

Catalogue no. 13-010-X

Canadian Economic Accounts Quarterly Review



Third quarter 2008

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Symbols

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..	not available for a specific reference period
...	not applicable
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0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
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E	use with caution
F	too unreliable to be published

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Note of Appreciation

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

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

Publications:

National Income and Expenditure Accounts 13-001-XIB
 Guide to the Income and Expenditure Accounts 13-017-XWE
 Provincial and Territorial Economic Accounts Review 13-016-XWE

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

Publication:

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

International investment position

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

Publication:

Canada's International Investment Position 67-202-XIE

National balance sheet accounts

CANSIM tables 378-0003 to 378-0010

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 2008.

GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2002.

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 to the first quarter of 2002 at the industry level.

Section A Overview

Third quarter 2008 and September 2008

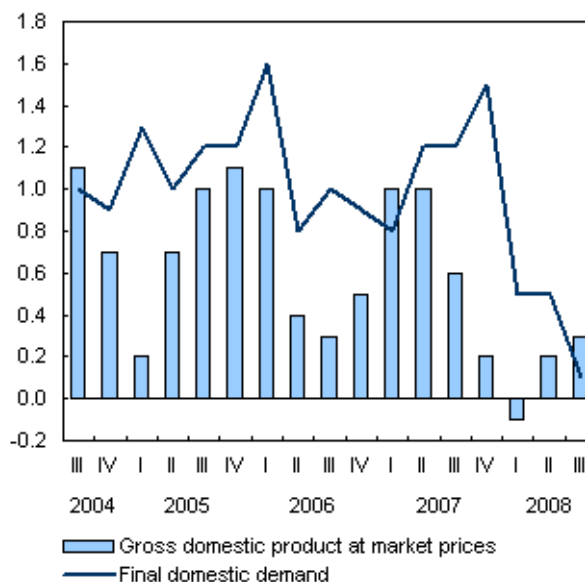
Real gross domestic product (GDP) increased 0.3% in the third quarter, after remaining essentially flat over the first half of the year. Most of the third quarter gain occurred in July. Economic activity edged up 0.1% in September following a decline in August.

Canadian producers increased their output in the third quarter. The production of goods rebounded in the third quarter following four consecutive quarterly declines. The increase was led by the mining sector, notably support activities for oil and gas extraction, as well as construction. The manufacturing sector edged up while forestry continued its decline. Production in the services industries continued to grow, with notable gains in the public sector and, to a lesser extent, in retail trade and wholesale trade.

Economic growth has been weak since the beginning of the year as foreign demand has weakened and growth of domestic demand has slowed. Exports declined for the fifth consecutive quarter and growth of final domestic demand decelerated to 0.1%, largely as a result of a slowdown in consumer expenditure.

Chart A.1
Final domestic demand slows

quarterly % change, chained (2002) dollars



The instability of world financial markets did not appear to have a significant impact on funds borrowed in domestic financial markets in the third quarter. Funds borrowed by the domestic non-financial sectors on financial markets slowed. The fluctuation was similar to that which has typically been observed in the past.

The reduction in funds borrowed by the household sector was partially offset by increased borrowing by non-financial corporations in the third quarter, which accounted for just over one-third of all funds raised, driven by an increase in bank loans.

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), as well as for lending and borrowing statistics, are calculated using nominal values, that is, not adjusted for price variations.

Real gross national income is a measure of the volume of goods and services that can be purchased with the income a country receives. This differs from real GDP which measures the volume of goods and services produced in a given jurisdiction.

The debt service ratio of the persons and unincorporated businesses sector represents the ratio of interest expenses to personal disposable income and represents an indicator of the overall financial well-being of the sector.

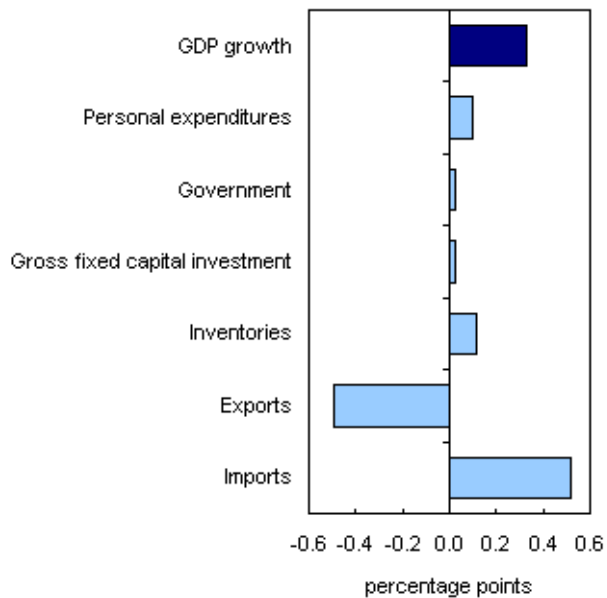
Table A.1
Real gross domestic product, chained (2002) dollars^[1]

	Change	Annualized change %	Year-over-year change
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	-0.6	1.6
Second quarter 2008	0.2	0.6	0.8
Third quarter 2008	0.3	1.3	0.5

1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

The Canadian economy grew at an annualized rate of 1.3% in the third quarter, compared with a 0.5% decline for the U.S. economy.

Chart A.2
Contributions to percent change in GDP, third quarter 2008

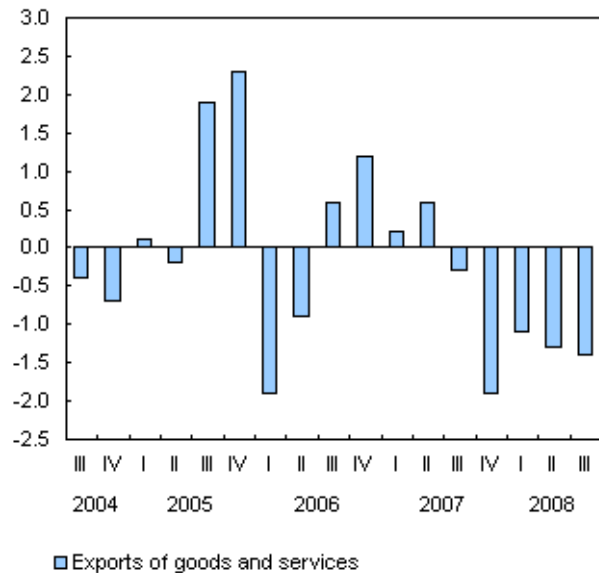


Exports down again

Exports of goods and services fell 1.4% in the third quarter. This was the fifth consecutive quarterly decrease, leaving the volume of exports 5.8% lower than in the second quarter of 2007. Exports of primary goods, including agricultural and fish products, energy, and forestry products registered notable declines. Shipments of automotive products abroad recorded a fourth consecutive decline.

Chart A.3
Exports continue to fall

quarterly % change, chained (2002) dollars



Imports decline

Imports of goods and services declined 1.6% in the third quarter, and stood 3.2% lower than the peak reached in the fourth quarter of 2007. Services imports (-4.4%) recorded a third consecutive quarterly decline, as imports of financial services related to securities trading were down sharply. Canadian travel expenditures abroad were also down significantly for a third consecutive quarter.

Following two large quarterly gains, a large drop in energy imports led the imports of goods downward in the third quarter. Imports of industrial goods and materials declined for a third consecutive quarter.

Personal spending decelerates

Growth in the volume of personal spending slowed to 0.2% in the third quarter. This was the third consecutive quarter of deceleration, and was the weakest growth since the fourth quarter of 2003. Slower growth was registered for spending on both goods and services.

Transportation expenditures were particularly weak, as purchases of motor vehicles fell 2.5%, on the heels of a 0.8% decrease in the second quarter. Demand for consumer credit was lower in the third quarter influenced by declining motor vehicle purchases.

The slowdown in spending on consumer services reflects decreased spending on travel abroad, on restaurants and accommodation services and on purchased transportation.

Housing investment remains unchanged

Residential construction remained virtually unchanged in the third quarter, following two consecutive quarterly declines. The value of new housing construction edged up as did renovation activity, helping sustain housing investment. Resale activity, as reflected in ownership transfer costs, posted its fifth consecutive quarterly decline, falling 1.5% in the quarter.

Business investment in plant and equipment edges up

Business investment in plant and equipment expanded 0.2% in the third quarter. In the first three quarters of 2008, investment growth has averaged 0.6% per quarter, about half the pace registered in the last two quarters of 2007.

Investment in engineering projects remained strong (+1.5%), growing for a third consecutive quarter. On the other hand, investment in building construction was down for the second quarter in a row.

Investment in machinery and equipment slipped 0.2% in the third quarter, following a 0.1% decline in the previous quarter.

Inventories build up again

Inventories accumulated again this quarter as stocks increased for non-farm businesses, on par with the previous quarter. Retail inventories, particularly of motor vehicles, increased as consumer spending softened. Wholesalers accumulated both durable and non-durable goods.

Overall farm inventories expanded, mostly as a result of the accumulation of grain inventories.

Profits grow strongly

Corporations recorded strong profit growth in the third quarter (+5.7%), on top of the robust pace set in the second quarter (+8.6%). This represents the largest back-to-back quarterly growth since 2004. Non-financial corporate profits posted strong growth for the second consecutive quarter. Financial corporation profits were also up after several quarters of weakness.

Farm income was up substantially this quarter, spurred by high grain and oilseed prices. Farmers have been recording strong increases in net income since the beginning of 2008.

Personal income continues to advance

Labour income advanced 0.8%, decelerating for a third consecutive quarter. Employment was down 0.1% in the quarter, while hours worked were virtually unchanged.

Overall, personal income grew 0.7%, a slight acceleration from the second quarter. Personal outlays outpaced income, and the saving rate slipped to 3.0%. Price increases, notably for food and fuel, contributed to a 1.2% increase in nominal personal purchases of consumer goods and services; even though the growth in volume of these purchases was much lower (+0.2%).

Economy-wide price increases moderate

Prices rose at a slower rate in the third quarter than in the second quarter, largely due to slower growth in energy prices. Although the price of crude petroleum averaged \$123 Canadian per barrel during the three-month period from July to September, similar to the previous three months, the price trended down throughout the third quarter.

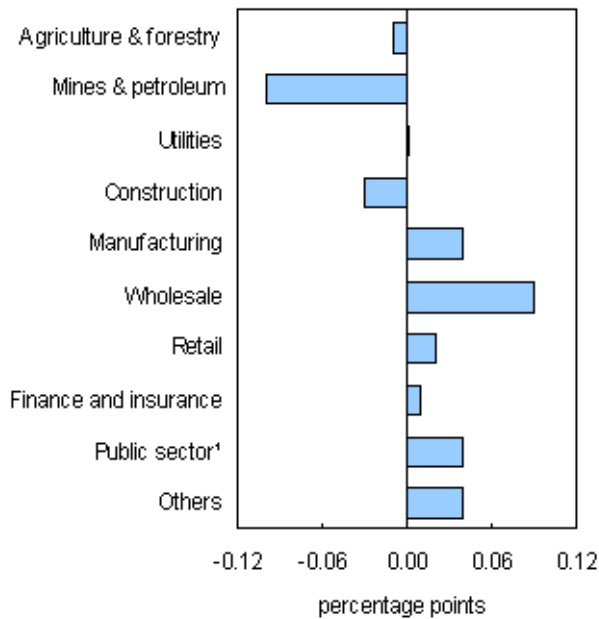
The Canadian dollar depreciated 3.1% in the quarter relative to its U.S. counterpart, but stayed well above ninety US cents.

GDP by industry, September 2008

Real gross domestic product grew 0.1% in September. The increase in the output of the service industries outweighed the decrease in the production of goods. More than 40% of the gain in the service industries was attributable to wholesale trade. There were also increases in retail trade, the public sector, and manufacturing. Notable decreases were recorded in oil and gas extraction, construction, forestry and tourism-related industries.

Wholesaling activity went up 1.6% in September. There was a notable increase in the wholesaling of automotive products, grains, petroleum products and building supplies. Value added in retail trade grew 0.4% in September, a fifth increase in the last six months.

Chart A.4
Main industrial sectors' contribution to total growth



1. Education, health and public administration.

Output of the energy sector decreased 0.9% in September. Oil and gas extraction fell 1.6% due to the decline in both components. Supply disruptions partly hampered oil production.

Manufacturing production advanced 0.3% in September, with 16 of the 21 major groups increasing. In particular, machinery, food, and petroleum and coal products increased, while primary metal and chemical manufacturing declined. Motor vehicle production continued its downward trend that started at the end of 2007.

The finance and insurance sector edged up 0.1% in September. The increase in activity resulting from the record volume of trading on the stock exchanges was virtually offset by the steep decline in mutual fund sales. Output of the non-depository credit intermediation and insurance industries declined as the global devaluation of assets reduced the revenues from management of mortgages and other portfolio investments.

The construction sector fell 0.4% in September, with all types of construction decreasing. The output of real estate agents and brokers increased in September, reflecting a significant rise in sales of existing homes across the country.

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	786,392	789,224	802,852	814,708	824,364	831,248	743,313	788,357
	1.5	0.4	1.7	1.5	1.2	0.8	6.9	6.1
Corporation profits before taxes	202,740	204,784	204,828	209,544	227,616	240,496	196,719	203,231
	1.1	1.0	0.0	2.3	8.6	5.7	5.8	3.3
Interest and miscellaneous investment income	72,056	72,492	72,756	75,540	83,192	83,216	66,421	71,515
	4.8	0.6	0.4	3.8	10.1	0.0	8.4	7.7
Net income of unincorporated business	90,272	90,716	91,860	94,344	97,752	100,128	86,386	90,473
	1.4	0.5	1.3	2.7	3.6	2.4	1.6	4.7
Taxes less subsidies	167,052	168,500	170,568	165,672	168,408	168,724	160,840	167,349
	2.3	0.9	1.2	-2.9	1.7	0.2	3.5	4.0
Personal disposable income	890,088	902,088	915,164	939,392	950,192	959,020	849,590	898,388
	0.4	1.3	1.4	2.6	1.1	0.9	7.0	5.7
Personal saving rate[2]	2.3	2.5	1.9	3.5	3.2	3.0	3.1	2.7

Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Personal expenditure on consumer goods and services	783,339	791,358	805,760	810,733	814,816	816,231	754,179	788,224
	1.4	1.0	1.8	0.6	0.5	0.2	4.3	4.5
Government current expenditure on goods and services	255,245	259,691	263,357	264,812	267,362	267,685	248,777	257,961
	0.7	1.7	1.4	0.6	1.0	0.1	3.8	3.7
Gross fixed capital formation	311,144	315,381	318,319	318,873	319,461	319,807	301,263	313,075
	1.2	1.4	0.9	0.2	0.2	0.1	7.1	3.9
Investment in inventories	5,618	20,579	20,580	4,304	10,130	11,903	10,723	13,195

Exports of goods and services	512,307	510,840	501,112	495,774	489,177	482,482	503,322	508,362
	0.6	-0.3	-1.9	-1.1	-1.3	-1.4	0.6	1.0
Imports of goods and services	554,726	581,348	593,526	579,632	583,618	574,507	539,784	569,420
	1.2	4.8	2.1	-2.3	0.7	-1.6	4.6	5.5
Gross domestic product at market prices	1,318,339	1,325,934	1,328,606	1,326,698	1,328,690	1,333,005	1,284,819	1,319,681
	1.0	0.6	0.2	-0.1	0.2	0.3	3.1	2.7
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
GDP at basic prices, by industry								
Goods producing industries	375,824	375,367	371,248	366,751	365,168	366,941	372,320	374,126
	0.5	-0.1	-1.1	-1.2	-0.4	0.5	1.1	0.5
Industrial production	276,992	275,911	271,769	266,852	264,848	266,374	274,307	274,908
	0.7	-0.4	-1.5	-1.8	-0.8	0.6	0.2	0.2
Energy sector	86,778	86,098	84,855	83,998	82,571	83,130	84,986	85,827
	1.4	-0.8	-1.4	-1.0	-1.7	0.7	0.9	1.0
Manufacturing	186,599	185,606	182,957	178,514	178,200	178,522	187,041	185,311
	0.3	-0.5	-1.4	-2.4	-0.2	0.2	-0.4	-0.9
Non-durable manufacturing	73,049	72,901	71,623	70,698	70,690	70,663	73,801	72,507
	0.8	-0.2	-1.8	-1.3	-0.0	-0.0	-2.4	-1.8
Durable manufacturing	113,894	113,026	111,673	108,074	107,756	108,120	113,534	113,149
	-0.1	-0.8	-1.2	-3.2	-0.3	0.3	1.0	-0.3
Construction	72,503	73,251	73,467	74,145	74,640	75,029	70,805	72,890
	0.2	1.0	0.3	0.9	0.7	0.5	6.3	2.9
Services producing industries	842,959	851,136	857,799	861,119	865,844	869,495	818,097	846,591
	1.0	1.0	0.8	0.4	0.5	0.4	3.9	3.5
Wholesale trade	69,678	70,906	72,063	71,287	71,665	72,000	66,622	70,256
	1.9	1.8	1.6	-1.1	0.5	0.5	5.5	5.5
Retail trade	72,335	72,649	73,734	74,486	74,983	75,191	68,420	72,391
	2.1	0.4	1.5	1.0	0.7	0.3	6.0	5.8
Transportation and warehousing	56,475	56,997	56,863	56,796	57,119	57,250	55,690	56,624
	0.6	0.9	-0.2	-0.1	0.6	0.2	2.8	1.7
Finance, insurance, real estate and renting	239,085	242,260	243,946	245,633	246,896	247,954	231,381	240,536
	0.9	1.3	0.7	0.7	0.5	0.4	4.0	4.0
Information and communication technologies	56,953	57,652	58,065	58,332	58,748	59,075	54,999	57,199
	1.5	1.2	0.7	0.5	0.7	0.6	4.8	4.0

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

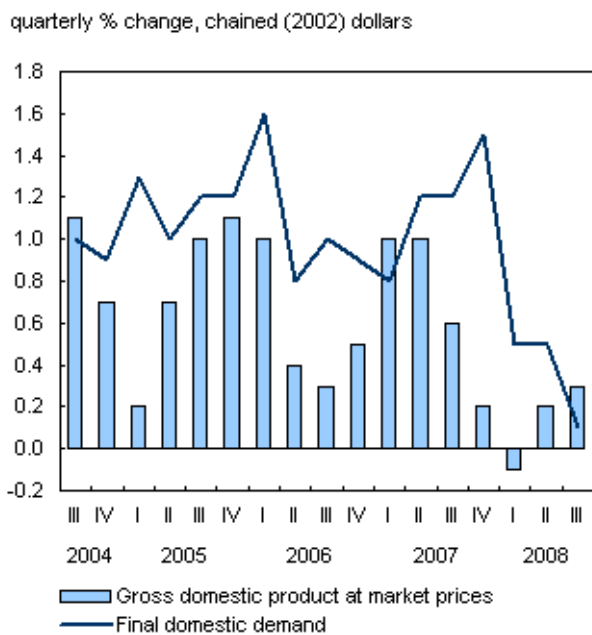
Section B GDP by income and by expenditure

Third quarter 2008

Real gross domestic product (GDP) increased 0.3% in the third quarter, after remaining essentially flat over the first half of the year. Most of the third quarter gain occurred in July. Economic activity edged up 0.1% in September following a decline in August.

Exports declined for the fifth consecutive quarter and growth of final domestic demand decelerated to 0.1%, largely due to a slowdown in consumer expenditure.

Chart B.1
Final domestic demand slows

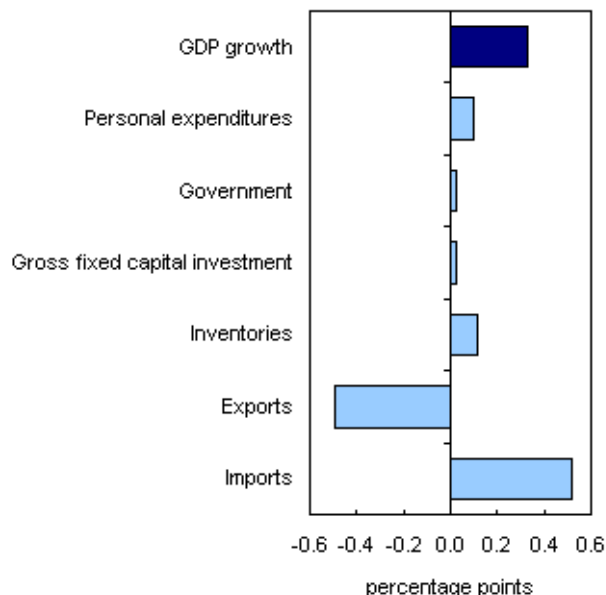


The instability of world financial markets did not appear to have a significant impact on funds borrowed in domestic financial markets in the third quarter. Funds borrowed by the domestic non-financial sectors on financial markets slowed. The fluctuation was similar to that which has typically been observed in the past.

The reduction in funds borrowed by the household sector was partially offset by increased borrowing by non-financial corporations in the third quarter, which accounted for just over one-third of all funds raised, driven by an increase in bank loans.

The Canadian economy grew at an annualized rate of 1.3% in the third quarter, compared with a 0.5% decline for the U.S. economy.

Chart B.2
Contributions to percent change in GDP, third quarter 2008



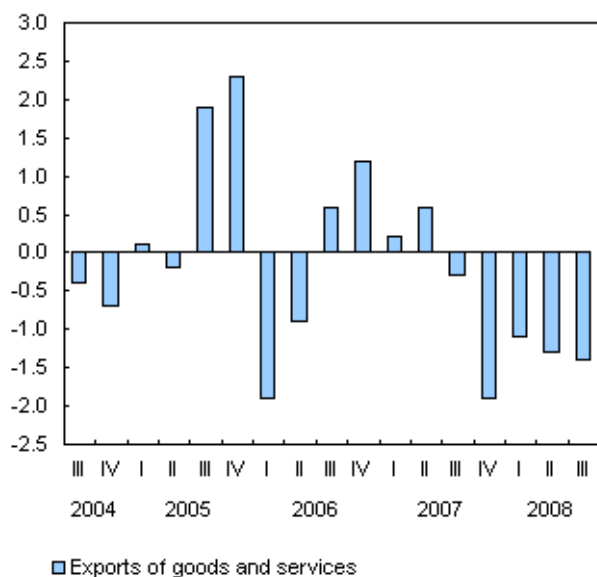
Exports down again

Exports of goods and services fell 1.4% in the third quarter. This was the fifth consecutive quarterly decrease, leaving the volume of exports 5.8% lower than in the second quarter of 2007. Exports of primary goods, including agricultural and fish products, energy, and forestry products registered notable declines. Shipments of automotive products abroad recorded a fourth consecutive decline.

Services exports fell 1.7%, the third consecutive decline. The decline was widespread among all major categories. The volume of commercial services exports in the third quarter of 2008 was 7.0% lower than the fourth quarter of 2007.

Chart B.3
Exports continue to fall

quarterly % change, chained (2002) dollars



Imports decline

Imports of goods and services declined 1.6% in the third quarter, and stood 3.2% lower than the peak reached in the fourth quarter of 2007. Services imports (-4.4%) recorded a third consecutive quarterly decline, as imports of financial services related to securities trading were down sharply. Canadian travel expenditures abroad were also down significantly for a third consecutive quarter.

Following two large quarterly gains, a large drop in energy imports led the imports of goods downward in the third quarter. Imports of industrial goods and materials declined for a third consecutive quarter. Machinery and equipment imports also fell as business investment in equipment edged down.

Imports of automotive products, as well as other consumer goods, advanced for the second consecutive quarter.

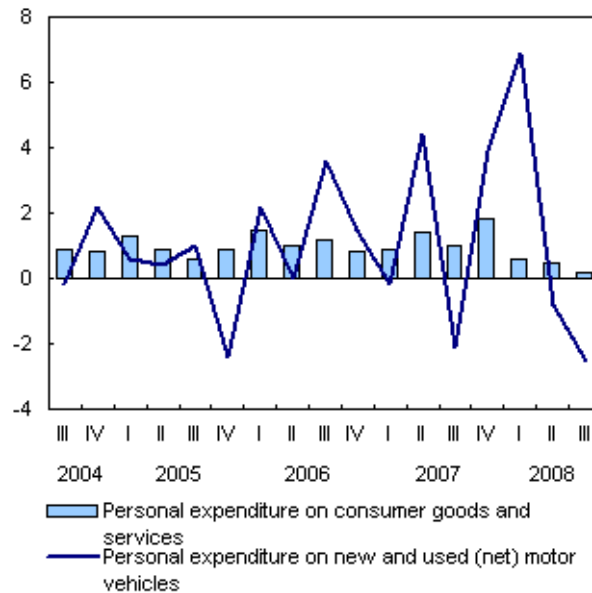
Personal spending decelerates

Growth in the volume of personal spending slowed to 0.2% in the third quarter. This was the third consecutive quarter of deceleration, and was the weakest growth since the fourth quarter of 2003. Slower growth was registered for spending on both goods and services.

