



Canadian Economic Accounts Quarterly Review



Fourth quarter 2005

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..	not available for a specific reference period
...	not applicable
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0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
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r	revised
X	suppressed to meet the confidentiality requirements of the Statistics Act
E	use with caution
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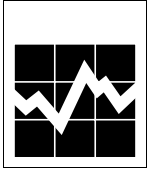
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System of National Accounts

Canadian Economic Accounts Quarterly Review

Fourth quarter 2005

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Latest developments in the Canadian economic accounts

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About this publication

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

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

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

Revision policy

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

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

GDP by industry:

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

Revisions in this issue

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

With this release revisions have been made back to the first quarter of 2005.

GDP by industry:

Since the last release of the *Canadian economic accounts quarterly review*, revisions were made back to January 2005.

Overview

Fourth quarter 2005 and December 2005

Investment spending, exports and personal expenditure all advanced in the fourth quarter, pushing up real Gross Domestic Product (GDP) 0.6%. In December, monthly output was up 0.4%, after increasing 0.2% in November and 0.3% in October.

Real GDP decelerated in the fourth quarter from the 0.9% growth in the third quarter. Domestic spending remained very strong, rising 1.1%, however an increasing share of this demand was satisfied through imports, which rose 2.7%, keeping GDP growth in check.

Real Gross Domestic Product, chained (1997) dollars¹

	Change	Annualized change	Year-over-year change
	%		
First quarter 2005	0.5	2.1	3.2
Second quarter 2005	0.9	3.6	2.8
Third quarter 2005	0.9	3.5	2.8
Fourth quarter 2005	0.6	2.5	2.9
2005	2.9	...	2.9

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.

Investment and exports again figured prominently into overall growth. Exports rose 2.3% following a 1.8% gain during the third quarter, while investment in non-residential construction and equipment rose a further 3.1%.

Both the goods-producing industries (+0.8%) and services-producing industries (+0.7%) contributed to growth in the fourth quarter. Growth in the goods-producing industries however, slowed down from the 1.3% increase in the third as output in the mining industry (excluding oil and gas extraction) cooled considerably.

Industrial production (the output of factories, mines and utilities) increased 0.8%, stimulated by manufacturing, mining and oil and gas extraction, while utilities decreased by 0.7%, mostly due to lower electricity production. In the United States, the index of industrial production rose 1.4%, bolstered by manufacturing, while mining and utilities receded.

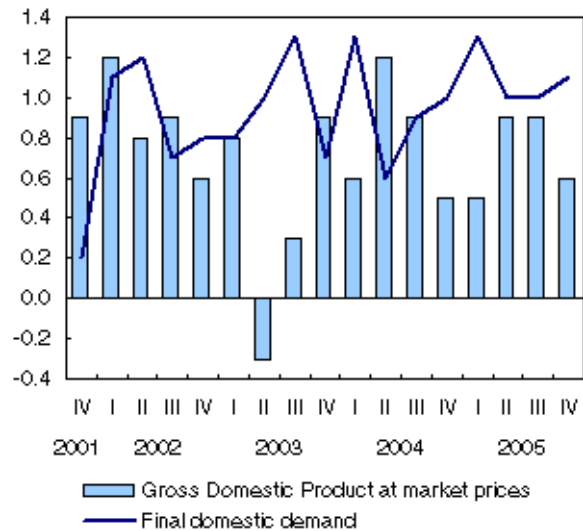
Economy-wide prices, as measured by the chain price index for GDP, rose 1.3% in the fourth quarter, down slightly from the 1.6% increase in the third quarter. A large share of the increase was the result of rising energy prices. Excluding energy prices, economy-wide prices rose 0.7% in the fourth quarter and 0.4% in the third.

The economy grew at an annualized rate of 2.5% in the fourth quarter, decelerating from the 3.5% annualized pace set during the third quarter.

For 2005 as a whole, GDP increased 2.9%, identical to the rate of growth registered in 2004, though the sources of strength were somewhat different between the two years.

Final domestic demand continues to outpace GDP

Quarterly % change, chained (1997) dollars



Investment remains source of strength

Business investment in non-residential structures and equipment continued to climb in the fourth quarter, increasing a further 3.1% following an equally strong 3.3% performance in the third quarter.

Spending on non-residential structures by business remained strong, growing 2.9%, up slightly from last quarter's increase, thanks, in large part, to a 3.2% increase in engineering investment.

Investment in machinery and equipment maintained the pace set in the third quarter, rising another 3.2%. Continued strength in investment in computers and other office equipment and in industrial machinery coupled with an 18.5% increase in other transportation equipment all contributed to the strong quarterly performance.

Real Gross Domestic Product at basic prices, by industry

	July 2005 ^r	August 2005 ^r	September 2005 ^r	October 2005 ^r	November 2005 ^r	December 2005 ^p
	Seasonally adjusted, chained (1997) dollars, month-to-month % change					
All industries	0.3	0.6	-0.1	0.3	0.2	0.4
Goods-producing industries	0.6	1.1	-0.3	0.6	-0.1	0.5
Services-producing industries	0.1	0.4	0.0	0.2	0.3	0.3
Industrial production	0.6	1.4	-0.7	0.8	-0.3	0.6
Construction	0.6	0.3	0.8	0.9	0.8	0.7
Wholesale trade	-1.4	2.5	0.7	1.0	-1.0	1.3
Transportation and warehousing	0.6	0.9	0.5	-0.1	0.2	0.7

This investment activity helped drive up imports 2.7% after an equally strong 2.5% increase in the third quarter. This translated into growth for the wholesale trade sector (+2.0%). Most wholesalers recorded positive results in the fourth quarter, particularly wholesalers of machinery and equipment, motor vehicles, apparel and building supplies.

Only strong renovation activity kept investment in residential structures (+0.3%) out of negative territory as both the value of new housing construction and ownership transfer costs fell in the fourth quarter. The value of new housing construction has now fallen for four consecutive quarters, this is the first time this has occurred since the late 1990's. In 2005, residential construction increased 3.3%, well off the 8.3% pace established in 2004.

Inventory accumulation slows but remains strong

A total of \$12 billion was added to inventories in the fourth quarter, down slightly from the \$14 billion added in the third.

There was a \$3.9 billion increase in the inventories of retailers following a \$1.9 billion drawdown during the third quarter. This was more than offset by a much slower build up in inventories in wholesale trade and utilities.

Inventories have been accumulating steadily since the third quarter of 2004, split evenly across the manufacturing, wholesale and retailing sectors.

Exports rebound following a poor start in 2005

Widespread growth, including a jump in forestry products, pushed exports up 2.3% in the fourth quarter following a 1.8% increase in the third. This helped drive manufacturing output up 0.8%, a slightly higher rate than in the previous quarter.

Almost all of the growth in manufacturing output was concentrated in the production of durable goods, particularly machinery (+5.4%), transportation equipment (+2.1%), fabricated metal products (+2.4%) and non-metallic mineral products (+3.6%). The growth in transportation equipment was fuelled by increased US demand for trendy Canadian-made motor vehicles. Exports of automotive products increased over 7% for the second consecutive quarter.

Exports of forestry products increased for the first time in six quarters, with a gain of 4.9%. A large share of these exports was destined for the US, in part to help with the reconstruction of those areas devastated by hurricane Katrina last year.

Another solid gain in labour income and corporate profits

Wages and salaries continued to climb in the fourth quarter as a very tight labour market, particularly in Alberta and British Columbia, put upward pressure on wages. Corporate profits received another boost (+3.9%) from higher energy prices, although it was somewhat less than the jump in the previous quarter (+4.7%). Profits among retailers, wholesalers and banks were all strong.

Consumer spending accelerates

Growth in consumer spending accelerated slightly in the fourth quarter, climbing 0.7%. Expenditures on clothing and other semi-durable goods advanced 1.5% following a slight decline in the third.

Purchases of durable goods declined 0.3% in the fourth quarter, the first quarterly decline in two years. The decline was due to a 3.5% drop in purchases of new and used automobiles. Even with the fourth quarter decline, growth in new and used automobiles for the year sat at 3.3%, well above the 1.9% decline registered in 2004.

GDP by industry: highlights for December 2005

The Canadian economy grew 0.4% in December 2005, after growing 0.2% in November, mostly on the strength of manufacturing of durable products, wholesale trade, construction, and transportation and warehousing. Declines in oil and gas extraction and forestry contributed to reduce the overall growth.

Industrial production grew 0.6% in December, mainly on the strength of manufacturing (+0.9%). Utilities edged up (+0.1%), while the mining, oil and gas sector (-0.1%) declined. In the United States, the index of industrial production grew 0.9% in December, pushed up by manufacturing, utilities and mining output.

Manufacturing output rebounded 0.9% in December after declining 0.5% in November. Production increased in 11 of the 21 major groups, accounting for 70% of this sector's output. The largest increases were recorded by manufacturers of transportation equipment (+0.8%), particularly of motor vehicle parts which had declined for three consecutive months.

Wholesale trade gained 1.3% in December, pulled up mainly by a sharp increase for motor vehicles. Excluding motor vehicles, wholesale trade was essentially unchanged. After two consecutive monthly increases, the retail trade sector remained flat in December, due to a decline in sales of new cars.

Construction activities increased 0.7%, driven by continued strength in residential construction (+0.8%), and in engineering, repairs and other construction activities (+0.8%).

The energy sector declined in December (-0.5%). A drop in natural gas output offset a strong increase in crude petroleum extraction. Mining activity, however, gained strength with an increase in output of metals and of non-metallic minerals (which include diamonds and potash).

The transportation and warehousing sector grew 0.7%, with most types of transportation services showing increased activities.

Year-end review

2005 was the year of the consumer as the 4.0% jump in personal expenditure on goods and services was the main contributor to overall growth in real GDP. It was the largest annual increase since 2000 when skyrocketing labour income drove up personal expenditures.

Widespread growth across most expenditure categories, a large first-quarter surge and sustained growth throughout the year all contributed to this solid performance.

In 2005 growth in investment in non-residential structures topped out at 6.8%, a large gain from the 0.8% increase in 2004. The opposite was the case for investment in residential structures which decelerated markedly, with annual growth settling in at 3.3% compared to a 8.3% increase in 2004.

While investment in residential and non-residential structures have taken turns sharing the investment spotlight over the last two years, investment in machinery and equipment was the backbone of the recent three-year surge in investment. Investment in machinery and equipment climbed 10.7% for the year, its best annual performance since 1997. This was reflected in the 9.1% increase in output of machinery manufacturers, and was partly responsible for the increase of 8.1% in wholesaling activities.

The high energy prices were behind a 14% surge in oil and gas exploration. The output of the energy sector however increased only by 1.9% as production difficulties in the tar sands during the first quarter of 2005 hampered oil extraction.

The high energy prices also helped boost economy-wide incomes with much of these earnings reflected in the corporate bottom line as well as in personal income. In 2005, wages, salaries and supplementary labour income increased 5.4%, the strongest annual increase since 2000. The increase was particularly strong in Alberta and British Columbia.

While 2005's 10.7% annual increase in profits was well off the 18.7% increase registered in 2004, it represents another year in an unparalleled string of healthy corporate returns that began back in 1993. The latest round of increases began in the third quarter of 2003, driven mainly by higher export prices for Canadian energy products which increased 71% over this same period.

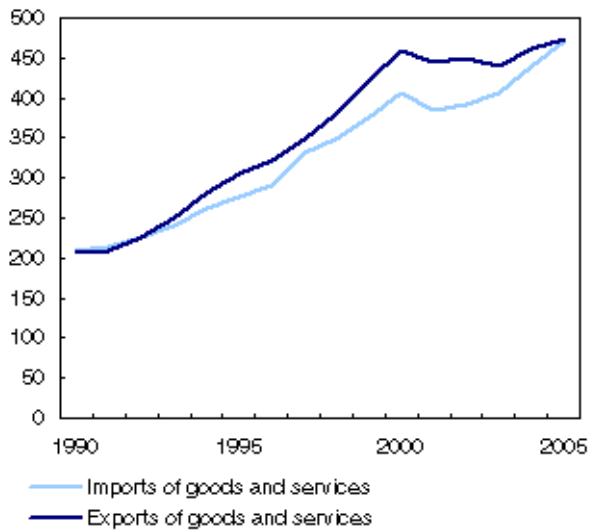
Final domestic demand rose 4.3% for the year. Since 2001, growth in final domestic demand has been on par or has outpaced that of real GDP.

The appreciation in the Canadian dollar over the last three years has helped pull down import prices 10%. These declining prices have led to an increase in the demand for imports as Canadian businesses substitute cheaper foreign goods for domestically produced goods. Consequently, a greater share of our final domestic demand is being satisfied through imports rather than domestic production.

Following a healthy gain in 2004, growth in output of the manufacturing sector was cut in half in 2005 (+2.2%). Manufacturers faced a strong dollar (its highest value against the US currency in more than a decade), high input costs (such as of petroleum) and strong international competition. Almost all of the growth was concentrated in the production of durable goods (+4.0%), while output of non-durable goods, more sensitive to international competition, edged down 0.4%, dragged down notably by textiles and clothing.

Imports closed the gap on exports in 2005

Billions of chained (1997) dollars



Canadian economic accounts key indicators[1]

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	647,288	654,312	662,636	672,952	684,312	695,800	643,964	678,925
	<i>0.9</i>	<i>1.1</i>	<i>1.3</i>	<i>1.6</i>	<i>1.7</i>	<i>1.7</i>	<i>4.2</i>	<i>5.4</i>
Corporation profits before taxes	178,804	181,484	183,580	188,968	197,780	205,416	175,148	193,936
	<i>0.9</i>	<i>1.5</i>	<i>1.2</i>	<i>2.9</i>	<i>4.7</i>	<i>3.9</i>	<i>18.7</i>	<i>10.7</i>
Interest and miscellaneous investment income	57,112	57,312	57,284	57,844	61,284	68,548	55,408	61,240
	<i>3.1</i>	<i>0.4</i>	<i>-0.0</i>	<i>1.0</i>	<i>5.9</i>	<i>11.9</i>	<i>10.3</i>	<i>10.5</i>
Net income of unincorporated business	85,068	85,296	85,228	85,680	86,728	87,232	83,893	86,217
	<i>1.6</i>	<i>0.3</i>	<i>-0.1</i>	<i>0.5</i>	<i>1.2</i>	<i>0.6</i>	<i>7.0</i>	<i>2.8</i>
Taxes less subsidies	150,276	151,212	152,272	155,120	155,284	156,168	148,682	154,711
	<i>1.1</i>	<i>0.6</i>	<i>0.7</i>	<i>1.9</i>	<i>0.1</i>	<i>0.6</i>	<i>5.1</i>	<i>4.1</i>
Personal disposable income	751,336	757,772	761,688	770,880	784,000	794,168	747,496	777,684
	<i>0.5</i>	<i>0.9</i>	<i>0.5</i>	<i>1.2</i>	<i>1.7</i>	<i>1.3</i>	<i>3.9</i>	<i>4.0</i>
Personal saving rate[2]	1.4	1.0	-0.3	-0.6	-0.1	0.3	1.4	-0.2

Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	642,702	648,794	658,442	664,610	668,614	673,414	640,630	666,270
	<i>0.9</i>	<i>0.9</i>	<i>1.5</i>	<i>0.9</i>	<i>0.6</i>	<i>0.7</i>	<i>3.4</i>	<i>4.0</i>
Government current expenditure on goods and services	210,713	211,801	213,012	214,702	217,041	218,992	210,049	215,937
	<i>0.5</i>	<i>0.5</i>	<i>0.6</i>	<i>0.8</i>	<i>1.1</i>	<i>0.9</i>	<i>2.7</i>	<i>2.8</i>
Gross fixed capital formation	241,206	245,637	249,630	252,566	258,023	263,572	240,150	255,948
	<i>1.5</i>	<i>1.8</i>	<i>1.6</i>	<i>1.2</i>	<i>2.2</i>	<i>2.2</i>	<i>6.6</i>	<i>6.6</i>
Investment in inventories	17,458	22,370	17,761	13,014	14,372	11,969	11,535	14,279

Exports of goods and services	465,940	462,289	466,045	465,418	473,836	484,795	461,675	472,524
	<i>-0.7</i>	<i>-0.8</i>	<i>0.8</i>	<i>-0.1</i>	<i>1.8</i>	<i>2.3</i>	<i>5.0</i>	<i>2.3</i>
Imports of goods and services	446,727	455,772	464,293	460,524	471,894	484,829	439,619	470,385
	<i>3.0</i>	<i>2.0</i>	<i>1.9</i>	<i>-0.8</i>	<i>2.5</i>	<i>2.7</i>	<i>8.1</i>	<i>7.0</i>
Gross domestic product at market prices	1,131,229	1,137,256	1,143,107	1,153,132	1,163,112	1,170,432	1,124,428	1,157,446
	<i>0.9</i>	<i>0.5</i>	<i>0.5</i>	<i>0.9</i>	<i>0.9</i>	<i>0.6</i>	<i>2.9</i>	<i>2.9</i>
GDP at basic prices, by industry								
Goods producing industries	335,635	336,330	336,657	337,959	342,418	345,215	332,217	340,562
	<i>1.5</i>	<i>0.2</i>	<i>0.1</i>	<i>0.4</i>	<i>1.3</i>	<i>0.8</i>	<i>4.1</i>	<i>2.5</i>
Industrial production	250,084	250,505	250,259	250,455	253,636	255,610	247,374	252,490
	<i>1.4</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.1</i>	<i>1.3</i>	<i>0.8</i>	<i>3.8</i>	<i>2.1</i>
Energy sector	62,867	63,582	62,771	63,457	65,132	65,851	63,109	64,303
	<i>-0.5</i>	<i>1.1</i>	<i>-1.3</i>	<i>1.1</i>	<i>2.6</i>	<i>1.1</i>	<i>1.8</i>	<i>1.9</i>
Manufacturing	183,247	182,866	183,600	182,805	184,168	185,603	180,070	184,044
	<i>2.3</i>	<i>-0.2</i>	<i>0.4</i>	<i>-0.4</i>	<i>0.7</i>	<i>0.8</i>	<i>4.6</i>	<i>2.2</i>
Non-durable manufacturing	74,617	74,096	73,543	73,038	73,518	73,454	73,714	73,388
	<i>1.5</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.7</i>	<i>0.7</i>	<i>-0.1</i>	<i>2.0</i>	<i>-0.4</i>
Durable manufacturing	108,400	108,539	109,821	109,531	110,411	111,905	106,132	110,417
	<i>2.9</i>	<i>0.1</i>	<i>1.2</i>	<i>-0.3</i>	<i>0.8</i>	<i>1.4</i>	<i>6.5</i>	<i>4.0</i>
Construction	60,813	61,510	62,194	62,988	63,801	65,252	60,689	63,559
	<i>0.9</i>	<i>1.1</i>	<i>1.1</i>	<i>1.3</i>	<i>1.3</i>	<i>2.3</i>	<i>4.6</i>	<i>4.7</i>
Services producing industries	712,389	716,314	722,452	730,071	736,499	741,491	709,357	732,628
	<i>0.8</i>	<i>0.6</i>	<i>0.9</i>	<i>1.1</i>	<i>0.9</i>	<i>0.7</i>	<i>2.7</i>	<i>3.3</i>
Wholesale trade	62,952	63,958	65,235	66,985	67,957	69,299	62,306	67,369
	<i>1.9</i>	<i>1.6</i>	<i>2.0</i>	<i>2.7</i>	<i>1.5</i>	<i>2.0</i>	<i>5.3</i>	<i>8.1</i>
Retail trade	59,811	60,341	61,449	62,121	62,242	62,472	59,405	62,071
	<i>1.5</i>	<i>0.9</i>	<i>1.8</i>	<i>1.1</i>	<i>0.2</i>	<i>0.4</i>	<i>3.8</i>	<i>4.5</i>
Transportation and warehousing	50,068	50,547	50,904	51,356	52,416	52,854	49,804	51,883
	<i>0.6</i>	<i>1.0</i>	<i>0.7</i>	<i>0.9</i>	<i>2.1</i>	<i>0.8</i>	<i>4.5</i>	<i>4.2</i>
Finance, insurance, real estate and renting	207,075	208,219	210,324	212,598	214,633	216,030	206,340	213,396
	<i>0.5</i>	<i>0.6</i>	<i>1.0</i>	<i>1.1</i>	<i>1.0</i>	<i>0.7</i>	<i>3.4</i>	<i>3.4</i>
Information and communication technologies	58,616	59,190	60,109	61,056	61,764	61,826	58,112	61,189
	<i>1.7</i>	<i>1.0</i>	<i>1.6</i>	<i>1.6</i>	<i>1.2</i>	<i>0.1</i>	<i>4.3</i>	<i>5.3</i>

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

2 Actual rate.

GDP by income and by expenditure

2005 and fourth quarter 2005

Investment spending, exports and personal expenditure all advanced in the fourth quarter pushing up real Gross Domestic Product (GDP) 0.6%.

Residential and non-residential investment switch roles

Investment in machinery and equipment (+3.2%) and non-residential structures (+2.9%) were strong for a second consecutive quarter. Investment in residential structures remained weak, growing 0.3%, with all the growth coming from a 2.7% jump in renovation activity.

While growth in overall investment was unchanged from 2004, there was a significant change in its composition. In 2004, much of the growth was attributable to continued strength in the housing market as investment in residential structures climbed 8.3%. In 2005, residential growth slowed to 3.3% while growth in investment in non-residential structures strengthened substantially – climbing 6.8% in 2005 following a 0.8% increase in 2004.

A large share of the recent growth in investment in non-residential structures is a result of a ramp up in engineering investment which increased 3.2% in the fourth quarter and 6.6% for the year. The main industry behind most of this recent growth is the mining and oil and gas extraction industry. According to the recent release of the private and public investment, 2006 intentions, investment in this industry jumped 17.4% in 2005 with another 6.0% increase forecast for 2006.

