Catalogue no. 13-010-XIE

Canadian economic accounts quarterly review

First quarter 2005

Statistics Canada Statistique Canada

Canada

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
0	true zero or a value rounded to zero
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

How to obtain more information

Specific inquiries about this product and related statistics or services should be directed to: our information officer, Statistics Canada, Ottawa, Ontario, K1A 0T6 (telephone: 951-3640, iead-info-dcrd@statcan.ca).

For information on the wide range of data available from Statistics Canada, you can contact us by calling one of our toll-free numbers. You can also contact us by e-mail or by visiting our website.

National inquiries line	1 800 263-1136
National telecommunications device for the hearing impaired	1 800 363-7629
Depository Services Program inquiries	1 800 700-1033
Fax line for Depository Services Program	1 800 889-9734
E-mail inquiries	infostats@statcan.ca
Website	www.statcan.ca

Information to access the product

This product, catalogue no. 13-010-XIE, is available for free. To obtain a single issue, visit our website at www.statcan.ca and select Our Products and Services.

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner and in the official language of their choice. To this end, the Agency has developed standards of service that its employees observe in serving its clients. To obtain a copy of these service standards, please contact Statistics Canada toll free at 1 800 263-1136. The service standards are also published on www.statcan.ca under About Statistics Canada > Providing services to Canadians.

Statistics Canada
System of National Accounts

Canadian economic accounts quarterly review

First quarter 2005

Published by authority of the Minister responsible for Statistics Canada

© Minister of Industry, 2005

All rights reserved. The content of this publication may be reproduced, in whole or in part, and by any means, without further permission from Statistics Canada, subject to the following conditions: that it is done solely for the purposes of private study, research, criticism, review, newspaper summary, and/or for non-commercial purposes; and that Statistics Canada be fully acknowledged as follows: Source (or "Adapted from", if appropriate): Statistics Canada, name of product, catalogue, volume and issue numbers, reference period and page(s). Otherwise, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopy, for any purposes, without the prior written permission of Licensing Services, Marketing Division, Statistics Canada, Ottawa, Ontario, Canada, K1A 0T6.

June 2005

Catalogue no. 13-010-XIE, Vol. 4, no. 1

Frequency: Quarterly

ISSN 1703-7565

Ottawa

La version française de cette publication est disponible sur demande (n^{o} 13-010-XIF au catalogue).

Note of Appreciation

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

Related products and 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	13-001-PPB
Estimates of labour income	13F0016XPB
Provincial economic accounts	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	13-014-PPB
Spreadsheets	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

Table of contents

About this publication 5

Revision policy 5

Revisions in this issue 5

Overview 6

GDP by industry: highlights for March 2005 7

GDP by income and by expenditure 10

Consumer spending surged ahead 10
Inventory accumulation slowed 11
Housing investment stalled 12
Exports rebounded 12
Net lending position of corporate sector improved 13
Government surplus edged down 13
Total saving down slightly 13

GDP by industry 19

Motor vehicle manufacturers tailor their production 19
Oil extraction and exploration retreat 20
Construction activity declines for a third consecutive month 20
Wholesaling activity continues to rise 20
Other industries 20
Industry profile, first quarter 2005 21

Balance of international payments 24

Current account 24
Goods surplus falls again 24
Lower profits on direct investment 25
Services deficit increased slightly 25
Financial account 25
Moderate increase in direct investment abroad 25
Investment in foreign bonds continues to soar 26
Foreign direct investment in Canada highest in three years 26
Foreign investment in Canadian securities goes mainly to equities 27
Other investment 27

Financial flows 30

Household borrowing strengthened 30
Corporations continue to build surpluses 31
Federal short-term borrowing on the rise, provinces pay down some of their debt 31

Labour productivity, hourly compensation and unit labour cost 37

Comparable growth in productivity in the service and goods sectors 38
Businesses tighten control of their unit labour cost 38
Canadian businesses continue to lag their US counterparts 39
Competitive capacity among businesses crumbles with strong loonie 40
With the recent revisions in both countries, the productivity gap continues to favour the United States 41

International investment position 46

Moderate rise in Canadian direct investment abroad 47
Canadians buying foreign bonds at faster pace than stocks 47
US still accounts for nearly two-thirds of direct investment liability 47
Steady rise in proportion of foreign holdings of Canadian stocks 47
Decline in net foreign liability position with the US 48

National balance sheet accounts 50

Growth in national net worth accelerated 50
Household net worth driven by real estate and equities 50
Corporate debt-to-equity edged down 51
Government debt-to-GDP at twenty year low 51

The 2001-2004 revisions of the Income and Expenditure Accounts 55

Introduction 55
Revision schedule 55
Income and Expenditure Accounts revisions 55
Impact of the revisions on Gross Domestic Product (GDP) 55
Selected components - current revisions 56
Revisions to income aggregates (Table 3) 58
Revisions to expenditure aggregates at current prices (Table 4) 58
Other notable revisions 59

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, International investment position, National balance sheet:

With this release revisions have been made back to the first quarter of 2001.

GDP by industry:

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

Labour productivity, hourly compensation and unit labour cost:

With this release revisions have been made back to the first quarter of 1981.

Overview

First quarter 2005

Real Gross Domestic Product (GDP) grew 0.6% in the first quarter of 2005, a slight acceleration from previous quarter, boosted by consumer spending and strong growth in business investment in plant and equipment. Exports rebounded after two quarters of decline.

Real Gross Domestic Product, chained (1997) dollars[1]

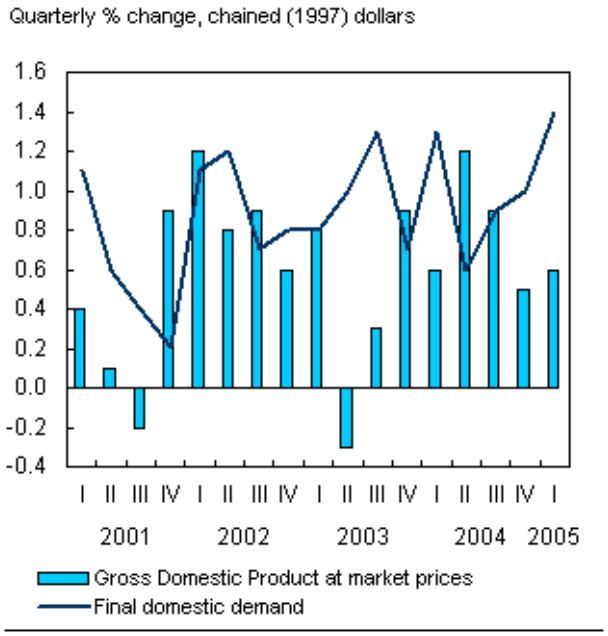
	Change	Annualized change	Year-over-year change
		%	
First quarter 2004	0.6	2.6	1.6
Second quarter 2004	1.2	5.0	3.1
Third quarter 2004	0.9	3.5	3.7
Fourth quarter 2004	0.5	2.1	3.3
First quarter 2005	0.6	2.3	3.3

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.

In March, economic output declined 0.1% after increasing 0.2% in both January and February.

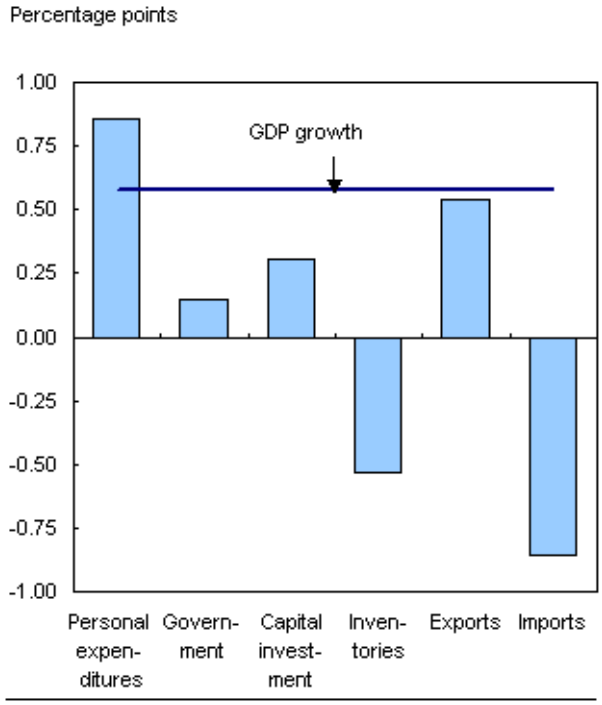
Overall, the Canadian economy grew at an annualized rate of 2.3% in the first three months of the year, compared with an annualized rate of 3.5% for the US economy.

Final domestic demand pushes GDP up 0.6%



Consumer spending surged ahead 1.5%, led by strong increases in purchases of durable and semi-durable goods, such as home furnishings, and clothing and footwear. The surge in consumer expenditures was felt throughout the economy and, combined with growth in government spending and business investment, helped push final domestic demand up 1.4%.

Personal expenditures main contributor to growth in GDP



Output in the retail and wholesale trade sectors jumped by more than 2.0%, and retailers reported widespread growth in profits. Overall, corporate profits increased 3.7% in the first quarter, a marked improvement over the last half of 2004, but still well off the 8 % pace set in the first and second quarters of 2004.

For the second quarter in a row, growth in service-producing industries (+0.9%) out-performed goods-producing industries, where output edged down 0.1%.

Real Gross Domestic Product at basic prices, by industry

	October 2004[r]	November 2004[r]	December 2004[r]	January 2005[r]	February 2005[r]	March 2005[p]
	Seasonally adjusted, chained (1997) dollars, month-to-month % change					
All industries	**0.1**	**0.3**	**0.2**	**0.2**	**0.2**	**-0.1**
Goods-producing industries	-0.1	0.2	0.2	0.1	-0.4	-0.6
Service-producing industries	0.1	0.4	0.2	0.3	0.5	0.1
Industrial production	-0.1	0.2	0.2	0.1	-0.4	-0.6
Manufacturing sector	-0.4	0.2	0.3	0.4	-0.1	-0.9
Construction	0.1	0.4	0.7	0.1	-0.1	-0.3
Wholesale trade	0.3	1.6	1.0	-0.3	1.5	0.8

[r] *Revised figure*
[p] *Preliminary figure*

The jump in final domestic demand and increase in exports served to slow down the large inventory accumulation that occurred in the last half of 2004. While inventories continued to accumulate in the first quarter, trade inventories accumulated at a much slower pace, especially wholesale inventories, while the build-up of manufacturing inventories was similar to the previous quarter.

The strong growth in personal spending was coupled with an increase in consumer borrowing and moderate growth in personal income, such that the household sector's saving rate fell below zero. Despite the marked trend since 2000 by the household sector to increasingly borrow to finance spending on housing and big-ticket items, the ratio of interest payments to disposable income remains at a low of 7.6%, relative to the peak of 9.4% in 1995. The national saving rate sat at 11%, as the $5 billion run down in household saving was more than offset by the 9.9% increase in corporate saving, surpassing the $100 billion dollar mark.

Industrial production (the output of factories, mines and utilities) decreased 0.2% as the mining, oil and gas sector receded. Manufacturing output increased a slight 0.3%, due in large part to machinery and electronic equipment manufacturers who were busy exporting. Overall exports increased 1.5% after two quarters of decline, bolstered by exports of machinery and equipment (+4.1%) and energy products (+5.6%).

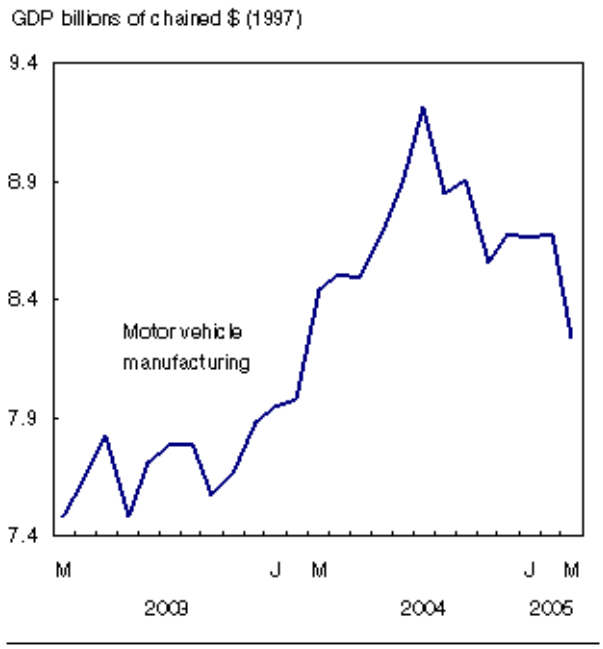
Business investment in residential construction declined 0.4%, as the value of new housing construction declined 1.6%, following six consecutive quarterly increases. The majority of this decline resulted from a substantial decline in the construction of single dwellings in the first quarter. In contrast, investment in non-residential construction posted its largest increase in six quarters (+1.8%).

Economy-wide prices, as measured by the chain price index for GDP, rose 0.4% again this quarter.

GDP by industry: highlights for March 2005

Economic activity declined 0.1% in March, in large part restrained by a reduction in output of motor vehicles, as manufacturers tailored their production to changing demand.

Motor vehicle manufacturers respond to changing demand



Manufacturing output decreased 0.9%, dragged down by the automotive sector led by motor vehicles (-5.1%) and parts (-3.8%). Weakness in the manufacturing sector was widespread, as 15 of the 21 major groups decreased, accounting for 71% of the sector's value added.

Activity in the mining and oil and gas extraction sector fell 0.9% in March, pulled down by reductions in oil and gas extraction (-0.6%), and in support activities (-7.3%). Oil producers in the tar sands were busy re-establishing their output levels following a series of problems that plagued the industry since January.

Construction activity decreased 0.3% in March. Residential construction reported its third and steepest consecutive monthly decline (-1.4%), while non-residential building construction edged up 0.1%. Engineering, repairs and other construction activity also increased 0.5%.

Wholesaling activity rose 0.8% in March. The largest gains were reported by wholesalers of machinery and electronic equipment, and personal and household products. Retailing activity decreased 0.2%, following strong growth in January and February. Food and beverage stores reported the largest gains, and automotive stores recorded the largest decreases.

Canadian economic accounts key indicators[1]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	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	626,652	633,052	641,204	647,288	654,312	660,360	617,753	643,964
	1.2	*1.0*	*1.3*	*0.9*	*1.1*	*0.9*	*4.2*	*4.2*
Corporation profits before taxes	150,532	163,128	177,176	178,804	181,484	188,188	147,592	175,148
	3.5	*8.4*	*8.6*	*0.9*	*1.5*	*3.7*	*8.7*	*18.7*
Interest and miscellaneous investment income	50,180	51,828	55,380	57,112	57,312	58,124	50,223	55,408
	-3.2	*3.3*	*6.9*	*3.1*	*0.4*	*1.4*	*6.5*	*10.3*
Net income of unincorporated business	80,024	81,496	83,712	85,068	85,296	85,644	78,438	83,893
	2.5	*1.8*	*2.7*	*1.6*	*0.3*	*0.4*	*4.4*	*7.0*
Taxes less subsidies	144,784	144,672	148,568	150,276	151,212	151,064	141,424	148,682
	1.2	*-0.1*	*2.7*	*1.1*	*0.6*	*-0.1*	*2.1*	*5.1*
Personal disposable income	725,864	733,644	747,232	751,336	757,772	759,996	719,553	747,496
	0.7	*1.1*	*1.9*	*0.5*	*0.9*	*0.3*	*3.7*	*3.9*
Personal saving rate[2]	2.3	1.4	1.9	1.4	1.0	-0.6	2.4	1.4
	...	...	...	...	...	...	...	...
	Seasonally adjusted at annual rates, millions of chained (1997) dollars							
Personal expenditure on consumer goods and services	624,446	633,820	637,204	642,702	648,794	658,810	619,401	640,630
	0.1	*1.5*	*0.5*	*0.9*	*0.9*	*1.5*	*3.1*	*3.4*
Government current expenditure on goods and services	206,711	208,019	209,664	210,713	211,801	213,453	204,593	210,049
	1.2	*0.6*	*0.8*	*0.5*	*0.5*	*0.8*	*2.9*	*2.7*
Gross fixed capital formation	233,051	236,204	237,551	241,206	245,637	249,755	225,199	240,150
	2.0	*1.4*	*0.6*	*1.5*	*1.8*	*1.7*	*5.9*	*6.6*
Investment in inventories	9,831	3,944	2,367	17,458	22,370	15,815	11,065	11,535
	...	...	...	...	...	...	...	...
Exports of goods and services	448,909	449,268	469,204	465,940	462,289	469,010	439,784	461,675
	3.3	*0.1*	*4.4*	*-0.7*	*-0.8*	*1.5*	*-2.1*	*5.0*
Imports of goods and services	420,981	422,115	433,860	446,727	455,772	467,394	406,664	439,619
	4.9	*0.3*	*2.8*	*3.0*	*2.0*	*2.5*	*4.1*	*8.1*
Gross domestic product at market prices	1,100,645	1,107,771	1,121,455	1,131,229	1,137,256	1,143,801	1,092,388	1,124,428
	0.9	*0.6*	*1.2*	*0.9*	*0.5*	*0.6*	*2.0*	*2.9*
GDP at basic prices, by industry								
Goods producing industries	320,947	323,019	327,179	331,243	331,944	331,501	317,208	328,346
	1.4	*0.6*	*1.3*	*1.2*	*0.2*	*-0.1*	*1.7*	*3.5*
Services producing industries	704,532	708,786	715,853	721,276	725,621	731,901	697,886	717,884
	0.9	*0.6*	*1.0*	*0.8*	*0.6*	*0.9*	*2.5*	*2.9*
Industrial production	240,806	241,773	245,503	248,581	248,610	248,048	238,435	246,117
	1.4	*0.4*	*1.5*	*1.3*	*0.0*	*-0.2*	*0.7*	*3.2*
Non-durable manufacturing	72,901	73,228	74,026	74,865	74,526	74,334	72,913	74,161
	1.3	*0.4*	*1.1*	*1.1*	*-0.5*	*-0.3*	*-0.0*	*1.7*
Durable manufacturing	103,385	103,783	106,724	109,086	109,154	109,936	101,679	107,187
	2.6	*0.4*	*2.8*	*2.2*	*0.1*	*0.7*	*0.2*	*5.4*
Information and communication technologies sector (ICT)	58,853	59,489	60,100	62,059	62,296	63,254	57,076	60,986
	3.6	*1.1*	*1.0*	*3.3*	*0.4*	*1.5*	*3.8*	*6.9*
Manufacturing	176,482	177,209	180,911	184,092	183,808	184,375	174,820	181,505
	2.1	*0.4*	*2.1*	*1.8*	*-0.2*	*0.3*	*0.1*	*3.8*
Agriculture, forestry, fishing and hunting	23,011	23,537	23,763	24,256	24,291	24,094	22,842	23,962
	0.6	*2.3*	*1.0*	*2.1*	*0.1*	*-0.8*	*7.6*	*4.9*
Construction	57,520	58,167	58,314	58,810	59,499	59,835	56,273	58,698
	1.9	*1.1*	*0.3*	*0.9*	*1.2*	*0.6*	*4.4*	*4.3*
Wholesale trade	64,099	63,722	65,490	66,646	67,752	69,182	61,941	65,902
	5.0	*-0.6*	*2.8*	*1.8*	*1.7*	*2.1*	*5.6*	*6.4*
Retail trade	57,419	58,581	58,896	59,796	60,325	61,560	57,126	59,399
	-0.9	*2.0*	*0.5*	*1.5*	*0.9*	*2.0*	*2.8*	*4.0*

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.

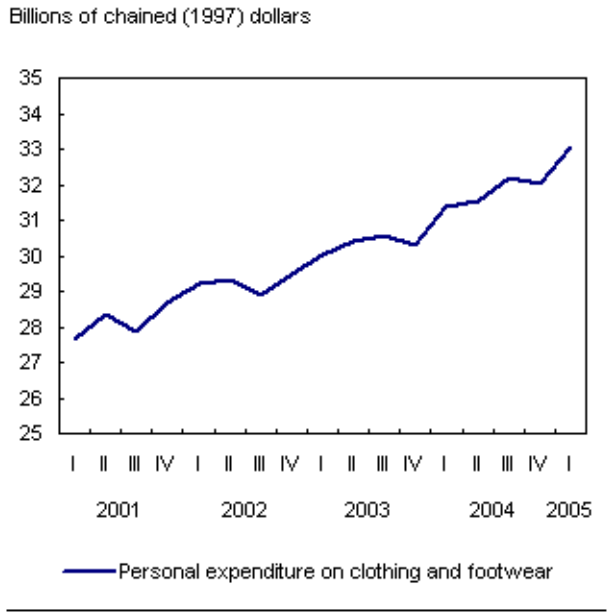
GDP by income and by expenditure

First quarter 2005

Consumer spending surged ahead

Canadians went on a shopping spree in the first quarter of 2005, driving personal expenditures on goods and services up 1.5%, almost double the average 0.8% pace of the previous three quarters. Spending on clothing and footwear was up 3.3%, similar to last year's first quarter pace, spurred by increased after-Christmas use of gift cards. All this activity helped drive up profits in clothing and department stores.

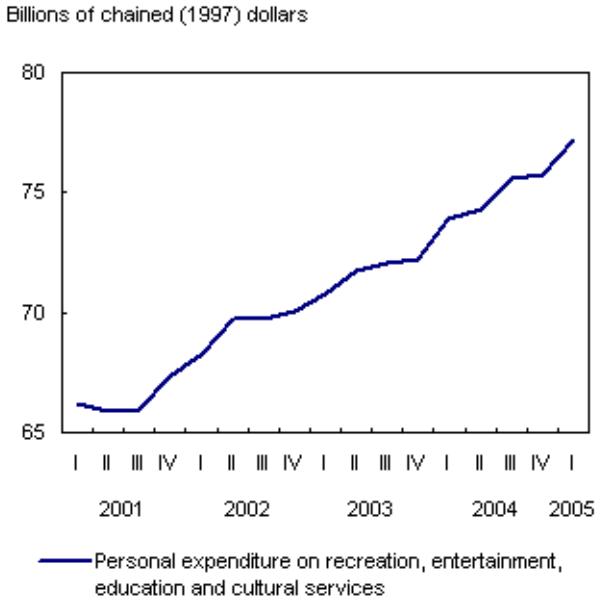
Expenditures on clothing and footwear jumped



Consumers were also out in full force purchasing furniture, furnishings and household equipment, driving up the profits of retailers of these goods. Spending on food and non-alcoholic beverages posted a 2.0% increase and alcoholic beverages bought in stores were up 1.8%, rebounding from the 1.2% decline of last quarter.

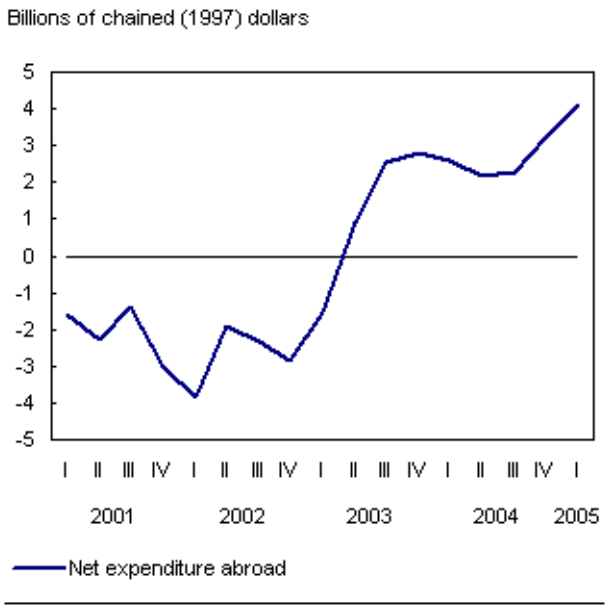
Purchases of recreation, entertainment, education and cultural services accelerated 1.9% in the first quarter, up from 0.2% in the last quarter. Although spending on recreational services remained weak, up marginally 0.3% after falling 1.6% in the fourth quarter, expenditures on recreational, sporting and camping equipment and on reading and entertainment supplies rose 4.2% and 2.1%, respectively. Spending on all of these goods and services have been steadily increasing over the last decade, and now account for almost 12% of total personal expenditures

Personal expenditure on recreation, entertainment, education and cultural services continued to climb



While the appreciation of the currency in the last six months of 2004 succeeded in attracting goods to Canada, it has had the adverse effect on travel, as the number of foreigners visiting Canada and staying for one or more nights declined for the third consecutive quarter. The opposite was true for Canadians who hopped in their cars or on a plane and headed south of the border. The number of Canadians returning from the United States after staying one or more nights increased 3.3% in the first quarter of 2005, following a 5.7% increase in the fourth quarter. The end result was another double-digit increase in net expenditure abroad.

Double-digit increase in net expenditure abroad



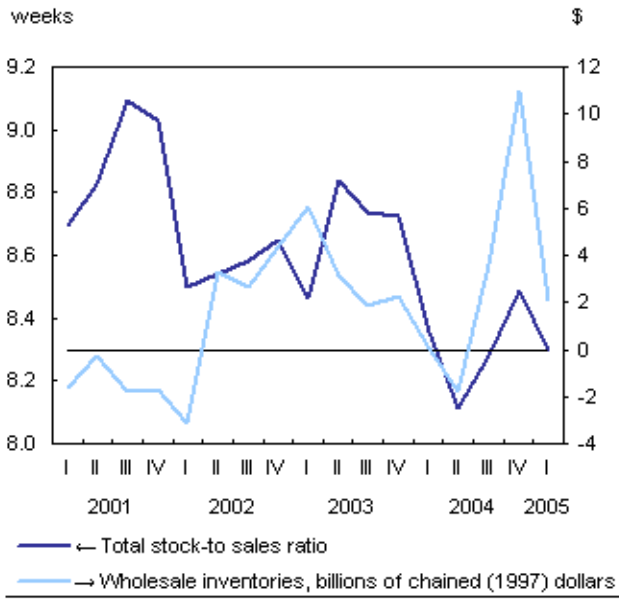
Inventory accumulation slowed

Business inventories (excluding farm inventories) increased $13.0 billion in the quarter, a much slower build-up than the last quarter of 2004. Wholesalers accumulated much less inventory, as inventories of building materials were built up at a much slower pace, and motor vehicles and other durable inventories were drawn down.

Manufacturers' inventories continued to accumulate, especially raw materials and goods in process which both accelerated, while finished goods inventories decelerated.

The economy-wide inventory to sales ratio edged down, leaving sufficient inventories to satisfy 61 days of sales at current prices.

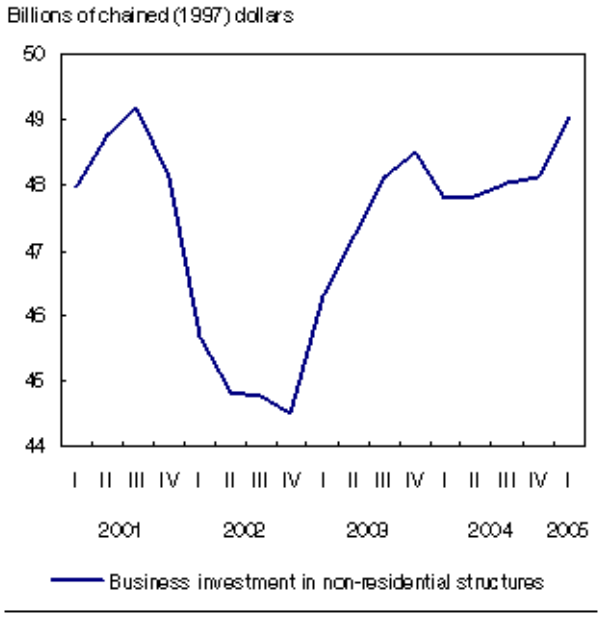
Inventory to sales ratio edged down as wholesale inventory accumulation slows



Business investment in plant and equipment jumped

Overall business investment in plant and equipment increased 3.0%, maintaining a string of healthy advances over the previous two quarters, led by the strength of investment in machinery and equipment, and the first solid quarterly increase of investment in non-residential structures in over a year (+1.8%). Businesses more than tripled the pace of their investment in buildings in the first quarter of 2005, up 3.2%, returning to a level of investment not seen since the first quarter of 2002. Engineering outlays were also strong this quarter, up 1.2%.

Investment in non-residential structures picks up



Business investment in machinery and equipment remained strong, up 3.8% in the quarter, and has now grown almost 3.5% on average over three consecutive quarters. Businesses continued to invest heavily in computers and other office equipment (+10.9%) and industrial machinery (+6.5%).

Investment in machinery and equipment continued to drive up total imports of goods (+2.7%), the fourth consecutive healthy quarterly increase. Imports of machinery and equipment, the largest component of goods imports, rose an additional 2.7%, although lower than the average 3.9% registered over the previous three quarters.

