731
	0.7	0.9	2.3	1.4	-0.5	-1.6	6.6	3.9
Net lending	8,804	9,324	7,404	16,620	19,628	23,644	7,627	16,824

Transactions in financial assets	42,796	27,128	21,016	41,784	22,340	33,860	32,512	29,750

Currency and deposits	5,672	-3,112	-7,984	3,672	6,080	-5,948	56	-1,045

Loans	5,796	-756	3,292	7,044	7,284	5,084	4,263	5,676

Canadian securities	20,796	-4,304	-2,112	35,616	-3,420	17,396	9,995	11,870

Other financial assets	10,532	35,300	27,820	-4,548	12,396	17,328	18,198	13,249

Transactions in liabilities	31,928	30,040	1,672	33,156	8,212	10,180	25,396	13,305

Bank and other loans	628	1,400	628	380	684	1,208	1,001	725

Short-term paper	8,588	12,088	-32,820	31,560	-6,116	-996	11,218	-2,093

Bonds	4,576	-21,068	24,300	-8,968	1,360	-3,504	-6,968	3,297

Other liabilities	18,136	37,620	9,564	10,184	12,284	13,472	20,145	11,376

Net financial investment	10,868	-2,912	19,344	8,628	14,128	23,680	7,116	16,445

Sector discrepancy	-2,064	12,236	-11,940	7,992	5,500	-36	511	379

1 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.

Sector accounts - Non-residents

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Income	456,596	461,184	465,772	498,424	504,300	501,292	468,002	492,447
	-2.5	1.0	1.0	7.0	1.2	-0.6	-3.6	5.2
Sales of goods (imports)	332,576	333,896	341,212	366,504	375,732	368,372	341,835	362,955
	-2.5	0.4	2.2	7.4	2.5	-2.0	-4.1	6.2
Sales of services (imports)	70,944	73,028	74,044	75,580	73,716	74,456	71,776	74,449
	0.5	2.9	1.4	2.1	-2.5	1.0	0.2	3.7
Interest, dividends and miscellaneous receipts	46,652	47,860	44,020	49,296	48,172	51,108	47,951	48,149
	-6.7	2.6	-8.0	12.0	-2.3	6.1	-6.3	0.4
Current transfers	6,424	6,400	6,496	7,044	6,680	7,356	6,440	6,894
	-2.9	-0.4	1.5	8.4	-5.2	10.1	8.2	7.0
Outlay	484,060	483,304	497,720	542,960	539,704	528,448	492,586	527,208
	-0.2	-0.2	3.0	9.1	-0.6	-2.1	-3.5	7.0
Purchases of goods (exports)	392,108	390,180	405,252	443,208	442,136	430,528	400,004	430,281
	-0.6	-0.5	3.9	9.4	-0.2	-2.6	-3.3	7.6
Purchases of services (exports)	60,688	62,008	62,528	64,820	64,448	65,156	61,592	64,238
	0.5	2.2	0.8	3.7	-0.6	1.1	-6.1	4.3
Interest, dividends and miscellaneous payments	24,664	24,296	22,932	27,792	25,980	25,972	24,281	25,669
	3.6	-1.5	-5.6	21.2	-6.5	-0.0	0.2	5.7
Current transfers	6,600	6,820	7,008	7,140	7,140	6,792	6,709	7,020
	0.1	3.3	2.8	1.9	0.0	-4.9	-3.5	4.6
Saving	-27,464	-22,120	-31,948	-44,536	-35,404	-27,156	-24,584	-34,761

Gross saving and capital transfers	-31,732	-25,784	-35,680	-49,372	-39,876	-31,776	-28,552	-39,176

Saving	-27,464	-22,120	-31,948	-44,536	-35,404	-27,156	-24,584	-34,761

Net capital transfers	-4,268	-3,664	-3,732	-4,836	-4,472	-4,620	-3,968	-4,415

Net lending[1]	-31,732	-25,784	-35,680	-49,372	-39,876	-31,776	-28,552	-39,176

Transactions in financial assets	6,992	59,540	3,320	85,084	48,716	20,916	33,939	39,509

Currency and deposits	3,116	-5,764	-20,804	21,944	-5,124	10,012	5,800	1,507

Loans	-2,780	1,540	-1,916	-9,212	-10,232	-6,712	-2,398	-7,018

Short-term paper	-656	-8,232	-8,636	6,184	-1,652	-2,956	-2,606	-1,765

Bonds	-35,688	18,260	-3,880	20,828	34,364	27,296	6,492	19,652

Shares	26,276	22,156	33,248	48,728	31,664	29,448	12,932	35,772

Other financial assets	16,724	31,580	5,308	-3,388	-304	-36,172	13,719	-8,639

Transactions in liabilities	26,692	79,464	41,188	120,292	78,716	37,036	59,399	69,308

Official reserves	1,416	-7,208	-84	-2,036	2,480	-14,064	-4,694	-3,426

Currency and deposits	8,272	-8,440	15,480	1,980	1,072	17,708	7,330	9,060

Bank and other loans	4,564	-3,564	10,032	13,280	16,084	6,136	4,094	11,383

Foreign investments	32,964	26,184	2,256	25,844	21,876	4,896	24,440	13,718

Other liabilities	-20,524	72,492	13,504	81,224	37,204	22,360	28,229	38,573

Net financial investment	-19,700	-19,924	-37,868	-35,208	-30,000	-16,120	-25,460	-29,799

Sector discrepancy	-12,032	-5,860	2,188	-14,164	-9,876	-15,656	-3,092	-9,377

1 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.

Labour productivity, hourly compensation and unit labour cost

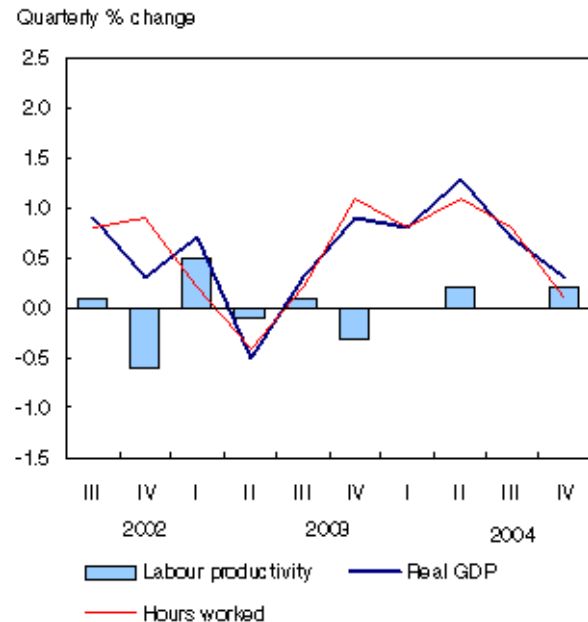
Fourth quarter 2004 and annual 2004

In 2004, Canadian businesses recorded their worst performance in labour productivity growth in eight years as both economic activity, hit by the rising Canadian dollar, and the number of hours worked increased in tandem for a second year in a row.

Productivity growth in Canadian businesses was a flat 0.0% last year. During the fourth quarter alone, productivity rose a marginal 0.2% from the third quarter. The gain was due almost entirely to growth in gross domestic product (GDP) as the number of hours worked edged up barely 0.1%.

Productivity is measured as the ratio of output for every hour worked. For example, it improves when GDP increases more rapidly than the number of hours worked. Productivity growth is a key factor determining the living standard of Canadians.

Productivity growth remained weak



Note to readers

This chapter presents an analysis on labour productivity for the aggregate business sector and its constituent industries (15 two-digit) and two sectors (goods and services). The statistical series for these industries start as of the first quarter of 1997.

Since the release in last December, data in table 383-0008 for business sector have been expanded to include unit labour cost series in US dollars. Data by industry in table 383-0012 have also been expanded to include series on total economy.

In this chapter, the use of the term “productivity” refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

For more information about the productivity program, see the *Overview and description of publications* page online. You can also order a copy of a technical note about the quarterly estimates of productivity by sending an e-mail message to productivity.measures@statcan.ca

Revisions

With this release, revisions have been made back to the first quarter of 2004. The recent estimates of the Labour Force Survey, which have been revised back to January 1976, are not incorporated. Those results will be incorporated in the next release of first quarter 2005 data.

