

Catalogue no. 13-010-X

# Canadian Economic Accounts Quarterly Review

First quarter 2008



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.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 <sup>s</sup>	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
X	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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Publication:	
National Income and Expenditure Accounts	13-001-XIB
Tables and Analytical Document:	
National Income and Expenditure Accounts	13-001-PPB
Estimates of Labour Income	13F0016XPB
Provincial Economic Accounts	13-213-PPB
Data tables	13-019-XWE, 13-021-XWE, 13-018-XWE

**GDP by industry**

CANSIM table	379-0027
Publication:	
Gross Domestic Product by Industry	15-001-XIE

**Balance of international payments**

CANSIM tables	376-0001 to 376-0036 and 376-0060 to 376-0061
Publication:	
Canada's Balance of International Payments	67-001-XIE

**Financial flow accounts**

CANSIM tables	378-0001, 378-0002
Tables and Analytical Document	13-014-PPB
Data tables	13-020-XWE

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

CANSIM tables	383-0008 to 383-0015
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The Canadian productivity accounts - Data	15-003-XIE
Provincial Labour Productivity Growth, 1997 to 2005	15-206-XIE

**International investment position**

CANSIM tables	376-0037 to 376-0042 and 376-0051 to 376-0059
Publication:	
Canada's International Investment Position	67-202-XIE

**National balance sheet accounts**

CANSIM tables	378-0003 to 378-0010
Publication:	
National Balance Sheet Accounts	13-214-XIE
Data tables	13-022-XWE

**Latest developments in the Canadian economic accounts**

Publication	13-605-XIE
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## About this publication

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

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

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

## Revision policy

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

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

### GDP by industry:

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

## Revisions in this issue

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

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

### GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2007.

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

With this release revisions have been made back to the first quarter of 2004 at the aggregate level and at the industry level.

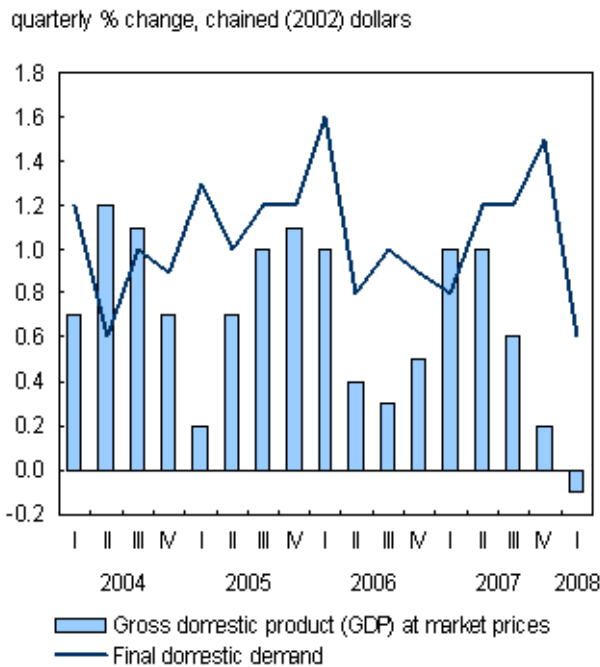
## Section A Overview

First quarter 2008 and March 2008

Real gross domestic product (GDP) edged down 0.1% in the first quarter of 2008, its first quarterly decline since the second quarter of 2003. The economy, which had started to lose momentum in the second half of 2007 as exports declined, stalled in the first quarter due to widespread cutbacks in manufacturing, most notably in motor vehicles. In addition, weather disruptions hampered economic activity in the quarter. Economic output contracted 0.2% in March. Final domestic demand advanced 0.6% in the quarter on the strength of consumer spending. Inventory accumulation eased considerably in the first quarter, after two quarters of large build-ups.

**Chart A.1**

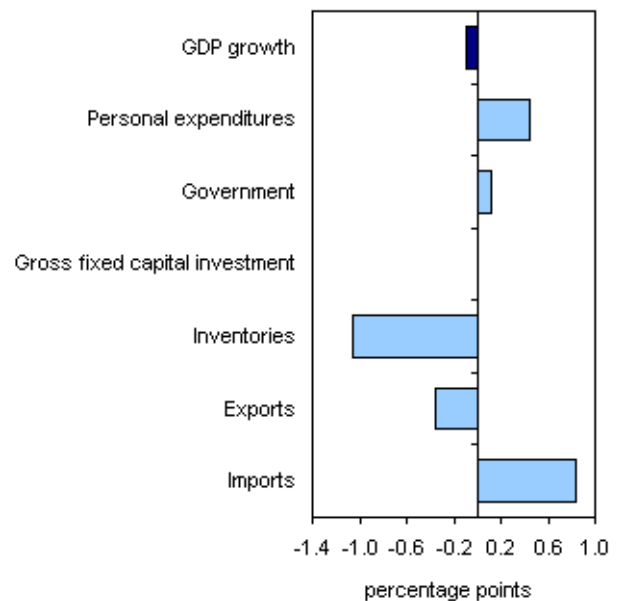
**Final domestic demand outpaces gross domestic product**



Since late 2007, there were efforts to reduce motor vehicle inventories in Canada using incentives. At the same time, producers were retooling model lines due to changing demand and they were also hampered by a strike at a major supplier of automotive parts. Excluding the production of motor vehicles and its estimated ripple effects on other sectors such as motor vehicle parts, wholesaling and transportation, GDP for the remainder of the economy grew by 0.1% in the quarter.

**Chart A.2**

**Contributions to percent change in gross domestic product, first quarter 2008**



**Note to readers**

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

With the first quarter 2008 release of the Income and Expenditure Accounts, the data are revised back to the first quarter of 2004. For more information, consult the article *The 2004 to 2007 revisions of the Income and Expenditure Accounts*.

A new study examining Research and Development (R&D) expenditures is released today in the form of a satellite account, covering the years 1997 to 2004. This study examines the impact of capitalizing R&D in the Canadian System of National Accounts in response to new international recommendations. For more information, consult the article *The Canadian Research and Development Satellite Account, 1997 to 2004*.



The output of the goods-producing industries declined 1.5% in the first quarter, while the services-producing industries advanced 0.5%. Declines in manufacturing, mining and some transportation industries were partially offset by increases in retail trade, accommodation services, and finance and insurance.

While the economy continued to create jobs in the first quarter, average hours worked declined. Inclement weather hindered average hours worked in some industries.

The Canadian economy declined at an annualized rate of 0.3% in the first quarter, compared with 0.9% growth for the U.S. economy.

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

	Change	Annualized	Year-over-
		change	year
		%	
First quarter 2007	1.0	4.1	2.2
Second quarter 2007	1.0	3.9	2.8
Third quarter 2007	0.6	2.3	3.1
Fourth quarter 2007	0.2	0.8	2.8
First quarter 2008	-0.1	-0.3	1.7

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.

### Exports fall

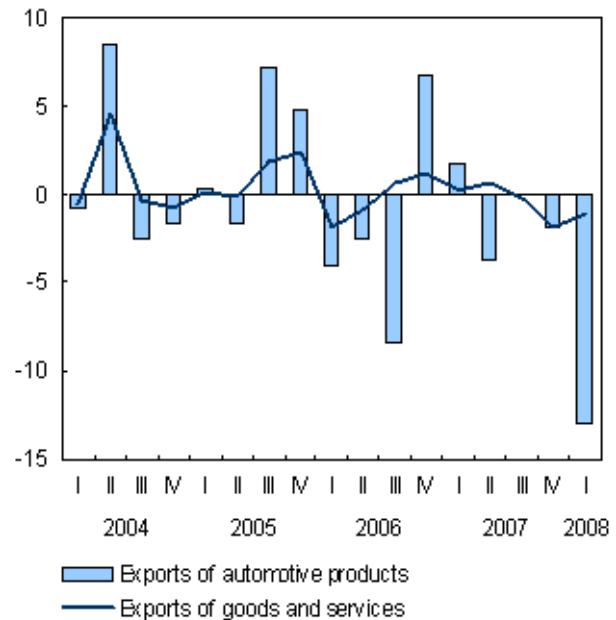
Exports of goods and services fell for the third consecutive quarter, in line with the third consecutive decline in manufacturing output. The 1.1% decline in the first quarter of 2008 stemmed from a sharp decrease in exports of automotive products as Canadian manufacturers were hampered by a strike at a major supplier of automotive parts in the United States.

Excluding automotive products, exports grew 0.8% in the first quarter. Sales of forestry products abroad declined for a third consecutive quarter, as weakness in the U.S. housing market continued.

Exports of services registered a 2.3% drop, largely due to lower exports of commercial services. Conversely, energy products, with the exception of natural gas, recorded a strong gain in the quarter, reversing the weakness recorded in the last half of 2007.

**Chart A.3**  
**Exports of automotive products down sharply**

quarterly % change, chained (2002) dollars



Imports declined for the first time since the fourth quarter of 2006. The decrease was widespread. Automotive products pulled imports downward corresponding to a drop in motor vehicle inventories. Purchases of other consumer goods from abroad also lost ground. Machinery and equipment imports retreated after three quarters of substantial increases.

### Business investment slows

Growth in business investment in machinery and equipment decelerated to 0.3% in the first quarter, moderated by a downturn in industrial machinery investment. This followed three quarters of gains averaging 3.3%. Increases in investment were registered for automobiles and other transportation equipment. Business investment in machinery and equipment has increased by more than 60% since the fourth quarter of 2002, in conjunction with the appreciation of the Canadian dollar.

A pick-up in business investment in non-residential structures in the first quarter (+0.9%) was the result of increases in investment in both buildings and engineering. Total business investment in plant and equipment grew 0.6% in the quarter.

### Inventory accumulation eases

Inventory accumulation eased considerably in the first quarter, after two quarters of large build-ups. The change was most notable for motor vehicle dealers, who significantly reduced their stocks. This accounted for one-third of the difference in total inventory accumulation between the fourth quarter of 2007 and the first quarter of 2008.

Manufacturers and wholesalers reduced their inventories, particularly of durable goods, while retail inventories increased marginally.

Businesses have been accumulating inventories since the third quarter of 2004. The economy-wide inventory-to-sales ratio remained unchanged in the first quarter of 2008, leaving sufficient inventories to satisfy 63 days of sales.

### Personal spending moderates

Personal spending grew 0.8% in the first quarter, down from the 1.8% gain in the fourth quarter of 2007. The deceleration was largely due to lower expenditures related to travel abroad, which increased substantially in the last half of 2007. Despite the decline, expenditures related to travel abroad registered their second-highest level ever. Purchases of new and used motor vehicles advanced 7.2%, spurred by widespread sales incentives, low interest financing packages, and the GST rate reduction. It was the largest gain since the fourth quarter of 2001.

### Housing investment declines

Business investment in residential structures declined in the first quarter, following five quarters of growth. Transfer costs associated with the resale market decreased for a third consecutive quarter, and new housing construction declined. This was partially offset by an increase in renovation activity.

### Corporate profits advance

Corporate profits grew 2.4% in the first quarter, fuelled by energy sector earnings. Wages and salaries and supplementary labour income increased 1.5%, a deceleration from the previous quarter.

### Prices move upward

The price of goods and services produced in Canada advanced 1.3% in the first quarter, boosted by the continued increase in energy prices. This was up from the 0.9% increase registered in the fourth quarter. Excluding energy, prices advanced only 0.2%. Export prices, reflecting the energy gains, advanced sharply (+5.4%). After three quarters of declines, import prices advanced 3.3% as the Canadian dollar depreciated against its U.S. counterpart. Prices for final domestic demand increased 0.5%.

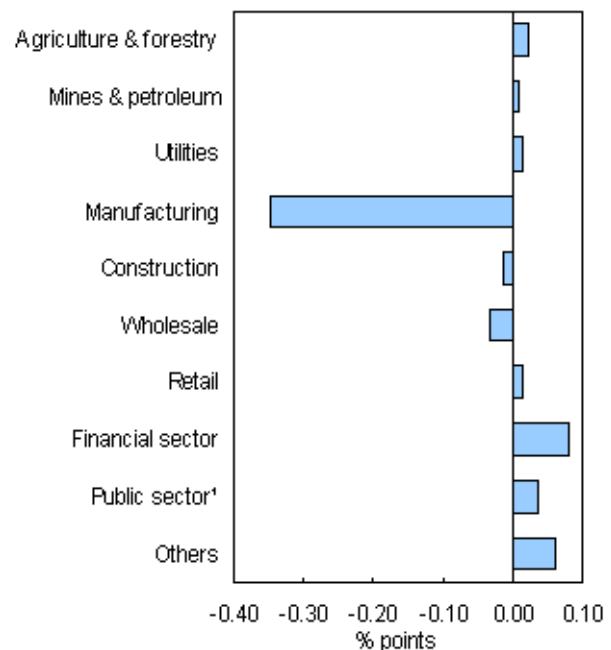
Household debt in the form of mortgages and consumer credit edged up. Households carried \$1.16 of debt for every dollar of personal disposable income. Debt servicing charges remained unchanged at about 8% of personal disposable income.

### Gross domestic product by industry, March 2008

Economic activity edged down for a second consecutive month, declining 0.2% in March. The goods-producing industries fell by 1.0% while the services-producing industries expanded by 0.2%.

Chart A.4

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



1. Education, health and public administration.

The 2.5% drop in manufacturing value added accounted for almost all of the decrease in the goods industries. The declines in manufacturing were widespread, but motor vehicle and parts production were the hardest hit, accounting for about 40% of the decline in manufacturing. Lower demand and a strike at a major parts supplier located in the U.S. rippled through the motor vehicle and associated industries.

In March, production of wood, paper, and non-metallic minerals also fell as demand on foreign markets continued to soften.

Construction activity decreased 0.2% in March. The declines in residential construction, and engineering and repair work, were only partially offset by an increase in non-residential building.

The energy sector moved ahead 0.3%, with increases in oil and gas production and natural gas distribution. Support activities for mining and oil and gas extraction contracted 4.0%.

Within the services sector, activities in the finance and insurance industries rose 0.8%, largely on the strength of very strong trading volumes on the stock exchanges. However, banking services were almost unchanged.

Real estate agents and brokers recorded a fourth consecutive monthly decline as the home resale market retreated slightly in March. Their activities were among those which were affected by the inclement weather.

Wholesaling activity fell for a second month in a row (-0.6%), while the retail trade sector was up 0.2% in March, recovering part of its February drop.

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of dollars at current prices								
<b>GDP by income and by expenditure</b>								
Wages, salaries and supplementary labour income	758,824 1.6	774,960 2.1	786,392 1.5	789,224 0.4	802,852 1.7	814,984 1.5	743,313 6.9	788,357 6.1
Corporation profits before taxes	198,584 -0.9	200,572 1.0	202,740 1.1	204,784 1.0	204,828 0.0	209,704 2.4	196,719 5.8	203,231 3.3
Interest and miscellaneous investment income	65,636 -1.7	68,756 4.8	72,056 4.8	72,492 0.6	72,756 0.4	74,584 2.5	66,421 8.4	71,515 7.7
Net income of unincorporated business	87,676 1.2	89,044 1.6	90,272 1.4	90,716 0.5	91,860 1.3	94,116 2.5	86,386 1.6	90,473 4.7
Taxes less subsidies	159,844 0.4	163,276 2.1	167,052 2.3	168,500 0.9	170,568 1.2	166,748 -2.2	160,840 3.5	167,349 4.0
Personal disposable income	865,936 1.5	886,212 2.3	890,088 0.4	902,088 1.3	915,164 1.4	934,096 2.1	849,590 7.0	898,388 5.7
Personal saving rate[2]	3.3 ...	3.9 ...	2.3 ...	2.5 ...	1.9 ...	2.8 ...	3.1 ...	2.7 ...
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	765,295 0.8	772,440 0.9	783,339 1.4	791,358 1.0	805,760 1.8	812,166 0.8	754,179 4.3	788,224 4.5
Government current expenditure on goods and services	251,708 0.9	253,550 0.7	255,245 0.7	259,691 1.7	263,357 1.4	265,060 0.6	248,777 3.8	257,961 3.7
Gross fixed capital formation	305,489 1.2	307,457 0.6	311,144 1.2	315,381 1.4	318,319 0.9	318,274 -0.0	301,263 7.1	313,075 3.9
Investment in inventories	1,455 ...	6,004 ...	5,618 ...	20,579 ...	20,580 ...	3,420 ...	10,723 ...	13,195 ...
Exports of goods and services	508,219 1.2	509,189 0.2	512,307 0.6	510,840 -0.3	501,112 -1.9	495,842 -1.1	503,322 0.6	508,362 1.0
Imports of goods and services	546,631 -0.1	548,079 0.3	554,726 1.2	581,348 4.8	593,526 2.1	578,055 -2.6	539,784 4.6	569,420 5.5
<b>Gross domestic product at market prices</b>	<b>1,292,881</b> <b>0.5</b>	<b>1,305,843</b> <b>1.0</b>	<b>1,318,339</b> <b>1.0</b>	<b>1,325,934</b> <b>0.6</b>	<b>1,328,606</b> <b>0.2</b>	<b>1,327,452</b> <b>-0.1</b>	<b>1,284,819</b> <b>3.1</b>	<b>1,319,681</b> <b>2.7</b>
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>GDP at basic prices, by industry</b>								
Goods producing industries	373,421 -0.3	378,296 1.3	379,987 0.4	379,254 -0.2	375,599 -1.0	369,894 -1.5	375,489 1.2	378,284 0.7
Industrial production	271,364 -0.8	275,382 1.5	277,214 0.7	276,033 -0.4	272,350 -1.3	266,745 -2.1	274,357 -0.2	275,245 0.3
Energy sector	84,925 -2.0	86,749 2.1	87,590 1.0	87,625 0.0	86,826 -0.9	86,486 -0.4	85,876 1.0	87,198 1.5
Manufacturing	183,590 -0.7	185,663 1.1	186,570 0.5	184,943 -0.9	181,951 -1.6	176,403 -3.0	186,631 -1.0	184,782 -1.0
Non-durable manufacturing	73,355 -0.9	72,592 -1.0	73,248 0.9	72,738 -0.7	71,346 -1.9	69,871 -2.1	74,329 -1.9	72,481 -2.5
Durable manufacturing	110,392 -0.6	113,299 2.6	113,536 0.2	112,414 -1.0	110,819 -1.4	106,708 -3.7	112,470 -0.3	112,517 0.0
Construction	75,536 1.6	76,271 1.0	76,502 0.3	77,274 1.0	77,491 0.3	77,725 0.3	74,087 8.1	76,884 3.8
Services producing industries	827,148 0.6	834,678 0.9	843,140 1.0	850,897 0.9	856,745 0.7	861,018 0.5	818,862 3.8	846,365 3.4
Wholesale trade	68,298 -1.4	69,335 1.5	70,547 1.7	72,308 2.5	73,238 1.3	73,162 -0.1	68,383 7.1	71,357 4.3
Retail trade	69,847 0.3	71,264 2.0	72,874 2.3	73,321 0.6	74,200 1.2	75,042 1.1	69,015 6.0	72,915 5.7
Transportation and warehousing	55,683 0.2	55,940 0.5	56,252 0.6	56,775 0.9	56,547 -0.4	56,429 -0.2	55,501 3.2	56,379 1.6
Finance, insurance, real estate and renting	234,023 1.1	236,753 1.2	239,154 1.0	241,265 0.9	243,063 0.7	244,728 0.7	230,362 3.8	240,059 4.2
Information and communication technologies	55,151 0.7	55,866 1.3	56,761 1.6	57,011 0.4	57,420 0.7	57,504 0.1	54,485 4.3	56,765 4.2

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

## Section B

### GDP by income and by expenditure

First quarter 2008

Real gross domestic product (GDP) edged down 0.1% in the first quarter of 2008, its first quarterly decline since the second quarter of 2003. The economy, which had started to lose momentum in the second half of 2007 as exports declined, stalled in the first quarter due to widespread cutbacks in manufacturing, most notably in motor vehicles. In addition, weather disruptions hampered economic activity in the quarter. Final domestic demand advanced 0.6% in the quarter on the strength of consumer spending. Inventory accumulation eased considerably in the first quarter, after two quarters of large build-ups.

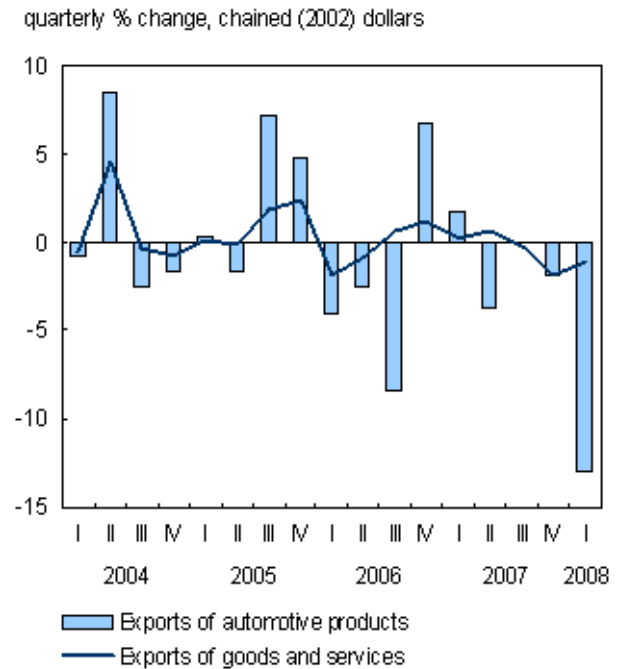
#### Exports fall

Exports of goods and services fell for the third consecutive quarter, in line with the third consecutive decline in manufacturing output. The 1.1% decline in the first quarter of 2008 stemmed from a sharp decrease in exports of automotive products as Canadian manufacturers were hampered by a strike at a major supplier of automotive parts in the United States.

Excluding automotive products, exports grew 0.8% in the first quarter. Sales of forestry products abroad declined for a third consecutive quarter, as weakness in the US housing market continued. Exports of services registered a 2.3% drop, largely due to lower exports of commercial services. Conversely, energy products, with the exception of natural gas, recorded a strong gain in the quarter, reversing the weakness recorded in the last half of 2007.

Exports of travel services registered a third consecutive decline.

**Chart B.1**  
Exports of automotive products down sharply

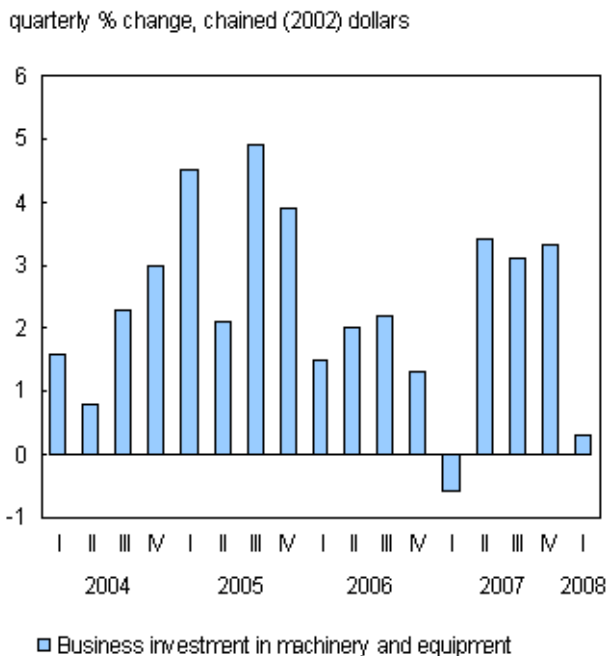


Imports declined for the first time since the fourth quarter of 2006. The decrease was widespread. Automotive products pulled imports downward corresponding to a drop in motor vehicle inventories. Purchases of other consumer goods from abroad also lost ground. Machinery and equipment imports retreated after three quarters of substantial increases. Both forestry products, and agricultural and fish products fell this quarter, after posting increases throughout most of 2007.

**Business investment in machinery and equipment slows**

Growth in business investment in machinery and equipment decelerated to 0.3% in the first quarter, moderated by a downturn in industrial machinery investment. This followed three quarters of gains averaging 3.3%. Increases in investment were registered for automobiles and other transportation equipment. Business investment in machinery and equipment has increased by more than 60% since the fourth quarter of 2002, in conjunction with the appreciation of the Canadian dollar.

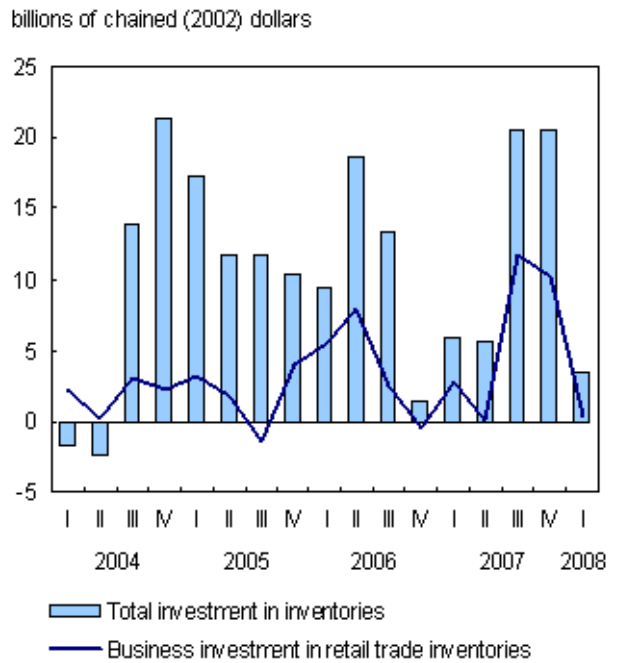
**Chart B.2  
Machinery and equipment investment stalls**



**Inventory accumulation eases**

Inventory accumulation eased considerably in the first quarter, after two quarters of large build-ups. The change was most notable for motor vehicle dealers, who significantly reduced their stocks. This accounted for one-third of the difference in total inventory accumulation between the fourth quarter of 2007 and the first quarter of 2008.

**Chart B.3  
Inventory build-up slows**



Manufacturers and wholesalers reduced their inventories, particularly of durable goods, while retail inventories increased marginally. Farm inventories declined for the eighth consecutive quarter as high grain prices continued to spur farmers to reduce their stocks.

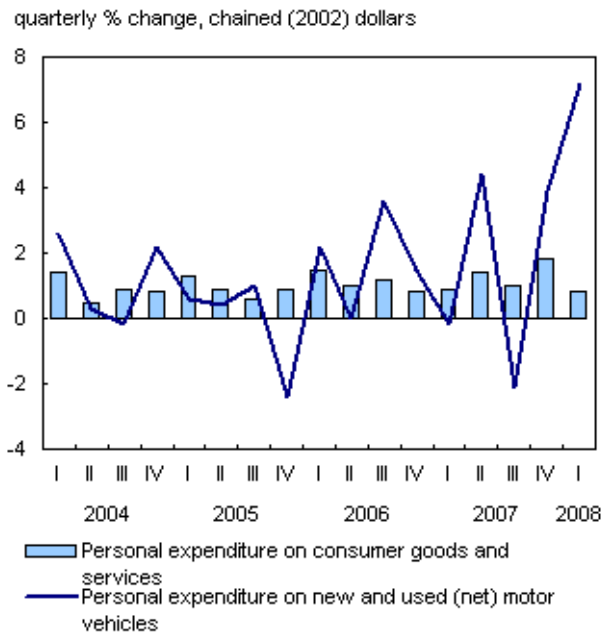
Businesses have been accumulating inventories since the third quarter of 2004.

The economy-wide inventory-to-sales ratio remained unchanged in the first quarter of 2008, leaving sufficient inventories to satisfy 63 days of sales.

**Personal spending moderates**

Personal spending grew 0.8% in the first quarter, down from the 1.8% gain in the fourth quarter of 2007. The deceleration was largely due to lower expenditures related to travel abroad, which increased substantially in the last half of 2007. Despite the decline, expenditures related to travel abroad registered their second-highest level ever. Purchases of new and used motor vehicles advanced 7.2%, spurred by widespread sales incentives, low interest financing packages, and the GST rate reduction. It was the largest gain since the fourth quarter of 2001.