Housing investment stalled

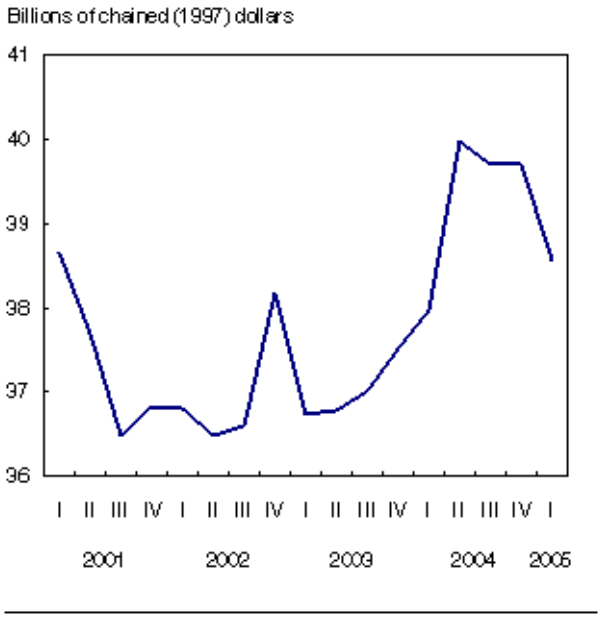
While Canadians spent the quarter purchasing new home furnishings, investment in residential construction weakened considerably, registering its first quarterly decline since 2000. Furthermore, the growth in renovations activity slowed considerably, but ownership transfers costs rebounded, after declining the previous two quarters, reflecting a stronger resale housing market. Sales of completed multiple dwellings increased 12.6%, while sales of single dwellings were up marginally 0.1%.

Exports rebounded

Exports rebounded 1.5%, after two quarters of decline, returning to the record level reached in the second quarter of 2004. Exports of energy products (+5.6%), machinery and equipment (+4.1%) and industrial goods and materials (+2.3%) contributed most to export growth, which was dampened by declines in automotive and forestry products. Exports of forestry products, strong in the first two quarters of 2004, declined for the third consecutive quarter, by an additional 2.8%. Exports of other resource related products continued their solid performance as exports of natural gas, copper ores, iron ores, crude petroleum, and agricultural and fish products, all registered gains.

In addition, exports of services were up 1.3%, helped by a pick-up in transportation services and sustained commercial services.

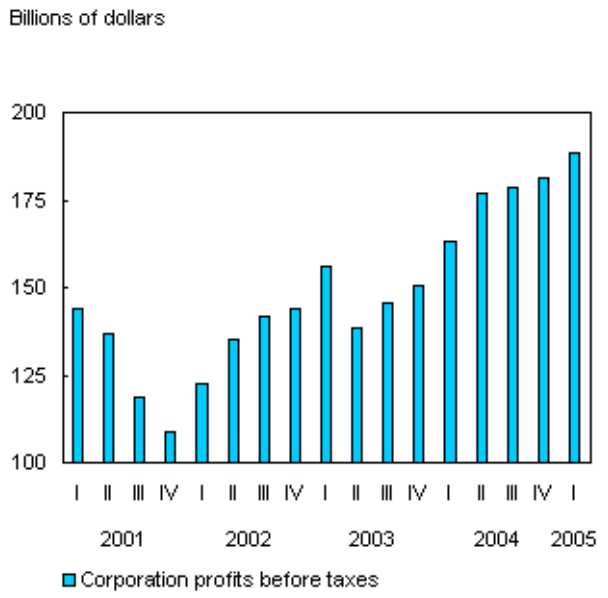
Exports of forestry products declined



Net lending position of corporate sector improved

Corporate profits increased 3.7% in the quarter, substantially lower than the 8% pace set in the first and second quarters of 2004. Mining companies and banks reported strong profits, whereas motor vehicles and parts manufacturers' profits were weak. Increased corporate profits combined with substantially reduced outlays of interest, dividends and miscellaneous payments resulted in a record level of corporate saving surpassing the 100 billion dollar mark.

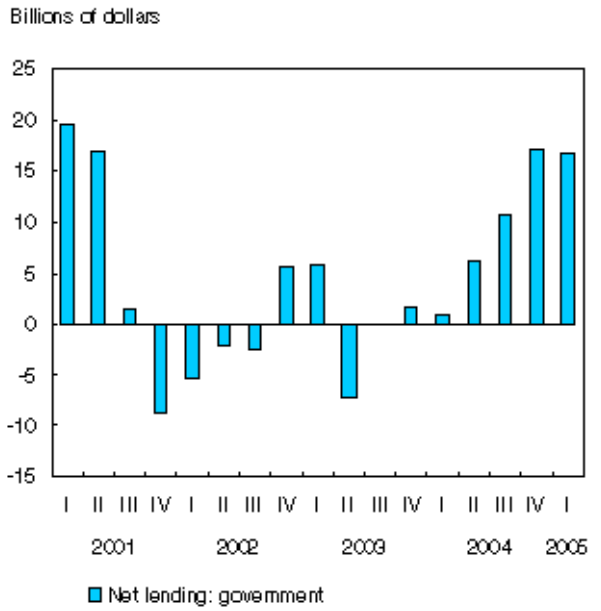
Corporate profits continued to climb



Government surplus edged down

The surplus of the government sector (on a national accounts basis) fell back slightly in the first quarter, although still remained high at $16.7 billion. The growth of government revenues slowed to 1.0% partly as a result of declines in investment income, offset by increased income tax revenue from corporations and persons. Outlays advanced more rapidly, particularly government expenditures on goods and services (+1.6%) and subsidies on products (+9.7%), which included another payment of Alberta natural gas rebates. Transfers to non-residents increased sharply (+28.4%), reflecting government contributions to tsunami relief efforts. Increased outlays were offset somewhat by declining government transfers to persons, and interest on the public debt.

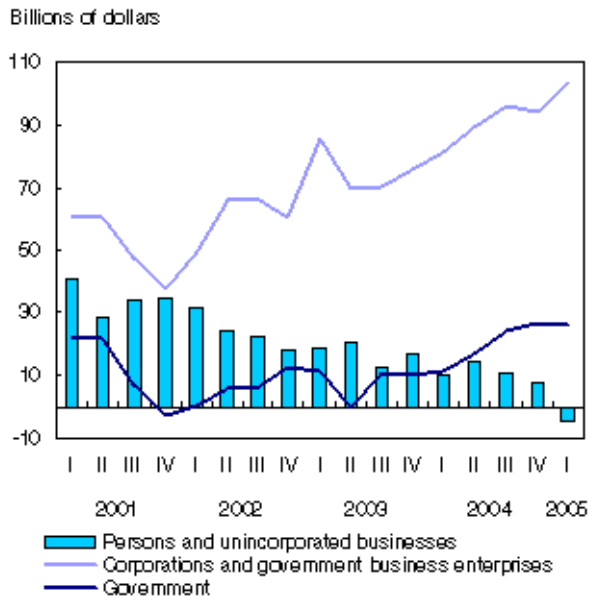
Government surplus edged down



Total saving down slightly

The combined saving of all sectors of the economy declined 0.8% in the first quarter, following a third and fourth quarter rise of 22.2% and 10.0%, respectively. While corporations increased their saving, the saving of both government and persons declined. Total saving, the funds available for investment, remains well above $100 billion and has more than doubled since the first quarter of 2002.

Personal saving continues to decline while corporate saving jumps



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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Wages, salaries and supplementary labour income	626,652	633,052	641,204	647,288	654,312	660,360	617,753	643,964
	1.2	*1.0*	*1.3*	*0.9*	*1.1*	*0.9*	*4.2*	*4.2*
Corporation profits before taxes	150,532	163,128	177,176	178,804	181,484	188,188	147,592	175,148
	3.5	*8.4*	*8.6*	*0.9*	*1.5*	*3.7*	*8.7*	*18.7*
Government business enterprise profits before taxes	11,548	11,836	11,324	12,084	12,124	12,700	11,630	11,842
	9.7	*2.5*	*-4.3*	*6.7*	*0.3*	*4.8*	*0.9*	*1.8*
Interest and miscellaneous investment income	50,180	51,828	55,380	57,112	57,312	58,124	50,223	55,408
	-3.2	*3.3*	*6.9*	*3.1*	*0.4*	*1.4*	*6.5*	*10.3*
Accrued net income of farm operators from farm production	1,932	2,220	2,828	3,364	3,052	2,172	1,280	2,866
	117.6	*14.9*	*27.4*	*19.0*	*-9.3*	*-28.8*	*49.7*	*123.9*
Net income of non-farm unincorporated business, including rent	78,092	79,276	80,884	81,704	82,244	83,472	77,158	81,027
	1.1	*1.5*	*2.0*	*1.0*	*0.7*	*1.5*	*3.9*	*5.0*
Inventory valuation adjustment	1,000	-4,444	-5,856	796	2,828	156	5,075	-1,669
	...	...	...	...	...	...	...	...
Taxes less subsidies, on factors of production	57,136	57,576	58,508	58,672	59,160	59,160	56,376	58,479
	0.5	*0.8*	*1.6*	*0.3*	*0.8*	*0.0*	*4.4*	*3.7*
Net domestic product at basic prices	**977,072**	**994,472**	**1,021,448**	**1,039,824**	**1,052,516**	**1,064,332**	**967,087**	**1,027,065**
	1.2	***1.8***	***2.7***	***1.8***	***1.2***	***1.1***	***5.9***	***6.2***
Taxes less subsidies, on products	87,648	87,096	90,060	91,604	92,052	91,904	85,048	90,203
	1.7	*-0.6*	*3.4*	*1.7*	*0.5*	*-0.2*	*0.6*	*6.1*
Capital consumption allowances	166,364	168,948	171,540	173,552	175,408	177,228	163,602	172,362
	1.0	*1.6*	*1.5*	*1.2*	*1.1*	*1.0*	*4.9*	*5.4*
Statistical discrepancy	1,296	1,864	1,220	504	-1,368	-2,164	454	555
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,232,380**	**1,252,380**	**1,284,268**	**1,305,484**	**1,318,608**	**1,331,300**	**1,216,191**	**1,290,185**
	1.3	***1.6***	***2.5***	***1.7***	***1.0***	***1.0***	***5.4***	***6.1***

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Personal expenditure on consumer goods and services	694,048	708,200	717,384	724,980	734,376	748,496	687,791	721,235
	0.0	*2.0*	*1.3*	*1.1*	*1.3*	*1.9*	*4.8*	*4.9*
Durable goods	91,332	93,688	94,412	95,236	96,964	99,840	93,600	95,075
	-4.5	*2.6*	*0.8*	*0.9*	*1.8*	*3.0*	*1.3*	*1.6*
Semi-durable goods	58,988	60,616	61,188	62,116	62,140	63,968	58,642	61,515
	0.4	*2.8*	*0.9*	*1.5*	*0.0*	*2.9*	*2.7*	*4.9*
Non-durable goods	169,076	173,088	176,340	178,728	182,132	185,428	168,502	177,572
	-0.1	*2.4*	*1.9*	*1.4*	*1.9*	*1.8*	*6.4*	*5.4*
Services	374,652	380,808	385,444	388,900	393,140	399,260	367,047	387,073
	1.3	*1.6*	*1.2*	*0.9*	*1.1*	*1.6*	*5.3*	*5.5*
Government current expenditure on goods and services	241,596	244,564	248,040	249,356	252,176	256,600	236,631	248,534
	1.7	*1.2*	*1.4*	*0.5*	*1.1*	*1.8*	*5.7*	*5.0*
Government gross fixed capital formation	31,424	32,596	33,116	33,272	33,380	33,728	30,953	33,091
	1.6	*3.7*	*1.6*	*0.5*	*0.3*	*1.0*	*4.1*	*6.9*
Government investment in inventories	36	-76	260	156	-256	36	15	21
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	214,156	218,556	224,716	228,744	231,452	236,808	207,120	225,867
	1.9	*2.1*	*2.8*	*1.8*	*1.2*	*2.3*	*5.8*	*9.1*
Residential structures	77,196	79,820	83,016	84,876	86,516	87,020	72,971	83,557
	3.5	*3.4*	*4.0*	*2.2*	*1.9*	*0.6*	*11.0*	*14.5*
Non-residential structures	55,508	55,576	56,652	57,828	58,500	59,736	53,883	57,139
	1.8	*0.1*	*1.9*	*2.1*	*1.2*	*2.1*	*7.8*	*6.0*
Machinery and equipment	81,452	83,160	85,048	86,040	86,436	90,052	80,266	85,171
	0.4	*2.1*	*2.3*	*1.2*	*0.5*	*4.2*	*0.1*	*6.1*
Business investment in inventories	5,760	-764	-1,276	13,636	19,436	12,780	7,239	7,758
	...	...	...	...	...	...	...	...
Non-farm	3,940	-1,968	-2,708	12,088	17,636	11,760	6,018	6,262
	...	...	...	...	...	...	...	...
Farm	1,820	1,204	1,432	1,548	1,800	1,020	1,221	1,496
	...	...	...	...	...	...	...	...
Exports of goods and services	456,928	466,872	507,364	505,948	490,136	495,900	461,266	492,580
	1.2	*2.2*	*8.7*	*-0.3*	*-3.1*	*1.2*	*-3.5*	*6.8*
Goods	394,604	404,808	443,740	442,276	425,736	430,648	400,176	429,140
	0.9	*2.6*	*9.6*	*-0.3*	*-3.7*	*1.2*	*-3.4*	*7.2*
Services	62,324	62,064	63,624	63,672	64,400	65,252	61,090	63,440
	3.0	*-0.4*	*2.5*	*0.1*	*1.1*	*1.3*	*-4.6*	*3.8*
Deduct: Imports of goods and services	410,272	415,708	444,116	450,100	443,460	455,208	414,370	438,346
	1.7	*1.3*	*6.8*	*1.3*	*-1.5*	*2.6*	*-3.1*	*5.8*
Goods	336,228	340,772	367,712	375,832	368,000	377,928	342,611	363,079
	1.5	*1.4*	*7.9*	*2.2*	*-2.1*	*2.7*	*-4.0*	*6.0*
Services	74,044	74,936	76,404	74,268	75,460	77,280	71,759	75,267
	2.6	*1.2*	*2.0*	*-2.8*	*1.6*	*2.4*	*1.2*	*4.9*
Statistical discrepancy	-1,296	-1,860	-1,220	-508	1,368	2,160	-454	-555
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,232,380**	**1,252,380**	**1,284,268**	**1,305,484**	**1,318,608**	**1,331,300**	**1,216,191**	**1,290,185**
	1.3	***1.6***	***2.5***	***1.7***	***1.0***	***1.0***	***5.4***	***6.1***
Final domestic demand	*1,181,224*	*1,203,916*	*1,223,256*	*1,236,352*	*1,251,384*	*1,275,632*	*1,162,495*	*1,228,727*
	0.8	*1.9*	*1.6*	*1.1*	*1.2*	*1.9*	*5.1*	*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 quarterly rates.

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]							
Personal expenditure on consumer goods and services	624,446	633,820	637,204	642,702	648,794	658,810	619,401	640,630
	0.1	*1.5*	*0.5*	*0.9*	*0.9*	*1.5*	*3.1*	*3.4*
Durable goods	93,590	96,473	97,320	98,552	100,130	102,848	95,189	98,119
	-4.2	*3.1*	*0.9*	*1.3*	*1.6*	*2.7*	*2.1*	*3.1*
Semi-durable goods	56,642	58,512	59,140	60,337	60,344	61,905	56,474	59,583
	-0.3	*3.3*	*1.1*	*2.0*	*0.0*	*2.6*	*3.4*	*5.5*
Non-durable goods	140,994	142,733	142,697	143,747	145,154	147,405	140,349	143,583
	0.5	*1.2*	*-0.0*	*0.7*	*1.0*	*1.6*	*2.3*	*2.3*
Services	333,751	336,948	339,036	341,202	344,352	348,096	328,208	340,385
	1.0	*1.0*	*0.6*	*0.6*	*0.9*	*1.1*	*3.7*	*3.7*
Government current expenditure on goods and services	206,711	208,019	209,664	210,713	211,801	213,453	204,593	210,049
	1.2	*0.6*	*0.8*	*0.5*	*0.5*	*0.8*	*2.9*	*2.7*
Government gross fixed capital formation	30,842	31,743	31,635	31,614	31,894	32,284	30,237	31,722
	2.0	*2.9*	*-0.3*	*-0.1*	*0.9*	*1.2*	*4.5*	*4.9*
Government investment in inventories	32	-68	224	136	-216	32	14	19
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	202,282	204,552	205,996	209,654	213,796	217,519	195,047	208,500
	2.0	*1.1*	*0.7*	*1.8*	*2.0*	*1.7*	*6.2*	*6.9*
Residential structures	63,697	65,048	66,017	67,165	68,019	67,736	61,436	66,562
	2.0	*2.1*	*1.5*	*1.7*	*1.3*	*-0.4*	*6.2*	*8.3*
Non-residential structures	48,499	47,785	47,815	48,018	48,124	49,007	47,534	47,936
	0.8	*-1.5*	*0.1*	*0.4*	*0.2*	*1.8*	*5.7*	*0.8*
Machinery and equipment	89,579	91,328	91,675	94,175	97,838	101,599	85,415	93,754
	2.8	*2.0*	*0.4*	*2.7*	*3.9*	*3.8*	*6.4*	*9.8*
Business investment in inventories	9,798	4,021	2,118	17,308	22,619	15,777	11,052	11,517
	...	...	...	...	...	...	...	...
Non-farm	5,773	834	-610	14,331	19,281	13,036	7,327	8,459
	...	...	...	...	...	...	...	...
Farm	3,745	2,881	2,369	2,285	2,555	2,014	3,438	2,523
	...	...	...	...	...	...	...	...
Exports of goods and services	448,909	449,268	469,204	465,940	462,289	469,010	439,784	461,675
	3.3	*0.1*	*4.4*	*-0.7*	*-0.8*	*1.5*	*-2.1*	*5.0*
Goods	391,148	392,184	411,461	408,164	404,037	409,979	383,414	403,962
	3.4	*0.3*	*4.9*	*-0.8*	*-1.0*	*1.5*	*-1.8*	*5.4*
Services	57,876	57,240	57,967	57,991	58,439	59,224	56,495	57,909
	2.8	*-1.1*	*1.3*	*0.0*	*0.8*	*1.3*	*-4.0*	*2.5*
Deduct: Imports of goods and services	420,981	422,115	433,860	446,727	455,772	467,394	406,664	439,619
	4.9	*0.3*	*2.8*	*3.0*	*2.0*	*2.5*	*4.1*	*8.1*
Goods	354,869	355,794	367,858	381,683	387,869	398,264	344,797	373,301
	4.9	*0.3*	*3.4*	*3.8*	*1.6*	*2.7*	*3.6*	*8.3*
Services	65,731	65,934	65,924	65,358	68,008	69,312	61,787	66,306
	4.6	*0.3*	*-0.0*	*-0.9*	*4.1*	*1.9*	*6.4*	*7.3*
Statistical discrepancy	-1,157	-1,645	-1,065	-440	1,180	1,856	-405	-493
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,100,645**	**1,107,771**	**1,121,455**	**1,131,229**	**1,137,256**	**1,143,801**	**1,092,388**	**1,124,428**
	0.9	***0.6***	***1.2***	***0.9***	***0.5***	***0.6***	***2.0***	***2.9***
Final domestic demand	*1,063,642*	*1,077,392*	*1,083,788*	*1,093,886*	*1,105,353*	*1,121,022*	*1,048,895*	*1,090,105*
	0.7	*1.3*	*0.6*	*0.9*	*1.0*	*1.4*	*3.6*	*3.9*

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Quarter to quarter % change at annual rates, chained (1997) dollars							
Personal expenditure on consumer goods and services	0.3	6.1	2.2	3.5	3.8	6.3	3.1	3.4
Durable goods	-15.8	12.9	3.6	5.2	6.6	11.3	2.1	3.1
Semi-durable goods	-1.1	13.9	4.4	8.3	0.0	10.8	3.4	5.5
Non-durable goods	2.0	5.0	-0.1	3.0	4.0	6.3	2.3	2.3
Services	4.2	3.9	2.5	2.6	3.7	4.4	3.7	3.7
Government current expenditure on goods and services	5.0	2.6	3.2	2.0	2.1	3.2	2.9	2.7
Government gross fixed capital formation	8.0	12.2	-1.4	-0.3	3.6	5.0	4.5	4.9
Government investment in inventories[2]	32	-100	292	-88	-352	248	54	5
Business gross fixed capital formation	8.2	4.6	2.9	7.3	8.1	7.1	6.2	6.9
Residential structures	8.2	8.8	6.1	7.1	5.2	-1.7	6.2	8.3
Non-residential structures	3.3	-5.8	0.3	1.7	0.9	7.5	5.7	0.8
Machinery and equipment	11.8	8.0	1.5	11.4	16.5	16.3	6.4	9.8
Business investment in inventories[2]	7,573	-5,777	-1,903	15,190	5,311	-6,842	9,252	464
Non-farm[2]	7,910	-4,939	-1,444	14,941	4,950	-6,245	4,936	1,132
Farm[2]	-589	-864	-512	-84	270	-541	4,193	-916
Exports of goods and services	13.8	0.3	19.0	-2.8	-3.1	5.9	-2.1	5.0
Goods	14.1	1.1	21.2	-3.2	-4.0	6.0	-1.8	5.4
Services	11.7	-4.3	5.2	0.2	3.1	5.5	-4.0	2.5
Deduct: Imports of goods and services	20.9	1.1	11.6	12.4	8.3	10.6	4.1	8.1
Goods	21.2	1.0	14.3	15.9	6.6	11.2	3.6	8.3
Services	19.8	1.2	-0.1	-3.4	17.2	7.9	6.4	7.3
Statistical discrepancy[2]	-271	-488	580	625	1,620	676	222	-88
Gross domestic product at market prices	**3.6**	**2.6**	**5.0**	**3.5**	**2.1**	**2.3**	**2.0**	**2.9**
Final domestic demand	*2.8*	*5.3*	*2.4*	*3.8*	*4.3*	*5.8*	*3.6*	*3.9*

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Using seasonally adjusted data, percentage points							
Personal expenditure on consumer goods and services	0.040	0.844	0.301	0.481	0.526	0.860	1.769	1.933
Durable goods	-0.329	0.227	0.065	0.093	0.117	0.199	0.164	0.232
Semi-durable goods	-0.013	0.157	0.052	0.096	0.001	0.122	0.164	0.262
Non-durable goods	0.069	0.169	-0.003	0.101	0.134	0.214	0.314	0.320
Services	0.313	0.291	0.188	0.191	0.275	0.324	1.126	1.118
Government current expenditure on goods and services	0.240	0.124	0.154	0.096	0.099	0.150	0.564	0.521
Government gross fixed capital formation	0.049	0.074	-0.009	-0.002	0.022	0.031	0.118	0.126
Government investment in inventories	0.003	-0.009	0.027	-0.008	-0.031	0.022	0.005	0.000
Business gross fixed capital formation	0.344	0.195	0.124	0.310	0.344	0.306	1.033	1.174
Residential structures	0.122	0.133	0.096	0.112	0.083	-0.027	0.356	0.509
Non-residential structures	0.037	-0.067	0.003	0.019	0.010	0.081	0.247	0.039
Machinery and equipment	0.185	0.128	0.025	0.179	0.252	0.252	0.430	0.627
Business investment in inventories	0.630	-0.476	-0.155	1.228	0.414	-0.535	0.815	-0.009
Non-farm	0.676	-0.416	-0.120	1.234	0.397	-0.503	0.452	0.065
Farm	-0.045	-0.060	-0.035	-0.006	0.017	-0.032	0.363	-0.073
Exports of goods and services	1.200	0.030	1.677	-0.274	-0.299	0.539	-0.848	1.901
Goods	1.062	0.085	1.614	-0.276	-0.337	0.473	-0.633	1.774
Services	0.139	-0.056	0.063	0.002	0.038	0.065	-0.214	0.127
Deduct: Imports of goods and services	1.585	0.090	0.936	1.014	0.685	0.856	1.460	2.707
Goods	1.315	0.071	0.937	1.065	0.457	0.747	1.084	2.284
Services	0.271	0.019	-0.001	-0.050	0.227	0.110	0.376	0.423
Statistical discrepancy	-0.025	-0.044	0.052	0.056	0.143	0.059	0.020	-0.007
Gross domestic product at market prices	**0.897**	**0.647**	**1.235**	**0.872**	**0.533**	**0.576**	**2.017**	**2.933**
Final domestic demand	*0.673*	*1.237*	*0.570*	*0.885*	*0.991*	*1.346*	*3.484*	*3.753*

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Using seasonally adjusted data, (1997 = 100)							
Personal expenditure on consumer goods and services	111.1	111.7	112.6	112.8	113.2	113.6	111.0	112.6
	-0.1	*0.5*	*0.8*	*0.2*	*0.4*	*0.4*	*1.6*	*1.4*
Government current expenditure on goods and services	116.9	117.6	118.3	118.3	119.1	120.2	115.7	118.3
	0.5	*0.6*	*0.6*	*0.0*	*0.7*	*0.9*	*2.7*	*2.3*
Government gross fixed capital formation	101.9	102.7	104.7	105.2	104.7	104.5	102.4	104.3
	-0.3	*0.8*	*1.9*	*0.5*	*-0.5*	*-0.2*	*-0.4*	*1.9*
Business gross fixed capital formation	105.9	106.8	109.1	109.1	108.3	108.9	106.2	108.3
	-0.1	*0.8*	*2.2*	*0.0*	*-0.7*	*0.6*	*-0.4*	*2.0*
Exports of goods and services	101.8	103.9	108.1	108.6	106.0	105.7	104.9	106.7
	-2.0	*2.1*	*4.0*	*0.5*	*-2.4*	*-0.3*	*-1.4*	*1.7*
Imports of goods and services	97.5	98.5	102.4	100.8	97.3	97.4	102.0	99.8
	-3.0	*1.0*	*4.0*	*-1.6*	*-3.5*	*0.1*	*-6.9*	*-2.2*
Gross domestic product at market prices	**112.0**	**113.1**	**114.5**	**115.4**	**115.9**	**116.4**	**111.4**	**114.7**
	0.4	***1.0***	***1.2***	***0.8***	***0.4***	***0.4***	***3.3***	***3.0***
Final domestic demand	*111.1*	*111.7*	*112.9*	*113.0*	*113.2*	*113.8*	*110.8*	*112.7*
	0.1	*0.5*	*1.1*	*0.1*	*0.2*	*0.5*	*1.4*	*1.7*

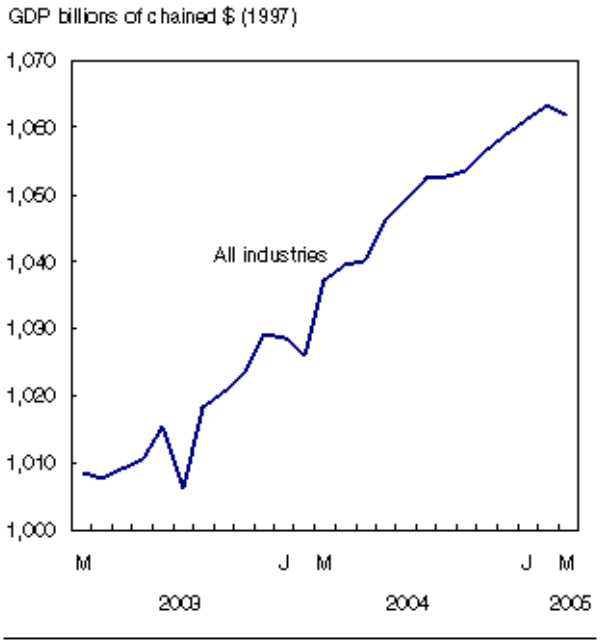
1 The first line is the series itself. The second line, italicized, is the period to period percentage change at quarterly rates.

GDP by industry

March 2005

The Canadian economy slipped in the final month of the first quarter. GDP declined 0.1% in March after advancing by 0.2% in both February and January. Economic activity was restrained in large part by a reduction in output of motor vehicles as manufacturers tailored their production to changing demand.

Economic activity slips

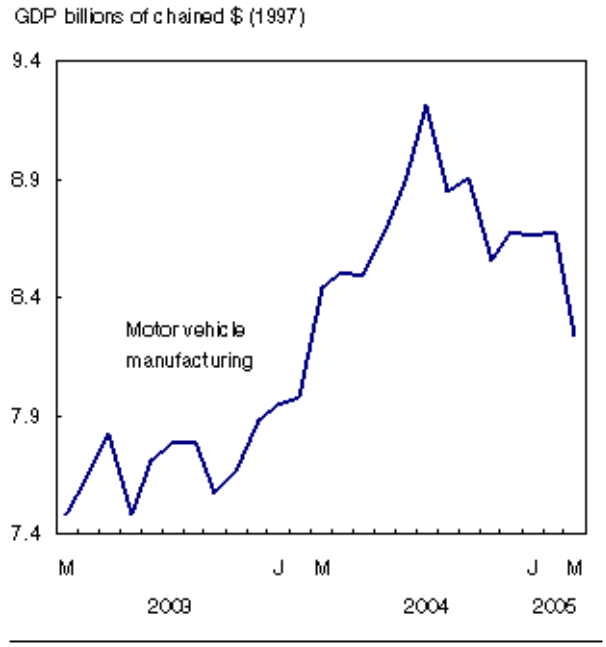


Industrial production (the output of factories, mines and utilities) decreased by 0.6% as output of the manufacturing sector dropped by 0.9% and the mining, oil and gas sector receded by 0.9%. Output of utilities increased by 1.3% as both the generation of electricity (+1.1%) and the distribution of natural gas (+3.1%) bounced back from previous months' decreases. In the United States, the Index of industrial production advanced by 0.1% with increases in utilities and mining being partially offset by a decrease in manufacturing.