Transportation expenditures were particularly weak, as purchases of motor vehicles fell 2.5%, on the heels of a 0.8% decrease in the second quarter. The declines in spending on motor vehicles followed two substantial increases in motor vehicle purchases during the fourth quarter of 2007 and the first quarter of 2008, influenced by manufacturer incentives and a one percentage point reduction in the GST. Demand for consumer credit was lower in the third quarter influenced by declining motor vehicle purchases.

Chart B.4
Personal spending on motor vehicles falls

quarterly % change, chained (2002) dollars



Spending on motor vehicle parts and repairs as well as motor fuels and lubricants were also down.

The slowdown in spending on consumer services reflects decreased spending on travel abroad, on restaurants and accommodation services and on purchased transportation.

There was continued strength in personal expenditures on household furniture, furnishings and household equipment, which increased 1.3% this quarter. Personal expenditure on these household items posted its seventh consecutive quarterly increase of over 1%.

Housing investment remains unchanged

Residential construction remained virtually unchanged in the third quarter, following two consecutive quarterly declines. The value of new housing construction edged up as did renovation activity, helping sustain housing investment. Resale activity, as reflected in ownership transfer costs, posted its fifth consecutive quarterly decline, falling 1.5% in the quarter.

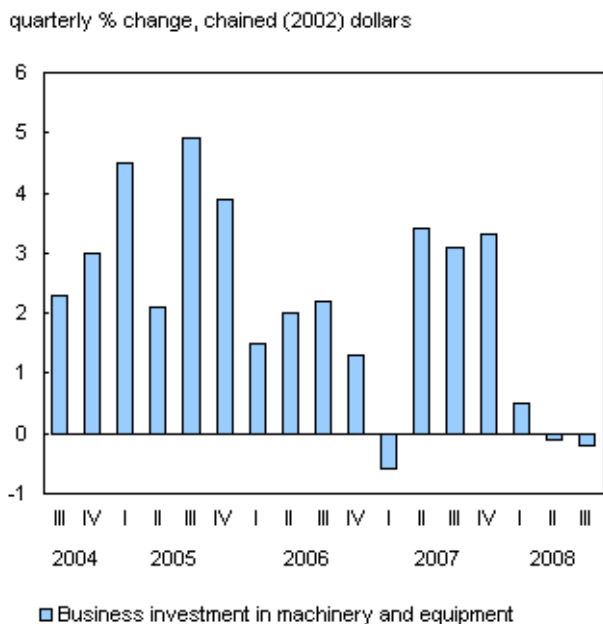
Business investment in plant and equipment edges up

Business investment in plant and equipment expanded 0.2% in the third quarter. In the first three quarters of 2008, investment growth has averaged 0.6% per quarter, about half the pace registered in the last two quarters of 2007.

Investment in engineering projects remained strong (+1.5%), growing for a third consecutive quarter. On the other hand, investment in building construction was down for the second quarter in a row.

Investment in machinery and equipment slipped 0.2% in the third quarter, following a 0.1% decline in the previous quarter. Declines in other machinery and equipment, other transportation equipment, and industrial machinery were partly offset by increases in computers and office equipment, software and trucks.

Chart B.5
Machinery and equipment investment declines



Inventories build up again

Inventories accumulated again this quarter as stocks increased for non-farm businesses, on par with the previous quarter. Retail inventories, particularly of motor vehicles, increased as consumer spending softened. Wholesalers accumulated both durable and non-durable goods.

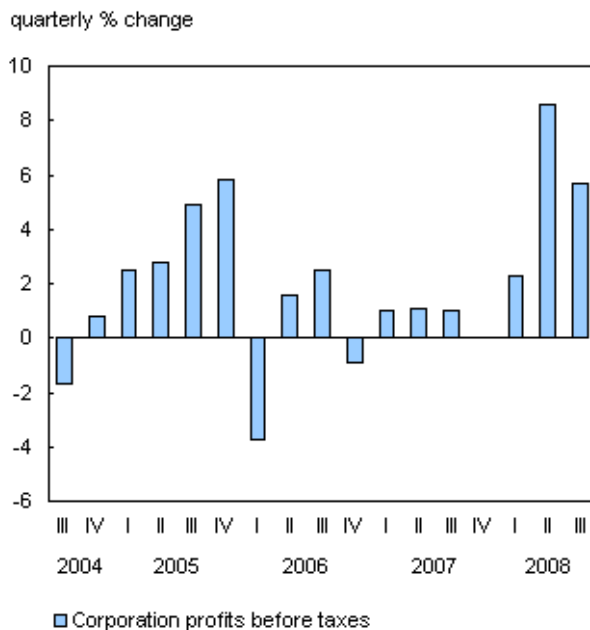
Overall farm inventories expanded, mostly as a result of the accumulation of grain inventories.

The economy-wide inventory-to-sales ratio edged up to 0.701, equivalent to 64 days of sales.

Profits grow strongly

Corporations recorded strong profit growth in the third quarter (+5.7%), on top of the robust pace set in the second quarter (+8.6%). This represents the largest back-to-back quarterly growth since 2004. Non-financial corporate profits posted strong growth for the second consecutive quarter. Financial corporation profits were also up after several quarters of weakness.

Chart B.6
Corporate profits advance



Farm income was up substantially this quarter, spurred by high grain and oilseed prices. Farmers have been recording strong increases in net income since the beginning of 2008.

Personal income continues to advance

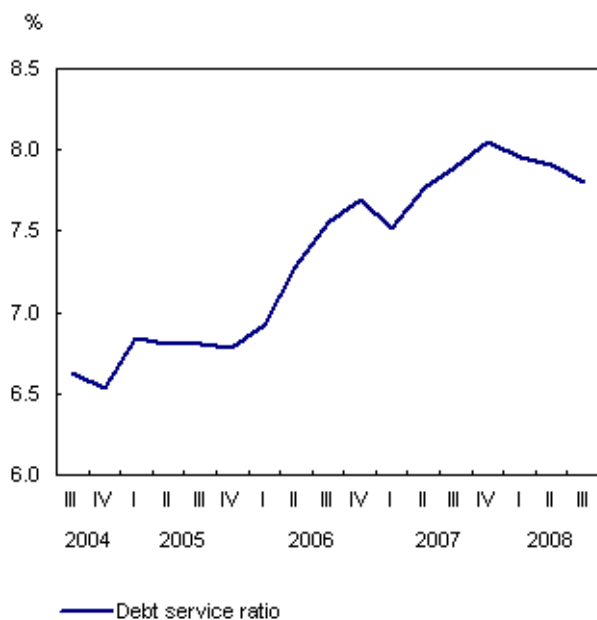
Labour income advanced 0.8%, decelerating for a third consecutive quarter. Employment was down 0.1% in the quarter, while hours worked were virtually unchanged.

Growth in total wages and salaries in services-producing industries outpaced that of the goods-producing industries again this quarter. In the goods producing industries, they were up in mining and oil and gas extraction, and construction, partly offset by declines in manufacturing.

Overall, personal income grew 0.7%, a slight acceleration from the second quarter. Personal outlays outpaced income, and the saving rate slipped to 3.0%. Price increases, notably for food and fuel, contributed to a 1.2% increase in nominal personal purchases of consumer goods and services; even though the growth in volume of these purchases was much lower (+0.2%).

Interest expenses for the persons and unincorporated businesses sector moved downward in the quarter. The debt service ratio (the proportion of interest expenses to personal disposable income) was 7.8% in the quarter, lower than in the previous quarter. The interest burden remains below the 8.2% average since 1990.

Chart B.7
Debt service ratio moves downward



Economy-wide price increases moderate

Prices rose at a slower rate in the third quarter than in the second quarter, largely due to slower growth in energy prices. Although the price of crude petroleum averaged \$123 Canadian per barrel during the three-month period from July to September, similar to the previous three months, the price trended down throughout the third quarter.

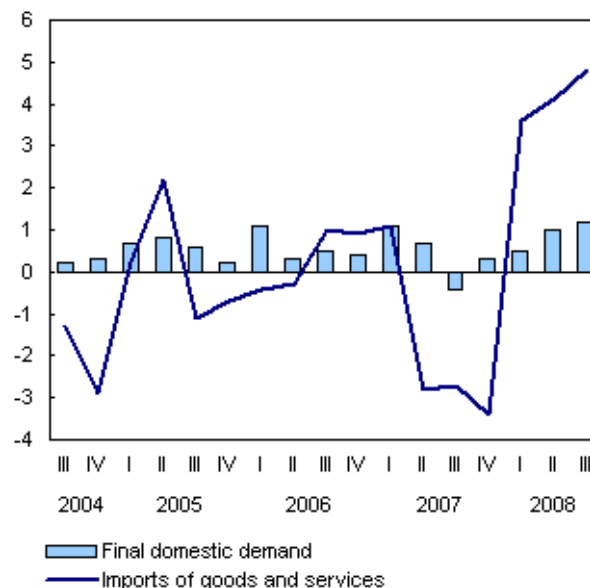
The price of goods and services produced in Canada advanced 0.9% compared to 2.6% in the second quarter. Export prices were up 3.9% but did not grow as quickly as in the second quarter (+8.4%).

Prices for consumer goods and services advanced 0.9% in the quarter. Increases in the prices of food and energy outweighed price declines for durable goods, such as motor vehicles.

Import prices (+4.8%) increased more than export prices in the third quarter, reflecting the depreciation of the Canadian dollar. It was the third consecutive significant quarterly increase in import prices. This follows a five-year period where import prices dropped more than 16% as the Canadian dollar appreciated against its US counterpart.

Chart B.8
Import prices increase

quarterly % change, implicit chain price index



The Canadian dollar depreciated 3.1% in the quarter relative to its U.S. counterpart, but stayed well above ninety US cents.

National saving expands again

Corporations and government business enterprises saving rose 7.8%, contributing to the expansion in national saving in the quarter. The national saving rate rose to 13.8% from 13.6% in the previous quarter.

**Chart B.9
National saving moves upward**

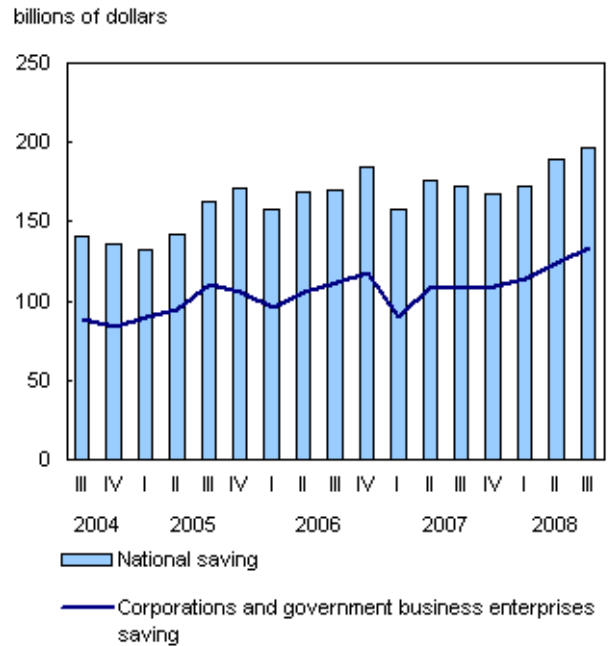


Table B.1 Gross domestic product, income-based, current prices and quarterly percentage change[1]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	786,392 1.5	789,224 0.4	802,852 1.7	814,708 1.5	824,364 1.2	831,248 0.8	743,313 6.9	788,357 6.1
Corporation profits before taxes	202,740 1.1	204,784 1.0	204,828 0.0	209,544 2.3	227,616 8.6	240,496 5.7	196,719 5.8	203,231 3.3
Government business enterprise profits before taxes	15,696 -0.4	15,544 -1.0	15,152 -2.5	16,336 7.8	17,308 6.0	16,264 -6.0	14,638 -4.5	15,539 6.2
Interest and miscellaneous investment income	72,056 4.8	72,492 0.6	72,756 0.4	75,540 3.8	83,192 10.1	83,216 0.0	66,421 8.4	71,515 7.7
Accrued net income of farm operators from farm production	152 31.0	56 -63.2	116 107.1	1,388 1,096.6	2,680 93.1	3,584 33.7	-154 ...	110 ...
Net income of non-farm unincorporated business, including rent	90,120 1.3	90,660 0.6	91,744 1.2	92,956 1.3	95,072 2.3	96,544 1.5	86,540 3.1	90,363 4.4
Inventory valuation adjustment	7,024 ...	3,488 ...	3,564 ...	-1,580 ...	-4,536 ...	-7,800 ...	-2,407 ...	3,272 ...
Taxes less subsidies, on factors of production	67,484 1.1	68,424 1.4	69,032 0.9	69,924 1.3	71,044 1.6	70,984 -0.1	64,580 4.4	67,921 5.2
Net domestic product at basic prices	1,241,664 2.2	1,244,672 0.2	1,260,044 1.2	1,278,816 1.5	1,316,740 3.0	1,334,536 1.4	1,169,650 6.0	1,240,308 6.0
Taxes less subsidies, on products	99,568 3.1	100,076 0.5	101,536 1.5	95,748 -5.7	97,364 1.7	97,740 0.4	96,260 2.8	99,428 3.3
Capital consumption allowances	194,024 1.4	196,632 1.3	198,852 1.1	201,592 1.4	204,604 1.5	207,180 1.3	185,206 5.3	195,229 5.4
Statistical discrepancy	1,292 ...	456 ...	-88 ...	168 ...	764 ...	84 ...	-626 ...	681 ...
Gross domestic product at market prices	1,536,548 2.2	1,541,836 0.3	1,560,344 1.2	1,576,324 1.0	1,619,472 2.7	1,639,540 1.2	1,450,490 5.7	1,535,646 5.9

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

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	847,900 2.0	857,272 1.1	874,980 2.1	882,652 0.9	895,112 1.4	905,564 1.2	803,260 5.8	852,770 6.2
Durable goods	112,596 3.3	111,672 -0.8	112,908 1.1	115,048 1.9	113,988 -0.9	112,844 -1.0	105,904 6.2	111,535 5.3
Semi-durable goods	69,276 1.0	70,424 1.7	70,792 0.5	70,720 -0.1	71,580 1.2	72,624 1.5	66,553 6.0	69,768 4.8
Non-durable goods	205,488 2.7	205,628 0.1	209,952 2.1	212,160 1.1	217,300 2.4	222,680 2.5	194,868 4.1	205,303 5.4
Services	460,540 1.6	469,548 2.0	481,328 2.5	484,724 0.7	492,244 1.6	497,416 1.1	435,935 6.4	466,164 6.9
Government current expenditure on goods and services	296,108 2.0	296,028 -0.0	303,556 2.5	307,504 1.3	313,040 1.8	315,772 0.9	278,922 7.2	296,472 6.3
Government gross fixed capital formation	45,380 3.9	46,696 2.9	47,072 0.8	48,756 3.6	50,480 3.5	52,372 3.7	40,899 10.7	45,711 11.8
Government investment in inventories	-60 ...	96 ...	16 ...	136 ...	-36 ...	-120 ...	-41 ...	15 ...
Business gross fixed capital formation	300,648 1.1	303,284 0.9	305,428 0.7	307,368 0.6	311,144 1.2	316,496 1.7	283,082 10.9	301,690 6.6
Residential structures	107,928 3.2	110,372 2.3	112,012 1.5	109,868 -1.9	109,260 -0.6	109,812 0.5	98,473 9.7	108,726 10.4
Non-residential structures and equipment	192,720 -0.0	192,912 0.1	193,416 0.3	197,500 2.1	201,884 2.2	206,684 2.4	184,609 11.5	192,964 4.5
Non-residential structures	88,884 -0.4	88,600 -0.3	88,892 0.3	91,308 2.7	94,944 4.0	97,660 2.9	84,756 16.8	88,895 4.9
Machinery and equipment	103,836 0.2	104,312 0.5	104,524 0.2	106,192 1.6	106,940 0.7	109,024 1.9	99,853 7.3	104,069 4.2
Business investment in inventories	1,784 ...	19,740 ...	14,940 ...	-596 ...	6,776 ...	8,500 ...	8,093 ...	9,806 ...
Non-farm	2,820 ...	21,244 ...	16,108 ...	232 ...	6,344 ...	6,228 ...	8,831 ...	11,021 ...
Farm	-1,036 ...	-1,504 ...	-1,168 ...	-828 ...	432 ...	2,272 ...	-738 ...	-1,215 ...
Exports of goods and services	542,912 -0.5	526,240 -3.1	513,872 -2.4	536,100 4.3	573,388 7.0	587,824 2.5	522,698 0.7	532,118 1.8
Goods	473,112 -0.7	458,036 -3.2	444,612 -2.9	467,504 5.1	504,060 7.8	518,956 3.0	453,733 0.8	463,051 2.1
Services	69,800 1.2	68,204 -2.3	69,260 1.5	68,596 -1.0	69,328 1.1	68,868 -0.7	68,965 0.3	69,067 0.1
Deduct: Imports of goods and services	496,832 -1.7	507,064 2.1	499,608 -1.5	505,432 1.2	529,668 4.8	546,784 3.2	487,048 4.1	502,255 3.1
Goods	410,508 -2.5	420,416 2.4	407,984 -3.0	416,428 2.1	439,056 5.4	458,052 4.3	404,250 4.2	415,007 2.7
Services	86,324 2.3	86,648 0.4	91,624 5.7	89,004 -2.9	90,612 1.8	88,732 -2.1	82,798 3.4	87,248 5.4
Statistical discrepancy	-1,292 ...	-456 ...	88 ...	-164 ...	-764 ...	-84 ...	625 ...	-681 ...
Gross domestic product at market prices	1,536,548 2.2	1,541,836 0.3	1,560,344 1.2	1,576,324 1.0	1,619,472 2.7	1,639,540 1.2	1,450,490 5.7	1,535,646 5.9
<i>Final domestic demand</i>	<i>1,490,036 1.9</i>	<i>1,503,280 0.9</i>	<i>1,531,036 1.8</i>	<i>1,546,280 1.0</i>	<i>1,569,776 1.5</i>	<i>1,590,204 1.3</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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars[2]								
Personal expenditure on consumer goods and services	783,339 1.4	791,358 1.0	805,760 1.8	810,733 0.6	814,816 0.5	816,231 0.2	754,179 4.3	788,224 4.5
Durable goods	118,141 3.6	117,732 -0.3	120,975 2.8	125,836 4.0	126,135 0.2	126,225 0.1	109,929 7.6	117,731 7.1
Semi-durable goods	71,353 0.7	72,813 2.0	73,353 0.7	74,181 1.1	75,253 1.4	76,044 1.1	68,258 7.3	72,102 5.6
Non-durable goods	174,151 1.3	175,116 0.6	176,803 1.0	176,545 -0.1	176,464 -0.0	176,154 -0.2	168,977 1.3	174,501 3.3
Services	421,615 1.1	427,570 1.4	436,709 2.1	437,099 0.1	440,035 0.7	441,027 0.2	408,282 4.4	425,768 4.3
Government current expenditure on goods and services	255,245 0.7	259,691 1.7	263,357 1.4	264,812 0.6	267,362 1.0	267,685 0.1	248,777 3.8	257,961 3.7
Government gross fixed capital formation	40,528 2.8	41,738 3.0	41,839 0.2	42,687 2.0	43,064 0.9	43,058 -0.0	37,939 6.7	40,886 7.8
Government investment in inventories	-52 ...	84 ...	12 ...	116 ...	-32 ...	-100 ...	-33 ...	14 ...
Business gross fixed capital formation	270,610 1.0	273,631 1.1	276,471 1.0	276,159 -0.1	276,360 0.1	276,715 0.1	263,320 7.1	272,182 3.4
Residential structures	80,682 1.1	81,506 1.0	81,879 0.5	80,429 -1.8	79,653 -1.0	79,639 -0.0	78,602 2.2	80,959 3.0
Non-residential structures and equipment	191,759 0.9	194,002 1.2	196,668 1.4	198,322 0.8	199,605 0.6	200,017 0.2	186,514 9.9	193,133 3.5
Non-residential structures	68,466 -2.0	67,717 -1.1	67,119 -0.9	67,933 1.2	68,933 1.5	69,397 0.7	68,577 8.9	68,288 -0.4
Machinery and equipment	125,093 3.4	129,023 3.1	133,323 3.3	134,022 0.5	133,929 -0.1	133,652 -0.2	118,649 10.6	127,110 7.1
Business investment in inventories	5,681 ...	20,480 ...	20,565 ...	4,167 ...	10,164 ...	12,018 ...	10,766 ...	13,181 ...
Non-farm	5,185 ...	19,931 ...	19,351 ...	2,360 ...	7,108 ...	7,145 ...	9,956 ...	12,561 ...
Farm	-480 ...	-687 ...	-9 ...	690 ...	1,927 ...	3,634 ...	-162 ...	-494 ...
Exports of goods and services	512,307 0.6	510,840 -0.3	501,112 -1.9	495,774 -1.1	489,177 -1.3	482,482 -1.4	503,322 0.6	508,362 1.0
Goods	448,340 0.6	448,299 -0.0	437,942 -2.3	434,167 -0.9	427,825 -1.5	422,191 -1.3	438,898 0.9	445,113 1.4
Services	64,030 1.0	62,660 -2.1	63,165 0.8	61,649 -2.4	61,397 -0.4	60,324 -1.7	64,436 -1.2	63,311 -1.7
Deduct: Imports of goods and services	554,726 1.2	581,348 4.8	593,526 2.1	579,632 -2.3	583,618 0.7	574,507 -1.6	539,784 4.6	569,420 5.5
Goods	462,301 0.6	486,822 5.3	490,885 0.8	482,774 -1.7	488,443 1.2	483,651 -1.0	450,512 5.0	474,857 5.4
Services	92,501 4.1	94,728 2.4	102,462 8.2	96,905 -5.4	95,357 -1.6	91,150 -4.4	89,387 2.9	94,634 5.9
Statistical discrepancy	-1,109 ...	-392 ...	75 ...	-138 ...	-627 ...	-68 ...	554 ...	-588 ...
Gross domestic product at market prices	1,318,339 1.0	1,325,934 0.6	1,328,606 0.2	1,326,698 -0.1	1,328,690 0.2	1,333,005 0.3	1,284,819 3.1	1,319,681 2.7
<i>Final domestic demand</i>	<i>1,348,646 1.2</i>	<i>1,365,422 1.2</i>	<i>1,386,354 1.5</i>	<i>1,393,316 0.5</i>	<i>1,400,577 0.5</i>	<i>1,402,651 0.1</i>	<i>1,303,313 4.8</i>	<i>1,358,224 4.2</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.