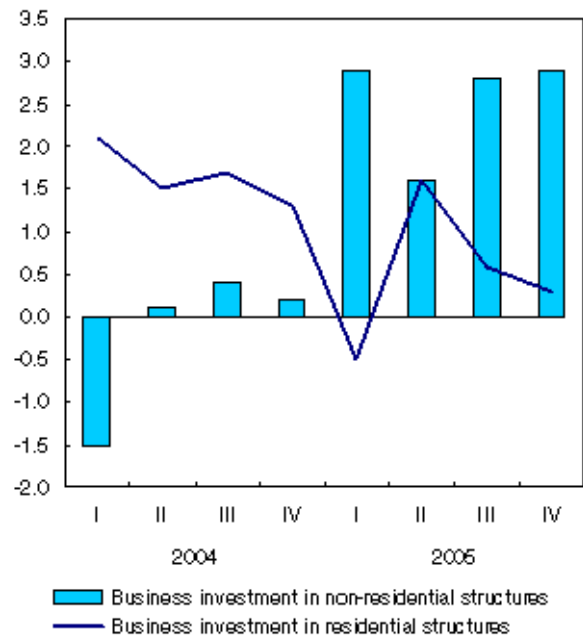
Renovation activity remains the only bright spot within the residential construction industry. Investment in renovations and alterations increased 2.7% in the fourth quarter and 8.0% for the year. The value of new housing construction declined in each quarter of 2005 and ownership transfer costs, which were up in each of the first three quarters fell in the fourth, dampening overall growth.

Over the last number of years renovation activity has captured an increasingly larger share of total investment in residential structures. In 1992 renovation activity represented 33% of total residential investment whereas by 2005 this share had reached 38%.

While residential investment and non-residential investment have taken turns sharing the investment spotlight, investment in machinery and equipment has continued its steady climb. Growth in 2005 was widespread with investment in computers and other office equipment increasing 25%, other transportation equipment up 19% and investment in trucks registering another strong year jumping a further 13%. Growth in investment in telecommunication equipment remained strong in 2005 (+6.1%) but was well off the 23% increase in 2004.

Non-residential investment picks up where residential investment left off

Quarterly % change, chained (1997) dollars



Consumers scoop up big ticket items in 2005

Consumer spending grew moderately in the fourth quarter as purchases of clothing and other semi-durable items rose 1.5%. Expenditure on durables fell 0.3%, mainly due to a 3.5% decline in purchases of new and used vehicles. The fourth quarter decline in consumer durables follows seven quarters of growth.

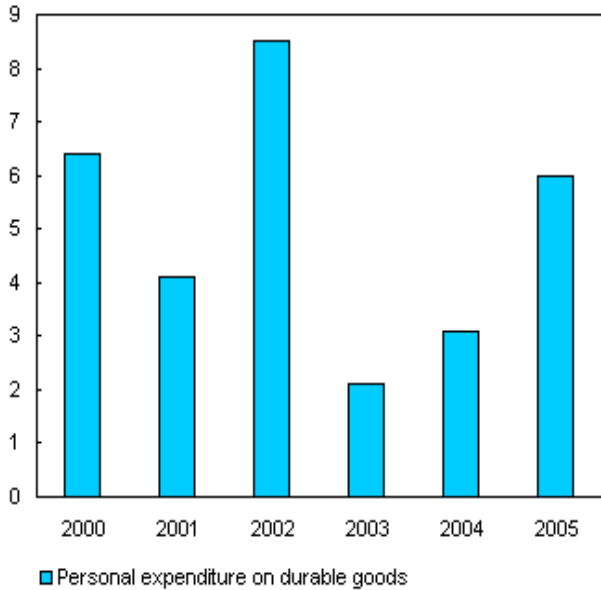
Fourth quarter demand aside, sales of big ticket items such as motor vehicles, televisions and other household appliances were strong throughout the year. Expenditure on new and used motor vehicles bounced back from a 1.9% decline in 2004, climbing 3.3% in 2005. This coupled with a 3.3% jump in expenditure on motor vehicle repairs and parts pushed up spending on transportation and communications by 3.0%.

Spending on furniture and household appliances grew another 2.8% in the fourth quarter and registered a 7.5% increase for the year, a second year of very strong growth. A large part of this increase was a result of an 8.9% increase in household appliances.

Canadians continued to remain active in 2005, purchasing more sporting and camping equipment in addition to other recreational equipment such as televisions and home theatre systems. As a result, spending on recreation, sporting and camping equipment was up 10.2%, the strongest annual increase among all major expenditure categories.

Consumers scoop up big ticket items in 2005

% change, chained (1997) dollars



Overall, expenditures on consumer durables climbed 6.0% in 2005, twice the growth rate of 2004.

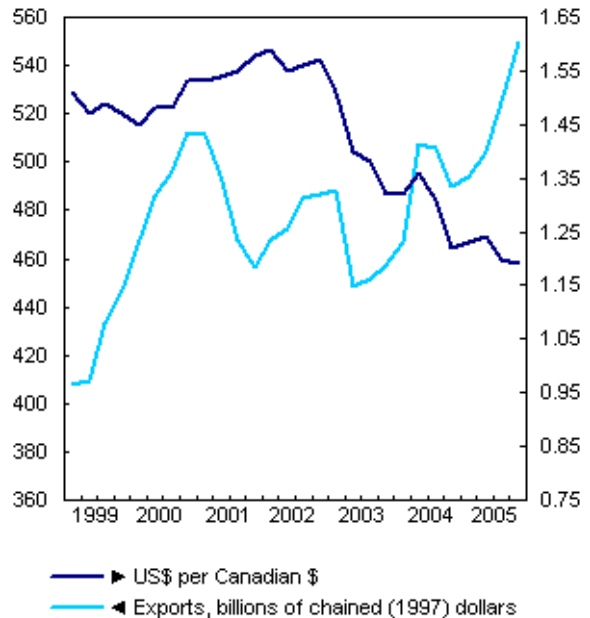
Exports pick up steam in the second half of the year

While the growth in exports in the first two quarters of 2005 was moderate at best, there was a marked pick-up in the second half of the year. Exports climbed 2.3% in the fourth quarter following a 1.8% increase in the third. The main driver behind the sudden increase was exports of automotive products, which have grown more than 7% for two consecutive quarters. For the year, exports of automotive products increased 3.7%, making for a second consecutive year of significant growth.

Exports of forestry products bounced back in the fourth quarter, jumping 4.9% as rebuilding projects in the US following the devastation of hurricane Katrina last year upped demand for Canadian lumber. This is the first quarterly increase since the second quarter of 2004 when a similar increase was registered. Even with this fourth quarter surge exports of forestry products were down 2.2% for the year.

The year 2005 was marked by another large appreciation in the Canadian dollar vis à vis the American dollar. The Canadian dollar appreciated a further 7% from the 11% and 7% gains posted in 2003 and 2004, respectively. Despite the appreciation in the dollar, Canadian exports have been strong over this period and remain a major source of overall economic growth.

Exports perform well despite appreciating dollar



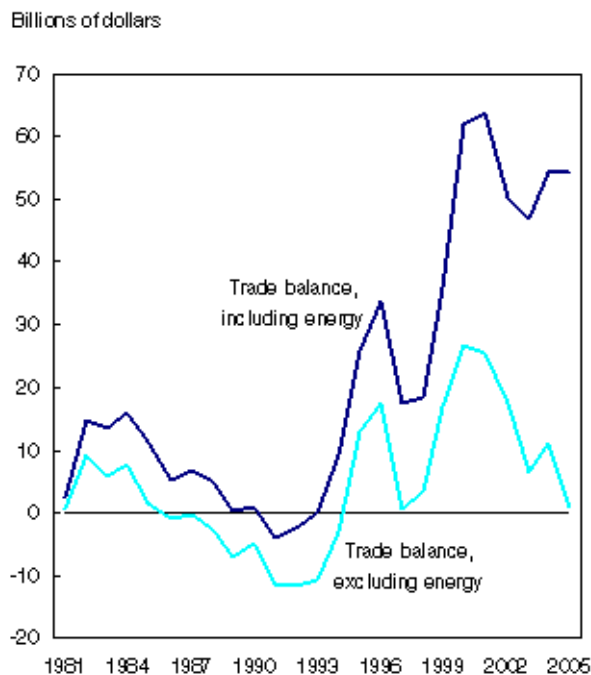
Exports of agricultural and fishing products were up again in the fourth quarter and increased in each quarter in 2005. Much of the recent growth is a result of an increase in exports of live animals. The opening of the US border to Canadian cattle is having a positive impact on the industry.

High energy prices felt throughout the economy

Income growth was once again very strong in the fourth quarter as both corporate profits and labour income posted healthy gains. Corporate profits rose 3.9% in the fourth quarter, following an equally strong third quarter and labour income maintained the 1.7% pace established in the third quarter.

The year 2005 was characterized by a steady flow of income into the economy driven mainly by a healthy nominal trade balance which topped \$50 billion. Almost all of this income was due to skyrocketing energy prices, as the trade balance excluding energy products sat at just a little under \$1 billion.

Energy products account for the entire trade balance



While corporate profits did not quite match 2004's performance they did post another year of double digit growth, up 10.7% in 2005. A large share of the overall growth in the last two years was due to a large jump in profits in the mining and oil and gas extraction industries and in petroleum and coal product manufacturing. Other industries, such as manufacturing (excluding petroleum and coal products) and the forestry sector, have not fared as well as the continued appreciation of the Canadian dollar cut into profit margins.

Corporations were not the only ones benefiting from higher energy prices. Governments also saw large increases in energy-related incomes in 2005 with corporate income taxes up 11.7% and a 10.6% jump in investment income, mainly due to increasing natural gas and oil royalties. The other main contributor to the 7.1% growth in government sector income was personal income taxes which grew 10.4%.

Economy-wide prices advance again in 2005

Not only did higher energy prices serve to drive up incomes, they also had a major impact on economy-wide prices which climbed 1.3% in the fourth quarter and 3.1% for the year.

The year 2005 was the third consecutive year that economy-wide prices have increased by at least 3%. The last time we have seen three such similar increases was in the late 1980's and early 1990's. At that time much of the increase was a result of rising consumer prices rather than energy prices which are driving the current increase.

Economy-wide prices excluding energy increased 1.9% in 2005. The GDP deflator excluding energy is calculated by removing all energy-related prices prior to calculating economy-wide prices. This means that prices such as the export and import price of energy products, the personal expenditure price for motor vehicle fuel and lubricants and electricity are removed leaving only non-energy related prices in the index.

Energy prices account for much of the growth in overall prices in 2005

Year	Economy-wide prices	Economy-wide prices excluding energy
2000	4.2	2.3
2001	1.1	1.0
2002	1.1	2.0
2003	3.3	2.2
2004	3.0	2.9
2005	3.1	1.9

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	647,288 <i>0.9</i>	654,312 <i>1.1</i>	662,636 <i>1.3</i>	672,952 <i>1.6</i>	684,312 <i>1.7</i>	695,800 <i>1.7</i>	643,964 <i>4.2</i>	678,925 <i>5.4</i>
Corporation profits before taxes	178,804 <i>0.9</i>	181,484 <i>1.5</i>	183,580 <i>1.2</i>	188,968 <i>2.9</i>	197,780 <i>4.7</i>	205,416 <i>3.9</i>	175,148 <i>18.7</i>	193,936 <i>10.7</i>
Government business enterprise profits before taxes	12,084 <i>6.7</i>	12,124 <i>0.3</i>	13,012 <i>7.3</i>	13,356 <i>2.6</i>	13,568 <i>1.6</i>	13,544 <i>-0.2</i>	11,842 <i>1.8</i>	13,370 <i>12.9</i>
Interest and miscellaneous investment income	57,112 <i>3.1</i>	57,312 <i>0.4</i>	57,284 <i>-0.0</i>	57,844 <i>1.0</i>	61,284 <i>5.9</i>	68,548 <i>11.9</i>	55,408 <i>10.3</i>	61,240 <i>10.5</i>
Accrued net income of farm operators from farm production	3,364 <i>19.0</i>	3,052 <i>-9.3</i>	1,868 <i>-38.8</i>	1,376 <i>-26.3</i>	1,544 <i>12.2</i>	1,416 <i>-8.3</i>	2,866 <i>123.9</i>	1,551 <i>-45.9</i>
Net income of non-farm unincorporated business, including rent	81,704 <i>1.0</i>	82,244 <i>0.7</i>	83,360 <i>1.4</i>	84,304 <i>1.1</i>	85,184 <i>1.0</i>	85,816 <i>0.7</i>	81,027 <i>5.0</i>	84,666 <i>4.5</i>
Inventory valuation adjustment	796 ...	2,828 ...	-1,292 ...	-2,288 ...	3,312 ...	-1,500 ...	-1,669 ...	-442 ...
Taxes less subsidies, on factors of production	58,672 <i>0.3</i>	59,160 <i>0.8</i>	59,056 <i>-0.2</i>	60,040 <i>1.7</i>	60,256 <i>0.4</i>	60,492 <i>0.4</i>	58,479 <i>3.7</i>	59,961 <i>2.5</i>
Net domestic product at basic prices	1,039,824 <i>1.8</i>	1,052,516 <i>1.2</i>	1,059,504 <i>0.7</i>	1,076,552 <i>1.6</i>	1,107,240 <i>2.9</i>	1,129,532 <i>2.0</i>	1,027,065 <i>6.2</i>	1,093,207 <i>6.4</i>
Taxes less subsidies, on products	91,604 <i>1.7</i>	92,052 <i>0.5</i>	93,216 <i>1.3</i>	95,080 <i>2.0</i>	95,028 <i>-0.1</i>	95,676 <i>0.7</i>	90,203 <i>6.1</i>	94,750 <i>5.0</i>
Capital consumption allowances	173,552 <i>1.2</i>	175,408 <i>1.1</i>	177,620 <i>1.3</i>	180,132 <i>1.4</i>	182,596 <i>1.4</i>	185,360 <i>1.5</i>	172,362 <i>5.4</i>	181,427 <i>5.3</i>
Statistical discrepancy	504 ...	-1,368 ...	-624 ...	-1,992 ...	-1,100 ...	1,084 ...	555 ...	-658 ...
Gross domestic product at market prices	1,305,484 <i>1.7</i>	1,318,608 <i>1.0</i>	1,329,716 <i>0.8</i>	1,349,772 <i>1.5</i>	1,383,764 <i>2.5</i>	1,411,652 <i>2.0</i>	1,290,185 <i>6.1</i>	1,368,726 <i>6.1</i>

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

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	724,980 <i>1.1</i>	734,376 <i>1.3</i>	747,724 <i>1.8</i>	758,608 <i>1.5</i>	767,716 <i>1.2</i>	773,800 <i>0.8</i>	721,235 <i>4.9</i>	761,962 <i>5.6</i>
Durable goods	95,236 <i>0.9</i>	96,964 <i>1.8</i>	98,968 <i>2.1</i>	100,248 <i>1.3</i>	101,144 <i>0.9</i>	100,796 <i>-0.3</i>	95,075 <i>1.6</i>	100,289 <i>5.5</i>
Semi-durable goods	62,116 <i>1.5</i>	62,140 <i>0.0</i>	63,812 <i>2.7</i>	64,520 <i>1.1</i>	64,576 <i>0.1</i>	65,196 <i>1.0</i>	61,515 <i>4.9</i>	64,526 <i>4.9</i>
Non-durable goods	178,728 <i>1.4</i>	182,132 <i>1.9</i>	184,904 <i>1.5</i>	187,776 <i>1.6</i>	191,772 <i>2.1</i>	192,400 <i>0.3</i>	177,572 <i>5.4</i>	189,213 <i>6.6</i>
Services	388,900 <i>0.9</i>	393,140 <i>1.1</i>	400,040 <i>1.8</i>	406,064 <i>1.5</i>	410,224 <i>1.0</i>	415,408 <i>1.3</i>	387,073 <i>5.5</i>	407,934 <i>5.4</i>
Government current expenditure on goods and services	249,356 <i>0.5</i>	252,176 <i>1.1</i>	256,216 <i>1.6</i>	261,036 <i>1.9</i>	264,476 <i>1.3</i>	267,748 <i>1.2</i>	248,534 <i>5.0</i>	262,369 <i>5.6</i>
Government gross fixed capital formation	33,272 <i>0.5</i>	33,380 <i>0.3</i>	34,168 <i>2.4</i>	34,760 <i>1.7</i>	35,332 <i>1.6</i>	36,256 <i>2.6</i>	33,091 <i>6.9</i>	35,129 <i>6.2</i>
Government investment in inventories	156 ...	-256 ...	36 ...	72 ...	-32 ...	32 ...	21 ...	27 ...
Business gross fixed capital formation	228,744 <i>1.8</i>	231,452 <i>1.2</i>	237,172 <i>2.5</i>	242,224 <i>2.1</i>	247,272 <i>2.1</i>	252,880 <i>2.3</i>	225,867 <i>9.1</i>	244,887 <i>8.4</i>
Residential structures	84,876 <i>2.2</i>	86,516 <i>1.9</i>	87,144 <i>0.7</i>	89,212 <i>2.4</i>	90,312 <i>1.2</i>	91,712 <i>1.6</i>	83,557 <i>14.5</i>	89,595 <i>7.2</i>
Non-residential structures	57,828 <i>2.1</i>	58,500 <i>1.2</i>	60,728 <i>3.8</i>	62,588 <i>3.1</i>	64,944 <i>3.8</i>	67,492 <i>3.9</i>	57,139 <i>6.0</i>	63,938 <i>11.9</i>
Machinery and equipment	86,040 <i>1.2</i>	86,436 <i>0.5</i>	89,300 <i>3.3</i>	90,424 <i>1.3</i>	92,016 <i>1.8</i>	93,676 <i>1.8</i>	85,171 <i>6.1</i>	91,354 <i>7.3</i>
Business investment in inventories	13,636 ...	19,436 ...	13,984 ...	8,276 ...	8,776 ...	6,840 ...	7,758 ...	9,469 ...
Non-farm	12,088 ...	17,636 ...	13,004 ...	7,512 ...	8,724 ...	6,640 ...	6,262 ...	8,970 ...
Farm	1,548 ...	1,800 ...	980 ...	764 ...	52 ...	200 ...	1,496 ...	499 ...
Exports of goods and services	505,948 <i>-0.3</i>	490,136 <i>-3.1</i>	494,208 <i>0.8</i>	504,488 <i>2.1</i>	524,752 <i>4.0</i>	549,576 <i>4.7</i>	492,580 <i>6.8</i>	518,256 <i>5.2</i>
Goods	442,276 <i>-0.3</i>	425,736 <i>-3.7</i>	429,712 <i>0.9</i>	439,752 <i>2.3</i>	459,908 <i>4.6</i>	484,232 <i>5.3</i>	429,140 <i>7.2</i>	453,401 <i>5.7</i>
Services	63,672 <i>0.1</i>	64,400 <i>1.1</i>	64,496 <i>0.1</i>	64,736 <i>0.4</i>	64,844 <i>0.2</i>	65,344 <i>0.8</i>	63,440 <i>3.8</i>	64,855 <i>2.2</i>
Deduct: Imports of goods and services	450,100 <i>1.3</i>	443,460 <i>-1.5</i>	454,412 <i>2.5</i>	461,680 <i>1.6</i>	465,632 <i>0.9</i>	474,396 <i>1.9</i>	438,346 <i>5.8</i>	464,030 <i>5.9</i>
Goods	375,832 <i>2.2</i>	368,000 <i>-2.1</i>	378,156 <i>2.8</i>	383,808 <i>1.5</i>	388,412 <i>1.2</i>	396,620 <i>2.1</i>	363,079 <i>6.0</i>	386,749 <i>6.5</i>
Services	74,268 <i>-2.8</i>	75,460 <i>1.6</i>	76,256 <i>1.1</i>	77,872 <i>2.1</i>	77,220 <i>-0.8</i>	77,776 <i>0.7</i>	75,267 <i>4.9</i>	77,281 <i>2.7</i>
Statistical discrepancy	-508 ...	1,368 ...	620 ...	1,988 ...	1,104 ...	-1,084 ...	-555 ...	657 ...
Gross domestic product at market prices	1,305,484 <i>1.7</i>	1,318,608 <i>1.0</i>	1,329,716 <i>0.8</i>	1,349,772 <i>1.5</i>	1,383,764 <i>2.5</i>	1,411,652 <i>2.0</i>	1,290,185 <i>6.1</i>	1,368,726 <i>6.1</i>
Final domestic demand	1,236,352 <i>1.1</i>	1,251,384 <i>1.2</i>	1,275,280 <i>1.9</i>	1,296,628 <i>1.7</i>	1,314,796 <i>1.4</i>	1,330,684 <i>1.2</i>	1,228,727 <i>5.7</i>	1,304,347 <i>6.2</i>