Motor vehicle manufacturers tailor their production

Manufacturing output decreased by 0.9% in March, dragged down by the automotive sector—motor vehicles (-5.1%) and parts (-3.8%), as manufacturers tailored their production to changing demand. Unit sales of cars in Canada and the United States were nonetheless robust in February and March. The production of heavy-duty trucks also retreated in March after two large consecutive monthly increases.

Motor vehicle manufacturers respond to changing demand



Weakness in the manufacturing sector was widespread as 15 of the 21 major groups decreased, accounting for 71% of the sector's value added. Output of manufactured wood products declined 4.4% with decreases in every category. Activity in sawmills was reduced by 6.5% partly because of shutdowns. Newsprint mills (+2.9%) recovered some of the ground lost in January and February.

Note to readers

With the September 2005 release (July reference month), the monthly gross domestic product (GDP) by industry program will convert to the 2002 North American Industrial Classification System (NAICS) from NAICS 1997. We are also planning to change the industry detail published. The goal is to reduce the number of industries whose contribution to total economic activity is less relevant, and to increase the detail provided for those that have become more important, such as some of the service industries. With these changes, the monthly GDP program will better reflect the current structure of the Canadian economy.

More detailed information on these planned changes will be made available with the next release of monthly GDP. In the meantime, for questions or comments, please contact Bernard Lefrançois (613-951-3622; imad@statcan.ca).

The production of beverages grew by 3.6% driven by breweries and wineries. Furniture and related product manufacturing advanced 2.2% with greater output of office furniture. Primary production of aluminium (+4.8%) continued with its resumption of activity following a labour dispute in the third quarter of 2004.

Oil extraction and exploration retreat

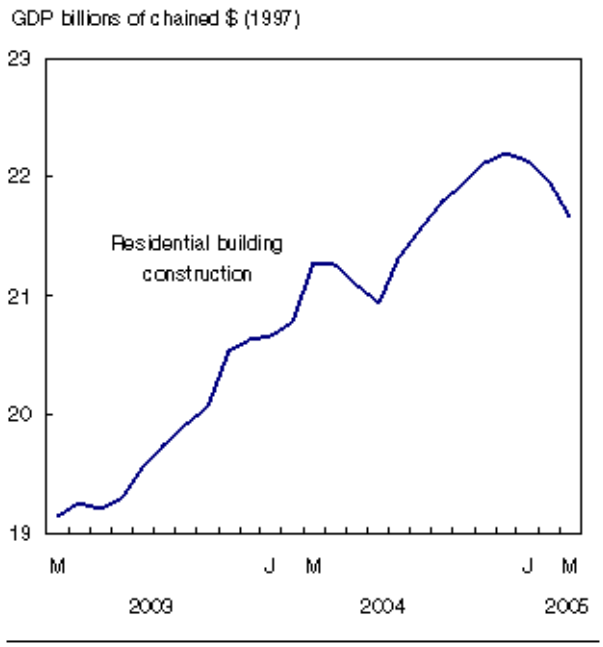
Activity in the mining and oil and gas extraction sector fell by 0.9% in March pulled down by reductions in oil and gas extraction (-0.6%), and in support activities (-7.3%). Oil producers in the tar sands were busy re-establishing output levels following a series of problems that plagued the industry since January. The reduced production of oil was also behind the 0.7% decrease in pipeline transportation of crude oil. Oil exploration was hampered by unfavourable weather despite a 14% jump in the average price of heavy crude oil on international markets. Natural gas distributors increased their output by 3.1%.

Activity in metal mines decreased by 4.1% despite a 5.3% increase in gold and silver mines' output, as copper, nickel, lead and zinc mines dropped by 10% due in part to mine closures. The output of non-metallic mineral mines increased by 6.7%, more than offsetting the decrease in metal mines.

Construction activity declines for a third consecutive month

Construction activity decreased 0.3% in March. Residential construction reported its third and steepest consecutive monthly decline (-1.4%), almost returning to the average level of 2004. In March, an increase in the construction of apartment units failed to offset the decreases in single-detached and semi-detached units. Housing starts in urban areas increased in British Columbia and the Prairies, but decreased in Ontario, Quebec, and the Atlantic regions.

Residential construction activity declines



Non-residential building construction edged up 0.1% in March. An increase in commercial buildings barely offset decreases in institutional and industrial buildings. Engineering, repair and other construction activity softened the general decline in this sector, increasing by 0.5%.

Wholesaling activity continues to rise

Wholesaling activity increased by 0.8% in March. The largest gains were reported by wholesalers of machinery and electronic equipment and of personal and household products. Declines were recorded by wholesalers of motor vehicle parts and accessories, of farm products and of other products.

Retailing activity decreased 0.2% in March following strong growth in January and February. Food and beverage stores reported the largest gains while automotive stores and clothing and accessories stores recorded the largest decreases.

Other industries

The economic weakness in March led to reduced activity in rail (-0.8%) and truck (-1.8%) transportation. Walkouts by students in Quebec were largely responsible for the decline in the output of educational services.

Industry profile, first quarter 2005

Economic activity increased by 0.5% in the first quarter of 2005, with growth concentrated in January and February. Much of the growth occurred in service producing industries (+0.9%) while goods producing industries declined by 0.1%.

Wholesale trade rose by 2.1% pushed by the strong demand for personal and household products and for machinery and electronic equipment. The wholesaling of motor vehicle parts and accessories decreased however.

Retailing activity increased 2.0% with gains reported by almost all store types. The end of a strike at liquor stores in Quebec as well as the increasing popularity of gift cards helped this sector in the first quarter. The largest gainers were food and beverage stores, furniture, home furnishings and electronic stores, and general merchandise stores, including department stores.

The finance, insurance, real estate, rental and leasing sector advanced by 1.0%. Banks and other depositary credit intermediation rose by 1.2%. Higher volumes on the Canadian stock exchanges helped raise the output of securities brokers by 3.5%. A rebound in sales of existing homes in the first quarter of 2005 raised the activity of real estate agents and brokers (+2.9%).

Industrial production (the output of factories, mines and utilities) decreased by 0.2%. Output of the manufacturing sector as well as that of utilities increased by 0.3%, but these increases were more than offset by a 2.1% drop in the mining, oil and gas sector. In the United States, the Index of industrial production increased by 0.9%, with manufacturing and mining up, but utilities decreasing.

Output of the manufacturing sector increased by 0.3% with 12 of the 21 major groups accounting for 53% of this sector's value added advancing. The most important gains were recorded by manufacturers of machinery (+3.2%), of computer and electronic products (+5.0%) and of fabricated metal products (+1.8%). The manufacturing of information and communication technology equipment advanced 3.7%. The largest declines were recorded in wood product (-3.3%), paper (-2.3%), motor vehicle (-2.2%) and motor vehicle parts (-1.4%) manufacturing.

The mining, oil and gas sector decreased by 2.1%. Much of this setback was attributable to production difficulties in the tar sands, which led to a 1.7% decline in oil and gas extraction. Support activities for mining, oil and gas (mostly drilling and rigging) also declined in the first quarter of 2005 (-8.3%) as oil and gas exploration reached high levels in 2004. Output of the energy sector decreased by 1.3%.

Construction activity rose by 0.6% in the first quarter of 2005. Residential construction declined by 0.7%, while non-residential building construction advanced 1.2%. The setback in residential construction was the first quarterly decline since the second quarter of 2000. Engineering, repairs and other construction activities also advanced (+1.4%) in the first quarter of 2005.

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

	October 2004	November 2004	December 2004	January 2005	February 2005	March 2005	March 2004 to March 2005
	Seasonally adjusted at annual rates, millions chained (1997) dollars						%
All industries	**1,053,466**	**1,056,742**	**1,059,060**	**1,061,238**	**1,063,100**	**1,061,948**	
	0.1	***0.3***	***0.2***	***0.2***	***0.2***	***-0.1***	***2.4***
Goods producing industries	**331,221**	**331,987**	**332,625**	**333,007**	**331,706**	**329,789**	
	-0.1	***0.2***	***0.2***	***0.1***	***-0.4***	***-0.6***	***1.4***
Agriculture, forestry, fishing and hunting	24,399	24,335	24,140	24,261	24,079	23,942	
	0.4	*-0.3*	*-0.8*	*0.5*	*-0.8*	*-0.6*	*1.3*
Mining and oil and gas extraction	37,774	37,782	37,398	37,290	36,802	36,462	
	0.5	*0.0*	*-1.0*	*-0.3*	*-1.3*	*-0.9*	*-2.9*
Utilities	26,275	26,443	26,994	26,682	26,483	26,818	
	0.4	*0.6*	*2.1*	*-1.2*	*-0.7*	*1.3*	*8.7*
Construction	59,180	59,443	59,874	59,917	59,879	59,709	
	0.1	*0.4*	*0.7*	*0.1*	*-0.1*	*-0.3*	*2.0*
Manufacturing	183,368	183,795	184,260	185,019	184,840	183,267	
	-0.4	*0.2*	*0.3*	*0.4*	*-0.1*	*-0.9*	*1.6*
Services producing industries	**723,370**	**725,902**	**727,592**	**729,412**	**732,706**	**733,584**	
	0.1	***0.4***	***0.2***	***0.3***	***0.5***	***0.1***	***2.8***
Wholesale trade	66,800	67,897	68,558	68,321	69,329	69,897	
	0.3	*1.6*	*1.0*	*-0.3*	*1.5*	*0.8*	*7.0*
Retail trade	60,685	60,542	59,747	61,099	61,854	61,727	
	0.8	*-0.2*	*-1.3*	*2.3*	*1.2*	*-0.2*	*3.8*
Transportation and warehousing	50,788	50,673	50,868	51,103	51,111	51,056	
	0.5	*-0.2*	*0.4*	*0.5*	*0.0*	*-0.1*	*3.2*
Information and cultural industries	43,153	43,441	43,663	43,820	43,892	44,014	
	0.1	*0.7*	*0.5*	*0.4*	*0.2*	*0.3*	*3.7*
Finance, insurance and real estate	211,799	212,565	213,296	213,940	214,704	215,159	
	0.2	*0.4*	*0.3*	*0.3*	*0.4*	*0.2*	*3.3*
Professional, scientific and technical services	46,550	46,535	46,534	46,581	46,676	46,805	
	0.3	*-0.0*	*-0.0*	*0.1*	*0.2*	*0.3*	*1.4*
Administrative and waste management services	22,082	22,176	22,234	22,207	22,285	22,404	
	0.1	*0.4*	*0.3*	*-0.1*	*0.4*	*0.5*	*2.5*
Educational services	45,612	45,791	46,044	46,116	46,214	45,727	
	0.8	*0.4*	*0.6*	*0.2*	*0.2*	*-1.1*	*2.2*
Health care and social assistance	62,859	62,846	62,845	62,725	62,867	63,025	
	-0.2	*-0.0*	*-0.0*	*-0.2*	*0.2*	*0.3*	*0.9*
Arts, entertainment and recreation	9,273	9,363	9,503	9,361	9,506	9,407	
	-3.2	*1.0*	*1.5*	*-1.5*	*1.5*	*-1.0*	*-2.2*
Accommodation and food services	23,574	23,570	23,662	23,564	23,606	23,538	
	-0.1	*-0.0*	*0.4*	*-0.4*	*0.2*	*-0.3*	*0.8*
Other services (except public administration)	24,684	24,728	24,749	24,698	24,818	24,859	
	-0.0	*0.2*	*0.1*	*-0.2*	*0.5*	*0.2*	*1.8*
Public administration	57,084	57,450	57,614	57,653	57,702	57,886	
	-0.7	*0.6*	*0.3*	*0.1*	*0.1*	*0.3*	*1.4*
Other aggregations							
Industrial production	248,096	248,663	249,071	249,296	248,223	246,626	
	-0.1	*0.2*	*0.2*	*0.1*	*-0.4*	*-0.6*	*1.3*
Non-durable manufacturing industries	74,375	74,493	74,710	74,555	74,224	74,222	
	-0.7	*0.2*	*0.3*	*-0.2*	*-0.4*	*-0.0*	*0.7*
Durable manufacturing industries	108,865	109,176	109,422	110,359	110,525	108,923	
	-0.3	*0.3*	*0.2*	*0.9*	*0.2*	*-1.4*	*2.3*
Business sector industries	896,172	898,823	900,738	902,988	904,581	903,724	
	0.1	*0.3*	*0.2*	*0.2*	*0.2*	*-0.1*	*2.6*
Non-business sector industries	157,526	158,150	158,554	158,488	158,755	158,462	
	-0.1	*0.4*	*0.3*	*-0.0*	*0.2*	*-0.2*	*1.2*
ICT sector, total	62,017	62,693	62,179	62,838	62,825	64,099	
	-0.2	*1.1*	*-0.8*	*1.1*	*-0.0*	*2.0*	*7.5*

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted at annual rates, millions chained (1997) dollars							
Goods producing industries	**320,947**	**323,019**	**327,179**	**331,243**	**331,944**	**331,501**	**317,208**	**328,346**
	1.4	***0.6***	***1.3***	***1.2***	***0.2***	***-0.1***	***1.7***	***3.5***
Agriculture, forestry, fishing and hunting	23,011	23,537	23,763	24,256	24,291	24,094	22,842	23,962
	0.6	*2.3*	*1.0*	*2.1*	*0.1*	*-0.8*	*7.6*	*4.9*
Mining and oil and gas extraction	37,662	37,717	38,113	37,874	37,651	36,851	36,797	37,839
	0.4	*0.1*	*1.1*	*-0.6*	*-0.6*	*-2.1*	*3.9*	*2.8*
Utilities	25,406	25,636	25,412	25,951	26,571	26,661	25,818	25,892
	-0.5	*0.9*	*-0.9*	*2.1*	*2.4*	*0.3*	*-2.3*	*0.3*
Construction	57,520	58,167	58,314	58,810	59,499	59,835	56,273	58,698
	1.9	*1.1*	*0.3*	*0.9*	*1.2*	*0.6*	*4.4*	*4.3*
Manufacturing	176,482	177,209	180,911	184,092	183,808	184,375	174,820	181,505
	2.1	*0.4*	*2.1*	*1.8*	*-0.2*	*0.3*	*0.1*	*3.8*
Services producing industries	**704,532**	**708,786**	**715,853**	**721,276**	**725,621**	**731,901**	**697,886**	**717,884**
	0.9	***0.6***	***1.0***	***0.8***	***0.6***	***0.9***	***2.5***	***2.9***
Wholesale trade	64,099	63,722	65,490	66,646	67,752	69,182	61,941	65,902
	5.0	*-0.6*	*2.8*	*1.8*	*1.7*	*2.1*	*5.6*	*6.4*
Retail trade	57,419	58,581	58,896	59,796	60,325	61,560	57,126	59,399
	-0.9	*2.0*	*0.5*	*1.5*	*0.9*	*2.0*	*2.8*	*4.0*
Transportation and warehousing	48,697	49,030	50,166	50,412	50,776	51,090	47,954	50,096
	2.5	*0.7*	*2.3*	*0.5*	*0.7*	*0.6*	*0.3*	*4.5*
Information and cultural industries	41,948	42,183	42,897	43,105	43,419	43,909	42,354	42,901
	-1.1	*0.6*	*1.7*	*0.5*	*0.7*	*1.1*	*2.3*	*1.3*
Finance, insurance and real estate	205,194	207,360	209,617	210,744	212,553	214,601	203,060	210,069
	0.6	*1.1*	*1.1*	*0.5*	*0.9*	*1.0*	*2.2*	*3.5*
Professional, scientific and technical services	45,515	45,942	46,336	46,391	46,540	46,687	45,391	46,302
	0.2	*0.9*	*0.9*	*0.1*	*0.3*	*0.3*	*3.1*	*2.0*
Administrative and waste management services	21,664	21,799	21,981	22,033	22,164	22,299	21,531	21,994
	0.3	*0.6*	*0.8*	*0.2*	*0.6*	*0.6*	*3.9*	*2.2*
Educational services	44,828	44,662	45,270	45,453	45,816	46,019	44,854	45,300
	0.5	*-0.4*	*1.4*	*0.4*	*0.8*	*0.4*	*0.6*	*1.0*
Health care and social assistance	62,283	62,468	62,165	62,996	62,850	62,872	61,755	62,620
	0.5	*0.3*	*-0.5*	*1.3*	*-0.2*	*0.0*	*3.9*	*1.4*
Arts, entertainment and recreation	9,549	9,594	9,558	9,674	9,380	9,425	9,508	9,552
	0.4	*0.5*	*-0.4*	*1.2*	*-3.0*	*0.5*	*3.8*	*0.5*
Accommodation and food services	23,319	23,239	23,282	23,408	23,602	23,569	22,909	23,383
	2.5	*-0.3*	*0.2*	*0.5*	*0.8*	*-0.1*	*-1.7*	*2.1*
Other services (except public administration)	24,359	24,421	24,519	24,562	24,720	24,792	24,184	24,556
	0.9	*0.3*	*0.4*	*0.2*	*0.6*	*0.3*	*1.8*	*1.5*
Public administration	56,857	57,010	57,134	57,568	57,383	57,747	56,438	57,274
	0.9	*0.3*	*0.2*	*0.8*	*-0.3*	*0.6*	*2.9*	*1.5*
Other aggregations								
Industrial production	240,806	241,773	245,503	248,581	248,610	248,048	238,435	246,117
	1.4	*0.4*	*1.5*	*1.3*	*0.0*	*-0.2*	*0.7*	*3.2*
Non-durable manufacturing industries	72,901	73,228	74,026	74,865	74,526	74,334	72,913	74,161
	1.3	*0.4*	*1.1*	*1.1*	*-0.5*	*-0.3*	*-0.0*	*1.7*
Durable manufacturing industries	103,385	103,783	106,724	109,086	109,154	109,936	101,679	107,187
	2.6	*0.4*	*2.8*	*2.2*	*0.1*	*0.7*	*0.2*	*5.4*
Business sector industries	868,142	874,414	885,457	893,662	898,578	903,764	858,512	888,028
	1.2	*0.7*	*1.3*	*0.9*	*0.6*	*0.6*	*2.2*	*3.4*
Non-business sector industries	156,343	156,411	156,656	158,006	158,077	158,568	155,550	157,287
	0.6	*0.0*	*0.2*	*0.9*	*0.0*	*0.3*	*2.2*	*1.1*
ICT sector, total	58,853	59,489	60,100	62,059	62,296	63,254	57,076	60,986
	3.6	*1.1*	*1.0*	*3.3*	*0.4*	*1.5*	*3.8*	*6.9*

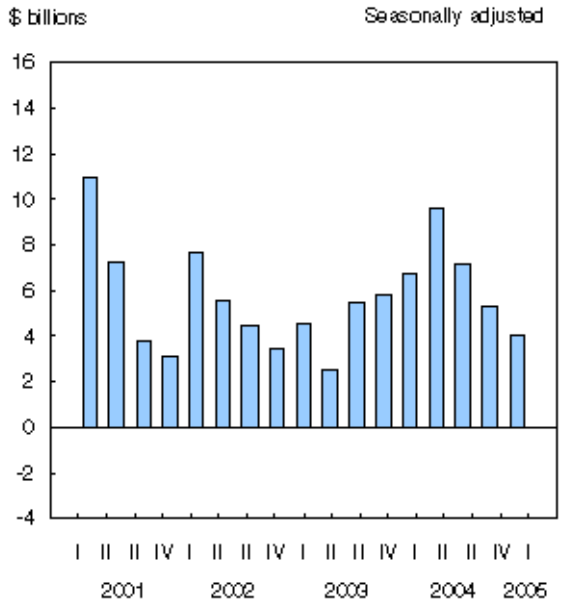
1 The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

Balance of international payments

First quarter 2005

Canada's **current account** surplus with the rest of the world, on a seasonally adjusted basis, dropped $1.3 billion in the first quarter of 2005 to $4.0 billion, the lowest level since the second quarter of 2003. Higher imports of goods led to this third consecutive decline in the current account surplus.

Current account surplus falls for a third consecutive quarter



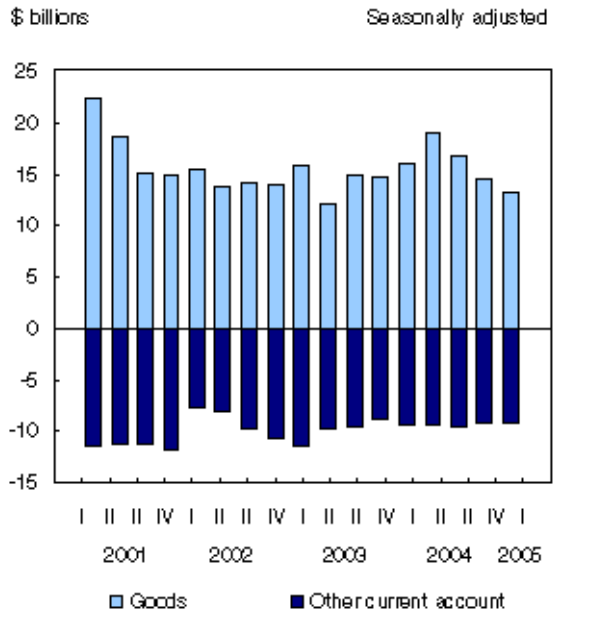
In the capital and financial account (not seasonally adjusted), growth in Canada's foreign assets outpaced that in international liabilities for a sixth consecutive quarter. There were moderate increases to both direct investment assets and liabilities with continued growth in Canadian holdings of foreign bonds.

Current account

Goods surplus falls again

The surplus on trade in goods fell $1.3 billion to $13.2 billion in the first quarter. Imports increased $2.5 billion during the quarter while exports rebounded after a large drop in the fourth quarter.

Goods surplus continues to fall



This was the third consecutive decline in the goods surplus. Since the second quarter of 2004, the goods surplus has decreased by almost $6 billion.

Note to readers

New series on foreign money market instruments
The coverage of Canadian portfolio investment in foreign securities (Canada's assets) has been expanded to include foreign money market instruments. The new series for these transactions begins in the first quarter of 2002. These transactions were previously included with assets under Other investment and where they remain for periods prior to the first quarter of 2002.

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.

On the import side, the largest increases were registered in machinery and equipment products and industrial goods. Imports of passenger cars and trucks also increased but this was partially offset by the lower imports of motor vehicle parts.

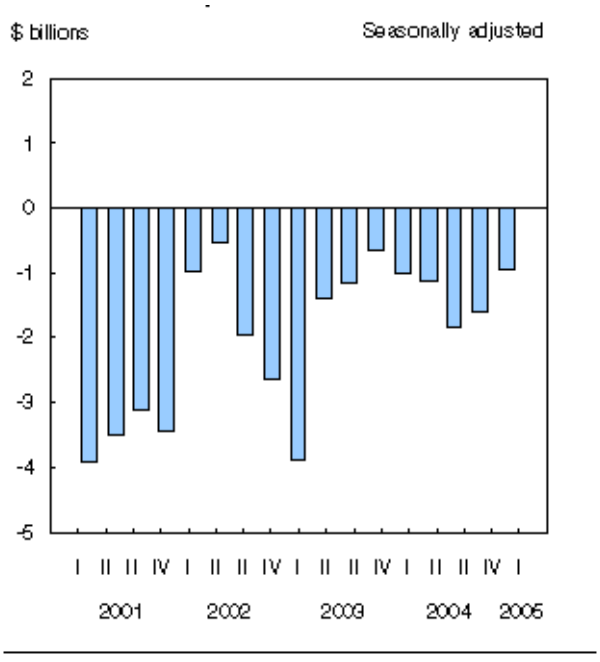
Exports went up by $1.2 billion with the largest increase in industrial goods. For the third quarter in a row, the exports of automotive products decreased. Exports of crude petroleum products also dropped significantly due to lower prices.

Lower profits on direct investment

The deficit on investment income decreased $0.4 billion to $5.7 billion. This marked only the second time in 11 years that the deficit on investment income was below $6.0 billion.

Profits earned on foreign direct investment in Canada fell by $1.5 billion in the first quarter, with the energy and construction sectors showing the largest drops. Dividends returned to a more typical level following the large payments in the fourth quarter.

Smaller deficit on profits from direct investment



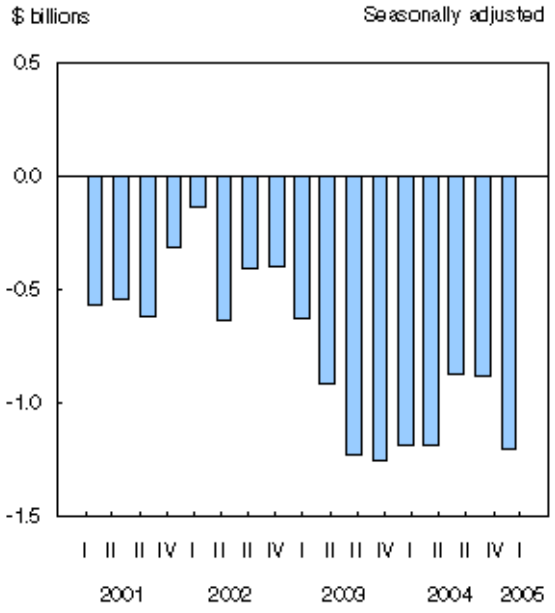
Profits earned on Canadian direct investment abroad were down $0.8 billion in the quarter. Dividends earned on foreign portfolio equities were also down.

Services deficit increased slightly

In the first quarter, the deficit on trade in services rose by $0.2 billion to $3.2 billion. Travel was the only major component with significant changes.

Payments on travel services increased $0.3 billion while receipts remained unchanged in the first quarter. During the quarter, a record number of Canadians visited countries other than United States while the number of Canadians spending at least one night in the United States reached its highest level since 1997.

Travel deficit increases as more Canadians travel abroad

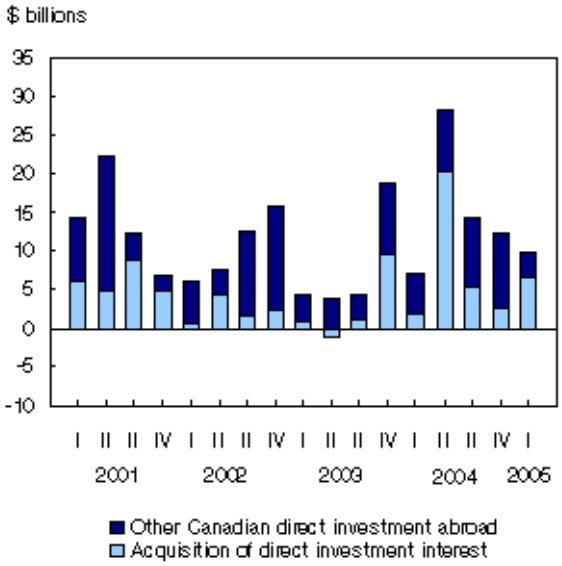


Financial account

Moderate increase in direct investment abroad

At $10 billion, Canadian direct investment abroad continued to slow from the peak in the second quarter of 2004. An acquisition by a Canadian company of an enterprise in the US financial sector led the quarterly investment. Acquisitions accounted for two-thirds of the quarterly total while four-fifths was invested in the United States.

Acquisitions spur direct investment[1]

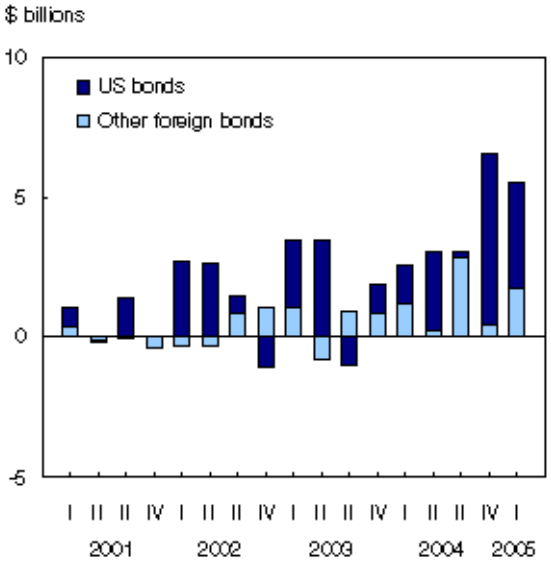


1. Reverse of Balance of Payments signs.

Investment in foreign bonds continues to soar

Canadian demand for foreign securities remained strong in the quarter with most of the investment going to bonds, a continuation of the pattern prevalent for the last two years. For the quarter, Canadian investors bought $6.7 billion in foreign securities with more than four-fifths going to foreign bonds. The investment in foreign securities was the highest since the second quarter of 2002.

Strong demand for foreign bonds continues[1]



1. Reverse of Balance of Payments signs.

Canadian investors bought $5.5 billion of foreign bonds during the quarter, down $1.1 billion from the record purchase of the previous quarter. Half of the first quarter purchase went to US corporate bonds with the rest to overseas bonds and US treasuries. The surge in foreign bond purchases was due in part to foreign issuers, who have increasingly floated bonds in Canadian capital markets. Those foreign bonds are denominated in Canadian dollars.