**Chart B.4**  
**Personal spending on motor vehicles continues to advance**



Personal expenditure on furniture, furnishings and household equipment and maintenance posted a fifth consecutive quarterly increase of over 1%. Purchases of electricity declined for a third consecutive quarter.

Despite fewer international visitors to Canada, spending on restaurants and accommodation services advanced on the strength of domestic demand.

#### Housing investment declines

Business investment in residential structures declined in the first quarter, following five quarters of growth. Transfer costs associated with the resale market decreased for a third consecutive quarter, and new housing construction declined. This was partially offset by an increase in renovation activity.

#### Business investment in non-residential structures posts gain

A pick-up in business investment in non-residential structures in the first quarter (+0.9%), which followed four quarters of decline, was the result of increases in investment in both buildings and engineering. Government investment in non-residential structures continued a string of increases dating back to 2004, advancing 2.4% in the first quarter.

#### Corporate profits advance

Corporate profits grew 2.4% in the first quarter, fuelled by energy sector earnings.

Retailers also increased profits as consumer spending continued to advance. Profits in the financial sector weakened, especially bank profits. Manufacturers registered a decline in profits as the industry continued to struggle with difficult market conditions.

Despite the increase in corporate profits, overall, corporate sector income declined. Interest income from abroad fell substantially, resulting in lower corporate savings.

#### Personal income stays strong

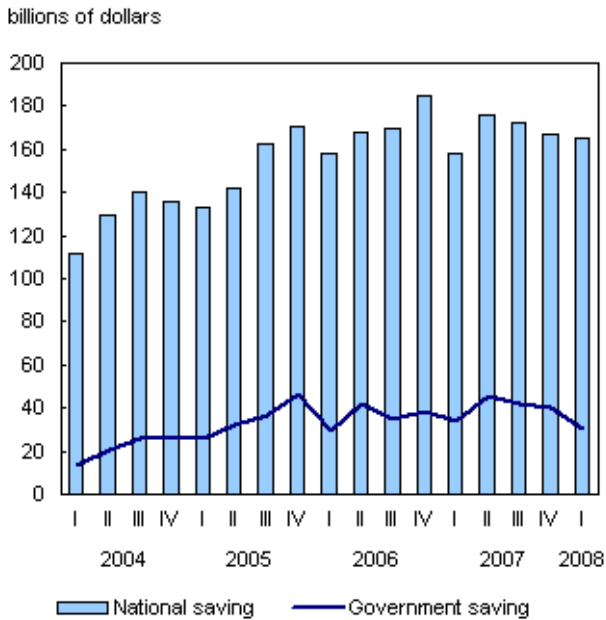
Wages and salaries and supplementary labour income increased 1.5%, a deceleration from the previous quarter. Employment increased in the quarter, as did average weekly earnings. Hours worked, however, registered a much lower gain.

Personal income outpaced outlays and the saving rate increased to 2.8%, up from 1.9% last quarter.

#### National saving weakens

The national saving rate was the lowest since the first quarter of 2005, as government sector saving was down. Federal government revenues declined, mainly due to the January cut in the GST rate. A second instalment of payments was made for the residential school survivor compensation (970 million dollars) during the quarter. Also, 1.1 billion dollars were transferred to native bands under the James Bay Cree agreement.

**Chart B.5**  
**Government saving moves downward**



**Prices move upward**

The price of goods and services produced in Canada advanced 1.3% in the first quarter, boosted by the continued increase in energy prices. This was up from the 0.9% increase registered in the fourth quarter. Excluding energy, prices advanced only 0.2%. Export prices, reflecting the energy gains, advanced sharply (+5.4%). After three quarters of declines, import prices advanced 3.3% as the Canadian dollar depreciated against its U.S. counterpart. Prices for final domestic demand increased 0.5%.



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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	758,824 1.6	774,960 2.1	786,392 1.5	789,224 0.4	802,852 1.7	814,984 1.5	743,313 6.9	788,357 6.1
Corporation profits before taxes	198,584 -0.9	200,572 1.0	202,740 1.1	204,784 1.0	204,828 0.0	209,704 2.4	196,719 5.8	203,231 3.3
Government business enterprise profits before taxes	14,100 -5.1	15,764 11.8	15,696 -0.4	15,544 -1.0	15,152 -2.5	16,156 6.6	14,638 -4.5	15,539 6.2
Interest and miscellaneous investment income	65,636 -1.7	68,756 4.8	72,056 4.8	72,492 0.6	72,756 0.4	74,584 2.5	66,421 8.4	71,515 7.7
Accrued net income of farm operators from farm production	76 ...	116 52.6	152 31.0	56 -63.2	116 107.1	1,092 841.4	-154 ...	110 ...
Net income of non-farm unincorporated business, including rent	87,600 1.1	88,928 1.5	90,120 1.3	90,660 0.6	91,744 1.2	93,024 1.4	86,540 3.1	90,363 4.4
Inventory valuation adjustment	-6,460 ...	-988 ...	7,024 ...	3,488 ...	3,564 ...	-1,148 ...	-2,407 ...	3,272 ...
Taxes less subsidies, on factors of production	65,476 1.0	66,744 1.9	67,484 1.1	68,424 1.4	69,032 0.9	70,192 1.7	64,580 4.4	67,921 5.2
<b>Net domestic product at basic prices</b>	<b>1,183,836</b> <b>0.5</b>	<b>1,214,852</b> <b>2.6</b>	<b>1,241,664</b> <b>2.2</b>	<b>1,244,672</b> <b>0.2</b>	<b>1,260,044</b> <b>1.2</b>	<b>1,278,588</b> <b>1.5</b>	<b>1,169,650</b> <b>6.0</b>	<b>1,240,308</b> <b>6.0</b>
Taxes less subsidies, on products	94,368 -0.1	96,532 2.3	99,568 3.1	100,076 0.5	101,536 1.5	96,556 -4.9	96,260 2.8	99,428 3.3
Capital consumption allowances	188,616 1.2	191,408 1.5	194,024 1.4	196,632 1.3	198,852 1.1	201,688 1.4	185,206 5.3	195,229 5.4
Statistical discrepancy	-216 ...	1,064 ...	1,292 ...	456 ...	-88 ...	1,144 ...	-626 ...	681 ...
<b>Gross domestic product at market prices</b>	<b>1,466,604</b> <b>0.6</b>	<b>1,503,856</b> <b>2.5</b>	<b>1,536,548</b> <b>2.2</b>	<b>1,541,836</b> <b>0.3</b>	<b>1,560,344</b> <b>1.2</b>	<b>1,577,976</b> <b>1.1</b>	<b>1,450,490</b> <b>5.7</b>	<b>1,535,646</b> <b>5.9</b>

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	816,360 0.8	830,928 1.8	847,900 2.0	857,272 1.1	874,980 2.1	884,644 1.1	803,260 5.8	852,770 6.2
Durable goods	107,696 0.6	108,964 1.2	112,596 3.3	111,672 -0.8	112,908 1.1	115,140 2.0	105,904 6.2	111,535 5.3
Semi-durable goods	67,144 -0.0	68,580 2.1	69,276 1.0	70,424 1.7	70,792 0.5	71,092 0.4	66,553 6.0	69,768 4.8
Non-durable goods	194,568 -1.2	200,144 2.9	205,488 2.7	205,628 0.1	209,952 2.1	212,632 1.3	194,868 4.1	205,303 5.4
Services	446,952 1.9	453,240 1.4	460,540 1.6	469,548 2.0	481,328 2.5	485,780 0.9	435,935 6.4	466,164 6.9
Government current expenditure on goods and services	283,644 1.5	290,196 2.3	296,108 2.0	296,028 -0.0	303,556 2.5	308,116 1.5	278,922 7.2	296,472 6.3
Government gross fixed capital formation	42,272 2.1	43,696 3.4	45,880 3.9	46,696 2.9	47,072 0.8	48,444 2.9	40,899 10.7	45,711 11.8
Government investment in inventories	-52 ...	8 ...	-60 ...	96 ...	16 ...	156 ...	-41 ...	15 ...
Business gross fixed capital formation	291,372 2.1	297,400 2.1	300,648 1.1	303,284 0.9	305,428 0.7	306,472 0.3	283,082 10.9	301,690 6.6
Residential structures	100,080 1.6	104,592 4.5	107,928 3.2	110,372 2.3	112,012 1.5	110,108 -1.7	98,473 9.7	108,726 10.4
Non-residential structures and equipment	191,292 2.4	192,808 0.8	192,720 -0.0	192,912 0.1	193,416 0.3	196,364 1.5	184,609 11.5	192,964 4.5
Non-residential structures	88,728 2.8	89,204 0.5	88,884 -0.4	88,600 -0.3	88,892 0.3	90,548 1.9	84,756 16.8	88,895 4.9
Machinery and equipment	102,564 2.1	103,604 1.0	103,836 0.2	104,312 0.5	104,524 0.2	105,816 1.2	99,853 7.3	104,069 4.2
Business investment in inventories	-100 ...	2,760 ...	1,784 ...	19,740 ...	14,940 ...	-1,124 ...	8,093 ...	9,806 ...
Non-farm	468 ...	3,912 ...	2,820 ...	21,244 ...	16,108 ...	600 ...	8,831 ...	11,021 ...
Farm	-568 ...	-1,152 ...	-1,036 ...	-1,504 ...	-1,168 ...	-1,724 ...	-738 ...	-1,215 ...
Exports of goods and services	531,304 1.3	545,448 2.7	542,912 -0.5	526,240 -3.1	513,872 -2.4	535,484 4.2	522,698 0.7	532,118 1.8
Goods	461,920 1.4	476,444 3.1	473,112 -0.7	458,036 -3.2	444,612 -2.9	466,864 5.0	453,733 0.8	463,051 2.1
Services	69,384 0.6	69,004 -0.5	69,800 1.2	68,204 -2.3	69,260 1.5	68,620 -0.9	68,965 0.3	69,067 0.1
Deduct: Imports of goods and services	498,412 0.8	505,516 1.4	496,832 -1.7	507,064 2.1	499,608 -1.5	503,072 0.7	487,048 4.1	502,255 3.1
Goods	413,836 0.7	421,120 1.8	410,508 -2.5	420,416 2.4	407,984 -3.0	413,384 1.3	404,250 4.2	415,007 2.7
Services	84,576 0.9	84,396 -0.2	86,324 2.3	86,648 0.4	91,624 5.7	89,688 -2.1	82,798 3.4	87,248 5.4
Statistical discrepancy	216 ...	-1,064 ...	-1,292 ...	-456 ...	88 ...	-1,144 ...	625 ...	-681 ...
<b>Gross domestic product at market prices</b>	<b>1,466,604 0.6</b>	<b>1,503,856 2.5</b>	<b>1,536,548 2.2</b>	<b>1,541,836 0.3</b>	<b>1,560,344 1.2</b>	<b>1,577,976 1.1</b>	<b>1,450,490 5.7</b>	<b>1,535,646 5.9</b>
<i>Final domestic demand</i>	<i>1,433,648 1.3</i>	<i>1,462,220 2.0</i>	<i>1,490,036 1.9</i>	<i>1,503,280 0.9</i>	<i>1,531,036 1.8</i>	<i>1,547,676 1.1</i>	<i>1,406,163 7.2</i>	<i>1,496,643 6.4</i>

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	765,295 0.8	772,440 0.9	783,339 1.4	791,358 1.0	805,760 1.8	812,166 0.8	754,179 4.3	788,224 4.5
Durable goods	112,791 1.0	114,076 1.1	118,141 3.6	117,732 -0.3	120,975 2.8	125,676 3.9	109,929 7.6	117,731 7.1
Semi-durable goods	69,312 0.4	70,887 2.3	71,353 0.7	72,813 2.0	73,353 0.7	74,595 1.7	68,258 7.3	72,102 5.6
Non-durable goods	169,792 -0.1	171,935 1.3	174,151 1.3	175,116 0.6	176,803 1.0	177,057 0.1	168,977 1.3	174,501 3.3
Services	414,934 1.3	417,178 0.5	421,615 1.1	427,570 1.4	436,709 2.1	437,727 0.2	408,282 4.4	425,768 4.3
Government current expenditure on goods and services	251,708 0.9	253,550 0.7	255,245 0.7	259,691 1.7	263,357 1.4	265,060 0.6	248,777 3.8	257,961 3.7
Government gross fixed capital formation	38,754 2.0	39,437 1.8	40,528 2.8	41,738 3.0	41,839 0.2	42,588 1.8	37,939 6.7	40,886 7.8
Government investment in inventories	-40 ...	12 ...	-52 ...	84 ...	12 ...	132 ...	-33 ...	14 ...
Business gross fixed capital formation	266,729 1.1	268,015 0.5	270,610 1.0	273,631 1.1	276,471 1.0	275,662 -0.3	263,320 7.1	272,182 3.4
Residential structures	77,708 0.1	79,768 2.7	80,682 1.1	81,506 1.0	81,879 0.5	80,441 -1.8	78,602 2.2	80,959 3.0
Non-residential structures and equipment	191,356 1.6	190,104 -0.7	191,759 0.9	194,002 1.2	196,668 1.4	197,751 0.6	186,514 9.9	193,133 3.5
Non-residential structures	70,393 1.9	69,849 -0.8	68,466 -2.0	67,717 -1.1	67,119 -0.9	67,701 0.9	68,577 8.9	68,288 -0.4
Machinery and equipment	121,672 1.3	121,000 -0.6	125,093 3.4	129,023 3.1	133,323 3.3	133,698 0.3	118,649 10.6	127,110 7.1
Business investment in inventories	1,510 ...	5,997 ...	5,681 ...	20,480 ...	20,565 ...	3,262 ...	10,766 ...	13,181 ...
Non-farm	762 ...	5,776 ...	5,185 ...	19,931 ...	19,351 ...	2,351 ...	9,956 ...	12,561 ...
Farm	-39 ...	-799 ...	-480 ...	-687 ...	-9 ...	-267 ...	-162 ...	-494 ...
Exports of goods and services	508,219 1.2	509,189 0.2	512,307 0.6	510,840 -0.3	501,112 -1.9	495,842 -1.1	503,322 0.6	508,362 1.0
Goods	443,916 1.3	445,870 0.4	448,340 0.6	448,299 -0.0	437,942 -2.3	434,139 -0.9	438,898 0.9	445,113 1.4
Services	64,343 0.4	63,389 -1.5	64,030 1.0	62,660 -2.1	63,165 0.8	61,741 -2.3	64,436 -1.2	63,311 -1.7
Deduct: Imports of goods and services	546,631 -0.1	548,079 0.3	554,726 1.2	581,348 4.8	593,526 2.1	578,055 -2.6	539,784 4.6	569,420 5.5
Goods	457,387 0.1	459,421 0.4	462,301 0.6	486,822 5.3	490,885 0.8	480,547 -2.1	450,512 5.0	474,857 5.4
Services	89,397 -1.0	88,844 -0.6	92,501 4.1	94,728 2.4	102,462 8.2	97,500 -4.8	89,387 2.9	94,634 5.9
Statistical discrepancy	190 ...	-924 ...	-1,109 ...	-392 ...	75 ...	-962 ...	554 ...	-588 ...
<b>Gross domestic product at market prices</b>	<b>1,292,881</b> 0.5	<b>1,305,843</b> 1.0	<b>1,318,339</b> 1.0	<b>1,325,934</b> 0.6	<b>1,328,606</b> 0.2	<b>1,327,452</b> -0.1	<b>1,284,819</b> 3.1	<b>1,319,681</b> 2.7
<i>Final domestic demand</i>	<i>1,321,554</i> 0.9	<i>1,332,472</i> 0.8	<i>1,348,646</i> 1.2	<i>1,365,422</i> 1.2	<i>1,386,354</i> 1.5	<i>1,394,381</i> 0.6	<i>1,303,313</i> 4.8	<i>1,358,224</i> 4.2

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

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	3.4	3.8	5.8	4.2	7.5	3.2	4.3	4.5
Durable goods	4.3	4.6	15.0	-1.4	11.5	16.5	7.6	7.1
Semi-durable goods	1.4	9.4	2.7	8.4	3.0	6.9	7.3	5.6
Non-durable goods	-0.5	5.1	5.3	2.2	3.9	0.6	1.3	3.3
Services	5.3	2.2	4.3	5.8	8.8	0.9	4.4	4.3
Government current expenditure on goods and services	3.6	3.0	2.7	7.2	5.8	2.6	3.8	3.7
Government gross fixed capital formation	8.2	7.2	11.5	12.5	1.0	7.4	6.7	7.8
Government investment in inventories[2]	56	52	-64	136	-72	120	-57	47
Business gross fixed capital formation	4.3	1.9	3.9	4.5	4.2	-1.2	7.1	3.4
Residential structures	0.2	11.0	4.7	4.1	1.8	-6.8	2.2	3.0
Non-residential structures and equipment	6.5	-2.6	3.5	4.8	5.6	2.2	9.9	3.5
Non-residential structures	7.8	-3.1	-7.7	-4.3	-3.5	3.5	8.9	-0.4
Machinery and equipment	5.4	-2.2	14.2	13.2	14.0	1.1	10.6	7.1
Business investment in inventories[2]	-11,984	4,487	-316	14,799	85	-17,303	-2,034	2,415
Non-farm[2]	-11,779	5,014	-591	14,746	-580	-17,000	-378	2,605
Farm[2]	52	-760	319	-207	678	-258	-2,180	-332
Exports of goods and services	4.7	0.8	2.5	-1.1	-7.4	-4.1	0.6	1.0
Goods	5.2	1.8	2.2	-0.0	-8.9	-3.4	0.9	1.4
Services	1.6	-5.8	4.1	-8.3	3.3	-8.7	-1.2	-1.7
Deduct: Imports of goods and services	-0.5	1.1	4.9	20.6	8.6	-10.0	4.6	5.5
Goods	0.3	1.8	2.5	23.0	3.4	-8.2	5.0	5.4
Services	-4.0	-2.5	17.5	10.0	36.9	-18.0	2.9	5.9
Statistical discrepancy[2]	-484	-1,114	-185	717	467	-1,037	93	-1,141
<b>Gross domestic product at market prices</b>	<b>2.1</b>	<b>4.1</b>	<b>3.9</b>	<b>2.3</b>	<b>0.8</b>	<b>-0.3</b>	<b>3.1</b>	<b>2.7</b>
<i>Final domestic demand</i>	<i>3.8</i>	<i>3.3</i>	<i>4.9</i>	<i>5.1</i>	<i>6.3</i>	<i>2.3</i>	<i>4.8</i>	<i>4.2</i>

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.465	0.518	0.777	0.566	1.008	0.444	2.358	2.513
Durable goods	0.077	0.083	0.256	-0.025	0.197	0.277	0.540	0.511
Semi-durable goods	0.016	0.103	0.030	0.092	0.034	0.076	0.327	0.256
Non-durable goods	-0.018	0.167	0.172	0.074	0.129	0.019	0.182	0.446
Services	0.390	0.164	0.319	0.425	0.649	0.072	1.309	1.301
Government current expenditure on goods and services	0.171	0.142	0.129	0.333	0.271	0.126	0.712	0.716
Government gross fixed capital formation	0.057	0.051	0.080	0.088	0.007	0.054	0.181	0.220
Government investment in inventories	0.004	0.004	-0.004	0.010	-0.005	0.009	-0.005	0.004
Business gross fixed capital formation	0.208	0.096	0.190	0.218	0.203	-0.057	1.330	0.666
Residential structures	0.004	0.181	0.080	0.072	0.033	-0.125	0.147	0.210
Non-residential structures and equipment	0.203	-0.085	0.110	0.146	0.170	0.068	1.182	0.456
Non-residential structures	0.113	-0.047	-0.118	-0.064	-0.051	0.049	0.482	-0.023
Machinery and equipment	0.091	-0.039	0.228	0.210	0.221	0.019	0.700	0.480
Business investment in inventories	-0.808	0.299	-0.021	0.939	0.002	-1.074	-0.173	0.154
Non-farm	-0.811	0.341	-0.040	0.950	-0.038	-1.061	-0.029	0.187
Farm	0.003	-0.042	0.018	-0.011	0.040	-0.014	-0.143	-0.033
Exports of goods and services	0.417	0.069	0.220	-0.099	-0.645	-0.353	0.223	0.362
Goods	0.398	0.139	0.174	-0.002	-0.681	-0.253	0.284	0.442
Services	0.019	-0.070	0.046	-0.097	0.036	-0.100	-0.061	-0.080
Deduct: Imports of goods and services	-0.040	0.090	0.400	1.533	0.675	-0.844	1.524	1.834
Goods	0.019	0.125	0.173	1.399	0.223	-0.557	1.358	1.504
Services	-0.059	-0.036	0.228	0.134	0.452	-0.287	0.166	0.330
Statistical discrepancy	-0.038	-0.086	-0.014	0.054	0.035	-0.078	0.008	-0.089
<b>Gross domestic product at market prices</b>	<b>0.516</b>	<b>1.003</b>	<b>0.957</b>	<b>0.576</b>	<b>0.202</b>	<b>-0.087</b>	<b>3.110</b>	<b>2.713</b>
<i>Final domestic demand</i>	<i>0.900</i>	<i>0.806</i>	<i>1.177</i>	<i>1.206</i>	<i>1.490</i>	<i>0.566</i>	<i>4.580</i>	<i>4.116</i>

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Using seasonally adjusted data, (2002 = 100)								
Personal expenditure on consumer goods and services	106.7 0.0	107.6 0.8	108.2 0.6	108.3 0.1	108.6 0.3	108.9 0.3	106.5 1.5	108.2 1.5
Government current expenditure on goods and services	112.7 0.6	114.5 1.6	116.0 1.3	114.0 -1.7	115.3 1.1	116.2 0.8	112.1 3.3	115.0 2.5
Government gross fixed capital formation	109.1 0.1	110.8 1.6	112.0 1.1	111.9 -0.1	112.5 0.5	113.8 1.2	107.8 3.8	111.8 3.7
Business gross fixed capital formation	109.2 1.0	111.0 1.6	111.1 0.1	110.8 -0.3	110.5 -0.3	111.2 0.6	107.5 3.5	110.9 3.1
Exports of goods and services	104.5 0.1	107.1 2.5	106.0 -1.0	103.0 -2.8	102.5 -0.5	108.0 5.4	103.8 0.1	104.7 0.8
Imports of goods and services	91.2 0.9	92.2 1.1	89.6 -2.8	87.2 -2.7	84.2 -3.4	87.0 3.3	90.2 -0.5	88.3 -2.1
<b>Gross domestic product at market prices</b>	<b>113.4 0.0</b>	<b>115.2 1.6</b>	<b>116.6 1.2</b>	<b>116.3 -0.3</b>	<b>117.4 0.9</b>	<b>118.9 1.3</b>	<b>112.9 2.5</b>	<b>116.4 3.1</b>
<i>Final domestic demand</i>	<i>108.5 0.4</i>	<i>109.7 1.1</i>	<i>110.5 0.7</i>	<i>110.1 -0.4</i>	<i>110.4 0.3</i>	<i>111.0 0.5</i>	<i>107.9 2.3</i>	<i>110.2 2.1</i>

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

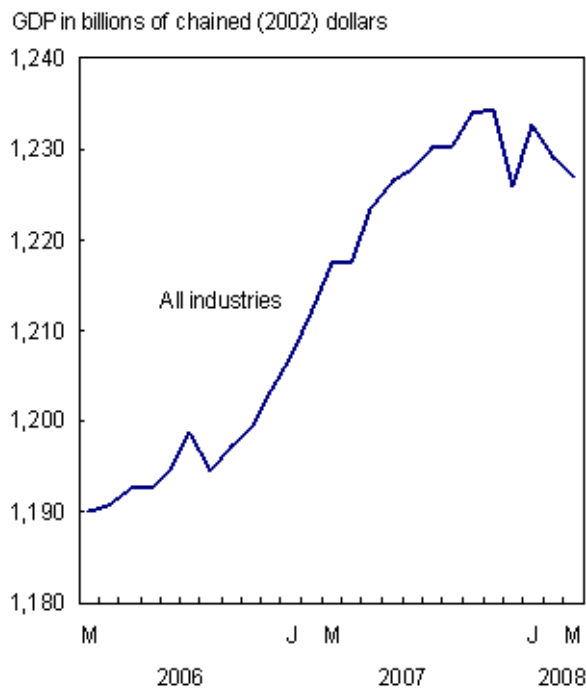
## Section C GDP by industry

March 2008

Economic activity edged down for a second consecutive month, declining 0.2% in March. Manufacturing accounted for virtually all of the decrease. The services-producing industries expanded by 0.2% during March.

The declines in manufacturing were widespread, but motor vehicle production was the hardest hit. Furthermore, wholesale trade and construction, retreated. Conversely, the finance sector, retail trade, and the energy sector, all increased.

**Chart C.1**  
**Economic activity declines**



### Manufacturers reduce production once again

Manufacturing value added fell 2.5% in March, with both the durable and non-durable goods production decreasing. The drop in transportation equipment accounted for nearly half of the decline in manufacturing. Lower demand and a strike at a major parts supplier located in the U.S. had a ripple effect throughout motor vehicle manufacturing and its associated industries. As a result, motor vehicle production contracted 13.4%.

In March, production of wood, paper, and non-metallic minerals also fell as demand on foreign markets continued to soften. For some time, wood product manufacturers have faced lower foreign demand for their products, notably the United States, largely due to its cooling economy and a strong Canadian dollar.

**Chart C.2**  
**Widespread decreases in manufacturing**



### Wholesaling activity retreats

Wholesaling activity slipped for a second month in a row posting a 0.6% decline. Personal and household goods and food products were behind the decline. Conversely, wholesaling of building supplies and of motor vehicles improved.

### Construction edges down

Construction activity decreased 0.2% in March. The declines in residential construction, and engineering and repair work, were only partially offset by an increase in non-residential building. Apartments and alterations and improvements work were the only type of residential construction activities that advanced for the month, while all types of non-residential building moved forward.

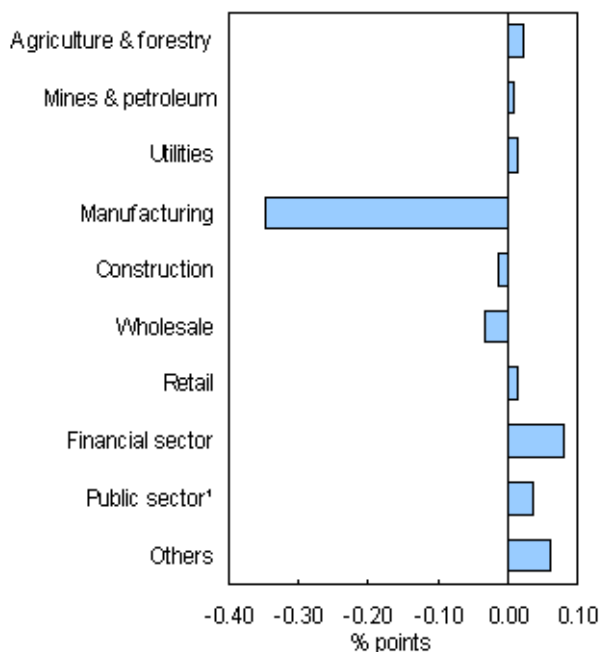
Real estate agents and brokers recorded a fourth consecutive monthly decline as the home resale market retreated slightly in March. Their activities were among those which were affected by the inclement weather. They are now well below their most recent peak reached in the summer of 2007.

### Retailing activity up slightly

Value added in the retail trade sector was up 0.2% in March, recovering part of its February drop. The volume of activity of automotive product stores, particularly gasoline stations, and supermarkets increased, while clothing and accessories stores declined.

**Chart C.3**

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



1. Education, health and public administration.

### Energy sector moves ahead

The energy sector moved ahead 0.3% in March. Extraction of both oil and gas increased for the month. The price of oil continued its dramatic increase. The distribution of natural gas to residential and commercial clients rose in March. Furthermore, the quantity of natural gas in storage in Canada and the United States remained low. Support activities for mining and oil and gas extraction contracted 4.0%.