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

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	642,702 <i>0.9</i>	648,794 <i>0.9</i>	658,442 <i>1.5</i>	664,610 <i>0.9</i>	668,614 <i>0.6</i>	673,414 <i>0.7</i>	640,630 <i>3.4</i>	666,270 <i>4.0</i>
Durable goods	98,552 <i>1.3</i>	100,130 <i>1.6</i>	102,180 <i>2.0</i>	104,140 <i>1.9</i>	104,951 <i>0.8</i>	104,589 <i>-0.3</i>	98,119 <i>3.1</i>	103,965 <i>6.0</i>
Semi-durable goods	60,337 <i>2.0</i>	60,344 <i>0.0</i>	61,785 <i>2.4</i>	62,667 <i>1.4</i>	62,564 <i>-0.2</i>	63,533 <i>1.5</i>	59,583 <i>5.5</i>	62,637 <i>5.1</i>
Non-durable goods	143,747 <i>0.7</i>	145,154 <i>1.0</i>	146,650 <i>1.0</i>	146,871 <i>0.2</i>	147,127 <i>0.2</i>	147,565 <i>0.3</i>	143,583 <i>2.3</i>	147,053 <i>2.4</i>
Services	341,202 <i>0.6</i>	344,352 <i>0.9</i>	349,236 <i>1.4</i>	352,667 <i>1.0</i>	355,772 <i>0.9</i>	359,491 <i>1.0</i>	340,385 <i>3.7</i>	354,292 <i>4.1</i>
Government current expenditure on goods and services	210,713 <i>0.5</i>	211,801 <i>0.5</i>	213,012 <i>0.6</i>	214,702 <i>0.8</i>	217,041 <i>1.1</i>	218,992 <i>0.9</i>	210,049 <i>2.7</i>	215,937 <i>2.8</i>
Government gross fixed capital formation	31,614 <i>-0.1</i>	31,894 <i>0.9</i>	32,511 <i>1.9</i>	32,656 <i>0.4</i>	33,053 <i>1.2</i>	33,932 <i>2.7</i>	31,722 <i>4.9</i>	33,038 <i>4.2</i>
Government investment in inventories	136 ...	-216 ...	32 ...	60 ...	-24 ...	24 ...	19 ...	23 ...
Business gross fixed capital formation	209,654 <i>1.8</i>	213,796 <i>2.0</i>	217,177 <i>1.6</i>	219,960 <i>1.3</i>	225,012 <i>2.3</i>	229,688 <i>2.1</i>	208,500 <i>6.9</i>	222,959 <i>6.9</i>
Residential structures	67,165 <i>1.7</i>	68,019 <i>1.3</i>	67,650 <i>-0.5</i>	68,762 <i>1.6</i>	69,180 <i>0.6</i>	69,418 <i>0.3</i>	66,562 <i>8.3</i>	68,753 <i>3.3</i>
Non-residential structures	48,018 <i>0.4</i>	48,124 <i>0.2</i>	49,521 <i>2.9</i>	50,311 <i>1.6</i>	51,721 <i>2.8</i>	53,246 <i>2.9</i>	47,936 <i>0.8</i>	51,200 <i>6.8</i>
Machinery and equipment	94,175 <i>2.7</i>	97,838 <i>3.9</i>	100,597 <i>2.8</i>	101,313 <i>0.7</i>	104,989 <i>3.6</i>	108,329 <i>3.2</i>	93,754 <i>9.8</i>	103,807 <i>10.7</i>
Business investment in inventories	17,308 ...	22,619 ...	17,724 ...	12,944 ...	14,401 ...	11,937 ...	11,517 ...	14,252 ...
Non-farm	14,331 ...	19,281 ...	14,532 ...	9,883 ...	11,693 ...	9,062 ...	8,459 ...	11,293 ...
Farm	2,285 ...	2,555 ...	2,514 ...	2,466 ...	2,034 ...	2,234 ...	2,523 ...	2,312 ...
Exports of goods and services	465,940 <i>-0.7</i>	462,289 <i>-0.8</i>	466,045 <i>0.8</i>	465,418 <i>-0.1</i>	473,836 <i>1.8</i>	484,795 <i>2.3</i>	461,675 <i>5.0</i>	472,524 <i>2.3</i>
Goods	408,164 <i>-0.8</i>	404,037 <i>-1.0</i>	407,858 <i>0.9</i>	407,220 <i>-0.2</i>	416,155 <i>2.2</i>	426,700 <i>2.5</i>	403,962 <i>5.4</i>	414,483 <i>2.6</i>
Services	57,991 <i>0.0</i>	58,439 <i>0.8</i>	58,399 <i>-0.1</i>	58,407 <i>0.0</i>	57,924 <i>-0.8</i>	58,344 <i>0.7</i>	57,909 <i>2.5</i>	58,269 <i>0.6</i>
Deduct: Imports of goods and services	446,727 <i>3.0</i>	455,772 <i>2.0</i>	464,293 <i>1.9</i>	460,524 <i>-0.8</i>	471,894 <i>2.5</i>	484,829 <i>2.7</i>	439,619 <i>8.1</i>	470,385 <i>7.0</i>
Goods	381,683 <i>3.8</i>	387,869 <i>1.6</i>	396,511 <i>2.2</i>	392,004 <i>-1.1</i>	403,623 <i>3.0</i>	416,130 <i>3.1</i>	373,301 <i>8.3</i>	402,067 <i>7.7</i>
Services	65,358 <i>-0.9</i>	68,008 <i>4.1</i>	68,093 <i>0.1</i>	68,645 <i>0.8</i>	68,672 <i>0.0</i>	69,324 <i>0.9</i>	66,306 <i>7.3</i>	68,684 <i>3.6</i>
Statistical discrepancy	-440 ...	1,180 ...	533 ...	1,698 ...	928 ...	-899 ...	-493 ...	565 ...
Gross domestic product at market prices	1,131,229 <i>0.9</i>	1,137,256 <i>0.5</i>	1,143,107 <i>0.5</i>	1,153,132 <i>0.9</i>	1,163,112 <i>0.9</i>	1,170,432 <i>0.6</i>	1,124,428 <i>2.9</i>	1,157,446 <i>2.9</i>
Final domestic demand	1,093,886 <i>0.9</i>	1,105,353 <i>1.0</i>	1,120,072 <i>1.3</i>	1,130,812 <i>1.0</i>	1,142,486 <i>1.0</i>	1,154,624 <i>1.1</i>	1,090,105 <i>3.9</i>	1,136,999 <i>4.3</i>

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

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

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	3.5	3.8	6.1	3.8	2.4	2.9	3.4	4.0
Durable goods	5.2	6.6	8.4	7.9	3.2	-1.4	3.1	6.0
Semi-durable goods	8.3	0.0	9.9	5.8	-0.7	6.3	5.5	5.1
Non-durable goods	3.0	4.0	4.2	0.6	0.7	1.2	2.3	2.4
Services	2.6	3.7	5.8	4.0	3.6	4.2	3.7	4.1
Government current expenditure on goods and services	2.0	2.1	2.3	3.2	4.4	3.6	2.7	2.8
Government gross fixed capital formation	-0.3	3.6	8.0	1.8	5.0	11.1	4.9	4.2
Government investment in inventories[2]	-88	-352	248	28	-84	48	5	4
Business gross fixed capital formation	7.3	8.1	6.5	5.2	9.5	8.6	6.9	6.9
Residential structures	7.1	5.2	-2.2	6.7	2.5	1.4	8.3	3.3
Non-residential structures	1.7	0.9	12.1	6.5	11.7	12.3	0.8	6.8
Machinery and equipment	11.4	16.5	11.8	2.9	15.3	13.3	9.8	10.7
Business investment in inventories[2]	15,190	5,311	-4,895	-4,780	1,457	-2,464	464	2,735
Non-farm[2]	14,941	4,950	-4,749	-4,649	1,810	-2,631	1,132	2,834
Farm[2]	-84	270	-41	-48	-432	200	-916	-211
Exports of goods and services	-2.8	-3.1	3.3	-0.5	7.4	9.6	5.0	2.3
Goods	-3.2	-4.0	3.8	-0.6	9.1	10.5	5.4	2.6
Services	0.2	3.1	-0.3	0.1	-3.3	2.9	2.5	0.6
Deduct: Imports of goods and services	12.4	8.3	7.7	-3.2	10.2	11.4	8.1	7.0
Goods	15.9	6.6	9.2	-4.5	12.4	13.0	8.3	7.7
Services	-3.4	17.2	0.5	3.3	0.2	3.9	7.3	3.6
Statistical discrepancy[2]	625	1,620	-647	1,165	-770	-1,827	-88	1,058
Gross domestic product at market prices	3.5	2.1	2.1	3.6	3.5	2.5	2.9	2.9
Final domestic demand	3.8	4.3	5.4	3.9	4.2	4.3	3.9	4.3

1 Quarter to quarter percentage change, annualized.

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

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.481	0.526	0.828	0.527	0.337	0.396	1.933	2.217
Durable goods	0.093	0.117	0.150	0.142	0.057	-0.025	0.232	0.431
Semi-durable goods	0.096	0.001	0.113	0.068	-0.008	0.072	0.262	0.240
Non-durable goods	0.101	0.134	0.142	0.021	0.024	0.041	0.320	0.334
Services	0.191	0.275	0.423	0.295	0.263	0.308	1.118	1.211
Government current expenditure on goods and services	0.096	0.099	0.110	0.153	0.209	0.171	0.521	0.535
Government gross fixed capital formation	-0.002	0.022	0.049	0.012	0.031	0.067	0.126	0.105
Government investment in inventories	-0.008	-0.031	0.022	0.003	-0.008	0.005	0.000	0.000
Business gross fixed capital formation	0.310	0.344	0.278	0.229	0.408	0.369	1.174	1.199
Residential structures	0.112	0.083	-0.036	0.108	0.040	0.022	0.509	0.211
Non-residential structures	0.019	0.010	0.129	0.073	0.129	0.138	0.039	0.303
Machinery and equipment	0.179	0.252	0.185	0.048	0.239	0.209	0.627	0.685
Business investment in inventories	1.228	0.414	-0.388	-0.377	0.107	-0.190	-0.009	0.203
Non-farm	1.234	0.397	-0.385	-0.373	0.138	-0.203	0.065	0.215
Farm	-0.006	0.017	-0.003	-0.004	-0.031	0.013	-0.073	-0.012
Exports of goods and services	-0.274	-0.299	0.302	-0.050	0.678	0.881	1.901	0.900
Goods	-0.276	-0.337	0.305	-0.051	0.717	0.848	1.774	0.870
Services	0.002	0.038	-0.003	0.001	-0.040	0.034	0.127	0.030
Deduct: Imports of goods and services	1.014	0.685	0.630	-0.280	0.831	0.912	2.707	2.315
Goods	1.065	0.457	0.622	-0.327	0.829	0.860	2.284	2.109
Services	-0.050	0.227	0.007	0.047	0.002	0.053	0.423	0.206
Statistical discrepancy	0.056	0.143	-0.057	0.102	-0.067	-0.157	-0.007	0.092
Gross domestic product at market prices	0.872	0.533	0.514	0.877	0.865	0.629	2.933	2.936
Final domestic demand	0.885	0.991	1.265	0.920	0.985	1.003	3.753	4.055

1 The chained (1997) dollars data shown in the table "Real Gross domestic product, expenditure-based, quarterly percentage change" are not additive. The contributions to percentage change shown in the above table are additive and provide a measure of the composition of GDP growth.

Gross domestic product, implicit chain price indexes[1]

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	112.8 <i>0.2</i>	113.2 <i>0.4</i>	113.6 <i>0.4</i>	114.1 <i>0.4</i>	114.8 <i>0.6</i>	114.9 <i>0.1</i>	112.6 <i>1.4</i>	114.4 <i>1.6</i>
Government current expenditure on goods and services	118.3 <i>0.0</i>	119.1 <i>0.7</i>	120.3 <i>1.0</i>	121.6 <i>1.1</i>	121.9 <i>0.2</i>	122.3 <i>0.3</i>	118.3 <i>2.3</i>	121.5 <i>2.7</i>
Government gross fixed capital formation	105.2 <i>0.5</i>	104.7 <i>-0.5</i>	105.1 <i>0.4</i>	106.4 <i>1.2</i>	106.9 <i>0.5</i>	106.8 <i>-0.1</i>	104.3 <i>1.9</i>	106.3 <i>1.9</i>
Business gross fixed capital formation	109.1 <i>0.0</i>	108.3 <i>-0.7</i>	109.2 <i>0.8</i>	110.1 <i>0.8</i>	109.9 <i>-0.2</i>	110.1 <i>0.2</i>	108.3 <i>2.0</i>	109.8 <i>1.4</i>
Exports of goods and services	108.6 <i>0.5</i>	106.0 <i>-2.4</i>	106.0 <i>0.0</i>	108.4 <i>2.3</i>	110.7 <i>2.1</i>	113.4 <i>2.4</i>	106.7 <i>1.7</i>	109.6 <i>2.8</i>
Imports of goods and services	100.8 <i>-1.6</i>	97.3 <i>-3.5</i>	97.9 <i>0.6</i>	100.3 <i>2.5</i>	98.7 <i>-1.6</i>	97.8 <i>-0.9</i>	99.8 <i>-2.2</i>	98.7 <i>-1.1</i>
Gross domestic product at market prices	115.4 <i>0.8</i>	115.9 <i>0.4</i>	116.3 <i>0.3</i>	117.1 <i>0.7</i>	119.0 <i>1.6</i>	120.6 <i>1.3</i>	114.7 <i>3.0</i>	118.3 <i>3.1</i>
<i>Final domestic demand</i>	<i>113.0</i> <i>0.1</i>	<i>113.2</i> <i>0.2</i>	<i>113.9</i> <i>0.6</i>	<i>114.7</i> <i>0.7</i>	<i>115.1</i> <i>0.3</i>	<i>115.2</i> <i>0.1</i>	<i>112.7</i> <i>1.7</i>	<i>114.7</i> <i>1.8</i>

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

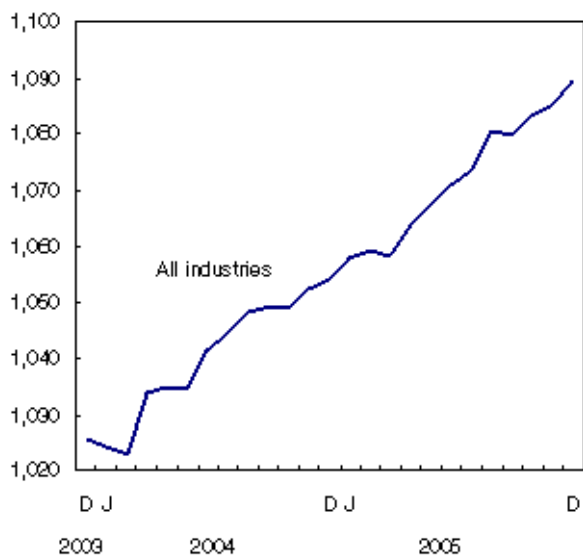
GDP by industry

December 2005

Gross Domestic Product (GDP) grew 0.4% in December, after growing 0.2% in November, mostly on the strength of manufacturing of durable products, wholesaling of new motor vehicles, construction and transportation and warehousing. Retail trade remained essentially unchanged, while declines in oil and gas extraction and forestry contributed to reduce the overall growth. Sporadic strike activities by Quebec teachers also hampered growth in educational services.

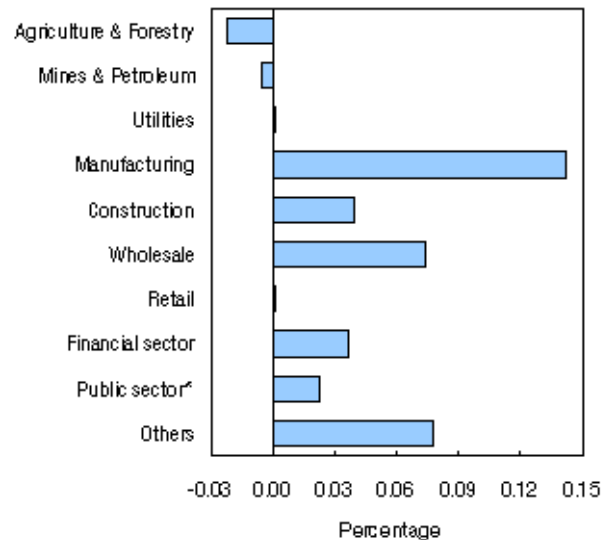
Canada's economy continues to strengthen

GDP billions of chained \$ (1997)



Industrial production (the output of Canada's factories, mines and utilities) grew 0.6% in December, mainly on the strength of manufacturing (+0.9%). Utilities edged up 0.1% while the mining, oil and gas sector declined (-0.1%). In the United States, the index of industrial production grew 0.9% in December, pushed up by manufacturing, utilities and mining output.

Main industrial sectors' contribution to total growth – December 2005



* Education, health and public administration.

Manufacturing gains on a rebound in motor vehicle parts

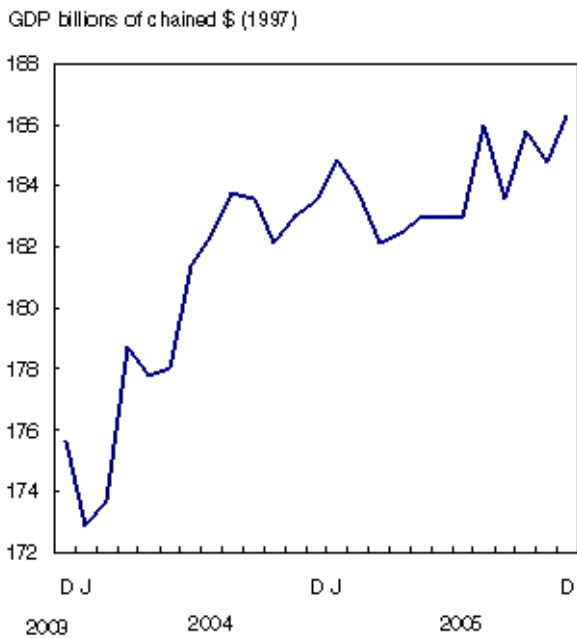
Manufacturing output rebounded 0.9% in December after a 0.5% decline in November. Production increased in 11 of the 21 major groups, accounting for 70% of this sector's output. The largest increases were recorded mainly in durable goods, especially by manufacturers of machinery (+3.4%), of fabricated metal products (+2.4%), and of transportation equipment (+0.8%). After three consecutive monthly declines, the production of motor vehicle parts recovered strongly, led by gasoline engine and steering and suspension components. Rebounding from its November slump, production of heavy-duty trucks also contributed to the growth in manufacturing. Meanwhile, motor vehicle manufacturing receded for the second consecutive month. Printing and manufacturers of petroleum products recorded declines.

Note to readers

A new reference manual, *Gross Domestic Product by Industry: Sources and Methods with Industry Details* (15-548-XIE, 15-548-XWE, free), is now available. This document describes in detail the data sources used in the derivation of monthly GDP by industry series. For more information on this manual, contact Erika Young (613-951-3631; erika.young@statcan.ca), Industry Accounts Division.

The monthly gross domestic product (GDP) by industry data are chained volume estimates with 1997 as their reference year. This means that the estimates for each industry and aggregate are obtained from a chained volume index multiplied by the industry's value added in 1997. For the period 1997 to 2002, the monthly estimates are benchmarked to annually chained Fisher volume indexes of GDP obtained from the constant-price input-output tables. For the period starting with January 2003, the estimates are derived by chaining a Laspeyres volume index at 2002 prices to the prior period. This makes the monthly GDP by industry estimates more comparable with the expenditure-based GDP data, chained quarterly. For more information, see the *Chain Fisher Volume Index* page on our website.

Manufacturing regains strength



Motor vehicles drive up wholesale but reduce retail sales

Wholesale trade gained 1.3% in December, pulled up mainly by a sharp increase for motor vehicles. This increase offset the 1.0% drop in November, which followed three consecutive months of growing sales. Wholesalers of machinery and equipment and building supplies also increased their sales. Excluding motor vehicles, wholesale trade was essentially unchanged as activities of wholesalers of household and personal goods, of computers and other electronic equipment, and of petroleum products receded.

After two consecutive monthly increases, the retail trade sector remained flat in December. Higher sales of used cars limited a decline in sales of new cars. Retailing activities excluding motor vehicles rose 0.2% as gains in food and beverage stores, and in furniture, home furnishings and electronics stores more than offset the lost in new car sales.

Engineering works continue to stimulate construction activity

Construction activities rose 0.7%, driven by continued strength in residential construction (+0.8%), and in engineering, repairs and other construction activities. This was the fourth consecutive monthly increase in residential construction. With sales of existing homes decreasing in many major metropolitan areas, the output of real estate agents and brokers declined 1.1%, and contributed to the limited growth in activities of lawyers and accountants.

Over the previous 12 months, engineering, repairs and other construction activities and non-residential construction grew regularly. Engineering construction continued to grow strongly (+0.8%) while non-residential construction stayed flat in December. Growth in industrial structures was offset by declines in commercial and institutional buildings.

Energy sector edges down

The energy sector declined in December (-0.5%). Maintenance work at some power plants played a part in a decrease in electricity generation (-0.3%), while warmer than usual weather conditions contributed to lower activities in oil and gas exploration (-0.9%). As well, a decline in natural gas output offset a strong increase in crude petroleum extraction, bringing their combined output down 0.6%. The pipeline transportation of natural gas also declined 1.6%.

Mining activity however gained more strength, increasing 3.1%. Output of metal ore mines grew 2.1% while non-metallic minerals (which include diamonds and potash) gained 4.5%.

Other activities

The transportation and warehousing sector grew 0.7% on the strength of most types of transportation activities. Rail, truck and transit and ground passenger transportation were among the most vigorous industries. Warehousing and storage activities increased 1.9% as warehousing of farm products recorded a strong gain for a second consecutive month.

Sporadic strike activities by Quebec teachers and professionals contributed to hamper the output of educational services as well as that of provincial public administration in December.

Fourth quarter 2005 review

The Canadian economy expanded at a lower rate in the fourth quarter of 2005 than in the third. However, both the goods-producing industries (+0.8%) and service-producing industries (+0.7%) contributed to growth. The manufacturing of non-durable products, wholesale trade, and construction were the main sources of growth in the quarter. Declines in forestry, educational services, and utilities reduced overall growth.

Industrial production (the output of factories, mines and utilities) increased 0.8% pushed by manufacturing, mining and oil and gas extraction, while utilities decreased 0.7% mostly due to lower electricity production. In the United States, the index of industrial production rose 1.4%, bolstered by manufacturing, while mining and utilities receded.

Manufacturing output increased 0.8%, a rate slightly faster than in the previous quarter. Almost all of the growth was concentrated in the production of durable goods, particularly machinery (+5.4%), transportation equipment (+2.1%), fabricated metal products (+2.4%), and non-metallic mineral products (+3.6%). The growth in durable goods was fuelled by increased US demand for trendy Canadian-made car models, and by domestic demand for machinery, notably construction and mining machinery (+7.7%), due to increasing development activities related to oil production.

The rise in value of the Canadian dollar coupled with the increasing importance of China and India in international trade played a role in the overall decrease in output of non-durable goods (-0.1%), with the notable exception of plastic products (+5.2%).

The increase in imports and exports was also reflected in the growth of wholesale trade activities (+2.0%). Most wholesalers recorded positive results in the fourth quarter, particularly wholesalers of machinery and equipment, motor vehicles, apparel and building supplies. Retail trade however showed subdued activity (+0.4%) compared to the beginning of the year. A decrease in sales of new motor vehicles dragged down the whole sector, as retail trade excluding new car dealerships increased 1.1%. The main areas of growth were in general merchandise stores (including department stores), furniture, home furnishings and electronics stores, as well as service stations.