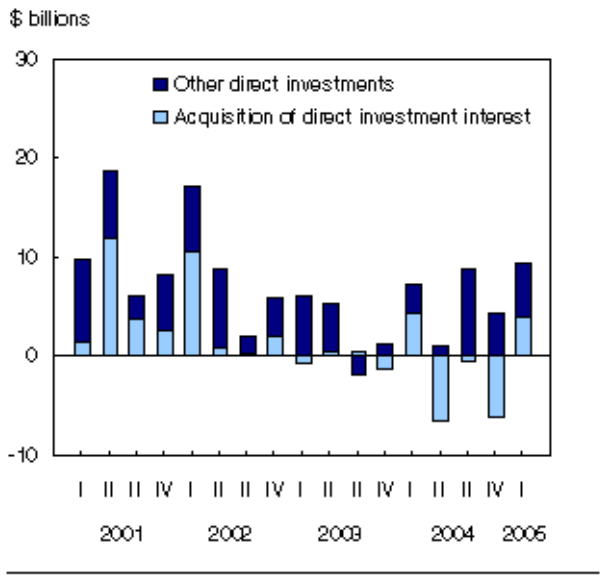
Meanwhile, Canadians purchased $896 million of foreign stocks in the first quarter. There has been less Canadian demand for foreign equities over the last five quarters. Most of the investment in the quarter was in US stocks ($769 million) with the remainder going to overseas stocks ($127 million).

Canadian investors also bought foreign money market paper in the first quarter. Their purchases of $330 million were primarily in overseas short-term securities.

Foreign direct investment in Canada highest in three years

Foreign direct investors made their highest quarterly investment in three years. In fact, the first quarter total of $9.4 billion was higher than the annual totals for the last two years. The foreign investment went to both acquisitions and increases to working capital. For the quarter, most of the investment came from the United States (78%) while industrially it was concentrated in the food and beverages and energy and metallic mineral industries.

Foreign direct investment in Canada returns



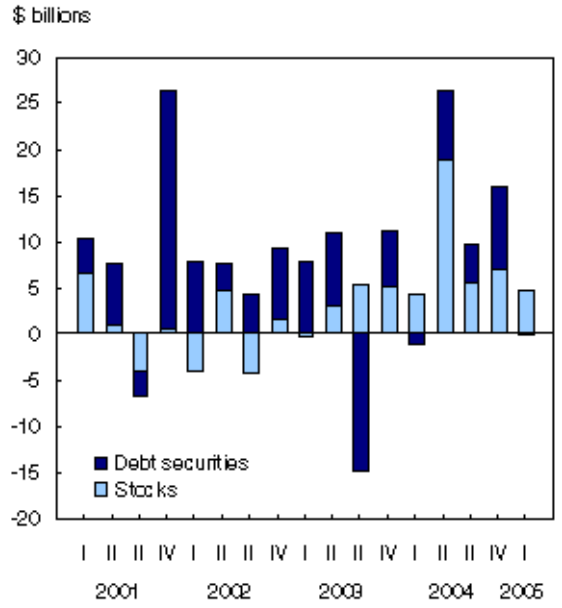
Foreign investment in Canadian securities goes mainly to equities

Foreign portfolio investors upped their holdings of Canadian securities by $4.7 billion in the quarter, under a third of the previous quarter's $16 billion. Foreign investors bought mainly equities, as their investment in debt instruments was negligible.

Over half of the $4.8 billion investment in Canadian stocks in the quarter was in other transactions, mainly arising from the takeover of a foreign firm by a Canadian company. This transaction was partly comprised of a share swap whereby the foreign firm's shareholders received new treasury shares from the Canadian buyer. With share prices up almost 4% over the quarter, the remaining foreign investment was in outstanding Canadian shares ($1.9 billion). This was down from the $4.4 billion average of the previous two quarters.

There was a relatively small foreign investment in Canadian bonds of $900 million. Foreign investors bought bonds issued by provincial governments but sold federal government and corporate bonds. In the three previous quarters, foreign investment in bonds averaged $6.1 billion.

Portfolio investors target Canadian equities



The acquisitions of Canadian bonds were by European investors with American investors selling some of their holdings. On a currency basis, investors bought Canadian bonds denominated in other foreign currencies but sold those denominated in US dollars. This was the reverse of the pattern in 2004 when the $20.1 billion acquisition was roughly split between US and Canadian dollar denominated bonds, as non-residents reduced their holding of bonds in other foreign currencies.

Foreign investors sold $1.1 billion worth of Canadian short-term paper. The sales were concentrated in paper issued by federal enterprises as foreign investors bought small amounts of paper issued by corporations and the federal government. US short term rates continued to rise from an historic low recorded in January of 2004. With Canadian rates relatively stable over this period, the differential has swung to marginally favour investment in United States (18 basis points).

Other investment

Net transactions in the other investment account recorded a large capital outflow as other investment assets grew faster than liabilities. The increase in liabilities came after two quarters of reduction.

For a second consecutive quarter, deposit assets increased substantially again led by inter-company transactions between Canadian banks and their foreign affiliates. The quarter also saw the largest increase in Canada's international reserves in five years ($3.4 billion) which largely offset the reduction in the previous quarter. On the liability side, the increase was all due to loans under repurchase agreements which increased substantially.

After a strong appreciation over the final quarter of 2004, the Canadian dollar lost some ground against the US dollar during the quarter, closing the first quarter at 82.67 US cents. However, the dollar posted strong gains against most other major currencies particularly the Swiss Franc, the Euro and the Yen.

Balance of payments

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Not seasonally adjusted, millions of dollars							
Current account								
Receipts								
Goods and services	112,498	115,395	129,792	125,875	119,889	120,458	459,697	490,950
Goods	98,540	101,679	114,377	107,439	105,639	106,139	400,175	429,134
Services	13,958	13,716	15,415	18,436	14,250	14,319	59,522	61,816
Investment income	8,465	8,469	10,004	9,841	10,072	8,630	29,999	38,385
Direct investment	4,609	4,549	5,716	5,429	5,629	4,288	13,733	21,324
Portfolio investment	2,232	2,232	2,388	2,426	2,655	2,556	9,414	9,701
Other investment	1,624	1,688	1,900	1,985	1,788	1,786	6,853	7,361
Current transfers	1,758	1,998	1,683	1,644	1,946	2,187	6,614	7,272
Current account receipts	122,721	125,862	141,479	137,360	131,907	131,275	496,310	536,607
Payments								
Goods and services	101,516	103,804	114,596	110,101	109,065	111,488	413,523	437,566
Goods	83,850	84,764	95,853	91,319	91,140	91,842	342,608	363,076
Services	17,666	19,040	18,743	18,782	17,925	19,647	70,915	74,490
Investment income	13,677	15,083	16,274	16,136	15,827	14,882	57,991	63,321
Direct investment	5,023	6,220	7,697	7,484	7,155	5,897	22,387	28,556
Portfolio investment	6,965	6,938	7,017	6,999	6,795	6,758	28,980	27,749
Other investment	1,690	1,925	1,560	1,653	1,877	2,227	6,625	7,016
Current transfers	1,518	2,179	1,442	1,538	1,786	2,972	6,398	6,944
Current account payments	116,712	121,066	132,312	127,774	126,679	129,342	477,913	507,830
Balances								
Goods and services	10,982	11,591	15,196	15,774	10,823	8,970	46,174	53,384
Goods	14,690	16,915	18,524	16,120	14,499	14,297	57,567	66,058
Services	-3,708	-5,324	-3,328	-346	-3,676	-5,328	-11,393	-12,674
Investment income	-5,212	-6,614	-6,271	-6,295	-5,756	-6,252	-27,992	-24,935
Direct investment	-413	-1,671	-1,981	-2,055	-1,526	-1,609	-8,654	-7,232
Portfolio investment	-4,732	-4,705	-4,629	-4,572	-4,141	-4,202	-19,566	-18,048
Other investment	-67	-237	340	332	-89	-441	228	345
Current transfers	239	-181	242	107	160	-785	215	328
Current account balance	6,009	4,797	9,167	9,585	5,228	1,933	18,397	28,777
Capital and financial account[1]								
Capital account	**923**	**933**	**1,209**	**1,118**	**1,148**	**1,067**	**3,977**	**4,407**
Financial account	**-6,377**	**-6,756**	**-7,560**	**-5,024**	**-7,571**	**-12,199**	**-20,108**	**-26,912**
Canadian assets, net flows								
Canadian direct investment abroad	-18,646	-7,173	-28,228	-14,216	-12,120	-9,957	-30,058	-61,737
Portfolio investment	-6,096	-3,348	-3,780	-5,046	-6,349	-6,734	-15,720	-18,523
Foreign bonds	-1,877	-2,612	-3,057	-3,030	-6,563	-5,509	-7,974	-15,262
Foreign stocks	-3,250	163	-1,498	-644	387	-896	-4,438	-1,592
Foreign money market	-968	-899	776	-1,372	-174	-330	-3,308	-1,669
Other investment	-7,060	2,729	-14,073	5,082	2,744	-15,018	-20,395	-3,518
Loans	3,034	-611	-1,886	911	4,935	-1,846	7,586	3,349
Deposits	-9,133	725	-7,432	7,147	-7,938	-5,925	-22,646	-7,497
Official international reserves	1,749	-236	243	-517	3,937	-3,437	4,693	3,427
Other assets	-2,711	2,850	-4,998	-2,459	1,810	-3,809	-10,028	-2,797
Total Canadian assets, net flows	-31,801	-7,792	-46,080	-14,179	-15,726	-31,710	-66,173	-83,778
Canadian liabilities, net flows								
Foreign direct investment in Canada	-129	7,221	-5,649	8,408	-1,793	9,390	8,896	8,187
Portfolio investment	11,237	3,374	26,348	9,726	16,023	4,656	20,322	55,471
Canadian bonds	5,054	1,635	5,054	6,373	7,001	900	8,293	20,063
Canadian stocks	5,227	4,351	18,914	5,450	7,123	4,825	13,491	35,838
Canadian money market	956	-2,612	2,380	-2,097	1,900	-1,069	-1,461	-430
Other investment	14,316	-9,559	17,821	-8,979	-6,076	5,465	16,846	-6,792
Loans	4,212	1,198	4,024	-6,876	-1,414	6,210	1,422	-3,067
Deposits	10,135	-10,519	14,714	-1,095	-3,654	-1,380	18,318	-554
Other liabilities	-31	-238	-917	-1,008	-1,008	635	-2,894	-3,171
Total Canadian liabilities, net flows	25,424	1,036	38,520	9,155	8,154	19,511	46,064	56,865
Total capital and financial account, net flows	**-5,455**	**-5,824**	**-6,351**	**-3,906**	**-6,424**	**-11,132**	**-16,132**	**-22,505**
Statistical discrepancy	-554	1,027	-2,816	-5,679	1,196	9,199	-2,265	-6,272

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

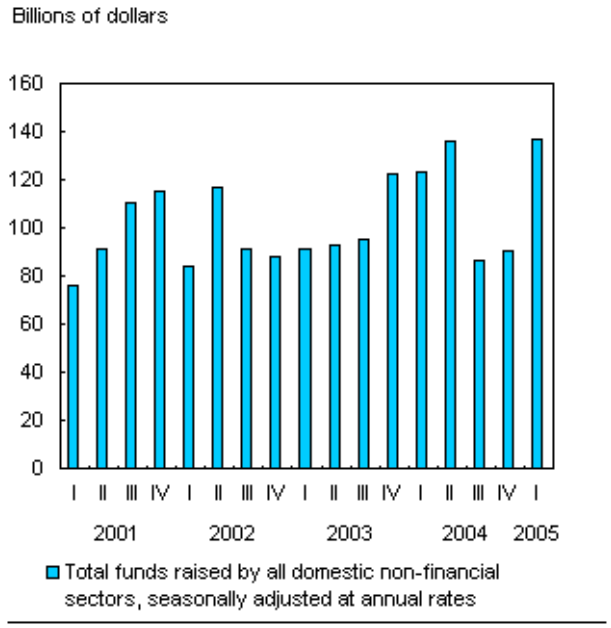
	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted at quarterly rates, millions of dollars							
Receipts								
Goods and services	113,836	116,334	126,433	126,065	122,118	123,541	459,697	490,950
Goods	98,656	101,208	110,929	110,564	106,434	107,663	400,175	429,134
Services	15,180	15,127	15,504	15,501	15,684	15,878	59,522	61,816
Travel	3,788	3,999	4,172	4,210	4,329	4,301	14,776	16,709
Transportation	2,554	2,614	2,806	2,923	2,711	2,776	9,836	11,053
Commercial services	8,464	8,153	8,139	7,977	8,271	8,392	33,475	32,540
Government services	374	361	387	392	373	408	1,434	1,513
Investment income	8,295	8,771	9,874	9,786	9,954	8,960	29,999	38,385
Direct investment	4,368	4,815	5,639	5,456	5,414	4,582	13,733	21,324
Interest	67	118	153	160	149	104	339	581
Profits	4,301	4,697	5,486	5,295	5,265	4,477	13,394	20,743
Portfolio investment	2,285	2,234	2,337	2,403	2,727	2,559	9,414	9,701
Interest	555	499	585	603	673	729	2,108	2,359
Dividends	1,730	1,735	1,752	1,801	2,053	1,829	7,306	7,342
Other investment	1,641	1,722	1,899	1,927	1,813	1,820	6,853	7,361
Current transfers	1,620	1,787	1,842	1,847	1,796	1,926	6,614	7,272
Private	573	687	634	675	634	695	2,473	2,629
Official	1,047	1,100	1,209	1,172	1,161	1,232	4,141	4,642
Total receipts	**123,751**	**126,892**	**138,150**	**137,698**	**133,868**	**134,427**	**496,310**	**536,607**
Payments								
Goods and services	102,353	103,730	110,825	112,334	110,677	113,597	413,523	437,566
Goods	84,052	85,195	91,924	93,955	92,001	94,486	342,608	363,076
Services	18,301	18,535	18,901	18,380	18,675	19,111	70,915	74,490
Travel	5,043	5,183	5,356	5,085	5,216	5,499	18,805	20,839
Transportation	3,649	3,764	3,979	4,050	4,051	4,130	14,333	15,844
Commercial services	9,374	9,354	9,326	9,006	9,170	9,245	36,826	36,857
Government services	235	233	239	239	238	237	950	950
Investment income	13,986	14,864	15,897	16,527	16,034	14,629	57,991	63,321
Direct investment	5,427	6,268	7,155	7,711	7,422	5,971	22,387	28,556
Interest	470	559	565	569	565	565	1,898	2,259
Profits	4,956	5,708	6,590	7,141	6,858	5,406	20,489	26,297
Portfolio investment	6,961	6,935	7,013	7,002	6,799	6,758	28,980	27,749
Interest	6,182	6,161	6,232	6,209	6,014	5,972	25,850	24,616
Dividends	779	774	781	793	785	785	3,129	3,134
Other investment	1,598	1,661	1,729	1,814	1,812	1,900	6,625	7,016
Current transfers	1,591	1,615	1,775	1,669	1,884	2,208	6,398	6,944
Private	889	918	977	957	1,004	1,025	3,474	3,855
Official	702	698	798	713	880	1,183	2,925	3,089
Total payments	**117,931**	**120,209**	**128,497**	**130,530**	**128,594**	**130,434**	**477,913**	**507,830**
Balances								
Goods and services	11,483	12,604	15,608	13,731	11,441	9,944	46,174	53,384
Goods	14,603	16,012	19,005	16,609	14,432	13,177	57,567	66,058
Services	-3,120	-3,408	-3,397	-2,879	-2,991	-3,233	-11,393	-12,674
Travel	-1,255	-1,184	-1,184	-875	-887	-1,198	-4,029	-4,130
Transportation	-1,094	-1,151	-1,173	-1,127	-1,340	-1,354	-4,497	-4,791
Commercial services	-910	-1,201	-1,188	-1,029	-899	-852	-3,352	-4,317
Government services	139	128	148	153	135	171	484	563
Investment income	-5,692	-6,093	-6,022	-6,741	-6,080	-5,669	-27,992	-24,935
Direct investment	-1,059	-1,453	-1,516	-2,255	-2,008	-1,389	-8,654	-7,232
Interest	-404	-441	-412	-409	-416	-461	-1,559	-1,678
Profits	-655	-1,012	-1,104	-1,846	-1,593	-929	-7,095	-5,554
Portfolio investment	-4,676	-4,701	-4,676	-4,599	-4,073	-4,199	-19,566	-18,048
Interest	-5,628	-5,663	-5,647	-5,607	-5,340	-5,243	-23,743	-22,256
Dividends	952	962	971	1,008	1,268	1,044	4,177	4,208
Other investment	43	61	170	113	1	-81	228	345
Current transfers	29	172	67	177	-88	-281	215	328
Private	-317	-231	-343	-282	-370	-330	-1,001	-1,226
Official	345	402	411	459	281	49	1,216	1,554
Current account	**5,820**	**6,683**	**9,653**	**7,168**	**5,274**	**3,994**	**18,397**	**28,777**

Financial flows

First quarter 2005

Total funds raised by domestic non-financial sectors on credit markets amounted to $137 billion in the first quarter of 2005 seasonally adjusted at annual rates. This was a significant increase compared to the fourth quarter of 2004 when $91 billion was raised. It reflected the increase in the demand for credit by households and higher borrowing requirements of the federal government. However, this was partly offset by reduced demand for funds by corporations. The private sector's overall demand for funds eased in the quarter while that of the public sector rose significantly.

Total funds raised by all domestic non-financial sectors advanced

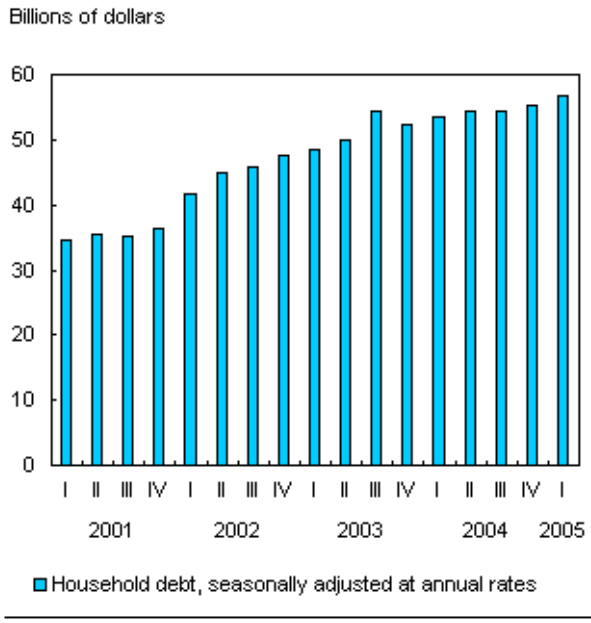


Financial market developments during the quarter included easing of monetary conditions with a general decline in long-term bond rates and stable short-term interest rates; a strong Canadian dollar that closed the quarter above the $0.80 mark and remained unchanged from the previous quarter.

Household borrowing strengthened

Household demand for consumer credit continued to rise reflecting the renewed strength in consumer spending in particular for durable goods. Despite slower investment activities in new residential construction, a stronger housing resale market in the quarter resulted in a modest increase in mortgage borrowing by households. The growth in total household debt (mortgages and consumer credit) outpaced the growth in personal disposable income, resulting in an increased debt-to-income ratio from 105 percent in the fourth quarter to 107 percent in the first quarter of 2005. The run-down in personal saving in the quarter was reflected in reduced financial assets and increased borrowing.

Household borrowing continues to grow



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.

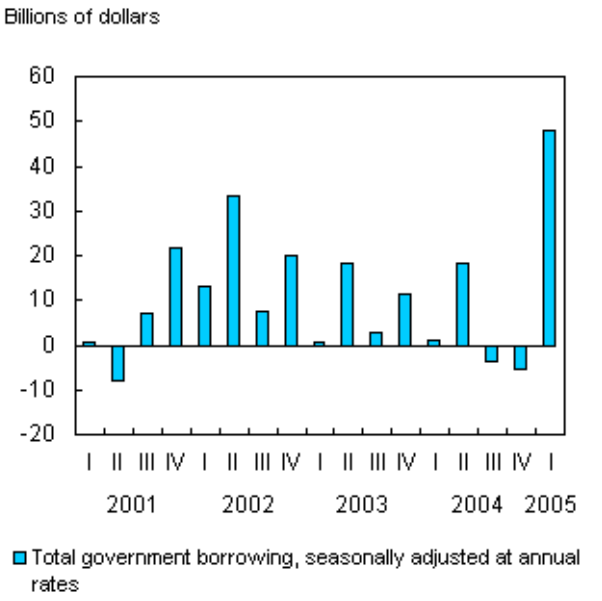
Corporations continue to build surpluses

The corporate sector continued to lend to the rest of the economy with an uninterrupted string of quarterly surpluses lasting five years. Demand for funds by non-financial private corporations as well as non-financial government enterprises softened further.

Federal short-term borrowing on the rise, provinces pay down some of their debt

Borrowing by the federal government was up sharply this quarter, in line with the deficit due to higher payments under the Canadian Health and Social Transfer to the provincial level of government. Most of the financing arose from short-term instruments. The provincial government sector, on the other hand, posted a significantly high quarterly surplus. The provinces also paid down substantial amount of their debt, mostly in short-term paper, while increasing their holdings of financial assets.

Total government borrowing increased



Financial market summary table

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Funds raised:								
Persons and unincorporated business	**56,052**	**56,864**	**56,720**	**56,160**	**57,708**	**60,172**	**55,170**	**56,863**
Consumer credit	19,484	20,020	20,528	20,416	21,068	22,128	19,528	20,508
Bank loans	2,096	900	1,648	952	912	1,064	1,177	1,103
Other loans	1,516	2,472	600	804	1,412	2,412	2,685	1,322
Mortgages	32,956	33,472	33,944	33,988	34,316	34,568	31,780	33,930
Non-financial private corporations	**63,664**	**69,196**	**60,580**	**34,088**	**40,644**	**34,128**	**40,424**	**51,127**
Bank loans	-504	10,644	7,964	6,868	6,336	-1,824	-894	7,953
Other loans	2,132	-980	-3,076	-7,320	-3,308	-160	-2,854	-3,671
Other short-term paper	-15,700	760	3,036	-3,768	9,968	12,868	-10,084	2,499
Mortgages	5,652	5,576	6,368	6,772	7,052	6,152	5,272	6,442
Bonds	34,092	20,960	19,964	19,852	3,484	8,176	18,513	16,065
Shares	37,992	32,236	26,324	11,684	17,112	8,916	30,471	21,839
Non-financial government enterprises	**-8,556**	**-3,672**	**556**	**8**	**-2,520**	**-5,768**	**-3,366**	**-1,407**
Bank loans	-588	-828	256	-132	1,384	-1,248	384	170
Other loans	-524	-1,700	1,212	1,224	356	-560	1,486	273
Other short-term paper	-5,064	-2,684	1,092	-824	-2,220	-1,708	-1,347	-1,159
Mortgages	-4	-8	0	-4	-4	-4	-6	-4
Bonds	-2,372	1,544	-2,008	-252	-2,032	-2,252	-3,883	-687
Shares	-4	4	4	-4	-4	4	0	0
Federal government	**-12,252**	**-10,464**	**-13,516**	**-21,920**	**-28,688**	**39,124**	**-1,567**	**-18,647**
Bank loans	124	192	120	120	128	184	106	140
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	9,640	-5,724	3,380	-716	2,840	38,428	12,231	-55
Canada Savings Bonds	-604	4	-1,128	-1,428	-3,220	-2,936	-1,290	-1,443
Other bonds	-21,412	-4,936	-15,888	-19,896	-28,436	3,448	-12,614	-17,289
Other levels of government	**23,644**	**11,492**	**31,668**	**18,236**	**23,420**	**8,964**	**9,785**	**21,204**
Bank loans	436	-1,488	-40	-704	224	468	265	-502
Other loans	536	1,508	504	1,268	1,068	1,056	630	1,087
Other short-term paper	17,356	-20,092	26,168	-5,828	-8,500	-14,680	-690	-2,063
Mortgages	4	16	-24	-20	0	40	-13	-7
Provincial bonds	5,812	29,296	2,684	22,180	28,988	20,556	8,757	20,787
Municipal bonds	-520	2,224	2,356	1,316	1,616	1,500	813	1,878
Other bonds	20	28	20	24	24	24	23	24
Total funds raised by domestic non-financial sectors	**122,552**	**123,416**	**136,008**	**86,572**	**90,564**	**136,620**	**100,446**	**109,140**
Consumer credit	**19,484**	**20,020**	**20,528**	**20,416**	**21,068**	**22,128**	**19,528**	**20,508**
Bank loans	**1,564**	**9,420**	**9,948**	**7,104**	**8,984**	**-1,356**	**1,038**	**8,864**
Other loans	**3,660**	**1,300**	**-760**	**-4,024**	**-472**	**2,748**	**1,947**	**-989**
Canada short-term paper	**9,640**	**-5,724**	**3,380**	**-716**	**2,840**	**38,428**	**12,231**	**-55**
Other short-term paper	**-3,408**	**-22,016**	**30,296**	**-10,420**	**-752**	**-3,520**	**-12,121**	**-723**
Mortgages	**38,608**	**39,056**	**40,288**	**40,736**	**41,364**	**40,756**	**37,033**	**40,361**
Bonds	**15,016**	**49,120**	**6,000**	**21,796**	**424**	**28,516**	**10,319**	**19,335**
Shares	**37,988**	**32,240**	**26,328**	**11,680**	**17,108**	**8,920**	**30,471**	**21,839**

Sector Accounts - Persons and Unincorporated Businesses

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**941,680**	**952,876**	**966,364**	**975,424**	**986,128**	**992,432**	**930,093**	**970,198**
	0.9	***1.2***	***1.4***	***0.9***	***1.1***	***0.6***	***3.4***	***4.3***
Wages, salaries and supplementary labour income	626,652	633,052	641,204	647,288	654,312	660,360	617,753	643,964
	1.2	*1.0*	*1.3*	*0.9*	*1.1*	*0.9*	*4.2*	*4.2*
Unincorporated business net income[1]	80,024	81,496	83,712	85,068	85,296	85,644	78,438	83,893
	2.5	*1.8*	*2.7*	*1.6*	*0.3*	*0.4*	*4.4*	*7.0*
Interest, dividends and miscellaneous investment income	105,052	106,216	108,576	108,452	109,756	110,736	105,051	108,250
	-1.1	*1.1*	*2.2*	*-0.1*	*1.2*	*0.9*	*-0.9*	*3.0*
Current transfers from government	126,340	128,044	129,028	130,616	132,944	131,520	125,153	130,158
	0.6	*1.3*	*0.8*	*1.2*	*1.8*	*-1.1*	*2.9*	*4.0*
Current transfers from corporations	1,320	1,320	1,312	1,304	1,284	1,392	1,225	1,305
	1.5	*0.0*	*-0.6*	*-0.6*	*-1.5*	*8.4*	*-5.8*	*6.5*
Current transfers from non-residents	2,292	2,748	2,532	2,696	2,536	2,780	2,473	2,628
	-9.3	*19.9*	*-7.9*	*6.5*	*-5.9*	*9.6*	*-1.3*	*6.3*
Outlay	**924,872**	**942,636**	**952,076**	**964,600**	**978,712**	**997,320**	**913,031**	**959,506**
	0.4	***1.9***	***1.0***	***1.3***	***1.5***	***1.9***	***4.3***	***5.1***
Personal expenditure on goods and services	694,048	708,200	717,384	724,980	734,376	748,496	687,791	721,235
	0.0	*2.0*	*1.3*	*1.1*	*1.3*	*1.9*	*4.8*	*4.9*
Current transfers to government	215,816	219,232	219,132	224,088	228,356	232,436	210,540	222,702
	1.6	*1.6*	*-0.0*	*2.3*	*1.9*	*1.8*	*2.4*	*5.8*
Current transfers to corporations	12,340	12,488	12,776	12,696	13,008	13,284	12,074	12,742
	0.4	*1.2*	*2.3*	*-0.6*	*2.5*	*2.1*	*10.9*	*5.5*
Current transfers to non-residents	2,668	2,716	2,784	2,836	2,972	3,104	2,626	2,827
	0.8	*1.8*	*2.5*	*1.9*	*4.8*	*4.4*	*6.5*	*7.7*
Saving	**16,808**	**10,240**	**14,288**	**10,824**	**7,416**	**-4,888**	**17,062**	**10,692**
	40.8	***-39.1***	***39.5***	***-24.2***	***-31.5***	***...***	***-28.8***	***-37.3***
Disposable income[2]	725,864	733,644	747,232	751,336	757,772	759,996	719,553	747,496
	0.7	*1.1*	*1.9*	*0.5*	*0.9*	*0.3*	*3.7*	*3.9*
Saving rate	2.3	1.4	1.9	1.4	1.0	-0.6	2.4	1.4
	...	...	...	...	...	...	...	...
Gross saving and capital transfers	**54,756**	**49,340**	**54,728**	**51,736**	**48,572**	**36,748**	**54,609**	**51,094**
	8.4	***-9.9***	***10.9***	***-5.5***	***-6.1***	***-24.3***	***-8.3***	***-6.4***
Saving	16,808	10,240	14,288	10,824	7,416	-4,888	17,062	10,692
	40.8	*-39.1*	*39.5*	*-24.2*	*-31.5*	*...*	*-28.8*	*-37.3*
Capital consumption allowances	36,364	37,080	37,664	38,160	38,684	39,096	35,790	37,897
	0.9	*2.0*	*1.6*	*1.3*	*1.4*	*1.1*	*5.0*	*5.9*
Net capital transfers	1,584	2,020	2,776	2,752	2,472	2,540	1,757	2,505
	-37.4	*27.5*	*37.4*	*-0.9*	*-10.2*	*2.8*	*19.7*	*42.6*
Deduct: Non-financial capital acquisition	94,476	98,544	101,552	103,488	105,612	108,516	89,882	102,299
	4.3	*4.3*	*3.1*	*1.9*	*2.1*	*2.7*	*14.4*	*13.8*
Net lending	**-39,720**	**-49,204**	**-46,824**	**-51,752**	**-57,040**	**-71,768**	**-35,273**	**-51,205**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Transactions in financial assets	**10,468**	**13,832**	**11,292**	**10,224**	**-800**	**-8,512**	**17,324**	**8,637**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Currency and deposits	316	30,516	37,884	21,124	22,228	7,072	20,734	27,938
	...	...	...	...	...	...	...	...
Canadian debt securities	-21,332	-16,884	-10,400	-19,952	-21,112	4,420	-5,276	-17,087
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	-2,696	3,944	-3,664	1,828	-484	-2,616	-1,539	406
	...	...	...	...	...	...	...	...
Life insurance and pensions	35,912	43,480	34,708	34,320	19,144	18,444	23,561	32,913
	...	...	...	...	...	...	...	...
Other financial assets	-1,732	-47,224	-47,236	-27,096	-20,576	-35,832	-20,156	-35,533
	...	...	...	...	...	...	...	...
Transactions in liabilities	**53,384**	**59,312**	**56,188**	**60,816**	**55,880**	**62,320**	**53,864**	**58,049**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Consumer credit	19,484	20,020	20,528	20,416	21,068	22,128	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	3,612	3,372	2,248	1,756	2,324	3,476	3,862	2,425
	...	...	...	...	...	...	...	...
Mortgages	32,956	33,472	33,944	33,988	34,316	34,568	31,780	33,930
	...	...	...	...	...	...	...	...
Trade payables	-2,668	2,448	-532	4,656	-1,828	2,148	-1,306	1,186
	...	...	...	...	...	...	...	...
Net financial investment	**-42,916**	**-45,480**	**-44,896**	**-50,592**	**-56,680**	**-70,832**	**-36,540**	**-49,412**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Sector discrepancy	3,196	-3,724	-1,928	-1,160	-360	-936	1,267	-1,793
	...	...	...	...	...	...	...	...