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

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

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

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

Labour productivity has been virtually flat for two consecutive years. Last year's growth was the smallest since 1996, while the increase in 2003 was only 0.2%. Canadian businesses had to cope with a 7.1% gain in the value of the loonie relative to the US greenback last year on the heels of a 10.8% gain the year before.

Business unit labour costs rise

Unit labour costs, an indicator that measures how hourly compensation changed relative to labour productivity, jumped 1.0% in the fourth quarter, following a modest 0.3% rise in the third quarter. The last increase of comparable size took place in the first quarter of 2001.

The 1.0% rise stemmed from a 1.2% jump in hourly compensation in the business sector, as productivity grew a mere 0.2% in the fourth quarter.

Unit labour costs in the business sector were unchanged in the second quarter, since productivity advanced at the same pace as hourly compensation.

While unit labour costs edged up 0.1% in the service sector in the fourth quarter, they surged ahead 1.8% in the goods sector after two consecutive quarterly declines.

At the industry level, the largest decrease was in accommodation and food services (-2.6%) and the largest gain was in manufacturing (+3.0%).

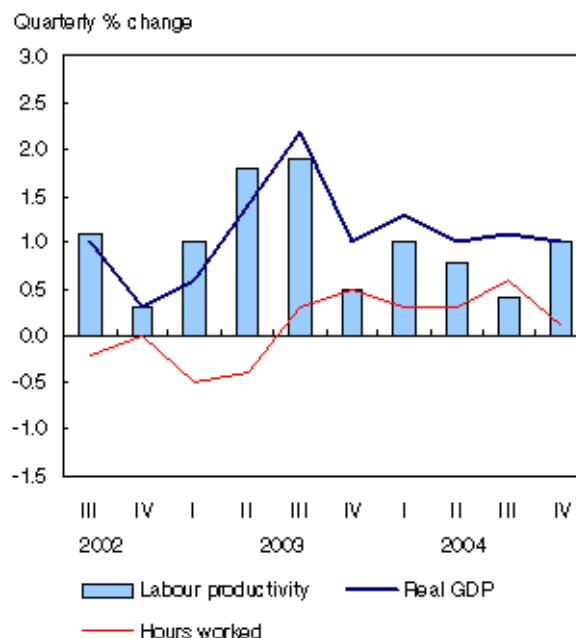
Fourth quarter 2004: Output growth in US surpasses Canada's

Productivity grew faster among American businesses during the last three months of 2004 than it did among their Canadian counterparts because economic output in the United States increased at a faster rate. At the same time, the number of hours worked rose at the same rate in both countries, about 0.1%.

In the United States, productivity increased 1.0% in the fourth quarter compared with the previous three months. This was an improvement over gains of 0.8% in the second quarter and 0.6% in the third.

During the past six quarters, the number of hours worked in the United States rose at an average of 0.3% per quarter. In Canada, however, the 0.1% increase in the fourth quarter halted a series of stronger increases than in the United States that started in mid-way through 2003.

Productivity growth in the U.S.



The different productivity performance between the two nations was in growth of real GDP. Growth in output among American businesses surpassed that of Canadian businesses for the second consecutive quarter.

In Canada, GDP growth in the business sector slowed to 0.3%, less than half what it was in the third quarter (+0.7%). The slowdown was due to a decline in exports of goods and services, which were down for a second consecutive quarter.

On the American side, GDP growth slowed slightly from 1.1% to 1.0% between the third and the fourth quarter. US output has grown at rates higher or equal to 1.0% since the second quarter of 2003.

The slight deceleration south of the border was due partly to a slowdown in exports and in consumer expenditures (mainly from a slowdown in car purchases) and the acceleration of imports.

Annual 2004: Canadian firms had to adapt to soaring loonie

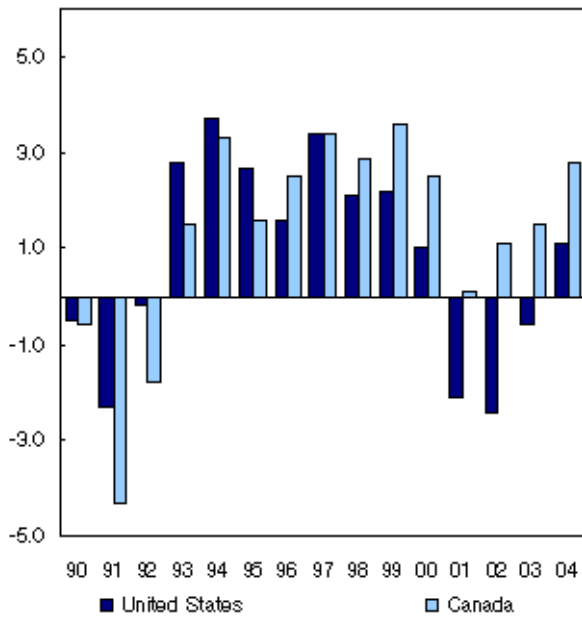
In 2004, productivity gains in Canada and the United States went in opposite directions: output grew more rapidly in the United States while hours worked continue to grow faster in Canada.

Productivity in the United States in 2004 benefited from higher output and a smaller increase in hours worked than in Canada. In Canada, real GDP and hours worked grew at a similar pace, leaving Canadian productivity virtually unchanged.

In Canada, where all the growth in employment was ascribed to full time jobs, hours worked advanced at 2.8%. Canada's job market performance compares favourably to that of the United States which experienced a 1.1% increase in hours worked. This is the first time in four years that the US labour market posted a positive growth in hours worked.

Stronger increase in hours worked in Canada

% change from the previous year

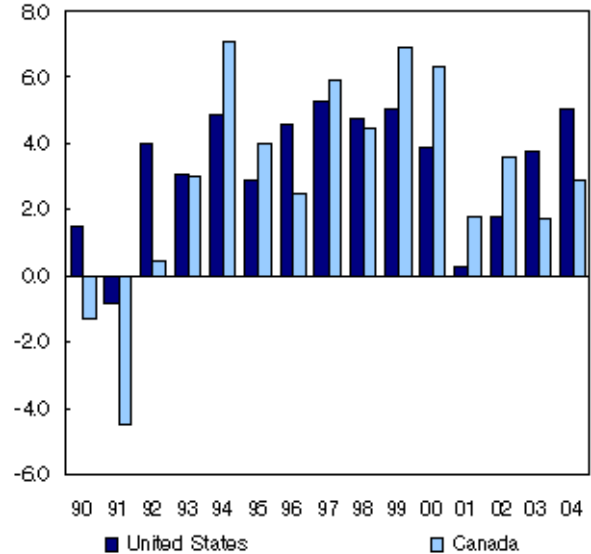


In addition, during the past two years, Canadian businesses were forced to adapt to a major realignment of world currencies, including the Canadian dollar. The 10.8% rise in the value of the loonie relative to the US greenback in 2003 was followed by a further 7.1% gain last year.

Meanwhile, the American dollar lost ground not only against the Canadian dollar, but also against most "strong" European and Asian currencies. Consequently, American businesses experienced higher economic growth than Canada. They also registered their first increase in the number of hours worked in three years.

GDP growth higher in American businesses

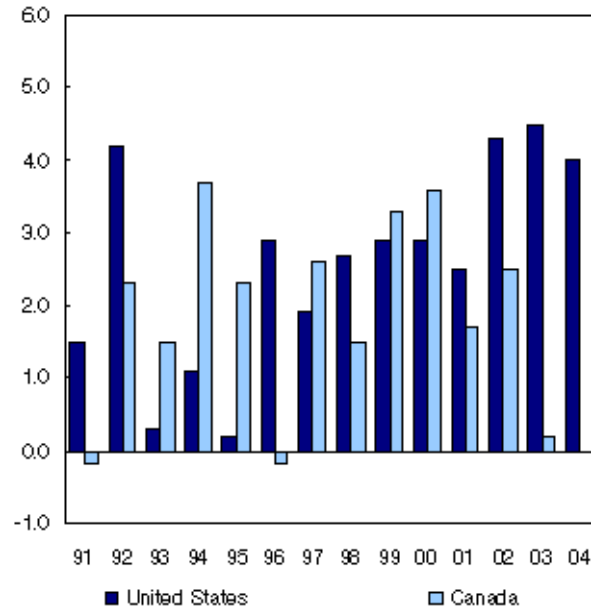
% change from the previous year



In short, real GDP among Canadian businesses rose 2.9% last year, while the number of hours worked went up 2.8%. But in the United States, real GDP was up 5.1%, while the number of hours worked rose only 1.1%.