The output of the mining sector excluding oil and gas edged up 0.5% in March. The increase recorded by the non-metal mines was only partially offset by the decrease posted by the metal ore mines.

### Other industries

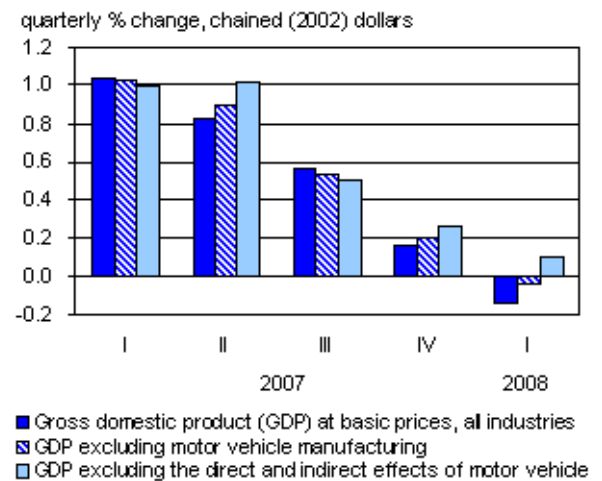
Activities in the finance and insurance rose 0.8%, largely on the strength of very strong trading volumes on the stock exchanges. However, banking services were almost unchanged.

### First quarter 2008

Canadian economic activity edged down 0.1% in the first quarter of 2008. The economy started to lose momentum during the second half of 2007. Production cutbacks in manufacturing were significant and widespread during the first quarter 2008, most notably in motor vehicles. If we exclude the production of motor vehicles and its estimated ripple effects on other sectors such as motor vehicle parts, wholesaling and transportation, gross domestic product (GDP) would have risen by 0.1%.

**Chart C.4**

**Motor vehicle manufacturing hampered growth in the first quarter of 2008**



The service industries continued to expand 0.5% in the first quarter, but it was not enough to offset the 1.5% decline in the goods industries. Continued strength in retail trade and in the finance and insurance sector, as well as a rebound in accommodation and food services propelled the services-producing industries. Lower activity in forestry and logging, mining and in utilities, combined with the decrease in manufacturing, was behind the drop in the goods-producing sector.

Manufacturing value added contracted 3.0% in the quarter, its third consecutive quarterly drop. The declines were widespread, with 20 of the 21 major industry groups declining. The most significant drops were in motor vehicle production and associated parts, wood products, non-metallic minerals, plastics and rubber products, and chemicals.

Motor vehicle production tumbled 13.4% during the first quarter of 2008, following a 5.4% decline in the fourth quarter of 2007. Extended holiday shutdowns related to inventory control measures and re-tooling substantially reduced December activity. Only a partial recovery was seen in January and February due to continued decreasing demand for new motor vehicles in the United States. The quarter closed with production largely hindered by a major labour strike in March at a parts supplier located in the U.S.

Wood product manufacturing lost ground again as Canadian exports suffered from continued weak new housing starts in the United States and slower construction activity in Canada, forcing more layoffs and closures, both temporary and permanent. The same factors impacted forestry and logging activities which declined in the first quarter of 2008, their third such quarterly decline in the last four. Output in machinery, computer and electronic products and electric equipment manufacturing have all experienced declines in the last three quarters.

Value added in the retail trade sector grew 1.1% in the first quarter with widespread increases. There were notable increases in the volume of activities at new and used cars dealers, partly related to the decrease in the goods and services tax (GST) that came into effect on January 1st. Wholesale trade activities remained essentially unchanged as strong advances in farm and other products were offset by reduced motor vehicle wholesaling as a result of diminished production.

The finance and insurance sector advanced 1.1% in the first quarter on the strength of banking. Real estate agents and brokers posted their third quarterly drop in a row (-4.6%) as transactions in the home resale market declined further.

Industrial production (the output of mines, utilities and factories) dropped 2.1% over the first quarter with all three components declining. Mining activities for both metal ore and non-metallic minerals decreased over the quarter. In the United States industrial production fell 0.1% for the quarter.

The energy sector declined for a second quarter in a row, down 0.4%, with the declines in utilities and pipeline transportation far outweighing a significant jump in coal mining and slight increases in refining activities and support activities for mining and oil and gas extraction.

Tourism-related industries once again fared well with air transportation climbing (+2.8%) for the quarter and food and accommodation services increasing 1.3%.



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

	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>All industries</b>	<b>1,230,258</b>	<b>1,230,098</b>	<b>1,233,745</b>	<b>1,234,270</b>	<b>1,225,857</b>	<b>1,232,780</b>	<b>1,228,955</b>	<b>1,227,037</b>
	0.2	-0.0	0.3	0.0	-0.7	0.6	-0.3	-0.2
<b>Goods-producing industries</b>	<b>380,136</b>	<b>378,300</b>	<b>378,766</b>	<b>377,449</b>	<b>370,583</b>	<b>372,472</b>	<b>370,489</b>	<b>366,721</b>
	0.2	-0.5	0.1	-0.3	-1.8	0.5	-0.5	-1.0
Agriculture, forestry, fishing and hunting	26,820	26,767	26,700	26,625	26,395	26,272	26,218	26,517
	1.3	-0.2	-0.3	-0.3	-0.9	-0.5	-0.2	1.1
Mining and oil and gas extraction	59,418	58,807	58,017	57,854	57,138	57,502	57,297	57,364
	1.6	-1.0	-1.3	-0.3	-1.2	0.6	-0.4	0.1
Utilities	30,746	31,311	31,717	31,840	31,658	31,457	31,436	31,603
	-0.8	1.8	1.3	0.4	-0.6	-0.6	-0.1	0.5
Construction	77,234	77,565	77,499	77,540	77,433	77,560	77,883	77,733
	0.3	0.4	-0.1	0.1	-0.1	0.2	0.4	-0.2
Manufacturing	185,323	183,361	184,763	183,476	177,613	179,309	177,198	172,701
	-0.4	-1.1	0.8	-0.7	-3.2	1.0	-1.2	-2.5
<b>Services-producing industries</b>	<b>850,931</b>	<b>852,694</b>	<b>855,912</b>	<b>857,829</b>	<b>856,494</b>	<b>861,550</b>	<b>859,746</b>	<b>861,758</b>
	0.2	0.2	0.4	0.2	-0.2	0.6	-0.2	0.2
Wholesale trade	72,160	72,652	73,773	73,830	72,112	74,234	72,835	72,418
	0.1	0.7	1.5	0.1	-2.3	2.9	-1.9	-0.6
Retail trade	73,675	73,517	73,845	74,355	74,401	75,310	74,816	75,000
	1.2	-0.2	0.4	0.7	0.1	1.2	-0.7	0.2
Transportation and warehousing	56,775	56,848	56,658	56,812	56,172	56,537	56,187	56,562
	0.1	0.1	-0.3	0.3	-1.1	0.6	-0.6	0.7
Information and cultural industries	44,276	44,367	44,598	44,615	44,747	44,530	44,520	44,822
	0.2	0.2	0.5	0.0	0.3	-0.5	-0.0	0.7
Finance, insurance and real estate	241,254	241,460	242,454	243,120	243,614	244,588	244,286	245,309
	0.1	0.1	0.4	0.3	0.2	0.4	-0.1	0.4
Professional, scientific and technical services	57,579	57,673	57,742	57,932	57,948	57,988	58,009	58,058
	0.1	0.2	0.1	0.3	0.0	0.1	0.0	0.1
Administrative and waste management services	31,851	31,953	32,066	32,169	32,256	32,314	32,392	32,460
	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.2
Educational services	57,758	57,984	58,117	58,202	58,340	58,428	58,535	58,665
	0.3	0.4	0.2	0.1	0.2	0.2	0.2	0.2
Health care and social assistance	76,992	77,098	77,311	77,414	77,619	77,687	77,761	77,946
	0.1	0.1	0.3	0.1	0.3	0.1	0.1	0.2
Arts, entertainment and recreation	11,758	11,822	11,790	11,897	11,574	11,699	11,714	11,633
	-0.5	0.5	-0.3	0.9	-2.7	1.1	0.1	-0.7
Accommodation and food services	27,843	28,145	27,976	27,794	27,760	28,059	28,275	28,270
	0.4	1.1	-0.6	-0.7	-0.1	1.1	0.8	-0.0
Other services (except public administration)	31,000	31,107	31,239	31,251	31,342	31,428	31,500	31,558
	0.3	0.3	0.4	0.0	0.3	0.3	0.2	0.2
Public administration	68,085	68,141	68,418	68,516	68,673	68,829	68,984	69,130
	0.1	0.1	0.4	0.1	0.2	0.2	0.2	0.2
<b>Other aggregations</b>								
Industrial production	276,817	274,759	275,333	274,070	267,646	269,477	267,278	263,480
	0.1	-0.7	0.2	-0.5	-2.3	0.7	-0.8	-1.4
Non-durable manufacturing industries	72,855	71,785	71,498	71,710	70,831	70,644	69,763	69,207
	-1.0	-1.5	-0.4	0.3	-1.2	-0.3	-1.2	-0.8
Durable manufacturing industries	112,678	111,797	113,526	111,993	106,938	108,860	107,631	103,632
	-0.1	-0.8	1.5	-1.4	-4.5	1.8	-1.1	-3.7
Business sector industries	1,036,898	1,036,378	1,039,526	1,039,779	1,031,039	1,037,579	1,033,416	1,031,083
	0.2	-0.1	0.3	0.0	-0.8	0.6	-0.4	-0.2
Non-business sector industries	193,261	193,628	194,125	194,400	194,755	195,128	195,482	195,920
	0.1	0.2	0.3	0.1	0.2	0.2	0.2	0.2
ICT sector, total	57,046	56,939	57,438	57,385	57,436	57,566	57,429	57,517
	-0.0	-0.2	0.9	-0.1	0.1	0.2	-0.2	0.2
Energy sector	87,816	87,675	87,156	87,189	86,134	86,882	86,159	86,416
	0.5	-0.2	-0.6	0.0	-1.2	0.9	-0.8	0.3

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
<b>Goods-producing industries</b>	<b>373,421</b>	<b>378,296</b>	<b>379,987</b>	<b>379,254</b>	<b>375,599</b>	<b>369,894</b>	<b>375,489</b>	<b>378,284</b>
	-0.3	1.3	0.4	-0.2	-1.0	-1.5	1.2	0.7
Agriculture, forestry, fishing and hunting	27,384	27,460	26,993	26,684	26,573	26,336	27,847	26,928
	-0.1	0.3	-1.7	-1.1	-0.4	-0.9	-2.1	-3.3
Mining and oil and gas extraction	57,204	58,263	58,454	58,906	57,670	57,388	57,174	58,323
	-0.6	1.9	0.3	0.8	-2.1	-0.5	2.0	2.0
Utilities	29,818	30,566	31,362	31,012	31,738	31,499	30,128	31,170
	-1.5	2.5	2.6	-1.1	2.3	-0.8	-1.4	3.5
Construction	75,536	76,271	76,502	77,274	77,491	77,725	74,087	76,884
	1.6	1.0	0.3	1.0	0.3	0.3	8.1	3.8
Manufacturing	183,590	185,663	186,570	184,943	181,951	176,403	186,631	184,782
	-0.7	1.1	0.5	-0.9	-1.6	-3.0	-1.0	-1.0
<b>Services-producing industries</b>	<b>827,148</b>	<b>834,678</b>	<b>843,140</b>	<b>850,897</b>	<b>856,745</b>	<b>861,018</b>	<b>818,862</b>	<b>846,365</b>
	0.6	0.9	1.0	0.9	0.7	0.5	3.8	3.4
Wholesale trade	68,298	69,335	70,547	72,308	73,238	73,162	68,383	71,357
	-1.4	1.5	1.7	2.5	1.3	-0.1	7.1	4.3
Retail trade	69,847	71,264	72,874	73,321	74,200	75,042	69,015	72,915
	0.3	2.0	2.3	0.6	1.2	1.1	6.0	5.7
Transportation and warehousing	55,683	55,940	56,252	56,775	56,547	56,429	55,501	56,379
	0.2	0.5	0.6	0.9	-0.4	-0.2	3.2	1.6
Information and cultural industries	43,651	43,788	44,095	44,275	44,653	44,624	43,147	44,203
	0.7	0.3	0.7	0.4	0.9	-0.1	3.1	2.4
Finance, insurance and real estate	234,023	236,753	239,154	241,265	243,063	244,728	230,362	240,059
	1.1	1.2	1.0	0.9	0.7	0.7	3.8	4.2
Professional, scientific and technical services	56,088	56,573	57,166	57,588	57,874	58,018	55,377	57,300
	1.1	0.9	1.0	0.7	0.5	0.2	2.9	3.5
Administrative and waste management services	30,979	31,209	31,566	31,859	32,164	32,389	30,524	31,699
	0.7	0.7	1.1	0.9	1.0	0.7	6.1	3.9
Educational services	56,587	56,936	57,336	57,777	58,220	58,543	56,221	57,567
	0.7	0.6	0.7	0.8	0.8	0.6	2.2	2.4
Health care and social assistance	75,376	75,971	76,569	77,013	77,448	77,798	74,780	76,750
	0.7	0.8	0.8	0.6	0.6	0.5	2.7	2.6
Arts, entertainment and recreation	11,566	11,603	11,705	11,797	11,754	11,682	11,410	11,715
	2.4	0.3	0.9	0.8	-0.4	-0.6	4.3	2.7
Accommodation and food services	27,880	27,538	27,444	27,904	27,843	28,201	27,365	27,682
	2.6	-1.2	-0.3	1.7	-0.2	1.3	3.6	1.2
Other services (except public administration)	30,390	30,570	30,768	31,005	31,277	31,495	30,072	30,905
	0.7	0.6	0.6	0.8	0.9	0.7	2.5	2.8
Public administration	66,831	67,255	67,730	68,085	68,536	68,981	66,758	67,901
	0.1	0.6	0.7	0.5	0.7	0.6	2.2	1.7
<b>Other aggregations</b>								
Industrial production	271,364	275,382	277,214	276,033	272,350	266,745	274,357	275,245
	-0.8	1.5	0.7	-0.4	-1.3	-2.1	-0.2	0.3
Non-durable manufacturing industries	73,355	72,592	73,248	72,738	71,346	69,871	74,329	72,481
	-0.9	-1.0	0.9	-0.7	-1.9	-2.1	-1.9	-2.5
Durable manufacturing industries	110,392	113,299	113,536	112,414	110,819	106,708	112,470	112,517
	-0.6	2.6	0.2	-1.0	-1.4	-3.7	-0.3	0.0
Business sector industries	1,010,284	1,021,356	1,030,142	1,035,897	1,036,781	1,034,026	1,005,146	1,031,044
	0.3	1.1	0.9	0.6	0.1	-0.3	3.0	2.6
Non-business sector industries	189,561	190,924	192,214	193,322	194,427	195,510	188,687	192,722
	0.5	0.7	0.7	0.6	0.6	0.6	2.3	2.1
ICT sector, total	55,151	55,866	56,761	57,011	57,420	57,504	54,485	56,765
	0.7	1.3	1.6	0.4	0.7	0.1	4.3	4.2
Energy sector	84,925	86,749	87,590	87,625	86,826	86,486	85,876	87,198
	-2.0	2.1	1.0	0.0	-0.9	-0.4	1.0	1.5

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

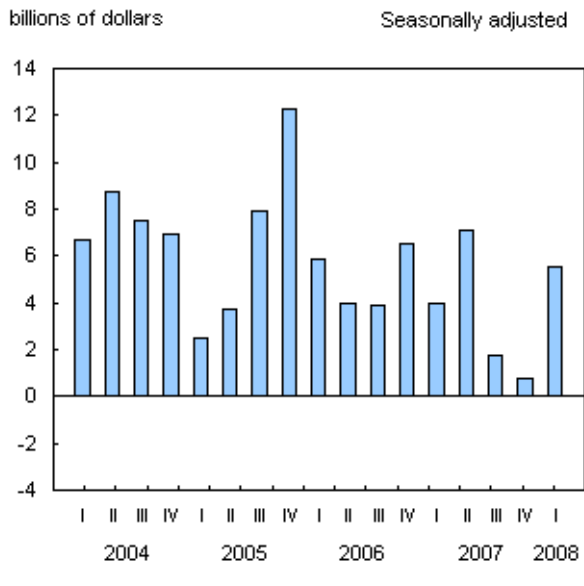
## Section D

# Balance of international payments

First quarter 2008

The current account surplus with the rest of the world (on a seasonally adjusted basis) increased sharply to \$5.6 billion in the first quarter of 2008, led by higher prices for several exported commodities combined with a lower travel deficit. The deficits on commercial services and investment income were largely unchanged.

**Chart D.1**  
Large increase of the current account surplus



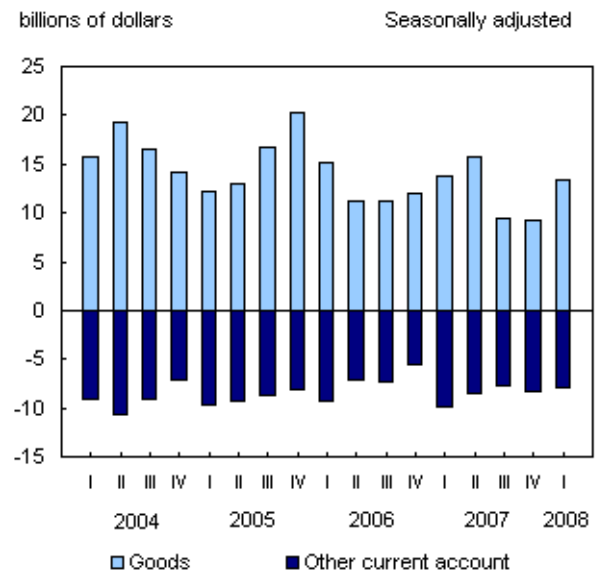
In the capital and financial account (not seasonally adjusted), foreign direct investment flows into Canada slowed significantly from the acquisitions-driven pace of the previous quarter, while Canadian direct investment abroad continued to strengthen. Canadian portfolio

investors focused on foreign equities, while their non-resident counterparts' investment flows were dominated by federal bonds.

### Goods surplus strengthens

The goods surplus widened to \$13.4 billion during the first quarter, up strongly from the previous two quarters. Much of the increase came from gains on the export side that were again dominated by the growth in the value of exports of energy products.

**Chart D.2**  
Goods surplus improves as exports rebound



#### Note to readers

Annual and quarterly data have been revised for the reference years 2004 to 2007. This is in keeping with the general policy to revise national accounts statistics back four years at the time of the first quarter data release. In general, the revisions reflect more current sources of information coming from annual surveys and administrative data.

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

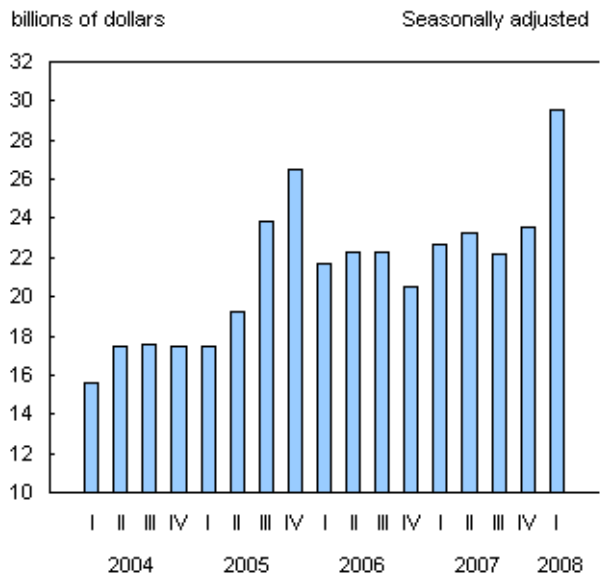
The **current account** covers transactions in goods, services, investment income and current transfers. Exports and interest income are examples of receipts, while imports and interest expense are payments. The overall balance of receipts and payments is Canada's current account **surplus** or **deficit**.

The **capital and financial account** is mainly composed of transactions in financial instruments. Financial assets and liabilities with non-residents are presented in three functional classes: direct investment, portfolio investment and all other types of investment. These flows arise from financial activities of either Canadian residents (foreign assets of Canadian investors) or non-residents (Canadian liabilities to foreign investors). Transactions resulting in capital inflows to Canada are presented as positive values while those giving rise to capital outflows from Canada are shown as negative values.

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

Exports of goods reached \$116.7 billion in the first quarter, growing 5% from the previous quarter. With price gains in excess of 20% in the first quarter, export values of crude petroleum plus natural gas advanced sharply. Higher prices were also important factors in higher exports of industrial goods, notably precious metals and alloys, and of agricultural products on record sales of wheat and canola. Exports of automotive products declined for the fourth consecutive quarter, reaching their lowest levels since the end of 1996.

**Chart D.3**  
**High prices push exports of energy products to a record level**



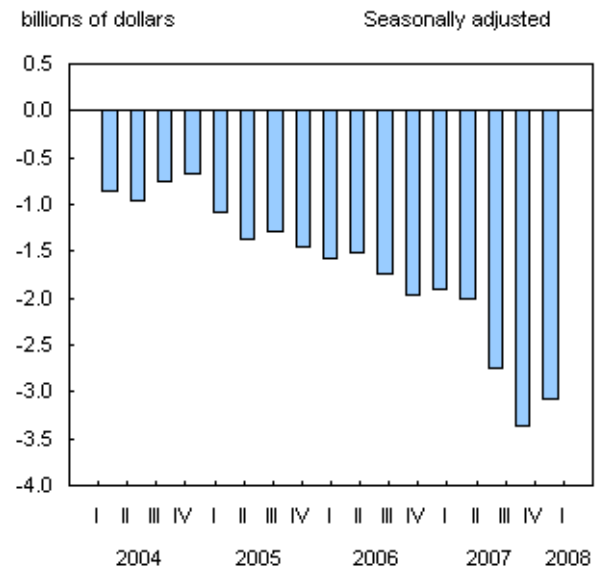
Imports were up \$1.4 billion in the first quarter largely reflecting higher volumes and prices for energy products. However, these gains were partially offset by lower imports of automotive products.

**Services deficit narrows modestly**

Following a substantial increase in the fourth quarter of 2007 the services deficit narrowed slightly in the first quarter, led by travel.

After a record high in the fourth quarter, the expenditures of Canadian travellers going to the United States dropped this quarter as fewer Canadians crossed the borders for both same-day and longer trips. The travel deficit with overseas countries widened while that with the United States was reduced. Nevertheless, the travel deficit with the U.S. was the second largest on record at \$2.2 billion.

**Chart D.4**  
**Canadians reduce their spending in United States and travel deficit shrinks**



**The deficit on investment income remains steady**

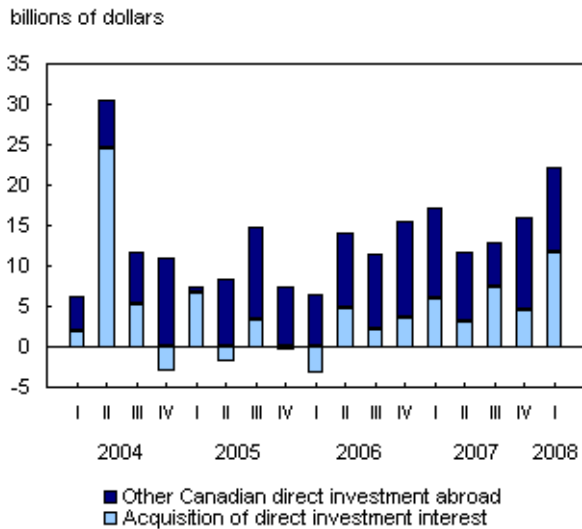
During the first quarter of 2008, the investment income deficit was marginally reduced by \$0.2 billion. The deficit on income from portfolio securities continued to narrow, while profits earned by operations of Canadian direct investors abroad declined by less than the reduction in net earnings of foreign direct investors on their investment in Canada.

**Canadian direct investment abroad surpasses inward direct investment flows**

Inflows into the Canadian economy by foreign direct investors slowed considerably in the first quarter while Canadian direct investment into foreign economies picked up speed. The resulting \$5.1 billion net direct investment outflow was the first net outflow since the second quarter of 2006.

With the dollar losing some ground against its U.S. counterpart but still remaining near parity, Canadian direct investors made sizable acquisitions of foreign firms (\$11.7 billion) in the quarter, mainly in the finance and insurance sector. They also injected significant funds into existing foreign affiliates (\$10.5 billion).

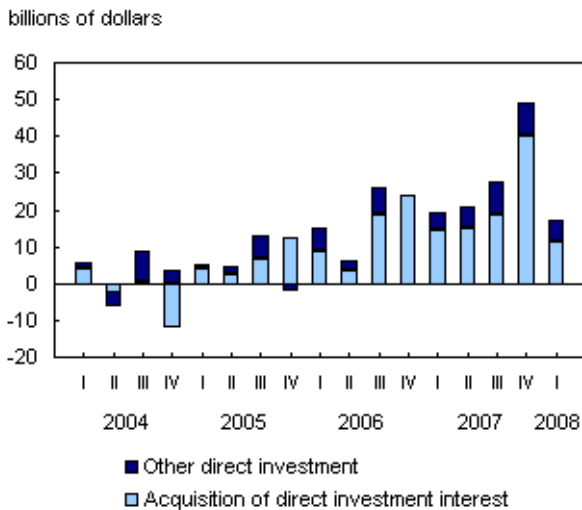
**Chart D.5**  
**Canadian direct investment abroad continues to strengthen<sup>1</sup>**



1. Reverse of Balance of Payments signs.

On the other hand, the acquisitions-driven pace of foreign direct investment in Canada at the time of the fourth quarter of 2007 was not sustained. The slowdown also reflected much reduced investment activity in the Canadian resource-based sector, compared with the last few quarters. The overall direct investment inflow of \$17.2 billion, while still significant, was the lowest level in close to two years.

**Chart D.6**  
**Drop in acquisitions activity leads to lower foreign direct investment in Canada**

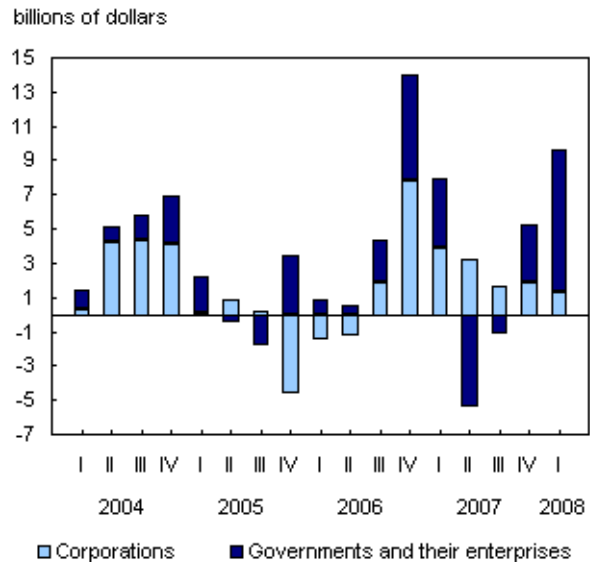


**Canadian bonds attract foreign investors**

Non-resident investors purchased \$9.9 billion worth of Canadian securities over the first quarter, following three consecutive quarters of divestment. The bulk of the quarter's foreign investment occurred in outstanding Canadian-dollar denominated bonds, in the context of a higher inflation reading and declining bond yields in the U.S. They also acquired Canadian equities (\$3.7 billion), coinciding with a 3.5% drop in stock prices.

Non-residents were especially active in bonds of the federal government and its enterprises, which offer low credit and liquidity risks. This was in contrast to foreign activity in the Canadian money market, which produced a \$3.5 billion divestment. Canadian short-term rates were sharply reduced in the first quarter, making long term debt instruments relatively more attractive.