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**290,660**	**298,784**	**318,156**	**326,440**	**331,640**	**335,468**	**290,514**	**318,755**
	1.3	***2.8***	***6.5***	***2.6***	***1.6***	***1.2***	***7.9***	***9.7***
Corporation profits before taxes	150,532	163,128	177,176	178,804	181,484	188,188	147,592	175,148
	3.5	*8.4*	*8.6*	*0.9*	*1.5*	*3.7*	*8.7*	*18.7*
Government business enterprise profits before taxes	11,548	11,836	11,324	12,084	12,124	12,700	11,630	11,842
	9.7	*2.5*	*-4.3*	*6.7*	*0.3*	*4.8*	*0.9*	*1.8*
Inventory valuation adjustment	1,000	-4,444	-5,856	796	2,828	156	5,075	-1,669
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[1]	60,996	61,464	69,168	68,904	69,172	68,268	60,132	67,177
	-1.1	*0.8*	*12.5*	*-0.4*	*0.4*	*-1.3*	*1.8*	*11.7*
Interest on consumer debt	12,340	12,488	12,776	12,696	13,008	13,284	12,074	12,742
	0.4	*1.2*	*2.3*	*-0.6*	*2.5*	*2.1*	*10.9*	*5.5*
Interest on public debt[2]	54,244	54,312	53,568	53,156	53,024	52,872	54,011	53,515
	0.6	*0.1*	*-1.4*	*-0.8*	*-0.2*	*-0.3*	*-2.1*	*-0.9*
Outlay	**215,280**	**217,640**	**229,480**	**230,156**	**237,428**	**231,916**	**215,322**	**228,676**
	-0.6	***1.1***	***5.4***	***0.3***	***3.2***	***-2.3***	***3.1***	***6.2***
Interest, dividends and miscellaneous payments	172,612	172,960	181,148	181,228	187,492	180,236	172,948	180,707
	-0.7	*0.2*	*4.7*	*0.0*	*3.5*	*-3.9*	*1.0*	*4.5*
Direct taxes	41,128	43,188	46,684	47,416	48,408	50,112	40,963	46,424
	-0.4	*5.0*	*8.1*	*1.6*	*2.1*	*3.5*	*13.8*	*13.3*
Other current transfers	1,540	1,492	1,648	1,512	1,528	1,568	1,411	1,545
	5.5	*-3.1*	*10.5*	*-8.3*	*1.1*	*2.6*	*-11.1*	*9.5*
Saving	**75,380**	**81,144**	**88,676**	**96,284**	**94,212**	**103,552**	**75,192**	**90,079**
	7.2	***7.6***	***9.3***	***8.6***	***-2.2***	***9.9***	***24.7***	***19.8***
Gross saving and capital transfers	**184,420**	**192,544**	**202,052**	**213,072**	**209,268**	**219,140**	**182,011**	**204,234**
	2.3	***4.4***	***4.9***	***5.5***	***-1.8***	***4.7***	***11.6***	***12.2***
Saving	75,380	81,144	88,676	96,284	94,212	103,552	75,192	90,079
	7.2	*7.6*	*9.3*	*8.6*	*-2.2*	*9.9*	*24.7*	*19.8*
Capital consumption allowances	107,264	108,896	110,632	111,892	112,892	114,012	105,345	111,078
	1.1	*1.5*	*1.6*	*1.1*	*0.9*	*1.0*	*5.1*	*5.4*
Net capital transfers	1,776	2,504	2,744	4,896	2,164	1,576	1,474	3,077
	-52.4	*41.0*	*9.6*	*78.4*	*-55.8*	*-27.2*	*-43.8*	*108.8*
Deduct: Non-financial capital acquisition	125,440	119,248	121,888	138,892	145,276	141,072	124,477	131,326
	7.2	*-4.9*	*2.2*	*14.0*	*4.6*	*-2.9*	*7.3*	*5.5*
Net lending	**58,980**	**73,296**	**80,164**	**74,180**	**63,992**	**78,068**	**57,534**	**72,908**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Transactions in financial assets	**325,800**	**341,236**	**420,308**	**308,204**	**291,348**	**335,384**	**235,098**	**340,274**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Of which:								
Consumer credit	19,484	20,020	20,528	20,416	21,068	22,128	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	-3,400	25,172	32,680	21,096	23,880	16,968	-586	25,707
	...	...	...	...	...	...	...	...
Mortgages	41,916	42,848	47,436	42,860	45,096	42,668	39,689	44,560
	...	...	...	...	...	...	...	...
Short-term paper	9,296	-18,964	15,308	-4,408	-7,724	38,544	-2,166	-3,947
	...	...	...	...	...	...	...	...
Bonds	68,264	117,708	27,568	38,032	32,720	44,456	45,481	54,007
	...	...	...	...	...	...	...	...
Shares	28,824	13,376	31,188	32,380	10,876	9,880	7,792	21,955
	...	...	...	...	...	...	...	...
Foreign investments	23,608	-1,796	36,988	18,704	9,952	39,684	23,352	15,962
	...	...	...	...	...	...	...	...
Transactions in liabilities	**268,908**	**276,452**	**347,344**	**237,808**	**227,252**	**254,016**	**178,747**	**272,214**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Of which:								
Currency and deposits	53,904	52,764	122,960	88,036	83,252	75,144	49,963	86,753
	...	...	...	...	...	...	...	...
Bank and other loans	-4,472	14,976	16,672	4,068	15,844	8,300	-6,576	12,890
	...	...	...	...	...	...	...	...
Short-term paper	-30,788	-8,492	-408	-3,600	8,708	21,644	-15,700	-948
	...	...	...	...	...	...	...	...
Bonds	84,436	80,824	63,852	59,800	42,764	38,676	56,191	61,810
	...	...	...	...	...	...	...	...
Shares	35,848	45,492	51,604	22,324	11,404	42,008	33,279	32,706
	...	...	...	...	...	...	...	...
Life insurance and pensions	33,000	41,096	29,580	30,076	18,152	14,804	22,000	29,726
	...	...	...	...	...	...	...	...
Net financial investment	**56,892**	**64,784**	**72,964**	**70,396**	**64,096**	**81,368**	**56,351**	**68,060**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Sector discrepancy	2,088	8,512	7,200	3,784	-104	-3,300	1,183	4,848
	...	...	...	...	...	...	...	...

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**500,784**	**508,448**	**517,184**	**526,428**	**534,948**	**540,556**	**493,786**	**521,752**
	0.6	***1.5***	***1.7***	***1.8***	***1.6***	***1.0***	***4.7***	***5.7***
Taxes on incomes	190,244	195,232	199,100	204,132	208,712	214,068	185,920	201,794
	1.3	*2.6*	*2.0*	*2.5*	*2.2*	*2.6*	*3.3*	*8.5*
Contributions to social insurance plans	61,184	61,780	61,820	62,280	62,916	63,484	60,094	62,199
	1.4	*1.0*	*0.1*	*0.7*	*1.0*	*0.9*	*5.7*	*3.5*
Taxes on production and imports	160,808	161,720	164,268	166,252	168,024	169,372	158,354	165,066
	0.7	*0.6*	*1.6*	*1.2*	*1.1*	*0.8*	*4.5*	*4.2*
Other current transfers from persons	9,704	9,808	9,732	9,780	9,784	9,924	9,626	9,776
	1.8	*1.1*	*-0.8*	*0.5*	*0.0*	*1.4*	*4.3*	*1.6*
Investment income	39,532	39,872	41,736	43,228	44,980	42,776	40,902	42,454
	-3.5	*0.9*	*4.7*	*3.6*	*4.1*	*-4.9*	*9.9*	*3.8*
Sales of goods and services[1]	39,312	40,036	40,528	40,756	40,532	40,932	38,890	40,463
	-0.4	*1.8*	*1.2*	*0.6*	*-0.5*	*1.0*	*5.2*	*4.0*
Outlay	**490,804**	**497,104**	**500,188**	**502,596**	**508,588**	**514,400**	**485,971**	**502,119**
	0.7	***1.3***	***0.6***	***0.5***	***1.2***	***1.1***	***4.4***	***3.3***
Gross current expenditure on goods and services[1]	280,908	284,600	288,568	290,112	292,708	297,532	275,521	288,997
	1.4	*1.3*	*1.4*	*0.5*	*0.9*	*1.6*	*5.6*	*4.9*
Current transfers	145,836	148,668	148,708	150,224	154,080	155,380	145,669	150,420
	0.0	*1.9*	*0.0*	*1.0*	*2.6*	*0.8*	*5.7*	*3.3*
Interest on the public debt	64,060	63,836	62,912	62,260	61,800	61,488	64,781	62,702
	-0.6	*-0.3*	*-1.4*	*-1.0*	*-0.7*	*-0.5*	*-3.2*	*-3.2*
Saving	**9,980**	**11,344**	**16,996**	**23,832**	**26,360**	**26,156**	**7,815**	**19,633**
	-4.4	***13.7***	***49.8***	***40.2***	***10.6***	***-0.8***	***29.8***	***151.2***
Gross saving and capital transfers	**33,048**	**33,524**	**39,556**	**44,156**	**50,148**	**50,428**	**31,028**	**41,846**
	6.7	***1.4***	***18.0***	***11.6***	***13.6***	***0.6***	***8.6***	***34.9***
Saving	9,980	11,344	16,996	23,832	26,360	26,156	7,815	19,633
	-4.4	*13.7*	*49.8*	*40.2*	*10.6*	*-0.8*	*29.8*	*151.2*
Capital consumption allowances	22,736	22,972	23,244	23,500	23,832	24,120	22,467	23,387
	0.9	*1.0*	*1.2*	*1.1*	*1.4*	*1.2*	*3.5*	*4.1*
Net capital transfers	332	-792	-684	-3,176	-44	152	746	-1,174
	...	...	...	...	...	...	*-11.8*	...
Deduct: Non-financial capital acquisition	31,460	32,520	33,376	33,428	33,124	33,764	30,968	33,112
	1.7	*3.4*	*2.6*	*0.2*	*-0.9*	*1.9*	*4.3*	*6.9*
Net lending	**1,588**	**1,004**	**6,180**	**10,728**	**17,024**	**16,664**	**60**	**8,734**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Transactions in financial assets	**25,596**	**20,860**	**35,484**	**1,676**	**12,124**	**85,388**	**25,916**	**17,536**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Currency and deposits	440	-7,244	2,764	5,680	-7,380	5,532	56	-1,545
	...	...	...	...	...	...	...	...
Loans	676	2,136	7,196	7,404	5,892	8,832	4,263	5,657
	...	...	...	...	...	...	...	...
Canadian securities	-3,912	-4,016	35,092	-3,120	18,452	27,088	8,062	11,602
	...	...	...	...	...	...	...	...
Other financial assets	28,392	29,984	-9,568	-8,288	-4,840	43,936	13,535	1,822
	...	...	...	...	...	...	...	...
Transactions in liabilities	**25,492**	**19,420**	**25,724**	**-5,280**	**3,772**	**66,808**	**24,763**	**10,909**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Bank and other loans	1,096	212	584	684	1,420	1,708	1,001	725
	...	...	...	...	...	...	...	...
Short-term paper	26,996	-25,816	29,548	-6,544	-5,660	23,748	11,541	-2,118
	...	...	...	...	...	...	...	...
Bonds	-16,548	24,772	-11,700	1,692	-1,576	20,764	-5,913	3,297
	...	...	...	...	...	...	...	...
Other liabilities	13,948	20,252	7,292	-1,112	9,588	20,588	18,134	9,005
	...	...	...	...	...	...	...	...
Net financial investment	**104**	**1,440**	**9,760**	**6,956**	**8,352**	**18,580**	**1,153**	**6,627**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Sector discrepancy	1,484	-436	-3,580	3,772	8,672	-1,916	-1,093	2,107
	...	...	...	...	...	...	...	...

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**465,368**	**469,464**	**503,000**	**506,844**	**505,008**	**511,580**	**470,199**	**496,079**
	1.4	***0.9***	***7.1***	***0.8***	***-0.4***	***1.3***	***-3.2***	***5.5***
Sales of goods (imports)	336,228	340,772	367,712	375,832	368,000	377,928	342,611	363,079
	1.5	*1.4*	*7.9*	*2.2*	*-2.1*	*2.7*	*-4.0*	*6.0*
Sales of services (imports)	74,044	74,936	76,404	74,268	75,460	77,280	71,759	75,267
	2.6	*1.2*	*2.0*	*-2.8*	*1.6*	*2.4*	*1.2*	*4.9*
Interest, dividends and miscellaneous receipts	48,736	47,292	51,784	50,068	54,008	47,540	49,431	50,788
	-0.2	*-3.0*	*9.5*	*-3.3*	*7.9*	*-12.0*	*-5.4*	*2.7*
Current transfers	6,360	6,464	7,100	6,676	7,540	8,832	6,398	6,945
	-1.1	*1.6*	*9.8*	*-6.0*	*12.9*	*17.1*	*7.4*	*8.5*
Outlay	**485,116**	**494,552**	**540,124**	**536,540**	**521,656**	**525,952**	**489,451**	**523,218**
	1.2	***1.9***	***9.2***	***-0.7***	***-2.8***	***0.8***	***-3.9***	***6.9***
Purchases of goods (exports)	394,604	404,808	443,740	442,276	425,736	430,648	400,176	429,140
	0.9	*2.6*	*9.6*	*-0.3*	*-3.7*	*1.2*	*-3.4*	*7.2*
Purchases of services (exports)	62,324	62,064	63,624	63,672	64,400	65,252	61,090	63,440
	3.0	*-0.4*	*2.5*	*0.1*	*1.1*	*1.3*	*-4.6*	*3.8*
Interest, dividends and miscellaneous payments	21,708	20,532	25,392	23,208	24,336	22,344	21,575	23,367
	1.2	*-5.4*	*23.7*	*-8.6*	*4.9*	*-8.2*	*-11.4*	*8.3*
Current transfers	6,480	7,148	7,368	7,384	7,184	7,708	6,610	7,271
	-0.9	*10.3*	*3.1*	*0.2*	*-2.7*	*7.3*	*-4.0*	*10.0*
Saving	**-19,748**	**-25,088**	**-37,124**	**-29,696**	**-16,648**	**-14,372**	**-19,252**	**-27,139**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Gross saving and capital transfers	**-23,440**	**-28,820**	**-41,960**	**-34,168**	**-21,240**	**-18,640**	**-23,229**	**-31,547**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Saving	-19,748	-25,088	-37,124	-29,696	-16,648	-14,372	-19,252	-27,139
	...	...	...	...	...	...	...	...
Net capital transfers	-3,692	-3,732	-4,836	-4,472	-4,592	-4,268	-3,977	-4,408
	...	...	...	...	...	...	...	...
Net lending[1]	**-23,440**	**-28,820**	**-41,960**	**-34,168**	**-21,240**	**-18,640**	**-23,229**	**-31,547**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Transactions in financial assets	**79,716**	**9,188**	**80,268**	**51,552**	**41,728**	**59,624**	**36,204**	**45,684**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Currency and deposits	592	-25,880	34,752	-3,968	3,832	1,892	6,028	2,184
	...	...	...	...	...	...	...	...
Loans	480	-1,444	-7,724	-8,504	-5,772	704	-2,716	-5,861
	...	...	...	...	...	...	...	...
Short-term paper	-6,340	-7,032	7,332	-1,344	440	1,776	-2,172	-151
	...	...	...	...	...	...	...	...
Bonds	21,120	-3,384	20,480	34,980	26,124	-3,108	7,895	19,550
	...	...	...	...	...	...	...	...
Shares	24,592	32,484	48,712	25,712	36,448	28,992	13,492	35,839
	...	...	...	...	...	...	...	...
Other financial assets	39,272	14,444	-23,284	4,676	-19,344	29,368	13,677	-5,877
	...	...	...	...	...	...	...	...
Transactions in liabilities	**93,796**	**29,932**	**118,096**	**78,312**	**57,496**	**88,740**	**57,168**	**70,959**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Official reserves	-5,896	-1,440	-1,072	2,456	-13,648	11,000	-4,694	-3,426
	...	...	...	...	...	...	...	...
Currency and deposits	-11,684	10,104	5,180	-888	17,724	5,496	6,874	8,030
	...	...	...	...	...	...	...	...
Bank and other loans	-2,480	7,304	12,648	13,488	4,412	13,020	2,674	9,463
	...	...	...	...	...	...	...	...
Foreign investments	33,172	-5,432	28,904	22,716	15,656	39,380	25,019	15,461
	...	...	...	...	...	...	...	...
Other liabilities	80,684	19,396	72,436	40,540	33,352	19,844	27,295	41,431
	...	...	...	...	...	...	...	...
Net financial investment	**-14,080**	**-20,744**	**-37,828**	**-26,760**	**-15,768**	**-29,116**	**-20,964**	**-25,275**
	...	***...***	***...***	***...***	***...***	***...***	***...***	***...***
Sector discrepancy	-9,360	-8,076	-4,132	-7,408	-5,472	10,476	-2,265	-6,272
	...	...	...	...	...	...	...	...

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

First quarter 2005

Labour productivity in the Canadian business sector rose a slight 0.2% during the first three months of 2005 compared with the previous quarter, continuing its anaemic performance of the past two years.

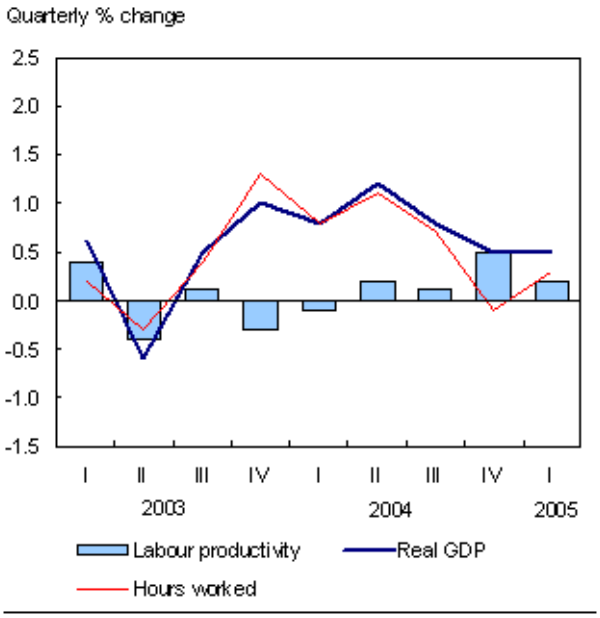
In the United States, productivity increased 0.6%, three times the rate of growth in Canada. This gap stems entirely from a more rapid economic growth in the US.

Canada's marginal first-quarter gain in productivity followed a slight rebound of 0.5% in the fourth quarter last year and a gain of only 0.1% in the previous quarter. This anaemic productivity performance in Canada occurred in the context of a strong Canadian dollar.

Productivity rises when gross domestic product (GDP) increases at a faster pace than the number of hours worked. Ultimately, rising productivity enables Canadians to increase and maintain their standard of living.

Real GDP in the Canadian business sector rose 0.5% in the first three months of the year, the same rate of growth as in the previous quarter. This was due to the strength of domestic demand, which was partially offset by the rapid increase in imports and by a slowdown in the accumulation of inventories.

Productivity growth came down again



Note to readers

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

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

For more information about the productivity program, see the *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 email to productivity.measures@statcan.ca.

Revisions

This release incorporates part of the revised historical data of the Labour Force Survey (LFS) published in February. An overview of revisions is available in the article *Improvements in 2005 to the LFS* (catalogue no. 71F0031XIE, free). This release also incorporates the 2001-to-2004 revisions to the National Economic and Financial Accounts that were released May 31 as well as a new methodology to benchmark the quarterly series to the annual. As a result of these revisions, the database on labour productivity and related variables was revised back to 1987 and pushed back to the first quarter of 1981.The impact of these revisions by industry and province will be included in the annual productivity accounts next fall.

In the United States, the Bureau of Labor Statistics has revised its historical data on hours worked, while its revised GDP data should be released in September.

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.

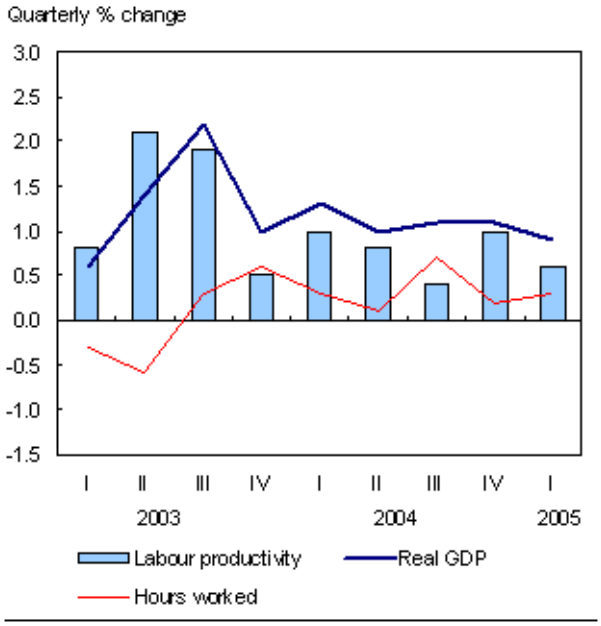
Unit labour cost is the labour cost per unit of output. It is calculated as the ratio of labour compensation to real value added. It is also the equivalent of the ratio of labour compensation per hour worked to labour productivity. The unit labour cost will increase when hourly compensation rises faster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

Taking advantage of the strong dollar, Canadian businesses continued to invest in machinery and equipment, increasing their purchases by 3.8% in the first quarter of 2005, which explain in part the 2.5% surge in imports.

South of the border, productivity among US businesses continued to rise more rapidly than that of their Canadian competitors, although the growth rate was significantly slower.

U.S. productivity growth slowed



Productivity in the American business sector increased 0.6% in the first quarter, three times the rate of growth in Canada. However, the American rate slipped from 1.0% in the fourth quarter of 2004.

Comparable growth in productivity in the service and goods sectors

In the first quarter of 2005, productivity in the service industries was up 0.3%, an increase similar to the 0.4% rise recorded by the goods sector.

In the previous quarter, the growth in productivity in both sectors was also comparable, at 0.6% for the services sector and 0.5% for the goods sector.

However, the similar productivity gains in the two sectors stems from different sources during the first three months of 2005: while production and hours worked in the services industries rose in the first quarter, the two measures drop in the goods sector.

In the goods sector, the productivity gains posted in the first quarter were driven largely by a 2.0% recovery in productivity in the construction industry, after six straight quarterly decreases.

The manufacturing sector, one of the important components in the goods sector, saw its productivity increased by 0.9% during the first quarter, slightly less than the average 1.5% pace of the previous three quarters. This performance may be the result of manufacturers' efforts to reduce their labour force as a result of the low rate of growth in their production.

After a 0.2% decline during the last quarter of 2004, manufacturing activities edge up by 0.2 % in the first quarter. Only 12 of the 21 major groups, representing 53% of the value added in the manufacturing sector, saw an increase in their activity in the first quarter. The more impressive performance was reported by machinery, computer and electronic products and fabricated metal products. During the same period, the number of hours worked in this sector declined by 0.7%, recording a decline for a third consecutive quarter.

The growth in productivity in the services sector posted in the first quarter was primarily attributable to the gains of 1.8% in transportation and storage sector and of 1.6% in retail trade.

Activities in retail trade showed a strong 2.0% increase in GDP in the first quarter following the end of strike by employees of the Société des alcools du Québec as well as the increasing popularity of gift certificates. In the meantime, the number of hours worked rose slightly by 0.3% after declining by the same rate in the previous quarter.

Businesses tighten control of their unit labour cost

Following a 0.5% quarterly increase in hourly compensation and a 0.2% rise in productivity, business' unit labour costs rose by 0.3% in the first quarter of 2005. This was down from the 0.8% increase posted in the fourth quarter of 2004.

Unit labour costs are an indicator that can be used to measure relative changes between hourly compensation and productivity.

The cost of labour per unit produced in the services sector was 0.2% lower in the first quarter, a first drop since the first quarter of 2002. In the goods sector, unit labour costs rose by 0.8 % in the first quarter following a 1.2% increase in the fourth quarter.

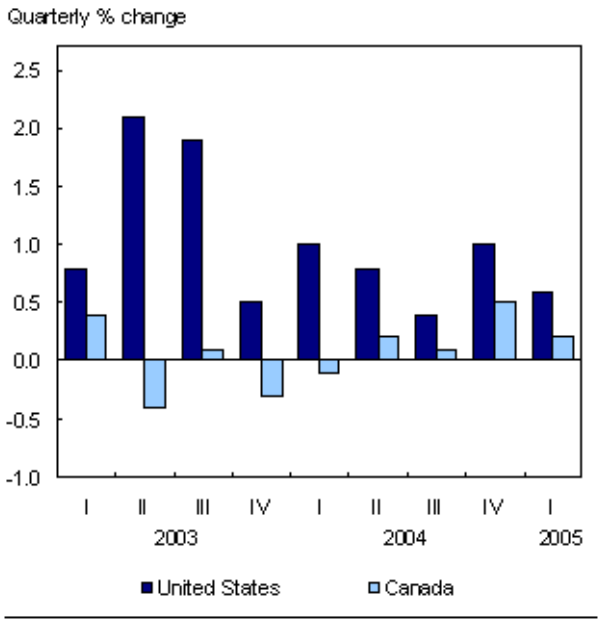
Some of the industries that posted the highest rates of growth in the unit labour costs during the first quarter of 2005 were professional, scientific and technical services, construction and agriculture, forestry, fishing and hunting. At the other end of the spectrum, the most pronounced decreases in terms of labour costs were reported in retail and wholesale trades.

Because of its productivity performance in the first quarter, the manufacturing sector posted a 0.3% decrease in its unit labour costs, compared to a 0.7% increase in the previous quarter.

Canadian businesses continue to lag their US counterparts

Canadian businesses continued to lag behind their American counterparts in terms of the growth in their productivity. During the first three months of 2005, quarterly productivity in both countries was slower.

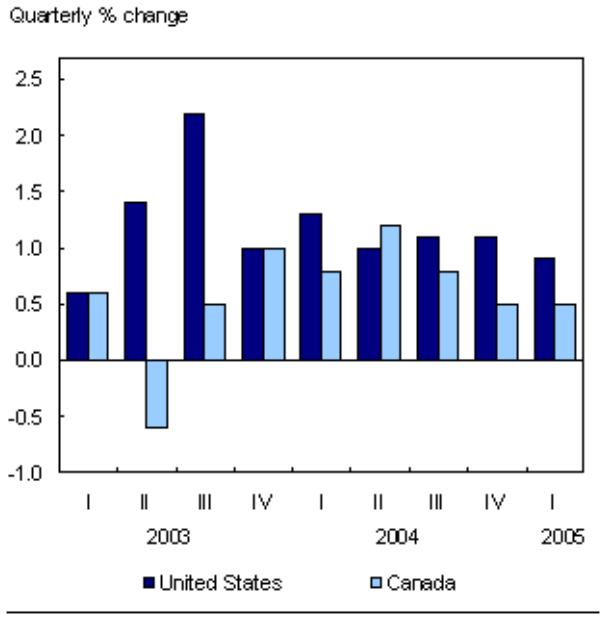
Canada-U.S. productivity gap persisted



The first-quarter gap between the two nations stems entirely from the difference in performance of economic activity, while the number of hours worked increased 0.3% on both sides of the border.