No productivity gains for Canada in 2004

% change from the previous year



The result was flat growth in labour productivity in Canada, and a 4.0% gain south of the border.

Productivity continues to grow faster in services than in the goods sector

In 2004, productivity remained low in the goods sector and slowed in the service sector.

After slipping 0.3% in 2003, productivity in the goods sector rose 0.3% in 2004. Average annual productivity growth in services fell to 0.7% in 2004 from 1.3% in 2003.

Since 2000, productivity has slowed gradually from year to year in the service sector and fluctuated up and down in the goods sector. Nevertheless, the service sector has invariably outpaced the goods sector in average annual productivity growth during the period.

The gap in productivity growth between the two sectors in 2004 was mainly due to differential increases in hours worked, since their output growth was identical (+3.4%).

In 2004, hours worked grew at a faster pace in both goods and services. The growth rate jumped from 2.1% in 2003 to 3.1% in 2004 in the goods sector and from 1.3% to 2.7% in the service sector.

In 2004, the productivity gains in the goods sector were sustained primarily by a healthy recovery in manufacturing productivity, up 3.5% after stalling in 2003.

This strong performance in the productivity of manufacturers in 2004 coincided with a sharp upswing in manufacturing output (+3.9%) that was mainly due to transportation equipment, chemicals and machinery. On the other hand, the sector was dragged down by the textile, leather products and clothing industries, where reductions in tariff barriers and heavy competition from Asian producers continued to chip away at output.

In services, the productivity slowdown in 2004 was due to all industries except finance, insurance, real estate and leasing, which enjoyed a strong rebound in productivity. Its productivity rose 2.9% in 2004 after shrinking 1.5% in 2003.

The finance, insurance, real estate and leasing group had a very good year, with growth of 3.8%, as the banking, insurance and real estate brokerage industries all posted substantial increases.

Unit labour costs in US dollars grew slowly

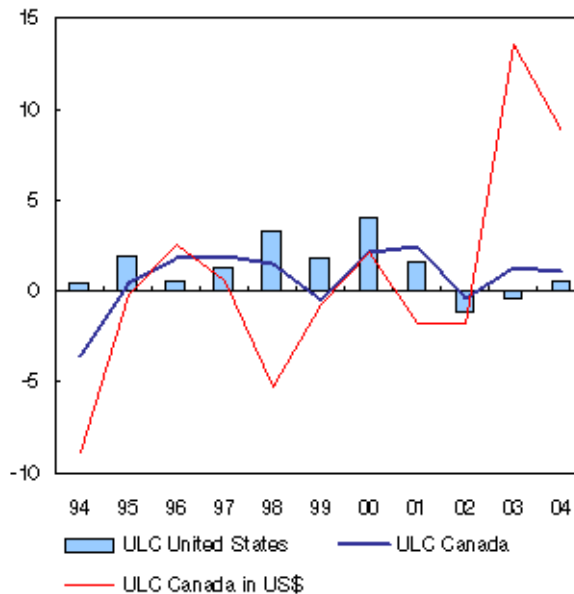
The United States continued to have an advantage over Canada in unit labour costs in 2004, especially when the exchange rate was taken into account.

The labour cost of producing one unit of output in the Canadian business sector rose 1.1% in 2004, nearly the same pace as in 2003. In contrast, unit labour costs in the American business sector edged up only 0.5% following two consecutive annual decreases.

When the exchange rate is taken into account, American businesses were in an even more advantageous position.

After reaching a record high, Canadian unit labour costs decelerate in US\$

% change from the previous year



The lack of labour productivity gains in the Canadian business sector in 2004, combined with the higher Canadian dollar, resulted in an 8.8% increase in unit labour costs in Canada measured in US dollars. In contrast, unit labour costs in the United States rose just 0.5%.

In 2003, unit labour costs in Canada, measured in US dollars, surged 13.6% to a record high, as the loonie rose 10.8% against the US dollar.

Despite this deterioration in unit labour cost, Canada's exports rebounded 4.9% in 2004, following a 2.4% decline in 2003.

Canadian businesses also took advantage of the dollar's strength to invest in machinery and equipment, on which they spent 9.4% more in 2004 than they did the year before. This was reflected in their sharply higher imports, which rose 8.2%.

Business sector: Labour productivity and related variables for Canada and the United States[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004
Seasonally adjusted						
% change from previous quarter						
Canada						
Labour productivity	0.1	-0.3	0.0	0.2	0.0	0.2
Real GDP	0.3	0.9	0.8	1.3	0.7	0.3
Hours worked	0.2	1.1	0.8	1.1	0.8	0.1
Hourly compensation	0.5	-0.2	0.4	0.2	0.1	1.2
Unit labour cost	0.4	0.1	0.4	0.0	0.3	1.0
Exchange rate[2]	-1.3	-4.7	0.2	3.2	-3.9	-6.6
Unit labour cost in US\$	1.7	4.9	0.2	-3.0	4.2	8.3
United States						
Labour productivity	1.9	0.5	1.0	0.8	0.4	1.0
Real GDP	2.2	1.0	1.3	1.0	1.1	1.0
Hours worked	0.3	0.5	0.3	0.3	0.6	0.1
Hourly compensation	1.3	0.9	0.7	1.3	1.4	1.1
Unit labour cost	-0.7	0.3	-0.3	0.6	0.9	0.3
% change from same quarter of previous year						
Canada						
Labour productivity	-0.1	0.3	-0.3	0.0	-0.1	0.4
Real GDP	0.9	1.4	1.5	3.3	3.7	3.1
Hours worked	0.9	1.1	1.7	3.2	3.8	2.8
Hourly compensation	1.9	1.8	1.1	1.0	0.6	2.0
Unit labour cost	2.0	1.4	1.3	0.8	0.7	1.7
Exchange rate[2]	-11.7	-16.2	-12.7	-2.8	-5.3	-7.2
Unit labour cost in US\$	15.5	21.0	16.1	3.7	6.3	9.6
United States						
Labour productivity	5.2	5.5	5.4	4.3	2.8	3.2
Real GDP	4.5	5.3	6.1	5.6	4.4	4.5
Hours worked	-0.7	-0.2	0.6	1.3	1.6	1.3
Hourly compensation	4.5	5.2	4.5	4.3	4.4	4.6
Unit labour cost	-0.6	-0.3	-0.9	0.0	1.6	1.4
% change from previous quarter at annualized rate[3]						
Canada						
Labour productivity	0.4	-1.1	0.0	0.7	0.0	0.7
Real GDP	1.3	3.5	3.2	5.4	2.8	1.2
Hours worked	0.7	4.4	3.2	4.6	3.2	0.3
Hourly compensation	2.0	-0.7	1.7	1.0	0.3	5.0
Unit labour cost	1.5	0.4	1.5	0.0	1.1	4.2
Unit labour cost in US\$	7.0	21.3	0.7	-11.5	17.9	37.3
United States						
Labour productivity	8.1	2.1	4.0	2.9	2.0	3.7
Real GDP	9.3	4.2	5.3	3.9	4.5	4.2
Hours worked	1.1	2.0	1.2	0.9	2.5	0.5
Hourly compensation	5.2	3.7	2.9	5.3	5.8	4.5
Unit labour cost	-2.7	1.6	-1.1	2.3	3.7	0.8