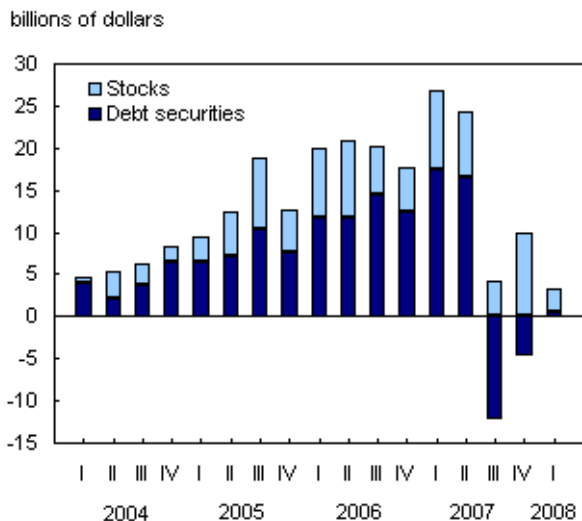
**Chart D.7**  
**Non-resident investors favour government bonds**



**Canadian investors continue to shy away from foreign debt instruments**

Canadian investors were less focused on foreign securities in the first quarter of 2008. They purchased \$3.3 billion worth of foreign securities, mainly equities. Purchases of foreign shares were substantially weaker than previous periods, reflecting a general softening in global stock prices over the quarter.

**Chart D.8**  
**Canadian investors acquire foreign stocks at a slower pace<sup>1</sup>**



1. Reverse of Balance of Payments signs.

Residents were net buyers of foreign bonds after two quarters of sizeable divestments, but activity was very modest in light of the record purchases over the first half of 2007. This was reflected in the scarcity of new issues of maple bonds. The appreciating Canadian dollar, combined with the recent credit crunch, contributed to increased costs related to the issue of new maple bonds. At the same time, Canadians turned to more secure investment vehicles, placing substantial funds in deposit-assets.

Table D.1 Balance of payments

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	130,307	133,893	138,995	130,747	126,697	131,027	520,960	530,332
Goods	114,454	118,573	121,951	111,695	110,833	115,745	453,732	463,051
Services	15,853	15,320	17,044	19,052	15,864	15,282	67,227	67,280
Investment income	17,265	16,361	18,151	18,220	18,685	17,694	64,497	71,417
Direct investment	9,534	8,207	9,578	9,696	9,657	8,935	34,978	37,139
Portfolio investment	4,887	5,373	5,621	5,449	5,240	5,531	17,387	21,683
Other investment	2,844	2,781	2,951	3,074	3,788	3,228	12,131	12,595
Current transfers	2,720	2,545	2,150	2,142	2,709	2,578	9,700	9,545
Current account receipts	150,292	152,800	159,295	151,109	148,091	151,298	595,156	611,294
<b>Payments</b>								
Goods and services	122,282	125,871	128,687	123,521	123,394	124,485	486,245	501,474
Goods	102,323	104,312	106,949	101,920	101,825	101,403	404,253	415,006
Services	19,959	21,559	21,738	21,601	21,569	23,081	81,992	86,468
Investment income	18,289	22,120	21,548	20,717	21,227	20,303	77,872	85,611
Direct investment	6,695	10,008	9,832	9,220	9,384	8,832	34,354	38,444
Portfolio investment	7,659	7,839	7,757	7,707	7,506	7,504	29,270	30,809
Other investment	3,935	4,273	3,958	3,790	4,337	3,967	14,247	16,358
Current transfers	2,958	3,662	2,037	2,397	2,505	3,278	10,809	10,601
Current account payments	143,529	151,654	152,272	146,635	147,125	148,065	574,925	597,686
<b>Balances</b>								
Goods and services	8,025	8,022	10,308	7,226	3,302	6,543	34,715	28,858
Goods	12,131	14,261	15,002	9,775	9,007	14,341	49,480	48,046
Services	-4,106	-6,239	-4,695	-2,549	-5,705	-7,799	-14,765	-19,188
Investment income	-1,023	-5,759	-3,397	-2,497	-2,541	-2,609	-13,375	-14,194
Direct investment	2,839	-1,801	-254	476	274	103	623	-1,305
Portfolio investment	-2,772	-2,467	-2,136	-2,257	-2,266	-1,973	-11,883	-9,126
Other investment	-1,091	-1,491	-1,007	-715	-549	-739	-2,115	-3,763
Current transfers	-238	-1,117	113	-255	204	-700	-1,109	-1,056
<b>Current account balance</b>	<b>6,764</b>	<b>1,146</b>	<b>7,023</b>	<b>4,473</b>	<b>965</b>	<b>3,233</b>	<b>20,231</b>	<b>13,607</b>
<b>Capital and financial account[1]</b>								
<b>Capital account</b>	<b>848</b>	<b>1,241</b>	<b>1,014</b>	<b>1,037</b>	<b>907</b>	<b>1,261</b>	<b>4,130</b>	<b>4,199</b>
<b>Financial account</b>	<b>-2,692</b>	<b>-7,374</b>	<b>-8,225</b>	<b>-9,017</b>	<b>2,666</b>	<b>1,361</b>	<b>-21,328</b>	<b>-21,951</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-15,574	-17,245	-11,624	-12,920	-16,017	-22,241	-44,373	-57,806
Portfolio investment	-17,637	-26,757	-24,266	7,979	-5,378	-3,258	-78,492	-48,422
Foreign bonds	-10,767	-17,186	-16,336	1,688	2,932	-691	-43,602	-28,903
Foreign stocks	-5,142	-9,339	-7,691	-4,082	-9,828	-2,688	-28,090	-30,941
Foreign money market	-1,728	-232	-239	10,373	1,518	121	-6,800	11,422
Other investment	18,185	-18,449	-16,572	-19,848	-8,997	-17,315	-36,022	-63,866
Loans	529	-5,009	2,582	-9,162	1,770	-3,477	-12,314	-9,819
Deposits	25,107	-5,578	-13,168	-16,555	-6,691	-14,306	-8,997	-41,993
Official international reserves	1,662	-4,722	-366	-144	588	247	-1,013	-4,644
Other assets	-9,114	-3,139	-5,620	6,013	-4,664	220	-13,698	-7,410
Total Canadian assets, net flows	-15,027	-62,450	-52,462	-24,789	-30,392	-42,814	-158,886	-170,093
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	24,106	19,019	20,647	27,770	49,270	17,184	71,198	116,706
Portfolio investment	7,031	6,737	-2,061	-9,144	-27,122	9,875	31,656	-31,591
Canadian bonds	14,044	7,970	-2,168	541	5,198	9,651	17,130	11,540
Canadian stocks	-5,264	-532	-899	-8,524	-32,039	3,717	10,814	-41,994
Canadian money market	-1,749	-702	1,006	-1,160	-280	-3,493	3,711	-1,137
Other investment	-18,802	29,321	25,651	-2,854	10,910	17,116	34,704	63,027
Loans	744	4,398	2,796	-3,946	7,423	511	14,638	10,670
Deposits	-18,393	21,844	22,334	-21	4,417	16,170	20,384	48,574
Other liabilities	-1,154	3,079	522	1,114	-931	435	-318	3,783
Total Canadian liabilities, net flows	12,335	55,076	44,237	15,772	33,058	44,175	137,558	148,143
<b>Total capital and financial account, net flows</b>	<b>-1,844</b>	<b>-6,133</b>	<b>-7,212</b>	<b>-7,980</b>	<b>3,573</b>	<b>2,622</b>	<b>-17,198</b>	<b>-17,752</b>
Statistical discrepancy	-4,920	4,987	188	3,506	-4,538	-5,855	-3,033	4,144

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

**Table D.2 Current account**

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	132,385	135,918	135,282	131,114	128,018	133,426	520,960	530,332
Goods	115,481	119,112	118,279	114,509	111,151	116,713	453,732	463,051
Services	16,904	16,806	17,003	16,605	16,866	16,713	67,227	67,280
Travel	4,147	4,126	4,204	4,143	4,161	4,109	16,610	16,634
Transportation	3,057	3,074	3,079	2,998	3,005	3,042	11,879	12,157
Commercial services	9,258	9,170	9,291	9,043	9,271	9,148	37,008	36,775
Government services	442	435	429	421	429	413	1,730	1,714
Investment income	17,422	16,623	17,482	18,432	18,879	17,982	64,497	71,417
Direct investment	9,524	8,332	9,183	9,951	9,672	9,072	34,978	37,139
Interest	409	414	485	520	516	228	1,477	1,935
Profits	9,115	7,918	8,698	9,431	9,156	8,844	33,501	35,203
Portfolio investment	4,963	5,381	5,457	5,507	5,338	5,517	17,387	21,683
Interest	1,825	2,025	2,139	2,092	1,832	1,637	6,172	8,089
Dividends	3,138	3,356	3,317	3,415	3,505	3,880	11,216	13,594
Other investment	2,934	2,910	2,842	2,973	3,870	3,393	12,131	12,595
Current transfers	2,471	2,334	2,372	2,456	2,384	2,284	9,700	9,545
Private	639	734	649	668	605	682	2,698	2,656
Official	1,832	1,599	1,723	1,788	1,779	1,602	7,002	6,890
<b>Total receipts</b>	<b>152,278</b>	<b>154,875</b>	<b>155,136</b>	<b>152,002</b>	<b>149,281</b>	<b>153,692</b>	<b>595,156</b>	<b>611,294</b>
<b>Payments</b>								
Goods and services	124,398	126,174	124,010	126,580	124,710	125,577	486,245	501,474
Goods	103,459	105,273	102,629	105,108	101,996	103,346	404,253	415,006
Services	20,938	20,901	21,381	21,472	22,714	22,230	81,992	86,468
Travel	6,105	6,032	6,209	6,892	7,530	7,184	23,402	26,663
Transportation	4,776	4,898	4,977	4,800	5,358	5,281	18,695	20,032
Commercial services	9,793	9,705	9,927	9,508	9,551	9,489	38,853	38,691
Government services	264	266	269	272	275	276	1,042	1,082
Investment income	18,293	21,805	21,570	21,063	21,173	20,044	77,872	85,611
Direct investment	6,832	9,893	9,721	9,287	9,542	8,853	34,354	38,444
Interest	618	613	631	617	622	613	2,469	2,484
Profits	6,214	9,280	9,090	8,670	8,920	8,240	31,886	35,960
Portfolio investment	7,706	7,819	7,713	7,725	7,553	7,492	29,270	30,809
Interest	5,819	5,895	5,752	5,641	5,458	5,489	22,294	22,746
Dividends	1,887	1,923	1,961	2,084	2,095	2,003	6,976	8,063
Other investment	3,755	4,094	4,136	4,051	4,078	3,698	14,247	16,358
Current transfers	3,064	2,940	2,423	2,618	2,620	2,514	10,809	10,601
Private	2,197	1,999	1,558	1,608	1,630	1,562	7,261	6,794
Official	867	941	866	1,010	990	952	3,548	3,807
<b>Total payments</b>	<b>145,754</b>	<b>150,919</b>	<b>148,004</b>	<b>150,260</b>	<b>148,503</b>	<b>148,134</b>	<b>574,925</b>	<b>597,686</b>
<b>Balances</b>								
Goods and services	7,987	9,744	11,272	4,534	3,307	7,849	34,715	28,858
Goods	12,021	13,839	15,650	9,401	9,155	13,366	49,480	48,046
Services	-4,035	-4,095	-4,378	-4,867	-5,848	-5,517	-14,765	-19,188
Travel	-1,959	-1,906	-2,005	-2,749	-3,369	-3,074	-6,792	-10,029
Transportation	-1,719	-1,823	-1,897	-1,802	-2,353	-2,239	-6,816	-7,875
Commercial services	-535	-534	-635	-465	-280	-341	-1,845	-1,915
Government services	178	169	160	149	155	137	688	632
Investment income	-871	-5,182	-4,088	-2,631	-2,293	-2,062	-13,375	-14,194
Direct investment	2,692	-1,561	-539	664	130	219	623	-1,305
Interest	-209	-199	-146	-97	-106	-385	-992	-548
Profits	2,901	-1,362	-392	761	236	604	1,615	-757
Portfolio investment	-2,743	-2,437	-2,256	-2,217	-2,215	-1,975	-11,883	-9,126
Interest	-3,994	-3,870	-3,613	-3,549	-3,625	-3,852	-16,122	-14,657
Dividends	1,251	1,433	1,357	1,331	1,410	1,877	4,239	5,531
Other investment	-820	-1,184	-1,294	-1,077	-208	-305	-2,115	-3,763
Current transfers	-593	-606	-52	-162	-236	-230	-1,109	-1,056
Private	-1,558	-1,265	-909	-940	-1,025	-880	-4,563	-4,139
Official	965	659	857	778	789	650	3,454	3,083
<b>Current account</b>	<b>6,523</b>	<b>3,956</b>	<b>7,132</b>	<b>1,742</b>	<b>778</b>	<b>5,557</b>	<b>20,231</b>	<b>13,607</b>



## Section E

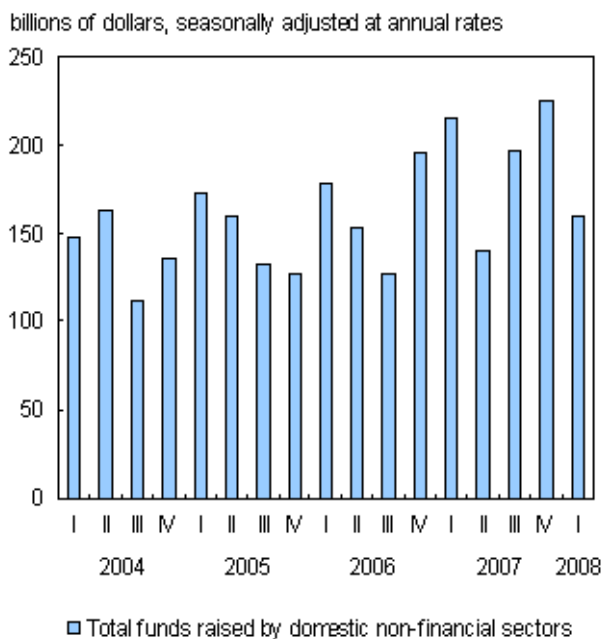
### Financial flow accounts

First quarter 2008

Total funds raised by domestic non-financial sectors on financial markets amounted to \$160 billion in the first quarter (seasonally adjusted at annual rates), a deceleration from the previous quarter. Households continued to account for the largest share of private sector demand for funds. Borrowing by all levels of government weakened this quarter, contributing to the decrease in total funds raised.

**Chart E.1**

**Overall demand for funds decelerates**



Affected by weaker U.S. growth, ongoing financial market turbulence, and economic uncertainty, the S&P/TSX Stock Exchange Composite experienced further volatility in the quarter. The index closed out the quarter down 3.5%, the worst showing for Canadian stocks since the second quarter of 2006. Mining and energy stocks continued to bolster the Canadian equities market due to higher commodity prices. Canadian bank stocks were down, reflecting tighter credit conditions.

Demand for Canadian-produced resources, alongside rising oil prices and the weakening American economy, helped to maintain the Canadian dollar's strong position against the U.S. Greenback, rounding out the quarter slightly under par.

The Bank of Canada cut the bank rate 25 basis points (bps) in January and a further 50 bps in March 2008, closing out the quarter at 3.75%. Despite this decrease, the 5-year conventional mortgage rate dropped by only 35 bps over the same period. Bond yields decreased during the first quarter, the third consecutive quarter of decline.

#### Household sector

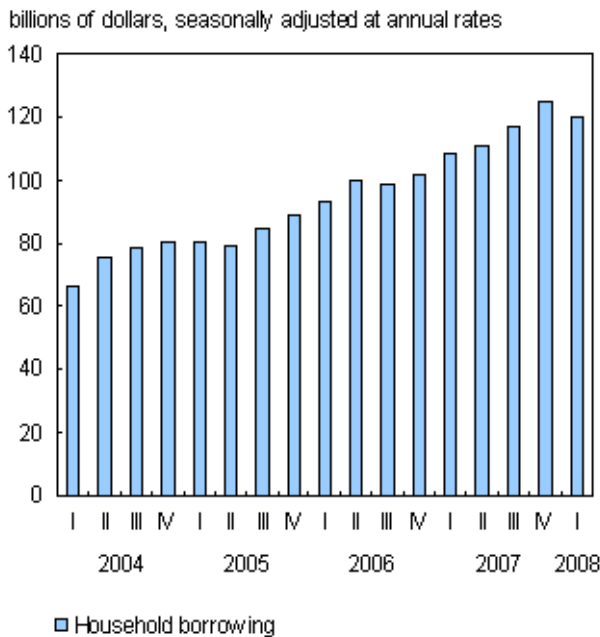
The household sector demand for funds waned owing largely to a slow down in mortgage borrowing. The Canadian housing market eased over the quarter with new housing construction and transfer costs showing significant declines. However, the sales of multiples (in particular condominiums) and renovation activities continued to advance.

#### Note to readers

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

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

**Chart E.2**  
**Household borrowing slows**



Gains in personal income and sales tax cuts provided improved household purchasing power and helped sustain growth in consumer expenditures in the quarter, albeit at a slower pace. At the same time, growth in household demand for consumer credit was flat.

Household debt in the form of mortgages and consumer credit edged up slightly to reach 116.2% of personal disposable income. Meanwhile, debt servicing charges remained unchanged at around 8% of personal disposable income.

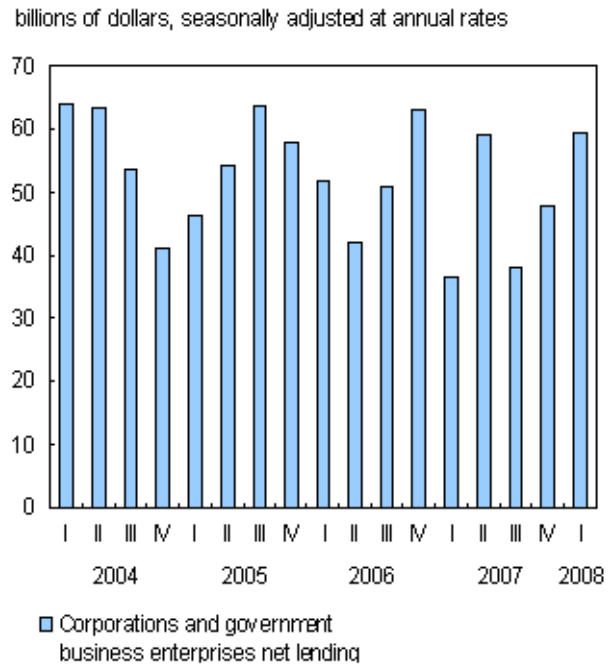
**Corporate sector**

Growth in investment in plant and equipment slowed in the quarter, reducing the demand for funds in the first quarter. However, notable increases in investment in automobiles and other transportation equipment helped to partially offset this decline.

The corporate sector continued to act as a net lender to the rest of the economy with growth in undistributed corporation profits for the fourth consecutive quarter, propelled by strong earnings, in particular the energy sector. Private non-financial corporations remained active in the financial markets, particularly in new share issuances.

Financial institutions continue to increase their overall financial assets, albeit at a much slower pace. Growth in loan asset holdings slowed in the first quarter, while both short-term paper and share asset holdings declined.

**Chart E.3**  
**Corporate sector surplus advances**



**Government sector**

Government debt reduction continued, mainly at the federal government level. The significant drop in overall government sector debt experienced in the quarter was affected by the sizeable reduction in combined short-term debt for all levels of government and retirement of Government of Canada bonds. Federal government revenues were down in part due to the reduction in GST introduced early in the quarter, reflected in lower government saving. However, the overall government sector continued to be a net lender to the rest of the economy.

Table E.1 Financial market summary table

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised</b>								
<b>Persons and unincorporated business</b>	<b>117,032</b>	<b>112,188</b>	<b>111,464</b>	<b>122,856</b>	<b>128,836</b>	<b>118,456</b>	<b>107,048</b>	<b>118,836</b>
Consumer credit	32,868	34,964	33,888	33,948	36,832	36,904	31,114	34,908
Bank loans	7,780	-1,772	288	1,844	-296	2,768	2,394	16
Other loans	7,884	5,784	776	3,924	4,408	-4,812	6,421	3,723
Mortgages	68,500	73,212	76,512	83,140	87,892	83,596	67,119	80,189
<b>Non-financial private corporations</b>	<b>82,812</b>	<b>73,884</b>	<b>79,368</b>	<b>73,268</b>	<b>73,364</b>	<b>79,020</b>	<b>63,576</b>	<b>74,971</b>
Bank loans	10,340	17,340	18,548	24,352	18,092	7,860	6,659	19,583
Other loans	-4,724	-624	-2,924	-188	-1,388	6,732	813	-1,281
Other short-term paper	19,420	-1,348	3,340	8,488	4,472	14,608	15,304	3,738
Mortgages	16,168	17,044	17,480	16,728	17,936	17,820	11,956	17,297
Bonds	22,180	20,060	7,464	13,664	7,380	7,176	13,172	12,142
Shares	19,428	21,412	35,460	10,224	26,872	24,824	15,672	23,492
<b>Non-financial government enterprises</b>	<b>-3,756</b>	<b>-4,128</b>	<b>-6,756</b>	<b>3,300</b>	<b>7,328</b>	<b>-8,116</b>	<b>1,287</b>	<b>-64</b>
Bank loans	236	-436	-60	376	148	-92	242	7
Other loans	-88	-1,856	-628	-316	1,780	-2,912	-96	-255
Other short-term paper	-2,260	-1,564	-968	1,712	1,952	-156	178	283
Mortgages	0	-4	-4	0	-8	-4	-3	-4
Bonds	-1,856	-276	-5,128	1,520	3,504	-4,960	903	-95
Shares	212	8	32	8	-48	8	63	0
<b>Federal government</b>	<b>-5,412</b>	<b>21,856</b>	<b>-49,308</b>	<b>-43,252</b>	<b>-8,444</b>	<b>-27,416</b>	<b>-10,160</b>	<b>-19,787</b>
Bank loans	140	140	136	140	140	148	140	139
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	3,424	28,296	-34,444	-36,716	7,840	-20,216	-3,686	-8,756
Canada Savings Bonds	-2,576	-2,024	-1,996	-1,544	-3,108	-1,020	-2,247	-2,168
Other bonds	-6,400	-4,556	-13,004	-5,132	-13,316	-6,328	-4,367	-9,002
<b>Other levels of government</b>	<b>4,952</b>	<b>12,020</b>	<b>5,360</b>	<b>40,072</b>	<b>23,448</b>	<b>-2,292</b>	<b>1,428</b>	<b>20,225</b>
Bank loans	704	584	1,936	-1,100	-172	668	266	312
Other loans	480	336	820	696	1,020	788	189	718
Other short-term paper	-5,124	-40	-4,696	19,880	8,880	-7,504	-852	6,006
Mortgages	0	4	-4	-4	0	12	-25	-1
Provincial bonds	6,684	9,952	5,912	19,264	10,144	2,252	-1,596	11,318
Municipal bonds	2,240	1,172	1,424	1,384	3,852	1,364	3,285	1,958
Other bonds	-32	12	-32	-48	-276	128	161	-86
<b>Total funds raised by domestic non-financial sectors</b>	<b>195,628</b>	<b>215,820</b>	<b>140,128</b>	<b>196,244</b>	<b>224,532</b>	<b>159,652</b>	<b>163,179</b>	<b>194,181</b>
<b>Consumer credit</b>	<b>32,868</b>	<b>34,964</b>	<b>33,888</b>	<b>33,948</b>	<b>36,832</b>	<b>36,904</b>	<b>31,114</b>	<b>34,908</b>
<b>Bank loans</b>	<b>19,200</b>	<b>15,856</b>	<b>20,848</b>	<b>25,612</b>	<b>17,912</b>	<b>11,352</b>	<b>9,701</b>	<b>20,057</b>
<b>Other loans</b>	<b>3,552</b>	<b>3,640</b>	<b>-1,956</b>	<b>4,116</b>	<b>5,820</b>	<b>-204</b>	<b>7,327</b>	<b>2,905</b>
<b>Canada short-term paper</b>	<b>3,424</b>	<b>28,296</b>	<b>-34,444</b>	<b>-36,716</b>	<b>7,840</b>	<b>-20,216</b>	<b>-3,686</b>	<b>-8,756</b>
<b>Other short-term paper</b>	<b>12,036</b>	<b>-2,952</b>	<b>-2,324</b>	<b>30,080</b>	<b>15,304</b>	<b>6,948</b>	<b>14,630</b>	<b>10,027</b>
<b>Mortgages</b>	<b>84,668</b>	<b>90,256</b>	<b>93,984</b>	<b>99,864</b>	<b>105,820</b>	<b>101,424</b>	<b>79,047</b>	<b>97,481</b>
<b>Bonds</b>	<b>20,240</b>	<b>24,340</b>	<b>-5,360</b>	<b>29,108</b>	<b>8,180</b>	<b>-1,388</b>	<b>9,311</b>	<b>14,067</b>
<b>Shares</b>	<b>19,640</b>	<b>21,420</b>	<b>35,492</b>	<b>10,232</b>	<b>26,824</b>	<b>24,832</b>	<b>15,735</b>	<b>23,492</b>

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>1,125,276</b>	<b>1,150,484</b>	<b>1,166,980</b>	<b>1,176,752</b>	<b>1,192,748</b>	<b>1,215,548</b>	<b>1,103,201</b>	<b>1,171,741</b>
	1.6	2.2	1.4	0.8	1.4	1.9	6.6	6.2
Wages, salaries and supplementary labour income	758,824	774,960	786,392	789,224	802,852	814,984	743,313	788,357
	1.6	2.1	1.5	0.4	1.7	1.5	6.9	6.1
Unincorporated business net income[2]	87,676	89,044	90,272	90,716	91,860	94,116	86,386	90,473
	1.2	1.6	1.4	0.5	1.3	2.5	1.6	4.7
Interest, dividends and miscellaneous investment income	127,196	131,840	135,392	136,572	136,376	138,420	123,419	135,045
	2.5	3.7	2.7	0.9	-0.1	1.5	8.2	9.4
Current transfers from government	146,548	149,172	149,736	154,908	156,488	162,496	145,028	152,576
	1.4	1.8	0.4	3.5	1.0	3.8	6.7	5.2
Current transfers from corporations	2,476	2,532	2,592	2,664	2,752	2,808	2,357	2,635
	3.0	2.3	2.4	2.8	3.3	2.0	13.9	11.8
Current transfers from non-residents	2,556	2,936	2,596	2,668	2,420	2,724	2,698	2,655
	-4.8	14.9	-11.6	2.8	-9.3	12.6	0.0	-1.6
<b>Outlay</b>	<b>1,096,612</b>	<b>1,116,080</b>	<b>1,146,436</b>	<b>1,154,072</b>	<b>1,175,052</b>	<b>1,189,500</b>	<b>1,077,034</b>	<b>1,147,910</b>
	1.2	1.8	2.7	0.7	1.8	1.2	5.7	6.6
Personal expenditure on goods and services	816,360	830,928	847,900	857,272	874,980	884,644	803,260	852,770
	0.8	1.8	2.0	1.1	2.1	1.1	5.8	6.2
Current transfers to government	259,340	264,272	276,892	274,664	277,584	281,452	253,611	273,353
	2.2	1.9	4.8	-0.8	1.1	1.4	5.2	7.8
Current transfers to corporations	16,432	16,292	16,936	17,364	17,776	18,640	15,849	17,092
	1.8	-0.9	4.0	2.5	2.4	4.9	13.1	7.8
Current transfers to non-residents	4,480	4,588	4,708	4,772	4,712	4,764	4,314	4,695
	7.3	2.4	2.6	1.4	-1.3	1.1	-1.7	8.8
<b>Saving</b>	<b>28,664</b>	<b>34,404</b>	<b>20,544</b>	<b>22,680</b>	<b>17,696</b>	<b>26,048</b>	<b>26,167</b>	<b>23,831</b>
	23.6	20.0	-40.3	10.4	-22.0	47.2	62.1	-8.9
Disposable income[3]	865,936	886,212	890,088	902,088	915,164	934,096	849,590	898,388
	1.5	2.3	0.4	1.3	1.4	2.1	7.0	5.7
Saving rate	3.3	3.9	2.3	2.5	1.9	2.8	3.1	2.7
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>74,348</b>	<b>82,088</b>	<b>68,436</b>	<b>71,064</b>	<b>66,552</b>	<b>77,340</b>	<b>71,569</b>	<b>72,035</b>
	8.1	10.4	-16.6	3.8	-6.3	16.2	17.1	0.7
Saving	28,664	34,404	20,544	22,680	17,696	26,048	26,167	23,831
	23.6	20.0	-40.3	10.4	-22.0	47.2	62.1	-8.9
Capital consumption allowances	43,428	44,224	44,888	45,628	46,336	47,264	42,449	45,269
	1.6	1.8	1.5	1.6	1.6	2.0	6.2	6.6
Net capital transfers	2,256	3,460	3,004	2,756	2,520	4,028	2,953	2,935
	-20.3	53.4	-13.2	-8.3	-8.6	59.8	-40.6	-0.6
Deduct: Non-financial capital acquisition	115,908	124,504	128,244	128,056	132,012	128,532	115,548	128,204
	-1.1	7.4	3.0	-0.1	3.1	-2.6	9.3	11.0
<b>Net lending</b>	<b>-41,560</b>	<b>-42,416</b>	<b>-59,808</b>	<b>-56,992</b>	<b>-65,460</b>	<b>-51,192</b>	<b>-43,979</b>	<b>-56,169</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>63,148</b>	<b>68,384</b>	<b>58,796</b>	<b>60,864</b>	<b>73,968</b>	<b>65,872</b>	<b>66,271</b>	<b>65,503</b>
	...	...	...	...	...	...	...	...
Currency and deposits	50,076	28,812	40,676	76,668	58,268	75,708	42,469	51,106
	...	...	...	...	...	...	...	...
Canadian debt securities	-25,716	7,372	-56,024	-11,392	-27,116	-5,580	-21,841	-21,790
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	1,032	-14,800	12,152	28,896	1,892	-8,888	3,433	7,035
	...	...	...	...	...	...	...	...
Life insurance and pensions	58,036	62,648	64,104	41,796	40,648	10,736	55,518	52,299
	...	...	...	...	...	...	...	...
Other financial assets	-20,280	-15,648	-2,112	-75,104	276	-6,104	-13,308	-23,147
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>104,200</b>	<b>112,884</b>	<b>118,212</b>	<b>118,464</b>	<b>137,580</b>	<b>118,936</b>	<b>109,656</b>	<b>121,785</b>
	...	...	...	...	...	...	...	...
Consumer credit	32,868	34,964	33,888	33,948	36,832	36,904	31,114	34,908
	...	...	...	...	...	...	...	...
Bank and other loans	15,664	4,012	1,064	5,768	4,112	-2,044	8,815	3,739
	...	...	...	...	...	...	...	...
Mortgages	68,500	73,212	76,512	83,140	87,892	83,596	67,119	80,189
	...	...	...	...	...	...	...	...
Trade payables	-12,832	696	6,748	-4,392	8,744	480	2,608	2,949
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-41,052</b>	<b>-44,500</b>	<b>-59,416</b>	<b>-57,600</b>	<b>-63,612</b>	<b>-53,064</b>	<b>-43,385</b>	<b>-56,282</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-508	2,084	-392	608	-1,848	1,872	-594	113
	...	...	...	...	...	...	...	...