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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Quarter to quarter percent change at annual rates, chained (2002) dollars								
Personal expenditure on consumer goods and services	5.8	4.2	7.5	2.5	2.0	0.7	4.3	4.5
Durable goods	15.0	-1.4	11.5	17.1	1.0	0.3	7.6	7.1
Semi-durable goods	2.7	8.4	3.0	4.6	5.9	4.3	7.3	5.6
Non-durable goods	5.3	2.2	3.9	-0.6	-0.2	-0.7	1.3	3.3
Services	4.3	5.8	8.8	0.4	2.7	0.9	4.4	4.3
Government current expenditure on goods and services	2.7	7.2	5.8	2.2	3.9	0.5	3.8	3.7
Government gross fixed capital formation	11.5	12.5	1.0	8.4	3.6	-0.1	6.7	7.8
Government investment in inventories[2]	-64	136	-72	104	-148	-68	-57	47
Business gross fixed capital formation	3.9	4.5	4.2	-0.5	0.3	0.5	7.1	3.4
Residential structures	4.7	4.1	1.8	-6.9	-3.8	-0.1	2.2	3.0
Non-residential structures and equipment	3.5	4.8	5.6	3.4	2.6	0.8	9.9	3.5
Non-residential structures	-7.7	-4.3	-3.5	4.9	6.0	2.7	8.9	-0.4
Machinery and equipment	14.2	13.2	14.0	2.1	-0.3	-0.8	10.6	7.1
Business investment in inventories[2]	-316	14,799	85	-16,398	5,997	1,854	-2,034	2,415
Non-farm[2]	-591	14,746	-580	-16,991	4,748	37	-378	2,605
Farm[2]	319	-207	678	699	1,237	1,707	-2,180	-332
Exports of goods and services	2.5	-1.1	-7.4	-4.2	-5.2	-5.4	0.6	1.0
Goods	2.2	-0.0	-8.9	-3.4	-5.7	-5.2	0.9	1.4
Services	4.1	-8.3	3.3	-9.3	-1.6	-6.8	-1.2	-1.7
Deduct: Imports of goods and services	4.9	20.6	8.6	-9.0	2.8	-6.1	4.6	5.5
Goods	2.5	23.0	3.4	-6.4	4.8	-3.9	5.0	5.4
Services	17.5	10.0	36.9	-20.0	-6.2	-16.5	2.9	5.9
Statistical discrepancy[2]	-185	717	467	-213	-489	559	93	-1,141
Gross domestic product at market prices	3.9	2.3	0.8	-0.6	0.6	1.3	3.1	2.7
<i>Final domestic demand</i>	<i>4.9</i>	<i>5.1</i>	<i>6.3</i>	<i>2.0</i>	<i>2.1</i>	<i>0.6</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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.777	0.566	1.008	0.345	0.280	0.096	2.358	2.513
Durable goods	0.256	-0.025	0.197	0.286	0.017	0.005	0.540	0.511
Semi-durable goods	0.030	0.092	0.034	0.051	0.064	0.046	0.327	0.256
Non-durable goods	0.172	0.074	0.129	-0.020	-0.006	-0.024	0.182	0.446
Services	0.319	0.425	0.649	0.027	0.205	0.068	1.309	1.301
Government current expenditure on goods and services	0.129	0.333	0.271	0.107	0.186	0.023	0.712	0.716
Government gross fixed capital formation	0.080	0.088	0.007	0.061	0.027	0.000	0.181	0.220
Government investment in inventories	-0.004	0.010	-0.005	0.008	-0.011	-0.005	-0.005	0.004
Business gross fixed capital formation	0.190	0.218	0.203	-0.022	0.014	0.025	1.330	0.666
Residential structures	0.080	0.072	0.033	-0.126	-0.067	-0.001	0.147	0.210
Non-residential structures and equipment	0.110	0.146	0.170	0.104	0.081	0.026	1.182	0.456
Non-residential structures	-0.118	-0.064	-0.051	0.069	0.085	0.040	0.482	-0.023
Machinery and equipment	0.228	0.210	0.221	0.035	-0.005	-0.014	0.700	0.480
Business investment in inventories	-0.021	0.939	0.002	-1.027	0.379	0.117	-0.173	0.154
Non-farm	-0.040	0.950	-0.038	-1.070	0.299	0.002	-0.029	0.187
Farm	0.018	-0.011	0.040	0.043	0.079	0.115	-0.143	-0.033
Exports of goods and services	0.220	-0.099	-0.645	-0.358	-0.466	-0.493	0.223	0.362
Goods	0.174	-0.002	-0.681	-0.251	-0.448	-0.418	0.284	0.442
Services	0.046	-0.097	0.036	-0.107	-0.018	-0.075	-0.061	-0.080
Deduct: Imports of goods and services	0.400	1.533	0.675	-0.759	0.222	-0.521	1.524	1.834
Goods	0.173	1.399	0.223	-0.438	0.313	-0.272	1.358	1.504
Services	0.228	0.134	0.452	-0.321	-0.091	-0.249	0.166	0.330
Statistical discrepancy	-0.014	0.054	0.035	-0.016	-0.037	0.042	0.008	-0.089
Gross domestic product at market prices	0.957	0.576	0.202	-0.144	0.150	0.325	3.110	2.713
<i>Final domestic demand</i>	<i>1.177</i>	<i>1.206</i>	<i>1.490</i>	<i>0.491</i>	<i>0.507</i>	<i>0.144</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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
	Using seasonally adjusted data, (2002 = 100)							
Personal expenditure on consumer goods and services	108.2 0.6	108.3 0.1	108.6 0.3	108.9 0.3	109.9 0.9	110.9 0.9	106.5 1.5	108.2 1.5
Government current expenditure on goods and services	116.0 1.3	114.0 -1.7	115.3 1.1	116.1 0.7	117.1 0.9	118.0 0.8	112.1 3.3	115.0 2.5
Government gross fixed capital formation	112.0 1.1	111.9 -0.1	112.5 0.5	114.2 1.5	117.2 2.6	121.6 3.8	107.8 3.8	111.8 3.7
Business gross fixed capital formation	111.1 0.1	110.8 -0.3	110.5 -0.3	111.3 0.7	112.6 1.2	114.4 1.6	107.5 3.5	110.9 3.1
Exports of goods and services	106.0 -1.0	103.0 -2.8	102.5 -0.5	108.1 5.5	117.2 8.4	121.8 3.9	103.8 0.1	104.7 0.8
Imports of goods and services	89.6 -2.8	87.2 -2.7	84.2 -3.4	87.2 3.6	90.8 4.1	95.2 4.8	90.2 -0.5	88.3 -2.1
Gross domestic product at market prices	116.6 1.2	116.3 -0.3	117.4 0.9	118.8 1.2	121.9 2.6	123.0 0.9	112.9 2.5	116.4 3.1
<i>Final domestic demand</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>112.1 1.0</i>	<i>113.4 1.2</i>	<i>107.9 2.3</i>	<i>110.2 2.1</i>

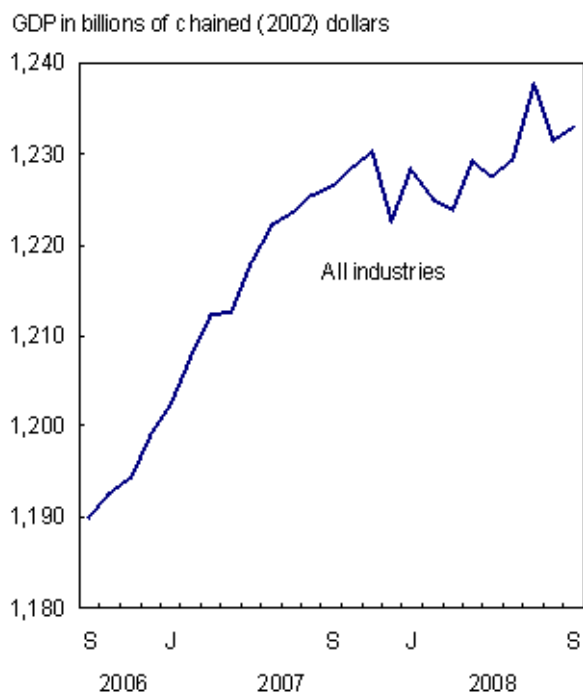
1. The first line is the series itself. The second line is the percentage change.

Section C GDP by industry

September 2008

Real gross domestic product grew 0.1% in September after declining 0.5% in August (revised from a 0.3% decline) following a 0.7% increase in July. In September, the increase in the output of the service industries outweighed the decrease in the production of goods. More than 40% of the gain in the service industries was attributable to wholesale trade. There were also increases in retail trade, the public sector, and manufacturing. Notable decreases were recorded in oil and gas extraction, construction, forestry and tourism-related industries.

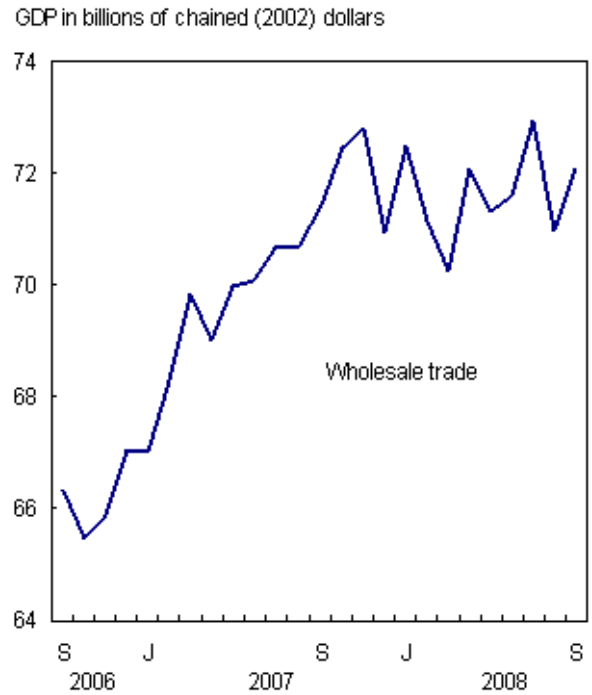
**Chart C.1
Economic activity edges up**



Wholesale trade increases

Wholesaling activity went up 1.6% in September. There was a notable increase in the wholesaling of automotive products, grains, petroleum products and building supplies. Conversely, the volume of activity of wholesalers of metal products decreased.

**Chart C.2
Wholesale trade increases**



Output of energy declines

Output of the energy sector decreased 0.9% in September. Oil and gas extraction fell 1.6% due to the decline in both components. Supply disruptions partly hampered oil production.

Support activities for mining and oil and gas extraction went up for a fifth consecutive month in September (+1.2%), largely due to the strength of drilling and rigging services.

The output of the mining sector excluding oil and gas retreated 0.7% in September. The decline in metal ore mines more than offset the rise in output of non-metal mines.

Manufacturing activity up slightly

Manufacturing production advanced 0.3% in September, with 16 of the 21 major groups increasing. In particular, machinery, food, and petroleum and coal products increased, while primary metal and chemical manufacturing declined. Motor vehicle production continued its downward trend that started at the end of 2007.

Retail trade rises

Value added in retail trade grew 0.4% in September, a fifth increase in the last six months. This gain was due to a substantial rise in the volume of activities at new car dealers, as all the other store types together recorded no growth. A rise in the activities of used car dealers and general merchandise stores (which include department stores) eclipsed the decreases recorded by furniture, home furnishings and home electronics stores, gasoline stations, and home centres and hardware stores.

The finance and insurance sector edges up

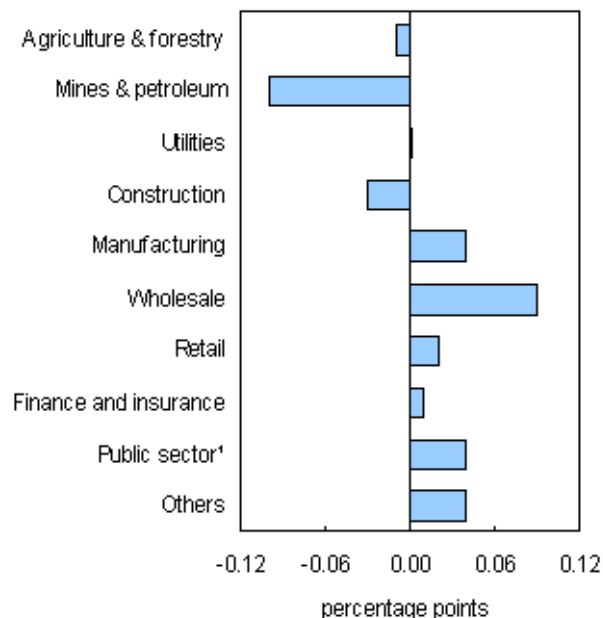
The finance and insurance sector edged up 0.1% in September. The increase in activity resulting from the record volume of trading on the stock exchanges was virtually offset by the steep decline in mutual fund sales. Output of the non-depository credit intermediation and insurance industries declined as the global devaluation of assets reduced the revenues from management of mortgages and other portfolio investments.

Construction falls

The construction sector fell 0.4% in September. All types of construction work (residential and non-residential building, and engineering and repair work) decreased. In residential building construction, multi-unit structures advanced, while single-family and alterations and improvements work lost ground. Single-family dwelling construction has been trending downward since the Fall of 2007. Construction of commercial, industrial and institutional buildings decreased in September, adding to the downward trend.

The output of real estate agents and brokers increased in September, reflecting a significant rise in sales of existing homes across the country. In particular, the number of homes sold in the low and middle price ranges was significant.

Chart C.3
Main industrial sectors' contribution to total growth



1. Education, health and public administration.

Third quarter 2008

Canadian economic activity, as measured by real gross domestic product at basic prices, grew 0.4% in the third quarter of 2008, after remaining essentially flat in the first half of the year.

After four consecutive quarterly declines, the production of goods grew by 0.5% in the third quarter, led by increases in the mining sector, notably in support activities for oil and gas extraction, as well as in construction. The manufacturing sector edged up while forestry continued its decline. Production in the services industries was up 0.4%, with notable gains in the public sector and, to a lesser extent, in retail trade and wholesale trade. Conversely, the finance and insurance sector as well as accommodation and food services retreated.

The energy sector rebounded in the third quarter on the strength of a particularly robust July, which saw significant increases in the extraction of both petroleum and natural gas. Exports of both crude oil and natural gas, however, declined for a second consecutive quarter. Support activities for mining and oil and gas extraction advanced consistently throughout the third quarter, which resulted in a 15.5% increase over the previous quarter. Mining, excluding oil and gas, rose for a second quarter in a row, primarily as a result of an increase in metal ore production.

The public sector continued to advance, with all three major components (public administration, health and social services, and education) posting gains. Value added in retail trade moved forward 0.3%, on the strength of the volume of activity at home electronics stores, general merchandise stores, and used cars dealers. Reduced volume of activity at new car dealers hampered this sector during the quarter. Wholesale trade activities continued to rise, driven by machinery and equipment, miscellaneous wholesalers (such as chemicals, paper, agricultural products, etc.) and new motor vehicles.

The third quarter of 2008 saw value added in manufacturing end a string of four quarterly declines, edging up 0.2%. This was the result of a significant increase in the production and smelting of primary metal products. Excluding the primary metal industry, manufacturing fell 0.4% in the third quarter. Some of the most export-oriented sub-sectors, such as wood products, motor vehicles and associated parts manufacturing, continued to decrease.

Construction continued to advance in the third quarter, on the strength of engineering and repair construction work. While the construction of non-residential buildings fell for the second consecutive quarter, residential construction increased slightly, as a decline in new single dwellings nearly erased the growth in other types of residential projects. Activity of real estate agents and brokers dropped for a fifth consecutive quarter as the home resale market softened further after peaking around the middle of 2007.

The forestry and logging sector fell 8.1%, a continuation of a downward trend that started in the fourth quarter of 2005. This sector continued to be affected by lower foreign demand. The finance and insurance sector posted its first quarterly decline (-0.1%) in four years, due to a decrease in the volume of activities of insurance carriers and security traders.

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

	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
All industries	1,224,971	1,223,761	1,229,016	1,227,560	1,229,331	1,237,544	1,231,650	1,232,995
	-0.3	-0.1	0.4	-0.1	0.1	0.7	-0.5	0.1
Goods-producing industries	367,110	364,749	365,884	364,618	365,001	370,302	365,814	364,706
	-0.3	-0.6	0.3	-0.3	0.1	1.5	-1.2	-0.3
Agriculture, forestry, fishing and hunting	25,979	26,266	26,336	26,055	25,882	25,859	25,892	25,761
	-0.1	1.1	0.3	-1.1	-0.7	-0.1	0.1	-0.5
Mining and oil and gas extraction	55,521	55,614	55,366	54,450	54,798	56,735	55,452	54,777
	-0.7	0.2	-0.4	-1.7	0.6	3.5	-2.3	-1.2
Utilities	31,635	31,439	31,367	30,969	30,917	31,041	31,042	31,060
	0.3	-0.6	-0.2	-1.3	-0.2	0.4	0.0	0.1
Construction	74,377	74,235	74,161	74,793	74,966	75,215	75,101	74,772
	0.7	-0.2	-0.1	0.9	0.2	0.3	-0.2	-0.4
Manufacturing	178,979	176,142	178,083	178,380	178,136	180,089	177,477	177,999
	-0.8	-1.6	1.1	0.2	-0.1	1.1	-1.5	0.3
Services-producing industries	859,982	861,292	865,458	865,335	866,738	869,428	868,238	870,818
	-0.2	0.2	0.5	-0.0	0.2	0.3	-0.1	0.3
Wholesale trade	71,142	70,246	72,086	71,322	71,586	72,957	70,965	72,078
	-1.8	-1.3	2.6	-1.1	0.4	1.9	-2.7	1.6
Retail trade	74,358	74,316	74,912	74,972	75,066	75,111	75,075	75,388
	-0.6	-0.1	0.8	0.1	0.1	0.1	-0.0	0.4
Transportation and warehousing	56,669	56,846	57,074	57,030	57,252	57,563	57,216	56,970
	-0.4	0.3	0.4	-0.1	0.4	0.5	-0.6	-0.4
Information and cultural industries	44,699	44,904	44,962	45,030	45,023	45,143	45,370	45,345
	-0.1	0.5	0.1	0.2	-0.0	0.3	0.5	-0.1
Finance, insurance and real estate	245,001	246,402	246,941	246,682	247,065	247,683	247,634	248,546
	-0.2	0.6	0.2	-0.1	0.2	0.3	-0.0	0.4
Professional, scientific and technical services	58,241	58,242	58,337	58,336	58,439	58,465	58,664	58,801
	-0.1	0.0	0.2	-0.0	0.2	0.0	0.3	0.2
Administrative and waste management services	31,292	31,290	31,241	31,214	31,146	31,113	31,075	30,992
	0.0	-0.0	-0.2	-0.1	-0.2	-0.1	-0.1	-0.3
Educational services	60,070	60,247	60,418	60,608	60,758	60,881	61,030	61,176
	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Health care and social assistance	78,415	78,554	78,773	78,924	79,113	79,264	79,440	79,604
	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Arts, entertainment and recreation	11,709	11,611	11,630	11,786	11,735	11,699	11,713	11,663
	0.4	-0.8	0.2	1.3	-0.4	-0.3	0.1	-0.4
Accommodation and food services	27,731	27,738	27,960	28,046	27,950	27,695	27,919	27,815
	-0.8	0.0	0.8	0.3	-0.3	-0.9	0.8	-0.4
Other services (except public administration)	32,213	32,271	32,333	32,409	32,482	32,559	32,638	32,715
	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public administration	68,608	68,809	68,981	69,150	69,300	69,481	69,664	69,907
	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Other aggregations								
Industrial production	267,054	264,704	265,823	264,196	264,525	269,439	265,177	264,507
	-0.6	-0.9	0.4	-0.6	0.1	1.9	-1.6	-0.3
Non-durable manufacturing industries	70,451	70,149	70,487	70,750	70,833	71,337	70,156	70,495
	-1.5	-0.4	0.5	0.4	0.1	0.7	-1.7	0.5
Durable manufacturing industries	108,825	106,212	107,856	107,877	107,536	109,011	107,589	107,761
	-0.3	-2.4	1.5	0.0	-0.3	1.4	-1.3	0.2
Business sector industries	1,027,656	1,025,912	1,030,623	1,028,697	1,030,030	1,037,774	1,031,395	1,032,289
	-0.4	-0.2	0.5	-0.2	0.1	0.8	-0.6	0.1
Non-business sector industries	197,298	197,842	198,382	198,862	199,302	199,759	200,264	200,706
	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.2
ICT sector, total	58,349	58,391	58,678	58,891	58,675	59,019	58,964	59,243
	0.2	0.1	0.5	0.4	-0.4	0.6	-0.1	0.5
Energy sector	83,807	83,634	83,374	82,007	82,333	84,463	82,816	82,110
	-0.9	-0.2	-0.3	-1.6	0.4	2.6	-1.9	-0.9

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

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted at annual rates, millions of chained (2002) dollars								
Goods-producing industries	375,824 <i>0.5</i>	375,367 <i>-0.1</i>	371,248 <i>-1.1</i>	366,751 <i>-1.2</i>	365,168 <i>-0.4</i>	366,941 <i>0.5</i>	372,320 <i>1.1</i>	374,126 <i>0.5</i>
Agriculture, forestry, fishing and hunting	26,373 <i>-2.5</i>	26,276 <i>-0.4</i>	26,205 <i>-0.3</i>	26,087 <i>-0.5</i>	26,091 <i>0.0</i>	25,837 <i>-1.0</i>	27,648 <i>-2.0</i>	26,478 <i>-4.2</i>
Mining and oil and gas extraction	57,775 <i>0.7</i>	57,789 <i>0.0</i>	56,226 <i>-2.7</i>	55,683 <i>-1.0</i>	54,871 <i>-1.5</i>	55,655 <i>1.4</i>	56,699 <i>1.6</i>	57,288 <i>1.0</i>
Utilities	31,592 <i>3.4</i>	31,275 <i>-1.0</i>	31,951 <i>2.2</i>	31,538 <i>-1.3</i>	31,084 <i>-1.4</i>	31,048 <i>-0.1</i>	30,181 <i>-1.4</i>	31,344 <i>3.9</i>
Construction	72,503 <i>0.2</i>	73,251 <i>1.0</i>	73,467 <i>0.3</i>	74,145 <i>0.9</i>	74,640 <i>0.7</i>	75,029 <i>0.5</i>	70,805 <i>6.3</i>	72,890 <i>2.9</i>
Manufacturing	186,599 <i>0.3</i>	185,606 <i>-0.5</i>	182,957 <i>-1.4</i>	178,514 <i>-2.4</i>	178,200 <i>-0.2</i>	178,522 <i>0.2</i>	187,041 <i>-0.4</i>	185,311 <i>-0.9</i>
Services-producing industries	842,959 <i>1.0</i>	851,136 <i>1.0</i>	857,799 <i>0.8</i>	861,119 <i>0.4</i>	865,844 <i>0.5</i>	869,495 <i>0.4</i>	818,097 <i>3.9</i>	846,591 <i>3.5</i>
Wholesale trade	69,678 <i>1.9</i>	70,906 <i>1.8</i>	72,063 <i>1.6</i>	71,287 <i>-1.1</i>	71,665 <i>0.5</i>	72,000 <i>0.5</i>	66,622 <i>5.5</i>	70,256 <i>5.5</i>
Retail trade	72,335 <i>2.1</i>	72,649 <i>0.4</i>	73,734 <i>1.5</i>	74,486 <i>1.0</i>	74,983 <i>0.7</i>	75,191 <i>0.3</i>	68,420 <i>6.0</i>	72,391 <i>5.8</i>
Transportation and warehousing	56,475 <i>0.6</i>	56,997 <i>0.9</i>	56,863 <i>-0.2</i>	56,796 <i>-0.1</i>	57,119 <i>0.6</i>	57,250 <i>0.2</i>	55,690 <i>2.8</i>	56,624 <i>1.7</i>
Information and cultural industries	44,166 <i>0.8</i>	44,514 <i>0.8</i>	44,900 <i>0.9</i>	44,782 <i>-0.3</i>	45,005 <i>0.5</i>	45,286 <i>0.6</i>	43,227 <i>3.2</i>	44,349 <i>2.6</i>
Finance, insurance and real estate	239,085 <i>0.9</i>	242,260 <i>1.3</i>	243,946 <i>0.7</i>	245,633 <i>0.7</i>	246,896 <i>0.5</i>	247,954 <i>0.4</i>	231,381 <i>4.0</i>	240,536 <i>4.0</i>
Professional, scientific and technical services	57,847 <i>0.9</i>	58,056 <i>0.4</i>	58,287 <i>0.4</i>	58,252 <i>-0.1</i>	58,371 <i>0.2</i>	58,643 <i>0.5</i>	55,963 <i>4.4</i>	57,874 <i>3.4</i>
Administrative and waste management services	30,881 <i>1.0</i>	31,075 <i>0.6</i>	31,257 <i>0.6</i>	31,289 <i>0.1</i>	31,200 <i>-0.3</i>	31,060 <i>-0.4</i>	29,989 <i>5.2</i>	30,948 <i>3.2</i>
Educational services	58,644 <i>1.0</i>	59,130 <i>0.8</i>	59,606 <i>0.8</i>	60,086 <i>0.8</i>	60,595 <i>0.8</i>	61,029 <i>0.7</i>	57,108 <i>2.8</i>	58,863 <i>3.1</i>
Health care and social assistance	76,787 <i>0.8</i>	77,307 <i>0.7</i>	77,884 <i>0.7</i>	78,403 <i>0.7</i>	78,937 <i>0.7</i>	79,436 <i>0.6</i>	74,940 <i>2.9</i>	77,035 <i>2.8</i>
Arts, entertainment and recreation	11,643 <i>-0.1</i>	11,817 <i>1.5</i>	11,746 <i>-0.6</i>	11,659 <i>-0.7</i>	11,717 <i>0.5</i>	11,692 <i>-0.2</i>	11,454 <i>5.3</i>	11,716 <i>2.3</i>
Accommodation and food services	26,849 <i>0.2</i>	27,307 <i>1.7</i>	27,638 <i>1.2</i>	27,806 <i>0.6</i>	27,985 <i>0.6</i>	27,810 <i>-0.6</i>	26,680 <i>2.6</i>	27,146 <i>1.7</i>
Other services (except public administration)	31,386 <i>0.8</i>	31,671 <i>0.9</i>	31,979 <i>1.0</i>	32,206 <i>0.7</i>	32,408 <i>0.6</i>	32,637 <i>0.7</i>	30,565 <i>3.1</i>	31,542 <i>3.2</i>
Public administration	67,319 <i>0.7</i>	67,616 <i>0.4</i>	68,074 <i>0.7</i>	68,612 <i>0.8</i>	69,144 <i>0.8</i>	69,684 <i>0.8</i>	66,134 <i>2.5</i>	67,463 <i>2.0</i>
Other aggregations								
Industrial production	276,992 <i>0.7</i>	275,911 <i>-0.4</i>	271,769 <i>-1.5</i>	266,852 <i>-1.8</i>	264,848 <i>-0.8</i>	266,374 <i>0.6</i>	274,307 <i>0.2</i>	274,908 <i>0.2</i>
Non-durable manufacturing industries	73,049 <i>0.8</i>	72,901 <i>-0.2</i>	71,623 <i>-1.8</i>	70,698 <i>-1.3</i>	70,690 <i>-0.0</i>	70,663 <i>-0.0</i>	73,801 <i>-2.4</i>	72,507 <i>-1.8</i>
Durable manufacturing industries	113,894 <i>-0.1</i>	113,026 <i>-0.8</i>	111,673 <i>-1.2</i>	108,074 <i>-3.2</i>	107,756 <i>-0.3</i>	108,120 <i>0.3</i>	113,534 <i>1.0</i>	113,149 <i>-0.3</i>
Business sector industries	1,024,240 <i>0.8</i>	1,030,485 <i>0.6</i>	1,031,374 <i>0.1</i>	1,028,366 <i>-0.3</i>	1,029,783 <i>0.1</i>	1,033,819 <i>0.4</i>	1,000,642 <i>3.0</i>	1,025,436 <i>2.5</i>
Non-business sector industries	193,287 <i>0.8</i>	194,524 <i>0.6</i>	195,792 <i>0.7</i>	197,317 <i>0.8</i>	198,849 <i>0.8</i>	200,243 <i>0.7</i>	188,967 <i>2.7</i>	193,838 <i>2.6</i>
ICT sector, total	56,953 <i>1.5</i>	57,652 <i>1.2</i>	58,065 <i>0.7</i>	58,332 <i>0.5</i>	58,748 <i>0.7</i>	59,075 <i>0.6</i>	54,999 <i>4.8</i>	57,199 <i>4.0</i>
Energy sector	86,778 <i>1.4</i>	86,098 <i>-0.8</i>	84,855 <i>-1.4</i>	83,998 <i>-1.0</i>	82,571 <i>-1.7</i>	83,130 <i>0.7</i>	84,986 <i>0.9</i>	85,827 <i>1.0</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.