Construction activities increased 2.3%, their best quarter of the year. There was significant growth in engineering and repair activities (+3.0%) partly due to work related to oil extraction, and to renovation work by homeowners. Non-residential building construction increased 2.6% with all types of structures (industrial, commercial and public) recording gains. Residential building construction also increased (+1.0%) reversing the slight decline recorded in the previous quarter. There were increases in the construction of single and apartment units, but decreases in semi-detached and row houses.

Output of the energy sector increased 1.1%. Oil and gas extraction rose by 2.7%, its best quarter of the year. However, there was a marked contrast between oil extraction and gas extraction. The end of maintenance work, the first oil production from a new oil field, as well as increased demand in the United States after the hurricane season, laid behind a robust growth in oil production. Output of natural gas however decreased after a surge of production in the third quarter attributable to higher exports.

Output of the mining sector declined 3.5%. There was a sharp reduction in the production of all types of metals (-11%), while output of non-metallic minerals (which include diamonds and potash) rose 3.2%.

Activity in the forestry industry fell back 11% due to unfavourable weather conditions, and to the extra logging that occurred in the third quarter in areas affected by the mountain pine beetle infestation.

Restrained by reduced growth in activity on the stock exchanges and by lower sales of existing homes, the finance, insurance and real estate sector advanced 0.7%, its weakest quarter of the year.

Tourism-related industries, such as air transportation (+3.5%) and accommodation and food services (+1.8%) were helped by a rebound in the number of travellers from the United States staying for more than one night, and by a large international conference held in Montreal.

The public sector, including public administration, health and social services, and educational services, was affected by strike activities by British Columbia teachers and by Quebec teachers and professionals; the sector's output nonetheless increased 0.3%.

2005 year-end review

In 2005, the expansion of the Canadian economy occurred against a backdrop of a strong dollar, an increase in interest rates and record-high petroleum prices. The growth in the service sector (+3.3%) surpassed that of the goods producing industries (+2.5%), which contrasts with the situation seen in 2004. Wholesale and retail trade, finance, as well as construction were among the key contributing sectors to the growth. Weakness was noted in the mining and oil and gas extraction sector while the manufacturing sector did not fare as well as in 2004.

The wholesale trade industry had a bright year, posting the strongest increase (+8.1%) amongst the major sectors of the economy. Notable increases were recorded in motor vehicles, machinery and electronic equipment, and building materials. Strength in imports of goods from other countries (+7.7%) also contributed to strong overall wholesaling activities. Wholesalers of alcohol and tobacco were the only group to record a decrease in activity.

Retail trade increased 4.5% in the year, with particular strength in automotive stores, even if sales of new cars ended the year on a weak note, contrasting with virtually no growth in the year before. Other retailers registered strong sales, particularly food and beverage stores, and furniture, home furnishings and electronics stores.

Activity in the financial sector, including insurance, real estate and rental and leasing, increased 3.4%. Credit intermediation, such as banking activities grew 4.0%, while the higher volumes on the Canadian stock markets led to a 7.5% rise in the output of securities and commodities brokers. The continued strength in the home resale market led to a gain of 5.4% in the activities of real estate agents and brokers.

Construction activities rose 4.7%. Engineering, repair and other construction activities were booming (+6.6%), while non-residential construction advanced 2.8% following two consecutive years of decline. Residential building construction posted a solid gain (+3.0%) for the year, although the smallest since 1999.

Industrial production (the output of factories, mines and utilities) increased 2.1%, but with notable growth differences among the three sectors. Output of utilities (+4.4%) led the way, followed by manufacturing (+2.2%) and the mining and oil and gas extraction sector (+0.5%). In the United States, the index of industrial production rose 3.2%, with increases in utilities and manufacturing but a drop in mining.

Following a healthy gain in 2004 (+4.6%), the growth in output of the manufacturing sector was cut in half in 2005. Manufacturers faced a strong dollar — its highest value against its US counterpart in more than a decade — high input costs (such as of petroleum) and strong international competition. Fourteen of the 21 major groups advanced, accounting for 88% of manufacturing output.

Almost all of the growth was concentrated in durable goods (+4.0%), with strong gains in machinery, transportation equipment, and computer and electronic products. The manufacturing of information and communication technology (ICT) products increased 14%, reaching levels not seen since 2001. In contrast, output of non-durable goods declined 0.4%, dragged down by textiles and clothing (-8.9%), more sensitive to international competition, and by paper products.

The mining, oil and gas sector grew 0.5% in 2005. First quarter declines in oil extraction, attributable to production difficulties in the tar sands, as well as in oil and gas exploration, hampered the annual performance of the sector. Growth was however recorded in the last three quarters of the year. Oil and gas extraction retreated 1.5% over 2004 while oil and gas exploration surged 14%. Output of coal and metal ore mines both declined, with strike activities recorded in the latter industry. Output in non-metallic mineral mines (which include diamonds and potash) remained virtually unchanged in 2005 as a whole, contrasting with the large increases in the last two years.

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

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	December 2004 to December 2005
Seasonally adjusted at annual rates, millions chained (1997) dollars							%
All industries	1,073,762	1,080,539	1,079,810	1,083,131	1,085,191	1,089,170	
	<i>0.3</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.3</i>	<i>0.2</i>	<i>0.4</i>	3.3
Goods-producing industries	340,201	344,031	343,022	344,978	344,506	346,161	
	<i>0.6</i>	<i>1.1</i>	<i>-0.3</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.5</i>	2.6
Agriculture, forestry, fishing and hunting	25,298	25,486	25,717	25,201	24,908	24,672	
	<i>0.6</i>	<i>0.7</i>	<i>0.9</i>	<i>-2.0</i>	<i>-1.2</i>	<i>-0.9</i>	0.7
Mining and oil and gas extraction	39,977	40,339	40,665	40,740	41,066	41,023	
	<i>4.4</i>	<i>0.9</i>	<i>0.8</i>	<i>0.2</i>	<i>0.8</i>	<i>-0.1</i>	4.8
Utilities	27,540	27,615	27,807	27,546	27,391	27,412	
	<i>-2.3</i>	<i>0.3</i>	<i>0.7</i>	<i>-0.9</i>	<i>-0.6</i>	<i>0.1</i>	0.0
Construction	63,515	63,702	64,186	64,757	65,281	65,718	
	<i>0.6</i>	<i>0.3</i>	<i>0.8</i>	<i>0.9</i>	<i>0.8</i>	<i>0.7</i>	6.0
Manufacturing	182,946	185,989	183,568	185,744	184,742	186,324	
	<i>-0.0</i>	<i>1.7</i>	<i>-1.3</i>	<i>1.2</i>	<i>-0.5</i>	<i>0.9</i>	1.5
Services-producing industries	734,464	737,364	737,668	739,007	741,576	743,891	
	<i>0.1</i>	<i>0.4</i>	<i>0.0</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	3.6
Wholesale trade	66,712	68,351	68,807	69,465	68,770	69,661	
	<i>-1.4</i>	<i>2.5</i>	<i>0.7</i>	<i>1.0</i>	<i>-1.0</i>	<i>1.3</i>	7.7
Retail trade	63,150	62,471	61,105	61,922	62,743	62,750	
	<i>1.3</i>	<i>-1.1</i>	<i>-2.2</i>	<i>1.3</i>	<i>1.3</i>	<i>0.0</i>	5.0
Transportation and warehousing	52,016	52,478	52,755	52,679	52,764	53,120	
	<i>0.6</i>	<i>0.9</i>	<i>0.5</i>	<i>-0.1</i>	<i>0.2</i>	<i>0.7</i>	5.0
Information and cultural industries	44,304	44,714	44,564	44,609	44,595	44,566	
	<i>0.0</i>	<i>0.9</i>	<i>-0.3</i>	<i>0.1</i>	<i>-0.0</i>	<i>-0.1</i>	3.0
Finance, insurance and real estate	214,027	214,708	215,165	215,489	216,094	216,506	
	<i>0.3</i>	<i>0.3</i>	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.2</i>	3.6
Professional, scientific and technical services	45,941	46,033	46,071	46,126	46,265	46,348	
	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.3</i>	<i>0.2</i>	1.9
Administrative and waste management services	23,862	23,899	23,978	24,041	24,125	24,203	
	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	3.8
Educational services	47,093	47,340	47,315	46,439	47,330	47,354	
	<i>0.0</i>	<i>0.5</i>	<i>-0.1</i>	<i>-1.9</i>	<i>1.9</i>	<i>0.1</i>	2.3
Health care and social assistance	62,097	62,232	62,289	62,475	62,663	62,810	
	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.3</i>	<i>0.3</i>	<i>0.2</i>	2.6
Arts, entertainment and recreation	9,531	9,537	9,585	9,720	9,743	9,772	
	<i>1.1</i>	<i>0.1</i>	<i>0.5</i>	<i>1.4</i>	<i>0.2</i>	<i>0.3</i>	6.2
Accommodation and food services	22,956	22,882	23,127	23,162	23,403	23,621	
	<i>-0.4</i>	<i>-0.3</i>	<i>1.1</i>	<i>0.2</i>	<i>1.0</i>	<i>0.9</i>	2.4
Other services (except public administration)	26,044	26,044	26,081	26,076	26,097	26,190	
	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>-0.0</i>	<i>0.1</i>	<i>0.4</i>	1.6
Public administration	58,469	58,589	58,731	58,818	58,854	58,914	
	<i>-0.0</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	2.0
Other aggregations							
Industrial production	251,911	255,339	253,657	255,569	254,900	256,361	
	<i>0.6</i>	<i>1.4</i>	<i>-0.7</i>	<i>0.8</i>	<i>-0.3</i>	<i>0.6</i>	2.0
Non-durable manufacturing industries	73,131	74,054	73,369	73,484	73,352	73,527	
	<i>0.7</i>	<i>1.3</i>	<i>-0.9</i>	<i>0.2</i>	<i>-0.2</i>	<i>0.2</i>	-0.9
Durable manufacturing industries	109,578	111,693	109,961	112,015	111,148	112,552	
	<i>-0.5</i>	<i>1.9</i>	<i>-1.6</i>	<i>1.9</i>	<i>-0.8</i>	<i>1.3</i>	3.2
Business sector industries	914,289	920,729	919,853	923,851	924,812	928,556	
	<i>0.3</i>	<i>0.7</i>	<i>-0.1</i>	<i>0.4</i>	<i>0.1</i>	<i>0.4</i>	3.5
Non-business sector industries	159,953	160,317	160,451	159,834	160,894	161,149	
	<i>0.3</i>	<i>0.2</i>	<i>0.1</i>	<i>-0.4</i>	<i>0.7</i>	<i>0.2</i>	2.3
ICT sector, total	61,626	62,140	61,526	61,821	61,926	61,731	
	<i>-0.1</i>	<i>0.8</i>	<i>-1.0</i>	<i>0.5</i>	<i>0.2</i>	<i>-0.3</i>	3.8

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

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

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted at annual rates, millions chained (1997) dollars								
Goods-producing industries	335,635	336,330	336,657	337,959	342,418	345,215	332,217	340,562
	<i>1.5</i>	<i>0.2</i>	<i>0.1</i>	<i>0.4</i>	<i>1.3</i>	<i>0.8</i>	<i>4.1</i>	<i>2.5</i>
Agriculture, forestry, fishing and hunting	25,145	24,752	24,681	25,027	25,500	24,927	24,583	25,034
	<i>3.1</i>	<i>-1.6</i>	<i>-0.3</i>	<i>1.4</i>	<i>1.9</i>	<i>-2.2</i>	<i>6.3</i>	<i>1.8</i>
Mining and oil and gas extraction	39,157	39,328	38,410	38,931	40,327	40,943	39,458	39,653
	<i>-1.7</i>	<i>0.4</i>	<i>-2.3</i>	<i>1.4</i>	<i>3.6</i>	<i>1.5</i>	<i>2.8</i>	<i>0.5</i>
Utilities	26,450	27,036	27,311	27,591	27,654	27,450	26,349	27,502
	<i>2.0</i>	<i>2.2</i>	<i>1.0</i>	<i>1.0</i>	<i>0.2</i>	<i>-0.7</i>	<i>0.6</i>	<i>4.4</i>
Construction	60,813	61,510	62,194	62,988	63,801	65,252	60,689	63,559
	<i>0.9</i>	<i>1.1</i>	<i>1.1</i>	<i>1.3</i>	<i>1.3</i>	<i>2.3</i>	<i>4.6</i>	<i>4.7</i>
Manufacturing	183,247	182,866	183,600	182,805	184,168	185,603	180,070	184,044
	<i>2.3</i>	<i>-0.2</i>	<i>0.4</i>	<i>-0.4</i>	<i>0.7</i>	<i>0.8</i>	<i>4.6</i>	<i>2.2</i>
Services-producing industries	712,389	716,314	722,452	730,071	736,499	741,491	709,357	732,628
	<i>0.8</i>	<i>0.6</i>	<i>0.9</i>	<i>1.1</i>	<i>0.9</i>	<i>0.7</i>	<i>2.7</i>	<i>3.3</i>
Wholesale trade	62,952	63,958	65,235	66,985	67,957	69,299	62,306	67,369
	<i>1.9</i>	<i>1.6</i>	<i>2.0</i>	<i>2.7</i>	<i>1.5</i>	<i>2.0</i>	<i>5.3</i>	<i>8.1</i>
Retail trade	59,811	60,341	61,449	62,121	62,242	62,472	59,405	62,071
	<i>1.5</i>	<i>0.9</i>	<i>1.8</i>	<i>1.1</i>	<i>0.2</i>	<i>0.4</i>	<i>3.8</i>	<i>4.5</i>
Transportation and warehousing	50,068	50,547	50,904	51,356	52,416	52,854	49,804	51,883
	<i>0.6</i>	<i>1.0</i>	<i>0.7</i>	<i>0.9</i>	<i>2.1</i>	<i>0.8</i>	<i>4.5</i>	<i>4.2</i>
Information and cultural industries	42,661	43,063	43,583	44,127	44,527	44,590	42,478	44,207
	<i>0.8</i>	<i>0.9</i>	<i>1.2</i>	<i>1.2</i>	<i>0.9</i>	<i>0.1</i>	<i>1.3</i>	<i>4.1</i>
Finance, insurance and real estate	207,075	208,219	210,324	212,598	214,633	216,030	206,340	213,396
	<i>0.5</i>	<i>0.6</i>	<i>1.0</i>	<i>1.1</i>	<i>1.0</i>	<i>0.7</i>	<i>3.4</i>	<i>3.4</i>
Professional, scientific and technical services	45,473	45,557	45,522	45,814	46,015	46,246	45,343	45,899
	<i>0.4</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.6</i>	<i>0.4</i>	<i>0.5</i>	<i>2.0</i>	<i>1.2</i>
Administrative and waste management services	23,119	23,265	23,407	23,732	23,913	24,123	23,051	23,794
	<i>0.5</i>	<i>0.6</i>	<i>0.6</i>	<i>1.4</i>	<i>0.8</i>	<i>0.9</i>	<i>2.2</i>	<i>3.2</i>
Educational services	45,410	45,977	46,305	46,782	47,249	47,041	45,404	46,844
	<i>0.2</i>	<i>1.2</i>	<i>0.7</i>	<i>1.0</i>	<i>1.0</i>	<i>-0.4</i>	<i>0.9</i>	<i>3.2</i>
Health care and social assistance	61,434	61,262	61,105	61,654	62,206	62,649	61,012	61,904
	<i>1.6</i>	<i>-0.3</i>	<i>-0.3</i>	<i>0.9</i>	<i>0.9</i>	<i>0.7</i>	<i>1.5</i>	<i>1.5</i>
Arts, entertainment and recreation	9,514	9,208	9,330	9,345	9,551	9,745	9,425	9,493
	<i>0.2</i>	<i>-3.2</i>	<i>1.3</i>	<i>0.2</i>	<i>2.2</i>	<i>2.0</i>	<i>0.6</i>	<i>0.7</i>
Accommodation and food services	22,882	22,996	23,113	22,995	22,988	23,395	22,925	23,123
	<i>-0.6</i>	<i>0.5</i>	<i>0.5</i>	<i>-0.5</i>	<i>-0.0</i>	<i>1.8</i>	<i>1.5</i>	<i>0.9</i>
Other services (except public administration)	25,608	25,760	25,818	25,985	26,056	26,121	25,541	25,995
	<i>0.7</i>	<i>0.6</i>	<i>0.2</i>	<i>0.6</i>	<i>0.3</i>	<i>0.2</i>	<i>1.5</i>	<i>1.8</i>
Public administration	57,629	57,577	57,986	58,365	58,596	58,862	57,523	58,452
	<i>0.3</i>	<i>-0.1</i>	<i>0.7</i>	<i>0.7</i>	<i>0.4</i>	<i>0.5</i>	<i>0.9</i>	<i>1.6</i>
Other aggregations								
Industrial production	250,084	250,505	250,259	250,455	253,636	255,610	247,374	252,490
	<i>1.4</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.1</i>	<i>1.3</i>	<i>0.8</i>	<i>3.8</i>	<i>2.1</i>
Non-durable manufacturing industries	74,617	74,096	73,543	73,038	73,518	73,454	73,714	73,388
	<i>1.5</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.7</i>	<i>0.7</i>	<i>-0.1</i>	<i>2.0</i>	<i>-0.4</i>
Durable manufacturing industries	108,400	108,539	109,821	109,531	110,411	111,905	106,132	110,417
	<i>2.9</i>	<i>0.1</i>	<i>1.2</i>	<i>-0.3</i>	<i>0.8</i>	<i>1.4</i>	<i>6.5</i>	<i>4.0</i>
Business sector industries	891,019	895,283	901,171	908,735	918,290	925,740	884,924	913,484
	<i>1.0</i>	<i>0.5</i>	<i>0.7</i>	<i>0.8</i>	<i>1.1</i>	<i>0.8</i>	<i>3.6</i>	<i>3.2</i>
Non-business sector industries	156,674	157,024	157,568	158,872	160,240	160,626	156,250	159,327
	<i>0.7</i>	<i>0.2</i>	<i>0.3</i>	<i>0.8</i>	<i>0.9</i>	<i>0.2</i>	<i>1.0</i>	<i>2.0</i>
ICT sector, total	58,616	59,190	60,109	61,056	61,764	61,826	58,112	61,189
	<i>1.7</i>	<i>1.0</i>	<i>1.6</i>	<i>1.6</i>	<i>1.2</i>	<i>0.1</i>	<i>4.3</i>	<i>5.3</i>

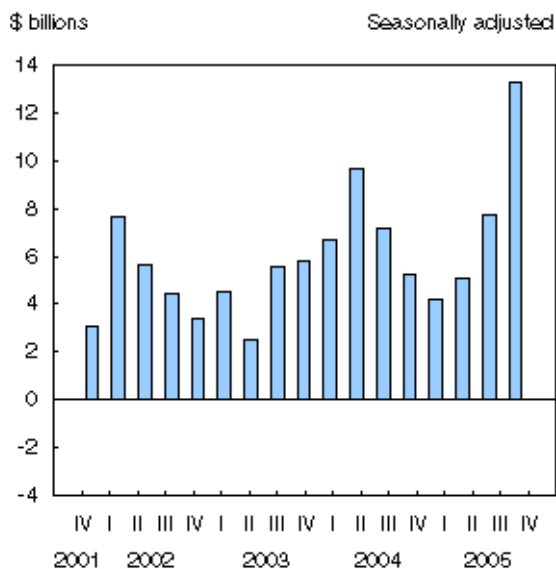
1 The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change.

Balance of international payments

Fourth quarter 2005

Canada's current account surplus with the rest of the world increased \$5.5 billion in the fourth quarter reaching a new high of \$13.3 billion on a seasonally adjusted basis. This record resulted from one of the highest surpluses in goods and a lower investment income deficit. For the year 2005, the current account surplus reached \$30.2 billion, surpassing its previous record of \$29.3 billion in 2000.

Record current account surplus



In the capital and financial account (not seasonally adjusted), growth in Canada's international assets, which came from both portfolio and direct investments, outpaced increases in Canadian international liabilities. Canadian liabilities to the rest of the world went up primarily due to acquisitions of Canadian companies by foreign direct investors.

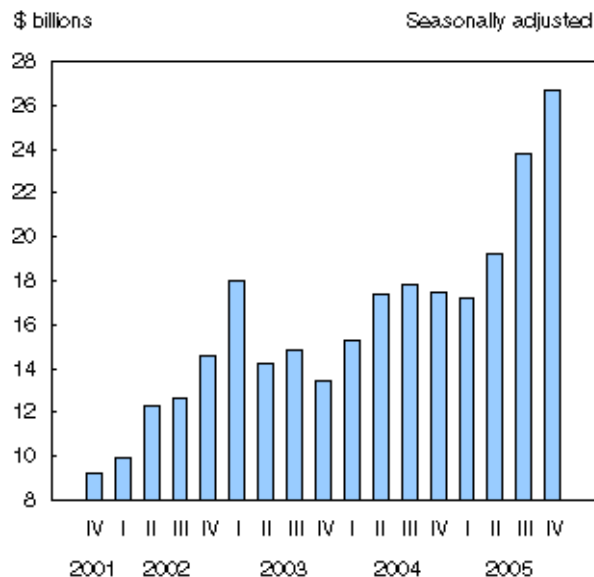
Current account

Goods surplus again up strongly

The trade surplus in goods was \$21.9 billion in the fourth quarter, up \$4.0 billion from the third quarter. Over the past two quarters, the goods surplus has increased \$7.9 billion to reach a level second only to that of the first quarter of 2001.

Exports went up \$6.1 billion in the fourth quarter to \$121.1 billion, a second consecutive record. Higher energy prices, notably for natural gas, accounted for almost all of the increase in the value of energy product exports. As was the case last quarter, exports of automotive products grew by more than \$1 billion.