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

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

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

Business sector: Some related variables for labour markets[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004
Seasonally adjusted						
% change from previous quarter						
Canada						
All jobs	0.3	1.0	-0.1	0.8	0.7	0.4
Hours worked	0.2	1.1	0.8	1.1	0.8	0.1
Average hours	-0.1	0.1	0.8	0.3	0.2	-0.4
Labour share[2]	-0.3	-0.1	-0.8	-1.6	-1.0	0.2
United States						
All jobs	0.3	0.3	0.2	0.7	0.4	0.2
Hours worked	0.3	0.5	0.3	0.3	0.6	0.1
Average hours	0.0	0.2	0.1	-0.4	0.2	-0.1
Labour share[2]	-0.9	0.2	-0.8	-0.2	0.6	-0.3
% change from same quarter of previous year						
Canada						
All jobs	1.3	1.5	1.1	2.0	2.4	1.8
Hours worked	0.9	1.1	1.7	3.2	3.8	2.8
Average hours	-0.4	-0.3	0.6	1.1	1.4	0.9
Labour share[2]	-1.2	-0.7	0.0	-2.8	-3.4	-3.1
United States						
All jobs	-0.2	0.1	0.3	1.4	1.5	1.4
Hours worked	-0.7	-0.2	0.6	1.3	1.6	1.3
Average hours	-0.5	-0.2	0.2	-0.1	0.1	-0.2
Labour share[2]	-1.9	-1.4	-2.0	-1.7	-0.2	-0.7
% change from previous quarter at annualized rates[3]						
Canada						
All jobs	1.1	4.3	-0.3	3.1	2.8	1.7
Hours worked	0.7	4.4	3.2	4.6	3.2	0.3
Average hours	-0.4	0.4	3.3	1.2	0.8	-1.6
Labour share[2]	-1.2	-0.4	-3.3	-6.1	-3.8	0.9
United States						
All jobs	1.0	1.4	0.3	2.7	1.7	1.0
Hours worked	1.1	2.0	1.2	0.9	2.5	0.5
Average hours	0.0	0.8	0.4	-1.6	0.8	-0.4
Labour share[2]	-3.6	0.8	-3.2	-0.8	2.5	-1.2

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

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

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

Labour productivity by industry

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
	Seasonally adjusted							
Business sector - goods	114.1	114.9	114.0	113.1	114.2	115.5	113.8	114.2
	<i>0.8</i>	<i>0.7</i>	<i>-0.8</i>	<i>-0.8</i>	<i>1.0</i>	<i>1.1</i>	<i>-0.3</i>	<i>0.3</i>
Agriculture, forestry, fishing and hunting	133.0	133.1	135.7	136.1	142.8	141.2	132.2	139.0
	<i>-0.9</i>	<i>0.1</i>	<i>2.0</i>	<i>0.3</i>	<i>4.9</i>	<i>-1.1</i>	<i>7.7</i>	<i>5.1</i>
Construction	109.4	109.2	106.7	103.9	102.4	102.8	108.9	104.0
	<i>0.1</i>	<i>-0.2</i>	<i>-2.3</i>	<i>-2.6</i>	<i>-1.4</i>	<i>0.4</i>	<i>-0.7</i>	<i>-4.5</i>
Manufacturing	118.4	120.5	120.2	120.5	123.2	126.1	118.4	122.5
	<i>1.0</i>	<i>1.8</i>	<i>-0.2</i>	<i>0.2</i>	<i>2.2</i>	<i>2.4</i>	<i>0.0</i>	<i>3.5</i>
Business sector - services	114.8	115.2	114.7	115.3	114.9	115.1	114.2	115.0
	<i>1.0</i>	<i>0.3</i>	<i>-0.4</i>	<i>0.5</i>	<i>-0.3</i>	<i>0.2</i>	<i>1.3</i>	<i>0.7</i>
Wholesale trade	126.3	131.7	129.6	131.6	132.0	131.0	127.7	131.1
	<i>0.3</i>	<i>4.3</i>	<i>-1.6</i>	<i>1.5</i>	<i>0.3</i>	<i>-0.8</i>	<i>3.1</i>	<i>2.6</i>
Retail trade	121.3	119.5	120.3	120.2	120.9	121.1	119.7	120.6
	<i>1.5</i>	<i>-1.5</i>	<i>0.7</i>	<i>-0.1</i>	<i>0.6</i>	<i>0.2</i>	<i>1.0</i>	<i>0.8</i>
Transportation and warehousing	111.4	112.8	110.4	110.9	111.3	113.7	111.2	111.6
	<i>1.5</i>	<i>1.3</i>	<i>-2.1</i>	<i>0.5</i>	<i>0.4</i>	<i>2.2</i>	<i>0.8</i>	<i>0.3</i>
Information and cultural industries	116.5	113.1	113.2	117.0	114.3	114.6	116.7	114.8
	<i>-1.2</i>	<i>-2.9</i>	<i>0.1</i>	<i>3.4</i>	<i>-2.3</i>	<i>0.3</i>	<i>-1.0</i>	<i>-1.6</i>
Finance, real estate and company management	111.3	111.0	111.3	113.2	111.9	110.3	108.6	111.7
	<i>3.4</i>	<i>-0.3</i>	<i>0.3</i>	<i>1.7</i>	<i>-1.1</i>	<i>-1.4</i>	<i>-1.5</i>	<i>2.9</i>
Professional, scientific and technical services	125.0	124.3	123.4	122.9	121.4	121.7	124.7	122.4
	<i>-0.5</i>	<i>-0.6</i>	<i>-0.7</i>	<i>-0.4</i>	<i>-1.2</i>	<i>0.2</i>	<i>5.0</i>	<i>-1.9</i>
Administrative and support, waste management and remediation services	94.7	94.9	94.6	95.4	93.4	94.1	95.0	94.4
	<i>-0.5</i>	<i>0.2</i>	<i>-0.3</i>	<i>0.8</i>	<i>-2.1</i>	<i>0.7</i>	<i>-1.2</i>	<i>-0.6</i>
Accommodation and food services	102.7	106.4	105.7	105.5	105.8	106.6	103.2	105.9
	<i>1.8</i>	<i>3.6</i>	<i>-0.7</i>	<i>-0.2</i>	<i>0.3</i>	<i>0.8</i>	<i>-1.5</i>	<i>2.6</i>
Other commercial services	113.7	113.0	112.3	110.7	110.3	110.4	112.6	110.9
	<i>1.2</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-1.4</i>	<i>-0.4</i>	<i>0.1</i>	<i>2.7</i>	<i>-1.5</i>

Unit labour cost by industry

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Seasonally adjusted								
Business sector - goods	108.4	108.1	108.7	108.3	107.7	109.6	108.4	108.6
	-0.5	-0.3	0.6	-0.4	-0.6	1.8	0.9	0.2
Agriculture, forestry, fishing and hunting	111.9	114.0	114.5	111.4	105.8	108.8	114.5	110.1
	0.3	1.9	0.4	-2.7	-5.0	2.8	-14.1	-3.8
Construction	109.1	109.7	110.6	113.6	113.8	113.4	109.0	112.9
	1.0	0.5	0.8	2.7	0.2	-0.4	2.4	3.6
Manufacturing	101.8	99.9	99.8	97.7	96.7	99.6	101.3	98.5
	-0.8	-1.9	-0.1	-2.1	-1.0	3.0	1.1	-2.8
Business sector - services	105.6	105.3	105.6	106.0	106.5	106.6	105.3	106.2
	0.5	-0.3	0.3	0.4	0.5	0.1	0.6	0.8
Wholesale trade	94.1	90.1	91.1	88.6	87.9	89.1	92.6	89.2
	1.2	-4.3	1.1	-2.7	-0.8	1.4	-2.0	-3.7
Retail trade	101.0	102.6	102.1	105.3	104.7	102.0	101.8	103.5
	-1.1	1.6	-0.5	3.1	-0.6	-2.6	1.5	1.7
Transportation and warehousing	110.1	106.8	106.1	105.9	107.0	106.7	109.0	106.4
	-0.1	-3.0	-0.7	-0.2	1.0	-0.3	1.2	-2.4
Information and cultural industries	103.5	104.0	104.3	104.4	103.8	103.7	102.7	104.1
	2.0	0.5	0.3	0.1	-0.6	-0.1	-0.2	1.3
Finance, real estate and company management	106.6	107.8	107.8	107.2	107.8	109.1	106.5	108.0
	1.0	1.1	0.0	-0.6	0.6	1.2	2.6	1.4
Professional, scientific and technical services	107.0	108.7	110.0	109.3	109.4	109.9	107.7	109.7
	0.3	1.6	1.2	-0.6	0.1	0.5	-4.5	1.8
Administrative and support, waste management and remediation services	116.2	119.4	120.3	121.3	123.6	123.9	117.3	122.3
	-1.1	2.8	0.8	0.8	1.9	0.2	-0.3	4.3
Accommodation and food services	120.5	117.2	117.4	121.9	126.0	122.7	118.8	122.0
	1.1	-2.7	0.2	3.8	3.4	-2.6	5.5	2.7
Other commercial services	103.9	102.5	103.6	106.4	107.4	108.9	102.3	106.6
	2.1	-1.3	1.1	2.7	0.9	1.4	1.1	4.2

International investment position

Fourth quarter 2004

The decline in the value of Canada's foreign assets and liabilities brought the nation's net liability to non-residents to \$190.8 billion at the end of the fourth quarter of 2004, down 1.3% from a quarter earlier. The declines were mostly attributable to a stronger Canadian dollar. On a year-end basis, net external liabilities (the difference between external assets and foreign liabilities) decreased by 12.5% compared to the level of \$218.0 billion recorded at the end of 2003.