Section D

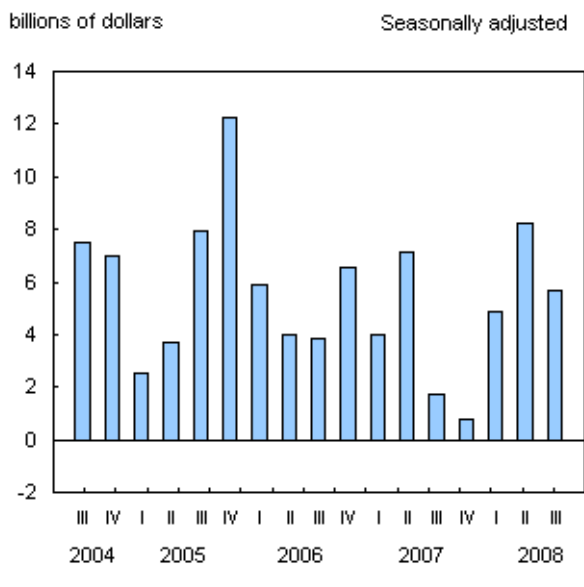
Balance of international payments

Third quarter 2008

The current account surplus with the rest of the world (on a seasonally adjusted basis) dropped to \$5.6 billion in the third quarter of 2008, down from \$8.2 billion in the previous quarter. The reduction was largely as a result of a lower goods surplus, as commodity price gains slowed; and, a higher investment income deficit, as Canadian earnings on foreign direct investment were down.

Chart D.1

Current account surplus falls due to lower trade surplus and higher investment income deficit



In the capital and financial account (unadjusted for seasonal variation), cross-border direct investment flows strengthened, with notably large Canadian direct investment abroad and a resumption of foreign acquisition of Canadian companies. In contrast, with deteriorating conditions on equity and credit markets, Canadian investors' demand for foreign securities slowed while non-resident investors reduced their holdings of Canadian stocks and bonds.

Current account

Goods surplus falls, as export prices slow

In the third quarter, the goods surplus narrowed to \$15.2 billion as the growth in imports outpaced that of exports. Export growth slowed considerably in the quarter, though receipts were up \$3.7 billion. The largest increases were recorded in industrial goods, generally reflecting price gains across most commodities. However, the \$1.0 billion increase for metal ores was almost exclusively on higher volumes.

Energy products exports decreased somewhat in the third quarter, as volumes were down while prices continued to advance. However, price gains were at a much reduced pace, compared with recent quarters. Natural gas prices (+4.3%) and crude petroleum prices (+1.6%) decelerated sharply from the second quarter increases of 30% and 23% respectively. The exception was coal products, which recorded a second consecutive price increase above 50%.

Imports rose by \$4.7 billion in the third quarter. The increase was distributed among all major groups of products. Imports of industrial goods were up \$1.4 billion entirely due to higher prices.

Note to readers

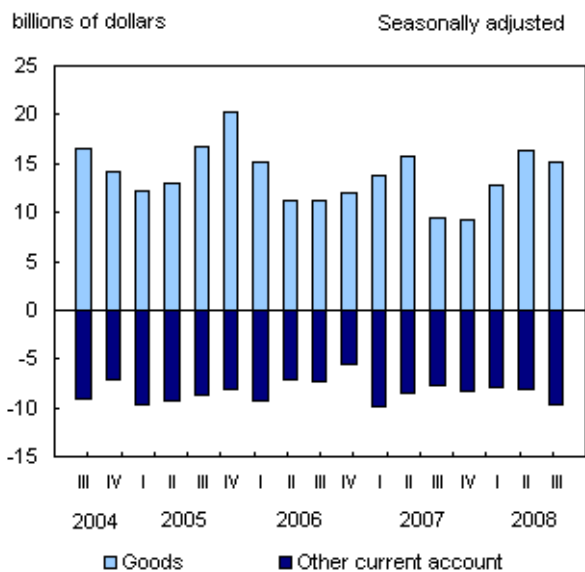
The **balance of payments** covers all economic transactions between Canadian residents and non-residents, in two accounts — the current account and the capital and financial account.

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

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

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

Chart D.2
Imports grow faster than exports while investment income deficit surges

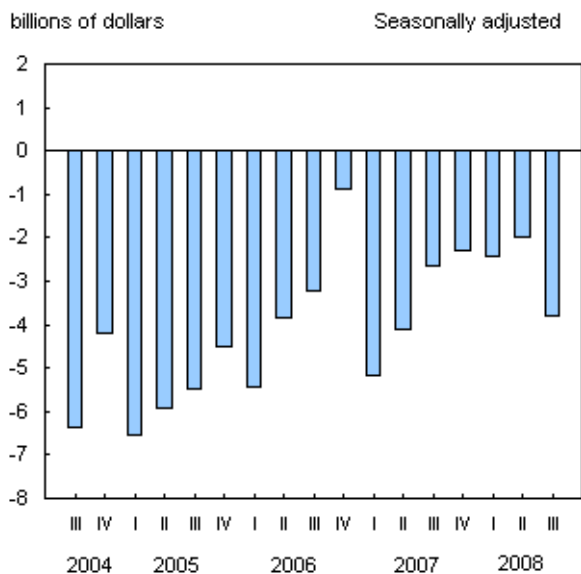


Investment income deficit led by decline in earnings on Canadian direct investment

The investment income deficit increased \$1.8 billion in the third quarter. Profits earned on Canadian foreign direct investment positions fell back \$1.2 billion, after a high in the second quarter. Despite this reduction, earnings accruing to Canadian direct investors remain at historically high levels.

Payments were also up in the third quarter. Earnings of foreign direct investors were up marginally as the Canadian energy sector marked another record profit quarter, moderated by a reduction of profits in the financial and insurance sector. As well, payments on portfolio foreign investment edged up in the third quarter. This largely reflected higher interest paid on Canadian bonds owned by non-residents, especially for U.S. dollar denominated corporate bonds.

Chart D.3
Lower earnings for Canadian direct investors push the investment income deficit up



Services deficit falls, on reduced spending on commissions and travel

The overall deficit on services narrowed by \$0.3 billion in the third quarter. This easing was led by a decline in the commercial services deficit, with most of the change related to lower commissions paid on transactions in securities.

For a third consecutive quarter, the travel deficit eased, down from the fourth quarter 2007 peak. Spending by Canadians was down for both United States and overseas destinations, possibly dampened by the depreciation of the Canadian dollar over the quarter. However, foreign spending in Canada remained unchanged, despite fewer tourists coming to Canada. The transportation deficit edged up in the third quarter, largely on higher payments associated with more Canadians travelling overseas.

Capital and financial account

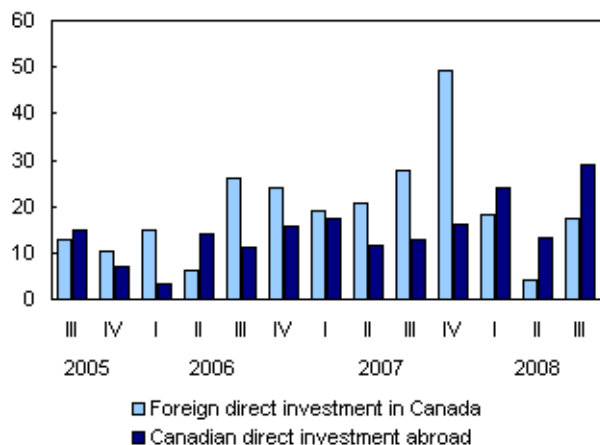
Foreign direct investment activity picks up

Foreign direct investment cross-border flows increased significantly in the third quarter after having slowed in the second quarter. Canadian direct investment abroad outpaced foreign direct investment in Canada, a trend observed since the beginning of the year.

Chart D.4

Foreign direct investment increases speed as outward investment again surpasses inward investment¹

billions of dollars



1. Reverse of Balance of Payments signs for Canadian direct investment abroad.

Canadian direct investors placed \$29.0 billion in foreign economies, the highest outflows on this account in four years. The bulk of this investment was generated from the finance and insurance sector, and represented an injection of funds into existing foreign subsidiaries, largely in the U.S.

Two thirds of all the direct investment abroad to date in 2008 originated from the financial sector of the Canadian economy, similar to the average of the last three years. On a geographical basis, direct investment in the U.S. has accounted for about 60% of the total investment so far in 2008, in line with the trend observed in 2007.

Foreign direct investment in Canada rebounded from a low in the second quarter, reflecting in part foreign acquisitions of Canadian firms. Inflows of \$17.4 billion in the third quarter were mainly comprised of investment from the United States and Europe, with almost half directed to the Canadian energy and metallic minerals sector.

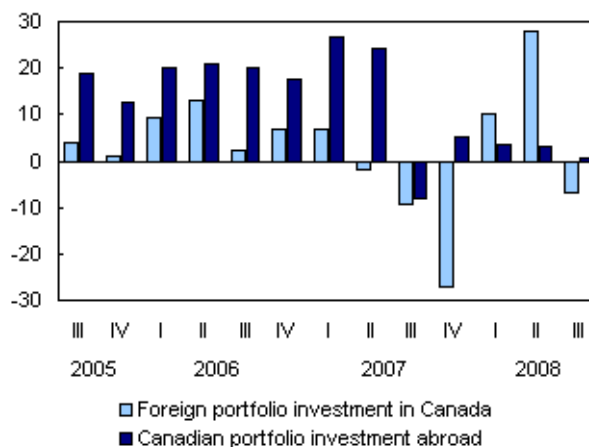
Portfolio investors shed debt instruments

International transactions in securities in the third quarter reflected conditions on global debt and equity markets and were likely influenced to an extent by a weakening domestic currency and declining short-term interest rates in the Canadian and US markets. As a result, Canadian investors purchased foreign securities at a much reduced pace than over the previous three quarters, while non-resident investors sold Canadian securities.

Chart D.5

Non-residents sell Canadian securities while Canadians invest in foreign securities at a reduced speed¹

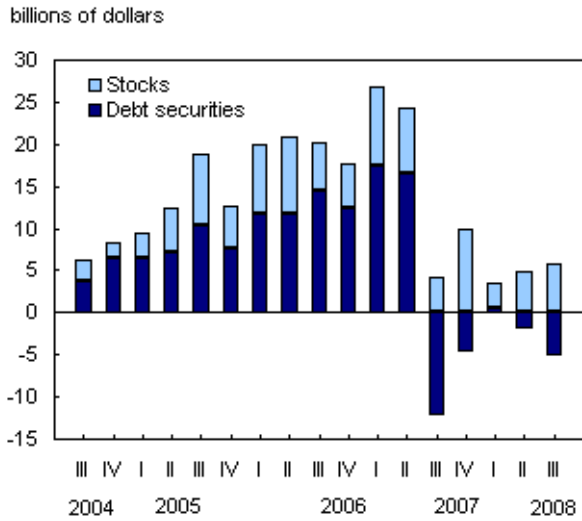
billions of dollars



1. Reverse of Balance of Payments signs for Canadian portfolio investment abroad.

Acquisitions of foreign securities by Canadian investors slowed to \$796 million over the third quarter 2008. With interest rates in decline, investors further reduced their overall holdings of debt instruments - mainly, U.S. government bonds. In addition, they continued to add corporate shares to their foreign portfolios, almost all U.S. shares. This represents a largely consistent investment pattern over the last four quarters, coinciding with the tightening of worldwide credit conditions in the latter part of 2007.

Chart D.6
Canadian portfolio investors continue to favour foreign stocks over foreign debt instruments¹



1. Reverse of Balance of Payments signs.

On the other hand, while Canadian bonds have been a relatively attractive investment over the same period, foreign investors lost their appetite for these instruments in the third quarter of 2008. Non-residents sold \$7.0 billion of Canadian securities, both bonds and equities, following unprecedented acquisitions the quarter before. The reduction in holdings of Canadian bonds and equities was moderated by a second consecutive quarter of investment in the Canadian money market, as interest rates continued to slide.

Despite an overall foreign divestment in Canadian securities, non-residents added Canadian debt instruments denominated in U.S. dollars, amounting to \$5.9 billion during the third quarter.

Table D.1 Balance of payments

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	138,995	130,747	126,697	130,878	146,979	147,819	520,960	530,332
Goods	121,951	111,695	110,833	115,566	130,007	128,792	453,732	463,051
Services	17,044	19,052	15,864	15,313	16,972	19,027	67,227	67,280
Investment income	18,151	18,220	18,685	17,534	19,925	17,568	64,497	71,417
Direct investment	9,578	9,696	9,657	7,940	11,130	8,423	34,978	37,139
Portfolio investment	5,621	5,449	5,240	5,485	5,772	5,599	17,387	21,683
Other investment	2,951	3,074	3,788	4,108	3,023	3,547	12,131	12,595
Current transfers	2,150	2,142	2,709	2,755	2,194	2,105	9,700	9,545
Current account receipts	159,295	151,109	148,091	151,166	169,098	167,492	595,156	611,294
Payments								
Goods and services	128,687	123,521	123,394	124,848	137,056	135,662	486,245	501,474
Goods	106,949	101,920	101,825	101,890	114,227	113,451	404,253	415,006
Services	21,738	21,601	21,569	22,958	22,829	22,211	81,992	86,468
Investment income	21,548	20,717	21,227	20,743	21,012	21,423	77,872	85,611
Direct investment	9,832	9,220	9,384	9,494	10,482	10,610	34,354	38,444
Portfolio investment	7,757	7,707	7,506	7,436	7,689	8,037	29,270	30,809
Other investment	3,958	3,790	4,337	3,813	2,841	2,775	14,247	16,358
Current transfers	2,037	2,397	2,505	3,293	2,286	2,643	10,809	10,601
Current account payments	152,272	146,635	147,125	148,884	160,354	159,727	574,925	597,686
Balances								
Goods and services	10,308	7,226	3,302	6,030	9,923	12,157	34,715	28,858
Goods	15,002	9,775	9,007	13,675	15,780	15,341	49,480	48,046
Services	-4,695	-2,549	-5,705	-7,645	-5,857	-3,184	-14,765	-19,188
Investment income	-3,397	-2,497	-2,541	-3,209	-1,087	-3,854	-13,375	-14,194
Direct investment	-254	476	274	-1,554	648	-2,187	623	-1,305
Portfolio investment	-2,136	-2,257	-2,266	-1,951	-1,917	-2,438	-11,883	-9,126
Other investment	-1,007	-715	-549	295	182	771	-2,115	-3,763
Current transfers	113	-255	204	-538	-92	-537	-1,109	-1,056
Current account balance	7,023	4,473	965	2,283	8,744	7,765	20,231	13,607
Capital and financial account[1]								
Capital account	1,014	1,037	907	1,199	1,193	1,079	4,130	4,199
Financial account	-8,225	-9,017	2,666	-541	-9,136	-6,611	-21,328	-21,951
Canadian assets, net flows								
Canadian direct investment abroad	-11,624	-12,920	-16,017	-23,979	-13,181	-28,968	-44,373	-57,806
Portfolio investment	-24,266	7,979	-5,378	-3,454	-3,147	-796	-78,492	-48,422
Foreign bonds	-16,336	1,688	2,932	-685	1,141	4,262	-43,602	-28,903
Foreign stocks	-7,691	-4,082	-9,828	-2,891	-4,815	-5,695	-28,090	-30,941
Foreign money market	-239	10,373	1,518	121	527	637	-6,800	11,422
Other investment	-16,572	-19,848	-8,997	-18,501	-7,792	-162	-36,022	-63,866
Loans	2,582	-9,162	1,770	-3,684	1,727	7,837	-12,314	-9,819
Deposits	-13,168	-16,555	-6,691	-14,224	-7,759	-12,684	-8,997	-41,993
Official international reserves	-366	-144	588	247	-1,816	-779	-1,013	-4,644
Other assets	-5,620	6,013	-4,664	-840	57	5,465	-13,698	-7,410
Total Canadian assets, net flows	-52,462	-24,789	-30,392	-45,934	-24,120	-29,925	-158,886	-170,093
Canadian liabilities, net flows								
Foreign direct investment in Canada	20,647	27,770	49,270	18,229	4,213	17,356	71,198	116,706
Portfolio investment	-2,061	-9,144	-27,122	9,969	27,858	-6,990	31,656	-31,591
Canadian bonds	-2,168	541	5,198	9,697	19,562	-3,651	17,130	11,540
Canadian stocks	-899	-8,524	-32,039	3,717	5,617	-5,323	10,814	-41,994
Canadian money market	1,006	-1,160	-280	-3,445	2,679	1,984	3,711	-1,137
Other investment	25,651	-2,854	10,910	17,194	-17,087	12,948	34,704	63,027
Loans	2,796	-3,946	7,423	504	-1,911	2,947	14,638	10,670
Deposits	22,334	-1,211	4,417	16,165	-15,598	9,810	20,384	48,574
Other liabilities	522	1,114	-931	525	421	190	-318	3,783
Total Canadian liabilities, net flows	44,237	15,772	33,058	45,393	14,984	23,315	137,558	148,143
Total capital and financial account, net flows	-7,212	-7,980	3,573	659	-7,943	-5,532	-17,198	-17,752
Statistical discrepancy	188	3,506	-4,538	-2,941	-802	-2,233	-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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	135,282	131,114	128,018	133,581	142,900	146,515	520,960	530,332
Goods	118,279	114,509	111,151	116,875	126,013	129,741	453,732	463,051
Services	17,003	16,605	16,866	16,706	16,887	16,774	67,227	67,280
Travel	4,204	4,143	4,161	4,012	4,061	4,071	16,610	16,634
Transportation	3,079	2,998	3,005	3,102	3,305	3,279	11,879	12,157
Commercial services	9,291	9,043	9,271	9,133	9,050	8,951	37,008	36,775
Government services	429	421	429	459	472	473	1,730	1,714
Investment income	17,482	18,432	18,879	17,956	19,090	17,900	64,497	71,417
Direct investment	9,183	9,951	9,672	8,357	10,456	8,860	34,978	37,139
Interest	485	520	516	550	699	318	1,477	1,935
Profits	8,698	9,431	9,156	7,806	9,758	8,542	33,501	35,203
Portfolio investment	5,457	5,507	5,338	5,479	5,604	5,668	17,387	21,683
Interest	2,139	2,092	1,832	1,714	1,776	1,823	6,172	8,089
Dividends	3,317	3,415	3,505	3,765	3,828	3,845	11,216	13,594
Other investment	2,842	2,973	3,870	4,120	3,029	3,372	12,131	12,595
Current transfers	2,372	2,456	2,384	2,376	2,386	2,355	9,700	9,545
Private	649	668	605	622	550	695	2,698	2,656
Official	1,723	1,788	1,779	1,753	1,836	1,660	7,002	6,890
Total receipts	155,136	152,002	149,281	153,913	164,376	166,770	595,156	611,294
Payments								
Goods and services	124,010	126,580	124,710	126,163	132,229	136,506	486,245	501,474
Goods	102,629	105,108	101,996	104,104	109,769	114,509	404,253	415,006
Services	21,381	21,472	22,714	22,059	22,460	21,997	81,992	86,468
Travel	6,209	6,892	7,530	7,148	7,176	7,052	23,402	26,663
Transportation	4,977	4,800	5,358	5,202	5,291	5,333	18,695	20,032
Commercial services	9,927	9,508	9,551	9,433	9,722	9,339	38,853	38,691
Government services	269	272	275	276	270	273	1,042	1,082
Investment income	21,570	21,063	21,173	20,363	21,062	21,689	77,872	85,611
Direct investment	9,721	9,287	9,542	9,476	10,425	10,676	34,354	38,444
Interest	631	617	622	612	611	640	2,469	2,484
Profits	9,090	8,670	8,920	8,864	9,815	10,036	31,886	35,960
Portfolio investment	7,713	7,725	7,553	7,445	7,651	8,025	29,270	30,809
Interest	5,752	5,641	5,458	5,470	5,576	5,827	22,294	22,746
Dividends	1,961	2,084	2,095	1,975	2,075	2,198	6,976	8,063
Other investment	4,136	4,051	4,078	3,442	2,986	2,989	14,247	16,358
Current transfers	2,423	2,618	2,620	2,532	2,876	2,931	10,809	10,601
Private	1,558	1,608	1,630	1,559	1,614	1,656	7,261	6,794
Official	866	1,010	990	973	1,262	1,274	3,548	3,807
Total payments	148,004	150,260	148,503	149,058	156,168	161,126	574,925	597,686
Balances								
Goods and services	11,272	4,534	3,307	7,418	10,671	10,009	34,715	28,858
Goods	15,650	9,401	9,155	12,771	16,244	15,232	49,480	48,046
Services	-4,378	-4,867	-5,848	-5,353	-5,573	-5,223	-14,765	-19,188
Travel	-2,005	-2,749	-3,369	-3,136	-3,116	-2,981	-6,792	-10,029
Transportation	-1,897	-1,802	-2,353	-2,100	-1,986	-2,054	-6,816	-7,875
Commercial services	-635	-465	-280	-300	-673	-387	-1,845	-1,915
Government services	160	149	155	183	202	200	688	632
Investment income	-4,088	-2,631	-2,293	-2,407	-1,973	-3,789	-13,375	-14,194
Direct investment	-539	664	130	-1,119	31	-1,816	623	-1,305
Interest	-146	-97	-106	-61	88	-321	-992	-548
Profits	-392	761	236	-1,058	-57	-1,494	1,615	-757
Portfolio investment	-2,256	-2,217	-2,215	-1,966	-2,047	-2,357	-11,883	-9,126
Interest	-3,613	-3,549	-3,625	-3,755	-3,800	-4,004	-16,122	-14,657
Dividends	1,357	1,331	1,410	1,790	1,753	1,647	4,239	5,531
Other investment	-1,294	-1,077	-208	678	44	384	-2,115	-3,763
Current transfers	-52	-162	-236	-156	-490	-576	-1,109	-1,056
Private	-909	-940	-1,025	-936	-1,064	-961	-4,563	-4,139
Official	857	778	789	780	574	386	3,454	3,083
Current account	7,132	1,742	778	4,855	8,208	5,644	20,231	13,607

Section E

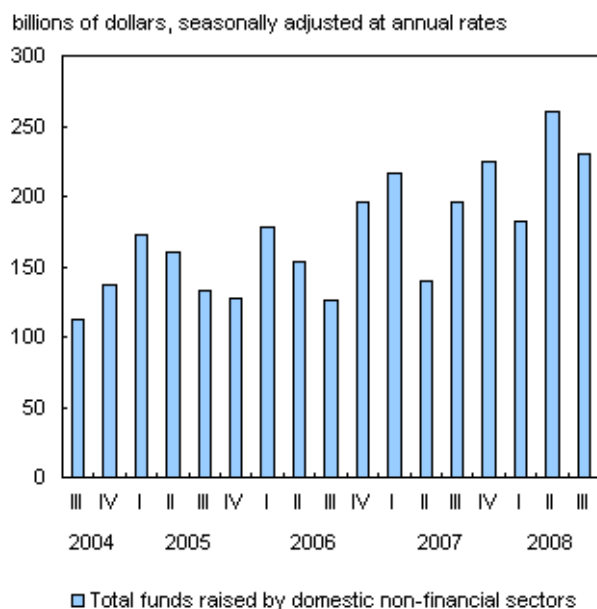
Financial flow accounts

Third quarter 2008

Funds borrowed and equity issuances on financial markets by domestic non-financial sectors (seasonally adjusted at annual rates) weakened in the third quarter of 2008, to \$230 billion.