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

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

3. Total income minus current transfers to government.

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>399,428</b>	<b>376,452</b>	<b>392,216</b>	<b>396,760</b>	<b>401,828</b>	<b>397,204</b>	<b>380,101</b>	<b>391,814</b>
	4.5	-5.8	4.2	1.2	1.3	-1.2	9.2	3.1
Corporation profits before taxes	198,584	200,572	202,740	204,784	204,828	209,704	196,719	203,231
	-0.9	1.0	1.1	1.0	0.0	2.4	5.8	3.3
Government business enterprise profits before taxes	14,100	15,764	15,696	15,544	15,152	16,156	14,638	15,539
	-5.1	11.8	-0.4	-1.0	-2.5	6.6	-4.5	6.2
Inventory valuation adjustment	-6,460	-988	7,024	3,488	3,564	-1,148	-2,407	3,272
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[2]	121,704	89,328	94,300	99,864	104,740	98,348	100,123	97,058
	24.5	-26.6	5.6	5.9	4.9	-6.1	25.9	-3.1
Interest on consumer debt	16,432	16,292	16,936	17,364	17,776	18,640	15,849	17,092
	1.8	-0.9	4.0	2.5	2.4	4.9	13.1	7.8
Interest on public debt[3]	55,068	55,484	55,520	55,716	55,768	55,504	55,179	55,622
	-0.4	0.8	0.1	0.4	0.1	-0.5	1.5	0.8
<b>Outlay</b>	<b>281,828</b>	<b>286,676</b>	<b>282,480</b>	<b>289,136</b>	<b>292,508</b>	<b>288,280</b>	<b>272,417</b>	<b>287,700</b>
	3.9	1.7	-1.5	2.4	1.2	-1.4	9.9	5.6
Interest, dividends and miscellaneous payments	217,528	226,324	222,864	227,160	229,512	225,220	214,526	226,465
	1.5	4.0	-1.5	1.9	1.0	-1.9	9.1	5.6
Direct taxes	58,412	55,324	56,416	58,568	59,376	59,724	53,456	57,421
	8.8	-5.3	2.0	3.8	1.4	0.6	9.8	7.4
Other current transfers	5,888	5,028	3,200	3,408	3,620	3,336	4,435	3,814
	81.7	-14.6	-36.4	6.5	6.2	-7.8	80.5	-14.0
<b>Saving</b>	<b>117,600</b>	<b>89,776</b>	<b>109,736</b>	<b>107,624</b>	<b>109,320</b>	<b>108,924</b>	<b>107,684</b>	<b>104,114</b>
	5.9	-23.7	22.2	-1.9	1.6	-0.4	7.3	-3.3
<b>Gross saving and capital transfers</b>	<b>238,396</b>	<b>212,044</b>	<b>233,452</b>	<b>233,064</b>	<b>235,992</b>	<b>236,296</b>	<b>227,507</b>	<b>228,638</b>
	3.4	-11.1	10.1	-0.2	1.3	0.1	6.1	0.5
Saving	117,600	89,776	109,736	107,624	109,320	108,924	107,684	104,114
	5.9	-23.7	22.2	-1.9	1.6	-0.4	7.3	-3.3
Capital consumption allowances	117,964	119,580	121,140	122,608	123,708	125,052	116,356	121,759
	0.9	1.4	1.3	1.2	0.9	1.1	4.6	4.6
Net capital transfers	2,832	2,688	2,576	2,832	2,964	2,320	3,467	2,765
	12.0	-5.1	-4.2	9.9	4.7	-21.7	22.6	-20.2
Deduct: Non-financial capital acquisition	175,364	175,656	174,188	194,968	188,356	176,816	175,627	183,292
	-2.5	0.2	-0.8	11.9	-3.4	-6.1	10.5	4.4
<b>Net lending</b>	<b>63,032</b>	<b>36,388</b>	<b>59,264</b>	<b>38,096</b>	<b>47,636</b>	<b>59,480</b>	<b>51,880</b>	<b>45,346</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>599,512</b>	<b>624,372</b>	<b>722,224</b>	<b>729,540</b>	<b>721,388</b>	<b>584,820</b>	<b>536,395</b>	<b>699,381</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Consumer credit	32,868	34,964	33,888	33,948	36,832	36,904	31,114	34,908
	...	...	...	...	...	...	...	...
Bank and other loans	30,300	37,056	49,444	56,372	49,564	25,484	31,892	48,109
	...	...	...	...	...	...	...	...
Mortgages	86,968	93,328	98,472	103,224	109,104	103,240	81,719	101,032
	...	...	...	...	...	...	...	...
Short-term paper	54,912	29,640	-18,516	12,392	-23,284	-11,540	32,525	58
	...	...	...	...	...	...	...	...
Bonds	87,812	38,324	118,300	104,640	108,248	78,076	66,696	92,378
	...	...	...	...	...	...	...	...
Shares	2,496	33,832	12,960	-1,072	14,132	5,832	-3,367	14,963
	...	...	...	...	...	...	...	...
Foreign investments	99,388	102,148	115,096	-29,044	58,832	2,836	79,437	61,758
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>533,256</b>	<b>576,560</b>	<b>649,040</b>	<b>695,584</b>	<b>667,076</b>	<b>520,440</b>	<b>490,637</b>	<b>647,065</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Currency and deposits	128,812	171,812	140,564	248,840	130,224	65,988	98,221	172,860
	...	...	...	...	...	...	...	...
Bank and other loans	6,868	37,636	58,920	62,660	81,404	23,112	9,487	60,155
	...	...	...	...	...	...	...	...
Short-term paper	48,956	15,764	2,748	17,696	-21,948	10,436	41,404	3,565
	...	...	...	...	...	...	...	...
Bonds	123,240	65,520	93,256	118,384	102,484	102,388	83,746	94,911
	...	...	...	...	...	...	...	...
Shares	117,344	89,344	141,600	128,492	139,944	155,548	82,549	124,845
	...	...	...	...	...	...	...	...
Life insurance and pensions	53,536	56,704	60,308	41,080	34,020	9,628	50,689	48,028
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>66,256</b>	<b>47,812</b>	<b>73,184</b>	<b>33,956</b>	<b>54,312</b>	<b>64,380</b>	<b>45,758</b>	<b>52,316</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-3,224	-11,424	-13,920	4,140	-6,676	-4,900	6,122	-6,970
	...	...	...	...	...	...	...	...

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

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

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

Table E.4 Sector accounts - Government[1]

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>597,756</b>	<b>603,420</b>	<b>620,660</b>	<b>623,316</b>	<b>630,492</b>	<b>631,604</b>	<b>588,638</b>	<b>619,472</b>
	1.7	0.9	2.9	0.4	1.2	0.2	5.3	5.2
Taxes on incomes	244,748	246,060	259,448	259,332	262,096	264,632	234,703	256,734
	4.7	0.5	5.4	-0.0	1.1	1.0	7.1	9.4
Contributions to social insurance plans	68,660	68,212	68,592	68,952	69,724	70,732	67,991	68,870
	0.1	-0.7	0.6	0.5	1.1	1.4	4.2	1.3
Taxes on production and imports	175,956	179,120	182,164	183,692	185,576	182,588	176,703	182,638
	0.6	1.8	1.7	0.8	1.0	-1.6	2.4	3.4
Other current transfers from persons	11,672	11,724	12,160	12,104	12,256	12,224	11,375	12,061
	2.4	0.4	3.7	-0.5	1.3	-0.3	5.8	6.0
Investment income	51,172	52,352	52,000	52,564	53,484	53,928	52,906	52,600
	-4.8	2.3	-0.7	1.1	1.8	0.8	9.4	-0.6
Sales of goods and services[2]	45,548	45,952	46,296	46,672	47,356	47,500	44,960	46,569
	0.9	0.9	0.7	0.8	1.5	0.3	5.1	3.6
<b>Outlay</b>	<b>559,596</b>	<b>569,616</b>	<b>575,216</b>	<b>581,224</b>	<b>590,528</b>	<b>601,620</b>	<b>552,442</b>	<b>579,146</b>
	1.3	1.8	1.0	1.0	1.6	1.9	5.5	4.8
Gross current expenditure on goods and services[2]	329,192	336,148	342,404	342,700	350,912	355,616	323,882	343,041
	1.5	2.1	1.9	0.1	2.4	1.3	6.9	5.9
Current transfers	167,024	169,692	169,224	175,056	176,396	183,100	165,308	172,592
	1.4	1.6	-0.3	3.4	0.8	3.8	4.8	4.4
Interest on the public debt	63,380	63,776	63,588	63,468	63,220	62,904	63,252	63,513
	0.0	0.6	-0.3	-0.2	-0.4	-0.5	0.7	0.4
<b>Saving</b>	<b>38,160</b>	<b>33,804</b>	<b>45,444</b>	<b>42,092</b>	<b>39,964</b>	<b>29,984</b>	<b>36,196</b>	<b>40,326</b>
	8.7	-11.4	34.4	-7.4	-5.1	-25.0	2.2	11.4
<b>Gross saving and capital transfers</b>	<b>63,688</b>	<b>60,224</b>	<b>71,912</b>	<b>69,048</b>	<b>66,916</b>	<b>58,052</b>	<b>60,307</b>	<b>67,025</b>
	5.1	-5.4	19.4	-4.0	-3.1	-13.2	3.7	11.1
Saving	38,160	33,804	45,444	42,092	39,964	29,984	36,196	40,326
	8.7	-11.4	34.4	-7.4	-5.1	-25.0	2.2	11.4
Capital consumption allowances	27,224	27,604	27,996	28,396	28,808	29,372	26,401	28,201
	2.2	1.4	1.4	1.4	1.5	2.0	7.0	6.8
Net capital transfers	-1,696	-1,184	-1,528	-1,440	-1,856	-1,304	-2,290	-1,502
	...	...	...	...	...	...	...	...
Deduct: Non-financial capital acquisition	42,220	43,704	45,320	46,792	47,088	48,600	40,858	45,726
	2.3	3.5	3.7	3.2	0.6	3.2	10.5	11.9
<b>Net lending</b>	<b>21,468</b>	<b>16,520</b>	<b>26,592</b>	<b>22,256</b>	<b>19,828</b>	<b>9,452</b>	<b>19,449</b>	<b>21,299</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>49,360</b>	<b>72,644</b>	<b>22,552</b>	<b>15,580</b>	<b>30,112</b>	<b>-38,920</b>	<b>24,693</b>	<b>35,222</b>
	...	...	...	...	...	...	...	...
Currency and deposits	340	336	4,760	572	3,944	-2,100	1,424	2,403
	...	...	...	...	...	...	...	...
Loans	1,432	6,528	1,784	1,584	-176	-2,984	1,297	2,430
	...	...	...	...	...	...	...	...
Canadian securities	21,940	26,064	9,108	19,472	15,836	-4,828	14,759	17,620
	...	...	...	...	...	...	...	...
Other financial assets	25,648	39,716	6,900	-6,048	10,508	-29,008	7,213	12,769
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>31,076</b>	<b>56,648</b>	<b>868</b>	<b>-12,324</b>	<b>15,908</b>	<b>-45,984</b>	<b>4,001</b>	<b>15,275</b>
	...	...	...	...	...	...	...	...
Bank and other loans	1,324	1,060	2,892	-264	988	1,604	595	1,169
	...	...	...	...	...	...	...	...
Short-term paper	-1,700	28,256	-39,140	-16,836	16,720	-27,720	-4,538	-2,750
	...	...	...	...	...	...	...	...
Bonds	1,836	13,520	-6,956	12,772	-6,100	-9,904	-6,145	3,309
	...	...	...	...	...	...	...	...
Other liabilities	29,616	13,812	44,072	-7,996	4,300	-9,964	14,089	13,547
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>18,284</b>	<b>15,996</b>	<b>21,684</b>	<b>27,904</b>	<b>14,204</b>	<b>7,064</b>	<b>20,692</b>	<b>19,947</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	3,184	524	4,908	-5,648	5,624	2,388	-1,243	1,352
	...	...	...	...	...	...	...	...

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

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>580,104</b>	<b>591,692</b>	<b>575,076</b>	<b>587,824</b>	<b>580,884</b>	<b>578,164</b>	<b>563,925</b>	<b>583,869</b>
	2.0	2.0	-2.8	2.2	-1.2	-0.5	5.4	3.5
Sales of goods (imports)	413,836	421,120	410,508	420,416	407,984	413,384	404,250	415,007
	0.7	1.8	-2.5	2.4	-3.0	1.3	4.2	2.7
Sales of services (imports)	84,576	84,396	86,324	86,648	91,624	89,688	82,798	87,248
	0.9	-0.2	2.3	0.4	5.7	-2.1	3.4	5.4
Interest, dividends and miscellaneous receipts	69,436	74,416	68,552	70,288	70,796	65,036	66,068	71,013
	7.3	7.2	-7.9	2.5	0.7	-8.1	15.0	7.5
Current transfers	12,256	11,760	9,692	10,472	10,480	10,056	10,809	10,601
	29.3	-4.0	-17.6	8.0	0.1	-4.0	13.7	-1.9
<b>Outlay</b>	<b>619,220</b>	<b>599,348</b>	<b>599,656</b>	<b>587,948</b>	<b>579,084</b>	<b>593,148</b>	<b>585,894</b>	<b>591,509</b>
	5.9	-3.2	0.1	-2.0	-1.5	2.4	4.6	1.0
Purchases of goods (exports)	461,920	476,444	473,112	458,036	444,612	466,864	453,733	463,051
	1.4	3.1	-0.7	-3.2	-2.9	5.0	0.8	2.1
Purchases of services (exports)	69,384	69,004	69,800	68,204	69,260	68,620	68,965	69,067
	0.6	-0.5	1.2	-2.3	1.5	-0.9	0.3	0.1
Interest, dividends and miscellaneous payments	78,032	44,564	47,256	51,884	55,676	48,528	53,496	49,845
	52.6	-42.9	6.0	9.8	7.3	-12.8	62.5	-6.8
Current transfers	9,884	9,336	9,488	9,824	9,536	9,136	9,700	9,546
	10.6	-5.5	1.6	3.5	-2.9	-4.2	18.6	-1.6
<b>Saving</b>	<b>-39,116</b>	<b>-7,656</b>	<b>-24,580</b>	<b>-124</b>	<b>1,800</b>	<b>-14,984</b>	<b>-21,969</b>	<b>-7,640</b>
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>-42,508</b>	<b>-12,620</b>	<b>-28,632</b>	<b>-4,272</b>	<b>-1,828</b>	<b>-20,028</b>	<b>-26,099</b>	<b>-11,838</b>
	...	...	...	...	...	...	...	...
Saving	-39,116	-7,656	-24,580	-124	1,800	-14,984	-21,969	-7,640
	...	...	...	...	...	...	...	...
Net capital transfers	-3,392	-4,964	-4,052	-4,148	-3,628	-5,044	-4,130	-4,198
	...	...	...	...	...	...	...	...
<b>Net lending[2]</b>	<b>-42,508</b>	<b>-12,620</b>	<b>-28,632</b>	<b>-4,272</b>	<b>-1,828</b>	<b>-20,028</b>	<b>-26,099</b>	<b>-11,838</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>79,380</b>	<b>177,336</b>	<b>153,280</b>	<b>67,688</b>	<b>125,560</b>	<b>96,444</b>	<b>124,011</b>	<b>130,966</b>
	...	...	...	...	...	...	...	...
Currency and deposits	-4,596	62,688	-7,568	-11,100	7,592	-13,928	3,400	12,903
	...	...	...	...	...	...	...	...
Loans	1,372	9,372	8,236	17,844	48,676	-5,360	-2,199	21,032
	...	...	...	...	...	...	...	...
Short-term paper	-12,948	-4,848	-5,152	3,344	5,364	-8,936	2,372	-323
	...	...	...	...	...	...	...	...
Bonds	41,024	25,080	756	9,200	10,092	29,068	16,736	11,282
	...	...	...	...	...	...	...	...
Shares	3,568	-11,084	-25,528	-28,764	-102,596	5,156	10,815	-41,993
	...	...	...	...	...	...	...	...
Other financial assets	50,960	96,128	182,536	77,164	156,432	90,444	92,887	128,065
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>122,868</b>	<b>196,644</b>	<b>188,732</b>	<b>71,948</b>	<b>130,464</b>	<b>114,824</b>	<b>147,076</b>	<b>146,947</b>
	...	...	...	...	...	...	...	...
Official reserves	-1,228	9,688	2,648	2,808	3,432	-10,544	1,015	4,644
	...	...	...	...	...	...	...	...
Currency and deposits	6,456	8,320	10,676	6,192	35,316	2,084	15,839	15,126
	...	...	...	...	...	...	...	...
Bank and other loans	9,248	10,248	-3,412	7,636	11,560	-5,532	12,093	6,508
	...	...	...	...	...	...	...	...
Foreign investments	111,620	123,404	120,528	-35,056	43,084	-11,152	91,113	62,990
	...	...	...	...	...	...	...	...
Other liabilities	-3,228	44,984	58,292	90,368	37,072	139,968	27,016	57,679
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-43,488</b>	<b>-19,308</b>	<b>-35,452</b>	<b>-4,260</b>	<b>-4,904</b>	<b>-18,380</b>	<b>-23,065</b>	<b>-15,981</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	980	6,688	6,820	-12	3,076	-1,648	-3,034	4,143
	...	...	...	...	...	...	...	...

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

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

## Section F

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

First quarter 2008

In the first quarter of 2008, the labour productivity of Canadian businesses declined for a second consecutive quarter, in a context of inclement weather, reduced working hours, and a widespread drop in manufacturing output, especially in the motor vehicle industry.

Productivity of Canadian businesses edged down 0.3% in the first quarter of 2008, slowing from the upward revised 0.7% decline in the fourth quarter of 2007. The back-to-back declines followed four quarters of growth.

**Chart F.1**

**Productivity in Canadian businesses declines for a second straight quarter**



#### Note to readers

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

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

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

#### Revisions

The first quarter 2008 labour productivity estimates released today include revisions to aggregate labour productivity and underlying series (gross domestic product, hours worked, unit labour costs, etc.) from 2004 to 2007. These updates are consistent with the four-year annual revision to the *National Income and Expenditure Accounts* released May 30, 2008. However, the national accounts' estimates of gross domestic product (GDP) by industry will not be revised until the end of September 2008 (the usual revision release date for GDP by industry), and, therefore, will not be incorporated in the productivity estimates until the release of the third quarter data in December 2008. As a result, revised estimates of labour productivity and related variables by industry will only be available with the third quarter release.

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

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

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

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



After reaching a plateau in the final quarter of 2007, gross domestic product (GDP) experienced its first quarterly decline in nearly five years in the first quarter of 2008.

At the same time, employment continued to expand, despite job losses in manufacturing. Total hours worked remained almost unchanged, however, as the sustained growth in employment was completely offset by a drop in average hours worked (hours worked per job).

The quarterly decrease in average hours worked was partly due to the particularly harsh winter and production cutbacks in the automotive sector as some assembly lines underwent retooling and others were affected by a labour dispute involving a major auto parts supplier in the United States. Overall, twelve of the fifteen industries composing the business sector registered a decline in hours worked per job during the first quarter of 2008.

With a decline in the value of the Canadian dollar against its U.S. counterpart after three quarters of strong gains, Canadian businesses saw their unit labour costs in U.S. dollars edge downward for the first time in a year. The unit labour costs for Canadian businesses in U.S. dollars have been trending upward since the second quarter of 2002. In spite of the 0.7% decline in the first quarter of 2008, unit labour costs in U.S. dollars were over 90% compare to the first quarter of 2002.

#### Output slows, but job market remains buoyant

Although the volume of hours worked remained the same for Canadian businesses in the first quarter, their output declined and consequently their productivity fell. GDP of Canadian businesses fell 0.3% in the first quarter, after remaining flat in the fourth quarter of last year. This contrasts with the first two quarters of 2007, when GDP grew at a steady pace.

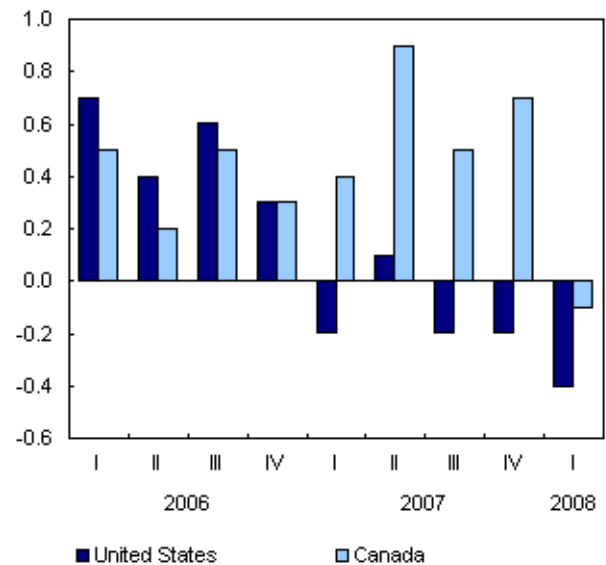
A sharp slowdown in inventory buildup by businesses, as a result of the combined effect of higher consumer spending and lower imports, was a major contributor to the decline in Canada's GDP in the first quarter.

Employment in the Canadian business sector maintained its upward trend, climbing 0.5% in the first quarter, but the volume of hours worked remained unchanged as a result of a decline in hours worked per job. Over the previous nine quarters, the total volume of hours worked had risen at a fairly steady pace, averaging 0.5% growth per quarter.

**Chart F.2**

**Hours worked remains almost unchanged in Canada, while it continues to decline in the U.S.**

quarterly % change



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

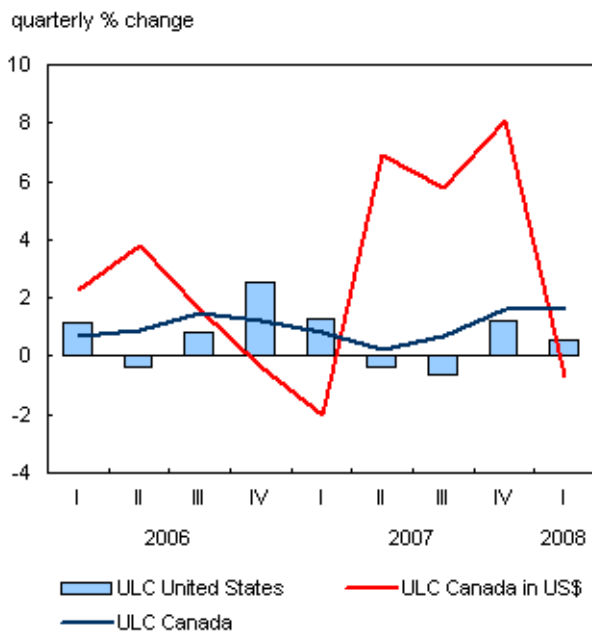
	Canada		United States
	Before revision	After revision	
	annual percentage change		
1981-2007	1.4	1.4	2.1
1981-2000	1.6	1.6	1.9
2000-2007	1.0	1.0	2.6
2004	0.0	0.2	2.9
2005	2.5	2.0	2.0
2006	1.1	1.6	1.0
2007	0.5	0.6	1.9

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - First quarter 2008, published in *NEWS*, June 4.

**Unit labour costs continue to advance**

In the first quarter, hourly compensation in Canada increased while productivity decreased and as a result, the cost of labour per unit of output in the Canadian business sector was up 1.6%. This increase was similar to the previous quarter and more than twice the average pace observed during the first three quarters of 2007.

**Chart F.3**  
**Canadian unit labour costs (ULC) in US dollars declines sharply**



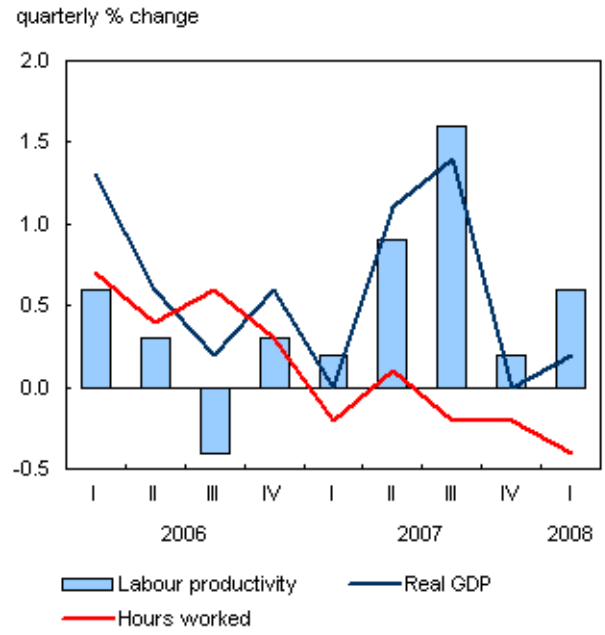
However, Canadian businesses saw a slight improvement in competitive position when the unit labour cost is adjusted for the exchange rate. In the first quarter, the Canadian dollar depreciated by 2.2% against the U.S. currency, which pushed Canada's unit labour costs in U.S. dollars down 0.7%. This was the first quarterly decline in a year of this indicator. Unit labour costs for the U.S. business sector increased 0.6% in the quarter.