Growth in economic output in Canada's business sector has increased at a slower pace than in the US business sector for three consecutive quarters. In the first quarter, business sector GDP south of the border rose 0.9%, nearly double the rate of growth in Canada.

Higher output growth of U.S. businesses

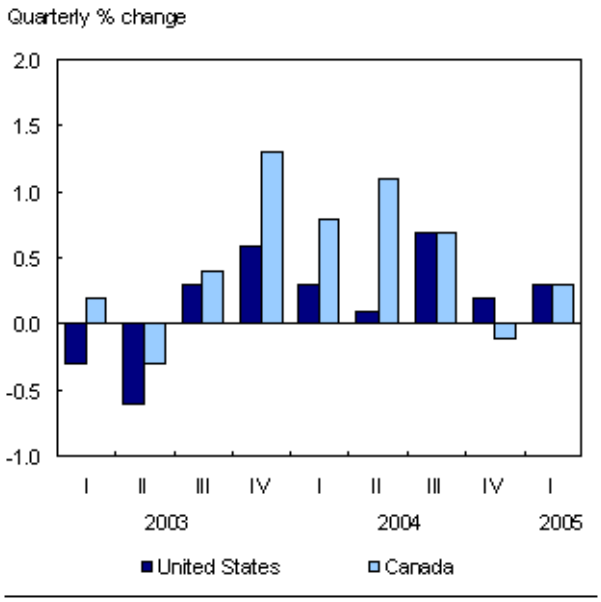


Business sector output in Canada started to slow late in 2004 after posting quarterly increases of about 1.0% for about a year. South of the border, however, output in the American business sector prior to the first quarter this year had expanded by 1.0% or more for seven consecutive quarters.

Growth in economic activity in Canada in the first quarter of 2005 is largely attributable to healthy domestic demand, which was strongly supported by household spending. Strong domestic demand helped to offset the dampening effect of the foreign trade balance on GDP growth. After two quarters of decline, exports rose 1.5%, compared with a 2.5% increase in imports.

In the United States, consumers were primarily responsible for the first-quarter growth in the output. Business investments in inventories, exports, residential investment and computer hardware and software were also factors.

Hours worked increased at a similar pace in both countries



The small rate of increase in hours worked posted in Canada during the last two quarters follows in the wake of a series of strong increases that started in the third quarter of 2003. In comparison, the growth in hours worked in the United States has kept essentially the same pace for the last seven quarters. On average, the number of hours worked increased during this period by 0.3% per quarter.

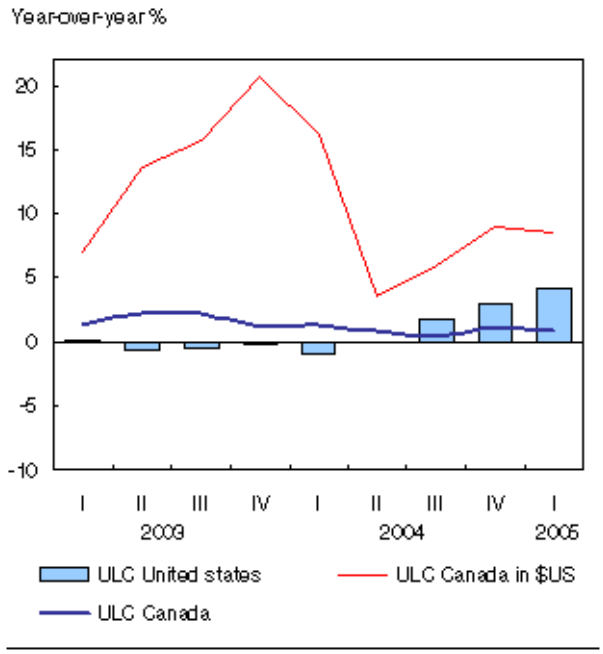
Competitive capacity among businesses crumbles with strong loonie

On a year-over-year basis and without the effect of the exchange rate, the labour cost to produce a unit of GDP for Canadian businesses increased 0.9% in the first quarter, somewhat less than during the fourth quarter of 2004.

In comparison, American businesses saw their unit labour costs increasing for a third consecutive quarter. On a year-over-year basis, their unit labour cost advanced by 4.1% in the first quarter of 2005, compared with 3.0% in the fourth quarter of 2004.

When the exchange rate is taken into account, the position turns in favour of American businesses.

Canadian unit labour costs in US$ slowed slightly



In Canada's business sector, the lack of productivity gains during the first three months of 2005, combined with the strong Canadian dollar, resulted in an 8.5% rise in unit labour costs measured in US dollars. This compared to the 4.1% growth in the United States.

Despite this decline in competitiveness from a cost standpoint, Canada's exports nonetheless rebounded 4.4% in the first quarter of 2005, after falling 3.0% in the previous quarter.

Canadian businesses also took advantage of the strength of the dollar to invest in machinery and equipment. On an annual basis, their purchases in this area climbed 11.2% in 2004, in line with the strong 10.7% increase in imports.

Comparison of annual labour productivity growth in the business sector before and after revision

	Canada		United States	
	Before revision	After revision	Before revision	After revision
	annual % change			
1981-2004	..	1.4	2.2	2.2
1981-2000	1.4	1.5	1.9	1.9
2000-2004	1.1	0.9	3.8	3.8
2000	3.6	3.4	2.9	2.8
2001	1.7	1.5	2.5	2.5
2002	2.5	2.1	4.3	4.3
2003	0.2	0.2	4.5	4.4
2004	0.0	0.0	4.0	3.9

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - First quarter 2005, published in NEWS, June 2.

With the recent revisions in both countries, the productivity gap continues to favour the United States

Today's data release incorporates the revised Canada data for both GDP and hours worked. For its part, the Bureau of Labor Statistics has revised its historical data on hours worked, while their revisions to GDP data should be released in September.

Quarterly measures of productivity in the Canadian business sector are also made available from 1981 onward, which will make it possible to evaluate the changes in productivity between the two countries during the past three cycles. Prior to this release, the data were available only back to 1987.

In general, the revisions have resulted in almost no change from previous estimates.

On a long-term basis, revised data show that the average annual rate of growth in Canada's productivity between 1981 and 2004 was 1.4% per year, less than the 2.2% posted in the United States during the same period.

This gap in productivity growth was due mainly to the period between 2000 and 2004. During this time, productivity in the United States grew at an annual average rate of 3.8%, more than four times the rate of growth of only 0.9% in Canada.

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005
	Seasonally adjusted					
	% change from previous quarter					
Canada						
Labour productivity	-0.3	-0.1	0.2	0.1	0.5	0.2
Real GDP	1.0	0.8	1.2	0.8	0.5	0.5
Hours worked	1.3	0.8	1.1	0.7	-0.1	0.3
Hourly compensation	-0.3	0.4	0.0	0.2	1.3	0.5
Unit labour cost	0.1	0.5	-0.1	0.0	0.8	0.3
Exchange rate[2]	-4.7	0.2	3.2	-3.9	-6.6	0.5
Unit labour cost in US$	5.0	0.3	-3.2	4.1	7.9	-0.2
United States						
Labour productivity	0.5	1.0	0.8	0.4	1.0	0.6
Real GDP	1.0	1.3	1.0	1.1	1.1	0.9
Hours worked	0.6	0.3	0.1	0.7	0.2	0.3
Hourly compensation	0.9	0.7	1.4	1.4	2.7	1.5
Unit labour cost	0.3	-0.3	0.5	1.0	1.7	0.8
	% change from same quarter of previous year					
Canada						
Labour productivity	-0.2	-0.6	-0.1	-0.1	0.7	1.0
Real GDP	1.4	1.6	3.5	3.9	3.4	3.0
Hours worked	1.6	2.2	3.7	4.0	2.6	2.0
Hourly compensation	1.0	0.8	0.5	0.3	1.9	2.0
Unit labour cost	1.2	1.4	0.8	0.5	1.1	0.9
Exchange rate[2]	-16.2	-12.7	-2.8	-5.3	-7.2	-6.9
Unit labour cost in US$	20.8	16.2	3.5	6.0	9.0	8.5
United States						
Labour productivity	5.3	5.5	4.2	2.7	3.1	2.8
Real GDP	5.3	6.1	5.6	4.4	4.5	4.2
Hours worked	0.0	0.5	1.3	1.7	1.3	1.3
Hourly compensation	5.1	4.5	4.2	4.4	6.3	7.1
Unit labour cost	-0.2	-1.0	0.0	1.7	3.0	4.1
	% change from previous quarter at annualized rate[3]					
Canada						
Labour productivity	-1.1	-0.4	0.7	0.4	2.1	0.7
Real GDP	3.9	3.2	5.1	3.4	1.8	1.8
Hours worked	5.5	3.2	4.6	2.8	-0.3	1.0
Hourly compensation	-1.0	1.7	0.0	0.7	5.4	2.0
Unit labour cost	0.4	1.9	-0.4	0.0	3.0	1.1
Unit labour cost in US$	21.5	1.1	-12.3	17.3	35.5	-0.7
United States						
Labour productivity	1.9	3.9	3.4	1.5	3.8	2.6
Real GDP	4.2	5.3	3.9	4.5	4.3	4.0
Hours worked	2.2	1.3	0.5	2.9	0.5	1.4
Hourly compensation	3.5	2.8	5.5	5.8	11.1	6.0
Unit labour cost	1.6	-1.0	2.1	4.2	7.1	3.3

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]

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005
	Seasonally adjusted					
	% change from previous quarter					
Canada						
All jobs	0.9	0.2	0.7	0.5	0.3	0.5
Hours worked	1.3	0.8	1.1	0.7	-0.1	0.3
Average hours	0.3	0.7	0.4	0.2	-0.4	-0.2
Labour share[2]	-0.2	-0.7	-1.6	-1.0	0.3	0.0
United States						
All jobs	0.3	0.3	0.6	0.5	0.3	0.7
Hours worked	0.6	0.3	0.1	0.7	0.2	0.3
Average hours	0.3	0.1	-0.4	0.2	-0.2	-0.3
Labour share[2]	0.2	-0.8	-0.2	0.7	1.1	0.1
	% change from same quarter of previous year					
Canada						
All jobs	1.4	1.2	2.2	2.3	1.7	2.1
Hours worked	1.6	2.2	3.7	4.0	2.6	2.0
Average hours	0.1	1.0	1.3	1.6	0.9	0.0
Labour share[2]	-1.0	0.0	-3.1	-3.5	-2.9	-2.2
United States						
All jobs	0.1	0.3	1.5	1.6	1.6	2.1
Hours worked	0.0	0.5	1.3	1.7	1.3	1.3
Average hours	-0.2	0.2	-0.1	0.2	-0.3	-0.7
Labour share[2]	-1.3	-2.1	-1.6	-0.1	0.8	1.7
	% change from previous quarter at annualized rates[3]					
Canada						
All jobs	3.5	0.7	2.8	2.1	1.4	2.1
Hours worked	5.5	3.2	4.6	2.8	-0.3	1.0
Average hours	1.2	2.9	1.6	0.8	-1.6	-0.8
Labour share[2]	-0.8	-2.9	-6.2	-3.8	1.3	0.0
United States						
All jobs	1.0	1.0	2.4	2.1	1.0	2.7
Hours worked	2.2	1.3	0.5	2.9	0.5	1.4
Average hours	1.2	0.4	-1.6	0.8	-0.8	-1.2
Labour share[2]	0.8	-3.2	-0.8	2.9	4.6	0.4

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

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted							
Business sector - goods	**113.7**	**113.1**	**113.3**	**114.1**	**114.7**	**115.2**	**114.0**	**113.8**
	0.0	***-0.5***	***0.2***	***0.7***	***0.5***	***0.4***	***-0.2***	***-0.1***
Agriculture, forestry, fishing and hunting	131.2	133.0	134.5	140.7	139.3	136.8	130.7	136.9
	-0.3	*1.4*	*1.1*	*4.6*	*-1.0*	*-1.8*	*5.8*	*4.8*
Construction	108.0	106.3	104.3	102.8	102.4	103.9	108.6	104.0
	-0.6	*-1.6*	*-1.9*	*-1.4*	*-0.4*	*1.5*	*-0.9*	*-4.3*
Manufacturing	121.1	120.9	122.2	124.3	126.4	127.5	120.4	123.5
	0.9	*-0.2*	*1.1*	*1.7*	*1.7*	*0.9*	*1.5*	*2.5*
Business sector - services	**113.6**	**113.7**	**114.0**	**113.8**	**114.5**	**114.9**	**114.0**	**114.0**
	-0.4	***0.1***	***0.3***	***-0.2***	***0.6***	***0.3***	***0.3***	***0.0***
Wholesale trade	130.0	130.0	132.7	132.3	133.1	128.3	126.7	132.0
	4.6	*0.0*	*2.1*	*-0.3*	*0.6*	*-3.6*	*2.3*	*4.2*
Retail trade	119.5	120.8	120.7	120.8	122.1	124.1	121.8	121.1
	-3.2	*1.1*	*-0.1*	*0.1*	*1.1*	*1.6*	*1.8*	*-0.6*
Transportation and warehousing	111.5	111.7	112.8	113.4	116.2	118.3	110.1	113.5
	1.3	*0.2*	*1.0*	*0.5*	*2.5*	*1.8*	*-0.2*	*3.2*
Information and cultural industries	109.9	109.5	113.9	111.2	110.3	107.7	114.4	111.2
	-3.3	*-0.4*	*4.0*	*-2.4*	*-0.8*	*-2.4*	*-2.6*	*-2.8*
Finance, real estate and company management	107.1	107.7	109.2	107.1	105.4	105.9	107.6	107.4
	-0.6	*0.6*	*1.4*	*-1.9*	*-1.6*	*0.5*	*-3.1*	*-0.2*
Professional, scientific and technical services	121.6	121.7	121.5	120.3	120.9	121.7	123.3	121.1
	-1.2	*0.1*	*-0.2*	*-1.0*	*0.5*	*0.7*	*3.7*	*-1.8*
Administrative and support, waste management and remediation services	92.7	91.7	90.5	88.3	89.0	89.8	93.9	89.9
	-2.2	*-1.1*	*-1.3*	*-2.4*	*0.8*	*0.9*	*-1.3*	*-4.3*
Accomodation and food services	104.3	103.8	103.7	104.0	104.6	104.4	101.9	104.0
	2.8	*-0.5*	*-0.1*	*0.3*	*0.6*	*-0.2*	*-3.3*	*2.1*
Other commercial services	109.8	110.1	106.5	109.5	110.3	110.1	111.0	109.1
	-1.1	*0.3*	*-3.3*	*2.8*	*0.7*	*-0.2*	*0.7*	*-1.7*

Unit labour cost by industry

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Seasonally adjusted							
Business sector - goods	**107.3**	**108.0**	**107.6**	**106.8**	**108.1**	**109.0**	**107.1**	**107.6**
	-0.1	***0.7***	***-0.4***	***-0.7***	***1.2***	***0.8***	***1.7***	***0.5***
Agriculture, forestry, fishing and hunting	110.7	109.5	103.9	100.3	101.7	103.0	112.2	103.9
	0.3	*-1.1*	*-5.1*	*-3.5*	*1.4*	*1.3*	*-14.1*	*-7.4*
Construction	108.8	109.9	112.7	113.6	115.0	116.5	107.2	112.8
	1.2	*1.0*	*2.5*	*0.8*	*1.2*	*1.3*	*2.9*	*5.2*
Manufacturing	99.0	99.1	97.5	96.1	96.8	96.5	100.1	97.4
	-1.7	*0.1*	*-1.6*	*-1.4*	*0.7*	*-0.3*	*2.1*	*-2.7*
Business sector - services	**104.5**	**104.7**	**104.7**	**105.2**	**105.7**	**105.5**	**104.0**	**105.1**
	0.2	***0.2***	***0.0***	***0.5***	***0.5***	***-0.2***	***2.0***	***1.1***
Wholesale trade	89.4	89.4	86.8	85.9	87.1	85.1	91.6	87.3
	-4.0	*0.0*	*-2.9*	*-1.0*	*1.4*	*-2.3*	*-1.0*	*-4.7*
Retail trade	102.8	102.6	105.1	104.4	103.3	101.8	101.6	103.9
	2.0	*-0.2*	*2.4*	*-0.7*	*-1.1*	*-1.5*	*3.5*	*2.2*
Transportation and warehousing	105.9	105.6	104.9	106.0	105.6	104.9	107.5	105.5
	-2.3	*-0.3*	*-0.7*	*1.0*	*-0.4*	*-0.7*	*2.1*	*-1.9*
Information and cultural industries	102.9	103.2	102.9	102.3	103.4	102.9	101.2	103.0
	1.2	*0.3*	*-0.3*	*-0.6*	*1.1*	*-0.5*	*0.4*	*1.8*
Finance, real estate and company management	105.2	105.0	104.7	105.7	106.1	106.9	104.1	105.4
	1.4	*-0.2*	*-0.3*	*1.0*	*0.4*	*0.8*	*2.7*	*1.2*
Professional, scientific and technical services	105.0	106.2	104.5	104.2	106.7	108.6	104.0	105.4
	1.4	*1.1*	*-1.6*	*-0.3*	*2.4*	*1.8*	*-2.9*	*1.3*
Administrative and support, waste management and remediation services	122.6	125.2	126.9	128.3	129.7	130.8	119.4	127.5
	3.3	*2.1*	*1.4*	*1.1*	*1.1*	*0.8*	*1.4*	*6.8*
Accomodation and food services	116.7	112.3	115.8	118.9	115.8	116.1	117.5	115.7
	-3.0	*-3.8*	*3.1*	*2.7*	*-2.6*	*0.3*	*6.6*	*-1.5*
Other commercial services	106.3	107.0	108.1	109.4	111.1	112.5	102.8	108.9
	1.5	*0.7*	*1.0*	*1.2*	*1.6*	*1.3*	*3.8*	*6.0*

International investment position

First quarter 2005

Canada's net liability to foreign residents continued its long-term downward trend during the first three months of this year with the strongest quarterly decline on record.

Our net liability to foreigners fell 10.4% from the fourth quarter of 2004 to $162.3 billion, the lowest level in two decades.

This liability represented only 12.2% of Canada's annual gross domestic product at the end of March 2005, also a continuation of a downward trend. Ten years ago, it was equivalent to 42.3% of GDP.

The decline in net liability occurred because the value of Canada's assets abroad has been increasing, on average, at a much faster pace than our foreign liabilities.

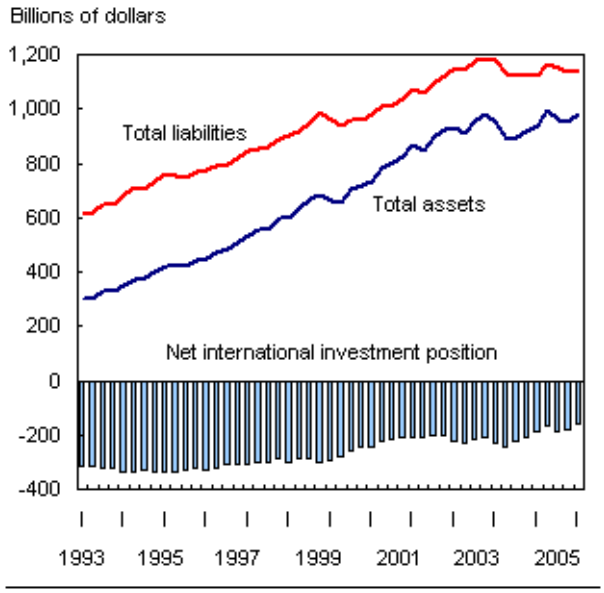
In addition, foreigners investing in Canada have been acquiring stocks faster than bonds, parallel to the reduction of government's debt. Canadian stocks held by non-residents more than doubled in the last 10 years as a proportion of total liability.

The value of international assets reached $983.3 billion in the first quarter, up 2.9%. Gains in direct investment abroad, deposits and holdings of foreign bonds, explained most of this increase.

The Canadian dollar depreciated slightly against the US dollar in the first quarter but appreciated vis-à-vis most other currencies. This lowered the value of international assets by $4.2 billion.

On the other hand, our international liabilities totalled $1,145.6 billion, a modest 0.8% increase from the fourth quarter last year. The increase was mostly due to increases in foreign direct investment and loans. It followed a series of quarterly declines that started around the beginning of 2003.

Canada's international investment position



Note to readers

New series on foreign money market instruments

The portfolio investment in foreign securities (Canada's assets) has been expanded to include foreign money market instruments. The new series begins in the first quarter of 2002. These instruments were previously included with assets under *Other Investment* and where they remain for periods prior to the first quarter of 2002.

Additional estimates at market value

As of the first quarter 2005, total portfolio investment in Canadian and foreign securities (equities, bonds and money market instruments) 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. The following analysis focuses on the book value series though, and this practice will continue until a full set of market value estimates becomes available.

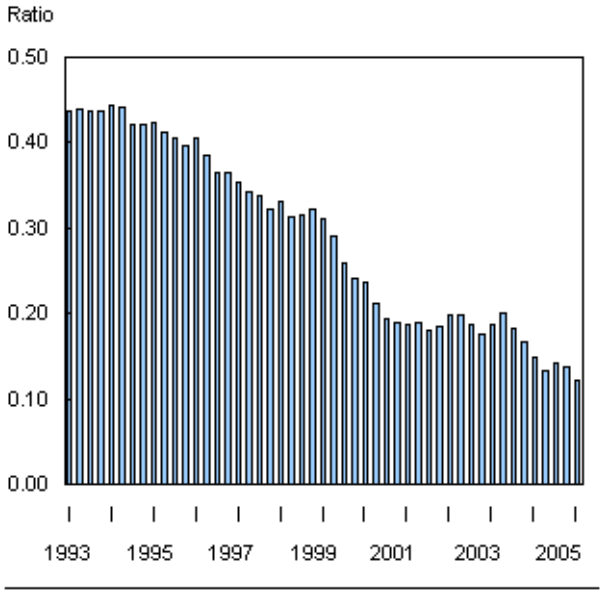
Market value estimates of foreign direct investment series will be available in June of 2006. Methods to best measure market value for foreign direct investment are under review at the international level. Recommendations from direct investment experts, which will be available later in 2005, will serve 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.

Canada's net external liability to GDP



Moderate rise in Canadian direct investment abroad

Canadian direct investment abroad reached $452.6 at the end of the first quarter, up 1.7% from the end of last year. It now represents 46% of Canada's international assets and has been steadily growing in the last 10 years.

The increase in direct investment abroad was due to transactions valued at $10 billion, which were offset by a $2.4-billion decline caused by overall appreciation of the Canadian dollar.

Direct investment assets in the United States increased $9.1 billion to $202.9 billion, mostly because of an acquisition of an enterprise in the US financial sector.

The value of Canadian direct investment in all other countries fell $1.5 billion to $249.7 billion. This was largely explained by the appreciation of the Canadian dollar vis-à-vis currencies other than the US dollar.

Canadians buying foreign bonds at faster pace than stocks

Canadian investors bought foreign bonds at a faster pace than they did stocks during the first quarter of this year.

Canadian holdings of foreign bonds rose 9.4% to $62.9 billion. Almost three-quarters of the increase was directed to US bonds.

On the other hand, holdings of foreign stocks and money market instruments fell 0.6% to $196.6 billion. This decline was the result of low purchases, combined with the appreciation of the Canadian dollar against most currencies other than the US dollar.

The net international investment position was reduced by another $9.0 billion by gains in reserves and deposit assets.

US still accounts for nearly two-thirds of direct investment liability

Foreign direct investment in Canada increased 1.6% to $371.5 billion at the end of the first quarter.

Almost two-thirds of direct investment liability position originated from the United States. This proportion has been relatively stable in the last three years.

The European Union on the other hand lost ground to the other OECD and less developed countries during that same period.

As a proportion to total international liabilities, foreign direct investment stayed at around 32% in the last two years after steady growth in the previous eight years.

Steady rise in proportion of foreign holdings of Canadian stocks

There has been a steady increase in the proportion of foreign holdings of Canadian stocks rather than bonds. At the end of the first quarter, non-residents held $110.5 billion worth of Canadian stocks, up 1.8% from the fourth quarter last year.

The value of Canadian stocks held by non-residents has more than doubled in the last 10 years as a proportion of Canada's international liabilities. In the first quarter this year, they accounted for nearly 10% of these liabilities. More than 90% of these stocks are held by US investors.

In contrast, non-residents held $405.2 billion of Canadian bonds at the end of the first quarter, almost unchanged from the previous quarter.

Foreign holdings of Canadian bonds continued to decrease as a proportion of total international liabilities. Bonds represented 36% of total liabilities in the first quarter of 2005, compared to 43% a decade ago.

Annual data show that, geographically, these foreign holdings are much more diversified. In 2004, about 57% were held by the United States, 27% by the European Union and 6% by Japan.

Foreign holdings of Canadian money market instruments also decreased sharply as a proportion of Canada's international liabilities. They now account for only 2% of all liabilities, compared to 7% ten years ago. Non-residents held $18.6 billion of money market instruments at the end of March 2005.

The loan liability position increased 7.0% to $42.5 billion after two quarters of strong declines.

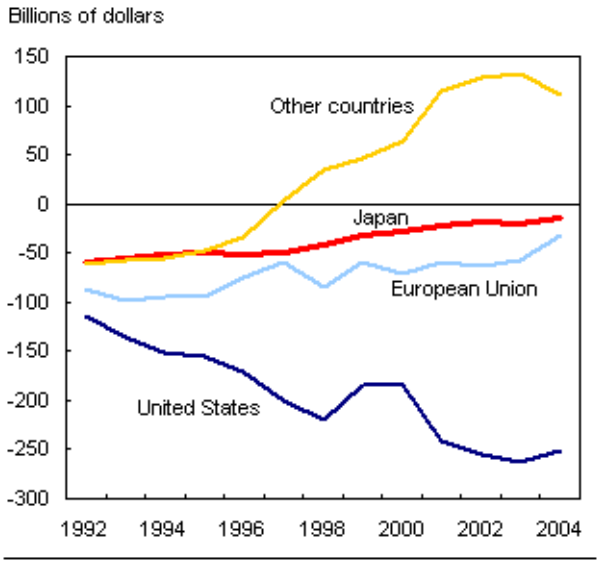
Decline in net foreign liability position with the US

American investors continued to hold by far the largest portion of Canada's net liabilities, but this portion declined in 2004. At the end of the year, their holdings stood at $251.0 billion, down from $262.3 billion a year earlier.

European Union countries and Japan combined also decreased in importance as Canada's net creditors. They held $45.8 billion of Canada's net debt in 2004, down from $78.0 billion the year before.

Canada's net asset position with all the other countries had declined to $115.7 billion by the end of 2004 after rising very substantially over the previous ten years.

Net international investment position, by geographic area



International investment position at period-end

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Millions of dollars							
Assets								
Canadian direct investment abroad	403,444	415,555	450,253	443,568	445,063	452,615	403,444	445,063
Portfolio investment abroad								
Foreign bonds	45,137	48,220	51,882	52,377	57,471	62,892	45,137	57,471
Foreign bonds at market value	*48,293*	*52,844*	*55,081*	*56,859*	*61,941*	*67,472*	*48,293*	*61,941*
Foreign stocks	194,889	197,214	199,868	190,024	186,678	185,606	194,889	186,678
Foreign stocks at market value	*352,318*	*364,914*	*373,539*	*349,024*	*368,926*	*367,117*	*352,318*	*368,926*
Foreign money market	10,953	12,268	11,359	11,398	11,079	10,985	10,953	11,079
Foreign money market at market value	*10,977*	*12,286*	*11,373*	*11,413*	*11,108*	*11,008*	*10,977*	*11,108*
Other investment								
Loans	58,426	65,298	69,721	62,403	56,047	58,792	58,426	56,047
Allowances	-11,612	-11,079	-11,187	-11,006	-10,879	-10,805	-11,612	-10,879
Deposits	109,877	110,136	119,976	108,076	112,460	118,684	109,877	112,460
Official international reserves	45,690	46,116	46,349	44,652	40,315	43,072	45,690	40,315
Other assets	61,436	55,506	59,990	60,452	57,202	61,448	61,436	57,202
Total assets								
at book value	918,241	939,236	998,211	961,943	955,436	983,289	918,241	955,436
with portfolio investment at market value	*1,078,849*	*1,111,576*	*1,175,095*	*1,125,441*	*1,142,183*	*1,169,403*	*1,078,849*	*1,142,183*
Liabilities								
Foreign direct investment in Canada	354,466	359,704	356,167	365,789	365,675	371,480	354,466	365,675
Porrtfolio investment								
Canadian bonds	405,742	410,856	419,910	408,158	405,091	405,219	405,742	405,091
Canadian bonds at market value	*436,244*	*451,654*	*442,302*	*440,963*	*437,692*	*439,254*	*436,244*	*437,692*
Canadian stocks	83,316	85,225	103,239	105,598	108,554	110,523	83,316	108,554
Canadian stocks at market value	*181,582*	*193,996*	*211,998*	*220,492*	*242,326*	*256,736*	*181,582*	*242,326*
Canadian money market	21,388	18,843	20,852	18,111	19,621	18,605	21,388	19,621
Canadian money market at market value	*21,523*	*18,946*	*20,939*	*18,191*	*19,707*	*18,672*	*21,523*	*19,707*
Other investment								
Loans	54,504	52,463	54,074	42,876	39,743	42,544	54,504	39,743
Deposits	183,139	174,599	191,379	185,607	175,970	175,094	183,139	175,970
Other liabilities	21,858	22,550	22,434	22,063	21,910	22,128	21,858	21,910
Total liabilities								
at book value	1,124,412	1,124,240	1,168,055	1,148,202	1,136,563	1,145,592	1,124,412	1,136,563
with portfolio investment at market value	*1,253,316*	*1,273,912*	*1,299,293*	*1,295,981*	*1,303,023*	*1,325,908*	*1,253,316*	*1,303,023*
Net international investment position								
at book value	-206,171	-185,005	-169,844	-186,258	-181,127	-162,303	-206,171	-181,127
with portfolio investment at market value	*-174,467*	*-162,336*	*-124,198*	*-170,540*	*-160,840*	*-156,505*	*-174,467*	*-160,840*

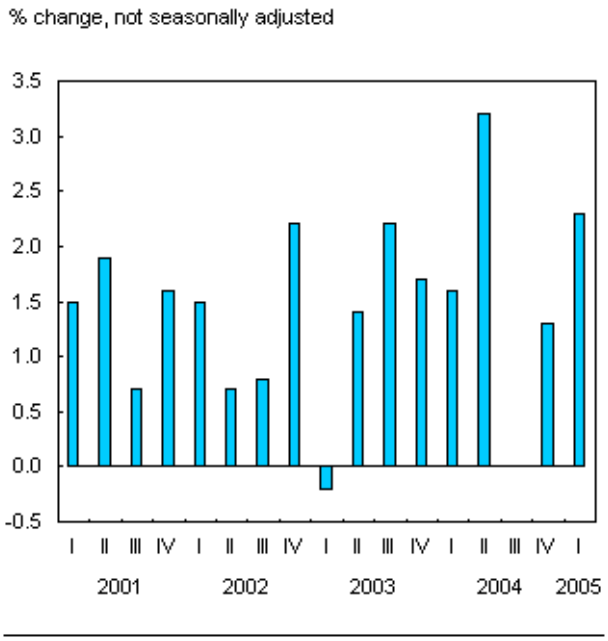
National balance sheet accounts

First quarter 2005

Growth in national net worth accelerated

Growth in national net worth strengthened to 2.3% in the first quarter from the fourth quarter (+1.3%). The increase in net worth resulted from stronger growth in national wealth as well as a further reduction in net foreign debt.