The reduction in funds borrowed by the household sector was partially offset by increased borrowing by non-financial corporations, which accounted for just over one-third of all funds raised.

Chart E.1
Total funds raised by domestic non-financial sectors slows



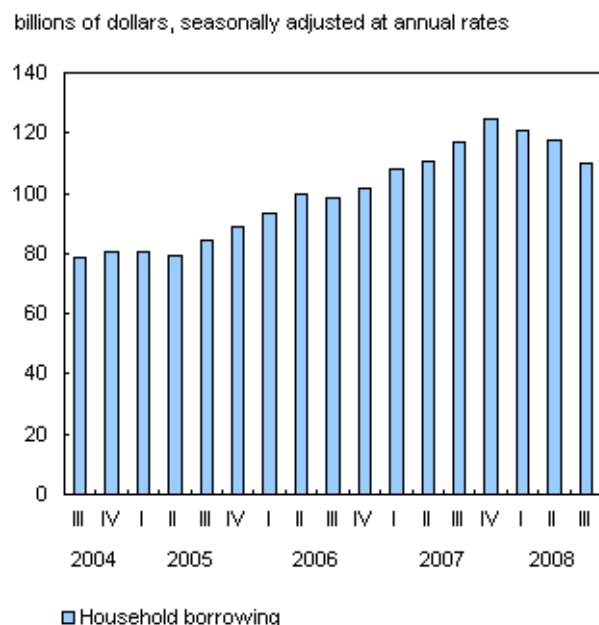
Canadian stock exchanges were down in the third quarter of 2008, as commodity prices decelerated and additional concerns developed regarding the stability of financial markets. The S&P TSX Composite fell more than 18% in the quarter, the largest quarterly decline since mid 1998 (-24%). The downdraft in energy commodity prices, seen late in the quarter, created downward pressure on the resource heavy S&P TSX Composite. The Canadian dollar

depreciated 3.1% in the quarter relative to its US counterpart, but stayed well above ninety cents per US dollar throughout the entire quarter.

Although the Bank of Canada's key trend setting rate, the bank rate, remained unchanged during the quarter, yields on short-term Treasury Bills declined. The 5-year conventional mortgage rate decreased 30 basis points to 6.85% with overall bond yields also falling.

Household sector

Chart E.2
Household borrowing drops



The quarter marked a decrease in mortgage borrowing, contributing to a slowdown in overall household borrowing. Despite lower borrowing costs, net new mortgage flows were lower for the third consecutive quarter, a three quarter trend last observed in 1998. Slower mortgage activity during the 3rd quarter was coincident with declines in the resale housing market.

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).

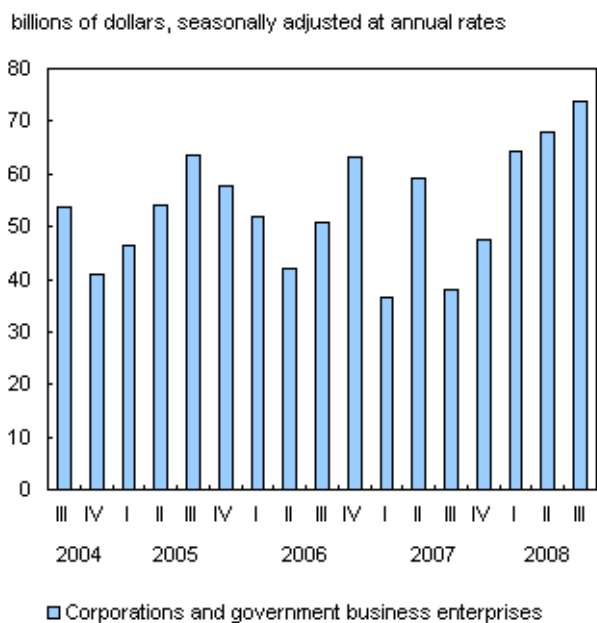
The Financial Flow Accounts also provide the link between financial and non-financial activity in the economy which ties estimates of saving and non-financial asset formation (e.g., investment in new housing) with the underlying financial transactions.

Consumer credit flows were also lower in the third quarter of 2008, but borrowing remains at high levels since the fourth quarter of 2007. Personal expenditure growth moderated during the quarter with expenditures on new and used motor vehicles declining.

Nevertheless, household debt in the form of mortgages and consumer credit continued to grow faster than personal disposable income, as labour income slowed. Using this measure, the household debt-to-income ratio reached 126.6% in the third quarter of 2008.

Corporate sector

Chart E.3
Corporate sector net lending increases



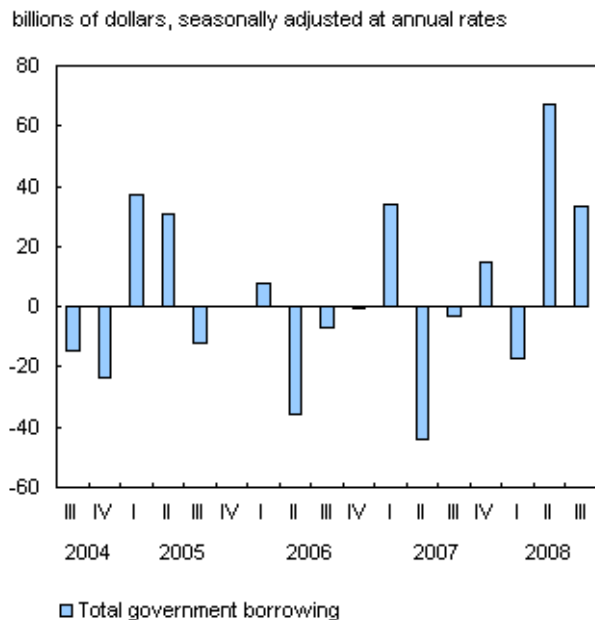
Corporations continued to record strong profit growth in the third quarter, while remaining a net lender to the rest of the economy.

However, non-financial corporations increased their borrowings during the quarter, accounting for just over one-third of all funds raised, led by an increase in bank loans. Funds raised were principally used to finance fixed capital investments and inventories as well as the acquisition of financial assets. Overall borrowing growth was dampened by a reduction in non-financial corporations' stock and bond issuances.

Financial institutions' borrowing decelerated again this quarter, as their net new issuance of short term paper remained negative for a fourth consecutive quarter.

Government sector

Chart E.4
Government's borrowing less



Borrowing by overall government decreased significantly in the third quarter, a reversal from last quarter. Decreased government demand for funds included the retirement of federal bonds and a slowdown in federal short term paper issuance. This was partially offset by the demand for new financing by other levels of government, led by net issuances of short-term paper. Government saving decelerated from the previous quarter. Overall, the government sector remained a net lender to the rest of the economy.

Table E.1 Financial market summary table

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised								
Persons and unincorporated business	111,464	122,856	128,836	122,360	120,620	116,656	107,048	118,836
Consumer credit	33,888	33,948	36,832	38,660	37,680	35,496	31,114	34,908
Bank loans	288	1,844	-296	-712	3,672	3,604	2,394	16
Other loans	776	3,924	4,408	2,180	-656	3,180	6,421	3,723
Mortgages	76,512	83,140	87,892	82,232	79,924	74,376	67,119	80,189
Non-financial private corporations	79,368	73,268	73,364	76,708	69,732	78,964	63,576	74,971
Bank loans	18,548	24,352	18,092	11,572	2,276	24,872	6,659	19,583
Other loans	-2,924	-188	-1,388	-4,116	-7,412	2,624	813	-1,281
Other short-term paper	3,340	8,488	4,472	16,324	1,300	-5,120	15,304	3,738
Mortgages	17,480	16,728	17,936	16,948	20,944	20,996	11,956	17,297
Bonds	7,464	13,664	7,380	11,548	29,080	20,260	13,172	12,142
Shares	35,460	10,224	26,872	24,432	23,544	15,332	15,672	23,492
Non-financial government enterprises	-6,756	3,300	7,328	-264	2,936	440	1,287	-64
Bank loans	-60	376	148	-260	-196	28	242	7
Other loans	-628	-316	1,780	2,260	868	160	-96	-255
Other short-term paper	-968	1,712	1,952	-892	212	-1,380	178	283
Mortgages	-4	0	-8	-12	20	-124	-3	-4
Bonds	-5,128	1,520	3,504	-1,360	2,016	1,752	903	-95
Shares	32	8	-48	0	16	4	63	0
Federal government	-49,308	-43,252	-8,444	-14,272	56,804	10,704	-10,160	-19,787
Bank loans	136	140	140	148	140	144	140	139
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	-34,444	-36,716	7,840	-20,072	62,232	26,012	-3,686	-8,756
Canada Savings Bonds	-1,996	-1,544	-3,108	-1,324	-1,328	-1,248	-2,247	-2,168
Other bonds	-13,004	-5,132	-13,316	6,976	-4,240	-14,204	-4,367	-9,002
Other levels of government	5,360	40,072	23,448	-2,956	10,120	22,800	1,428	20,225
Bank loans	1,936	-1,100	-172	700	20	368	266	312
Other loans	820	696	1,020	-112	600	460	189	718
Other short-term paper	-4,696	19,880	8,880	-8,296	112	22,368	-852	6,006
Mortgages	-4	-4	0	4	-4	0	-25	-1
Provincial bonds	5,912	19,264	10,144	2,984	7,124	-1,404	-1,596	11,318
Municipal bonds	1,424	1,384	3,852	1,688	2,244	984	3,285	1,958
Other bonds	-32	-48	-276	76	24	24	161	-86
Total funds raised by domestic non-financial sectors	140,128	196,244	224,532	181,576	260,212	229,564	163,179	194,181
Consumer credit	33,888	33,948	36,832	38,660	37,680	35,496	31,114	34,908
Bank loans	20,848	25,612	17,912	11,448	5,912	29,016	9,701	20,057
Other loans	-1,956	4,116	5,820	212	-6,600	6,424	7,327	2,905
Canada short-term paper	-34,444	-36,716	7,840	-20,072	62,232	26,012	-3,686	-8,756
Other short-term paper	-2,324	30,080	15,304	7,136	1,624	15,868	14,630	10,027
Mortgages	93,984	99,864	105,820	99,172	100,884	95,248	79,047	97,481
Bonds	-5,360	29,108	8,180	20,588	34,920	6,164	9,311	14,067
Shares	35,492	10,232	26,824	24,432	23,560	15,336	15,735	23,492

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	1,166,980	1,176,752	1,192,748	1,217,324	1,224,292	1,232,748	1,103,201	1,171,741
	1.4	0.8	1.4	2.1	0.6	0.7	6.6	6.2
Wages, salaries and supplementary labour income	786,392	789,224	802,852	814,708	824,364	831,248	743,313	788,357
	1.5	0.4	1.7	1.5	1.2	0.8	6.9	6.1
Unincorporated business net income[2]	90,272	90,716	91,860	94,344	97,752	100,128	86,386	90,473
	1.4	0.5	1.3	2.7	3.6	2.4	1.6	4.7
Interest, dividends and miscellaneous investment income	135,392	136,572	136,376	139,452	140,744	138,784	123,419	135,045
	2.7	0.9	-0.1	2.3	0.9	-1.4	8.2	9.4
Current transfers from government	149,736	154,908	156,488	163,608	156,488	157,044	145,028	152,576
	0.4	3.5	1.0	4.5	-4.4	0.4	6.7	5.2
Current transfers from corporations	2,592	2,664	2,752	2,724	2,748	2,764	2,357	2,635
	2.4	2.8	3.3	-1.0	0.9	0.6	13.9	11.8
Current transfers from non-residents	2,596	2,668	2,420	2,488	2,196	2,780	2,698	2,655
	-11.6	2.8	-9.3	2.8	-11.7	26.6	0.0	-1.6
Outlay	1,146,436	1,154,072	1,175,052	1,184,128	1,193,552	1,204,052	1,077,034	1,147,910
	2.7	0.7	1.8	0.8	0.8	0.9	5.7	6.6
Personal expenditure on goods and services	847,900	857,272	874,980	882,652	895,112	905,564	803,260	852,770
	2.0	1.1	2.1	0.9	1.4	1.2	5.8	6.2
Current transfers to government	276,892	274,664	277,584	277,932	274,100	273,728	253,611	273,353
	4.8	-0.8	1.1	0.1	-1.4	-0.1	5.2	7.8
Current transfers to corporations	16,936	17,364	17,776	18,940	19,700	20,080	15,849	17,092
	4.0	2.5	2.4	6.5	4.0	1.9	13.1	7.8
Current transfers to non-residents	4,708	4,772	4,712	4,604	4,640	4,680	4,314	4,695
	2.6	1.4	-1.3	-2.3	0.8	0.9	-1.7	8.8
Saving	20,544	22,680	17,696	33,196	30,740	28,696	26,167	23,831
	-40.3	10.4	-22.0	87.6	-7.4	-6.6	62.1	-8.9
Disposable income[3]	890,088	902,088	915,164	939,392	950,192	959,020	849,590	898,388
	0.4	1.3	1.4	2.6	1.1	0.9	7.0	5.7
Saving rate	2.3	2.5	1.9	3.5	3.2	3.0	3.1	2.7

Gross saving and capital transfers	68,436	71,064	66,552	83,964	82,184	79,856	71,569	72,035
	-16.6	3.8	-6.3	26.2	-2.1	-2.8	17.1	0.7
Saving	20,544	22,680	17,696	33,196	30,740	28,696	26,167	23,831
	-40.3	10.4	-22.0	87.6	-7.4	-6.6	62.1	-8.9
Capital consumption allowances	44,888	45,628	46,336	47,024	47,640	48,260	42,449	45,269
	1.5	1.6	1.6	1.5	1.3	1.3	6.2	6.6
Net capital transfers	3,004	2,756	2,520	3,744	3,804	2,900	2,953	2,935
	-13.2	-8.3	-8.6	48.6	1.6	-23.8	-40.6	-0.6
Deduct: Non-financial capital acquisition	128,244	128,056	132,012	128,928	133,852	135,216	115,548	128,204
	3.0	-0.1	3.1	-2.3	3.8	1.0	9.3	11.0
Net lending	-59,808	-56,992	-65,460	-44,964	-51,668	-55,360	-43,979	-56,169

Transactions in financial assets	58,796	60,864	73,968	80,920	73,836	62,692	66,271	65,503

Currency and deposits	40,676	76,668	58,268	70,292	62,688	50,380	42,469	51,106

Canadian debt securities	-56,024	-11,392	-27,116	-24,436	-51,236	-992	-21,841	-21,790

Corporate shares and mutual funds	12,152	28,896	1,892	14,596	15,508	13,628	3,433	7,035

Life insurance and pensions	64,104	41,796	40,648	53,284	50,620	49,440	55,518	52,299

Other financial assets	-2,112	-75,104	276	-32,816	-3,744	-49,764	-13,308	-23,147

Transactions in liabilities	118,212	118,464	137,580	124,748	126,472	120,280	109,656	121,785

Consumer credit	33,888	33,948	36,832	38,660	37,680	35,496	31,114	34,908

Bank and other loans	1,064	5,768	4,112	1,468	3,016	6,784	8,815	3,739

Mortgages	76,512	83,140	87,892	82,232	79,924	74,376	67,119	80,189

Trade payables	6,748	-4,392	8,744	2,388	5,852	3,624	2,608	2,949

Net financial investment	-59,416	-57,600	-63,612	-43,828	-52,636	-57,588	-43,385	-56,282

Sector discrepancy	-392	608	-1,848	-1,136	968	2,228	-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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	392,216	396,760	401,828	402,992	425,432	439,504	380,101	391,814
	4.2	1.2	1.3	0.3	5.6	3.3	9.2	3.1
Corporation profits before taxes	202,740	204,784	204,828	209,544	227,616	240,496	196,719	203,231
	1.1	1.0	0.0	2.3	8.6	5.7	5.8	3.3
Government business enterprise profits before taxes	15,696	15,544	15,152	16,336	17,308	16,264	14,638	15,539
	-0.4	-1.0	-2.5	7.8	6.0	-6.0	-4.5	6.2
Inventory valuation adjustment	7,024	3,488	3,564	-1,580	-4,536	-7,800	-2,407	3,272

Interest, dividends and miscellaneous receipts[2]	94,300	99,864	104,740	103,988	110,200	115,416	100,123	97,058
	5.6	5.9	4.9	-0.7	6.0	4.7	25.9	-3.1
Interest on consumer debt	16,936	17,364	17,776	18,940	19,700	20,080	15,849	17,092
	4.0	2.5	2.4	6.5	4.0	1.9	13.1	7.8
Interest on public debt[3]	55,520	55,716	55,768	55,764	55,144	55,048	55,179	55,622
	0.1	0.4	0.1	-0.0	-1.1	-0.2	1.5	0.8
Outlay	282,480	289,136	292,508	288,884	301,516	305,868	272,417	287,700
	-1.5	2.4	1.2	-1.2	4.4	1.4	9.9	5.6
Interest, dividends and miscellaneous payments	222,864	227,160	229,512	226,196	235,332	237,860	214,526	226,465
	-1.5	1.9	1.0	-1.4	4.0	1.1	9.1	5.6
Direct taxes	56,416	58,568	59,376	59,296	62,596	64,276	53,456	57,421
	2.0	3.8	1.4	-0.1	5.6	2.7	9.8	7.4
Other current transfers	3,200	3,408	3,620	3,392	3,588	3,732	4,435	3,814
	-36.4	6.5	6.2	-6.3	5.8	4.0	80.5	-14.0
Saving	109,736	107,624	109,320	114,108	123,916	133,636	107,684	104,114
	22.2	-1.9	1.6	4.4	8.6	7.8	7.3	-3.3
Gross saving and capital transfers	233,452	233,064	235,992	242,056	252,112	263,396	227,507	228,638
	10.1	-0.2	1.3	2.6	4.2	4.5	6.1	0.5
Saving	109,736	107,624	109,320	114,108	123,916	133,636	107,684	104,114
	22.2	-1.9	1.6	4.4	8.6	7.8	7.3	-3.3
Capital consumption allowances	121,140	122,608	123,708	125,296	127,264	128,780	116,356	121,759
	1.3	1.2	0.9	1.3	1.6	1.2	4.6	4.6
Net capital transfers	2,576	2,832	2,964	2,652	932	980	3,467	2,765
	-4.2	9.9	4.7	-10.5	-64.9	5.2	22.6	-20.2
Deduct: Non-financial capital acquisition	174,188	194,968	188,356	177,844	184,068	189,780	175,627	183,292
	-0.8	11.9	-3.4	-5.6	3.5	3.1	10.5	4.4
Net lending	59,264	38,096	47,636	64,212	68,044	73,616	51,880	45,346

Transactions in financial assets	722,224	729,540	721,388	543,920	583,480	447,544	536,395	699,381

<i>Of which:</i>								
Consumer credit	33,888	33,948	36,832	38,660	37,680	35,496	31,114	34,908

Bank and other loans	49,444	56,372	49,564	25,264	16,600	57,348	31,892	48,109

Mortgages	98,472	103,224	109,104	101,624	103,032	96,912	81,719	101,032

Short-term paper	-18,516	12,392	-23,284	-17,408	29,960	9,200	32,525	58

Bonds	118,300	104,640	108,248	93,408	94,732	53,228	66,696	92,378

Shares	12,960	-1,072	14,132	-23,088	38,288	-3,552	-3,367	14,963

Foreign investments	115,096	-29,044	58,832	-5,384	9,628	13,080	79,437	61,758

Transactions in liabilities	649,040	695,584	667,076	483,524	512,784	372,240	490,637	647,065

<i>Of which:</i>								
Currency and deposits	140,564	248,840	130,224	75,632	138,368	88,292	98,221	172,860

Bank and other loans	58,920	62,660	81,404	22,772	-7,344	36,212	9,487	60,155

Short-term paper	2,748	17,696	-21,948	-4,292	-47,996	-36,284	41,404	3,565

Bonds	93,256	118,384	102,484	102,660	157,692	87,036	83,746	94,911

Shares	141,600	128,492	139,944	145,108	107,476	78,856	82,549	124,845

Life insurance and pensions	60,308	41,080	34,020	48,936	46,472	45,560	50,689	48,028

Net financial investment	73,184	33,956	54,312	60,396	70,696	75,304	45,758	52,316

Sector discrepancy	-13,920	4,140	-6,676	3,816	-2,652	-1,688	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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	620,660	623,316	630,492	627,688	637,028	639,712	588,638	619,472
	2.9	0.4	1.2	-0.4	1.5	0.4	5.3	5.2
Taxes on incomes	259,448	259,332	262,096	262,360	261,772	262,008	234,703	256,734
	5.4	-0.0	1.1	0.1	-0.2	0.1	7.1	9.4
Contributions to social insurance plans	68,592	68,952	69,724	69,608	70,020	70,344	67,991	68,870
	0.6	0.5	1.1	-0.2	0.6	0.5	4.2	1.3
Taxes on production and imports	182,164	183,692	185,576	181,548	183,956	184,016	176,703	182,638
	1.7	0.8	1.0	-2.2	1.3	0.0	2.4	3.4
Other current transfers from persons	12,160	12,104	12,256	12,276	12,252	12,292	11,375	12,061
	3.7	-0.5	1.3	0.2	-0.2	0.3	5.8	6.0
Investment income	52,000	52,564	53,484	54,296	60,564	62,176	52,906	52,600
	-0.7	1.1	1.8	1.5	11.5	2.7	9.4	-0.6
Sales of goods and services[2]	46,296	46,672	47,356	47,600	48,464	48,876	44,960	46,569
	0.7	0.8	1.5	0.5	1.8	0.9	5.1	3.6
Outlay	575,216	581,224	590,528	602,604	602,224	605,704	552,442	579,146
	1.0	1.0	1.6	2.0	-0.1	0.6	5.5	4.8
Gross current expenditure on goods and services[2]	342,404	342,700	350,912	355,104	361,504	364,648	323,882	343,041
	1.9	0.1	2.4	1.2	1.8	0.9	6.9	5.9
Current transfers	169,224	175,056	176,396	184,340	178,060	178,412	165,308	172,592
	-0.3	3.4	0.8	4.5	-3.4	0.2	4.8	4.4
Interest on the public debt	63,588	63,468	63,220	63,160	62,660	62,644	63,252	63,513
	-0.3	-0.2	-0.4	-0.1	-0.8	-0.0	0.7	0.4
Saving	45,444	42,092	39,964	25,084	34,804	34,008	36,196	40,326
	34.4	-7.4	-5.1	-37.2	38.7	-2.3	2.2	11.4
Gross saving and capital transfers	71,912	69,048	66,916	52,756	64,540	64,584	60,307	67,025
	19.4	-4.0	-3.1	-21.2	22.3	0.1	3.7	11.1
Saving	45,444	42,092	39,964	25,084	34,804	34,008	36,196	40,326
	34.4	-7.4	-5.1	-37.2	38.7	-2.3	2.2	11.4
Capital consumption allowances	27,996	28,396	28,808	29,272	29,700	30,140	26,401	28,201
	1.4	1.4	1.5	1.6	1.5	1.5	7.0	6.8
Net capital transfers	-1,528	-1,440	-1,856	-1,600	36	436	-2,290	-1,502
	...	...	...	...	...	1,111.1	...	...
Deduct: Non-financial capital acquisition	45,320	46,792	47,088	48,892	50,444	52,252	40,858	45,726
	3.7	3.2	0.6	3.8	3.2	3.6	10.5	11.9
Net lending	26,592	22,256	19,828	3,864	14,096	12,332	19,449	21,299