**Labour productivity increases in the United States**

In the United States, labour productivity growth in the business sector rebounded to 0.6% in the first three months of 2008, after posting a 0.2% increase in the fourth quarter of 2007. This upturn was mostly attributable to the largest decline in the volume of hours worked since the second quarter of 2003, as GDP growth in the United States was low.

The slow growth in the U.S.'s GDP in the last two quarters is largely due to continued sluggishness in consumer spending on durable goods and the persistence of the housing slump.

**Chart F.4**  
**U.S. productivity rebounds slightly**



Hours worked in American businesses declined for the third quarter in a row, dropping 0.4% in the first quarter.

**Recent revisions in Canadian productivity estimates have little impact on the gap between Canada and the United States**

Overall, the 2004-2007 revisions (which affected GDP and hours worked) decreased the annual rate of growth in Canada's labour productivity for 2005 and increased it for 2004, 2006 and 2007. The magnitude of the revisions ranged from a 0.5% decline in 2005 to a 0.5% gain in 2006.

In general, the revisions tended to cancel each other out. Consequently, the size of the revisions has had no impact on the average difference in productivity between Canada and the United States since 2000.

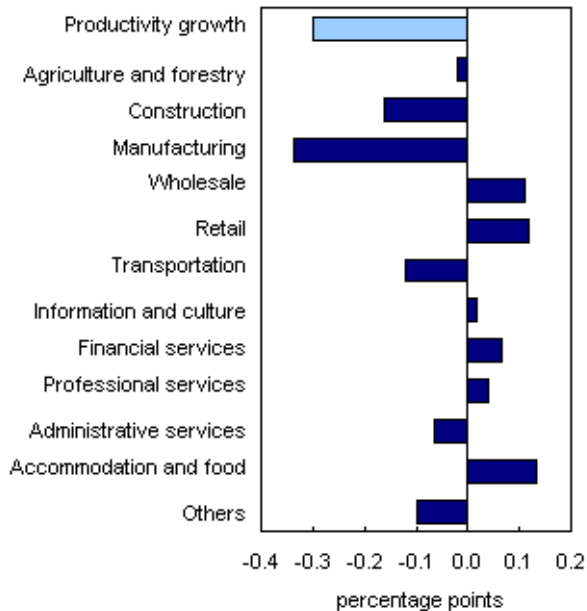
**Industry analysis**

**Manufacturing productivity fell once again**

Labour productivity in Canadian businesses edged down for a second consecutive quarter, falling 0.3% in the first quarter. Manufacturing, construction as well as transportation and warehousing accounted for virtually all the decrease.

**Chart F.5**

**Main industries' contribution to percent change in labour productivity in the business sector, first quarter 2008**



As in the previous quarter, the productivity decline in Canadian businesses in the first quarter 2008 was mainly due to goods producing industries. On a quarterly basis, productivity in the goods sector fell by 1.3%, while it increased by 0.4% for service producing businesses.

In the first quarter of 2008, manufacturing productivity fell 1.6%, almost twice the decline observed in the previous quarter. The combined effects of a labour conflict at a U.S. auto parts plant, lower U.S. demand, and a shift in consumer preference towards more fuel-efficient models, contributed to the decrease in motor vehicle production in the quarter. Real GDP in manufacturing decreased for the third consecutive quarter, falling by 3.0% in the first quarter 2008. In a similar fashion, hours worked in manufacturing decreased by 1.4% in the first quarter, the largest drop since the fourth quarter 2006.

**Chart F.6**

**Productivity in manufacturing sector slips once more**

quarterly % change



Modest increases in construction activity (real GDP up 0.3%) combined with a continued strong upward trend in the number of hours worked, induced productivity to decrease in this industry for the fourth consecutive quarter.

#### **After declining in the previous quarter, productivity rebounds in services**

Productivity in the services-producing industries improved in the first quarter, helped by a continued expansion in economic activity in this sector.

After declining by 0.1% in the fourth quarter of 2007, labour productivity increased by 0.4% in the first quarter 2008. Within the services sector, wholesale and retail trade continue to contribute the most. However, these increases occurred in a very different context for these two industries. While it came largely on the strength of positive GDP growth for retail trade, it was due to an important decline in the volume of hours worked for wholesale. Wholesalers were also affected by the slowdown in imports and exports of automotive products.

In contrast, transportation and warehousing as well as administration and support services registered important productivity declines in the first three months of 2008. The efficiency of transportation was particularly affected by the exceptional amount of snowfall this winter.

### **Most industries registered a decline of hours worked per job**

In the context of inclement weather, hours worked per job declined in almost all industries of the business sector in the first quarter. Wholesale trade, accommodation and food services, communication and cultural services and construction industries were particularly affected.

However, the number of jobs continued to increase at a steady pace during the first quarter of 2008 (+0.5%). The number of jobs increased in most industries. The only industries to register job decreases were manufacturing, wholesale trade, public utilities and arts, leisure and culture. Construction, administrative and remediation services as well as transportation and warehousing registered employment increases higher than one percent for the quarter.

### **Unit labour cost continues to increase more in the goods producing industries**

Unit labour cost in the business sector (an indicator of inflationary pressure) jumped 1.6% for the second consecutive quarter. Most of this increase comes from the goods sector which saw its unit labour cost climb an additional 2.5% after recording a 3.0% increase in the previous quarter. All industries of the goods sector registered important increases in their cost per unit of output, except agriculture, forestry, fishing and trapping,

Unit labour cost in manufacturing climbed 3.0% in the first quarter, compared with 2.6% in the previous quarter, the highest increase registered since 2002. This was due to strong growth in hourly compensation.

Mirroring the trend observed for the total economy, inflationary pressure from wages increased in mining, oil and gas extraction, even after the six year high registered during the fourth quarter of 2007. During the first quarter of 2008, unit labour cost registered an additional increase of 3.9%.

In transportation and warehousing, an industry that was particularly hit by the harsh winter and the increases in fuel prices, the unit labour cost increased by 2.4% during the first quarter of 2008. This was the largest quarter over quarter increase since 2002.

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
Labour productivity	0.2	0.6	0.1	0.1	-0.7	-0.3
Real GDP	0.4	1.1	1.0	0.5	0.0	-0.3
Hours worked	0.3	0.4	0.9	0.5	0.7	-0.1
Hourly compensation	1.4	1.4	0.2	0.7	0.9	1.2
Unit labour cost	1.2	0.8	0.2	0.7	1.6	1.6
Exchange rate[2]	1.6	2.8	-6.3	-4.9	-6.0	2.2
Unit labour cost in US\$	-0.4	-2.0	6.9	5.8	8.1	-0.7
<b>United States</b>						
Labour productivity	0.3	0.2	0.9	1.6	0.2	0.6
Real GDP	0.6	0.0	1.1	1.4	0.0	0.2
Hours worked	0.3	-0.2	0.1	-0.2	-0.2	-0.4
Hourly compensation	2.8	1.5	0.6	0.9	1.4	1.2
Unit labour cost	2.5	1.3	-0.3	-0.7	1.2	0.6
Percent change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	0.7	0.7	0.6	1.0	0.1	-0.8
Real GDP	2.1	2.1	2.8	3.1	2.6	1.2
Hours worked	1.4	1.3	2.1	2.1	2.5	2.0
Hourly compensation	5.0	5.2	4.3	3.8	3.4	3.2
Unit labour cost	4.4	4.5	3.7	2.8	3.2	4.1
Exchange rate[2]	-2.9	1.5	-2.2	-6.9	-13.8	-14.3
Unit labour cost in US\$	7.5	2.9	6.0	10.4	19.9	21.4
<b>United States</b>						
Labour productivity	0.7	0.4	1.0	3.1	3.0	3.4
Real GDP	2.8	1.5	1.9	3.2	2.6	2.7
Hours worked	2.1	1.1	0.9	0.1	-0.4	-0.7
Hourly compensation	4.9	4.7	5.4	6.0	4.4	4.1
Unit labour cost	4.1	4.3	4.3	2.8	1.4	0.7
Percent change from previous quarter at annualized rate[3]						
<b>Canada</b>						
Labour productivity	0.8	2.3	0.4	0.4	-2.6	-1.1
Real GDP	1.8	4.4	4.0	2.1	0.0	-1.4
Hours worked	1.1	1.5	3.8	1.9	3.0	-0.4
Hourly compensation	5.6	5.9	1.0	3.0	3.7	5.0
Unit labour cost	4.7	3.2	0.7	2.8	6.4	6.6
Unit labour cost in US\$	-1.8	-7.7	30.5	25.5	36.5	-2.7
<b>United States</b>						
Labour productivity	1.2	0.9	3.8	6.4	0.9	2.4
Real GDP	2.6	0.2	4.4	5.7	0.1	0.6
Hours worked	1.4	-0.8	0.5	-0.7	-0.7	-1.7
Hourly compensation	11.9	6.2	2.4	3.7	5.6	4.8
Unit labour cost	10.6	5.2	-1.4	-2.6	4.7	2.3

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

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

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
<b>Canada</b>						
All jobs	0.7	0.5	0.6	0.5	0.6	0.5
Hours worked	0.3	0.4	0.9	0.5	0.7	-0.1
Average hours	-0.4	0.0	0.3	0.0	-0.1	-0.4
Labour share[2]	1.3	-0.7	-1.0	0.6	0.6	0.2
<b>United States</b>						
All jobs	0.3	0.1	0.1	-0.1	0.1	-0.4
Hours worked	0.3	-0.2	0.1	-0.2	-0.2	-0.4
Average hours	0.0	-0.3	-0.0	-0.1	-0.3	-0.1
Labour share[2]	2.3	0.3	-0.9	-0.7	0.7	0.1
Percent change from same quarter of previous year						
<b>Canada</b>						
All jobs	2.0	1.9	2.3	2.3	2.2	2.2
Hours worked	1.4	1.3	2.1	2.1	2.5	2.0
Average hours	-0.6	-0.5	-0.1	-0.1	0.2	-0.2
Labour share[2]	3.7	1.5	0.4	0.2	-0.5	0.4
<b>United States</b>						
All jobs	1.8	1.1	0.9	0.5	0.2	-0.2
Hours worked	2.1	1.1	0.9	0.1	-0.4	-0.7
Average hours	0.3	0.0	0.0	-0.3	-0.6	-0.4
Labour share[2]	1.9	1.7	2.0	1.0	-0.7	-0.9
Percent change from previous quarter at annualized rates[3]						
<b>Canada</b>						
All jobs	3.0	1.9	2.6	1.8	2.6	1.8
Hours worked	1.1	1.5	3.8	1.9	3.0	-0.4
Average hours	-1.6	0.0	1.2	0.0	-0.4	-1.6
Labour share[2]	5.4	-2.8	-4.0	2.5	2.5	0.8
<b>United States</b>						
All jobs	1.2	0.3	0.6	-0.3	0.3	-1.5
Hours worked	1.4	-0.8	0.5	-0.7	-0.7	-1.7
Average hours	0.2	-1.1	0.0	-0.4	-1.0	-0.3
Labour share[2]	9.7	1.1	-3.5	-2.9	2.7	0.3

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

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

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Using seasonally adjusted data, (2002 = 100)								
<b>Business sector - goods</b>	<b>103.3</b>	<b>105.3</b>	<b>104.9</b>	<b>104.6</b>	<b>103.0</b>	<b>101.7</b>	<b>103.2</b>	<b>104.4</b>
	0.6	1.9	-0.4	-0.3	-1.5	-1.3	0.5	1.2
Agriculture, forestry, fishing and hunting	125.4	129.0	127.4	129.0	129.0	127.9	125.8	128.6
	2.0	2.9	-1.2	1.3	0.0	-0.9	-0.8	2.2
Construction	107.3	107.9	104.3	103.7	101.8	101.0	105.7	104.4
	0.9	0.6	-3.3	-0.6	-1.8	-0.8	5.8	-1.2
Manufacturing	105.4	107.5	108.7	108.9	108.1	106.4	105.6	108.3
	1.1	2.0	1.1	0.2	-0.7	-1.6	-0.1	2.6
<b>Business sector - services</b>	<b>107.1</b>	<b>107.0</b>	<b>107.3</b>	<b>107.5</b>	<b>107.4</b>	<b>107.8</b>	<b>106.7</b>	<b>107.3</b>
	-0.1	-0.1	0.3	0.2	-0.1	0.4	2.2	0.6
Wholesale trade	119.8	120.5	121.3	123.1	125.1	127.1	120.2	122.5
	-2.0	0.6	0.7	1.5	1.6	1.6	7.2	1.9
Retail trade	111.7	113.9	116.1	116.5	118.0	119.7	111.1	116.1
	-0.5	2.0	1.9	0.3	1.3	1.4	5.5	4.5
Transportation and warehousing	106.4	106.4	105.4	103.9	103.0	101.1	106.3	104.7
	0.1	0.0	-0.9	-1.4	-0.9	-1.8	1.0	-1.5
Information and cultural industries	113.4	112.4	113.3	114.3	116.8	117.5	113.5	114.2
	-0.7	-0.9	0.8	0.9	2.2	0.6	6.1	0.6
Finance, real estate and company management	104.5	104.6	104.4	104.2	103.3	103.4	102.6	104.1
	1.3	0.1	-0.2	-0.2	-0.9	0.1	1.4	1.5
Professional, scientific and technical services	101.0	99.9	100.3	100.0	97.9	98.5	101.2	99.5
	0.1	-1.1	0.4	-0.3	-2.1	0.6	-1.4	-1.7
Administrative and support, waste management and remediation services	101.6	101.8	101.2	101.6	101.1	100.3	101.4	101.4
	0.1	0.2	-0.6	0.4	-0.5	-0.8	1.6	0.0
Accommodation and food services	102.3	99.7	98.6	99.7	99.7	101.8	101.8	99.4
	1.3	-2.5	-1.1	1.1	0.0	2.1	0.8	-2.4
Other commercial services	104.3	103.4	102.5	101.4	100.1	100.2	104.0	101.9
	0.3	-0.9	-0.9	-1.1	-1.3	0.1	-0.4	-2.1

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

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Using seasonally adjusted data (2002 = 100)								
<b>Business sector - goods</b>	<b>113.9</b>	<b>114.4</b>	<b>114.3</b>	<b>115.3</b>	<b>118.8</b>	<b>121.8</b>	<b>111.7</b>	<b>115.7</b>
	<i>1.5</i>	<i>0.4</i>	<i>-0.1</i>	<i>0.9</i>	<i>3.0</i>	<i>2.5</i>	<i>3.4</i>	<i>3.6</i>
Agriculture, forestry, fishing and hunting	87.6	88.5	85.9	85.0	82.0	81.8	86.9	85.3
	<i>0.6</i>	<i>1.0</i>	<i>-2.9</i>	<i>-1.0</i>	<i>-3.5</i>	<i>-0.2</i>	<i>1.2</i>	<i>-1.7</i>
Construction	108.7	111.2	113.5	115.8	119.4	121.7	107.3	115.0
	<i>0.7</i>	<i>2.3</i>	<i>2.1</i>	<i>2.0</i>	<i>3.1</i>	<i>1.9</i>	<i>1.7</i>	<i>7.3</i>
Manufacturing	110.2	109.5	108.5	108.3	111.1	114.4	108.3	109.4
	<i>0.9</i>	<i>-0.6</i>	<i>-0.9</i>	<i>-0.2</i>	<i>2.6</i>	<i>3.0</i>	<i>2.0</i>	<i>1.0</i>
<b>Business sector - services</b>	<b>111.3</b>	<b>112.5</b>	<b>113.0</b>	<b>113.6</b>	<b>114.6</b>	<b>115.6</b>	<b>109.6</b>	<b>113.4</b>
	<i>1.3</i>	<i>1.1</i>	<i>0.4</i>	<i>0.5</i>	<i>0.9</i>	<i>0.9</i>	<i>2.6</i>	<i>3.5</i>
Wholesale trade	101.0	102.2	102.0	100.0	98.8	99.7	98.1	100.8
	<i>3.3</i>	<i>1.2</i>	<i>-0.2</i>	<i>-2.0</i>	<i>-1.2</i>	<i>0.9</i>	<i>-1.1</i>	<i>2.8</i>
Retail trade	106.1	105.7	105.4	108.1	109.0	108.4	106.5	107.0
	<i>-0.1</i>	<i>-0.4</i>	<i>-0.3</i>	<i>2.6</i>	<i>0.8</i>	<i>-0.6</i>	<i>0.5</i>	<i>0.5</i>
Transportation and warehousing	107.9	109.3	109.5	111.6	113.5	116.2	106.2	111.0
	<i>1.4</i>	<i>1.3</i>	<i>0.2</i>	<i>1.9</i>	<i>1.7</i>	<i>2.4</i>	<i>0.7</i>	<i>4.5</i>
Information and cultural industries	105.6	105.8	106.2	108.1	109.1	111.4	104.2	107.3
	<i>1.4</i>	<i>0.2</i>	<i>0.4</i>	<i>1.8</i>	<i>0.9</i>	<i>2.1</i>	<i>2.5</i>	<i>3.0</i>
Finance, real estate and company management	116.1	116.9	119.0	119.7	122.1	122.9	114.8	119.4
	<i>1.1</i>	<i>0.7</i>	<i>1.8</i>	<i>0.6</i>	<i>2.0</i>	<i>0.7</i>	<i>4.2</i>	<i>4.0</i>
Professional, scientific and technical services	116.6	117.8	118.0	118.5	121.8	123.8	115.0	119.0
	<i>0.1</i>	<i>1.0</i>	<i>0.2</i>	<i>0.4</i>	<i>2.8</i>	<i>1.6</i>	<i>4.8</i>	<i>3.5</i>
Administrative and support, waste management and remediation services	117.0	119.2	120.1	119.8	118.5	118.8	114.2	119.4
	<i>2.8</i>	<i>1.9</i>	<i>0.8</i>	<i>-0.2</i>	<i>-1.1</i>	<i>0.3</i>	<i>3.1</i>	<i>4.6</i>
Accommodation and food services	117.8	120.8	121.9	119.3	123.3	124.1	111.8	121.4
	<i>2.3</i>	<i>2.5</i>	<i>0.9</i>	<i>-2.1</i>	<i>3.4</i>	<i>0.6</i>	<i>4.6</i>	<i>8.5</i>
Other commercial services	117.3	120.0	120.9	123.4	122.9	122.6	115.7	121.8
	<i>0.8</i>	<i>2.3</i>	<i>0.8</i>	<i>2.1</i>	<i>-0.4</i>	<i>-0.2</i>	<i>4.5</i>	<i>5.2</i>

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



## Section G

# Canada's International investment position

First quarter 2008

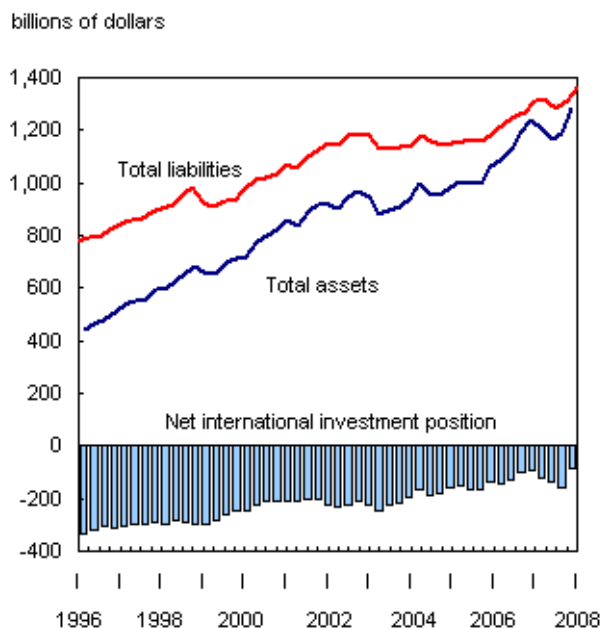
Canada's net international investment position improved in the first quarter of 2008, largely reflecting both a pickup in Canadian direct investment abroad as well as the effect of a depreciating domestic currency (especially against non-U.S. currencies) on Canadian holdings of foreign securities.

Gains in Canada's international assets were twice those of its international liabilities. Canada's international assets increased to \$1,280.9 billion, up \$96.5 billion from 2007 year-end. On the other side of the ledger, foreign holdings of Canadian liabilities rose more moderately by \$56.7 billion to \$1,366.1 billion.

As a result, net foreign debt declined substantially to \$85.2 billion. This represented 5.4% of Canada's Gross Domestic Product, down sharply from 8.0% in the fourth quarter of 2007.

### Chart G.1

#### Canada's international investment position



#### Note to readers

##### Definition

Canada's international investment position presents the value and composition of its foreign assets and liabilities owed to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. Canada is a net debtor nation meaning that our international liabilities are greater than our assets. This excess of international liabilities over assets can be referred to as Canada's net international liabilities or Canada's net foreign debt.

##### Currency valuation

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

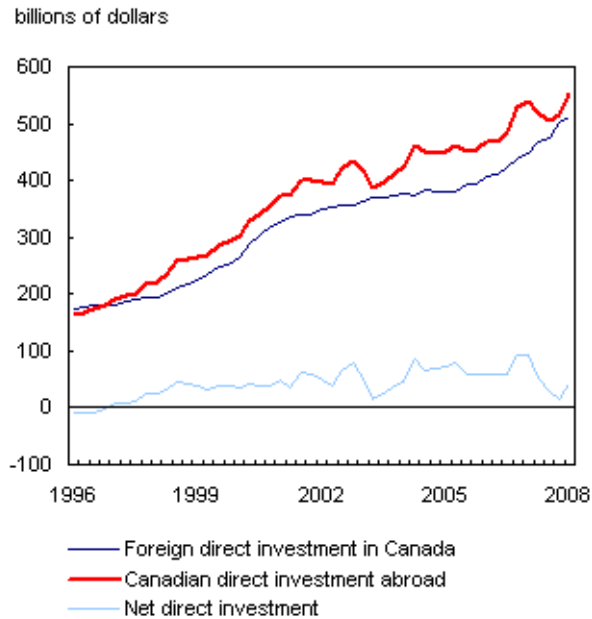
When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

#### Canada's net direct investment position widens

Direct investment abroad by Canadian firms rose by \$36.9 billion to \$551.4 billion in the first quarter of 2008. This 7.2% increase was almost evenly split between transactions and the impact of the depreciation of the Canadian dollar. Canadian direct investors made sizable acquisitions of foreign firms and also injected significant funds into existing foreign affiliates in the quarter. On the other hand, foreign direct investment in Canada grew more modestly (\$9.7 billion), as the activity of the fourth quarter of 2007 was not sustained.

Foreign direct investment flows into Canada slowed significantly from the acquisitions-driven pace of previous quarters, while Canadian direct investment abroad continued to strengthen. This, along with the depreciation of the Canadian dollar, resulted in the first widening in the net direct investment position (the difference between direct investment abroad and direct investment in Canada) since the 2006 year-end.

**Chart G.2**  
**Direct investment position**



### Marked increases in the value of both portfolio assets and liabilities

There was a marked increase in the value of Canadian portfolio investment assets abroad, which reached \$379.6 billion at the end of the first quarter 2008. Even though transactions on foreign securities were up modestly in the first quarter of 2008 (+\$3.3 billion), the devaluation of the Canadian dollar added another \$21.3 billion to the position. Investment in foreign stocks recorded the largest gains, closing the quarter at \$227.4 billion.

Canadian portfolio liabilities to the rest of the world recorded the largest increase in more than six years. Canadian bonds fuelled this gain with \$9.7 billion worth of transactions and a weakening Canadian dollar, which added \$11.5 billion to the portion of Canadian bonds issued in foreign currencies. At the end of the first quarter Canadian portfolio securities held by non-residents stood at \$506.9 billion, up \$20.2 billion from a quarter earlier.

### Other investment items also record significant changes

Other domestic assets rose sharply, mostly as a result of transactions in deposits and currency devaluation. Canadian deposits abroad were up 12.6% during the quarter. Other domestic liabilities also rebounded during the quarter, almost entirely from a strong increase in deposits in Canada by non-residents.

### Net international indebtedness with portfolio investment at market value largely unchanged

Canada's overall net international investment position can also be calculated with assets and liabilities of tradable securities valued at market prices. Although it edged up in the first quarter of 2008, net foreign debt was much lower by this measure, sitting at \$22.2 billion. This gap reflected the differing composition between international portfolio assets and liabilities. A much larger portion of Canadian holdings of foreign securities is placed in stocks, and these have a correspondingly larger impact when they are stated at market value.

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

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	529,969	540,577	517,368	503,809	514,540	551,417	529,969	514,540
Portfolio investment abroad								
Foreign bonds	124,368	140,873	148,068	139,472	136,701	144,493	124,368	136,701
<i>Foreign bonds at market value</i>	<i>134,028</i>	<i>151,786</i>	<i>156,774</i>	<i>152,468</i>	<i>154,500</i>	<i>169,435</i>	<i>134,028</i>	<i>154,500</i>
Foreign stocks	227,886	230,327	214,783	206,090	210,064	227,418	227,886	210,064
<i>Foreign stocks at market value</i>	<i>583,600</i>	<i>598,849</i>	<i>594,726</i>	<i>566,848</i>	<i>556,952</i>	<i>525,567</i>	<i>583,600</i>	<i>556,952</i>
Foreign money market	19,966	20,128	19,774	8,997	7,511	7,639	19,966	7,511
<i>Foreign money market at market value</i>	<i>20,062</i>	<i>20,195</i>	<i>19,825</i>	<i>9,044</i>	<i>7,548</i>	<i>7,673</i>	<i>20,062</i>	<i>7,548</i>
Other investment								
Loans	72,366	77,973	73,426	77,953	76,122	85,107	72,366	76,122
Deposits	131,420	136,195	140,711	150,377	156,890	176,584	131,420	156,890
Official international reserves	40,959	45,507	42,534	40,887	40,593	43,589	40,959	40,593
<i>Official international reserves at market value</i>	<i>40,862</i>	<i>45,386</i>	<i>41,991</i>	<i>40,769</i>	<i>40,724</i>	<i>44,198</i>	<i>40,862</i>	<i>40,724</i>
Other assets	44,977	44,470	43,511	40,014	41,960	44,639	44,977	41,960
Total assets								
at book value	1,191,911	1,236,050	1,200,176	1,167,598	1,184,382	1,280,885	1,191,911	1,184,382
with portfolio investment at market value	<i>1,557,284</i>	<i>1,615,431</i>	<i>1,588,332</i>	<i>1,541,282</i>	<i>1,549,236</i>	<i>1,604,620</i>	<i>1,557,284</i>	<i>1,549,236</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	437,801	449,134	466,487	474,597	500,851	510,581	437,801	500,851
Portfolio investment								
Canadian bonds	408,055	413,028	390,643	376,815	382,080	404,109	408,055	382,080
<i>Canadian bonds at market value</i>	<i>432,318</i>	<i>434,159</i>	<i>401,548</i>	<i>391,892</i>	<i>397,381</i>	<i>428,630</i>	<i>432,318</i>	<i>397,381</i>
Canadian stocks	96,994	96,804	96,485	93,351	82,658	84,045	96,994	82,658
<i>Canadian stocks at market value</i>	<i>344,958</i>	<i>351,297</i>	<i>370,175</i>	<i>366,767</i>	<i>327,812</i>	<i>320,085</i>	<i>344,958</i>	<i>327,812</i>
Canadian money market	24,515	23,730	24,089	22,383	21,999	18,742	24,515	21,999
<i>Canadian money market at market value</i>	<i>24,717</i>	<i>23,952</i>	<i>24,279</i>	<i>22,598</i>	<i>22,211</i>	<i>18,911</i>	<i>24,717</i>	<i>22,211</i>
Other investment								
Loans	52,600	55,690	55,020	48,916	52,971	53,724	52,600	52,971
Deposits	226,781	247,012	251,668	239,184	243,525	269,189	226,781	243,525
Other liabilities	22,468	25,353	25,581	26,504	25,307	25,697	22,468	25,307
Total liabilities								
at book value	1,269,214	1,310,750	1,309,973	1,281,751	1,309,392	1,366,086	1,269,214	1,309,392
with portfolio investment at market value	<i>1,541,643</i>	<i>1,586,597</i>	<i>1,594,758</i>	<i>1,570,458</i>	<i>1,570,058</i>	<i>1,626,817</i>	<i>1,541,643</i>	<i>1,570,058</i>
<b>Net international investment position</b>								
at book value	-77,303	-74,701	-109,797	-114,153	-125,010	-85,201	-77,303	-125,010
with portfolio investment at market value	<i>15,641</i>	<i>28,834</i>	<i>-6,426</i>	<i>-29,176</i>	<i>-20,822</i>	<i>-22,197</i>	<i>15,641</i>	<i>-20,822</i>

## Section H

# National balance sheet accounts

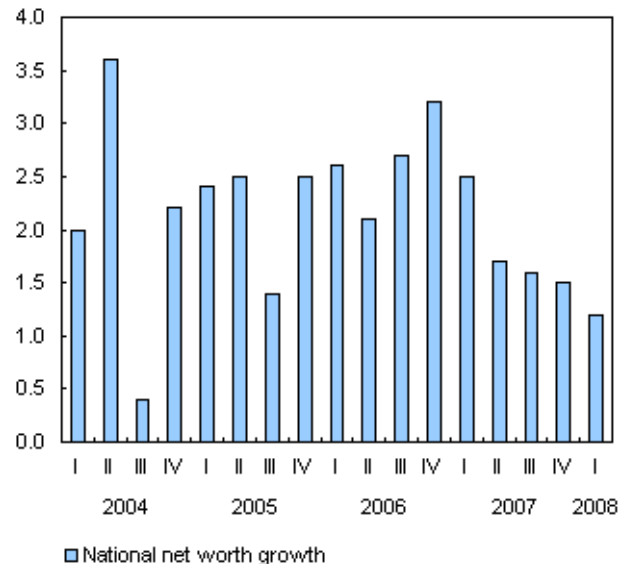
First quarter 2008

Though down slightly from the previous quarter, growth in national net worth remained robust due mainly to steady gains in non-financial assets. National net worth - total assets less liabilities - grew 1.2% or \$68 billion in the first quarter of 2008. This resulted in a per capita national net worth of \$171,000, up from \$169,300 at the end of 2007.