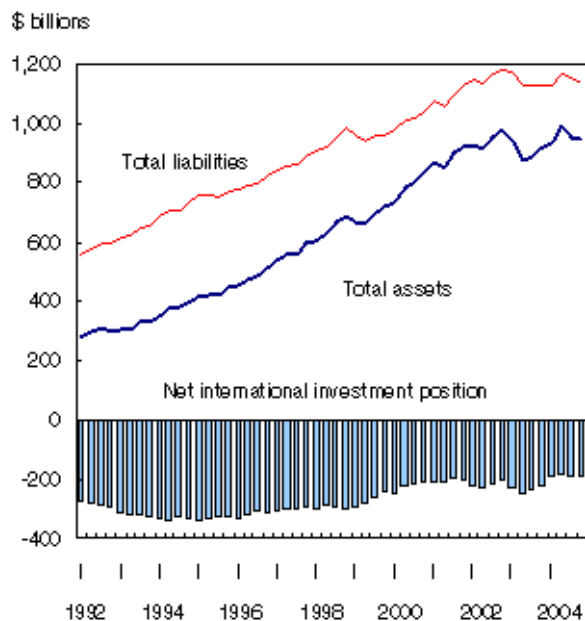
The value of international assets totalled \$945.1 billion, down 1.0% from the third quarter. The combined effect of a stronger Canadian dollar and declines in loans and reserve assets explained most of this drop. The strength of the Canadian dollar, removed \$19.5 billion from the value of these international assets during the fourth quarter more than offsetting the increase of \$10.2 billion related to transactions.

At the same time, Canada's international liabilities declined \$12.4 billion to \$1,135.9 billion. Lower deposit and loan liabilities as well as the strong dollar were responsible for this decline. The appreciation of the dollar removed \$14.8 billion from the value of the liabilities.

Net external liabilities at the end of December represented 14.4% of Canada's gross domestic product, down from 14.8% in the third quarter. At the end of 2003, this ratio was 17.7%.

The Canadian dollar continued its appreciation towards the US dollar in the fourth quarter but lost ground against all other major currencies. For the year as a whole, the Canadian dollar gained 7.9% in value against its American counterpart, 2.9% against the Japanese yen and 0.5% against the pound sterling. However, almost no change was recorded vis à vis the Euro.

Canada's international investment position



Canadian direct investment abroad stable

Canadian direct investment abroad reached \$438.4 at the end of December, virtually unchanged from the third quarter. The exchange rate revaluation, which removed \$8.6 billion from the December position, was offset by transactions of \$8.3 billion recorded during the fourth quarter.

Direct investment assets in the United States declined \$6.1 billion to \$191.2 billion, mostly due to the strengthening Canadian dollar. At the same time, the value of Canadian direct investment in all other countries increased to a record value of \$247.3 billion.

On a year-end basis, the value of Canadian direct investment abroad increased \$39.3 billion from 2003.

Note to readers

Additional estimates at market value

As of the first quarter 2004 additional series measuring portfolio investment at market value have been incorporated into the release. Canadian and foreign shares as well as bonds are available at market value. These additional series are part of a multi-year initiative to improve the balance sheet information for all sectors of the economy. This analysis focuses on the book value series until a full set of market value estimates become available.

Market value estimates of foreign direct investment series that were initially scheduled to be released in June 2005 will be available in June of 2006. Methods to better measure market value for foreign direct investment are under review at the international level. Recommendations from direct investment experts which will be available later in 2005, will serve as a guide to define Canada's methodology.

Currency valuation

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

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

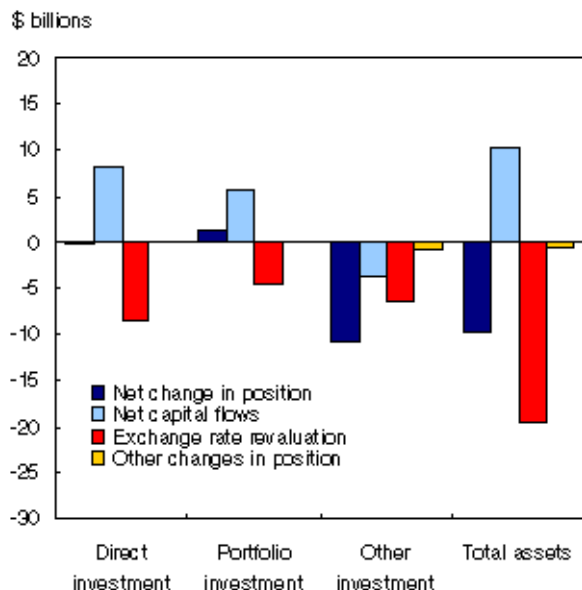
Holdings of foreign bonds significantly increased

Canadian holdings of foreign bonds significantly increased by 9.6% to \$56.9 billion at the end of the fourth quarter after Canadians made their highest quarterly purchase of this instrument. Almost all of the increase was directed to US bonds.

The combination of low purchases of foreign stocks in the fourth quarter of 2004 and the rise of the Canadian dollar translated into a decline of \$3.6 billion in Canadian holdings of this instrument to \$180.4 billion, the lowest level since the end of 2000. Even the strong equity market in the United States didn't encourage the investors to buy US stocks. The S&P 500 gained 8.7% during the fourth quarter.

On a year-end basis, Canadian holding of foreign bonds increased \$12.3 billion from the end of 2003. Canadian demand for foreign bonds was strong during the entire year and Canadian investors strongly preferred foreign bonds to foreign stocks in 2004. The foreign portfolio position slightly increased to \$237.3 billion at the end of 2004 from \$233.5 billion a year earlier.

Contributors to net change in asset values between the third and fourth quarter, 2004



Canada's international reserves closed the year at \$40.3 billion, the lowest level since the third quarter of 1999. All of the decrease was for reserves in US dollars. At the end of 2004, Canada's international reserves of US dollars totalled \$17.2 billion or 42.6% of Canada's total reserves, the lowest proportion since 1958 when more than half of reserves were in gold. Reserves denominated in currency other than the US dollar have now grown to 44.7% of the total.

Foreign direct investment in Canada virtually unchanged

Foreign direct investment in Canada at the end of December was virtually unchanged at \$367.9 billion from a quarter earlier. On a year-end basis, overall foreign direct investment in Canada at the close of 2004 was up \$10.4 billion compared to 2003.