Transactions in financial assets	22,552	15,580	30,112	29,588	87,104	62,080	24,693	35,222

Currency and deposits	4,760	572	3,944	8,768	-1,632	8,436	1,424	2,403

Loans	1,784	1,584	-176	-152	4,744	1,472	1,297	2,430

Canadian securities	9,108	19,472	15,836	14,628	29,864	24,388	14,759	17,620

Other financial assets	6,900	-6,048	10,508	6,344	54,128	27,784	7,213	12,769

Transactions in liabilities	868	-12,324	15,908	22,696	74,188	51,380	4,001	15,275

Bank and other loans	2,892	-264	988	736	760	972	595	1,169

Short-term paper	-39,140	-16,836	16,720	-28,368	62,344	48,380	-4,538	-2,750

Bonds	-6,956	12,772	-6,100	7,152	1,412	-17,060	-6,145	3,309

Other liabilities	44,072	-7,996	4,300	43,176	9,672	19,088	14,089	13,547

Net financial investment	21,684	27,904	14,204	6,892	12,916	10,700	20,692	19,947

Sector discrepancy	4,908	-5,648	5,624	-3,028	1,180	1,632	-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]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Seasonally adjusted data at annual rates, millions of dollars								
Income	575,076	587,824	580,884	579,996	608,208	627,856	563,925	583,869
	-2.8	2.2	-1.2	-0.2	4.9	3.2	5.4	3.5
Sales of goods (imports)	410,508	420,416	407,984	416,428	439,056	458,052	404,250	415,007
	-2.5	2.4	-3.0	2.1	5.4	4.3	4.2	2.7
Sales of services (imports)	86,324	86,648	91,624	89,004	90,612	88,732	82,798	87,248
	2.3	0.4	5.7	-2.9	1.8	-2.1	3.4	5.4
Interest, dividends and miscellaneous receipts	68,552	70,288	70,796	64,436	67,036	69,348	66,068	71,013
	-7.9	2.5	0.7	-9.0	4.0	3.4	15.0	7.5
Current transfers	9,692	10,472	10,480	10,128	11,504	11,724	10,809	10,601
	-17.6	8.0	0.1	-3.4	13.6	1.9	13.7	-1.9
Outlay	599,656	587,948	579,084	598,644	635,436	654,296	585,894	591,509
	0.1	-2.0	-1.5	3.4	6.1	3.0	4.6	1.0
Purchases of goods (exports)	473,112	458,036	444,612	467,504	504,060	518,956	453,733	463,051
	-0.7	-3.2	-2.9	5.1	7.8	3.0	0.8	2.1
Purchases of services (exports)	69,800	68,204	69,260	68,596	69,328	68,868	68,965	69,067
	1.2	-2.3	1.5	-1.0	1.1	-0.7	0.3	0.1
Interest, dividends and miscellaneous payments	47,256	51,884	55,676	53,040	52,504	57,052	53,496	49,845
	6.0	9.8	7.3	-4.7	-1.0	8.7	62.5	-6.8
Current transfers	9,488	9,824	9,536	9,504	9,544	9,420	9,700	9,546
	1.6	3.5	-2.9	-0.3	0.4	-1.3	18.6	-1.6
Saving	-24,580	-124	1,800	-18,648	-27,228	-26,440	-21,969	-7,640

Gross saving and capital transfers	-28,632	-4,272	-1,828	-23,444	-32,000	-30,756	-26,099	-11,838

Saving	-24,580	-124	1,800	-18,648	-27,228	-26,440	-21,969	-7,640

Net capital transfers	-4,052	-4,148	-3,628	-4,796	-4,772	-4,316	-4,130	-4,198

Net lending[2]	-28,632	-4,272	-1,828	-23,444	-32,000	-30,756	-26,099	-11,838

Transactions in financial assets	153,280	67,688	125,560	103,636	60,608	76,496	124,011	130,966

Currency and deposits	-7,568	-11,100	7,592	-15,108	10,096	47,724	3,400	12,903

Loans	8,236	17,844	48,676	-4,816	-196	-3,604	-2,199	21,032

Short-term paper	-5,152	3,344	5,364	-9,016	2,924	9,244	2,372	-323

Bonds	756	9,200	10,092	36,628	80,064	-4,468	16,736	11,282

Shares	-25,528	-28,764	-102,596	3,988	1,524	-11,792	10,815	-41,993

Other financial assets	182,536	77,164	156,432	91,960	-33,804	39,392	92,887	128,065

Transactions in liabilities	188,732	71,948	130,464	127,096	91,584	104,912	147,076	146,947

Official reserves	2,648	2,808	3,432	-8,396	7,268	3,880	1,015	4,644

Currency and deposits	10,676	6,192	35,316	-11,176	19,140	18,988	15,839	15,126

Bank and other loans	-3,412	7,636	11,560	-4,680	24,716	11,248	12,093	6,508

Foreign investments	120,528	-35,056	43,084	-12,852	784	-2,300	91,113	62,990

Other liabilities	58,292	90,368	37,072	164,200	39,676	73,096	27,016	57,679

Net financial investment	-35,452	-4,260	-4,904	-23,460	-30,976	-28,416	-23,065	-15,981

Sector discrepancy	6,820	-12	3,076	16	-1,024	-2,340	-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

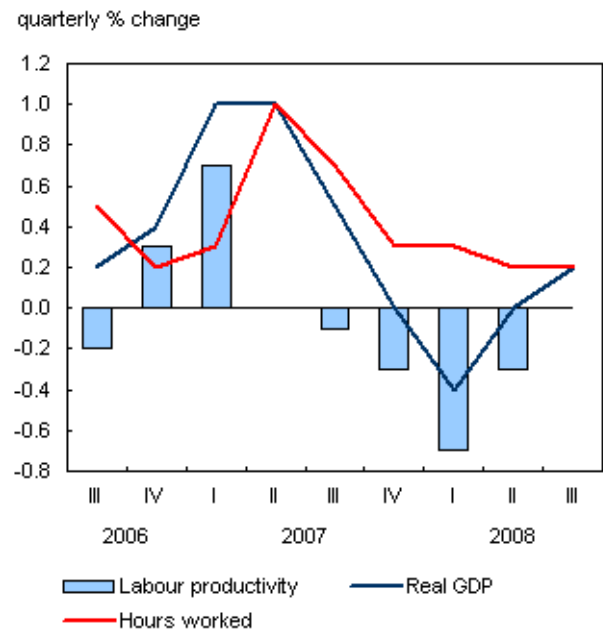
Labour productivity, hourly compensation and unit labour cost

Third quarter 2008

The labour productivity of Canadian businesses remained unchanged in the third quarter, extending the weakness that began in the second quarter of 2007.

Chart F.1

No productivity gains for Canadian businesses in the third 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" herein refers to labour productivity. For the purposes of this analysis, labour productivity, gross domestic product (GDP), and unit labour cost cover the business sector only.

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

For more information about the productivity program, see the National Economic Accounts (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.gc.ca.

Revisions

This release incorporates several revisions to the source data, such as revisions to the GDP by industry released in September 2008, revisions to the Survey of Employment, Payrolls and Hours (SEPH) data released in March 2008, as well as the new annual benchmarks of labour statistics consistent with the National Accounts, published on December 8th, 2008. Based on these revisions, labour productivity and related variables were revised back to the first quarter of 2004 at the aggregate level and to the first quarter of 2002 at the industry level.

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.

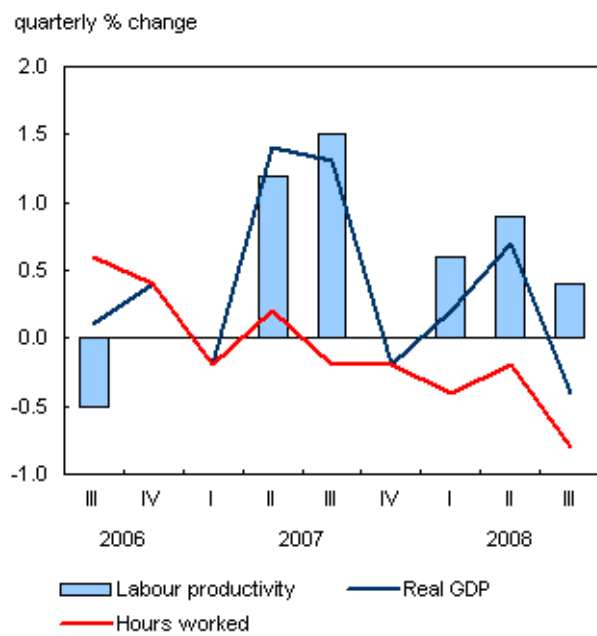
In the third quarter, the gross domestic product (GDP) of Canadian businesses and the hours worked related to this production increased in tandem, at a rate of 0.2%. The increase in the number of hours worked in Canadian businesses was similar to that of the first two quarters of the year. In the first three quarters of 2008, hours worked grew at less than half the pace recorded in the first three quarters of 2007.

Productivity gains down sharply in the United States

Despite the economic slowdown, U.S. productivity grew 0.4% in the third quarter, after rising 0.9% in the second quarter. This productivity gain occurred in a context of decreased output and hours worked.

Chart F.2

U.S. productivity growth slows



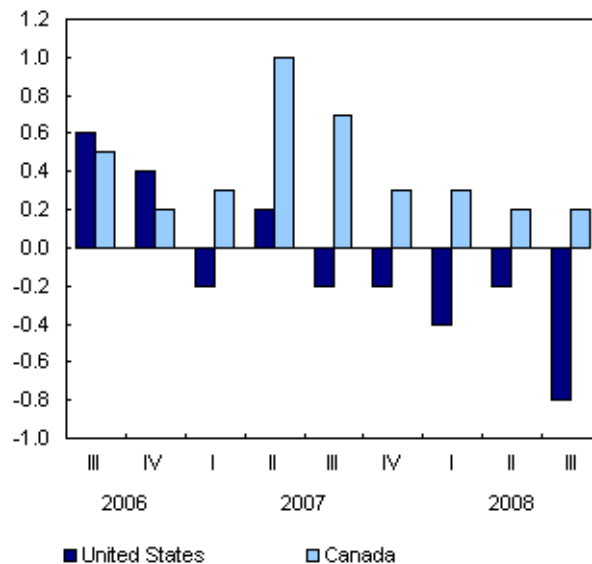
The output of U.S. businesses contracted 0.4% in the third quarter. This is the largest decline since the 0.8% drop registered in the third quarter of 2001. It is also the second quarterly decrease in a year. The third quarter drop in U.S. GDP is mainly the result of the first decrease in consumer spending since 1991.

Meanwhile, hours worked in the United States continued to decline, falling 0.8% in the third quarter. Not since the first quarter of 2002 has there been such a steep drop.

Chart F.3

Hours worked continues to increase in Canada, while it continues its decline in the U.S.

quarterly % change

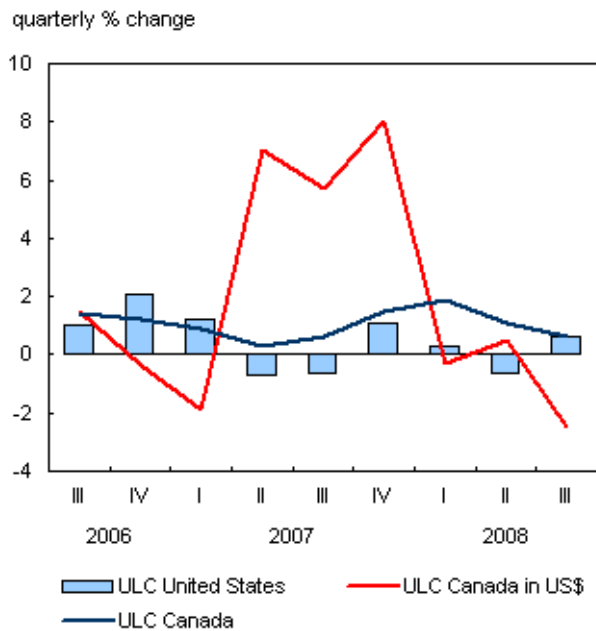


Canadian business competitiveness gains ground in the third quarter

The growth rate of labour costs per unit of production, a barometer of long term inflationary pressure, decelerated to 0.6% for Canadian businesses in the third quarter, roughly half the rate registered in the previous quarter (+1.1%). This is the weakest growth rate since the third quarter of 2007.

With no change in productivity in the third quarter, the growth of unit labour costs was almost entirely due to the growth of hourly compensation, which decelerated to 0.6%.

Chart F.4
Canadian unit labour costs (ULC) in U.S. dollars declines sharply



The value of the Canadian dollar declined 3.1% in relation to its U.S. counterpart in the third quarter, helping Canadian unit labour costs measured in U.S. dollars fall substantially in the third quarter.

For their part, American businesses saw their unit labour costs rise 0.6% in the third quarter, after falling 0.6% in the second quarter.

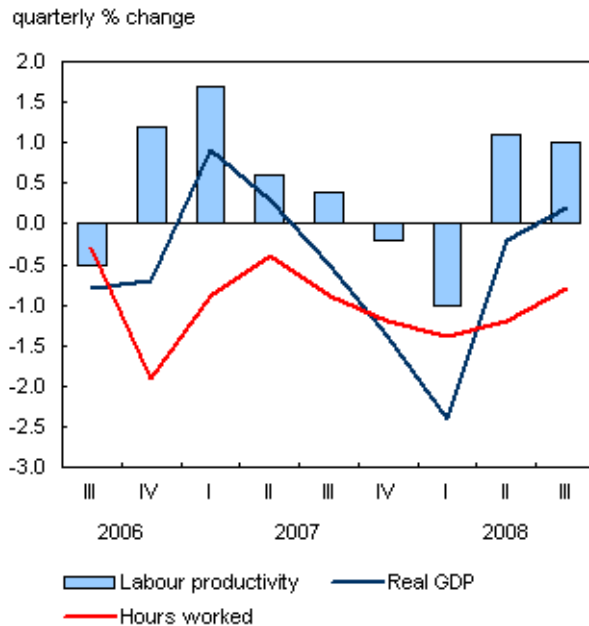
Analysis by industry

Productivity continues to increase in manufacturing

Labour productivity in the goods producing industries grew by 0.3% in the third quarter, after five consecutive quarterly declines. Increased productivity in manufacturing and in mining, oil and gas extraction industries more than offset decreased productivity in construction. Against a backdrop of declining employment, the manufacturing sector saw a second consecutive increase in its productivity.

In the third quarter of 2008, productivity in manufacturing rose 1.0%, about the same pace as the second quarter. Manufacturing output edged up in the third quarter, after four consecutive decreases. During this time, hours worked continued to decline, falling 0.8% in relation to the second quarter.

Chart F.5
Manufacturing productivity increases again



In construction, productivity declined for a sixth straight quarter despite a 0.5% increase in output.

Productivity remains flat in the services sector

In the context of a slowdown in economic activity in this sector, productivity in services-producing businesses remained flat in the third quarter, after edging up 0.1% in the second quarter.

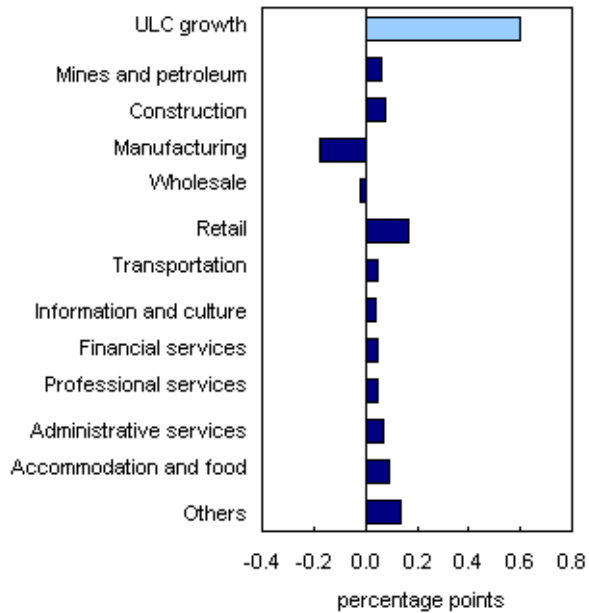
In the services sector, retail trade as well as administrative and remediation services registered the most important increases in the third quarter.

On the other hand, finance, insurance and real estate services as well as accommodation and food services registered major productivity declines in the third quarter of 2008.

Unit labour cost declines in goods sector

The growth of unit labour costs in the business sector (a long term indicator of inflationary pressures) slowed to 0.6% in the third quarter. Most of the growth is attributable to the services sector, where unit labour cost rise 0.8%, the same rate as in the second quarter. This rise in labour costs is mainly attributable to retail trade as well as accommodation and food services.

Chart F.6
Main industries' contribution to percent change in unit labour cost (ULC) in the business sector, third quarter 2008



As well, the unit labour cost in the goods sector declined for the first time since the second quarter of 2007. It fell 0.2% compared to a 1.2% rise in the second quarter. This drop is mainly attributable to a decrease in unit labour cost in manufacturing reflecting its productivity gains, combined with a slight decline in hourly compensation.

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
Canada						
Labour productivity	-0.0	-0.1	-0.3	-0.7	-0.3	-0.0
Real GDP	1.0	0.5	0.0	-0.4	-0.0	0.2
Hours worked	1.0	0.7	0.3	0.3	0.2	0.2
Hourly compensation	0.2	0.4	1.3	1.2	0.8	0.6
Unit labour cost	0.3	0.6	1.5	1.9	1.1	0.6
Exchange rate[3]	-6.3	-4.9	-6.0	2.3	0.6	3.1
Unit labour cost in US\$	7.0	5.7	8.0	-0.3	0.5	-2.5
United States						
Labour productivity	1.2	1.5	0.0	0.6	0.9	0.4
Real GDP	1.4	1.3	-0.2	0.2	0.7	-0.4
Hours worked	0.2	-0.2	-0.2	-0.4	-0.2	-0.8
Hourly compensation	0.5	0.9	1.1	0.9	0.3	1.0
Unit labour cost	-0.7	-0.6	1.1	0.3	-0.6	0.6
Percent change from same quarter of previous year						
Canada						
Labour productivity	0.7	0.8	0.3	-1.1	-1.4	-1.3
Real GDP	2.7	3.0	2.6	1.1	0.1	-0.3
Hours worked	2.0	2.2	2.3	2.3	1.5	1.0
Hourly compensation	4.6	3.8	3.6	3.2	3.8	3.9
Unit labour cost	3.9	3.0	3.3	4.4	5.2	5.2
Exchange rate[3]	-2.2	-6.8	-13.8	-14.3	-8.0	-0.3
Unit labour cost in US\$	6.1	10.5	19.9	21.8	14.3	5.5
United States						
Labour productivity	0.7	2.8	2.8	3.4	3.0	1.9
Real GDP	1.7	3.0	2.4	2.8	2.0	0.2
Hours worked	1.0	0.2	-0.3	-0.6	-1.0	-1.6
Hourly compensation	4.4	4.8	3.7	3.4	3.2	3.3
Unit labour cost	3.6	1.9	0.9	0.0	0.2	1.4
Percent change from previous quarter at annualized rate[4]						
Canada						
Labour productivity	-0.2	-0.6	-1.0	-2.7	-1.1	-0.2
Real GDP	4.0	2.1	0.1	-1.7	-0.2	0.7
Hours worked	4.2	2.7	1.2	1.0	0.9	0.9
Hourly compensation	0.9	1.7	5.2	5.0	3.2	2.3
Unit labour cost	1.1	2.2	6.3	7.9	4.4	2.5
Unit labour cost in US\$	31.0	24.8	36.2	-1.3	1.9	-9.5
United States						
Labour productivity	5.0	6.2	0.1	2.3	3.7	1.5
Real GDP	5.6	5.5	-0.6	0.7	2.6	-1.7
Hours worked	0.6	-0.7	-0.7	-1.6	-1.0	-3.2
Hourly compensation	1.9	3.6	4.4	3.6	1.2	4.2
Unit labour cost	-2.9	-2.5	4.3	1.3	-2.4	2.6

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

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

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

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

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008
Seasonally adjusted						
Percent change from previous quarter						
Canada						
All jobs	0.7	0.5	0.5	0.5	0.3	-0.0
Hours worked	1.0	0.7	0.3	0.3	0.2	0.2
Average hours	0.3	0.1	-0.2	-0.3	-0.1	0.2
Labour share[3]	-0.9	0.5	0.5	0.6	-2.0	-0.4
United States						
All jobs	0.2	-0.1	0.1	-0.4	-0.2	-0.5
Hours worked	0.2	-0.2	-0.2	-0.4	-0.2	-0.8
Average hours	-0.0	-0.1	-0.3	-0.0	-0.0	-0.3
Labour share[3]	-1.2	-0.9	0.6	-0.2	-0.8	-0.5
Percent change from same quarter of previous year						
Canada						
All jobs	2.2	2.4	2.2	2.3	1.9	1.3
Hours worked	2.0	2.2	2.3	2.3	1.5	1.0
Average hours	-0.2	-0.2	0.1	-0.0	-0.4	-0.3
Labour share[3]	0.6	0.3	-0.5	0.7	-0.5	-1.3
United States						
All jobs	1.0	0.5	0.3	-0.2	-0.6	-1.0
Hours worked	1.0	0.2	-0.3	-0.6	-1.0	-1.6
Average hours	0.0	-0.3	-0.6	-0.4	-0.4	-0.6
Labour share[3]	1.1	-0.3	-1.3	-1.7	-1.3	-0.9
Percent change from previous quarter at annualized rates[4]						
Canada						
All jobs	2.8	2.2	1.9	2.2	1.2	-0.0
Hours worked	4.2	2.7	1.2	1.0	0.9	0.9
Average hours	1.4	0.5	-0.7	-1.2	-0.3	0.9
Labour share[3]	-3.5	1.9	2.1	2.3	-7.9	-1.6
United States						
All jobs	0.7	-0.2	0.3	-1.5	-0.9	-1.9
Hours worked	0.6	-0.7	-0.7	-1.6	-1.0	-3.2
Average hours	0.0	-0.4	-1.0	-0.1	-0.1	-1.3
Labour share[3]	-4.6	-3.5	2.3	-0.7	-3.2	-1.8