Energy products lead surge in exports



Note to readers

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

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

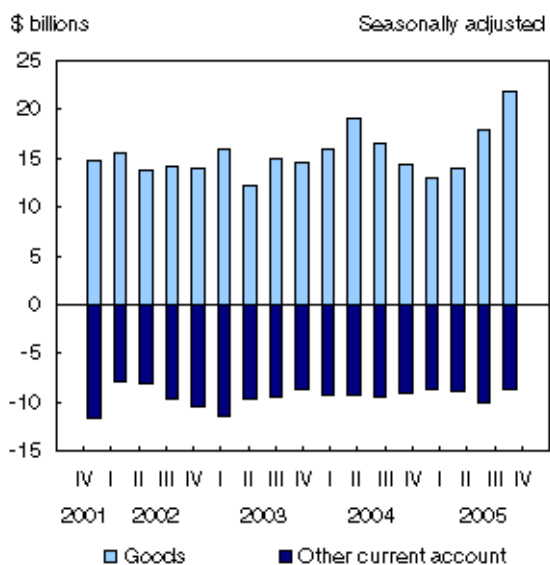
The **capital and financial account** is mainly comprised of transactions in financial instruments. Financial assets and liabilities with non-residents are presented under three functional classes: direct investment, portfolio investment and other investment. These investments belong either to Canadian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

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

Imports increased by \$2.1 billion to \$99.2 billion. Most of the increase came from machinery and equipment, industrial goods and energy products. Imports of automotive products declined somewhat as higher imports of parts were more than offset by lower imports of automobiles.

For the year, the goods surplus remained more or less stable at \$66.7 billion as both exports and imports rose by around \$24 billion. Led by energy products, most of the major categories of exports increased although forestry products and automotive products declined following good performances in 2004.

Goods drive record surplus



Lower profits on direct investment in Canada

In the fourth quarter, the deficit on investment income decreased \$1.7 billion to \$5.2 billion, a value similar to the one recorded during the first quarter of 2005. These two quarters have recorded the lowest deficits since the end of 1992. Lower profits earned by foreign direct investors in Canada combined with higher profits on Canadian direct investments abroad contributed to this result.

While profits earned on direct investment in Canada declined \$1.1 billion from the record third quarter level of \$8.5 billion, these profits were still the second highest ever. At the same time, profits earned by Canadian direct investors increased to \$5.8 billion, a record and the seventh consecutive quarter above \$5 billion.

The strong Canadian dollar continued to contribute to lower payments of interest on Canadian bonds issued in foreign currency. Receipts of interest on foreign portfolio bonds reached \$1.1 billion in the fourth quarter, up almost 0.5 billion from one year ago. This increase in revenues reflects the significant increase in Canadian ownership of such securities over the last two years.

For the year, the deficit in investment income was reduced by \$2.1 billion as income from investment abroad outpaced higher payments on foreign investment in Canada. This was due mainly to lower payments of interest on Canadian bonds. It was the fourth consecutive annual reduction in the deficit on investment income.

Services remain stable

In the fourth quarter, the deficit on services remained unchanged; however, for the year 2005, there was an increase of \$0.7 billion.

In 2005, the travel deficit increased \$1.3 billion as fewer Americans visited Canada, especially on same-day trips. At the same time, Canadians spent more than in the previous year visiting both U.S. and non-U.S. destinations.

The deficit in transportation services increased by \$1.0 billion in 2005 as the deficit on passenger fares widened in line with the travel activity.

Higher receipts, notably for financial services, combined with lower payments for management and communication services accounted for most of the \$1.4 billion reduction in the commercial services deficit in 2005.

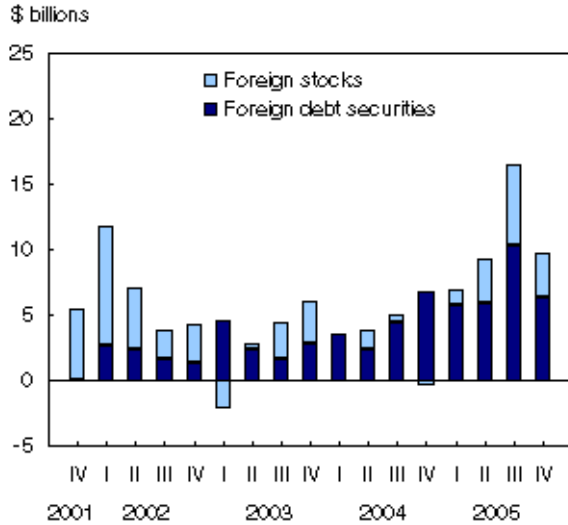
Financial account

Foreign securities continue to lure Canadian investors

During the fourth quarter, Canadians once again invested in foreign securities although less than in the previous quarter. The \$9.7 billion in the fourth quarter brought the investment for 2005 to \$42.2 billion, exceeding the total invested over the previous two years. Foreign content limits for tax-deferred Canadian investment vehicles were eliminated during 2005 contributing to the activity.

Most of the investment again flowed into foreign bonds as Canadians acquired \$5.7 billion worth. Two-thirds of the investment went to US corporate bonds and US treasuries with the remainder to overseas bonds. Part of this investment went to Canadian dollar denominated foreign bonds sold directly in the Canadian market over the course of the year.

Investment in foreign securities remains high



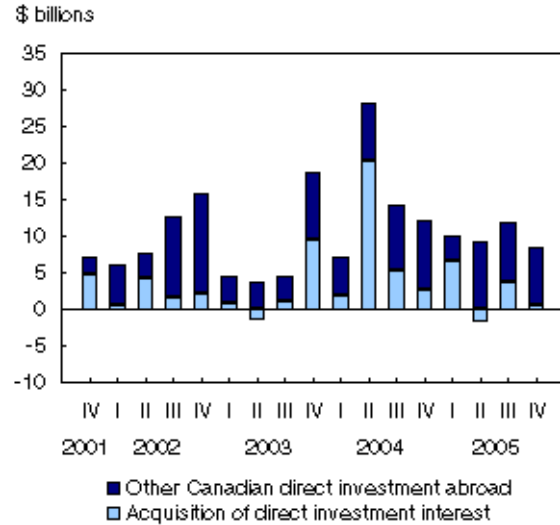
1. Reverse of Balance of Payments signs.

Canadians purchased a further \$3.4 billion of foreign equities over the quarter, with the investment going to US shares as it has for the entire year. The \$14 billion of foreign stock purchased in 2005 was a large increase over the two previous years; however, it is still well below the peak levels reached in 2000-2001. In addition, Canadian investors purchased some \$592 million of foreign money market paper, bringing the annual investment to \$2.5 billion. In the fourth quarter, Canadians bought mainly overseas paper.

Moderate investment abroad by Canada's direct investors

Canadian direct investment in foreign economies returned to a more moderate pace in the quarter. At \$8.3 billion, it was driven by injections of working capital into existing foreign affiliates as acquisitions were minimal. Acquisitions by Canada's direct investors for the year as a whole slowed from the surge in 2004. This resulted in the annual total direct investment abroad for 2005 slowing to \$37.8 billion from the \$62 billion in 2004. From an industry perspective in the fourth quarter, investment was concentrated in the energy and metallic mineral and finance and insurance sectors. Geographically direct investment was led by increases to Asian economies.

Direct investment abroad again moderate

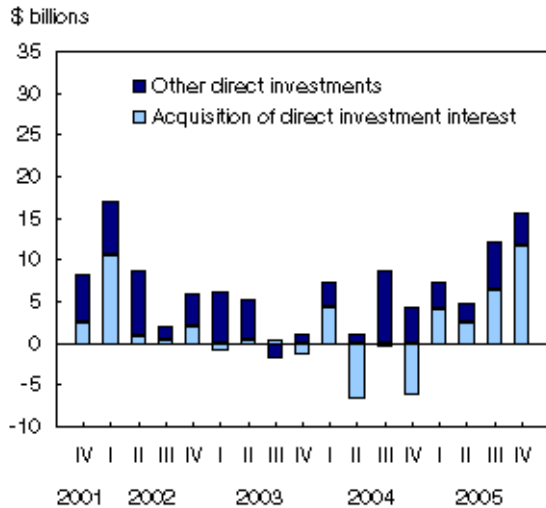


1. Reverse of Balance of Payments signs.

Foreign direct investment in Canada surges for a second straight quarter

Foreign direct investment in Canada advanced for a second consecutive quarter to its highest level in the last 15 quarters. The \$15.5 billion capital injection into the Canadian economy during the fourth quarter was largely fuelled by acquisitions. Acquisitions have rebounded in 2005 after two years when Canadians repatriated some firms from their foreign direct investors. At \$39.9 billion annually, foreign investment in Canada reached a four-year high. In 2005, the foreign investment flowing into Canada was led by US investors; over half was invested in companies classified to the energy and metallic minerals sector.

Foreign direct investment on the rise



Foreign investment in Canadian securities goes to equities and short-term paper

Foreign investors bought \$5.2 billion worth of Canadian securities. The investment was in equities and short-term paper as non-residents divested some of their holdings of Canadian bonds. The \$15.5 billion foreign investment in securities in 2005 was down dramatically from the exceptional \$55.5 billion investment in 2004.

The \$3.4 billion foreign investment in Canadian equities during the quarter went to outstanding shares with some offset from other transactions associated with foreign takeovers of Canadian firms. The foreign portfolio shareholders in these firms sold their Canadian shares for cash. US investors were behind most of the investment in the quarter as they were for the year. The \$12.7 billion invested during 2005 was just a third of 2004's record total. While both years foreign investment in outstanding shares were very similar, much of the 2004 investment came from transactions related to takeover activity. In 2004, new treasury shares were issued by a Canadian company as part of the largest takeover ever of a foreign company. In 2005 purchases were dominated in large part by investment in shares of Canadian natural resource firms. Prices for raw materials were up nearly 13% over the year while the S&P/TSX Composite Index closed the year at 11,272.3, an increase of almost 22% for 2005.

Foreign investors buy Canadian paper but sell bonds

Foreign investors bought \$3.1 billion of Canadian money market paper in the quarter, the highest value in three years. About half went to federal treasury bills with the remainder to corporate paper and paper issued by federal enterprises. Regionally, the investment was led by American investors.

Although small in value, foreign investment in Canadian money market paper in 2005 was a reversal of the disinvestment over the previous two years. Non-residents acquired \$446 million worth dominated by federal direct and corporate paper. Over the course of 2005, US short-term interest rates climbed faster than Canadian rates. This caused the differential to swing in favour of investing in US paper by year-end to about half a percentage point.

Non-residents sold \$1.2 billion of Canadian bonds in the quarter, their first net divestment of these securities in nine quarters. The reduction in foreign holdings was primarily due to net retirements (retirements less new issues) especially in bonds issued by the corporate sector. New issues sold in foreign markets by this sector have trended down substantially during 2005. On a currency basis, the foreign divestment was in US-dollar denominated Canadian bonds. This was offset by some buying of bonds denominated in other foreign currencies and Canadian-dollar denominated bonds. The selling was by US investors while all other regions were buyers.

For the year as a whole, foreign investment in Canadian bonds totalled \$2.4 billion, little more than one tenth of the value recorded in 2004. Again, net retirements played a major role in 2005 as retirements of foreign-held Canadian bonds increased from 2004 while new issues in foreign markets dropped considerably from the previous years.

Despite the low overall investment total, investors from Asia made their largest annual investment in Canadian bonds since the late 1980's. The currency composition of non-resident holdings of Canadian bonds also shifted during the year as investment in Canadian bonds denominated in US dollars fell \$6.5 billion, while investment in Canadian dollar bonds rose \$3.7 billion and those in other currencies were up \$5.1 billion.

Transactions in deposits and loans

The other investment account recorded a net outflow of \$6.2 billion, partly offsetting a larger inflow in these accounts in the third quarter. The outflow was mostly related to reduced liabilities, both loans and other liabilities. The Canadian dollar fell marginally against the US dollar over the quarter but was up nearly 3 US cents over 2005. It closed the year at an even 86 US cents, the highest annual close in fourteen years. The dollar was also up against most other major foreign currencies in 2005.

Balance of payments

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	125,875	119,889	120,237	130,043	130,897	135,218	490,950	516,396
Goods	107,439	105,639	106,035	114,406	112,403	120,560	429,134	453,404
Services	18,436	14,250	14,202	15,637	18,494	14,658	61,816	62,991
Investment income	9,841	10,072	9,947	11,685	11,145	11,882	38,385	44,661
Direct investment	5,429	5,629	5,361	6,308	5,685	6,103	21,324	23,456
Portfolio investment	2,426	2,655	2,690	2,761	2,895	3,078	9,701	11,425
Other investment	1,985	1,788	1,896	2,616	2,565	2,702	7,361	9,779
Current transfers	1,644	1,946	2,186	1,703	1,816	2,184	7,272	7,889
Current account receipts	137,360	131,907	132,371	143,431	143,859	149,284	536,607	568,945
Payments								
Goods and services	110,101	109,065	111,404	120,496	114,638	116,568	437,566	463,105
Goods	91,319	91,140	92,087	101,311	95,277	98,073	363,076	386,749
Services	18,782	17,925	19,316	19,184	19,361	18,495	74,490	76,356
Investment income	16,136	15,827	15,755	16,678	17,767	17,285	63,321	67,485
Direct investment	7,484	7,155	6,626	7,412	8,937	7,976	28,556	30,952
Portfolio investment	6,999	6,795	6,855	6,967	6,988	6,890	27,749	27,701
Other investment	1,653	1,877	2,274	2,298	1,841	2,419	7,016	8,832
Current transfers	1,538	1,786	2,980	1,532	1,717	1,883	6,944	8,113
Current account payments	127,774	126,679	130,139	138,705	134,122	135,736	507,830	538,702
Balances								
Goods and services	15,774	10,823	8,834	9,547	16,260	18,650	53,384	53,291
Goods	16,120	14,499	13,948	13,094	17,126	22,487	66,058	66,656
Services	-346	-3,676	-5,114	-3,547	-867	-3,837	-12,674	-13,365
Investment income	-6,295	-5,756	-5,808	-4,992	-6,621	-5,403	-24,935	-22,824
Direct investment	-2,055	-1,526	-1,265	-1,104	-3,252	-1,873	-7,232	-7,495
Portfolio investment	-4,572	-4,141	-4,165	-4,206	-4,093	-3,812	-18,048	-16,276
Other investment	332	-89	-378	318	724	283	345	947
Current transfers	107	160	-794	171	99	301	328	-223
Current account balance	9,585	5,228	2,232	4,726	9,737	13,548	28,777	30,243
Capital and financial account[1]								
Capital account	1,118	1,148	1,353	1,774	1,707	1,032	4,407	5,866
Financial account	-5,024	-7,571	-10,301	-8,828	-5,412	-3,486	-26,912	-28,027
Canadian assets, net flows								
Canadian direct investment abroad	-14,216	-12,120	-10,037	-7,579	-11,870	-8,331	-61,737	-37,818
Portfolio investment	-5,046	-6,349	-6,879	-9,198	-16,403	-9,684	-18,523	-42,165
Foreign bonds	-3,030	-6,563	-5,565	-4,765	-9,596	-5,713	-15,262	-25,639
Foreign stocks	-644	387	-1,122	-3,319	-6,174	-3,380	-1,592	-13,994
Foreign money market	-1,372	-174	-192	-1,115	-633	-592	-1,669	-2,532
Other investment	5,082	2,744	-15,036	-4,070	-14,681	1,655	-3,518	-32,131
Loans	911	4,935	-334	3,371	-953	3,208	3,349	5,292
Deposits	7,147	-7,938	-9,423	-5,371	-13,665	7,252	-7,497	-21,207
Official international reserves	-517	3,937	-3,437	585	1,092	108	3,427	-1,653
Other assets	-2,459	1,810	-1,842	-2,654	-1,154	-8,912	-2,797	-14,563
Total Canadian assets, net flows	-14,179	-15,726	-31,952	-20,847	-42,954	-16,361	-83,778	-112,114
Canadian liabilities, net flows								
Foreign direct investment in Canada	8,408	-1,793	7,401	4,789	12,218	15,524	8,187	39,931
Portfolio investment	9,726	16,023	4,736	-958	6,472	5,247	55,471	15,497
Canadian bonds	6,373	7,001	1,915	1,013	674	-1,242	20,063	2,360
Canadian stocks	5,450	7,123	4,778	-2,926	7,436	3,403	35,838	12,691
Canadian money market	-2,097	1,900	-1,958	955	-1,637	3,087	-430	446
Other investment	-8,979	-6,076	9,515	8,188	18,852	-7,897	-6,792	28,658
Loans	-6,876	-1,414	8,043	2,660	-5,540	-2,479	-3,067	2,683
Deposits	-1,095	-3,654	-1,235	5,187	24,654	336	-554	28,942
Other liabilities	-1,008	-1,008	2,708	341	-262	-5,753	-3,171	-2,966
Total Canadian liabilities, net flows	9,155	8,154	21,651	12,019	37,543	12,874	56,865	84,087
Total capital and financial account, net flows	-3,906	-6,424	-8,948	-7,054	-3,705	-2,454	-22,505	-22,161
Statistical discrepancy	-5,679	1,196	6,716	2,328	-6,033	-11,095	-6,272	-8,082

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

Current account

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	126,065	122,118	123,116	125,656	130,721	136,903	490,950	516,396
Goods	110,564	106,434	107,429	109,939	114,980	121,057	429,134	453,404
Services	15,501	15,684	15,688	15,717	15,741	15,845	61,816	62,991
Travel	4,210	4,329	4,199	4,071	4,076	4,140	16,709	16,487
Transportation	2,923	2,711	2,864	2,851	2,943	2,902	11,053	11,559
Commercial services	7,977	8,271	8,200	8,363	8,279	8,374	32,540	33,217
Government services	392	373	424	432	444	429	1,513	1,728
Investment income	9,786	9,954	10,169	11,342	11,169	11,981	38,385	44,661
Direct investment	5,456	5,414	5,519	6,062	5,696	6,180	21,324	23,456
Interest	160	149	227	300	326	364	581	1,218
Profits	5,295	5,265	5,292	5,762	5,370	5,816	20,743	22,239
Portfolio investment	2,403	2,727	2,687	2,721	2,897	3,120	9,701	11,425
Interest	603	673	843	901	1,026	1,165	2,359	3,936
Dividends	1,801	2,053	1,844	1,819	1,871	1,955	7,342	7,489
Other investment	1,927	1,813	1,963	2,559	2,576	2,681	7,361	9,779
Current transfers	1,847	1,796	1,937	1,891	2,045	2,017	7,272	7,889
Private	675	634	691	624	660	670	2,629	2,645
Official	1,172	1,161	1,246	1,267	1,385	1,346	4,642	5,244
Total receipts	137,698	133,868	135,223	138,888	143,934	150,900	536,607	568,945
Payments								
Goods and services	112,334	110,677	113,393	115,181	116,174	118,358	437,566	463,105
Goods	93,955	92,001	94,538	95,949	97,106	99,157	363,076	386,749
Services	18,380	18,675	18,855	19,232	19,068	19,201	74,490	76,356
Travel	5,085	5,216	5,545	5,535	5,452	5,408	20,839	21,939
Transportation	4,050	4,051	4,200	4,332	4,411	4,401	15,844	17,344
Commercial services	9,006	9,170	8,874	9,129	8,969	9,156	36,857	36,128
Government services	239	238	237	236	236	236	950	945
Investment income	16,527	16,034	15,427	16,770	18,065	17,224	63,321	67,485
Direct investment	7,711	7,422	6,621	7,319	9,043	7,968	28,556	30,952
Interest	569	565	578	582	579	577	2,259	2,317
Profits	7,141	6,858	6,043	6,737	8,464	7,391	26,297	28,635
Portfolio investment	7,002	6,799	6,837	6,967	6,983	6,914	27,749	27,701
Interest	6,209	6,014	5,907	6,006	5,877	5,744	24,616	23,534
Dividends	793	785	930	962	1,106	1,170	3,134	4,167
Other investment	1,814	1,812	1,969	2,483	2,039	2,342	7,016	8,832
Current transfers	1,669	1,884	2,243	1,896	1,938	2,035	6,944	8,113
Private	957	1,004	1,030	1,081	1,100	1,128	3,855	4,339
Official	713	880	1,212	816	838	907	3,089	3,773
Total payments	130,530	128,594	131,063	133,846	136,176	137,617	507,830	538,702
Balances								
Goods and services	13,731	11,441	9,723	10,475	14,547	18,545	53,384	53,291
Goods	16,609	14,432	12,891	13,990	17,874	21,901	66,058	66,656
Services	-2,879	-2,991	-3,168	-3,515	-3,327	-3,355	-12,674	-13,365
Travel	-875	-887	-1,345	-1,464	-1,376	-1,268	-4,130	-5,452
Transportation	-1,127	-1,340	-1,336	-1,481	-1,468	-1,499	-4,791	-5,785
Commercial services	-1,029	-899	-673	-766	-690	-782	-4,317	-2,911
Government services	153	135	187	196	207	193	563	784
Investment income	-6,741	-6,080	-5,257	-5,428	-6,896	-5,243	-24,935	-22,824
Direct investment	-2,255	-2,008	-1,102	-1,257	-3,348	-1,788	-7,232	-7,495
Interest	-409	-416	-350	-282	-253	-213	-1,678	-1,099
Profits	-1,846	-1,593	-752	-975	-3,095	-1,575	-5,554	-6,396
Portfolio investment	-4,599	-4,073	-4,149	-4,247	-4,086	-3,794	-18,048	-16,276
Interest	-5,607	-5,340	-5,064	-5,104	-4,851	-4,580	-22,256	-19,598
Dividends	1,008	1,268	914	858	765	786	4,208	3,322
Other investment	113	1	-6	76	537	339	345	947
Current transfers	177	-88	-306	-5	107	-19	328	-223
Private	-282	-370	-339	-457	-440	-458	-1,226	-1,694
Official	459	281	33	452	546	439	1,554	1,470
Current account	7,168	5,274	4,160	5,042	7,758	13,284	28,777	30,243

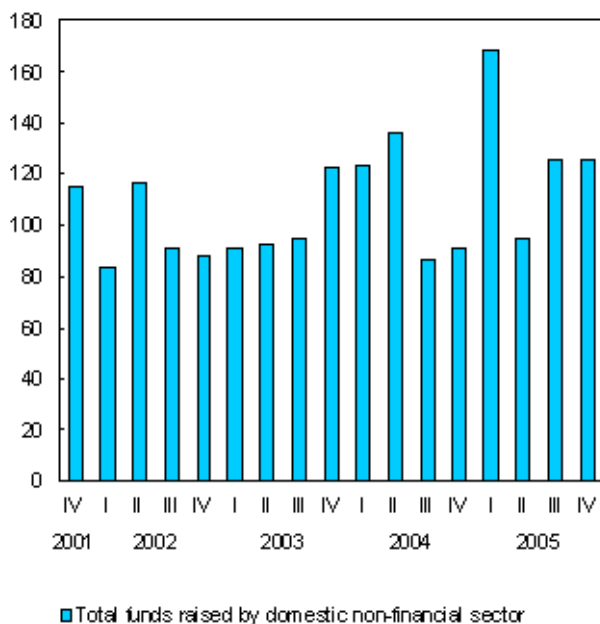
Financial flows

Fourth quarter 2005

Overall funds raised by domestic non-financial sectors on financial markets amounted to \$125.5 billion in the fourth quarter of 2005 (seasonally adjusted at annual rates), up marginally from the \$125.1 billion raised in the third quarter. The rise resulted from an increase in borrowing activities by the public sector, whereas private sector demand for funds declined.