National wealth, defined as the sum of economy-wide non-financial assets, rose to \$5.7 trillion at the end of the first quarter 2008. This was a modest increase of 1.2% compared to 2.3% registered for the same quarter last year. Although housing investment cooled during the quarter, residential real estate remained a major contributor to the increase in national wealth, accounting for over one third of the gain.

**Chart H.1**  
Growth in national net worth continues at a strong pace

% change, not seasonally adjusted



### Note to readers

The national balance sheet accounts are statements of the balance sheets of all of the various sectors of the economy. They consist of the non-financial assets owned in the various sectors of the economy and of financial claims outstanding.

**National wealth** is the sum of non-financial assets (produced assets, land surrounding structures and agricultural land) in all sectors of the economy.

**National net worth** is national wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of the persons and unincorporated business, corporate and government sectors.

**National saving** is the sum of saving of the persons and unincorporated business, corporate and government sectors. National saving and investment contribute to change in national net worth.

The revaluation of assets and liabilities also contributes to changes in national net worth. The causes of revaluation include changes in non-financial asset prices, equity prices, interest rates, exchange rates and loan allowances.

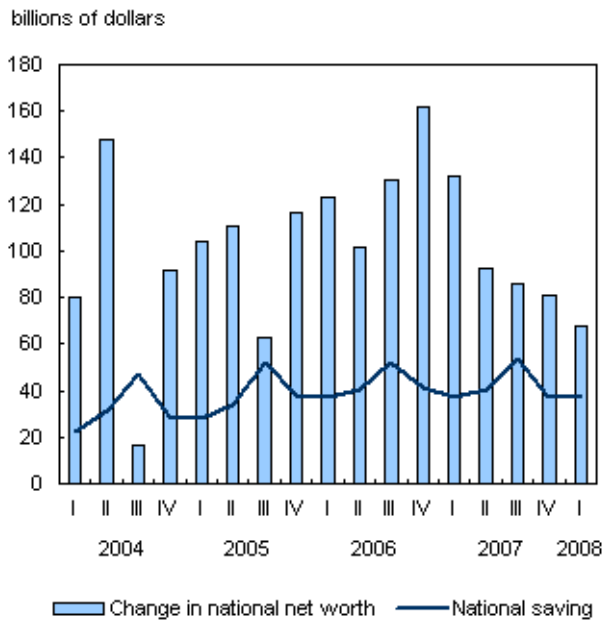
Quarterly series, both book and market value, are available from the first quarter of 1990. For more information on the market value estimates, consult the *Balance sheet estimates at market value* page of our website.

With this release, data are revised from 2004 through 2007.

Annual estimates of pension assets by type from 1990 to 2007 are available as an extension to the National Balance Sheet Accounts. For more information on the market value estimates, consult the [Provisional results of the Pension Satellite Account](#).

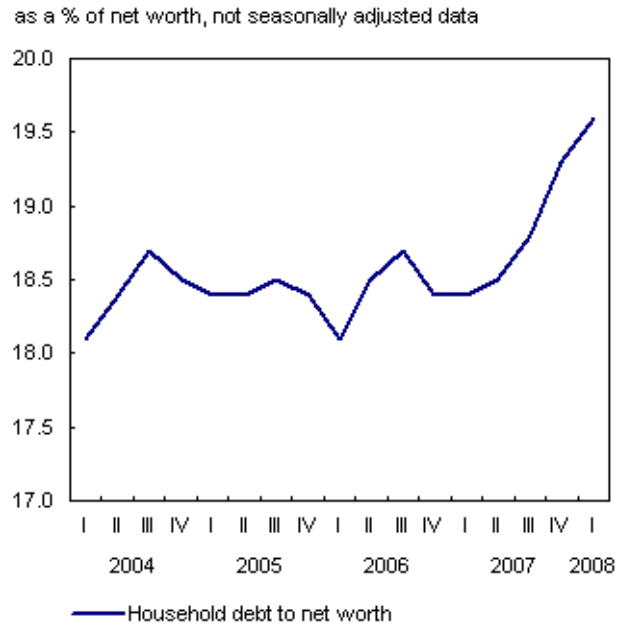
Sustained saving by both the corporate and government sectors remained a driving force behind the gains in national net worth. Canada's net foreign indebtedness (with marketable securities on a market value basis) has trended downwards over the last number of years, although it edged up in the first quarter, primarily due to a stock market correction on Canadian portfolio investments abroad. However, this small increase was offset by the widening of Canada's net foreign direct investment asset position as well as by the depreciation in the Canadian dollar, which raised the value of Canadian foreign security holdings. As a result, the gain in national net worth was only marginally constrained by the increase in Canada's net foreign debt.

**Chart H.2**  
**Revaluations of assets drive continued increase in national net worth**



Household debt (consumer credit and mortgage liabilities) continued to grow faster than net worth in the first quarter 2008. Households had 19.6 cents of debt for every dollar of net worth and household debt amounted to 123.8% of personal disposable income.

**Chart H.3**  
**Household leverage up further**



**Household net worth expands**

Household net worth expanded by 0.4% in the first quarter as increases in financial and non-financial assets outpaced growth in liabilities. Growth in life insurance and pension assets offset the decline in equities, the latter resulting from a decline in the financial stock markets.

Despite declines in new housing construction and resale markets in the first quarter, residential real estate continued to expand, though at a reduced pace. The value of residential real estate further buttressed the growth in non-financial assets.

**Chart H.4**  
**Household debt to income edges up**

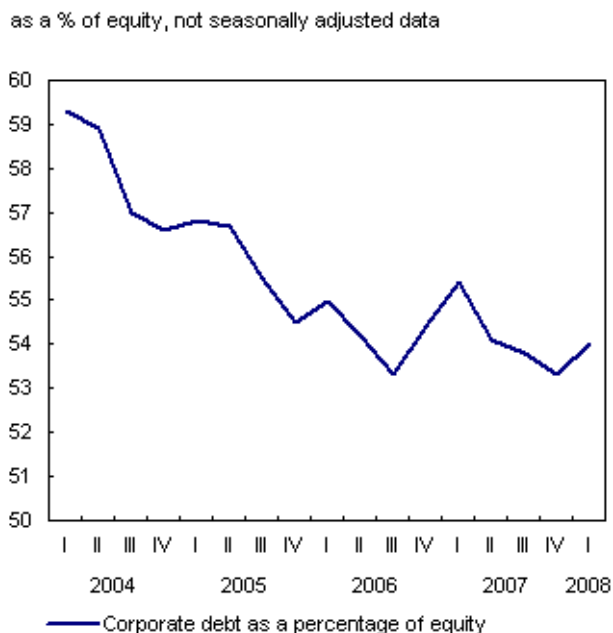


**Non-financial corporate debt and leverage largely unchanged**

Increased reliance on borrowed funds in the first quarter was reflected in a marginal increase in leverage. Corporations had about 54 cents of debt for every dollar of equity in the first quarter. However, leverage has been trending downward for corporations since the early nineties, partially spurred by the trend to increased undistributed corporate profits.

The corporate sector remained a net lender to the rest of the economy, as corporations continued to generate more funds (undistributed corporate profits) from internal operations. Non-financial corporations' surplus advanced, as gross saving outpaced non-financial capital acquisition.

**Chart H.5**  
**Corporate debt-to-equity posts a modest increase**



**Asset growth of financial institutions accelerates**

In aggregate, financial institutions significantly increased financial assets in the first quarter, principally reflecting increases in corporate claims and mortgage holdings. The upward revaluation of foreign currency denominated investments resulting from the depreciating dollar also contributed to the growth in financial assets.

**Government net debt continues to decline in relation to gross domestic product**

As a percentage of GDP, government net debt further declined, representing about 40% of GDP compared with 90% in 1996.

**Table H.1 National balance sheet accounts[1]**

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	5,205	5,323	5,451	5,560	5,632	5,702	5,205	5,632
	1.5	2.3	2.4	2.0	1.3	1.2	8.1	8.2
Net foreign debt	16	29	-6	-29	-21	-23	16	-21
	...	81.3	...	...	...	...	...	...
National net worth	5,221	5,353	5,445	5,531	5,612	5,679	5,221	5,612
	3.2	2.5	1.7	1.6	1.5	1.2	11.0	7.5
National net worth per capita (dollars)	159,200	162,800	165,100	167,100	169,300	171,000	159,200	169,300
	3.1	2.3	1.4	1.2	1.3	1.0	9.9	6.3

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

**Table H.2 National balance sheet, market value**

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Millions of dollars at quarter end								
<b>Total assets</b>	<b>16,838,583</b>	<b>17,256,447</b>	<b>17,610,026</b>	<b>17,924,731</b>	<b>18,098,087</b>	<b>18,369,397</b>	<b>16,838,583</b>	<b>18,098,087</b>
Non-financial assets	5,204,696	5,323,344	5,450,861	5,559,573	5,632,339	5,701,855	5,204,696	5,632,339
Residential structures	1,468,232	1,499,447	1,539,133	1,572,489	1,589,041	1,602,341	1,468,232	1,589,041
Non-residential structures	1,207,552	1,239,000	1,264,763	1,292,625	1,324,091	1,353,015	1,207,552	1,324,091
Machinery and equipment	419,017	420,049	422,655	421,767	421,249	430,201	419,017	421,249
Consumer durables	386,852	388,109	395,065	396,563	398,226	393,598	386,852	398,226
Inventories	216,174	221,329	215,565	223,832	223,862	227,710	216,174	223,862
Land	1,506,869	1,555,410	1,613,680	1,652,297	1,675,870	1,694,990	1,506,869	1,675,870
Net financial assets	15,939	29,177	-5,692	-28,845	-20,739	-22,636	15,939	-20,739
Financial assets	11,633,887	11,933,103	12,159,165	12,365,158	12,465,748	12,667,542	11,633,887	12,465,748
Official reserves	40,960	45,508	42,533	40,886	40,593	43,589	40,960	40,593
Gold & foreign currency	38,867	43,547	40,756	39,224	38,932	41,813	38,867	38,932
IMF reserve position	970	834	740	667	655	686	970	655
Special drawing rights	1,123	1,127	1,037	995	1,006	1,090	1,123	1,006
Currency and bank deposits	911,443	913,475	940,450	983,873	1,002,360	1,007,024	911,443	1,002,360
Other deposits	227,768	231,955	238,330	246,152	251,954	254,731	227,768	251,954
Foreign currency deposits	138,429	148,482	157,275	166,874	179,505	193,173	138,429	179,505
Consumer credit	312,732	317,966	330,963	341,944	348,583	353,254	312,732	348,583
Trade receivables	264,360	270,179	271,887	276,510	278,216	283,493	264,360	278,216
Bank loans	233,352	244,397	249,644	258,128	272,399	279,543	233,352	272,399
Other loans	217,386	218,521	220,342	223,397	224,272	226,928	217,386	224,272
Canada short-term paper	113,158	124,291	109,668	102,209	107,002	110,011	113,158	107,002
Other short-term paper	229,942	235,779	236,295	253,160	250,413	251,104	229,942	250,413
Mortgages	846,070	864,923	890,583	919,056	944,494	964,523	846,070	944,494
Canada bonds	264,910	257,956	254,320	252,693	252,967	252,326	264,910	252,967
(of which CSB's)	15,465	15,175	14,913	14,839	13,298	13,241	15,465	13,298
Provincial bonds	309,283	310,562	303,451	314,858	325,827	327,946	309,283	325,827
Municipal bonds	41,007	41,950	41,637	42,567	43,845	44,461	41,007	43,845
Other bonds	487,438	501,254	513,283	539,973	558,547	574,568	487,438	558,547
Life insurance & pensions	1,400,800	1,431,287	1,450,264	1,463,197	1,469,348	1,506,261	1,400,800	1,469,348
Corporate claims	1,304,156	1,343,959	1,350,501	1,381,349	1,421,426	1,528,927	1,304,156	1,421,426
Government claims	216,878	219,064	217,728	218,645	219,997	223,333	216,878	219,997
Shares	2,411,037	2,483,294	2,588,797	2,637,977	2,570,772	2,532,260	2,411,037	2,570,772
Foreign investments	737,550	773,715	774,344	731,113	722,561	705,732	737,550	722,561
Other financial assets	925,228	954,586	976,870	970,597	980,667	1,004,355	925,228	980,667
<b>Liabilities and net worth</b>	<b>16,838,583</b>	<b>17,256,447</b>	<b>17,610,026</b>	<b>17,924,731</b>	<b>18,098,087</b>	<b>18,369,397</b>	<b>16,838,583</b>	<b>18,098,087</b>
Liabilities	11,617,948	11,903,926	12,164,857	12,394,003	12,486,487	12,690,178	11,617,948	12,486,487
Currency and bank deposits	932,333	934,904	959,093	1,004,711	1,022,902	1,028,535	932,333	1,022,902
Other deposits	227,768	231,955	238,330	246,152	251,954	254,731	227,768	251,954
Foreign currency deposits	132,089	153,044	156,005	160,277	170,648	178,914	132,089	170,648
Consumer credit	312,732	317,966	330,963	341,944	348,583	353,254	312,732	348,583
Trade payables	265,501	272,716	275,676	280,001	285,658	291,307	265,501	285,658
Bank loans	217,673	225,536	234,757	241,904	254,072	258,464	217,673	254,072
Other loans	218,056	222,084	225,158	230,113	234,060	234,658	218,056	234,060
Canada short-term paper	126,307	135,947	121,090	112,912	117,712	118,484	126,307	117,712
Other short-term paper	239,039	246,584	247,654	263,885	260,365	260,001	239,039	260,365
Mortgages	846,414	865,266	890,922	919,392	944,829	964,859	846,414	944,829
Canada bonds	316,793	309,200	298,554	298,301	297,432	304,716	316,793	297,432
(of which CSB's)	15,465	15,175	14,913	14,839	13,298	13,241	15,465	13,298
Provincial bonds	435,338	435,872	417,237	422,855	433,393	439,764	435,338	433,393
Municipal bonds	45,295	46,106	45,613	46,579	47,931	48,801	45,295	47,931
Other bonds	730,815	747,735	746,319	767,710	793,667	827,539	730,815	793,667
Life insurance & pensions	1,400,800	1,431,287	1,450,264	1,463,197	1,469,348	1,506,261	1,400,800	1,469,348
Corporate claims	521,326	553,248	577,135	585,572	588,965	639,448	521,326	588,965
Government claims	216,878	219,064	217,728	218,645	219,997	223,333	216,878	219,997
Shares	3,527,308	3,619,828	3,775,749	3,846,516	3,793,307	3,787,138	3,527,308	3,793,307
Other liabilities	905,483	935,584	956,610	943,337	951,664	969,971	905,483	951,664
<b>Net worth</b>	<b>5,220,635</b>	<b>5,352,521</b>	<b>5,445,169</b>	<b>5,530,728</b>	<b>5,611,600</b>	<b>5,679,219</b>	<b>5,220,635</b>	<b>5,611,600</b>



Table H.3 Credit market summary table

	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	2006	2007
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	1,112,455	1,132,066	1,165,748	1,201,152	1,224,558	1,244,681	1,112,455	1,224,558
Consumer credit	312,732	317,966	330,963	341,944	348,583	353,254	312,732	348,583
Bank loans	28,094	26,830	26,923	27,821	26,984	29,235	28,094	26,984
Other loans	73,598	74,713	73,496	72,694	71,525	69,440	73,598	71,525
Mortgages	698,031	712,557	734,366	758,693	777,466	792,752	698,031	777,466
Non-financial private corporations	654,583	674,315	674,708	682,941	689,379	708,945	654,583	689,379
Bank loans	130,360	136,214	139,905	144,919	151,252	154,035	130,360	151,252
Other loans	75,958	76,395	75,729	74,220	69,270	71,937	75,958	69,270
Other short-term paper	57,088	59,679	60,508	63,317	62,203	69,685	57,088	62,203
Mortgages	132,126	136,329	140,590	144,253	149,833	154,556	132,126	149,833
Bonds	259,051	265,698	257,976	256,232	256,821	258,732	259,051	256,821
Non-financial government enterprises	63,261	62,761	60,570	61,142	63,980	62,388	63,261	63,980
Bank loans	2,489	2,449	2,481	2,479	2,389	2,404	2,489	2,389
Other loans	6,907	6,213	6,035	6,044	7,212	6,244	6,907	7,212
Other short-term paper	3,023	2,862	2,399	2,882	3,163	3,390	3,023	3,163
Mortgages	95	94	93	94	91	89	95	91
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,107	48,542	47,184	47,287	48,860	48,168	48,107	48,860
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,519	2,480	2,257	2,235	2,144	1,972	2,519	2,144
Federal government	403,115	413,471	393,980	385,134	384,139	387,320	403,115	384,139
Bank loans	101	99	99	99	100	100	101	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	126,307	135,947	121,090	112,912	117,712	118,484	126,307	117,712
Canada bonds	276,707	277,425	272,791	272,123	266,327	268,736	276,707	266,327
Canada savings bonds	15,465	15,175	14,913	14,839	13,298	13,241	15,465	13,298
Other bonds	261,242	262,250	257,878	257,284	253,029	255,495	261,242	253,029
Other levels of government	410,841	414,136	410,678	418,966	425,497	424,055	410,841	425,497
Bank loans	4,421	4,726	5,131	4,819	4,733	5,112	4,421	4,733
Other loans	16,608	16,703	16,788	16,957	17,326	17,524	16,608	17,326
Other short-term paper	15,526	15,555	14,541	20,076	21,792	16,056	15,526	21,792
Mortgages	1,900	1,899	1,899	1,899	1,899	1,899	1,900	1,899
Provincial bonds	324,712	326,505	323,075	325,545	329,330	332,687	324,712	329,330
Municipal bonds	43,772	44,878	45,394	45,839	46,601	46,961	43,772	46,601
Other bonds	3,902	3,870	3,850	3,831	3,816	3,816	3,902	3,816
Total funds raised by domestic non-financial sectors	2,644,255	2,696,749	2,705,684	2,749,335	2,787,553	2,827,389	2,644,255	2,787,553
Consumer credit	312,732	317,966	330,963	341,944	348,583	353,254	312,732	348,583
Bank loans	165,465	170,318	174,539	180,137	185,458	190,886	165,465	185,458
Other loans	173,071	174,024	172,048	169,915	165,333	165,145	173,071	165,333
Canada short-term paper	126,307	135,947	121,090	112,912	117,712	118,484	126,307	117,712
Other short-term paper	75,637	78,096	77,448	86,275	87,158	89,131	75,637	87,158
Mortgages	832,152	850,879	876,948	904,939	929,289	949,296	832,152	929,289
Bonds	958,891	969,519	952,648	953,213	954,020	961,193	958,891	954,020
Non-residents	41,267	44,001	38,835	39,069	45,424	50,418	41,267	45,424
Bank loans	15,679	18,861	14,887	16,224	18,327	21,079	15,679	18,327
Other loans	25,588	25,140	23,948	22,845	27,097	29,339	25,588	27,097
Mortgages	...	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,685,522	2,740,750	2,744,519	2,788,404	2,832,977	2,877,807	2,685,522	2,832,977
Domestic financial institutions	725,652	748,661	777,033	816,153	854,598	878,138	725,652	854,598
Bank loans	52,208	55,218	60,218	61,767	68,614	67,578	52,208	68,614
Other loans	44,985	48,060	53,110	60,198	68,727	69,513	44,985	68,727
Other short-term paper	163,402	168,488	170,206	177,610	173,207	170,870	163,402	173,207
Mortgages	14,262	14,387	13,974	14,453	15,540	15,563	14,262	15,540
Bonds	450,795	462,508	479,525	502,125	528,510	554,614	450,795	528,510
Total funds raised = total funds supplied	3,411,174	3,489,411	3,521,552	3,604,557	3,687,575	3,755,945	3,411,174	3,687,575
<b>Assets of:</b>								
Persons and unincorporated business	99,317	101,586	92,862	96,480	93,647	90,982	99,317	93,647
Non-financial corporations	82,555	82,969	82,488	85,857	85,813	93,483	82,555	85,813
Governments	243,756	251,911	255,373	261,119	261,328	258,456	243,756	261,328
Non-residents	450,187	457,567	436,011	421,602	433,820	451,774	450,187	433,820
Domestic financial institutions	2,557,956	2,617,922	2,676,753	2,761,432	2,834,606	2,882,628	2,557,956	2,834,606

## Section I

# The 2004 to 2007 revisions of the Income and Expenditure Accounts

### Introduction

Revised estimates of the Income and Expenditure Accounts (IEA) covering the period 2004 to 2007 have been released along with those for the first quarter of 2008. These revised estimates incorporate the most current source data and seasonal patterns.

### Revision schedule

The annual revision process is integrated within the Canadian System of National Accounts, with revised estimates of the *National Income and Expenditure Accounts (catalogue no. 13-001)*, *Financial Flow Accounts (catalogue no. 13-014)*, and the *Canadian Balance of International Payments (catalogue no. 67-001)*, compiled and released together. For example, updated estimates of detailed financial transactions underlying gross domestic product (GDP) are harmonized with revised estimates of sector incomes and outlays. In addition, revised estimates of the *National Balance Sheet Accounts (catalogue no. 13-214)*, are released about two weeks later, based largely on the updated sources of financial and capital transactions as well as on estimates of capital gains/losses implicit in the stock estimates.

The integration of GDP estimates by component occurs through compiling Input-Output Tables in current prices for the first two years of the four year revision period. These data are released in the fall of each year when the full provincial Input-Output Accounts are completed. Corresponding revisions to the monthly estimates of real gross domestic product by industry are released in September. Industry-based estimates are integrated annually, at the time of the first quarter with the income and expenditure based measures of GDP. Revisions to the more recent two years of the four year revision cycle arise due to updated sub-annual and annual sources of information.

Statistical revisions are carried out regularly in the Canadian System of National Accounts in order to incorporate the most current information from censuses, annual surveys, taxation statistics, public accounts, etc. In principle, the revision schedule for the IEA is as follows: the first estimate for a given quarter is released approximately 60 days after the end of the reference quarter; this estimate is revised when estimates for subsequent quarters of the same calendar year are released; thereafter, the estimates are open for revision only once a year for the next four years, at the time of the release of the first quarter estimates. For example, the estimates for the first quarter of 2004 were first released in May 2004. The first revision to these estimates occurred when the second quarter estimates were released in August 2004, further revisions occurred when the third and fourth quarter 2004

estimates were released. These estimates were revised again in each of the next four years, with the last of these revisions occurring with this release.

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

Limited revisions are sometimes carried out for periods further back than four years and historical revisions are conducted periodically, roughly once every 10 years. Historical revisions provide an occasion to improve estimation methods, eliminate statistical breaks resulting from more limited revisions, and introduce conceptual changes into the system. The most recent historical revision was completed in December 1997. Documentation related to this revision can be found at [www.statcan.ca/english/freepub/13-605-XIE/2003001/data/1997nefa/index.htm](http://www.statcan.ca/english/freepub/13-605-XIE/2003001/data/1997nefa/index.htm).

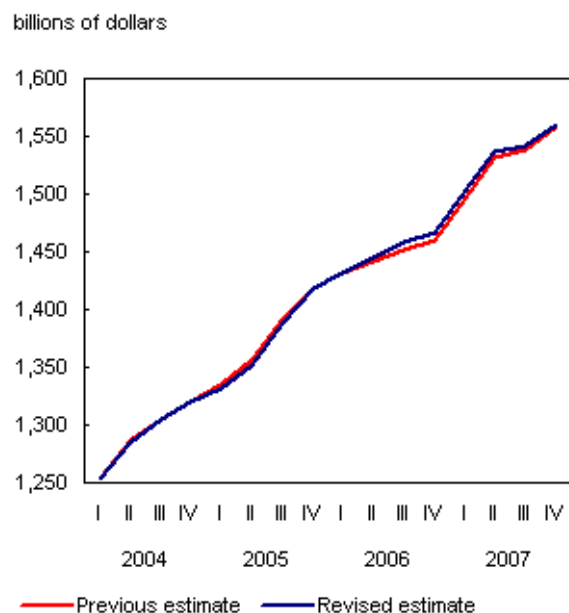
### Impact of the revisions on gross domestic product

The current revisions to GDP result from the inclusion of the most current estimates from data sources, including survey results, administrative data and public accounts. Revised 2004 and preliminary 2005 Input-Output data are incorporated for the first two years of the four-year revision period. New benchmark information is incorporated for the more recent periods. Other series are revised due to applying existing or updated projectors to the new levels received from the Input-Output Accounts. Additional conceptual or classification changes are sometimes implemented within the National Income and Expenditure Accounts. Documentation related to these conceptual changes can be found at [www.statcan.ca/english/freepub/13-605-XIE/2003001/chronology/chronoindex.htm](http://www.statcan.ca/english/freepub/13-605-XIE/2003001/chronology/chronoindex.htm). No conceptual changes have been made to the Income and Expenditure Accounts this year.