National net worth advances at a faster pace



National wealth growth accelerated to 2.1%, exceeding growth in the fourth quarter (+1.0%). While investment in new residential construction slowed, the gain in value of residential real estate was supported by firmer housing prices. Overall, the increase in the value of residential real estate accounted for about 40% of the increase in national wealth in the quarter.

Canadians' net indebtedness to non-residents declined in the first quarter, the second straight decline. Canadian assets abroad grew, helped by the depreciation of the Canadian dollar against the U.S. dollar during the quarter, while Canadian liabilities to non-residents grew more modestly.

Household net worth driven by real estate and equities

The first quarter of 2005 was marked by the first negative savings by households in decades with the personal savings rate dropping to -0.6%. Despite this development, household net worth continued to advance (+1.5%) but at a slower pace than the fourth quarter.

Gains in the market value of residential real estate and of equities were the greatest contributors to the change in household net worth. Stock market advances boosted the value of personal sector share holdings. Increases in household assets, however, were partially offset by expanded liabilities.

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. Users are advised that the estimates of natural resources have been revised back to 1961, reflecting improvements in methodology.

The demand for consumer and mortgage credit was up from the previous quarter. With sustained low interest rates, the growth in total household debt continued to outpace the growth in personal disposable income. This resulted in a debt to income ratio of 107.3 percent in the first quarter, up from 105.8 percent in the fourth. However, the ratio of household debt-to-net worth slid to 17.9 percent in the quarter, as growth in net worth exceeded growth in debt.

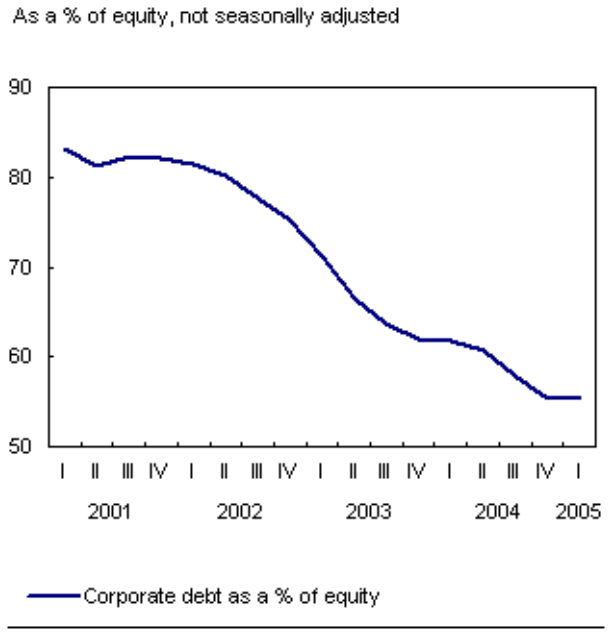
Household debt declines relative to net worth

Corporate debt-to-equity edged down

Since 2000, corporations have generated more funds from internal operations in most quarters than they required to finance their non-financial capital acquisitions. As a result of this profit-driven string of surpluses, the corporate sector has been a net lender to the rest of the economy and has also used these funds to restructure their balance sheets, largely through paying down debt.

For non-financial private corporations, the ratio of debt-to-equity (at book value) continued its downward trend, reaching a new low in the first quarter as it has done in each quarter over the last four years.

Corporate leverage continues to ease



Government debt-to-GDP at twenty year low

Government net debt—that is, total liabilities less total financial assets—edged down, as the government sector maintained its surplus position in the first quarter. Net government debt as a percentage of GDP declined further, continuing a four year string of quarterly declines and has reached levels last seen twenty years ago.

National balance sheet accounts

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Market value, not seasonally adjusted, billions of dollars							
National wealth	4,153	4,203	4,293	4,341	4,386	4,477	4,153	4,386
	1.0	*1.2*	*2.1*	*1.1*	*1.0*	*2.1*	*4.6*	*5.6*
Net foreign debt	-174	-162	-124	-170	-161	-156	-174	-161
	...	...	...	...	...	...	...	...
National net worth	3,979	4,041	4,169	4,170	4,225	4,321	3,979	4,225
	1.7	*1.6*	*3.2*	*0.0*	*1.3*	*2.3*	*5.2*	*6.2*
National net worth per capita (dollars)	125,200	126,900	130,500	130,200	131,700	134,400	125,200	131,700
	1.5	*1.4*	*2.8*	*-0.2*	*1.2*	*2.1*	*4.2*	*5.2*

National balance sheet, market value

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Millions of dollars at quarter end							
Total assets	**12,810,692**	**13,113,587**	**13,387,385**	**13,499,765**	**13,758,425**	**14,026,697**	**12,810,692**	**13,758,425**
Non-financial assets	4,153,483	4,203,410	4,292,782	4,340,565	4,386,039	4,477,496	4,153,483	4,386,039
Residential structures	1,113,011	1,138,582	1,172,206	1,191,166	1,204,005	1,222,850	1,113,011	1,204,005
Non-residential structures	1,010,436	1,016,884	1,024,940	1,035,690	1,045,854	1,057,729	1,010,436	1,045,854
Machinery and equipment	407,558	408,405	412,034	412,924	414,394	450,104	407,558	414,394
Consumer durables	345,833	344,388	351,105	351,961	360,073	360,760	345,833	360,073
Inventories	190,613	192,871	190,634	198,459	198,332	204,592	190,613	198,332
Land	1,086,032	1,102,280	1,141,863	1,150,365	1,163,381	1,181,461	1,086,032	1,163,381
Net financial assets	-174,329	-162,232	-124,112	-170,462	-160,751	-156,438	-174,329	-160,751
Financial assets	8,657,209	8,910,177	9,094,603	9,159,200	9,372,386	9,549,201	8,657,209	9,372,386
Official reserves	45,689	46,116	46,349	44,653	40,314	43,072	45,689	40,314
Gold & foreign currency	39,615	40,282	40,768	39,530	35,204	38,137	39,615	35,204
IMF reserve position	4,988	4,723	4,448	4,035	3,999	3,827	4,988	3,999
Special drawing rights	1,086	1,111	1,133	1,088	1,111	1,108	1,086	1,111
Currency and bank deposits	698,232	710,717	736,946	748,316	768,021	791,874	698,232	768,021
Other deposits	179,943	180,098	184,597	187,244	190,916	194,019	179,943	190,916
Foreign currency deposits	89,082	95,539	95,874	91,630	91,809	83,164	89,082	91,809
Consumer credit	223,549	225,488	232,727	238,581	243,883	246,330	223,549	243,883
Trade receivables	226,154	229,741	232,281	230,810	231,056	233,549	226,154	231,056
Bank loans	175,890	183,392	189,259	191,083	191,363	197,123	175,890	191,363
Other loans	191,253	192,929	197,256	199,459	205,421	207,936	191,253	205,421
Canada short-term paper	108,420	108,160	108,085	108,852	110,759	122,886	108,420	110,759
Other short-term paper	161,896	155,755	155,938	152,173	150,174	149,232	161,896	150,174
Mortgages	633,179	639,525	653,697	665,394	674,495	681,643	633,179	674,495
Canada bonds	291,115	292,893	284,998	275,955	271,203	283,397	291,115	271,203
(of which CSB's)	20,468	21,330	21,208	21,063	19,462	19,086	20,468	19,462
Provincial bonds	272,350	290,987	285,090	297,475	306,557	309,268	272,350	306,557
Municipal bonds	35,052	37,168	36,687	37,315	37,965	37,966	35,052	37,965
Other bonds	296,391	296,955	305,071	316,678	325,646	338,123	296,391	325,646
Life insurance & pensions	1,050,370	1,093,274	1,094,412	1,103,720	1,129,545	1,134,277	1,050,370	1,129,545
Corporate claims	1,045,040	1,064,367	1,132,311	1,131,120	1,136,285	1,156,035	1,045,040	1,136,285
Government claims	182,661	189,856	192,022	189,661	184,782	189,749	182,661	184,782
Shares	1,616,135	1,699,269	1,729,117	1,755,748	1,845,372	1,884,626	1,616,135	1,845,372
Foreign investments	425,170	437,330	450,514	427,714	448,799	455,904	425,170	448,799
Other financial assets	709,638	740,618	751,372	765,619	788,021	809,028	709,638	788,021
Liabilities and net worth	**12,810,692**	**13,113,587**	**13,387,385**	**13,499,765**	**13,758,425**	**14,026,697**	**12,810,692**	**13,758,425**
Liabilities	8,831,538	9,072,409	9,218,715	9,329,662	9,533,137	9,705,639	8,831,538	9,533,137
Currency and bank deposits	712,462	725,328	752,438	764,613	784,249	806,908	712,462	784,249
Other deposits	179,943	180,098	184,597	187,244	190,916	194,019	179,943	190,916
Foreign currency deposits	100,917	97,377	100,211	100,780	97,679	87,944	100,917	97,679
Consumer credit	223,549	225,488	232,727	238,581	243,883	246,330	223,549	243,883
Trade payables	227,727	230,227	232,289	233,741	234,408	238,249	227,727	234,408
Bank loans	154,913	160,408	164,101	165,237	165,623	167,387	154,913	165,623
Other loans	196,580	196,660	198,484	196,849	201,619	204,217	196,580	201,619
Canada short-term paper	118,941	116,764	116,791	115,921	118,787	131,062	118,941	118,787
Other short-term paper	171,625	164,613	167,296	162,479	161,072	159,223	171,625	161,072
Mortgages	633,535	639,872	654,060	665,745	674,846	681,994	633,535	674,846
Canada bonds	355,312	357,001	349,555	339,964	330,880	341,572	355,312	330,880
(of which CSB's)	20,468	21,330	21,208	21,063	19,462	19,086	20,468	19,462
Provincial bonds	404,443	426,539	411,602	422,032	432,694	437,208	404,443	432,694
Municipal bonds	38,317	40,418	40,168	40,938	41,691	41,517	38,317	41,691
Other bonds	524,780	536,687	544,139	556,624	565,719	578,944	524,780	565,719
Life insurance & pensions	1,050,370	1,093,274	1,094,412	1,103,720	1,129,545	1,134,277	1,050,370	1,129,545
Corporate claims	443,682	449,114	456,082	451,622	442,718	448,343	443,682	442,718
Government claims	182,661	189,856	192,022	189,661	184,782	189,749	182,661	184,782
Shares	2,395,199	2,504,552	2,576,808	2,630,545	2,743,952	2,803,715	2,395,199	2,743,952
Other liabilities	716,582	738,133	750,933	763,366	788,074	812,981	716,582	788,074
Net worth	**3,979,154**	**4,041,178**	**4,168,670**	**4,170,103**	**4,225,288**	**4,321,058**	**3,979,154**	**4,225,288**

Credit market summary table

	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	2003	2004
	Millions of dollars at quarter end							
Debt outstanding of:								
Persons and unicorporated business	852,741	861,812	880,433	896,315	909,453	919,052	852,741	909,453
Consumer credit	223,549	225,488	232,727	238,581	243,883	246,330	223,549	243,883
Bank loans	33,306	34,743	34,908	34,666	34,896	36,282	33,306	34,896
Other loans	71,415	72,474	72,489	72,522	73,002	73,578	71,415	73,002
Mortgages	524,471	529,107	540,309	550,546	557,672	562,862	524,471	557,672
Non-financial private corporations	545,185	555,800	565,310	561,850	559,098	568,199	545,185	559,098
Bank loans	106,069	108,762	110,638	112,598	113,301	112,501	106,069	113,301
Other loans	77,407	75,927	75,082	72,933	72,612	71,851	77,407	72,612
Other short-term paper	36,092	39,467	39,575	39,595	38,351	43,477	36,092	38,351
Mortgages	101,254	102,886	104,432	105,901	107,475	109,526	101,254	107,475
Bonds	224,363	228,758	235,583	230,823	227,359	230,844	224,363	227,359
Non-financial government enterprises	65,599	65,073	65,181	64,702	64,506	62,831	65,599	64,506
Bank loans	2,748	2,886	2,949	2,702	2,936	2,931	2,748	2,936
Other loans	5,945	5,806	5,718	6,168	6,213	6,381	5,945	6,213
Other short-term paper	7,002	6,225	7,169	6,785	5,843	5,285	7,002	5,843
Mortgages	99	99	97	97	97	96	99	97
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,028	48,274	47,079	46,802	47,001	45,755	48,028	47,001
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,656	1,662	2,048	2,027	2,295	2,262	1,656	2,295
Federal government	430,411	431,473	427,432	419,903	410,612	426,405	430,411	410,612
Bank loans	103	100	100	100	100	100	103	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	118,941	116,764	116,791	115,921	118,787	131,062	118,941	118,787
Canada bonds	311,367	314,609	310,541	303,882	291,725	295,243	311,367	291,725
Canada savings bonds	20,468	21,330	21,208	21,063	19,462	19,086	20,468	19,462
Other bonds	290,899	293,279	289,333	282,819	272,263	276,157	290,899	272,263
Other levels of government	378,671	381,206	391,093	395,662	401,499	401,662	378,671	401,499
Bank loans	4,339	3,899	3,863	3,856	3,873	3,871	4,339	3,873
Other loans	11,398	12,058	12,079	12,610	12,840	13,147	11,398	12,840
Other short-term paper	21,066	13,932	22,797	19,682	18,398	12,348	21,066	18,398
Mortgages	2,054	2,045	2,045	2,045	2,045	2,045	2,054	2,045
Provincial bonds	300,892	310,140	310,122	316,903	323,519	329,398	300,892	323,519
Municipal bonds	37,081	37,285	38,334	38,707	38,959	38,982	37,081	38,959
Other bonds	1,841	1,847	1,853	1,859	1,865	1,871	1,841	1,865
Total funds raised by domestic non-financial sectors	2,272,607	2,295,364	2,329,449	2,338,432	2,345,168	2,378,149	2,272,607	2,345,168
Consumer credit	223,549	225,488	232,727	238,581	243,883	246,330	223,549	243,883
Bank loans	146,565	150,390	152,458	153,922	155,106	155,685	146,565	155,106
Other loans	166,165	166,265	165,368	164,233	164,667	164,957	166,165	164,667
Canada short-term paper	118,941	116,764	116,791	115,921	118,787	131,062	118,941	118,787
Other short-term paper	64,160	59,624	69,541	66,062	62,592	61,110	64,160	62,592
Mortgages	627,878	634,137	646,883	658,589	667,289	674,529	627,878	667,289
Bonds	925,349	942,696	945,681	941,124	932,844	944,476	925,349	932,844
Non-residents	54,595	56,817	60,036	59,425	58,363	62,077	54,595	58,363
Bank loans	20,977	22,984	25,158	25,846	25,740	29,736	20,977	25,740
Other loans	33,618	33,833	34,878	33,579	32,623	32,341	33,618	32,623
Mortgages	...	0	0	0	...	...	...	...
Total borrowing excluding domestic financial institutions	2,327,202	2,352,181	2,389,485	2,397,857	2,403,531	2,440,226	2,327,202	2,403,531
Domestic financial institutions	412,703	424,331	437,732	443,677	460,217	471,972	412,703	460,217
Bank loans	8,348	10,018	11,643	11,315	10,517	11,702	8,348	10,517
Other loans	30,415	30,395	33,116	32,616	36,952	39,260	30,415	36,952
Other short-term paper	107,465	104,989	97,755	96,417	98,480	98,113	107,465	98,480
Mortgages	5,657	5,735	7,177	7,156	7,557	7,465	5,657	7,557
Bonds	260,818	273,194	288,041	296,173	306,711	315,432	260,818	306,711
Total funds raised = total funds supplied	2,739,905	2,776,512	2,827,217	2,841,534	2,863,748	2,912,198	2,739,905	2,863,748
Assets of:								
Persons and unicorporated business	138,672	129,698	119,073	120,875	114,003	119,155	138,672	114,003
Non-financial corporations	73,298	75,275	74,709	75,085	74,502	73,687	73,298	74,502
Governments	189,900	193,063	198,371	204,038	203,392	210,322	189,900	203,392
Non-residents	456,994	457,217	467,758	448,023	445,112	443,591	456,994	445,112
Domestic financial institutions	1,906,279	1,946,478	1,992,397	2,018,429	2,051,317	2,090,004	1,906,279	2,051,317

The 2001-2004 revisions of the Income and Expenditure Accounts

Introduction

Revised estimates of the Income and Expenditure Accounts (IEA) covering the period 2001 to 2004 have been released along with those for the first quarter of 2005. These revised estimates incorporate the most current source data and seasonal patterns.

Revision schedule

The annual revision process is integrated within the System of National Accounts, with revised estimates of the Income and Expenditure Accounts, Financial Flow Accounts and the Balance of International Payments compiled and released together. The integration occurs through compiling Input-Output Accounts in current prices for the first two years of the four year revision period. These data are released in the fall of each year when the full provincial Input-Output Accounts are completed. Corresponding revisions to the monthly estimates of real Gross Domestic Product by industry are released in September.

Statistical revisions are carried out regularly in the System of National Accounts in order to incorporate the most current information from censuses, annual surveys, taxation statistics, public accounts, etc. In principle, the revision schedule for the National Income and Expenditure Accounts is as follows: the first estimate for a given quarter is released approximately 60 days after the end of the reference quarter; this estimate is revised when estimates for subsequent quarters of the same calendar year are released; thereafter, the estimates are open for revision only once a year for the next four years, at the time of the release of the first quarter estimates. For example, the estimates for the first quarter of 2001 were first released in May 2001. The first revision to these estimates occurred when the second quarter estimates were released in August 2001, further revisions occurred when the third and fourth quarter 2001 estimates were released. These estimates were revised again in each of the next four years, with the last of these revisions occurring with this release.

Limited revisions are sometimes carried out for periods further back than four years and historical revisions are conducted periodically, roughly once every 10 years. Historical revisions provide an occasion to improve estimation methods, eliminate statistical breaks resulting from more limited revisions and introduce conceptual changes into the system. The most recent historical revision was completed in December 1997. Documentation related to this revision can be found at http://www.statcan.ca/english/freepub/13-605-XIE/free.htm

The policy of revising the estimates of previous years only once a year is adhered to throughout the System of National Accounts. The period open for revision, however, varies from one set of accounts to the other. Thus, the standard revision is four years in the Income and Expenditure Accounts and the Balance of Payments. The standard revision in the Input-Output Accounts covers one year—the first year of the four years of revision in the Income and Expenditure Accounts and the Balance of Payments. The revision of the Financial Flow Accounts usually parallels that of the National Balance Sheet Accounts and often covers more than four years to reconcile the stocks with the revised flows.

Income and Expenditure Accounts revisions

With the May 2001 release, a number of conceptual changes were implemented within the National Income and Expenditure Accounts including the introduction of the use of the Chain Fisher Volume Index, a change in valuation from factor cost to basic price, and a change related to the capitalization of software. With the May 2002 release, additional conceptual changes were implemented within the National Income and Expenditure Accounts and carried back to 1981. These included classification changes to licences and registrations, land transfer taxes, and spectrum charges and the incorporation of 1996 census results in farm inventories. Documentation related to these conceptual changes can be found at http://www.statcan.ca/english/freepub/13-605-XIE/free.htm

No conceptual changes have been made to the Income and Expenditure Accounts this year.

Impact of the revisions on Gross Domestic Product (GDP)

The current revisions to GDP resulted from the inclusion of the most current estimates from data sources, including survey results, administrative data and public accounts. Revised 2001 and preliminary 2002 Input-Output data are incorporated for the first two years of the four-year revision period. New benchmark information was incorporated for the more recent periods. Other series were revised due to applying existing projectors to the new levels received from the Input-Output Accounts.

As can be seen in Table 1, the current revisions resulted in minimal revisions to GDP on an annual basis for 2001, but negative adjustments to GDP for 2002 to 2004. Although the current revision to 2001 is small, the cumulative revision is 2.2%. The cumulative revision is the current estimate compared to the initial estimate for that reference period. Downward revisions to current dollar GDP for 2002, 2003 and 2004 were $3.8 billion, $2.6 billion and $3.1 billion, respectively. Expressed as a percentage of the estimate, the change for 2002 represents -0.3% of the estimate and -0.2% for each of 2003 and 2004. Downward revisions to the last three years of a four year revision cycle are relatively uncommon as GDP has traditionally been revised upward. As can be seen in the following table,

Selected components - current revisions

Millions of current dollars	2001	2002	2003	2004
Gross Domestic Product	-152	-3,764	-2,581	-3,104
Income components				
Wages, salaries and supplementary labour income	0	0	4,035	5,096
Corporation profits before taxes	453	-1,640	-3,618	-2,866
Interest and miscellaneous investment income	-388	-1,026	-1,285	-1,437
Taxes less subsidies, on factors of production	93	298	911	818
Taxes less subsidies, on products	-1,124	-1,034	-2,140	-3,045
Capital consumption allowances	-72	-142	-801	-1,854
Expenditure components				
Personal expenditure on consumer goods and services	-2,289	-953	-916	-1,396
Government current expenditure on goods and services	591	228	-1,080	-1,237
Business investment in residential structures	-7	-117	-786	-913
Business investment in non-residential structures	39	301	2,728	2,896
Business investment in machinery and equipment	-679	-2,163	-697	-470
Business investment in inventories	1,530	-733	-423	539
Exports of goods and services	-590	-1,287	-330	-1,939
Imports of goods and services	-672	-569	759	942

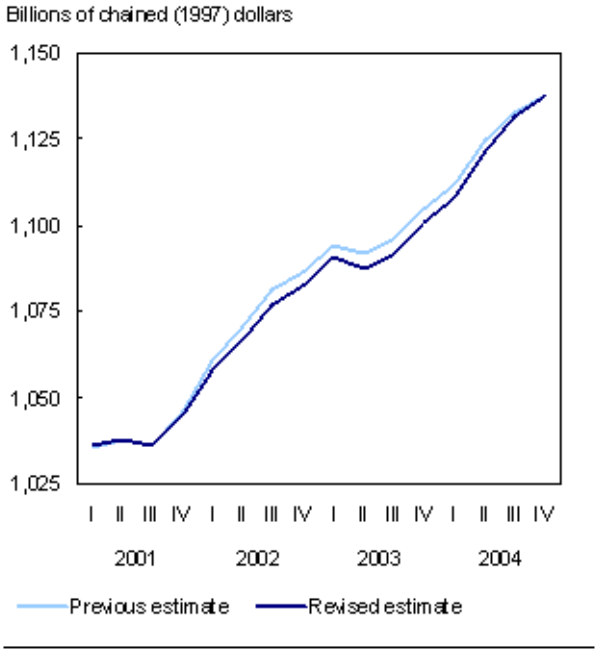
these downward revisions were mostly as a result of revisions to corporate profits, indirect taxes less subsidies on products, personal and government expenditure on goods and services, and exports. On a quarterly basis, current dollar GDP was revised down for all quarters except for the first, third and fourth quarters of 2001.

Viewed from a historical perspective over two decades (Table 5), the revisions to the level of current dollar GDP for 2002, 2003 and 2004 fall in the low range of revisions (not considering years of historical revisions and the revision completed in May 2001, where software capitalization had a large impact) of -0.9% to 1.4% for the preceding year, -0.7% to 1.7% for the second preceding year and -0.4% to 1.0% for the third preceding year. Over the last two decades, the mean revision for the preceding year and the second preceding year was 0.3%. The mean revision for the third preceding year was 0.2%. The revision of 0.0% for 2001 falls in the middle of the range of revisions for the fourth preceding years where the range lies between -0.2% and 0.9% and the mean is 0.1%. The revisions to the preceding period are a comparison of the GDP released at the time of the first quarter to those released at the time of the fourth quarter of the corresponding year.

In real terms (see Table 1), the annual revision to GDP was downward for 2001 to 2004, inclusively, with the largest revision of $3.9 billion occurring in 2003. Quarterly real GDP was revised down for all of 2002, 2003 and 2004. The revisions to the first quarter of 2001 was the largest upward revision over the period at 0.1%, with the revisions ranging from -0.5% to 0.1%, more variable than the revisions to the annual estimates. Chart 1 compares the value of the previous estimate to the revised estimate of real GDP on a quarterly basis.

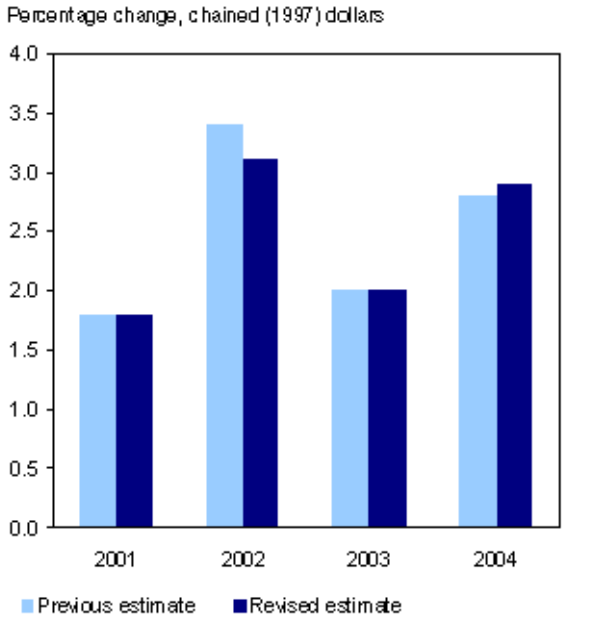
As can be seen in the cumulative revision column in Table 1, the largest total revision to both current dollar and real GDP occurred in the first year of the four year revision cycle. This is the last time 2001 will be revised in a normal revision schedule as it is fully reconciled with the revised Input-Output Accounts.

Real GDP, quarterly basis

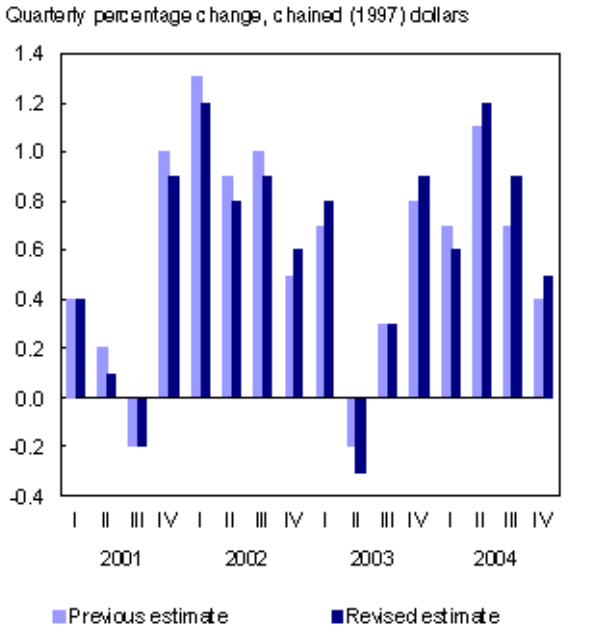


The annual growth rate of GDP in current dollars shown in Table 2 is revised down in 2002 by 0.3%, up in 2003 by 0.1%, and unchanged in 2001 and 2004. Revisions to the annual growth, in real terms, were unchanged in 2001 and 2003, up in 2004, but down in 2002, with a change in growth rate of -0.3%. Quarterly growth rate revisions range from -0.3% to 0.2% on a current dollar basis and from -0.1% to 0.2% on a real GDP basis. The cumulative revisions to the quarterly growth rates are greater, with the largest revision to current dollar GDP growth in the first quarter of 2001. Charts 2 and 3 show the revisions to real GDP growth rates from this release compared to the previous estimate.