Overall demand for funds flattens

Billions of dollars, seasonally adjusted at annual rates



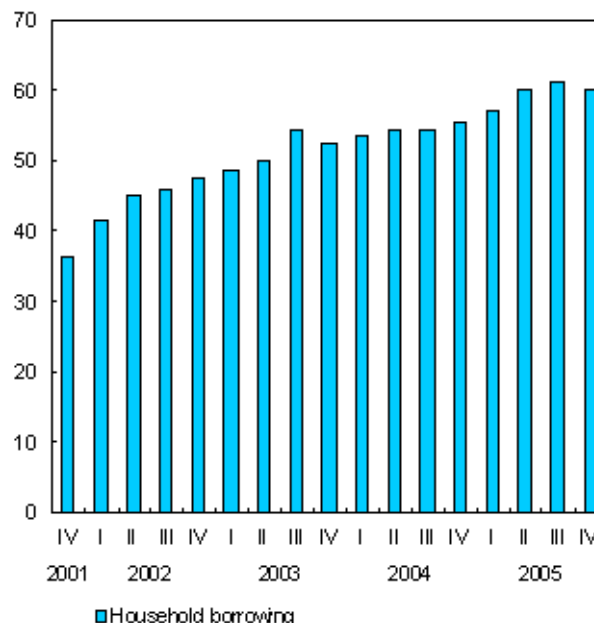
Financial markets closed the fourth quarter of 2005 marked by continued strength in the value of the Canadian dollar, ending the year at 86 cents U.S.; increases in both short-term interest rates and in mortgage rates; and firmer stock markets.

Household borrowing weakens

Consumer credit borrowing weakened in the quarter, reflecting a decline in consumer expenditure on durable goods. However, mortgage demand was up slightly, extending a long-term trend.

Household borrowing eases

Billions of dollars, seasonally adjusted at annual rates



The first positive saving rate (0.3%) of 2005 was in line with slower growth in personal expenditure relative to disposable income. Nevertheless, the growth in household debt continued to outpace that of income, rising to 108.4 percent this quarter from 107.9 percent in the previous quarter. Debt servicing charges remained stable at about 8% of personal disposable income, so that households paid eight cents towards debt interest charges out of every dollar of disposable income.

Corporations continue to build surpluses

The profit-driven corporate surplus widened further in the fourth quarter, with corporations continuing to supply increasing amounts of funds to the rest of the economy.

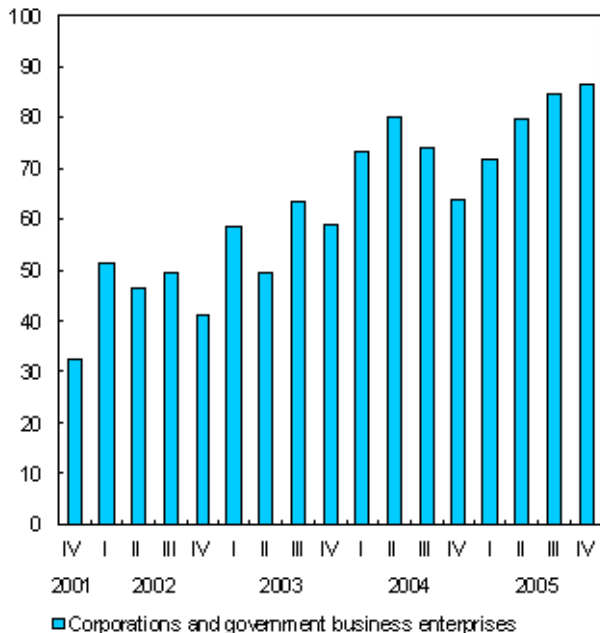
Note to readers

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

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

Corporate surplus advances further

Billions of dollars, seasonally adjusted at annual rates



The continued accumulation of undistributed profits has reduced the dependence of corporations on borrowed funds to finance non-financial investment.

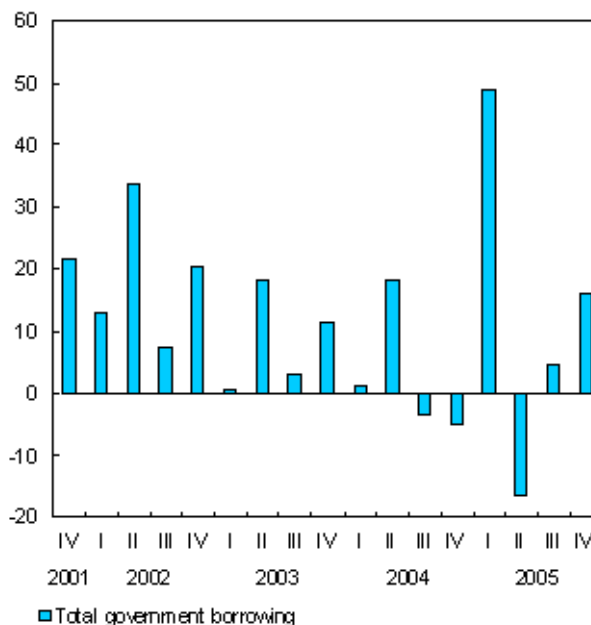
Borrowing of non-financial private corporations weakened, suggesting a further decline in the ratio of debt-to-equity.

Government borrowing up

Borrowing by the government sector as a whole was up in the fourth quarter, led by provincial governments. Provincial governments issued both bonds and short-term paper in the quarter. As the federal government's surplus continued to rise, the demand for funds was sustained only by issues of money market instruments.

Total government borrowing up marginally

Billions of dollars, seasonally adjusted at annual rates



Year-end review

For the year as a whole, total funds raised in 2005 were up 18% compared to 2004. Household demand for funds translated into increased borrowing in the form of both mortgages and consumer credit, as consumers dis-saved in the year with expenditure exceeding income. The expanding corporate surplus reached new highs, resulting in a further strengthening of business balance sheets.

Financial market summary table

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised:								
Persons and unincorporated business	56,160	57,708	62,064	62,548	64,380	62,172	56,863	62,791
Consumer credit	20,416	21,068	21,288	21,512	21,516	20,004	20,508	21,080
Bank loans	952	912	2,572	1,588	1,232	968	1,103	1,590
Other loans	804	1,412	2,532	856	1,976	1,308	1,322	1,668
Mortgages	33,988	34,316	35,672	38,592	39,656	39,892	33,930	38,453
Non-financial private corporations	34,088	40,644	57,480	48,368	57,168	45,432	51,127	52,112
Bank loans	6,868	6,336	4,040	6,100	-288	8,624	7,953	4,619
Other loans	-7,320	-3,308	4,604	4,496	-100	-4,052	-3,671	1,237
Other short-term paper	-3,768	9,968	5,692	688	6,960	392	2,499	3,433
Mortgages	6,772	7,052	7,996	7,548	10,652	12,088	6,442	9,571
Bonds	19,852	3,484	15,500	11,668	21,160	9,852	16,065	14,545
Shares	11,684	17,112	19,648	17,868	18,784	18,528	21,839	18,707
Non-financial government enterprises	8	-2,520	-52	428	-724	2,004	-1,407	414
Bank loans	-132	1,384	-436	-192	764	268	170	101
Other loans	1,224	356	112	1,916	-396	244	273	469
Other short-term paper	-824	-2,220	-1,640	-1,168	1,856	3,452	-1,159	625
Mortgages	-4	-4	-4	12	0	0	-4	2
Bonds	-252	-2,032	1,916	-140	-2,948	-1,960	-687	-783
Shares	-4	-4	0	0	0	0	0	0
Federal government	-21,920	-28,688	19,824	-20,040	8,276	1,176	-18,647	2,309
Bank loans	120	128	172	128	132	132	140	141
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	-716	2,840	31,600	-10,744	15,384	7,904	-55	11,036
Canada Savings Bonds	-1,428	-3,220	-3,092	-1,476	-1,584	-852	-1,443	-1,751
Other bonds	-19,896	-28,436	-8,856	-7,948	-5,656	-6,008	-17,289	-7,117
Other levels of government	18,236	23,420	28,972	3,528	-3,980	14,712	21,204	10,808
Bank loans	-704	224	592	-332	240	336	-502	209
Other loans	1,268	1,068	1,164	276	744	964	1,087	787
Other short-term paper	-5,828	-8,500	-988	-18,316	-5,172	6,716	-2,063	-4,440
Mortgages	-20	0	-4	-16	-20	-12	-7	-13
Provincial bonds	22,180	28,988	26,676	21,184	-2,036	6,232	20,787	13,014
Municipal bonds	1,316	1,616	1,504	712	2,240	452	1,878	1,227
Other bonds	24	24	28	20	24	24	24	24
Total funds raised by domestic non-financial sectors	86,572	90,564	168,288	94,832	125,120	125,496	109,140	128,434
Consumer credit	20,416	21,068	21,288	21,512	21,516	20,004	20,508	21,080
Bank loans	7,104	8,984	6,940	7,292	2,080	10,328	8,864	6,660
Other loans	-4,024	-472	8,412	7,544	2,224	-1,536	-989	4,161
Canada short-term paper	-716	2,840	31,600	-10,744	15,384	7,904	-55	11,036
Other short-term paper	-10,420	-752	3,064	-18,796	3,644	10,560	-723	-382
Mortgages	40,736	41,364	43,660	46,136	50,288	51,968	40,361	48,013
Bonds	21,796	424	33,676	24,020	11,200	7,740	19,335	19,159
Shares	11,680	17,108	19,648	17,868	18,784	18,528	21,839	18,707

Sector Accounts - Persons and Unincorporated Businesses

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	975,424	986,128	995,116	1,010,240	1,025,864	1,040,320	970,198	1,017,885
	0.9	1.1	0.9	1.5	1.5	1.4	4.3	4.9
Wages, salaries and supplementary labour income	647,288	654,312	662,636	672,952	684,312	695,800	643,964	678,925
	0.9	1.1	1.3	1.6	1.7	1.7	4.2	5.4
Unincorporated business net income[1]	85,068	85,296	85,228	85,680	86,728	87,232	83,893	86,217
	1.6	0.3	-0.1	0.5	1.2	0.6	7.0	2.8
Interest, dividends and miscellaneous investment income	108,452	109,756	111,400	112,400	113,848	115,612	108,250	113,315
	-0.1	1.2	1.5	0.9	1.3	1.5	3.0	4.7
Current transfers from government	130,616	132,944	131,720	135,312	136,896	137,492	130,158	135,355
	1.2	1.8	-0.9	2.7	1.2	0.4	4.0	4.0
Current transfers from corporations	1,304	1,284	1,368	1,400	1,440	1,504	1,305	1,428
	-0.6	-1.5	6.5	2.3	2.9	4.4	6.5	9.4
Current transfers from non-residents	2,696	2,536	2,764	2,496	2,640	2,680	2,628	2,645
	6.5	-5.9	9.0	-9.7	5.8	1.5	6.3	0.6
Outlay	964,600	978,712	997,772	1,015,008	1,027,004	1,037,544	959,506	1,019,332
	1.3	1.5	1.9	1.7	1.2	1.0	5.1	6.2
Personal expenditure on goods and services	724,980	734,376	747,724	758,608	767,716	773,800	721,235	761,962
	1.1	1.3	1.8	1.5	1.2	0.8	4.9	5.6
Current transfers to government	224,088	228,356	233,428	239,360	241,864	246,152	222,702	240,201
	2.3	1.9	2.2	2.5	1.0	1.8	5.8	7.9
Current transfers to corporations	12,696	13,008	13,568	13,856	14,116	14,356	12,742	13,974
	-0.6	2.5	4.3	2.1	1.9	1.7	5.5	9.7
Current transfers to non-residents	2,836	2,972	3,052	3,184	3,308	3,236	2,827	3,195
	1.9	4.8	2.7	4.3	3.9	-2.2	7.7	13.0
Saving	10,824	7,416	-2,656	-4,768	-1,140	2,776	10,692	-1,447
	-24.2	-31.5	...	...	...	...	-37.3	...
Disposable income[2]	751,336	757,772	761,688	770,880	784,000	794,168	747,496	777,684
	0.5	0.9	0.5	1.2	1.7	1.3	3.9	4.0
Saving rate	1.4	1.0	-0.3	-0.6	-0.1	0.3	1.4	-0.2

Gross saving and capital transfers	51,736	48,572	40,288	40,112	44,260	45,416	51,094	42,519
	-5.5	-6.1	-17.1	-0.4	10.3	2.6	-6.4	-16.8
Saving	10,824	7,416	-2,656	-4,768	-1,140	2,776	10,692	-1,447
	-24.2	-31.5	...	...	...	...	-37.3	...
Capital consumption allowances	38,160	38,684	39,220	39,824	40,184	40,632	37,897	39,965
	1.3	1.4	1.4	1.5	0.9	1.1	5.9	5.5
Net capital transfers	2,752	2,472	3,724	5,056	5,216	2,008	2,505	4,001
	-0.9	-10.2	50.6	35.8	3.2	-61.5	42.6	59.7
Deduct: Non-financial capital acquisition	103,488	105,612	108,496	111,796	108,952	111,664	102,299	110,227
	1.9	2.1	2.7	3.0	-2.5	2.5	13.8	7.7
Net lending	-51,752	-57,040	-68,208	-71,684	-64,692	-66,248	-51,205	-67,708

Transactions in financial assets	10,224	-800	-2,868	-14,704	5,764	-4,188	8,637	-3,999

Currency and deposits	21,124	22,228	5,844	16,200	6,720	24,804	27,938	13,392

Canadian debt securities	-19,952	-21,112	-20,652	-23,228	-1,504	-10,928	-17,087	-14,078

Corporate shares and mutual funds	1,828	-484	14,916	5,644	-2,200	-7,328	406	2,758

Life insurance and pensions	34,320	19,144	33,176	28,424	38,972	31,184	32,913	32,939

Other financial assets	-27,096	-20,576	-36,152	-41,744	-36,224	-41,920	-35,533	-39,010

Transactions in liabilities	60,816	55,880	66,272	59,948	71,604	58,280	58,049	64,026

Consumer credit	20,416	21,068	21,288	21,512	21,516	20,004	20,508	21,080

Bank and other loans	1,756	2,324	5,104	2,444	3,208	2,276	2,425	3,258

Mortgages	33,988	34,316	35,672	38,592	39,656	39,892	33,930	38,453

Trade payables	4,656	-1,828	4,208	-2,600	7,224	-3,892	1,186	1,235

Net financial investment	-50,592	-56,680	-69,140	-74,652	-65,840	-62,468	-49,412	-68,025

Sector discrepancy	-1,160	-360	932	2,968	1,148	-3,780	-1,793	317

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

2 Total income minus current transfers to government.

Sector Accounts - Corporations and Government Business Enterprises: Total

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	326,440	331,640	331,712	341,084	359,632	374,116	318,755	351,636
	2.6	1.6	0.0	2.8	5.4	4.0	9.7	10.3
Corporation profits before taxes	178,804	181,484	183,580	188,968	197,780	205,416	175,148	193,936
	0.9	1.5	1.2	2.9	4.7	3.9	18.7	10.7
Government business enterprise profits before taxes	12,084	12,124	13,012	13,356	13,568	13,544	11,842	13,370
	6.7	0.3	7.3	2.6	1.6	-0.2	1.8	12.9
Inventory valuation adjustment	796	2,828	-1,292	-2,288	3,312	-1,500	-1,669	-442

Interest, dividends and miscellaneous receipts[1]	68,904	69,172	69,556	73,592	77,060	88,604	67,177	77,203
	-0.4	0.4	0.6	5.8	4.7	15.0	11.7	14.9
Interest on consumer debt	12,696	13,008	13,568	13,856	14,116	14,356	12,742	13,974
	-0.6	2.5	4.3	2.1	1.9	1.7	5.5	9.7
Interest on public debt[2]	53,156	53,024	53,288	53,600	53,796	53,696	53,515	53,595
	-0.8	-0.2	0.5	0.6	0.4	-0.2	-0.9	0.1
Outlay	230,156	237,428	232,932	241,072	248,152	261,568	228,676	245,931
	0.3	3.2	-1.9	3.5	2.9	5.4	6.2	7.5
Interest, dividends and miscellaneous payments	181,228	187,492	182,124	188,516	193,684	205,012	180,707	192,334
	0.0	3.5	-2.9	3.5	2.7	5.8	4.5	6.4
Direct taxes	47,416	48,408	49,188	50,848	52,768	54,624	46,424	51,857
	1.6	2.1	1.6	3.4	3.8	3.5	13.3	11.7
Other current transfers	1,512	1,528	1,620	1,708	1,700	1,932	1,545	1,740
	-8.3	1.1	6.0	5.4	-0.5	13.6	9.5	12.6
Saving	96,284	94,212	98,780	100,012	111,480	112,548	90,079	105,705
	8.6	-2.2	4.8	1.2	11.5	1.0	19.8	17.3
Gross saving and capital transfers	213,072	209,268	214,432	218,484	231,548	234,572	204,234	224,759
	5.5	-1.8	2.5	1.9	6.0	1.3	12.2	10.0
Saving	96,284	94,212	98,780	100,012	111,480	112,548	90,079	105,705
	8.6	-2.2	4.8	1.2	11.5	1.0	19.8	17.3
Capital consumption allowances	111,892	112,892	114,360	116,060	117,856	119,824	111,078	117,025
	1.1	0.9	1.3	1.5	1.5	1.7	5.4	5.4
Net capital transfers	4,896	2,164	1,292	2,412	2,212	2,200	3,077	2,029
	78.4	-55.8	-40.3	86.7	-8.3	-0.5	108.8	-34.1
Deduct: Non-financial capital acquisition	138,892	145,276	142,660	138,704	147,096	148,056	131,326	144,129
	14.0	4.6	-1.8	-2.8	6.1	0.7	5.5	9.7
Net lending	74,180	63,992	71,772	79,780	84,452	86,516	72,908	80,630

Transactions in financial assets	308,204	291,348	441,868	468,000	467,992	377,704	340,274	438,891

<i>Of which:</i>								
Consumer credit	20,416	21,068	21,288	21,512	21,516	20,004	20,508	21,080

Bank and other loans	21,096	23,880	10,868	11,564	17,900	19,976	25,707	15,077

Mortgages	42,860	45,096	48,800	52,712	59,720	62,488	44,560	55,930

Short-term paper	-4,408	-7,724	44,804	-12,968	37,892	21,148	-3,947	22,719

Bonds	38,032	32,720	75,012	90,772	55,880	72,680	54,007	73,586

Shares	32,380	10,876	15,412	27,436	11,400	896	21,955	13,786

Foreign investments	18,704	9,952	42,720	52,348	58,084	54,552	15,962	51,926

Transactions in liabilities	237,808	227,252	368,240	385,256	396,344	309,876	272,214	364,929

<i>Of which:</i>								
Currency and deposits	88,036	83,252	80,416	127,908	95,288	66,728	86,753	92,585

Bank and other loans	4,068	15,844	17,280	12,204	7,844	2,396	12,890	9,931

Short-term paper	-3,600	8,708	20,712	17,908	32,992	17,820	-948	22,358

Bonds	59,800	42,764	56,668	66,664	71,628	68,732	61,810	65,923

Shares	22,324	11,404	66,068	47,644	45,592	80,340	32,706	59,911

Life insurance and pensions	30,076	18,152	31,412	25,224	37,028	27,600	29,726	30,316

Net financial investment	70,396	64,096	73,628	82,744	71,648	67,828	68,060	73,962

Sector discrepancy	3,784	-104	-1,856	-2,964	12,804	18,688	4,848	6,668

1 Includes interest and dividends received from non-residents.

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

Sector Accounts - Government

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	526,428	534,948	542,280	552,328	562,260	578,188	521,752	558,764
	1.8	1.6	1.4	1.9	1.8	2.8	5.7	7.1
Taxes on incomes	204,132	208,712	214,552	221,352	226,184	231,952	201,794	223,510
	2.5	2.2	2.8	3.2	2.2	2.6	8.5	10.8
Contributions to social insurance plans	62,280	62,916	63,056	63,864	63,896	64,176	62,199	63,748
	0.7	1.0	0.2	1.3	0.1	0.4	3.5	2.5
Taxes on production and imports	166,252	168,024	169,396	171,536	172,556	173,656	165,066	171,786
	1.2	1.1	0.8	1.3	0.6	0.6	4.2	4.1
Other current transfers from persons	9,780	9,784	9,992	10,060	10,092	10,032	9,776	10,044
	0.5	0.0	2.1	0.7	0.3	-0.6	1.6	2.7
Investment income	43,228	44,980	42,916	43,384	46,448	55,028	42,454	46,944
	3.6	4.1	-4.6	1.1	7.1	18.5	3.8	10.6
Sales of goods and services ^[1]	40,756	40,532	42,368	42,132	43,084	43,344	40,463	42,732
	0.6	-0.5	4.5	-0.6	2.3	0.6	4.0	5.6
Outlay	502,596	508,588	514,980	521,184	528,012	532,372	502,119	524,137
	0.5	1.2	1.3	1.2	1.3	0.8	3.3	4.4
Gross current expenditure on goods and services ^[1]	290,112	292,708	298,584	303,168	307,560	311,092	288,997	305,101
	0.5	0.9	2.0	1.5	1.4	1.1	4.9	5.6
Current transfers	150,224	154,080	154,512	155,820	158,352	159,456	150,420	157,035
	1.0	2.6	0.3	0.8	1.6	0.7	3.3	4.4
Interest on the public debt	62,260	61,800	61,884	62,196	62,100	61,824	62,702	62,001
	-1.0	-0.7	0.1	0.5	-0.2	-0.4	-3.2	-1.1
Saving	23,832	26,360	27,300	31,144	34,248	45,816	19,633	34,627
	40.2	10.6	3.6	14.1	10.0	33.8	151.2	76.4
Gross saving and capital transfers	44,156	50,148	51,736	55,024	58,200	70,640	41,846	58,900
	11.6	13.6	3.2	6.4	5.8	21.4	34.9	40.8
Saving	23,832	26,360	27,300	31,144	34,248	45,816	19,633	34,627
	40.2	10.6	3.6	14.1	10.0	33.8	151.2	76.4
Capital consumption allowances	23,500	23,832	24,040	24,248	24,556	24,904	23,387	24,437
	1.1	1.4	0.9	0.9	1.3	1.4	4.1	4.5
Net capital transfers	-3,176	-44	396	-368	-604	-80	-1,174	-164

Deduct: Non-financial capital acquisition	33,428	33,124	34,204	34,832	35,300	36,288	33,112	35,156
	0.2	-0.9	3.3	1.8	1.3	2.8	6.9	6.2
Net lending	10,728	17,024	17,532	20,192	22,900	34,352	8,734	23,744

Transactions in financial assets	1,676	12,124	67,628	52,700	42,816	57,696	17,536	55,210

Currency and deposits	5,680	-7,380	3,972	2,200	1,332	876	-1,545	2,095

Loans	7,404	5,892	5,268	3,452	3,140	4,328	5,657	4,047

Canadian securities	-3,120	18,452	31,036	20,068	13,704	35,616	11,602	25,106

Other financial assets	-8,288	-4,840	27,352	26,980	24,640	16,876	1,822	23,962

Transactions in liabilities	-5,280	3,772	48,268	30,736	27,512	29,004	10,909	33,880

Bank and other loans	684	1,420	1,928	72	1,116	1,432	725	1,137

Short-term paper	-6,544	-5,660	30,612	-29,060	10,212	14,620	-2,118	6,596

Bonds	1,692	-1,576	15,168	12,012	-7,396	-308	3,297	4,869

Other liabilities	-1,112	9,588	560	47,712	23,580	13,260	9,005	21,278

Net financial investment	6,956	8,352	19,360	21,964	15,304	28,692	6,627	21,330

Sector discrepancy	3,772	8,672	-1,828	-1,772	7,596	5,660	2,107	2,414

¹ In GDP, government current expenditure is recorded on a net basis, that is, after deduction of sales of goods and services. In the government sector accounts, sales of goods and services to other sectors are shown separately as part of revenue, and current expenditure is recorded on a gross basis, which leaves saving unchanged.