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

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

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

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

Table F.3 Indexes of labour productivity by industry[1, 2]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Using seasonally adjusted data, (2002 = 100)								
Business sector - goods	103.3	103.1	101.8	100.6	100.2	100.5	102.2	103.0
	<i>-0.5</i>	<i>-0.2</i>	<i>-1.3</i>	<i>-1.1</i>	<i>-0.5</i>	<i>0.3</i>	<i>0.8</i>	<i>0.8</i>
Agriculture, forestry, fishing and hunting	121.0	122.9	123.4	123.0	125.8	125.2	124.0	123.0
	<i>-2.9</i>	<i>1.5</i>	<i>0.4</i>	<i>-0.3</i>	<i>2.2</i>	<i>-0.5</i>	<i>-0.1</i>	<i>-0.8</i>
Construction	96.9	96.3	94.9	94.4	92.7	91.8	99.4	97.1
	<i>-3.5</i>	<i>-0.6</i>	<i>-1.5</i>	<i>-0.5</i>	<i>-1.8</i>	<i>-1.0</i>	<i>2.4</i>	<i>-2.3</i>
Manufacturing	110.2	110.6	110.4	109.3	110.4	111.5	107.3	110.2
	<i>0.6</i>	<i>0.4</i>	<i>-0.2</i>	<i>-1.0</i>	<i>1.1</i>	<i>1.0</i>	<i>2.2</i>	<i>2.7</i>
Business sector - services	107.1	107.3	107.8	107.5	107.6	107.6	106.5	107.3
	<i>0.1</i>	<i>0.2</i>	<i>0.5</i>	<i>-0.2</i>	<i>0.1</i>	<i>0.0</i>	<i>2.0</i>	<i>0.8</i>
Wholesale trade	122.6	123.3	126.3	126.3	127.1	127.2	119.9	123.6
	<i>0.5</i>	<i>0.6</i>	<i>2.4</i>	<i>-0.1</i>	<i>0.7</i>	<i>0.1</i>	<i>7.1</i>	<i>3.0</i>
Retail trade	115.4	115.3	117.4	118.0	118.1	118.9	111.2	115.5
	<i>1.4</i>	<i>-0.1</i>	<i>1.9</i>	<i>0.4</i>	<i>0.1</i>	<i>0.7</i>	<i>5.6</i>	<i>3.9</i>
Transportation and warehousing	101.1	99.8	99.6	96.9	99.4	99.6	101.4	100.6
	<i>-0.9</i>	<i>-1.3</i>	<i>-0.2</i>	<i>-2.8</i>	<i>2.7</i>	<i>0.1</i>	<i>-0.6</i>	<i>-0.8</i>
Information and cultural industries	115.4	116.8	119.9	119.9	120.6	120.8	116.0	116.7
	<i>0.6</i>	<i>1.2</i>	<i>2.6</i>	<i>-0.0</i>	<i>0.6</i>	<i>0.2</i>	<i>6.8</i>	<i>0.7</i>
Finance, real estate and company management	105.4	106.3	105.8	105.3	104.3	103.6	103.3	105.7
	<i>-0.1</i>	<i>0.8</i>	<i>-0.4</i>	<i>-0.5</i>	<i>-0.9</i>	<i>-0.7</i>	<i>0.7</i>	<i>2.4</i>
Professional, scientific and technical services	101.4	100.8	99.0	99.9	99.7	99.3	102.1	100.6
	<i>0.2</i>	<i>-0.6</i>	<i>-1.7</i>	<i>0.9</i>	<i>-0.2</i>	<i>-0.4</i>	<i>-0.6</i>	<i>-1.4</i>
Administrative and support, waste management and remediation services	99.0	99.1	98.6	97.3	97.5	98.0	99.8	99.1
	<i>-0.9</i>	<i>0.1</i>	<i>-0.5</i>	<i>-1.3</i>	<i>0.2</i>	<i>0.5</i>	<i>0.1</i>	<i>-0.6</i>
Accommodation and food services	97.5	98.6	100.5	101.1	100.2	99.0	100.0	98.6
	<i>-0.6</i>	<i>1.1</i>	<i>1.9</i>	<i>0.6</i>	<i>-0.9</i>	<i>-1.1</i>	<i>-0.3</i>	<i>-1.4</i>
Other commercial services	104.1	103.1	102.3	102.8	102.8	103.1	104.7	103.6
	<i>-0.8</i>	<i>-0.9</i>	<i>-0.8</i>	<i>0.5</i>	<i>0.1</i>	<i>0.3</i>	<i>-0.3</i>	<i>-1.1</i>

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

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

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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Using seasonally adjusted data (2002 = 100)								
Business sector - goods	118.5	119.5	122.9	125.9	127.4	127.1	115.2	119.8
	<i>0.2</i>	<i>0.9</i>	<i>2.8</i>	<i>2.5</i>	<i>1.2</i>	<i>-0.2</i>	<i>5.5</i>	<i>4.0</i>
Agriculture, forestry, fishing and hunting	91.1	94.5	93.9	93.0	90.2	92.5	88.8	92.3
	<i>1.6</i>	<i>3.7</i>	<i>-0.6</i>	<i>-1.0</i>	<i>-3.0</i>	<i>2.5</i>	<i>-0.1</i>	<i>4.0</i>
Construction	125.6	127.3	130.5	132.4	134.2	135.4	116.8	126.5
	<i>2.4</i>	<i>1.3</i>	<i>2.5</i>	<i>1.4</i>	<i>1.4</i>	<i>0.9</i>	<i>9.2</i>	<i>8.3</i>
Manufacturing	108.0	107.8	110.2	113.3	113.3	112.0	107.9	108.7
	<i>-0.6</i>	<i>-0.2</i>	<i>2.3</i>	<i>2.8</i>	<i>0.0</i>	<i>-1.1</i>	<i>0.8</i>	<i>0.7</i>
Business sector - services	112.8	112.9	113.7	115.4	116.3	117.2	109.1	112.9
	<i>0.5</i>	<i>0.2</i>	<i>0.7</i>	<i>1.4</i>	<i>0.8</i>	<i>0.8</i>	<i>2.5</i>	<i>3.5</i>
Wholesale trade	102.1	101.1	100.1	102.4	102.1	101.7	99.4	101.4
	<i>-0.0</i>	<i>-1.0</i>	<i>-1.0</i>	<i>2.3</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.6</i>	<i>2.0</i>
Retail trade	105.9	107.7	107.3	107.6	109.1	111.4	106.5	106.9
	<i>-0.7</i>	<i>1.7</i>	<i>-0.4</i>	<i>0.3</i>	<i>1.4</i>	<i>2.2</i>	<i>0.1</i>	<i>0.4</i>
Transportation and warehousing	112.8	114.2	115.2	117.7	117.5	118.3	109.7	113.7
	<i>0.1</i>	<i>1.3</i>	<i>0.9</i>	<i>2.1</i>	<i>-0.1</i>	<i>0.7</i>	<i>3.2</i>	<i>3.7</i>
Information and cultural industries	104.5	105.9	106.9	109.4	109.3	110.1	102.2	105.4
	<i>0.3</i>	<i>1.3</i>	<i>1.0</i>	<i>2.2</i>	<i>-0.1</i>	<i>0.8</i>	<i>0.6</i>	<i>3.1</i>
Finance, real estate and company management	117.4	117.2	118.7	119.9	121.2	121.6	113.9	117.4
	<i>0.9</i>	<i>-0.2</i>	<i>1.4</i>	<i>0.9</i>	<i>1.2</i>	<i>0.3</i>	<i>4.8</i>	<i>3.1</i>
Professional, scientific and technical services	114.3	115.1	118.1	120.5	121.3	122.0	110.5	115.3
	<i>0.4</i>	<i>0.7</i>	<i>2.6</i>	<i>2.0</i>	<i>0.6</i>	<i>0.6</i>	<i>2.9</i>	<i>4.3</i>
Administrative and support, waste management and remediation services	122.3	122.5	121.5	123.2	125.9	128.2	115.2	121.9
	<i>1.0</i>	<i>0.2</i>	<i>-0.8</i>	<i>1.4</i>	<i>2.2</i>	<i>1.9</i>	<i>4.3</i>	<i>5.8</i>
Accommodation and food services	125.1	124.2	127.3	129.0	131.8	136.0	115.3	125.1
	<i>1.0</i>	<i>-0.7</i>	<i>2.5</i>	<i>1.3</i>	<i>2.2</i>	<i>3.2</i>	<i>6.2</i>	<i>8.5</i>
Other commercial services	117.7	116.5	116.5	117.1	117.2	116.8	111.6	116.6
	<i>1.7</i>	<i>-1.1</i>	<i>0.0</i>	<i>0.5</i>	<i>0.0</i>	<i>-0.3</i>	<i>1.8</i>	<i>4.6</i>

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

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

Section G

Canada's International investment position

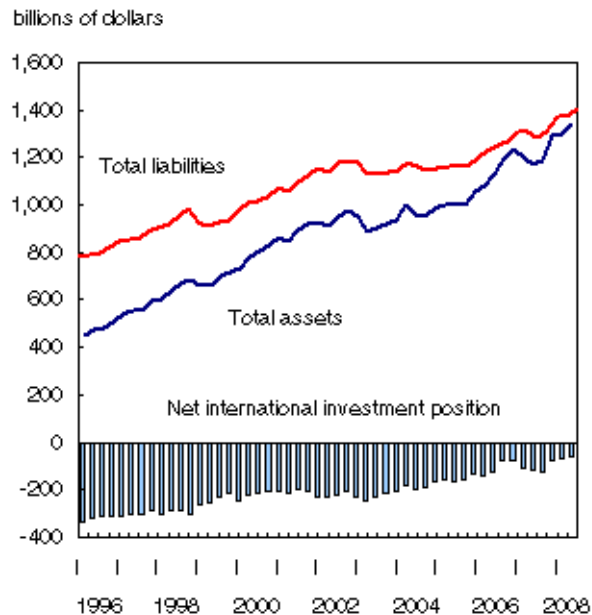
Third quarter 2008

Canada's net international indebtedness fell to \$58.4 billion at the end of the third quarter, as the value of Canada's foreign assets increased more than its liabilities. This result was largely attributable to higher Canadian direct investment abroad.

Net international indebtedness reaches new low

International assets rose for a fourth straight quarter to \$1,343.3 billion, while international liabilities were up for a fourth consecutive quarter to \$1,401.7 billion. Increases in international assets (+3.2%) outpaced those of international liabilities (+2.1%) in the third quarter. As a result, net foreign debt fell by \$13.1 billion to a 33-year low of \$58.4 billion in the third quarter. This represented 3.6% of Canada's gross domestic product, down from 4.4% in the previous quarter.

Chart G.1
Canada's international investment position



In addition to investment flows, exchange rate fluctuations led to increases of just over \$10.0 billion in both foreign asset and liability values. Although the Canadian dollar depreciated against the US dollar and the Japanese yen during the quarter, this was partially offset by appreciation against other major currencies. For the year, exchange rate movements have resulted in a \$59.7 billion increase in the value of total assets and a \$26.4 billion advance in the value of total liabilities.

Note to readers

Definition

The international investment position presents the value and composition of Canada's foreign assets and liabilities to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. 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.

The valuation of the assets and liabilities in the international investment position are measured at book value, unless otherwise stated. Book value represents the value of assets and liabilities recorded in the books of the enterprise in which the investment is made.

Currency valuation

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

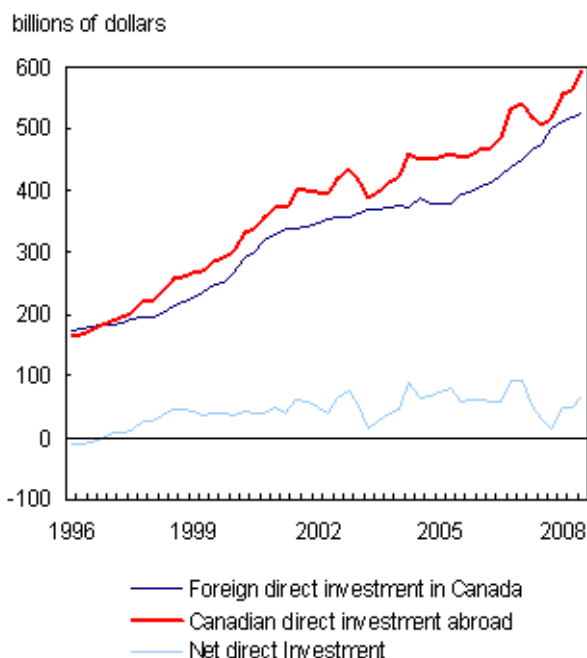
When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

Higher Canadian direct investment abroad bolsters net positions

Direct investment abroad by Canadian firms rose by \$30.6 billion to \$593.7 billion in the third quarter on the largest outflows by Canadian companies in four years. The bulk of this investment was generated from the financial sector and represented an injection of funds into existing foreign subsidiaries. Foreign direct investment in Canada rose by \$9.0 billion to \$525.7 billion in the third quarter, with merger and acquisition activity in the energy sector accounting for most of this increase. With increases in outward direct investment dominating, Canada's net asset position on direct investment amounted to \$67.9 billion, the highest level since the first quarter of 2007.

Chart G.2

Direct investment position



Portfolio divestment continues

Canadian investors continued to acquire foreign stocks while shedding foreign debt instruments, mainly in US bonds, following the pattern since the third quarter of 2007. Combined with relatively small exchange rate effects, foreign portfolio asset values fell by \$1.2 billion during the third quarter.

Non-residents reduced their positions in Canadian equity and debt instruments in the third quarter. However, exchange rate fluctuations more than offset the divestment, as US dollar and Japanese yen denominated bonds appreciated in value by approximately \$4.0 billion. The net effect on foreign holdings of Canadian securities was a slight increase of \$1.2 billion.

Cross-border deposit activity up

Other investment assets increased by \$12.0 billion, mostly arising from an increase in deposits abroad. Other investment liabilities increased by \$18.1 billion as foreigners increased deposits in Canadian institutions. Approximately one-third of this increase was due to deposits in US dollars. Volatility in deposit assets and liabilities continues to be focused in inter-company activity in the financial industry.

Value of Canadian equities drop more than foreign equities at market prices

Canada's overall net international investment position can also be calculated with portfolio investment assets and liabilities of tradable securities valued at market prices. By this measure, the drop in net foreign debt was more pronounced, as the value of Canadian stocks held by non-residents decreased by 19.4% compared with a decrease of 10.2% in the value of foreign stocks held by Canadians. A loss of this magnitude in Canadian equities held by non-residents has not been seen since the fourth quarter of 2000. As a result, net foreign debt decreased by \$31.2 billion to \$14.5 billion.

Table G.1 International investment position at period-end

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Millions of dollars								
Assets								
Canadian direct investment abroad	517,368	503,809	514,540	558,153	563,098	593,660	529,969	514,540
Portfolio investment abroad								
Foreign bonds	148,068	139,472	136,701	144,488	142,290	139,425	124,368	136,701
<i>Foreign bonds at market value</i>	<i>156,774</i>	<i>152,468</i>	<i>154,500</i>	<i>169,429</i>	<i>164,524</i>	<i>166,568</i>	<i>134,028</i>	<i>154,500</i>
Foreign stocks	214,783	206,090	210,064	227,418	226,882	228,955	227,886	210,064
<i>Foreign stocks at market value</i>	<i>594,726</i>	<i>566,848</i>	<i>556,952</i>	<i>525,567</i>	<i>508,721</i>	<i>456,999</i>	<i>583,600</i>	<i>556,952</i>
Foreign money market	19,774	8,997	7,511	7,637	7,071	6,621	19,966	7,511
<i>Foreign money market at market value</i>	<i>19,825</i>	<i>9,044</i>	<i>7,548</i>	<i>7,669</i>	<i>7,090</i>	<i>6,637</i>	<i>20,062</i>	<i>7,548</i>
Other investment								
Loans	73,426	77,953	76,122	85,468	87,001	82,223	72,366	76,122
Deposits	140,711	150,377	156,890	176,789	183,684	200,712	131,420	156,890
Official international reserves	42,534	40,887	40,593	43,589	45,027	45,500	40,959	40,593
<i>Official international reserves at market value</i>	<i>41,991</i>	<i>40,769</i>	<i>40,724</i>	<i>44,198</i>	<i>44,719</i>	<i>45,739</i>	<i>40,862</i>	<i>40,724</i>
Other assets	43,511	40,014	41,960	46,250	46,847	46,171	44,977	41,960
Total assets								
at book value	1,200,176	1,167,598	1,184,382	1,289,791	1,301,901	1,343,265	1,191,911	1,184,382
with portfolio investment at market value	<i>1,588,332</i>	<i>1,541,282</i>	<i>1,549,236</i>	<i>1,613,523</i>	<i>1,605,684</i>	<i>1,598,709</i>	<i>1,557,284</i>	<i>1,549,236</i>
Liabilities								
Foreign direct investment in Canada	466,487	474,597	500,851	511,626	516,748	525,735	437,801	500,851
Portfolio investment								
Canadian bonds	390,643	376,815	382,080	404,896	422,067	423,438	408,055	382,080
<i>Canadian bonds at market value</i>	<i>401,548</i>	<i>391,892</i>	<i>397,381</i>	<i>428,099</i>	<i>433,369</i>	<i>434,397</i>	<i>432,318</i>	<i>397,381</i>
Canadian stocks	96,485	93,351	82,658	84,045	86,073	83,620	96,994	82,658
<i>Canadian stocks at market value</i>	<i>370,175</i>	<i>366,767</i>	<i>327,812</i>	<i>320,085</i>	<i>352,481</i>	<i>284,030</i>	<i>344,958</i>	<i>327,812</i>
Canadian money market	24,089	22,383	21,999	18,772	21,388	23,643	24,515	21,999
<i>Canadian money market at market value</i>	<i>24,279</i>	<i>22,598</i>	<i>22,211</i>	<i>18,940</i>	<i>21,545</i>	<i>23,748</i>	<i>24,717</i>	<i>22,211</i>
Other investment								
Loans	55,020	48,916	52,971	55,534	49,423	51,799	52,600	52,971
Deposits	251,668	239,184	243,525	269,175	251,805	267,519	226,781	243,525
Other liabilities	25,581	26,504	25,307	25,787	25,972	25,945	22,468	25,307
Total liabilities								
at book value	1,309,973	1,281,751	1,309,392	1,369,835	1,373,476	1,401,698	1,269,214	1,309,392
with portfolio investment at market value	<i>1,594,758</i>	<i>1,570,458</i>	<i>1,570,058</i>	<i>1,629,246</i>	<i>1,651,343</i>	<i>1,613,173</i>	<i>1,541,643</i>	<i>1,570,058</i>
Net international investment position								
at book value	-109,797	-114,153	-125,010	-80,044	-71,575	-58,433	-77,303	-125,010
with portfolio investment at market value	<i>-6,426</i>	<i>-29,176</i>	<i>-20,822</i>	<i>-15,723</i>	<i>-45,659</i>	<i>-14,464</i>	<i>15,641</i>	<i>-20,822</i>

Section H

National balance sheet accounts

Third quarter 2008

Household net worth declines led by large stock market losses

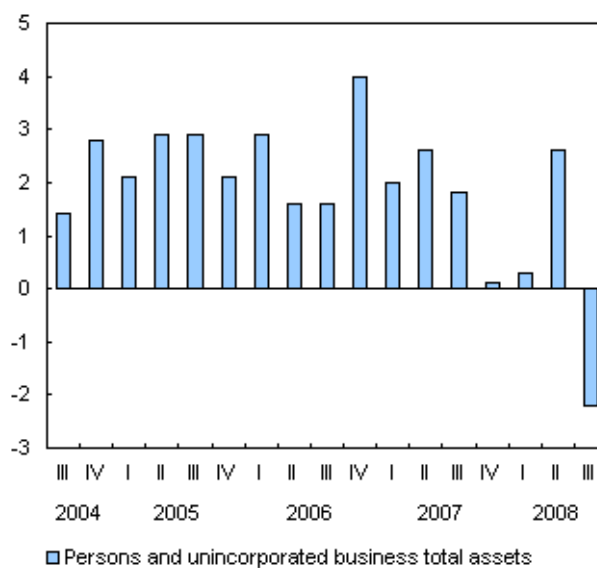
Canadian stock prices fell significantly during the third quarter of 2008, resulting in a 3.2% drop in household net worth, equivalent to a decline of \$191 billion. This was the largest percentage drop since the third quarter of 1998 when Canadian stock prices fell in response to the Asian financial crisis.

In comparison, household net worth in the United States fell 4.7% in the third quarter, their fourth consecutive quarterly decline.

Canadian equity markets were down by over 18% in the third quarter, as measured by the Standard and Poor's / Toronto Stock Exchange composite index which closed in September at 11,753, led by substantial declines in energy stocks. The corresponding loss in directly held equities combined with the related loss in the value of pension and life insurance assets of households was the principal factor behind the drop in net worth. Also contributing were slower growth in residential real estate values and continued household borrowing. Total household assets fell 2.2% in the third quarter of 2008.

Chart H.1
Household sector assets decline

% change, not seasonally adjusted



Note to readers

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

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

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

National saving is the sum of saving of the persons and unincorporated business, corporate and government sectors. National saving and the investment it supports contribute to the 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.

Canadian household debt in this release is defined as consumer credit and mortgage debt of the Persons and Unincorporated Business sector which includes non-government non-profit institutions serving households. Household debt for the US is comprised of consumer credit and mortgage debt as published by the Federal Reserve Board for Households, Non-Profit Organizations and Nonfarm Noncorporate Business.

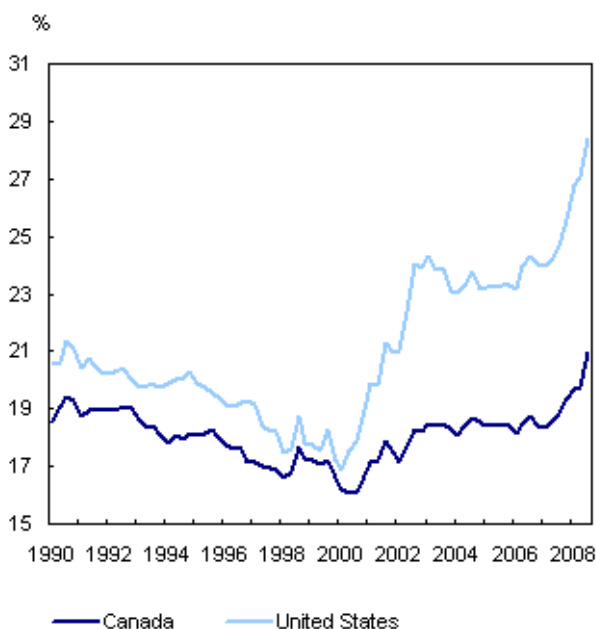
Quarterly series, both book and market value, are available from the first quarter of 1990. Marketable securities are at market value, unless otherwise stated. For more information on the market value estimates, consult the Balance sheet estimates at market value page of our website.

Additional sub-sector tables for the National Balance Sheet on a market value basis are now available on request (613-951-3640, lead-info-dc@d@statcan.gc.ca). The sub-sectors covered will include a number of institutional investors, such as life insurance and pension funds, mutual funds, and chartered banks and near banks. These tables will provide the same level of detail as our existing market value tables, in terms of the financial instruments presented, and will cover the first quarter of 1990 to the third quarter of 2008.

Household debt growth slowed in the third quarter owing largely to lower new mortgage borrowing. Household debt (consumer credit and mortgages) relative to net worth, edged up during the quarter. Households had 20.9 cents of debt for every dollar of net worth and \$1.27 of debt for every dollar of disposable income.

However, the increase in household debt relative to net worth was larger in the US in the third quarter. While this ratio has a similar pattern in both countries from 1990 to 2008, it is currently lower in Canada, having diverged significantly between 1999 and 2003. This divergence was largely due to the differential effect over that period of the stock market downturn on equity assets, given the U.S. household sector's higher exposure to traded equities as compared to that of Canada's. Mortgage borrowing was also a contributing factor. Between year-end 1999 and 2003, household mortgage debt in the U.S. rose 52%, compared to 23% for Canada.

Chart H.2
Household debt to net worth: Canada, United States



Financial institutions' marketable assets decrease

Canadian financial institutions, including institutional investors such as trusteed pension plans and mutual funds, were also affected by the drop in the equity markets in the third quarter. This resulted in a notable decrease in the value of their marketable securities.

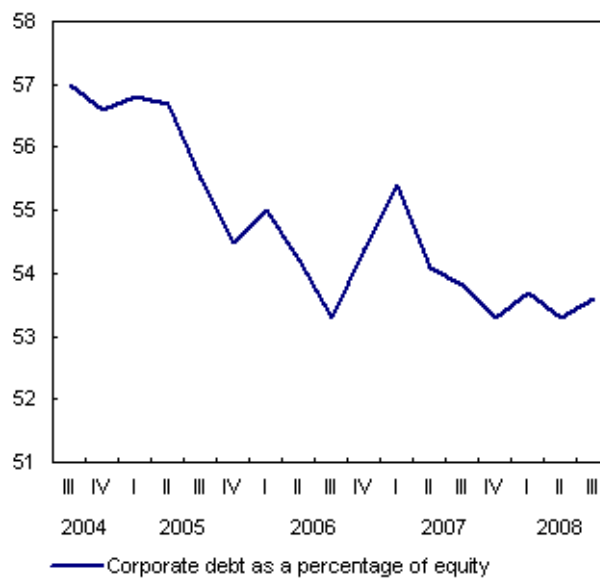
The value of Canadian equities and mutual fund units held by financial institutions declined more than 16% in the third quarter. The decline in foreign equity markets resulted in a similar effect on their foreign portfolio holdings with the value of foreign investments falling by more than 6% in the third quarter of 2008.

Corporate debt-to-equity ratio edges up

Increased borrowing in the Canadian corporate sector translated into a slight increase in non-financial private corporations' debt-to-equity ratio, which has trended down for much of the last two decades. In the third quarter of 2008, corporations had 53.6 cents of credit market debt for every dollar of equity (at book value), as the growth rate in credit market borrowing exceeded that of equity issuances plus saving.

Chart H.3
Corporate debt-to-equity ratio edges up

as a % of equity, not seasonally adjusted data



Financing activity increased during the quarter, as non-financial corporations increased investment in plant, equipment and inventories, with notable increases in borrowing in the form of bank loans and bond issues. Corporations continued to record strong profit growth during the quarter and the non-financial corporate sector remained a net lender to the rest of the economy.