Growth rates of Real GDP, annual



Growth rates of Real GDP, quarterly



The implicit chain price index for GDP was not revised in 2001 and 2002, and was revised only marginally in 2003 and 2004—up in 2003 by 0.2% and down in 2004 by 0.1%. Upward revisions to the price of government labour were recorded in 2003 and 2004. Export prices for goods were revised downward in 2003 and 2004 based on improved machinery and equipment price information.

Revisions to income aggregates (Table 3)

Estimates of **wages, salaries and supplementary labour income** were not revised in 2001 and 2002 but experienced significant upward revisions in 2003 and 2004, of $4 billion and $5 billion respectively. The revision to 2003 was largely due to the receipt of the Canada Revenue Agency (CRA) T4 Supplementary file for tax year 2003, which provides the annual benchmark for wages and salaries.

Wages and salaries were revised upwards by $3.4 billion in 2003, with stronger than previously published growth in Ontario, Prince Edward Island and Newfoundland and Labrador. Higher revised wages were posted in professional and personal service industries, education, health care and social assistance, manufacturing, and transportation. Yukon registered a decline, mostly as a result of trade, and professional and personal service industries. Supplementary labour income registered an upward revision of $600 million in 2003, as more current data sources were incorporated for employers' contributions to welfare and workers' compensation.

The revisions to both wages and salaries, and supplementary labour income for 2003 were carried forward to 2004, contributing to an upward revision of $5 billion.

Revisions to **corporation profits before taxes** were slightly upwards in 2001, with large downward revisions of $1.6 billion in 2002, $3.6 billion in 2003 and $2.9 billion in 2004. The revisions in 2001 and 2002 reflect the benchmarking to the Input-Output Accounts and updated annual corporate income tax returns for 2002. New estimates from the preliminary Financial and Taxation Statistics for Enterprises including the General Index of Financial Information (GIFI) schedules were incorporated for 2003. These new estimates resulted in downward revisions to 2003 which are carried forward to 2004.

Interest and miscellaneous investment income was revised down in all four years. 2001 was revised down by $388 million, whereas 2002, 2003, and 2004 were revised down by $1,026 million, $1,285 million and $1,437 million respectively. Revisions to this series reflect new and revised interest payment and receipt information and royalty payments of corporations.

Accrued net income of farm operators from farm production was revised slightly in 2001 and 2002, but more substantially in 2003 and 2004. In 2003, the most significant revision was due to farm program payments which were revised up, on an accrued basis, to take into account the new Canadian Agricultural Income Support (CAIS) Program and carried through to 2004. As well, farm operating expenses were revised down in 2003 and 2004 from the initial forecasted estimates. This downward revision to farm expenses combined with the upward revision in farm program payments resulted in significant revisions to accrued net farm income for 2003 and 2004.

Net income of non-farm unincorporated business, including rent was revised upwards in 2001 by $493 million, in 2002 by $419 million and in 2004 by $14 million. However, a downward revision to rental income in 2003 more than offset a rise in other non-farm unincorporated business income resulting in a total downward revision of $224 million. The 2001 and 2002 revisions to other non-farm unincorporated business income reflect the benchmarking to the Input-Output Accounts by industry, while the 2003 revisions incorporate new administrative data coming from the CRA on the net income of non-farm unincorporated business.

Estimates of **taxes on factors of production, less subsidies** were revised upwards in each of the years from 2001 to 2004 with the largest revisions in 2003 of $911 million and in 2004 of $818 million. **Taxes on products, less subsidies** were revised downwards throughout the period—$1.1 billion in 2001, $1.0 billion in 2002, $2.1 billion in 2003 and $3.0 billion in 2004. Revisions to both series are due to the incorporation of new public accounts and other financial information for the different sub-sectors of government. Lower GST revenues, coupled with higher subsidies, including the new Canadian Agricultural Income Support Program, resulted in the large downward revisions to taxes on products less subsidies.

Capital consumption allowances were revised downwards throughout the period: 2001 was revised down by $72 million, 2002 by $142 million, 2003 by $801 million and 2004 by $1,854 million. Updated annual corporate income tax returns, together with revised depreciation estimates, led to these revisions.

Revisions to expenditure aggregates at current prices (Table 4)

Personal expenditure on consumer goods and services was revised downwards in all four years. 2001 was revised down by $2,289 million, 2002 by $953 million, 2003 by $916 million and 2004 by $1,396 million. Large downward revisions to expenditure on services outweighed upward revisions to durable and semi-durable goods in 2002, 2003 and 2004.

Personal expenditure on services was revised downward in each of the four years, mostly due to revisions in estimates of recreational services and meals outside the home. A new business/personal split on recreational services

resulted in a $1.3 billion downward revision in 2001. Changes in methodology used in the Monthly Restaurants, Caterers and Taverns Survey and in the Annual Survey of Service Industries: Food Services and Drinking Places resulted in revisions to total food service sales. These changes resulted in a downward revision of $600 million to estimates of expenditure on meals outside the home. The revisions to 2001 were carried forward to 2004.

Results from the Survey of Household Spending for 2003, as well as surveys of service industries, were incorporated in these estimates.

Government current expenditure on goods and services was revised up in 2001 and 2002 by $591 million and $228 million, respectively. Downward revisions occurred in 2003 ($1,080 million) and 2004 ($1,237 million). These revisions reflect new data from federal and provincial public accounts as well as the latest local government information. Survey results for 2002 from the Canadian Institute for Health Information (CIHI) and Culture, Tourism and the Centre for Education Statistics were also incorporated and carried forward to 2004.

Revisions to **investment in residential construction** were downwards in each of the years 2001 to 2004, with more significant revisions of 1.1% in both 2003 and 2004. Revisions are based on administrative data and results from the 2003 Survey of Household Spending and the Survey of Real Estate Agents and Brokers.

Business investment in non-residential structures and equipment estimates recorded downward revisions in 2001 and 2002, but large upward revisions in 2003 and 2004. Estimates for 2001 were revised down by $640 million, 2002 were down by $1,862 million, and 2003 and 2004 were up by $2,031 million and $2,426 million, respectively. The machinery and equipment component of these estimates were revised down throughout the entire period, whereas the non-residential investment component was revised up. Revisions to both series reflect benchmarking to the Input-Output Accounts as well as the incorporation of the latest estimates from the Private and Public Investment Survey. The greater increase in investment in non-residential structures in 2003 was largely due to increased investment by the oil and gas and utilities industries.

Revisions to **investment in inventories** were upwards by $1,530 million in 2001 and by $539 million in 2004 but were downwards by $733 million in 2002 and by $423 million in 2003. Non-farm inventories revisions reflect the incorporation of new monthly surveys on wholesale and retail trade. New mining and utilities data are also incorporated in these revisions. Adjustments also reflect the outcome of the commodity balancing process that is integral to the development of the Input-Output Accounts, on which the Income and Expenditure Accounts are benchmarked. The downward revision in farm inventories for 2003 was largely concentrated in the grain sector where grain inventories held on farms at the end of the year were not as high as originally reported.

Exports of goods and services were revised downwards for the whole revision period, down $590 million in 2001, $1,287 million in 2002, $330 million in 2003 and $1,939 million in 2004. Energy products, machinery and equipment and transportation services experienced the largest export revisions in 2004. In general, the revisions to services are related to new survey data. Estimates of **imports of goods and services** were revised down in 2001 and 2002 by $672 million and $569 million, and were revised up in 2003 and 2004 by $759 million and $942 million. These revisions were due mostly to machinery and equipment (2001 and 2003) and to commercial services from 2001 to 2004.

Large downward revisions of the services of Tooling, Engineering, Launching, and Obsolescence (TELO) of motor vehicle manufacturers have been made to both exports and imports of this category of commercial services for 2001 onward. These revisions follow research and discussions with motor vehicle manufacturers that led to a better understanding of the way services related to production and trade were transacted in that industry. This research revealed that some of these production costs are included in the price of cars and parts whereas they had been treated as separate services in the past.

Other notable revisions

Downward revisions were made to corporate income taxes throughout the 2001 to 2004 period, ranging from $1.4 billion in 2001 to $5.5 billion in 2004. These revisions were made to bring corporate income taxes more into line with cumulative collections and these changes contributed to the downward revision to government surplus.

Table 1 - Revisions to Gross domestic product

Reference period	Initial estimate[1]	Previous estimate[2]	Revised estimate[3]	Current revision[4]	Current revision[5]	Cumulative revision[6]
	seasonally adjusted data at annual rates, millions of current dollars				%	
2001	1,084,119	1,108,200	1,108,048	-152	0.0	2.2
2002	1,142,123	1,157,968	1,154,204	-3,764	-0.3	1.1
2003	1,214,601	1,218,772	1,216,191	-2,581	-0.2	0.1
2004	1,293,289	1,293,289	1,290,185	-3,104	-0.2	-0.2
2001 Q1	1,095,100	1,115,408	1,115,212	-196	0.0	1.8
2001 Q2	1,099,840	1,117,628	1,116,576	-1,052	-0.1	1.5
2001 Q3	1,077,744	1,101,644	1,102,200	556	0.1	2.3
2001 Q4	1,073,880	1,098,120	1,098,204	84	0.0	2.3
2002 Q1	1,106,352	1,121,528	1,118,780	-2,748	-0.2	1.1
2002 Q2	1,138,212	1,153,848	1,148,380	-5,468	-0.5	0.9
2002 Q3	1,151,832	1,169,092	1,164,288	-4,804	-0.4	1.1
2002 Q4	1,170,916	1,187,404	1,185,368	-2,036	-0.2	1.2
2003 Q1	1,211,120	1,214,880	1,212,808	-2,072	-0.2	0.1
2003 Q2	1,206,560	1,207,032	1,202,620	-4,412	-0.4	-0.3
2003 Q3	1,216,256	1,219,452	1,216,956	-2,496	-0.2	0.1
2003 Q4	1,228,876	1,233,724	1,232,380	-1,344	-0.1	0.3
2004 Q1	1,255,676	1,254,648	1,252,380	-2,268	-0.2	-0.3
2004 Q2	1,287,476	1,286,684	1,284,268	-2,416	-0.2	-0.2
2004 Q3	1,308,012	1,307,956	1,305,484	-2,472	-0.2	-0.2
2004 Q4	1,323,868	1,323,868	1,318,608	-5,260	-0.4	-0.4
	seasonally adjusted at annual rates, millions of chained (1997) dollars				%	
2001	1,024,196	1,038,845	1,038,702	-143	0.0	1.4
2002	1,062,143	1,074,621	1,070,789	-3,832	-0.4	0.8
2003	1,092,891	1,096,359	1,092,388	-3,971	-0.4	0.0
2004	1,126,625	1,126,625	1,124,428	-2,197	-0.2	-0.2
2001 Q1	1,025,401	1,035,414	1,036,161	747	0.1	1.0
2001 Q2	1,025,177	1,037,639	1,037,653	14	0.0	1.2
2001 Q3	1,022,883	1,036,038	1,036,072	34	0.0	1.3
2001 Q4	1,027,799	1,046,287	1,044,922	-1,365	-0.1	1.7
2002 Q1	1,047,731	1,060,397	1,057,600	-2,797	-0.3	0.9
2002 Q2	1,059,412	1,070,382	1,066,568	-3,814	-0.4	0.7
2002 Q3	1,066,551	1,081,335	1,076,430	-4,905	-0.5	0.9
2002 Q4	1,072,854	1,086,368	1,082,557	-3,811	-0.4	0.9
2003 Q1	1,090,415	1,093,793	1,090,723	-3,070	-0.3	0.0
2003 Q2	1,089,797	1,091,782	1,087,321	-4,461	-0.4	-0.2
2003 Q3	1,090,382	1,095,469	1,090,863	-4,606	-0.4	0.0
2003 Q4	1,101,564	1,104,391	1,100,645	-3,746	-0.3	-0.1
2004 Q1	1,110,917	1,112,104	1,107,771	-4,333	-0.4	-0.3
2004 Q2	1,124,350	1,124,486	1,121,455	-3,031	-0.3	-0.3
2004 Q3	1,131,302	1,132,573	1,131,229	-1,344	-0.1	0.0
2004 Q4	1,137,337	1,137,337	1,137,256	-81	0.0	0.0

1 For annual data, the initial estimate is from the fourth quarter of the corresponding year, for quarterly data, it is the estimate first published for the corresponding quarter. The initial annual estimate is not the average of the initial quarterly estimates as the latter have already been revised by the time the initial annual estimate is released.

2 For 2001, 2002 and 2003, the previous estimate is the one released with the first quarter of 2004, while for 2004 it is from the fourth quarter issue of 2004.

3 The revised estimates are the result of the 2005 revisions.

4 The current revision is the revised estimate less the previous estimate.

5 The current percentage revision is the current revision as a percentage of the previous estimate.

6 The cumulative percentage revision is the revised estimate less the initial estimate as a percentage of the initial estimate.

Table 2- Revisions to Gross domestic product (growth rates)

Reference period	Initial estimate[1]	Previous estimate[2]	Revised estimate[3]	Current revision[4]	Cumulative revision[5]
	seasonally adjusted data at annual rates, current dollars, %				
2001	2.7	2.9	2.9	0.0	0.2
2002	4.6	4.5	4.2	-0.3	-0.4
2003	5.2	5.3	5.4	0.1	0.2
2004	6.1	6.1	6.1	0.0	0.0
2001 Q1	1.9	1.2	1.1	-0.1	-0.8
2001 Q2	0.4	0.2	0.1	-0.1	-0.3
2001 Q3	-1.4	-1.4	-1.3	0.1	0.1
2001 Q4	-0.2	-0.3	-0.4	-0.1	-0.2
2002 Q1	2.3	2.1	1.9	-0.2	-0.4
2002 Q2	2.8	2.9	2.6	-0.3	-0.2
2002 Q3	1.2	1.3	1.4	0.1	0.2
2002 Q4	1.6	1.6	1.8	0.2	0.2
2003 Q1	2.5	2.3	2.3	0.0	-0.2
2003 Q2	-0.4	-0.6	-0.8	-0.2	-0.4
2003 Q3	1.1	1.0	1.2	0.2	0.1
2003 Q4	1.0	1.2	1.3	0.1	0.3
2004 Q1	1.8	1.7	1.6	-0.1	-0.2
2004 Q2	2.5	2.6	2.5	-0.1	0.0
2004 Q3	1.7	1.7	1.7	0.0	0.0
2004 Q4	1.2	1.2	1.0	-0.2	-0.2
	seasonally adjusted at annual rates, chained (1997) dollars, %				
2001	1.5	1.8	1.8	0.0	0.3
2002	3.4	3.4	3.1	-0.3	-0.3
2003	1.7	2.0	2.0	0.0	0.3
2004	2.8	2.8	2.9	0.1	0.1
2001 Q1	0.6	0.4	0.4	0.0	-0.2
2001 Q2	0.1	0.2	0.1	-0.1	0.0
2001 Q3	-0.2	-0.2	-0.2	0.0	0.0
2001 Q4	0.5	1.0	0.9	-0.1	0.4
2002 Q1	1.5	1.3	1.2	-0.1	-0.3
2002 Q2	1.1	0.9	0.8	-0.1	-0.3
2002 Q3	0.8	1.0	0.9	-0.1	0.1
2002 Q4	0.4	0.5	0.6	0.1	0.2
2003 Q1	0.6	0.7	0.8	0.1	0.2
2003 Q2	-0.1	-0.2	-0.3	-0.1	-0.2
2003 Q3	0.3	0.3	0.3	0.0	0.0
2003 Q4	0.9	0.8	0.9	0.1	0.0
2004 Q1	0.6	0.7	0.6	-0.1	0.0
2004 Q2	1.1	1.1	1.2	0.1	0.1
2004 Q3	0.8	0.7	0.9	0.2	0.1
2004 Q4	0.4	0.4	0.5	0.1	0.1

1 For annual data, the initial estimate is from the fourth quarter of the corresponding year, for quarterly data, it is the estimate first published for the corresponding quarter. The initial annual estimate is not the average of the initial quarterly estimates as the latter have already been revised by the time the initial annual estimate is released.

2 For 2001, 2002 and 2003, the previous estimate is the one released with the first quarter of 2004, while for 2004 it is from the fourth quarter issue of 2004.

3 The revised estimates are the result of the 2005 revisions.

4 The current revision is the revised estimate less the previous estimate.

5 The cumulative revision is the revised estimate less the initial estimate.

Table 3 - Revisions to income aggregates at current prices

Reference period	Initial estimate[1]	Previous estimate[2]	Revised estimate[3]	Current revision[4]	Current revision[5]	Cumulative revision[6]	Proportion of GDP[7]
	millions of dollars				%		
Wages, salaries and supplementary labour income							
2001	559,102	570,008	570,008	0	0.0	2.0	51.4
2002	595,267	592,692	592,692	0	0.0	-0.4	51.4
2003	617,506	613,718	617,753	4,035	0.7	0.0	50.8
2004	638,868	638,868	643,964	5,096	0.8	0.8	49.9
Corporation profits before taxes							
2001	119,922	126,620	127,073	453	0.4	6.0	11.5
2002	125,507	137,480	135,840	-1,640	-1.2	8.2	11.8
2003	146,417	151,210	147,592	-3,618	-2.4	0.8	12.1
2004	178,014	178,014	175,148	-2,866	-1.6	-1.6	13.6
Government business enterprise profits before taxes							
2001	9,678	10,483	10,787	304	2.9	11.5	1.0
2002	10,845	11,478	11,525	47	0.4	6.3	1.0
2003	10,102	11,643	11,630	-13	-0.1	15.1	1.0
2004	11,857	11,857	11,842	-15	-0.1	-0.1	0.9
Interest and miscellaneous investment income							
2001	53,463	52,967	52,579	-388	-0.7	-1.7	4.7
2002	49,666	48,188	47,162	-1,026	-2.1	-5.0	4.1
2003	50,625	51,508	50,223	-1,285	-2.5	-0.8	4.1
2004	56,845	56,845	55,408	-1,437	-2.5	-2.5	4.3
Accrued net income of farm operators from farm production							
2001	2,963	1,633	1,675	42	2.6	-43.5	0.2
2002	2,119	889	855	-34	-3.8	-59.7	0.1
2003	1,079	694	1,280	586	84.4	18.6	0.1
2004	1,700	1,700	2,866	1,166	68.6	68.6	0.2
Net income of non-farm unincorporated business, including rent							
2001	65,719	68,364	68,857	493	0.7	4.8	6.2
2002	71,894	73,841	74,260	419	0.6	3.3	6.4
2003	77,366	77,382	77,158	-224	-0.3	-0.3	6.3
2004	81,013	81,013	81,027	14	0.0	0.0	6.3
Inventory valuation adjustment							
2001	-458	240	574	334	...	...	0.1
2002	-3,044	-2,959	-3,334	-375	...	...	-0.3
2003	4,941	4,876	5,075	199	...	...	0.4
2004	-657	-657	-1,669	-1,012	...	...	-0.1
Taxes less subsidies, on factors of production							
2001	56,253	52,557	52,650	93	0.2	-6.4	4.8
2002	53,152	53,721	54,019	298	0.6	1.6	4.7
2003	55,717	55,465	56,376	911	1.6	1.2	4.6
2004	57,661	57,661	58,479	818	1.4	1.4	4.5
Taxes less subsidies, on products							
2001	75,269	76,995	75,871	-1,124	-1.5	0.8	6.8
2002	84,448	85,538	84,504	-1,034	-1.2	0.1	7.3
2003	86,660	87,188	85,048	-2,140	-2.5	-1.9	7.0
2004	93,248	93,248	90,203	-3,045	-3.3	-3.3	7.0
Capital consumption allowances							
2001	142,498	147,608	147,536	-72	0.0	3.5	13.3
2002	152,642	156,146	156,004	-142	-0.1	2.2	13.5
2003	164,030	164,403	163,602	-801	-0.5	-0.3	13.5
2004	174,216	174,216	172,362	-1,854	-1.1	-1.1	13.4

1 For annual data, the initial estimate is from the fourth quarter of the corresponding year.
2 For 2001, 2002 and 2003, the previous estimate is the one released with the first quarter of 2004, while for 2004 it is from the fourth quarter issue of 2004.
3 The revised estimates are the result of the 2005 revisions.
4 The current revision is the revised estimate less the previous estimate.
5 The current percentage revision is the current revision as a percentage of the previous estimate.
6 The cumulative percentage revision is the revised estimate less the initial estimate as a percentage of the initial estimate.
7 The revised estimate of the component as a percentage of the revised GDP estimate.

Table 4- Revisions to expenditure aggregates at current prices

Reference period	Initial estimate[1]	Previous estimate[2]	Revised estimate[3]	Current revision[4]	Current revision[5]	Cumulative revision[6]	Proportion of GDP[7]
	millions of dollars				%		
Personal expenditure on consumer goods and services							
2001	619,860	622,903	620,614	-2,289	-0.4	0.1	56.0
2002	651,192	657,302	656,349	-953	-0.1	0.8	56.9
2003	689,419	688,707	687,791	-916	-0.1	-0.2	56.6
2004	722,631	722,631	721,235	-1,396	-0.2	-0.2	55.9
Government current expenditure on goods and services							
2001	199,683	211,115	211,706	591	0.3	6.0	19.1
2002	214,174	223,677	223,905	228	0.1	4.5	19.4
2003	231,003	237,711	236,631	-1,080	-0.5	2.4	19.5
2004	249,771	249,771	248,534	-1,237	-0.5	-0.5	19.3
Government gross fixed capital formation							
2001	26,410	26,993	27,287	294	1.1	3.3	2.5
2002	29,233	29,617	29,732	115	0.4	1.7	2.6
2003	32,144	31,501	30,953	-548	-1.7	-3.7	2.5
2004	32,702	32,702	33,091	389	1.2	1.2	2.6
Government investment in inventories							
2001	13	13	13	0	...	...	...
2002	-45	-45	-45	0	...	...	...
2003	15	15	15	0	...	...	...
2004	21	21	21	0	...	...	...
Business investment in residential structures							
2001	51,659	55,140	55,133	-7	0.0	6.7	5.0
2002	63,103	65,829	65,712	-117	-0.2	4.1	5.7
2003	73,016	73,757	72,971	-786	-1.1	-0.1	6.0
2004	84,470	84,470	83,557	-913	-1.1	-1.1	6.5
Business investment in non-residential structures							
2001	51,956	52,927	52,966	39	0.1	1.9	4.8
2002	50,024	49,686	49,987	301	0.6	-0.1	4.3
2003	49,844	51,155	53,883	2,728	5.3	8.1	4.4
2004	54,243	54,243	57,139	2,896	5.3	5.3	4.4
Business investment in machinery and equipment							
2001	84,728	82,558	81,879	-679	-0.8	-3.4	7.4
2002	84,380	82,313	80,150	-2,163	-2.6	-5.0	6.9
2003	82,187	80,963	80,266	-697	-0.9	-2.3	6.6
2004	85,641	85,641	85,171	-470	-0.5	-0.5	6.6
Business investment in inventories							
2001	-6,022	-6,270	-4,740	1,530	...	...	-0.4
2002	2,672	-568	-1,301	-733	...	...	-0.1
2003	7,563	7,662	7,239	-423	...	...	0.6
2004	7,219	7,219	7,758	539	...	...	0.6
Exports of goods and services							
2001	469,355	483,053	482,463	-590	-0.1	2.8	43.5
2002	470,114	479,358	478,071	-1,287	-0.3	1.7	41.4
2003	459,561	461,596	461,266	-330	-0.1	0.4	37.9
2004	494,519	494,519	492,580	-1,939	-0.4	-0.4	38.2
Imports of goods and services							
2001	413,812	419,508	418,836	-672	-0.2	1.2	37.8
2002	423,096	428,248	427,679	-569	-0.1	1.1	37.1
2003	409,993	413,611	414,370	759	0.2	1.1	34.1
2004	437,404	437,404	438,346	942	0.2	0.2	34.0

1 For annual data, the initial estimate is from the fourth quarter of the corresponding year.
2 For 2001, 2002 and 2003, the previous estimate is the one released with the first quarter of 2004, while for 2004 it is from the fourth quarter issue of 2004.
3 The revised estimates are the result of the 2005 revisions.
4 The current revision is the revised estimate less the previous estimate.
5 The current percentage revision is the current revision as a percentage of the previous estimate.
6 The cumulative percentage revision is the revised estimate less the initial estimate as a percentage of the initial estimate.
7 The revised estimate of the component as a percentage of the revised GDP estimate.

Table 5 - Revisions to Gross domestic product, historical perspective[1]

	Reference Year	1986	1987	1988	1989	1990	1991	1992	1993	1994
Release date										
1986	Q4	505,227								
1986	historical revision	506,483 *0.2*								
1987	Q1	509,898 *0.7*								
1987	Q4		553,870							
1988	Q1	506,483 *-0.7*	549,692 *-0.8*							
1988	Q4			598,732						
1989	Q1	504,631 *-0.4*	550,334 *0.1*	601,508 *0.5*						
1989	Q4				648,537					
1990	Q1	505,666 *0.2*	551,336 *0.2*	603,356 *0.3*	651,616 *0.5*					
1990	Q4					677,900				
1991	Q1		551,597 *0.0*	605,147 *0.3*	649,102 *-0.4*	671,577 *-0.9*				
1991	Q4						679,203			
1992	Q1			605,906 *0.1*	649,916 *0.1*	667,843 *-0.6*	674,388 *-0.7*			
1992	Q4							687,334		
1993	Q1				650,748 *0.1*	670,952 *0.5*	675,928 *0.2*	688,541 *0.2*		
1993	Q4								710,723	
1994	Q1					669,467 *-0.2*	674,766 *-0.2*	688,391 *-0.0*	711,658 *0.1*	
1994	Q4									748,606
1995	Q1						676,477 *0.3*	690,122 *0.3*	712,855 *0.2*	750,053 *0.2*
1995	Q4									
1996	Q1							690,122 *0.0*	712,855 *0.0*	747,260 *-0.4*
1996	Q4									
1997	Q1								712,855 *0.0*	747,260 *0.0*
1997	*historical revision*	511,796 *1.2*	558,106 *1.2*	611,785 *1.0*	656,190 *0.8*	678,135 *1.3*	683,239 *1.0*	698,544 *1.2*	724,920 *1.7*	762,251 *2.0*
1997	Q4									
1998	Q1									762,251 *0.0*
1998	Q3								724,960 *0.0*	767,506 *0.7*
1998	Q4									
1999	Q1									
1999	Q4									
2000	Q1									
2000	Q4									
2001	Q1	513,805 *0.4*	560,390 *0.4*	614,530 *0.4*	659,270 *0.5*	681,657 *0.5*	686,971 *0.5*	702,393 *0.6*	729,580 *0.6*	772,827 *0.7*
2001	Q4									
2002	Q1	512,541 *-0.2*	558,949 *-0.3*	613,094 *-0.2*	657,728 *-0.2*	679,921 *-0.3*	685,367 *-0.2*	700,480 *-0.3*	727,184 *-0.3*	770,873 *-0.3*
2002	Q4									
2003	Q1									
2003	Q4									
2004	Q1									
2004	Q4									
2005	Q1									

1 The first line is the series itself, expressed in millions of dollars. The second line, italicized, is the percentage revision between the estimate and the preceding estimate.

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
											Release date
										1986	Q4
										1986	*historical revision*
										1987	Q1
										1987	Q4
										1988	Q1
										1988	Q4
										1989	Q1
										1989	Q4
										1990	Q1
										1990	Q4
										1991	Q1
										1991	Q4
										1992	Q1
										1992	Q4
										1993	Q1
										1993	Q4
										1994	Q1
										1994	Q4
										1995	Q1
780,027										1995	Q4
776,299 *-0.5*										1996	Q1
	797,789									1996	Q4
776,299 *0.0*	797,789 *0.0*									1997	Q1
799,129 *2.9*	820,323 *2.8*									1997	*historical revision*
		856,134								1997	Q4
799,129 *0.0*	820,323 *0.0*	855,103 *-0.1*								1998	Q1
806,778 *1.0*	828,997 *1.1*	866,252 *1.3*								1998	Q3
			888,390							1998	Q4
807,088 *0.0*	833,921 *0.6*	873,947 *0.9*	895,704 *0.8*							1999	Q1
				949,400						1999	Q4
	833,070 *-0.1*	877,921 *0.5*	901,805 *0.7*	957,911 *0.9*						2000	Q1
					1,038,794					2000	Q4
812,460 *0.7*	839,064 *0.7*	885,022 *0.8*	915,865 *1.6*	975,263 *1.8*	1,056,010 *1.7*					2001	Q1
						1,084,119				2001	Q4
810,426 *-0.3*	836,864 *-0.3*	882,733 *-0.3*	914,973 *-0.1*	980,524 *0.5*	1,064,995 *0.9*	1,092,246 *0.7*				2002	Q1
							1,142,123			2002	Q4
				982,441 *0.2*	1,075,566 *1.0*	1,107,459 *1.4*	1,154,949 *1.1*			2003	Q1
								1,214,601		2003	Q4
					1,076,577 *0.1*	1,108,200 *0.1*	1,157,968 *0.3*	1,218,772 *0.3*		2004	Q1
									1,293,289	2004	Q4
						1,108,048 0.0	1,154,204 -0.3	1,216,191 -0.2	1,290,185 -0.2	2005	Q1