Sector Accounts - Non-residents

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	506,844	505,008	512,700	524,152	528,768	539,500	496,079	526,280
	0.8	-0.4	1.5	2.2	0.9	2.0	5.5	6.1
Sales of goods (imports)	375,832	368,000	378,156	383,808	388,412	396,620	363,079	386,749
	2.2	-2.1	2.8	1.5	1.2	2.1	6.0	6.5
Sales of services (imports)	74,268	75,460	76,256	77,872	77,220	77,776	75,267	77,281
	-2.8	1.6	1.1	2.1	-0.8	0.7	4.9	2.7
Interest, dividends and miscellaneous receipts	50,068	54,008	49,316	54,888	55,384	56,964	50,788	54,138
	-3.3	7.9	-8.7	11.3	0.9	2.9	2.7	6.6
Current transfers	6,676	7,540	8,972	7,584	7,752	8,140	6,945	8,112
	-6.0	12.9	19.0	-15.5	2.2	5.0	8.5	16.8
Outlay	536,540	521,656	527,140	541,360	562,400	592,160	523,218	555,765
	-0.7	-2.8	1.1	2.7	3.9	5.3	6.9	6.2
Purchases of goods (exports)	442,276	425,736	429,712	439,752	459,908	484,232	429,140	453,401
	-0.3	-3.7	0.9	2.3	4.6	5.3	7.2	5.7
Purchases of services (exports)	63,672	64,400	64,496	64,736	64,844	65,344	63,440	64,855
	0.1	1.1	0.1	0.4	0.2	0.8	3.8	2.2
Interest, dividends and miscellaneous payments	23,208	24,336	25,184	29,308	29,468	34,520	23,367	29,620
	-8.6	4.9	3.5	16.4	0.5	17.1	8.3	26.8
Current transfers	7,384	7,184	7,748	7,564	8,180	8,064	7,271	7,889
	0.2	-2.7	7.9	-2.4	8.1	-1.4	10.0	8.5
Saving	-29,696	-16,648	-14,440	-17,208	-33,632	-52,660	-27,139	-29,485

Gross saving and capital transfers	-34,168	-21,240	-19,852	-24,308	-40,456	-56,788	-31,547	-35,351

Saving	-29,696	-16,648	-14,440	-17,208	-33,632	-52,660	-27,139	-29,485

Net capital transfers	-4,472	-4,592	-5,412	-7,100	-6,824	-4,128	-4,408	-5,866

Net lending[1]	-34,168	-21,240	-19,852	-24,308	-40,456	-56,788	-31,547	-35,351

Transactions in financial assets	51,552	41,728	67,752	35,896	121,756	44,232	45,684	67,409

Currency and deposits	-3,968	3,832	340	3,084	6,528	6,844	2,184	4,199

Loans	-8,504	-5,772	5,056	-2,320	-1,684	-11,872	-5,861	-2,705

Short-term paper	-1,344	440	-1,504	-2,044	2,336	3,000	-151	447

Bonds	34,980	26,124	3,100	1,960	10,144	-7,472	19,550	1,933

Shares	25,712	36,448	23,484	-20,000	32,540	14,744	35,839	12,692

Other financial assets	4,676	-19,344	37,276	55,216	71,892	38,988	-5,877	50,843

Transactions in liabilities	78,312	57,496	91,600	65,952	142,868	78,284	70,959	94,676

Official reserves	2,456	-13,648	10,300	-2,524	-2,908	1,752	-3,426	1,655

Currency and deposits	-888	17,724	8,960	7,936	12,224	18,028	8,030	11,787

Bank and other loans	13,488	4,412	-3,120	-2,024	7,188	6,328	9,463	2,093

Foreign investments	22,716	15,656	46,424	46,760	57,172	50,120	15,461	50,119

Other liabilities	40,540	33,352	29,036	15,804	69,192	2,056	41,431	29,022

Net financial investment	-26,760	-15,768	-23,848	-30,056	-21,112	-34,052	-25,275	-27,267

Sector discrepancy	-7,408	-5,472	3,996	5,748	-19,344	-22,736	-6,272	-8,084

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

Labour productivity, hourly compensation and unit labour cost

Fourth quarter 2005

2005 (corrected data)

The 2005 growth rate in Canada's labour productivity, reported on March 10 as 1.1%, is 2.2% after this correction. This was the strongest annual productivity performance since 2000.

Labour statistics consistent with the national accounts, published today in conjunction with the provincial economic accounts, incorporate corrections to hours worked for 2005. These corrections were not reflected in the first estimates of productivity growth that were published on March 10, 2006. These changes to hours worked have the effect of adjusting upward labour productivity growth in the business sector in 2005.

After virtually no growth in 2003 and 2004, business sector productivity recovered significantly in 2005. Productivity regained momentum in the wake of a slowdown in hours worked combined with steady growth in economic activity.

Labour productivity in the United States rose 2.7% in 2005. With the correction to the Canadian estimate for 2005, the gap in productivity growth between Canada and United States narrowed in 2005 to only 0.5 percentage points, the smallest in five years.

Note to readers

With this release, estimates of labour productivity growth in the business sector between 2004 and 2005 have been adjusted upward relative to the estimates which were originally published on March 10, 2006, and subsequently removed from our Web site. The new statistics incorporate corrections to the estimates of hours worked in 2005. The estimates originally published on March 10 did not properly account for the calendar differences between 2004 and 2005, in particular the fact that 2004 had two more working days than 2005.

This working-day adjustment to the hours worked estimates has an appreciable impact on the estimates of labour productivity and hourly compensation. Statistics Canada regrets any inconvenience this error may have caused.

Minor revisions have also been introduced in the estimates as a result of improvements in the division of hours between business and non-business sectors.

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 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. U.S. dollar value expressed in Canadian dollars.

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

	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
% change from previous quarter, seasonally adjusted									
Canada									
Labour productivity	-0.1	-0.2	-0.6	1.2	0.7	0.3	0.3	0.9	0.6
Real GDP	1.0	0.8	1.2	0.8	0.5	0.5	0.8	1.0	0.7
Hours worked	1.1	0.9	1.8	-0.3	-0.3	0.2	0.4	0.0	0.2
Hourly compensation	0.0	0.2	-0.8	1.3	1.5	0.7	1.1	1.8	1.8
Unit labour cost	0.1	0.4	-0.1	0.0	0.8	0.5	0.6	0.9	1.2
Exchange rate ¹	-4.7	0.2	3.2	-3.9	-6.6	0.5	1.4	-3.3	-2.4
Unit labour cost in US\$	5.0	0.2	-3.2	4.1	7.9	0.0	-0.7	4.6	3.6
United States²									
Labour productivity	0.0	0.9	0.9	0.4	0.7	0.8	0.3	1.3	0.0
Real GDP	0.7	1.2	1.0	1.1	0.9	1.1	0.9	1.2	0.4
Hours worked	0.6	0.3	0.1	0.7	0.3	0.2	0.7	0.0	0.4
Hourly compensation	0.6	1.0	0.9	1.6	2.7	1.2	0.1	1.5	0.8
Unit labour cost	0.6	0.1	0.1	1.1	2.0	0.3	-0.2	0.3	0.7
2003 2004 2005 2005 Q1 2005 Q2 2005 Q3 2005 Q4									
% change from the previous year					% change from same quarter of previous year, seasonally adjusted				
Canada									
Labour productivity		0.4	0.0	2.2	1.6	2.6	2.3	2.2	
Real GDP		1.6	3.1	2.8	3.0	2.5	2.7	3.0	
Hours worked		1.3	3.1	0.6	1.5	0.1	0.3	0.8	
Hourly compensation		2.3	0.9	4.5	2.7	4.7	5.1	5.5	
Unit labour cost		1.8	0.9	2.3	1.1	1.9	2.8	3.3	
Exchange rate ¹		-10.8	-7.1	-6.9	-6.9	-8.6	-8.1	-4.0	
Unit labour cost in US\$		14.5	8.4	9.9	8.7	11.4	11.9	7.5	
United States²									
Labour productivity		4.1	3.5	2.7	2.8	2.2	3.0	2.4	
Real GDP		3.4	4.8	4.0	4.1	4.1	4.2	3.7	
Hours worked		-0.7	1.3	1.3	1.2	1.9	1.1	1.3	
Hourly compensation		4.0	4.7	5.4	6.5	5.7	5.6	3.6	
Unit labour cost		-0.1	1.2	2.7	3.6	3.4	2.5	1.2	

1. The exchange rate corresponds to the US dollar value expressed in Canadian dollars.

2. US data are from Bureau of Labor Statistics, Productivity and costs: Fourth quarter 2005 published in NEWS, March 7.

International investment position

Fourth quarter 2005

Canada's net external liabilities rose to their highest quarterly level of 2005 at the end of the year as the value of Canada's foreign liabilities rose at a faster pace than its assets abroad.

Net external liabilities (the difference between Canada's external assets and foreign liabilities) reached \$175.8 billion at the end of the fourth quarter, up 1.6% from the third.

However, on a year-over-year basis, net external liabilities were down 2.9% compared to the level of \$181.1 billion recorded at the end of 2004. This was the third straight year-end decline of Canada's net external liabilities.

The value of our international assets totalled \$1,004.4 billion, up \$5.0 billion from the third quarter. An increase in Canadian direct investment abroad and in holdings of foreign bonds explains the increase.

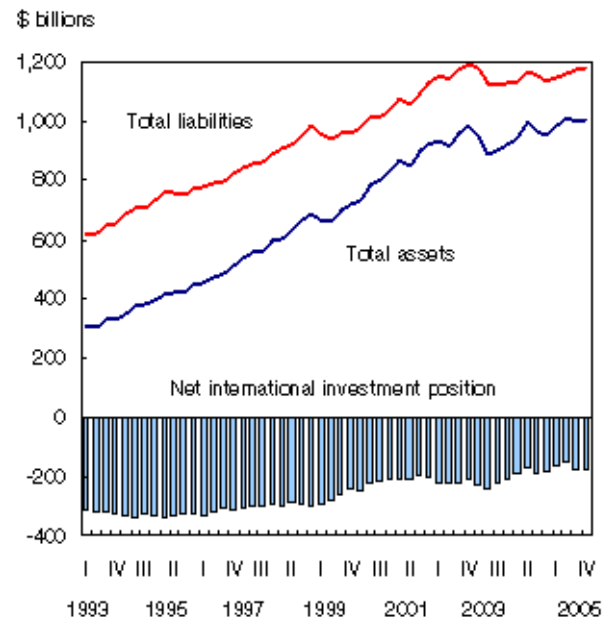
Canada's international liabilities increased \$7.9 billion to \$1,180.3 billion. An increase in foreign direct investment in Canada was largely responsible for this movement in foreign liabilities.

During the year, foreign liabilities rose \$43.7 billion, nearly three-quarters of it the result of foreign direct investment in Canada. At the same time, Canadian assets abroad rose by \$49.0 billion, almost half of it coming from increased holdings of foreign bonds.

Net external liabilities at the end of December represented 12.5% of Canada's gross domestic product. This was unchanged from the end of the third quarter, but somewhat lower than the ratio of 13.7% at the end of 2004.

The Canadian dollar fell marginally against the US dollar and increased against other major currencies during the quarter. However, at the end of 2005, the Canadian dollar was at 86.0 US cents up about 3% from a year earlier. In 2005, the Canadian dollar gained 15% against the pound sterling, 18% against the euro and 19% against the yen.

Canada's net external liabilities reach their highest quarterly level of 2005



Note to readers

Estimates at market value

As of the first quarter of 2005, total portfolio investment (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 however, and this practice will continue until a full set of market value estimates becomes available. Annual market value estimates of foreign direct investment series will be available in May 2006.

Currency valuation

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

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

Holdings of foreign bonds significantly increased

Canadian holdings of foreign bonds increased significantly to reach \$79.4 billion at the end of the quarter; an increase of 7.3% from a quarter earlier. This represented the tenth consecutive quarterly increase. Most of the increase was directed to US bonds. Canadian holdings of foreign money market paper amounted to \$13.1 billion at the end of the fourth quarter, up 4.8% from the third.

Holdings of foreign stocks reached \$180.6 billion, up \$1.5 billion from the third quarter. The fourth-quarter purchase of foreign stocks was partly offset by a decline in the value of foreign stocks already held resulting from the appreciation of the Canadian dollar against foreign currencies (excluding US dollar).

On a year-over-year basis, Canadian holdings of foreign bonds increased \$21.9 billion, or 38.1%, from the end of 2004. Canadian demand for foreign bonds was strong during the entire year as Canadians bought a record amount of bonds during the year. At the same time, Canadian holdings of foreign stocks fell 3.2% from the end of 2004.

Canada's international reserves closed the year at \$38.0 billion, down about \$500 million from the third quarter, the lowest level since the second quarter of 1999. Canada's international reserve position has followed a downward slope since the peak of \$56.2 billion reached at the end of 2002.

Moderate rise in Canadian direct investment abroad

Canadian direct investment abroad reached \$457.3 billion at the end of the fourth quarter, up 1.2% from the end of the third quarter. The increase in direct investment abroad was due to transactions valued at \$8.3 billion, which were offset by a \$2.7-billion decline caused by the appreciation of the Canadian dollar against overseas currencies.

During 2005, the Canadian direct investment abroad position increased \$12.2 billion. Canadian direct investment in the United States increased by \$15.5 billion, but this was partially offset by a \$3.3-billion decline in Canadian direct investment in all other countries combined.

Foreign direct investment in Canada rose

Foreign direct investment in Canada rose \$10.0 billion to \$398.4 billion at the end of the fourth quarter. This increase came mostly from acquisitions of Canadian firms by foreign investors, largely from overseas countries.

For the first time in more than two decades, foreign direct investment in Canada surpassed foreign holdings of Canadian bonds as the largest component of the nation's foreign liabilities.

At the end of December, foreign direct investment accounted for 33.8% of Canada's liabilities and foreign holdings of Canadian bonds 32.8%.

In 2005, foreign direct investment in Canada increased \$32.7 billion compared to the 2004 year-end level.

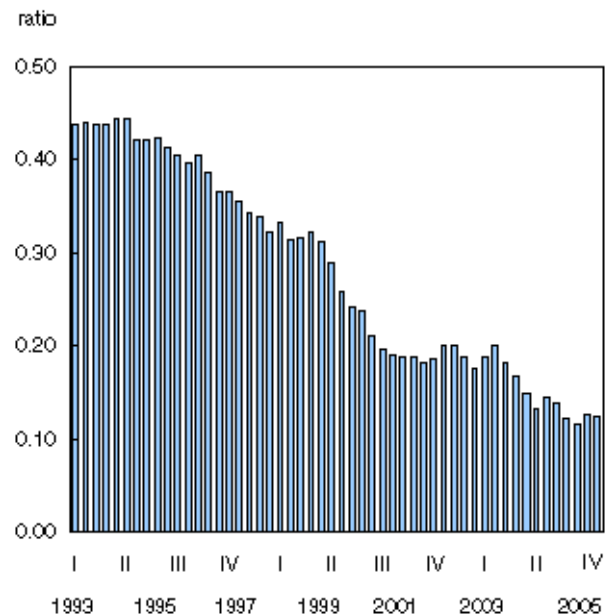
Significant quarterly change in foreign holdings of Canadian money market paper

Foreign holdings of Canadian money market paper rebounded strongly in the fourth quarter, after dropping sharply in the third quarter, increasing by more than 17% to \$20.8 billion. The position of short-term paper issued by the federal government (including federal government enterprises) rose by \$1.9 billion to \$14.3 billion.

At the same time, foreign holdings of Canadian bonds reached \$387.0 billion at the end of December, down \$2.7 billion from the end of September.

Finally, foreign holdings of Canadian stocks increased slightly to \$112.8 billion at the end of the fourth quarter. On a year-over-year basis, the foreign position in Canadian stocks increased \$4.2 billion. The S&P/TSX Composite Index gained almost 22% in 2005.

Canada's net international liabilities to GDP unchanged



International investment position at period-end

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Millions of dollars								
Assets								
Canadian direct investment abroad	443,568	445,063	452,695	462,113	451,671	457,270	445,063	457,270
Portfolio investment abroad								
Foreign bonds	52,377	57,471	62,949	67,766	73,957	79,406	57,471	79,406
<i>Foreign bonds at market value</i>	<i>56,859</i>	<i>61,941</i>	<i>67,528</i>	<i>74,642</i>	<i>79,975</i>	<i>85,903</i>	<i>61,941</i>	<i>85,903</i>
Foreign stocks	190,024	186,678	185,751	185,663	179,069	180,618	186,678	180,618
<i>Foreign stocks at market value</i>	<i>349,024</i>	<i>368,926</i>	<i>367,343</i>	<i>375,696</i>	<i>383,738</i>	<i>398,272</i>	<i>368,926</i>	<i>398,272</i>
Foreign money market	11,398	11,079	11,017	12,169	12,467	13,055	11,079	13,055
<i>Foreign money market at market value</i>	<i>11,413</i>	<i>11,108</i>	<i>11,040</i>	<i>12,194</i>	<i>12,494</i>	<i>13,108</i>	<i>11,108</i>	<i>13,108</i>
Other investment								
Loans	62,403	56,047	59,337	57,550	56,594	53,258	56,047	53,258
Allowances	-11,006	-10,879	-10,805	-10,905	-10,652	-10,613	-10,879	-10,613
Deposits	108,076	112,460	120,103	126,051	134,197	124,964	112,460	124,964
Official international reserves	44,652	40,315	43,072	41,769	38,459	38,030	40,315	38,030
Other assets	60,452	57,202	61,332	64,130	63,664	68,456	57,202	68,456
Total assets								
at book value	961,943	955,436	985,451	1,006,307	999,427	1,004,444	955,436	1,004,444
with portfolio investment at market value	<i>1,125,441</i>	<i>1,142,183</i>	<i>1,171,645</i>	<i>1,203,240</i>	<i>1,210,140</i>	<i>1,228,648</i>	<i>1,142,183</i>	<i>1,228,648</i>
Liabilities								
Foreign direct investment in Canada	365,789	365,675	369,490	374,679	388,353	398,377	365,675	398,377
Portfolio investment								
Canadian bonds	408,158	405,091	402,713	403,874	389,653	387,006	405,091	387,006
<i>Canadian bonds at market value</i>	<i>440,963</i>	<i>437,692</i>	<i>434,660</i>	<i>445,187</i>	<i>424,338</i>	<i>415,843</i>	<i>437,692</i>	<i>415,843</i>
Canadian stocks	105,598	108,554	110,504	109,324	111,989	112,840	108,554	112,840
<i>Canadian stocks at market value</i>	<i>220,492</i>	<i>242,326</i>	<i>256,689</i>	<i>261,517</i>	<i>298,242</i>	<i>308,698</i>	<i>242,326</i>	<i>308,698</i>
Canadian money market	18,111	19,621	18,628	19,710	17,686	20,783	19,621	20,783
<i>Canadian money market at market value</i>	<i>18,191</i>	<i>19,707</i>	<i>18,695</i>	<i>19,832</i>	<i>17,791</i>	<i>20,899</i>	<i>19,707</i>	<i>20,899</i>
Other investment								
Loans	42,876	39,743	48,880	50,119	43,330	39,283	39,743	39,283
Deposits	185,607	175,970	175,243	181,225	198,910	201,632	175,970	201,632
Other liabilities	22,063	21,910	22,158	22,371	22,494	20,346	21,910	20,346
Total liabilities								
at book value	1,148,202	1,136,563	1,147,616	1,161,303	1,172,415	1,180,266	1,136,563	1,180,266
with portfolio investment at market value	<i>1,295,981</i>	<i>1,303,023</i>	<i>1,325,815</i>	<i>1,354,930</i>	<i>1,393,458</i>	<i>1,405,078</i>	<i>1,303,023</i>	<i>1,405,078</i>
Net international investment position								
at book value	-186,258	-181,127	-162,165	-154,997	-172,989	-175,822	-181,127	-175,822
with portfolio investment at market value	<i>-170,540</i>	<i>-160,840</i>	<i>-154,170</i>	<i>-151,690</i>	<i>-183,318</i>	<i>-176,430</i>	<i>-160,840</i>	<i>-176,430</i>

National balance sheet accounts

Fourth quarter 2005 and annual 2005

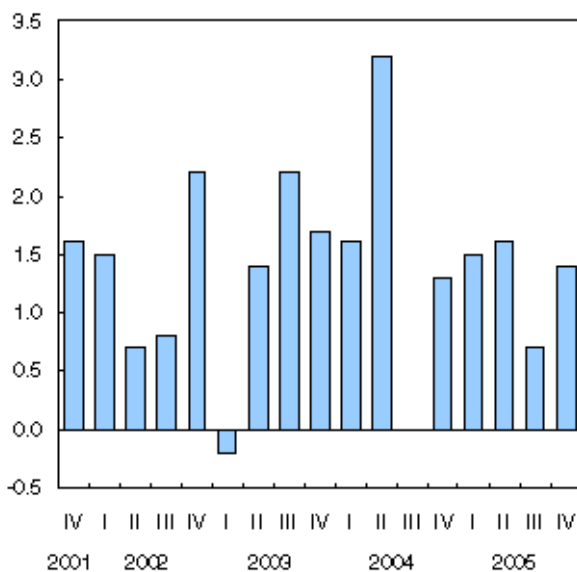
National net worth accelerates

National net worth reached \$4.5 trillion by the end of the fourth quarter, or \$137,300 per capita.