Foreign holdings of Canadian stocks increase

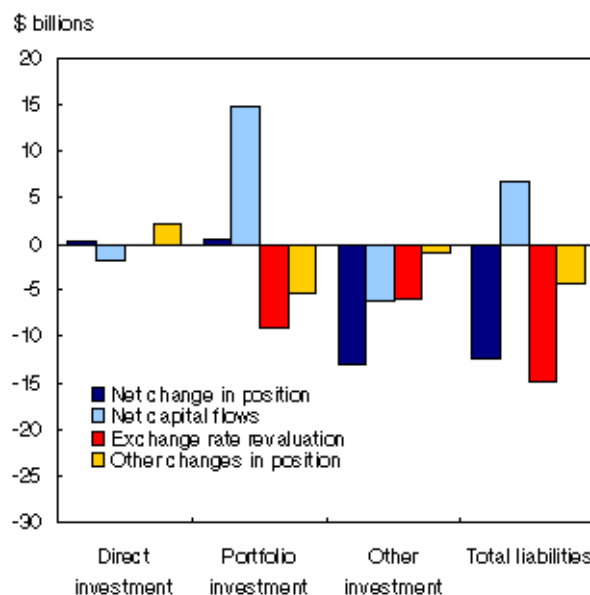
Foreign investors continued to acquire Canadian shares during the quarter. At the end of December, they held a record \$109.9 billion worth. The strong performance of the Canadian stock market in 2004 encouraged foreign investors to buy Canadian stocks. The position increased by almost 30% during the year as the S&P/TSX composite index gained 12.4%. Moreover, a number of large transactions throughout the year helped bringing the position to this high level.

Foreign holdings of Canadian bonds were down \$2.5 billion during the quarter to \$405.1 billion. Foreign investors acquired Canadian bonds in 2004 but the strengthening Canadian dollar offset all these acquisitions. More than half of the outstanding Canadian bonds held abroad are issued in US dollars.

Foreign holdings of Canadian money market paper were virtually unchanged from the end of the third quarter at \$18.0 billion.

Reduction in foreign currency deposits between Canadian banks and their foreign affiliates led to a lower deposit liability position. The loan liability position was also reduced to \$37.4 billion, its lowest level since the end of 1989.

Contributors to net change in liability values between the third and fourth quarter, 2004



International investment position at period-end

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Millions of dollars								
Assets								
Canadian direct investment abroad	383,983	399,134	411,457	445,796	438,742	438,439	399,134	438,439
Portfolio investment abroad								
Foreign bonds	43,773	44,677	47,747	51,396	51,931	56,936	44,677	56,936
<i>Foreign bonds at market value</i>	<i>47,007</i>	<i>47,790</i>	<i>52,285</i>	<i>54,556</i>	<i>56,344</i>	<i>61,350</i>	<i>47,790</i>	<i>61,350</i>
Foreign stocks	189,221	188,787	191,013	193,641	183,980	180,395	188,787	180,395
<i>Foreign stocks at market value</i>	<i>314,341</i>	<i>341,964</i>	<i>354,346</i>	<i>362,829</i>	<i>338,815</i>	<i>357,664</i>	<i>341,964</i>	<i>357,664</i>
Other investment								
Loans	60,569	59,286	65,983	70,394	63,095	57,034	59,286	57,034
Allowances	-11,796	-11,605	-11,548	-11,648	-11,480	-11,363	-11,605	-11,363
Deposits	104,323	110,837	115,542	124,358	113,043	116,687	110,837	116,687
Official international reserves	47,719	45,690	46,116	46,349	44,652	40,315	45,690	40,315
Other assets	70,166	72,178	64,940	69,071	70,888	66,629	72,178	66,629
Total assets								
at book value	887,958	908,983	931,250	989,358	954,850	945,072	908,983	945,072
with portfolio investment at market value	<i>1,016,312</i>	<i>1,065,274</i>	<i>1,099,121</i>	<i>1,161,705</i>	<i>1,114,099</i>	<i>1,126,755</i>	<i>1,065,274</i>	<i>1,126,755</i>
Liabilities								
Foreign direct investment in Canada	358,732	357,548	361,821	357,899	367,745	367,907	357,548	367,907
Portfolio investment								
Canadian bonds	408,381	405,323	410,483	419,559	407,577	405,080	405,323	405,080
<i>Canadian bonds at market value</i>	<i>440,906</i>	<i>436,591</i>	<i>451,453</i>	<i>442,143</i>	<i>440,600</i>	<i>439,059</i>	<i>436,591</i>	<i>439,059</i>
Canadian stocks	82,764	84,707	86,615	104,630	106,989	109,917	84,707	109,917
<i>Canadian stocks at market value</i>	<i>153,823</i>	<i>175,627</i>	<i>187,777</i>	<i>205,808</i>	<i>214,214</i>	<i>235,562</i>	<i>175,627</i>	<i>235,562</i>
Canadian money market	20,725	21,388	18,693	20,632	18,042	18,006	21,388	18,006
Other investment								
Loans	52,154	53,618	51,144	52,323	40,720	37,411	53,618	37,411
Deposits	178,043	183,135	174,599	191,379	185,607	175,957	183,135	175,957
Other liabilities	21,333	21,219	21,772	21,856	21,629	21,597	21,219	21,597
Total liabilities								
at book value	1,122,132	1,126,937	1,125,127	1,168,279	1,148,309	1,135,875	1,126,937	1,135,875
with portfolio investment at market value	<i>1,225,716</i>	<i>1,249,126</i>	<i>1,267,259</i>	<i>1,292,040</i>	<i>1,288,557</i>	<i>1,295,499</i>	<i>1,249,126</i>	<i>1,295,499</i>
Net international investment position								
at book value	-234,174	-217,954	-193,876	-178,921	-193,460	-190,804	-217,954	-190,804
with portfolio investment at market value	<i>-209,404</i>	<i>-183,852</i>	<i>-168,138</i>	<i>-130,335</i>	<i>-174,458</i>	<i>-168,744</i>	<i>-183,852</i>	<i>-168,744</i>

National balance sheet accounts

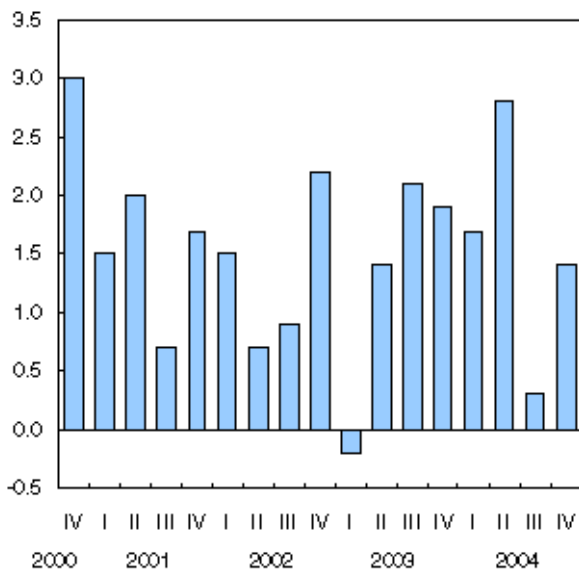
Fourth quarter 2004

Growth in national net worth accelerated

National net worth reached \$4.3 trillion by the end of the fourth quarter, or \$132,500 per capita. Growth in national net worth strengthened to 1.4% in the fourth quarter from the third quarter (+0.3%). The increase resulted from stronger growth in economy-wide non-financial assets (national wealth) as well as from a reduction in net foreign debt, which had increased strongly in the third quarter.

Growth in national net worth accelerated

% change, not seasonally adjusted



National wealth grew 1.2%, almost matching growth in the third quarter (+1.3%). Increased residential real estate values accounted for more than half of the increase in national wealth as they had in the third quarter.

Canada's net international indebtedness (what we owe non-residents less what non-residents owe us) fell in the fourth quarter following a strong increase in the third quarter.

Increase in household net worth driven by equities

Growth in household net worth accelerated to 2.0% in the fourth quarter, following 0.9% growth in the third quarter.

Gains in share holdings accounted for almost two-thirds of the increase in financial assets of the personal sector. Increases in household residential real estate continued, but at a slower pace than in the third quarter.

Household borrowing in the quarter was led by continued demand for mortgage credit, reflecting the ongoing strength in the housing market and encouraged by the decline in the five-year mortgage rate. The ratio of household debt (mortgage and consumer credit) to net worth edged down to 17.9% in the quarter, remaining at a relatively low level. However, growth in total household debt outpaced that of personal disposable income, resulting in a debt-income ratio (seasonally-adjusted) of 105.8 percent, up from 105.1 percent in the third quarter.