**Table I.1 Selected components – Current revisions**

	2004	2005	2006	2007
	millions of dollars			
<b>Gross domestic product</b>	<b>78</b>	<b>-2,454</b>	<b>4,183</b>	<b>4,219</b>
<b>Income components</b>				
Wages, salaries and supplementary labour income	2,292	1,052	5,931	6,067
Surplus	-1,677	-2,891	-390	-2,561
Corporation profits before taxes	-932	-3,462	-2,140	-7,195
Interest and miscellaneous investment income	-89	177	1,111	2,831
Capital consumption allowances	-451	-377	456	1,415
Government business enterprise profits before taxes	-108	745	815	84
Inventory valuation adjustment	-97	26	-632	304
Taxes less subsidies, on factors of production	221	-1	159	972
Taxes less subsidies, on products	-235	-713	-901	-705
<b>Expenditure components</b>				
Personal expenditure on consumer goods and services	-484	-1,462	-242	-1,196
Government current expenditure on goods and services	-1,471	-2,453	-884	-1,595
Business investment in residential structures	47	-60	87	134
Business investment in non-residential structures	-23	-121	-942	-3,905
Business investment in machinery and equipment	297	2,426	6,052	7,825
Business investment in inventories	-351	-312	269	2,654
Exports of goods and services	633	-1,470	-2,008	-2,551
Imports of goods and services	-418	-345	-612	-1,190

As can be seen in Table I.1, the revision results in minimal adjustment to the level of GDP at current prices on an annual basis for 2004. The estimates are revised down by \$2.5 billion for 2005 while they are adjusted up by \$4.2 billion for 2006 and \$4.2 billion for 2007. The minor revision of \$78 million to GDP in 2004 is a result of revisions to the 2004 Input-Output Tables. This is the last time 2004 will be revised in a normal revision schedule as it is now fully reconciled with the final Input-Output Accounts. Chart I.1 compares the value of the previous estimate to the revised estimate of nominal GDP on a quarterly basis.

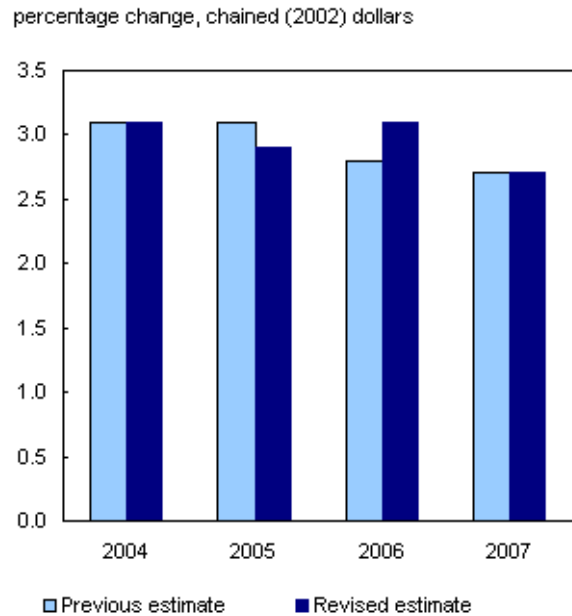
**Chart I.1 Gross domestic product**

The downward revision to GDP in 2005 is mainly driven by lower corporate profits and government current expenditure than previously estimated. The upward revisions to GDP in 2006 and 2007 are primarily due to higher labour income and investment in machinery and equipment, which are only partly offset by lower corporate profits, government current expenditures, business investment in non-residential structures, and exports of goods and services. The upward revision to labour income stems from the incorporation of employment income data (T4 records) from Canada Revenue Agency, whereas the upward revision to business investment in machinery and equipment is due to revised information from the survey of Public and Private Investment in Canada. On a quarterly basis (Table I.3), revisions are small in 2004 while GDP is revised down in all quarters of 2005. In contrast, the level of current dollar GDP is revised up for all quarters of 2006 and 2007.

The current revision to the annual growth rate of current dollar GDP (Table I.4) has left 2004 and 2007 unchanged. Viewed from a historical perspective over two decades, the revision of -0.2 percentage points in 2005 falls in the low range of revisions while it reaches 0.5 percentage points in 2006. The cumulative revision to the growth rate is measured by taking the difference between the current growth rate and the initial growth rate. The estimate of growth remains unchanged in 2007 and is revised up by 0.3 percentage points in 2004, 0.2 percentage points in 2005, and 0.8 percentage points in 2006, respectively. The cumulative revision to the 2006 growth rate is large by historical standards. The estimates of quarterly GDP growth remain practically unchanged for all quarters of 2004. There are only minor revisions of +/-0.2 percentage points for some quarters of 2005 through 2007. Also, the cumulative revision is generally minor for most quarters of the 4-year period, with the largest portion of the revisions taking place in the first (+0.8 percentage points) and second quarters (+0.7 percentage points) of 2006.

The estimates of annual real GDP growth (Table I.4) are unchanged for 2004 and 2007. They are revised down 0.2 percentage points in 2005 but up 0.3 percentage points in 2006. The cumulative revisions to the growth rate are zero for 2005 and 2007. They are modest by historical standards for 2004 and 2006, settling at 0.3 percentage points and 0.4 percentage points, respectively. On a quarterly basis for current revisions, 2004 and 2007 remain practically unchanged. Fairly small revisions of +/-0.2 percentage points are applied to some quarters of 2005 and 2006. The cumulative revisions are small for most quarters of the period except the third (+0.3 percentage points) and fourth (+0.3 percentage points) quarters of 2004 and the first (-0.4 percentage points) and fourth (+0.5 percentage points) quarters of 2005.

**Chart I.2**  
Growth rates of real gross domestic product, annual



**Chart I.3**  
Growth rates of real gross domestic product, quarterly

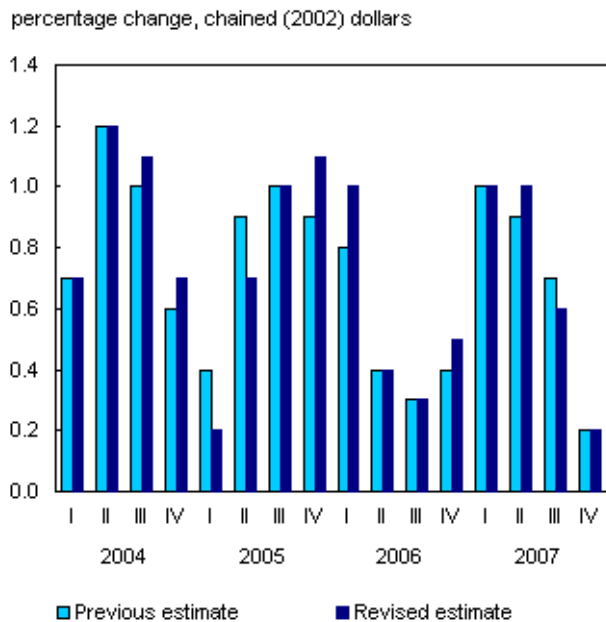


Table I.2 provides a history of the revisions to GDP for the period 1994-2007. As noted earlier, each annual estimate is subjected to four different annual revision cycles as well as periodic historical revision processes. This table provides the published level and growth rate of GDP for a given year for each of these revision cycles. The largest revisions to GDP normally occur with the third revision cycle, in which the Income and Expenditure Accounts are benchmarked to the preliminary Input-Output Tables. The average upward revision to GDP growth is 0.3 percentage points and the average downward revision is -0.3 percentage points following the first revision cycle. This changes to +0.6 and -0.4 percentage points with the second, and +0.7 and -0.3 percentage points with the Input-Output benchmarking process (the third and fourth revision cycle combined).

The implicit chained price index for GDP in 2004 and 2007 remains unchanged. The index is slightly revised down 0.1 percentage points for 2005 and up 0.1 percentage points for 2006.

#### Revisions to income aggregates (Table I.5)

Estimates of wages, salaries and supplementary labour income are revised upward by \$2.3 billion, \$1.1 billion, \$5.9 billion and \$6.1 billion in 2004 through 2007, respectively. The revision in 2004 is due to an updated 2004 T4 supplementary tax file received from the Canada Revenue Agency (CRA). This revision also affected 2005, as both files have now been incorporated into the estimate of wages and salaries. Revisions in 2006 are the result of the incorporation of data from tax files as well as other benchmark sources. Supplementary labour income is revised with actual data on contributions to pensions available for 2006.

Within the System of National Accounts, surplus is defined as the income corporations obtain from their own production facilities — value added at basic prices less compensation of employees less taxes on production payable plus subsidies received. It represents the last balancing item in the Input-Output Tables and is calculated for each industry. As part of the annual benchmarking to the Input-Output Tables, estimates of surplus are produced by incorporating the latest annual business and institutional surveys as well as various administrative data into the Input-Output framework. Once these benchmark estimates of surplus are derived, the revisions are incorporated into the Income and Expenditure Accounts. In the Income and Expenditure Accounts, surplus includes the following income components: corporation profits before taxes, interest and miscellaneous investment income, government business enterprise profits before taxes, inventory valuation adjustment, and capital consumption allowances. Surplus is revised downward by \$1.7 billion for 2004 and by \$2.9 billion for 2005. It is revised up by \$0.4 billion in 2006 and down by \$2.6 billion in 2007. Part of the downward revision to surplus reflects updated information on purchases of intermediate inputs by the automobile

industry. The revised source data extend back prior to the four-year window open for the revision under the revision policy of the SNA Branch. To minimise the impact on the time series, the revision was introduced gradually over the 2004 to 2006 period. Table I.1 shows the revisions to surplus for 2004 to 2007 as well as how the revision is distributed among its various income components.

Estimates of corporation profits before taxes are revised down each year from 2004 through 2007 by \$0.9 billion, \$3.5 billion, \$2.1 billion and \$7.2 billion, respectively. The revisions in 2004 and 2005 reflect the benchmarking to the Input-Output Accounts that take into account the latest annual business survey data as well as updated annual corporate income tax returns for 2005. New estimates from the preliminary Financial and Taxation Statistics for Enterprises including the General Index of Financial Information (GIFI) schedules and other annual sources have been incorporated for 2006. The 2007 estimates are projected using revised estimates from the Quarterly Financial Statistics for Enterprises. Government business enterprise profits are revised down by \$0.1 billion (2004) and up by \$0.7 billion (2005), \$0.8 billion (2006) and \$0.1 billion (2007). Interest and miscellaneous investment income is virtually unchanged in 2004, but is revised upward by \$0.2 billion, \$1.1 billion, and \$2.8 billion for 2005, 2006 and 2007, respectively. Revisions to this series reflect new and revised interest payment and receipt information from businesses. Capital consumption allowances (CCA) are revised downward in the first two years (\$0.5 billion and \$0.4 billion) but upward in the other two years (\$0.5 billion and \$1.4 billion). Updated annual corporate income tax returns, together with additional depreciation estimates from the Investment and Capital Stock Division's perpetual inventory model have led to these revisions. Inventory valuation adjustment sees minimal changes in 2004 and 2005. The current revision is -\$0.6 billion for 2006, and +\$0.3 billion for 2007.

Accrued net income of farm operators from farm production is revised downward in all four years due mainly to revisions in accrued program payments, farm operating expenses and grain inventories held on farms. Accrued net farm income remained at a low level in 2006 and 2007, compared to its historical level. Net income of non-farm unincorporated business, including rent is revised slightly upwards in all four years. The revisions in 2004 and 2005 reflect the annual benchmarking to the Input-Output Accounts by industry. The revisions in 2006 incorporate the most recent tax data from Canada Revenue Agency.

The estimate of taxes on factors of production, less subsidies is unchanged in 2005 and is revised slightly upward in 2004 and 2006. In 2007 the estimate is revised upward by \$1.0 billion. Taxes on products, less subsidies are revised downward in 2004 through 2007. Revisions to both series incorporate new public accounts and other financial information for the different government sub-sectors.

### Revisions to expenditure aggregates at current prices (Table I.6)

Personal expenditure on consumer goods and services is revised downward by \$0.5 billion (2004), \$1.5 billion (2005), \$0.2 billion (2006), and \$1.2 billion (2007), with food and non-alcoholic beverages accounting for the majority of the revisions. There were upward revisions throughout the 4-year period on spending on natural gas and communications. In 2004 and 2005, revisions reflect benchmarking to Input-Output Accounts. Personal expenditure on services is revised using results from the Survey of Household Spending for 2006, as well as surveys of service industries. Both the quarterly retail commodity data, up to 2007, and the annual Retail Trade for 2006, released in March 2008, are incorporated into the personal expenditure estimates on consumer goods.

The downward revisions to Government current expenditure on goods and services are relatively large, accounting for \$1.5 billion in 2004, \$2.5 billion in 2005, \$0.9 billion in 2006, and \$1.6 billion in 2007. These revisions reflect new data from the federal government's accounting system and provincial public accounts as well as the latest local government information. Survey results for 2005 from the Canadian Institute for Health Information (CIHI) and the Culture, Tourism and the Centre for Education Statistics are also incorporated and carried forward to 2007. Government gross fixed capital formation sees modest revisions for 2004 to 2006 and a \$2.0 billion revision in 2007. There is no revision to government investment in inventory.

Current dollar business investment in residential structures shows very small revisions for each year. Revisions are based on administrative data and results from the 2006 Survey of Household Spending and the Survey of Real Estate Agents and Brokers. Business investment in non-residential construction posts downward revisions for 2004 to 2007, with a larger revision of \$3.9 billion in 2007. Business investment in machinery and equipment records upward revisions in all years at \$0.3 billion, \$2.4 billion, \$6.1 billion, and \$7.8 billion, respectively. Revisions to both series reflect benchmarking to the Input-Output Accounts as well as the incorporation of the latest estimates from the Private and Public Investment Survey. The sharp decrease in investment in non-residential structures in 2007 was largely due to revised estimates of engineering.

Revisions to business investment in inventories reflect the incorporation of new information on natural gas storage movements as well as information coming from the latest annual surveys. The downward revisions to 2004 (\$0.4 billion) and 2005 (\$0.3 billion) also reflect the results of the commodity balancing process that is integral to the compilation of the Input-Output Accounts, to which the Income and Expenditure Accounts are benchmarked. The upward revisions are recorded at \$0.3 billion for 2006 and \$2.7 billion for 2007.

Merchandise exports in current dollars are revised down by \$1.6 billion, \$2.0 billion and \$2.2 billion over the period of 2005 to 2007, primarily driven by the revisions to machinery and equipment. The revision in 2004 is minimal. The downward revision to exports is largely due to the partial reversal of adjustments that had been made to account for underreporting of exports to non-US destinations. The partial reversal is based on evidence of improved reporting compliance by exporters. Merchandise imports in current dollars recorded limited downward revisions by \$0.2 billion, \$0.5 billion, \$0.1 billion and \$0.6 billion, respectively. In real terms, merchandise imports were revised down for the entire 2004 to 2007 period reflecting an upward adjustment to import prices. The adjustment was based on an analysis of imbalances between supply and use of goods in real terms. The revisions to service exports and imports are primarily caused by the incorporation of newly received survey data for Canada's trade in commercial services. The value of service exports is revised up by \$0.7 billion and \$0.2 billion for 2004 and 2005 but down by \$0.05 billion and \$0.4 billion for 2006 and 2007, respectively. Similar to exports, the value of service imports demonstrates modest revisions. The revisions to chained implicit prices are minimal for exports while they show some volatility for imports.

**Table I.2 Revisions to gross domestic product, historical perspective**

Reference period	Initial estimate	Revised estimate, first annual revision cycle	Revised estimate, second annual revision cycle	Revised estimate, third annual revision cycle	Revised estimate, fourth annual revision cycle	Revised estimate, historical revision processes	Cumulative revision
millions of current dollars							
1994	748,606	750,053	747,260	762,251	762,251	770,873	22,267
1995	780,027	776,299	799,129	799,129	806,778	810,426	30,399
1996	797,789	828,997	833,921	833,070	839,064	836,864	39,075
1997	856,134	855,103	866,252	873,947	877,921	882,733	26,599
1998	888,390	895,704	901,805	915,865	914,973	914,973	26,583
1999	949,400	957,911	975,263	980,524	982,441		33,041
2000	1,038,794	1,056,010	1,064,995	1,075,566	1,076,577		37,783
2001	1,084,119	1,092,246	1,107,459	1,108,200	1,108,048		23,929
2002	1,142,123	1,154,949	1,157,968	1,154,204	1,152,905		10,782
2003	1,214,601	1,218,772	1,216,191	1,213,408	1,213,175		-1,426
2004	1,293,289	1,290,185	1,290,788	1,290,828	1,290,906		-2,383
2005	1,368,726	1,371,425	1,375,080	1,372,626			3,900
2006	1,439,291	1,446,307	1,450,490				11,199
2007	1,531,427	1,535,646					4,219
growth rate							
1995	4.0	3.9	4.8	4.8	5.8	5.1	1.1
1996	2.8	3.7	4.4	3.3	4.0	3.3	0.5
1997	3.3	2.5	4.0	4.2	4.6	5.5	2.2
1998	3.9	3.4	3.2	4.3	4.2	3.7	-0.2
1999	6.0	6.2	6.5	7.2	7.4		1.4
2000	8.4	8.3	8.6	9.5	9.6		1.1
2001	2.7	2.6	3.0	2.9	2.9		0.3
2002	4.6	4.3	4.5	4.2	4.0		-0.5
2003	5.2	5.3	5.4	5.2	5.2		0.1
2004	6.1	6.1	6.4	6.4	6.4		0.3
2005	6.1	6.2	6.5	6.3			0.2
2006	4.9	5.2	5.7				0.8
2007	5.9	5.9					0.0

**Table I.3 Revisions to gross domestic product**

Reference period	Initial estimate <sup>1</sup>	Previous estimate <sup>2</sup>	Revised estimate <sup>3</sup>	Current revision <sup>4</sup>	Cumulative revision <sup>5</sup>
seasonally adjusted data at annual rates, millions of current dollars					
2004	1,293,289	1,290,828	1,290,906	78	-2,383
2005	1,368,726	1,375,080	1,372,626	-2,454	3,900
2006	1,439,291	1,446,307	1,450,490	4,183	11,199
2007	1,531,427	1,531,427	1,535,646	4,219	4,219
2004Q1	1,255,676	1,253,040	1,253,084	44	-2,592
2004Q2	1,287,476	1,286,048	1,285,308	-740	-2,168
2004Q3	1,308,012	1,304,768	1,305,812	1044	-2,200
2004Q4	1,323,868	1,319,456	1,319,420	-36	-4,448
2005Q1	1,331,300	1,334,424	1,331,732	-2,692	432
2005Q2	1,347,608	1,356,388	1,351,936	-4,452	4,328
2005Q3	1,385,940	1,390,844	1,388,588	-2,256	2,648
2005Q4	1,411,652	1,418,664	1,418,248	-416	6,596
2006Q1	1,417,276	1,431,364	1,432,352	988	15,076
2006Q2	1,429,800	1,442,220	1,444,876	2,656	15,076
2006Q3	1,440,808	1,452,396	1,458,128	5,732	17,320
2006Q4	1,453,744	1,459,248	1,466,604	7,356	12,860
2007Q1	1,494,976	1,497,260	1,503,856	6,596	8,880
2007Q2	1,530,540	1,531,096	1,536,548	5,452	6,008
2007Q3	1,537,472	1,538,508	1,541,836	3,328	4,364
2007Q4	1,558,844	1,558,844	1,560,344	1,500	1,500

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

2. For 2004, 2005 and 2006, the previous estimate is the one released with the first quarter of 2007, while for 2007 it is from the fourth quarter issue of 2007.

3. The revised estimates are the result of the revisions at the time of the first quarter of 2008.

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

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



**Table I.4 Revisions to gross domestic product (growth rates)**

Reference period	Initial estimate <sup>1</sup>	Previous estimate <sup>2</sup>	Revised estimate <sup>3</sup>	Current revision <sup>4</sup>	Cumulative revision <sup>5</sup>
seasonally adjusted data at annual rates					
current dollars, %			percentage points		
2004	6.1	6.4	6.4	0.0	0.3
2005	6.1	6.5	6.3	-0.2	0.2
2006	4.9	5.2	5.7	0.5	0.8
2007	5.9	5.9	5.9	0.0	0.0
2004Q1	1.8	1.9	1.9	0.0	0.1
2004Q2	2.5	2.6	2.6	0.0	0.1
2004Q3	1.7	1.5	1.6	0.1	-0.1
2004Q4	1.2	1.1	1.0	-0.1	-0.2
2005Q1	1.0	1.1	0.9	-0.2	-0.1
2005Q2	1.3	1.6	1.5	-0.1	0.2
2005Q3	2.8	2.5	2.7	0.2	-0.1
2005Q4	2.0	2.0	2.1	0.1	0.1
2006Q1	0.2	0.9	1.0	0.1	0.8
2006Q2	0.2	0.8	0.9	0.1	0.7
2006Q3	0.6	0.7	0.9	0.2	0.3
2006Q4	0.7	0.5	0.6	0.1	-0.1
2007Q1	2.4	2.6	2.5	-0.1	0.1
2007Q2	2.3	2.3	2.2	-0.1	-0.1
2007Q3	0.5	0.5	0.3	-0.2	-0.2
2007Q4	1.3	1.3	1.2	-0.1	-0.1
chained (2002) dollars <sup>6</sup>					
%			percentage points		
2004	2.8	3.1	3.1	0.0	0.3
2005	2.9	3.1	2.9	-0.2	0.0
2006	2.7	2.8	3.1	0.3	0.4
2007	2.7	2.7	2.7	0.0	0.0
2004Q1	0.6	0.7	0.7	0.0	0.1
2004Q2	1.1	1.2	1.2	0.0	0.1
2004Q3	0.8	1.0	1.1	0.1	0.3
2004Q4	0.4	0.6	0.7	0.1	0.3
2005Q1	0.6	0.4	0.2	-0.2	-0.4
2005Q2	0.8	0.9	0.7	-0.2	-0.1
2005Q3	0.9	1.0	1.0	0.0	0.1
2005Q4	0.6	0.9	1.1	0.2	0.5
2006Q1	0.9	0.8	1.0	0.2	0.1
2006Q2	0.5	0.4	0.4	0.0	-0.1
2006Q3	0.4	0.3	0.3	0.0	-0.1
2006Q4	0.4	0.4	0.5	0.1	0.1
2007Q1	0.9	1.0	1.0	0.0	0.1
2007Q2	0.8	0.9	1.0	0.1	0.2
2007Q3	0.7	0.7	0.6	-0.1	-0.1
2007Q4	0.2	0.2	0.2	0.0	0.0

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

2. For 2004, 2005 and 2006, the previous estimate is the one released with the first quarter of 2007, while for 2007 it is from the fourth quarter issue of 2007.

3. The revised estimates are the result of the revisions at the time of the first quarter of 2008.

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

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

6. For 2004, 2005 and 2006, the initial estimate is in chained (1997) dollars.

**Table I.5 Revisions to income aggregates at current prices**

Reference period	Initial estimate <sup>1</sup>	Previous estimate <sup>2</sup>	Revised estimate <sup>3</sup>	Current revision <sup>4</sup>	Cumulative revision <sup>5</sup>
millions of dollars					
Wages, salaries and supplementary labour income					
2004	638,868	654,957	657,249	2,292	18,381
2005	678,925	694,041	695,093	1,052	16,168
2006	730,075	737,382	743,313	5,931	13,238
2007	782,290	782,290	788,357	6,067	6,067
Corporation profits before taxes					
2004	178,014	169,151	168,219	-932	-9,795
2005	193,936	189,357	185,895	-3,462	-8,041
2006	200,338	198,859	196,719	-2,140	-3,619
2007	210,426	210,426	203,231	-7,195	-7,195
Government business enterprise profits before taxes					
2004	11,857	12,923	12,815	-108	958
2005	13,370	14,578	15,323	745	1,953
2006	13,733	13,823	14,638	815	905
2007	15,455	15,455	15,539	84	84
Interest and miscellaneous investment income					
2004	56,845	54,109	54,020	-89	-2,825
2005	61,240	61,070	61,247	177	7
2006	63,418	65,310	66,421	1,111	3,003
2007	68,684	68,684	71,515	2,831	2,831
Accrued net income of farm operators from farm production					
2004	1,700	3,106	2,897	-209	1,197
2005	1,551	1,321	1,098	-223	-453
2006	326	344	-154	-498	-480
2007	582	582	110	-472	-472
Net income of non-farm unincorporated business, including rent					
2004	81,013	81,037	81,313	276	300
2005	84,666	83,636	83,955	319	-711
2006	87,412	85,980	86,540	560	-872
2007	89,777	89,777	90,363	586	586
Inventory valuation adjustment					
2004	-657	-1,747	-1,844	-97	-1,187
2005	-442	-933	-907	26	-465
2006	-1,809	-1,775	-2,407	-632	-598
2007	2,968	2,968	3,272	304	304
Taxes less subsidies, on factors of production					
2004	57,661	58,998	59,219	221	1,558
2005	59,961	61,847	61,846	-1	1,885
2006	63,351	64,421	64,580	159	1,229
2007	66,949	66,949	67,921	972	972
Taxes less subsidies, on products					
2004	93,248	89,838	89,603	-235	-3,645
2005	94,750	94,334	93,621	-713	-1,129
2006	97,229	97,161	96,260	-901	-969
2007	100,133	100,133	99,428	-705	-705
Capital consumption allowances					
2004	174,216	168,274	167,823	-451	-6,393
2005	181,427	176,338	175,961	-377	-5,466
2006	185,505	184,750	185,206	456	-299
2007	193,814	193,814	195,229	1,415	1,415

1. For annual data, the initial estimate is from the fourth quarter of the corresponding year.

2. For 2004, 2005 and 2006, the previous estimate is the one released with the first quarter of 2007, while for 2007 it is from the fourth quarter issue of 2007.

3. The revised estimates are the result of the revisions at the time of the first quarter of 2008.

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

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

**Table I.6 Revisions to expenditure aggregates at current prices**

Reference period	Initial estimate <sup>1</sup>	Previous estimate <sup>2</sup>	Revised estimate <sup>3</sup>	Current revision <sup>4</sup>	Cumulative revision <sup>5</sup>
millions of dollars					
<b>Personal expenditure on consumer goods and services</b>					
2004	722,631	720,401	719,917	-484	-2,714
2005	761,962	760,701	759,239	-1,462	-2,723
2006	801,810	803,502	803,260	-242	1,450
2007	853,966	853,966	852,770	-1,196	-1,196
<b>Government current expenditure on goods and services</b>					
2004	249,771	248,868	247,397	-1,471	-2,374
2005	262,369	262,650	260,197	-2,453	-2,172
2006	282,667	279,806	278,922	-884	-3,745
2007	298,067	298,067	296,472	-1,595	-1,595
<b>Government gross fixed capital formation</b>					
2004	32,702	32,082	32,504	422	-198
2005	35,129	36,296	36,952	656	1,823
2006	37,382	40,336	40,899	563	3,517
2007	43,715	43,715	45,711	1,996	1,996
<b>Government investment in inventories</b>					
2004	21	21	21	0	0
2005	27	27	27	0	0
2006	-41	-41	-41	0	0
2007	15	15	15	0	0
<b>Business investment in residential structures</b>					
2004	84,470	82,918	82,965	47	-1,505
2005	89,595	89,791	89,731	-60	136
2006	96,941	98,386	98,473	87	1,532
2007	108,592	108,592	108,726	134	134
<b>Business investment in non-residential structures</b>					
2004	54,243	62,081	62,058	-23	7,815
2005	63,938	72,674	72,553	-121	8,615
2006	80,681	85,698	84,756	-942	4,075
2007	92,800	92,800	88,895	-3,905	-3,905
<b>Business investment in machinery and equipment</b>					
2004	85,641	84,435	84,732	297	-909
2005	91,354	90,609	93,035	2,426	1,681
2006	94,109	93,801	99,853	6,052	5,744
2007	96,244	96,244	10,4069	7,825	7,825
<b>Business investment in inventories</b>					
2004	7,219	5,589	5,238	-351	-1,981
2005	9,469	9,642	9,330	-312	-139
2006	7,223	7,824	8,093	269	870
2007	7,152	7,152	9,806	2,654	2,654
<b>Exports of goods and services</b>					
2004	494,519	495,347	495,980	633	1,461
2005	518,256	520,379	518,909	-1,470	653
2006	525,611	524,706	522,698	-2,008	-2,913
2007	534,669	534,669	532,118	-2,551	-2,551
<b>Imports of goods and services</b>					
2004	437,404	440,732	440,314	-418	2,910
2005	464,030	468,197	467,852	-345	3,822
2006	487,379	487,660	487,048	-612	-331
2007	503,445	503,445	502,255	-1,190	-1,190

1. For annual data, the initial estimate is from the fourth quarter of the corresponding year.

2. For 2004, 2005 and 2006, the previous estimate is the one released with the first quarter of 2007, while for 2007 it is from the fourth quarter issue of 2007.

3. The revised estimates are the result of the revisions at the time of the first quarter of 2008.

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

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