National net worth grew 1.4% in the fourth quarter, up sharply from 0.7% in the third. Third quarter growth was significantly constrained by a marked increase in net foreign debt (what is owed non-residents less what they owe to Canada).

Growth in national net worth picks up

% change, not seasonally adjusted



The nation's net worth increased by \$60.4 billion in the fourth quarter, as national saving advanced led by corporate undistributed earnings. This increase was

comprised of a \$53.5 billion increase in national wealth (economy-wide non-financial assets) and a slight decrease in net foreign debt.

Continued strong economic performance in the fourth quarter was reflected in the sustained growth of national wealth (+1.2%). Despite slowing investment in new housing, residential real estate continued to be the major contributor to growth in national wealth, accounting for about half of the gain. Increases in machinery and equipment and non-residential structures were significant contributors in this quarter as well.

Canadians' net foreign indebtedness (with marketable securities on a market value basis) decreased slightly in the quarter, following a significant exchange-rate driven increase in the third quarter. Despite the further strengthening of the Canadian currency, unrealized capital gains in the value of Canadian portfolio investments abroad helped reduce Canada's net foreign debt. Growth in the value of portfolio investment in foreign assets by Canadians outpaced that of non-resident portfolio investments in Canadian equity and debt securities. However, with marketable securities on a book value basis, Canadians' net foreign indebtedness increased in the fourth quarter.

Corporate finances improve further

Supported by solid profits in the fourth quarter and despite increases in business investment in structures and machinery and equipment, the corporate sector posted a record surplus. Since 2000, corporations have generated more funds from internal operations than required to finance their non-financial capital acquisition. As a result, the corporate sector has been a growing net lender to the rest of the economy, while significantly re-structuring their balance sheets.

The reduced reliance on borrowed funds was reflected in the ratio of debt-to-equity (at book value) for non-financial private corporations, which fell further in the fourth quarter.

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.

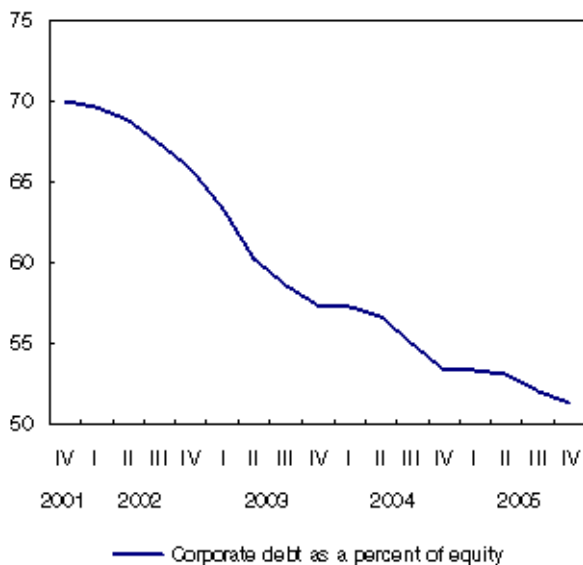
National saving is the sum of saving of persons, corporations and governments. National saving and investment contribute to change in national net worth. The revaluation of assets and liabilities is also responsible for change in national net worth. The causes of revaluation include change in share prices, interest rates, exchange rates and loan allowances. For more information on national saving and the relationship between saving in the different sectors of the economy, see the publication *Trends in Saving and Net Lending in the National Accounts* (13-604-MIE2005049, free).

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 released annually at the time of the fourth quarter.

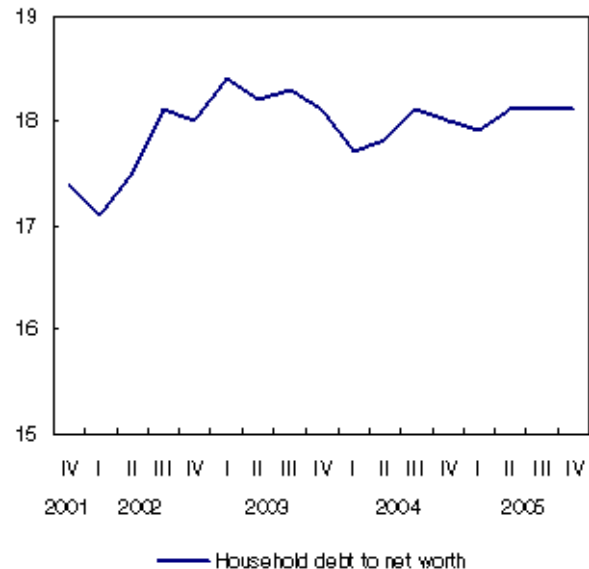
Corporate leverage continues to ease

As a % of equity, not seasonally adjusted



Household leverage remains flat

As a % of net worth, not seasonally adjusted



For more in-depth analysis of the corporate surplus and its effects, see the publication *Recent in Trends in Corporate Finance*, Catalogue no. 13-604 no. 49.

Household net worth advances at a slower pace

Household net worth grew at a slower pace (+1.4%) than in the third quarter (+2.4%). This reflected slower increases in both residential real estate and equities.

Personal sector share holdings and pension assets increased marginally, reflecting both lower stock market gains and reduced acquisition of financial assets during the quarter. The value of residential real estate increased less in the fourth quarter compared to the third, reflecting both the trend of slowing investment in new housing construction and weaker resale markets in the quarter.

Households' appetite for debt eased with demand for consumer credit and mortgage funds being less exuberant than in the previous quarter. The ratio of household debt to net worth remained flat at 18.1% in the quarter.

Growth in total household debt slightly outpaced that of personal disposable income, as Canadian households currently carry about \$1.08 in debt for every dollar of their disposable income.

Government debt-to-GDP continues to fall

With the government sector as a whole registering yet another surplus in the fourth quarter, government net debt (total liabilities less total financial assets) dropped for a third consecutive quarter. Net government debt as a percentage of GDP declined further, reaching its 1985 level. Net debt represents roughly half of GDP, compared to 90% a decade ago.

Annual review, 2005

National balance sheet improves at slower pace

Net worth on the national balance sheet expanded 5.3% in 2005. However, marginally slower growth in national wealth and an overall increase in net foreign debt in the year resulted in lower national net worth growth than the 6.2% pace set in 2004.

National wealth grew 5.5% in the year, compared to 5.6% in 2004. Gains in investment and valuation of residential real estate assets continued to be the main contributor to the increase in the value of non-financial assets.

Accumulated plant and equipment assets, held largely by the corporate sector, increased its contribution share in 2005, accounting for 30% of the change in national wealth, as compared to 24% in 2004.

Natural resources pull up the growth rate of national wealth

The broader measure of national wealth – including natural resources – grew 6.1% in 2005, at the same pace as in 2004. Growth was mainly sustained by higher resource commodity prices.

The value of selected natural resource assets (timber, energy and mineral resources) rose 7.6% to \$925.4 billion in 2005. The rate of growth was lower from that in 2004, partly due to the offsetting effects of the appreciating Canadian dollar.

The value of minerals grew 14.9% in 2005, propelled by strong international demand. The value of energy reserves, which account for more than half of resource wealth, was up 8.4%. Among energy resources, crude oil grew 35.3% through high oil prices. Timber stocks grew 4.0% in value.

National balance sheet accounts[1]

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	4,341 <i>1.1</i>	4,386 <i>1.0</i>	4,441 <i>1.3</i>	4,509 <i>1.5</i>	4,573 <i>1.4</i>	4,627 <i>1.2</i>	4,386 <i>5.6</i>	4,627 <i>5.5</i>
Net foreign debt	-170 ...	-161 ...	-154 ...	-152 ...	-183 ...	-176 ...	-161 ...	-176 ...
National net worth	4,170 <i>0.0</i>	4,225 <i>1.3</i>	4,287 <i>1.5</i>	4,357 <i>1.6</i>	4,390 <i>0.8</i>	4,450 <i>1.4</i>	4,225 <i>6.2</i>	4,450 <i>5.3</i>
National net worth per capita (dollars)	130,200 <i>-0.2</i>	131,700 <i>1.2</i>	133,300 <i>1.2</i>	135,000 <i>1.3</i>	135,600 <i>0.4</i>	137,300 <i>1.3</i>	131,700 <i>5.2</i>	137,300 <i>4.3</i>

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

National balance sheet, market value

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Millions of dollars at quarter end								
Total assets	13,499,765	13,758,425	14,039,015	14,332,462	14,649,797	14,871,777	13,758,425	14,871,777
Non-financial assets	4,340,565	4,386,039	4,441,495	4,508,929	4,573,218	4,626,714	4,386,039	4,626,714
Residential structures	1,191,166	1,204,005	1,220,720	1,241,294	1,264,851	1,285,890	1,204,005	1,285,890
Non-residential structures	1,035,690	1,045,854	1,057,743	1,067,046	1,079,422	1,091,322	1,045,854	1,091,322
Machinery and equipment	412,924	414,394	415,823	418,358	421,764	426,139	414,394	426,139
Consumer durables	351,961	360,073	360,793	365,845	369,590	376,677	360,073	376,677
Inventories	198,459	198,332	206,471	206,622	212,624	211,251	198,332	211,251
Land	1,150,365	1,163,381	1,179,945	1,209,764	1,224,967	1,235,435	1,163,381	1,235,435
Net financial assets	-170,462	-160,751	-154,102	-151,570	-183,213	-176,310	-160,751	-176,310
Financial assets	9,159,200	9,372,386	9,597,520	9,823,533	10,076,579	10,245,063	9,372,386	10,245,063
Official reserves	44,653	40,314	43,072	41,769	38,459	38,029	40,314	38,029
Gold & foreign currency	39,530	35,204	38,137	37,631	34,973	35,357	35,204	35,357
IMF reserve position	4,035	3,999	3,827	3,044	2,439	1,629	3,999	1,629
Special drawing rights	1,088	1,111	1,108	1,094	1,047	1,043	1,111	1,043
Currency and bank deposits	748,316	768,021	791,872	825,971	830,212	834,907	768,021	834,907
Other deposits	187,244	190,916	193,221	196,727	200,312	203,767	190,916	203,767
Foreign currency deposits	91,630	91,809	84,575	88,828	99,370	105,698	91,809	105,698
Consumer credit	238,581	243,883	246,054	254,269	260,222	265,482	243,883	265,482
Trade receivables	230,810	231,056	236,495	239,974	245,669	252,544	231,056	252,544
Bank loans	191,083	191,363	195,923	199,122	199,318	201,353	191,363	201,353
Other loans	199,459	205,421	203,993	207,240	208,172	213,091	205,421	213,091
Canada short-term paper	108,852	110,759	122,886	116,345	116,848	120,519	110,759	120,519
Other short-term paper	152,173	150,174	149,640	158,225	166,063	171,430	150,174	171,430
Mortgages	665,394	674,495	683,606	697,544	714,732	728,653	674,495	728,653
Canada bonds	275,955	271,203	278,408	279,624	275,760	270,634	271,203	270,634
(of which CSB's)	21,063	19,462	19,080	18,860	18,651	17,712	19,462	17,712
Provincial bonds	297,475	306,557	313,203	321,528	320,190	320,071	306,557	320,071
Municipal bonds	37,315	37,965	37,957	39,352	39,097	38,610	37,965	38,610
Other bonds	316,678	325,646	338,978	361,730	372,752	395,626	325,646	395,626
Life insurance & pensions	1,103,720	1,129,545	1,147,772	1,174,936	1,205,378	1,228,528	1,129,545	1,228,528
Corporate claims	1,131,120	1,136,285	1,158,278	1,173,196	1,195,715	1,198,947	1,136,285	1,198,947
Government claims	189,661	184,782	186,963	187,118	183,422	186,652	184,782	186,652
Shares	1,755,748	1,845,372	1,906,682	1,958,469	2,077,429	2,122,384	1,845,372	2,122,384
Foreign investments	427,714	448,799	456,230	474,857	487,222	510,974	448,799	510,974
Other financial assets	765,619	788,021	821,712	826,709	840,237	837,524	788,021	837,524
Liabilities and net worth	13,499,765	13,758,425	14,039,015	14,332,462	14,649,797	14,871,777	13,758,425	14,871,777
Liabilities	9,329,662	9,533,137	9,751,622	9,975,103	10,259,792	10,421,373	9,533,137	10,421,373
Currency and bank deposits	764,613	784,249	806,908	838,944	842,814	851,146	784,249	851,146
Other deposits	187,244	190,916	193,221	196,727	200,312	203,767	190,916	203,767
Foreign currency deposits	100,780	97,679	87,944	91,186	106,217	110,153	97,679	110,153
Consumer credit	238,581	243,883	246,054	254,269	260,222	265,482	243,883	265,482
Trade payables	233,741	234,408	238,260	240,468	247,593	250,263	234,408	250,263
Bank loans	165,237	165,623	169,330	173,234	171,847	174,104	165,623	174,104
Other loans	196,849	201,619	205,009	207,508	209,838	208,666	201,619	208,666
Canada short-term paper	115,921	118,787	131,062	124,756	124,832	129,632	118,787	129,632
Other short-term paper	162,479	161,072	159,653	168,323	174,988	181,804	161,072	181,804
Mortgages	665,745	674,846	683,957	697,896	715,083	729,002	674,846	729,002
Canada bonds	339,964	330,880	336,444	336,039	331,798	325,062	330,880	325,062
(of which CSB's)	21,063	19,462	19,080	18,860	18,651	17,712	19,462	17,712
Provincial bonds	422,032	432,694	440,761	453,610	442,904	441,421	432,694	441,421
Municipal bonds	40,938	41,691	41,498	43,093	42,875	42,364	41,691	42,364
Other bonds	556,624	565,719	575,907	606,357	606,212	624,446	565,719	624,446
Life insurance & pensions	1,103,720	1,129,545	1,147,772	1,174,936	1,205,378	1,228,528	1,129,545	1,228,528
Corporate claims	451,622	442,718	448,768	450,027	474,254	479,454	442,718	479,454
Government claims	189,661	184,782	186,963	187,118	183,422	186,652	184,782	186,652
Shares	2,630,545	2,743,952	2,828,639	2,900,130	3,081,340	3,150,963	2,743,952	3,150,963
Other liabilities	763,366	788,074	823,472	830,482	837,863	838,464	788,074	838,464
Net worth	4,170,103	4,225,288	4,287,393	4,357,359	4,390,005	4,450,404	4,225,288	4,450,404

Credit market summary table

	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	2004	2005
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	896,315	909,453	920,152	940,643	959,484	973,831	909,453	973,831
Consumer credit	238,581	243,883	246,054	254,269	260,222	265,482	243,883	265,482
Bank loans	34,666	34,896	36,388	36,471	36,552	36,269	34,896	36,269
Other loans	72,522	73,002	74,173	73,924	74,197	74,977	73,002	74,977
Mortgages	550,546	557,672	563,537	575,979	588,513	597,103	557,672	597,103
Non-financial private corporations	561,850	559,098	569,421	579,078	582,306	587,300	559,098	587,300
Bank loans	112,598	113,301	113,001	115,644	115,526	117,001	113,301	117,001
Other loans	72,933	72,612	73,651	74,471	73,747	73,196	72,612	73,196
Other short-term paper	39,595	38,351	43,477	42,674	47,128	44,784	38,351	44,784
Mortgages	105,901	107,475	109,626	111,295	114,287	117,270	107,475	117,270
Bonds	230,823	227,359	229,666	234,994	231,618	235,049	227,359	235,049
Non-financial government enterprises	64,702	64,506	64,723	64,383	63,505	63,498	64,506	63,498
Bank loans	2,702	2,936	3,036	2,884	2,864	2,892	2,936	2,892
Other loans	6,168	6,213	6,295	6,688	6,676	6,670	6,213	6,670
Other short-term paper	6,785	5,843	5,194	5,134	5,663	6,466	5,843	6,466
Mortgages	97	97	96	98	100	99	97	99
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	46,802	47,001	47,720	47,131	45,790	45,153	47,001	45,153
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,027	2,295	2,261	2,327	2,291	2,097	2,295	2,097
Federal government	419,903	410,612	426,400	417,697	413,544	412,032	410,612	412,032
Bank loans	100	100	101	101	101	100	100	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	115,921	118,787	131,062	124,756	124,832	129,632	118,787	129,632
Canada bonds	303,882	291,725	295,237	292,840	288,611	282,300	291,725	282,300
Canada savings bonds	21,063	19,462	19,080	18,860	18,651	17,712	19,462	17,712
Other bonds	282,819	272,263	276,157	273,980	269,960	264,588	272,263	264,588
Other levels of government	395,662	401,499	402,346	409,158	399,728	403,543	401,499	403,543
Bank loans	3,856	3,873	3,871	2,997	2,848	3,005	3,873	3,005
Other loans	12,610	12,840	12,920	12,652	12,854	13,096	12,840	13,096
Other short-term paper	19,682	18,398	12,422	13,794	10,650	13,947	18,398	13,947
Mortgages	2,045	2,045	2,033	2,033	2,031	2,029	2,045	2,029
Provincial bonds	316,903	323,519	330,247	336,177	329,560	329,871	323,519	329,871
Municipal bonds	38,707	38,959	38,982	39,628	39,902	39,706	38,959	39,706
Other bonds	1,859	1,865	1,871	1,877	1,883	1,889	1,865	1,889
Total funds raised by domestic non-financial sectors	2,338,432	2,345,168	2,383,042	2,410,959	2,418,567	2,440,204	2,345,168	2,440,204
Consumer credit	238,581	243,883	246,054	254,269	260,222	265,482	243,883	265,482
Bank loans	153,922	155,106	156,397	158,097	157,891	159,267	155,106	159,267
Other loans	164,233	164,667	167,039	167,735	167,474	167,939	164,667	167,939
Canada short-term paper	115,921	118,787	131,062	124,756	124,832	129,632	118,787	129,632
Other short-term paper	66,062	62,592	61,093	61,602	63,441	65,197	62,592	65,197
Mortgages	658,589	667,289	675,292	689,405	704,931	716,501	667,289	716,501
Bonds	941,124	932,844	946,105	955,095	939,776	936,186	932,844	936,186
Non-residents	59,425	58,363	58,726	58,710	57,475	58,811	58,363	58,811
Bank loans	25,846	25,740	26,593	25,888	27,471	27,249	25,740	27,249
Other loans	33,579	32,623	32,133	32,822	30,004	31,562	32,623	31,562
Mortgages	0	...	0	0	0	...	...	...
Total borrowing excluding domestic financial institutions	2,397,857	2,403,531	2,441,768	2,469,669	2,476,042	2,499,015	2,403,531	2,499,015
Domestic financial institutions	443,677	460,217	473,526	499,922	518,315	541,389	460,217	541,389
Bank loans	11,315	10,517	12,933	15,137	13,956	14,837	10,517	14,837
Other loans	32,616	36,952	37,970	39,773	42,364	40,727	36,952	40,727
Other short-term paper	96,417	98,480	98,560	106,721	111,547	116,607	98,480	116,607
Mortgages	7,156	7,557	8,665	8,491	10,152	12,501	7,557	12,501
Bonds	296,173	306,711	315,398	329,800	340,296	356,717	306,711	356,717
Total funds raised = total funds supplied	2,841,534	2,863,748	2,915,294	2,969,591	2,994,357	3,040,404	2,863,748	3,040,404
Assets of:								
Persons and unincorporated business	120,875	114,003	114,885	109,697	107,152	98,644	114,003	98,644
Non-financial corporations	75,085	74,502	75,327	75,407	76,663	79,142	74,502	79,142
Governments	204,038	203,392	214,185	223,345	226,023	224,526	203,392	224,526
Non-residents	448,023	445,112	445,807	447,502	430,235	426,851	445,112	426,851
Domestic financial institutions	2,018,429	2,051,317	2,089,652	2,137,884	2,178,436	2,235,291	2,051,317	2,235,291