Corporate leverage continues to slide

In most quarters since 2000, corporations have generated more funds from internal operations than they required to finance non-financial capital investment. As a result of this string of surpluses, the corporate sector has been a net lender to the rest of the economy. Corporations have also used these funds to restructure their balance sheets, largely through paying down debt. For non-financial private corporations, this was facilitated in the fourth quarter by a weaker demand for borrowed funds. The ratio of debt to equity (book value) continued its downward trend, reaching a new low in the fourth quarter as it has done in each quarter over the last three years.

Note to readers

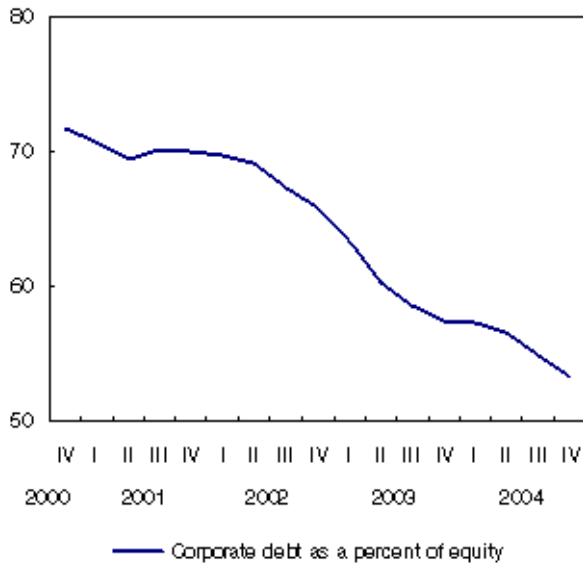
The national balance sheet accounts are statements of the balance sheets of all of the various sectors of the economy. They consist of the non-financial assets owned in the various sectors of the economy and of financial claims outstanding. **National wealth** is the sum of non-financial assets—produced assets, land surrounding structures and agricultural land—in all sectors of the economy. **National net worth** is wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of persons, corporations and governments. Quarterly series run from the first quarter of 1990.

Market value estimates have been available since June 2004. For more information, consult *Balance sheet estimates at market value* (www.stacan.ca/english/freepub/13-605-XIE/2003001/conceptual/2004marketvalue.htm).

An annual measure of national wealth that includes selected natural resources is also available (CANSIM table 378-0005). The estimates of natural resources are updated annually at the time of the fourth quarter.

Corporate debt-to-equity continued to edge down

as a % of equity, unadjusted data



Government debt-to-GDP at twenty year low

Government net debt (financial assets minus liabilities, on a book value basis) edged down, as the government sector maintained its surplus position in the fourth quarter. Net debt as a percentage of GDP fell for the sixth consecutive quarter and has reached levels last seen twenty years ago.

Annual review, 2004

National balance sheet improves, outpacing growth in 2003

National net worth grew 6.3% in 2004. National wealth, the sum of non-financial assets, grew by 5.7%. This, combined with a decrease in net foreign debt, resulted in an improvement from the 5.3% growth of 2003 in national net worth.

Increases in residential real estate assets accounted for about two thirds of the increase in the value of non-financial assets. Accumulation of plant and equipment assets, largely by the corporate sector, was the next largest contribution to this increase.

Growth in natural resources largely due to price increases

A broader measure of national wealth, including natural resources, rose 6.1% in 2004 compared with 7.0% in 2003. The value of selected natural resource assets—timber, energy and mineral resources—rose 10.6% to \$860 billion in 2004, following an 18% increase in 2003.

The value of energy reserves, which accounts for more than half of resource wealth, was up 14.6%. High oil prices led to significant increases in the value of crude oil and crude bitumen assets that more than offset a decline in the value of natural gas. In addition, the value of selected metal stocks was up almost 40% due to high metal prices.

National balance sheet accounts[1]

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	4,133	4,182	4,236	4,313	4,368	4,421	4,182	4,421
	<i>1.4</i>	<i>1.2</i>	<i>1.3</i>	<i>1.8</i>	<i>1.3</i>	<i>1.2</i>	<i>5.1</i>	<i>5.7</i>
Net foreign debt	-209	-183	-168	-130	-174	-169	-183	-169

National net worth	3,924	3,999	4,068	4,183	4,194	4,252	3,999	4,252
	<i>2.1</i>	<i>1.9</i>	<i>1.7</i>	<i>2.8</i>	<i>0.3</i>	<i>1.4</i>	<i>5.3</i>	<i>6.3</i>
National net worth per capita (dollars)	123,700	125,900	127,700	130,900	130,900	132,500	125,900	132,500
	<i>1.8</i>	<i>1.8</i>	<i>1.4</i>	<i>2.5</i>	<i>0.0</i>	<i>1.2</i>	<i>4.4</i>	<i>5.2</i>

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

National balance sheet, market value

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Millions of dollars at quarter end								
Total assets	12,424,469	12,749,291	13,056,418	13,282,943	13,399,287	13,638,340	12,749,291	13,638,340
Non-financial assets	4,132,637	4,182,169	4,236,435	4,313,339	4,368,283	4,420,787	4,182,169	4,420,787
Residential structures	1,091,068	1,110,122	1,135,721	1,167,390	1,188,403	1,204,423	1,110,122	1,204,423
Non-residential structures	1,003,797	1,012,940	1,019,070	1,026,530	1,036,100	1,044,248	1,012,940	1,044,248
Machinery and equipment	436,807	438,946	440,912	444,822	446,981	453,608	438,946	453,608
Consumer durables	339,976	345,252	343,754	350,227	350,947	358,733	345,252	358,733
Inventories	189,261	190,082	191,690	188,923	196,618	195,827	190,082	195,827
Land	1,071,728	1,084,827	1,105,288	1,135,447	1,149,234	1,163,948	1,084,827	1,163,948
Net financial assets	-208,886	-183,335	-168,137	-130,336	-174,463	-168,743	-183,335	-168,743
Financial assets	8,291,832	8,567,122	8,819,983	8,969,604	9,031,004	9,217,553	8,567,122	9,217,553
Official reserves	47,719	45,689	46,116	46,349	44,653	40,314	45,689	40,314
Gold & foreign currency	41,287	39,615	40,282	40,768	39,530	35,204	39,615	35,204
IMF reserve position	5,360	4,988	4,723	4,448	4,035	3,999	4,988	3,999
Special drawing rights	1,072	1,086	1,111	1,133	1,088	1,111	1,086	1,111
Currency and bank deposits	687,350	698,263	711,135	736,960	748,339	768,533	698,263	768,533
Other deposits	175,279	179,956	180,098	184,627	187,276	190,904	179,956	190,904
Foreign currency deposits	96,276	89,914	100,945	100,256	95,597	95,036	89,914	95,036
Consumer credit	217,529	222,092	224,009	230,777	236,215	241,369	222,092	241,369
Trade receivables	222,642	226,784	230,023	232,422	230,951	230,505	226,784	230,505
Bank loans	179,887	175,890	183,392	189,259	191,083	191,363	175,890	191,363
Other loans	184,203	187,269	188,707	193,013	195,160	200,341	187,269	200,341
Canada short-term paper	104,085	108,420	108,128	107,981	108,835	110,759	108,420	110,759
Other short-term paper	161,749	157,189	155,108	155,916	152,324	150,052	157,189	150,052
Mortgages	621,259	628,856	635,305	649,593	661,808	670,726	628,856	670,726
Canada bonds	296,836	292,040	292,915	284,970	276,010	270,125	292,040	270,125
(of which CSB's)	21,382	20,468	21,330	21,208	21,063	19,462	20,468	19,462
Provincial bonds	274,521	277,676	288,909	287,842	297,331	305,097	277,676	305,097
Municipal bonds	33,479	32,876	34,938	34,533	35,141	35,885	32,876	35,885
Other bonds	246,567	254,592	262,047	267,215	269,361	273,911	254,592	273,911
Life insurance & pensions	1,009,815	1,044,206	1,084,381	1,087,136	1,097,571	1,116,110	1,044,206	1,116,110
Corporate claims	1,005,795	1,047,016	1,072,414	1,117,333	1,121,220	1,129,702	1,047,016	1,129,702
Government claims	183,740	181,873	186,347	186,897	184,409	177,736	181,873	177,736
Shares	1,482,625	1,609,257	1,683,356	1,706,722	1,743,152	1,825,917	1,609,257	1,825,917
Foreign investments	383,873	414,174	423,456	437,122	416,145	435,204	414,174	435,204
Other financial assets	676,603	693,090	728,254	732,681	738,423	757,964	693,090	757,964
Liabilities and net worth	12,424,469	12,749,291	13,056,418	13,282,943	13,399,287	13,638,340	12,749,291	13,638,340
Liabilities	8,500,718	8,750,457	8,988,120	9,099,940	9,205,467	9,386,296	8,750,457	9,386,296
Currency and bank deposits	701,331	712,462	725,328	752,438	764,613	784,249	712,462	784,249
Other deposits	175,279	179,956	180,098	184,627	187,276	190,904	179,956	190,904
Foreign currency deposits	104,410	100,917	97,377	100,211	99,780	96,679	100,917	96,679
Consumer credit	217,529	222,092	224,009	230,777	236,215	241,369	222,092	241,369
Trade payables	221,030	225,278	227,413	229,338	230,857	231,156	225,278	231,156
Bank loans	159,275	154,621	161,792	165,498	166,614	166,219	154,621	166,219
Other loans	187,055	191,122	191,019	192,402	190,318	194,129	191,122	194,129
Canada short-term paper	114,699	118,941	116,764	116,791	115,921	118,787	118,941	118,787
Other short-term paper	171,161	166,949	164,201	166,964	162,567	159,848	166,949	159,848
Mortgages	621,620	629,215	635,651	649,940	662,143	671,059	629,215	671,059
Canada bonds	364,420	355,312	357,001	349,514	339,959	329,882	355,312	329,882
(of which CSB's)	21,382	20,468	21,330	21,208	21,063	19,462	20,468	19,462
Provincial bonds	410,149	409,413	424,464	414,352	421,891	432,385	409,413	432,385
Municipal bonds	36,728	36,192	38,188	38,014	38,764	39,611	36,192	39,611
Other bonds	471,344	483,938	501,597	506,137	509,007	514,120	483,938	514,120
Life insurance & pensions	1,009,815	1,044,206	1,084,381	1,087,136	1,097,571	1,116,110	1,044,206	1,116,110
Corporate claims	436,272	442,565	452,349	453,569	454,265	447,274	442,565	447,274
Government claims	183,740	181,873	186,347	186,897	184,409	177,736	181,873	177,736
Shares	2,233,344	2,395,758	2,492,552	2,542,794	2,604,689	2,713,315	2,395,758	2,713,315
Other liabilities	681,517	699,647	727,589	732,541	738,608	761,464	699,647	761,464
Net worth	3,923,751	3,998,834	4,068,298	4,183,003	4,193,820	4,252,044	3,998,834	4,252,044

Credit market summary table

	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	2003	2004
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	834,781	844,768	853,808	872,440	888,302	900,445	844,768	900,445
Consumer credit	217,529	222,092	224,009	230,777	236,215	241,369	222,092	241,369
Bank loans	33,538	33,417	34,885	35,072	34,807	34,568	33,417	34,568
Other loans	68,801	68,557	69,333	69,707	69,641	69,928	68,557	69,928
Mortgages	514,913	520,702	525,581	536,884	547,639	554,580	520,702	554,580
Non-financial private corporations	540,634	544,885	555,600	565,110	561,650	558,898	544,885	558,898
Bank loans	107,774	106,069	108,762	110,638	112,598	113,301	106,069	113,301
Other loans	76,169	77,407	75,927	75,082	72,933	72,612	77,407	72,612
Other short-term paper	40,500	36,092	39,467	39,575	39,595	38,351	36,092	38,351
Mortgages	99,913	100,954	102,686	104,232	105,701	107,275	100,954	107,275
Bonds	216,278	224,363	228,758	235,583	230,823	227,359	224,363	227,359
Non-financial government enterprises	67,766	66,214	65,838	65,838	64,658	65,078	66,214	65,078
Bank loans	2,223	3,233	2,928	2,984	2,738	2,737	3,233	2,737
Other loans	6,752	5,942	5,806	5,718	6,168	6,216	5,942	6,216
Other short-term paper	8,005	7,078	6,225	7,169	6,785	6,022	7,078	6,022
Mortgages	99	99	99	97	97	97	99	97
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,116	48,051	48,997	47,701	46,722	47,590	48,051	47,590
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,450	1,690	1,662	2,048	2,027	2,295	1,690	2,295
Federal government	434,204	430,411	431,473	427,432	419,903	410,613	430,411	410,613
Bank loans	103	103	100	100	100	100	103	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	114,699	118,941	116,764	116,791	115,921	118,787	118,941	118,787
Canada bonds	319,402	311,367	314,609	310,541	303,882	291,726	311,367	291,726
Canada savings bonds	21,382	20,468	21,330	21,208	21,063	19,462	20,468	19,462
Other bonds	298,020	290,899	293,279	289,333	282,819	272,264	290,899	272,264
Other levels of government	373,850	373,043	380,680	390,016	391,635	397,636	373,043	397,636
Bank loans	4,350	4,341	3,899	3,863	3,856	3,873	4,341	3,873
Other loans	11,698	11,804	12,058	12,579	13,660	13,890	11,804	13,890
Other short-term paper	13,847	14,797	13,932	22,797	19,682	18,398	14,797	18,398
Mortgages	2,304	2,304	2,050	2,050	2,050	2,050	2,304	2,050
Provincial bonds	304,466	302,938	311,672	310,603	313,884	320,664	302,938	320,664
Municipal bonds	35,350	35,018	35,222	36,271	36,644	36,896	35,018	36,896
Other bonds	1,835	1,841	1,847	1,853	1,859	1,865	1,841	1,865
Total funds raised by domestic non-financial sectors	2,251,235	2,259,321	2,287,399	2,320,836	2,326,148	2,332,670	2,259,321	2,332,670
Consumer credit	217,529	222,092	224,009	230,777	236,215	241,369	222,092	241,369
Bank loans	147,988	147,163	150,574	152,657	154,099	154,579	147,163	154,579
Other loans	163,420	163,710	163,124	163,086	162,402	162,646	163,710	162,646
Canada short-term paper	114,699	118,941	116,764	116,791	115,921	118,787	118,941	118,787
Other short-term paper	62,352	57,967	59,624	69,541	66,062	62,771	57,967	62,771
Mortgages	617,229	624,059	630,416	643,263	655,487	664,002	624,059	664,002
Bonds	928,018	925,389	942,888	944,721	935,962	928,516	925,389	928,516
Non-residents	56,176	55,470	55,532	58,746	58,142	57,864	55,470	57,864
Bank loans	20,612	21,269	21,600	23,761	24,469	25,144	21,269	25,144
Other loans	35,564	34,201	33,932	34,985	33,673	32,720	34,201	32,720
Mortgages	...	...	0	0	0	...	...	...
Total borrowing excluding domestic financial institutions	2,307,411	2,314,791	2,342,931	2,379,582	2,384,290	2,390,534	2,314,791	2,390,534
Domestic financial institutions	382,326	388,566	392,595	400,168	400,339	408,456	388,566	408,456
Bank loans	11,287	7,458	11,218	12,841	12,515	11,640	7,458	11,640
Other loans	24,664	28,712	27,895	29,316	27,916	31,483	28,712	31,483
Other short-term paper	108,809	108,982	104,577	97,423	96,505	97,077	108,982	97,077
Mortgages	4,391	5,156	5,235	6,677	6,656	7,057	5,156	7,057
Bonds	233,175	238,258	243,670	253,911	256,747	261,199	238,258	261,199
Total funds raised = total funds supplied	2,689,737	2,703,357	2,735,526	2,779,750	2,784,629	2,798,990	2,703,357	2,798,990
Assets of:								
Persons and unincorporated business	131,987	135,556	131,661	124,826	124,242	125,003	135,556	125,003
Non-financial corporations	71,453	71,425	75,407	75,072	75,473	75,118	71,425	75,118
Governments	190,512	186,654	188,714	194,023	199,670	199,269	186,654	199,269
Non-residents	457,848	455,428	455,790	465,451	445,247	441,668	455,428	441,668
Domestic financial institutions	1,863,385	1,879,532	1,909,173	1,945,470	1,964,914	1,982,756	1,879,532	1,982,756