Government net debt-to-gross domestic product declines further

The federal government's credit market debt decreased in the third quarter of 2008. Funds received from the sale of radio spectrum licenses during the quarter helped reduce its demand for funds.

The drop in federal debt was partially offset by increased borrowings by other levels of government. Overall, total government net debt (at book value) as a percentage of gross domestic product (GDP) edged down to just over 35% in the third quarter, compared to the peak of 92% in mid 1996.

Net foreign debt falls, led by Canadian direct investment abroad

Canada's net foreign indebtedness (with tradable securities on a market value basis) declined to \$14.6 billion in the third quarter. Robust foreign direct investment abroad was the major factor in the reduction in Canada's net foreign debt. Direct investment abroad by Canadian firms rose by \$30.6 billion to \$593.7 billion, on the largest outflows by Canadian companies in four years. Global stock market declines also contributed to lower net foreign debt, as non-residents had larger losses on their Canadian equities than Canadian investors had on foreign stocks.

Reduction in net foreign debt contributes to the growth in national net worth

Even with the large decline in household sector net worth, growth in national net worth (total assets less liabilities for all sectors) remained robust, with national net worth up 3.3%, in the third quarter of 2008. The growth in national net worth was attributable to a decline in net liabilities to non-residents and an increase in economy wide non-financial assets (national wealth). This resulted in a per capita national net worth of \$180,000, up from \$174,800 in the second quarter of 2008.

National wealth amounted to just over \$6 trillion, as growth accelerated to 2.8%, up from the second quarter, with gains in non-residential and residential real estate contributing to the increase.

Chart H.4

National net worth increase impacted by a decline in net foreign debt

% change, not seasonally adjusted

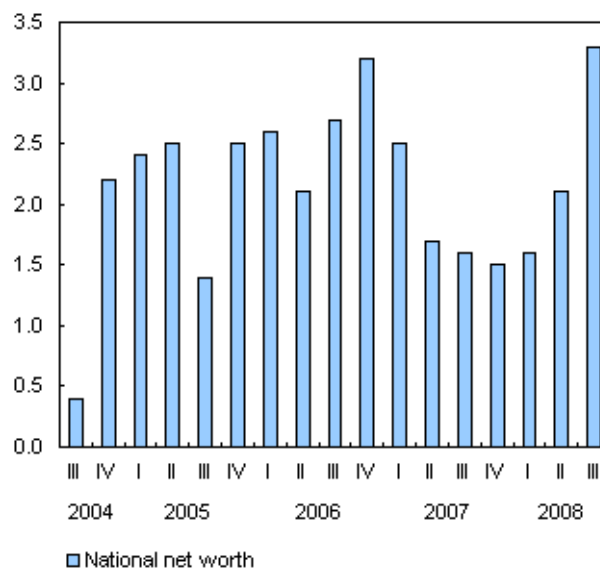


Table H.1 National balance sheet accounts[1]

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	5,451	5,560	5,632	5,718	5,868	6,032	5,205	5,632
	2.4	2.0	1.3	1.5	2.6	2.8	8.1	8.2
Net foreign debt	-6	-29	-21	-16	-45	-15	16	-21

National net worth	5,445	5,531	5,612	5,702	5,823	6,017	5,221	5,612
	1.7	1.6	1.5	1.6	2.1	3.3	11.0	7.5
National net worth per capita (dollars)	165,100	167,100	169,300	171,800	174,800	180,000	159,200	169,300
	1.4	1.2	1.3	1.5	1.7	3.0	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

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Millions of dollars at quarter end								
Total assets	17,610,026	17,924,731	18,098,087	18,301,558	18,768,948	18,664,464	16,838,583	18,098,087
Non-financial assets	5,450,861	5,559,573	5,632,339	5,718,006	5,868,378	6,031,643	5,204,696	5,632,339
Residential structures	1,539,133	1,572,489	1,589,041	1,599,802	1,629,662	1,660,465	1,468,232	1,589,041
Non-residential structures	1,264,763	1,292,625	1,324,091	1,352,868	1,408,496	1,468,498	1,207,552	1,324,091
Machinery and equipment	422,655	421,767	421,249	430,514	445,756	452,950	419,017	421,249
Consumer durables	395,065	396,563	398,226	393,155	397,541	397,855	386,852	398,226
Inventories	215,565	223,832	223,862	227,719	225,898	242,412	216,174	223,862
Land	1,613,680	1,652,297	1,675,870	1,713,948	1,761,025	1,809,463	1,506,869	1,675,870
Net financial assets	-5,692	-28,845	-20,739	-16,164	-45,193	-14,597	15,939	-20,739
Financial assets	12,159,165	12,365,158	12,465,748	12,583,552	12,900,570	12,632,821	11,633,887	12,465,748
Official reserves	42,533	40,886	40,593	43,589	45,027	45,500	40,960	40,593
Gold & foreign currency	40,756	39,224	38,932	41,813	43,168	43,620	38,867	38,932
IMF reserve position	740	667	655	686	788	814	970	655
Special drawing rights	1,037	995	1,006	1,090	1,071	1,066	1,123	1,006
Currency and bank deposits	940,450	983,873	1,002,360	1,003,692	1,039,967	1,049,328	911,443	1,002,360
Other deposits	238,330	246,152	251,954	256,512	264,588	267,454	227,768	251,954
Foreign currency deposits	157,275	166,874	179,505	186,083	186,120	198,595	138,429	179,505
Consumer credit	330,963	341,944	348,583	355,464	366,397	376,142	312,732	348,583
Trade receivables	271,887	276,510	278,216	282,647	288,302	292,570	264,360	278,216
Bank loans	249,644	258,128	272,399	278,327	280,082	290,223	233,352	272,399
Other loans	220,342	223,397	224,272	222,981	221,631	225,756	217,386	224,272
Canada short-term paper	109,668	102,209	107,002	110,011	123,086	124,571	113,158	107,002
Other short-term paper	236,295	253,160	250,413	246,568	232,803	233,636	229,942	250,413
Mortgages	890,583	919,056	944,494	962,604	990,705	1,016,549	846,070	944,494
Canada bonds	254,320	252,693	252,967	254,116	252,897	252,378	264,910	252,967
(of which CSB's)	14,913	14,839	13,298	13,180	13,120	13,065	15,465	13,298
Provincial bonds	303,451	314,858	325,827	329,963	323,436	324,902	309,283	325,827
Municipal bonds	41,637	42,567	43,845	44,464	44,771	44,546	41,007	43,845
Other bonds	513,283	539,973	558,547	573,771	594,083	611,593	487,438	558,547
Life insurance & pensions	1,450,264	1,463,197	1,469,348	1,464,812	1,483,237	1,426,433	1,400,800	1,469,348
Corporate claims	1,350,501	1,381,349	1,421,426	1,503,956	1,549,794	1,619,712	1,304,156	1,421,426
Government claims	217,728	218,645	219,997	228,794	242,919	246,895	216,878	219,997
Shares	2,588,797	2,637,977	2,570,772	2,534,802	2,689,201	2,357,590	2,411,037	2,570,772
Foreign investments	774,344	731,113	722,561	705,779	683,027	633,185	737,550	722,561
Other financial assets	976,870	970,597	980,667	994,617	998,497	995,263	925,228	980,667
Liabilities and net worth	17,610,026	17,924,731	18,098,087	18,301,558	18,768,948	18,664,464	16,838,583	18,098,087
Liabilities	12,164,857	12,394,003	12,486,487	12,599,716	12,945,763	12,647,418	11,617,948	12,486,487
Currency and bank deposits	959,093	1,004,711	1,022,902	1,025,233	1,063,026	1,073,571	932,333	1,022,902
Other deposits	238,330	246,152	251,954	256,512	264,588	267,454	227,768	251,954
Foreign currency deposits	156,005	160,277	170,648	171,712	164,380	186,684	132,089	170,648
Consumer credit	330,963	341,944	348,583	355,464	366,397	376,142	312,732	348,583
Trade payables	275,676	280,001	285,658	291,235	296,272	300,967	265,501	285,658
Bank loans	234,757	241,904	254,072	257,472	258,023	263,580	217,673	254,072
Other loans	225,158	230,113	234,060	231,453	227,185	229,801	218,056	234,060
Canada short-term paper	121,090	112,912	117,712	118,484	132,852	137,119	126,307	117,712
Other short-term paper	247,654	263,885	260,365	255,465	242,844	242,345	239,039	260,365
Mortgages	890,922	919,392	944,829	963,115	991,216	1,017,069	846,414	944,829
Canada bonds	298,554	298,301	297,432	306,689	303,617	299,559	316,793	297,432
(of which CSB's)	14,913	14,839	13,298	13,180	13,120	13,065	15,465	13,298
Provincial bonds	417,237	422,855	433,393	441,633	435,493	438,743	435,338	433,393
Municipal bonds	45,613	46,579	47,931	48,800	49,193	48,843	45,295	47,931
Other bonds	746,319	767,710	793,667	826,160	853,867	873,206	730,815	793,667
Life insurance & pensions	1,450,264	1,463,197	1,469,348	1,464,812	1,483,237	1,426,433	1,400,800	1,469,348
Corporate claims	577,135	585,572	588,965	619,741	621,626	642,426	521,326	588,965
Government claims	217,728	218,645	219,997	228,794	242,919	246,895	216,878	219,997
Shares	3,775,749	3,846,516	3,793,307	3,777,769	3,991,368	3,607,033	3,527,308	3,793,307
Other liabilities	956,610	943,337	951,664	959,173	957,660	969,548	905,483	951,664
Net worth	5,445,169	5,530,728	5,611,600	5,701,842	5,823,185	6,017,046	5,220,635	5,611,600

Table H.3 Credit market summary table

	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008	2006	2007
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	1,165,748	1,201,152	1,224,558	1,247,079	1,280,045	1,311,758	1,112,455	1,224,558
Consumer credit	330,963	341,944	348,583	355,464	366,397	376,142	312,732	348,583
Bank loans	26,923	27,821	26,984	27,375	28,271	29,106	28,094	26,984
Other loans	73,496	72,694	71,525	73,239	71,494	71,731	73,598	71,525
Mortgages	734,366	758,693	777,466	791,001	813,883	834,779	698,031	777,466
Non-financial private corporations	674,708	682,941	689,379	708,903	717,752	736,060	654,583	689,379
Bank loans	139,905	144,919	151,252	155,874	156,690	161,260	130,360	151,252
Other loans	75,729	74,220	69,270	65,917	65,232	65,352	75,958	69,270
Other short-term paper	60,508	63,317	62,203	69,685	68,410	67,836	57,088	62,203
Mortgages	140,590	144,253	149,833	154,697	158,777	163,642	132,126	149,833
Bonds	257,976	256,232	256,821	262,730	268,643	277,970	259,051	256,821
Non-financial government enterprises	60,570	61,142	63,980	64,901	64,711	65,010	63,261	63,980
Bank loans	2,481	2,479	2,389	2,306	2,292	2,244	2,489	2,389
Other loans	6,035	6,044	7,212	7,689	7,720	7,692	6,907	7,212
Other short-term paper	2,399	2,882	3,163	2,481	2,282	2,285	3,023	3,163
Mortgages	93	94	91	89	93	95	95	91
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	47,184	47,287	48,860	49,874	49,858	50,223	48,107	48,860
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,257	2,235	2,144	2,341	2,345	2,350	2,519	2,144
Federal government	393,980	385,134	384,139	388,763	401,432	400,663	403,115	384,139
Bank loans	99	99	100	100	100	101	101	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	121,090	112,912	117,712	118,484	132,852	137,119	126,307	117,712
Canada bonds	272,791	272,123	266,327	270,179	268,480	263,443	276,707	266,327
Canada savings bonds	14,913	14,839	13,298	13,180	13,120	13,065	15,465	13,298
Other bonds	257,878	257,284	253,029	256,999	255,360	250,378	261,242	253,029
Other levels of government	410,678	418,966	425,497	423,756	427,895	436,424	410,841	425,497
Bank loans	5,131	4,819	4,733	5,159	5,002	5,054	4,421	4,733
Other loans	16,788	16,957	17,326	17,193	17,257	17,392	16,608	17,326
Other short-term paper	14,541	20,076	21,792	16,082	18,991	24,738	15,526	21,792
Mortgages	1,899	1,899	1,899	1,893	1,893	1,893	1,900	1,899
Provincial bonds	323,075	325,545	329,330	332,623	333,089	335,463	324,712	329,330
Municipal bonds	45,394	45,839	46,601	47,002	47,861	48,084	43,772	46,601
Other bonds	3,850	3,831	3,816	3,804	3,802	3,800	3,902	3,816
Total funds raised by domestic non-financial sectors	2,705,684	2,749,335	2,787,553	2,833,402	2,891,835	2,949,915	2,644,255	2,787,553
Consumer credit	330,963	341,944	348,583	355,464	366,397	376,142	312,732	348,583
Bank loans	174,539	180,137	185,458	190,814	192,355	197,765	165,465	185,458
Other loans	172,048	169,915	165,333	164,038	161,703	162,167	173,071	165,333
Canada short-term paper	121,090	112,912	117,712	118,484	132,852	137,119	126,307	117,712
Other short-term paper	77,448	86,275	87,158	88,248	89,683	94,859	75,637	87,158
Mortgages	876,948	904,939	929,289	947,680	974,646	1,000,409	832,152	929,289
Bonds	952,648	953,213	954,020	968,674	974,199	981,454	958,891	954,020
Non-residents	38,835	39,069	45,424	51,088	54,883	61,287	41,267	45,424
Bank loans	14,887	16,224	18,327	20,855	22,059	26,643	15,679	18,327
Other loans	23,948	22,845	27,097	30,233	32,824	34,644	25,588	27,097
Mortgages	...	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,744,519	2,788,404	2,832,977	2,884,490	2,946,718	3,011,202	2,685,522	2,832,977
Domestic financial institutions	777,033	816,153	854,598	867,498	883,149	893,654	725,652	854,598
Bank loans	60,218	61,767	68,614	66,658	65,668	65,815	52,208	68,614
Other loans	53,110	60,198	68,727	67,415	65,482	67,634	44,985	68,727
Other short-term paper	170,206	177,610	173,207	167,217	153,161	147,486	163,402	173,207
Mortgages	13,974	14,453	15,540	15,435	16,570	16,660	14,262	15,540
Bonds	479,525	502,125	528,510	550,773	582,268	596,059	450,795	528,510
Total funds raised = total funds supplied	3,521,552	3,604,557	3,687,575	3,751,988	3,829,867	3,904,856	3,411,174	3,687,575
Assets of:								
Persons and unincorporated business	92,862	96,480	93,647	90,568	83,842	83,145	99,317	93,647
Non-financial corporations	82,488	85,857	85,813	86,009	86,700	87,110	82,555	85,813
Governments	255,373	261,119	261,328	259,145	262,097	269,892	243,756	261,328
Non-residents	436,011	421,602	433,820	454,352	474,377	476,441	450,187	433,820
Domestic financial institutions	2,676,753	2,761,432	2,834,606	2,883,723	2,943,826	3,007,888	2,557,956	2,834,606

Section I

Gross national income at market prices

Measures of aggregate economic activity

Measures of aggregate activity are used to gauge the performance of an economy. These measures can be based on concepts of domestic production and domestic absorption—the extent to which goods and services are available for consumption, investment or government expenditures. The most commonly utilized measure of aggregate economic activity is gross domestic product (GDP).

GDP is a measure of aggregate economic activity associated with domestic production. It is at the core of Statistics Canada's National Income and Expenditure Accounts and represents a measure of value added by economic agents¹ through the production process. This value added generates income for workers and investors.

Gross domestic income (GDI) and gross national income (GNI) are measures of economic activity associated with domestic absorption. Rather than focusing only on domestic production, they also account for changes in international factor income payments (GNI) and changes in purchasing power (GDI and GNI). They, therefore, move to an income concept that accords with the goods and services an economy can use for consumption and investment, rather than the goods and services an economy produces.

In a world with no international transactions, GDP, GDI and GNI are equal. However, when a country transacts with other nations, international financial obligations and changes in international relative prices can lead to divergences between what is produced (GDP) and what can be used by the domestic economy.

From gross domestic product to gross domestic income

GDP and GDI capture, in succinct form, the myriad of events that affect the domestic income that the economy creates as it transforms labour and capital into output (GDP), and then into consumption and investment (GDI). As such, they provide a useful summary of how changes in inputs and prices translate into changes in goods and services available to consumers and firms.

Although GDP is central to the National Income and Expenditure Accounts, national accounts data can also be used to evaluate GDI. In current dollar terms GDP and GDI are always equal—income earned always equals the value of purchases from that income. However, in terms of the volume of GDP (real GDP) created, and the volume of goods and services consumed or invested, the equality does not hold in an economy that engages in international trade.

When an economy trades extensively, it is possible that changes in real GDP lag behind changes in consumption and investment when favourable price changes occur (export prices increase relative to import prices), or vice versa when unfavourable price changes occur. The difference stems from a 'trading gain' that accrues to real GDI, but not real GDP.

The trading gain

Real GDP is, at its core, a measure of production. However, the real income derived from production also depends on the external trade the country engages in. When the price of a country's exports rises faster than the price of its imports, the volume of goods the country can purchase with its current stream of exports changes for two reasons.

First, the country's terms of trade rise. The terms of trade is the ratio of export prices to import prices and represents the rate at which exports are traded for imports. As the terms of trade rise, each export purchases more imports, raising real domestic incomes. An opposite effect occurs when a country's terms of trade fall.

Second, there is a change in the country's real exchange rate. The real exchange rate, as measured here, is the difference between domestic prices and international prices. If international goods become cheaper, say as import prices fall in response to a nominal exchange rate appreciation, then the cost of importing declines, increasing the volume of goods and services that may be purchased by the domestic economy.

¹ Economic agents include individuals, businesses, governments, and non-profit institutions which are not charging market prices nor funded by government.

Movements in the terms of trade and the real exchange rate are not independent of each other – for example, a depreciation of the nominal exchange rate can worsen a country's terms of trade and simultaneously improve its real exchange rate. They can reinforce or dampen each other's effects depending on the type of price movements, and their sources.

From real gross domestic income to real gross national income

The final adjustment relates to international income remuneration. Real GDI is a statistic concerned with assessing the purchasing power of income created in Canada while real GNI assesses the purchasing power of income that accrues to economic agents who reside in Canada². A difference arises between real GDI and real GNI when Canadian-resident economic agents invest or work abroad, or when non-resident economic agents invest or work in Canada. The wages and salaries paid to cross-border employees, or the dividends and interest payments made to cross-border investors, lead to a flow of income across jurisdictions that enhance or detract from real income growth³.

The transfer of factor incomes between residents and non-residents that results, which is essentially a claim on their respective GDPs, raises or lowers real GNI depending on whether the net flow of these international payments is into or out of Canada.

² In national accounting, the country of residence of an economic agent is typically the country where the economic agent is located. A corporation is considered to reside in the country in which it is legally incorporated, even if it is wholly owned by foreign investors. An individual is typically considered to be a resident of a country if he/she has maintained his/her principal dwelling in that country for at least one year, or intends to stay in that country for at least one year. There are some exceptions, most notably for students who study abroad with the intention of returning to their home country after their studies are completed. In national accounting, neither citizenship nor plans to move to another country in the future have any bearing on an individual's country of residence.

³ The Canadian System of National Accounts does not contain a breakout for estimates of compensation of cross-border employees. Therefore, in the Canadian GNI, only international investment income flows are included in the flows of international income remuneration.

Section J

Debt service indicators, persons and unincorporated businesses

Introduction

Over the past decade, household net worth has risen, reflecting the sharp appreciation of property values as well as gains in financial assets. While net worth has increased, household debt has risen to record levels in Canada as it has in many other countries. The rise in Canadian household debt, in particular mortgages, reflects both increases in home values as well as a more favourable interest rate environment making housing generally more affordable. The proportion of disposable income devoted to servicing this debt (debt service ratio) is the subject of this note.

Statistics Canada has developed estimates of both mortgage and non-mortgage interest expense which are now available through CANSIM. The estimates of the debt service ratio (DSR) for the persons and unincorporated businesses sector¹ are consistent with currently published estimates of personal disposable income² and the liabilities of the National Balance Sheet Accounts. These data cover the time period from 1990 onward, and are available on a quarterly basis.

Persons and unincorporated businesses sector debt service ratio—definitions

The persons and unincorporated businesses sector DSR measures the proportion of personal disposable income that is devoted to making interest payments³ with respect to the persons and unincorporated businesses sector's total liabilities.⁴ The total liabilities of the persons and unincorporated businesses sector, on the national balance sheet, comprise the following categories: mortgages, consumer credit, bank loans, other loans, and trade payables. While liabilities can be sub-divided into these five

groupings, the total interest expense can be reliably sub-divided into only two groups: mortgage interest and non-mortgage interest. This is because non-bank entities are not required to report a breakdown of non-mortgage interest expense. Therefore, the sector's DSR is the sum of both mortgage interest and non-mortgage interest, divided by personal disposable income.⁵

Trends in mortgage and non-mortgage interest

In 2007, the mortgage interest expense reached its highest annual total, equalling \$38.4 billion. This follows steady annual increases since 2003, reflecting the overall strength in the Canadian housing market and the accompanying growth in mortgage credit. However, excluding 2006 and 2007, the annual mortgage interest expense has generally varied within a more stable range since 1990. This reflects two largely offsetting factors, namely steadily rising levels of mortgage debt offset by the impact of a downward trend in interest rates.

Since the beginning of 2005, the level of non-mortgage interest expense has resumed the upward trend that began in 1994, after pausing from 2002 to 2004. Specifically, non-mortgage interest expense reached \$31.8 billion for 2007, reflecting the increase in both non-mortgage debt and interest rates.

1. The persons and unincorporated businesses sector comprises two categories of transactors: (1) households and unincorporated businesses (including unincorporated farms) and (2) non-profit organizations which are not established for the purpose of making a gain.

2. Personal disposable income is equal to personal income less current transfers to government. Personal income is the sum of all incomes received by persons residing in Canada, including employment income, net business income, investment income, current transfers from other sectors, plus the investment income that associations of individuals accumulate on their own behalf or on behalf of persons.

3. Unlike U.S. measures of the debt service ratio, the Canadian persons and unincorporated businesses sector DSR does not include repayment of principal. The board of governors of the federal reserve system publishes the U.S. household debt service ratio, which is calculated as the ratio of aggregate required debt payments (interest and principal) to aggregate after-tax income. (Source: <http://www.federalreserve.gov/pubs/bulletin/2003/1003lead.pdf>, accessed Sept. 22, 2008)

4. The Bank of Canada publishes a household debt service ratio comprised of consumer and mortgage debt in the Financial System Review. The Statistics Canada debt service ratio is broader in scope and reflects all of the liabilities of the persons and unincorporated businesses sector. This means that in addition to consumer and mortgage debt, the estimates also take into account the liabilities associated with households operations of unincorporated businesses and the activities of non-profit organizations serving households. As such, the two series have different values but generally show the same trend. (Source: http://www.bank-banque-canada.ca/en/fsr/2008/fsr_0608.pdf, accessed June 2008).

5. The persons and unincorporated businesses sector (P&UB) DSR can be represented by the following equation:

$$DSR (P\&UB) = (MI (P\&UB) + NMI (P\&UB)) / PDI$$

Where

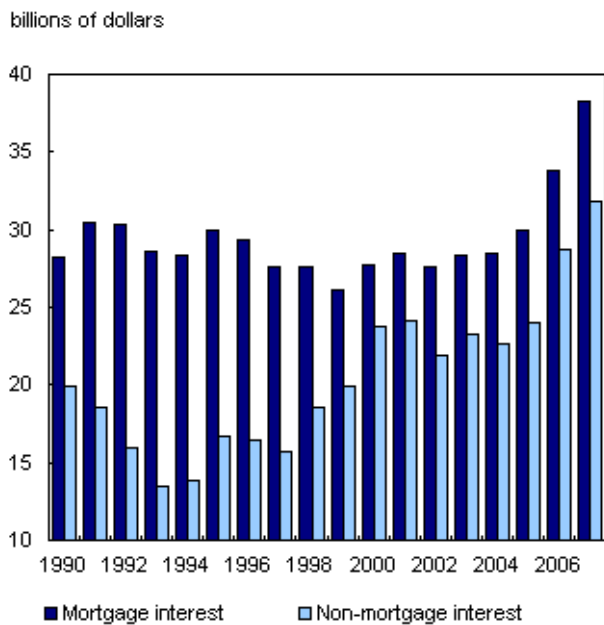
(P&UB) = persons and unincorporated businesses

MI = mortgage interest

NMI = non-mortgage interest

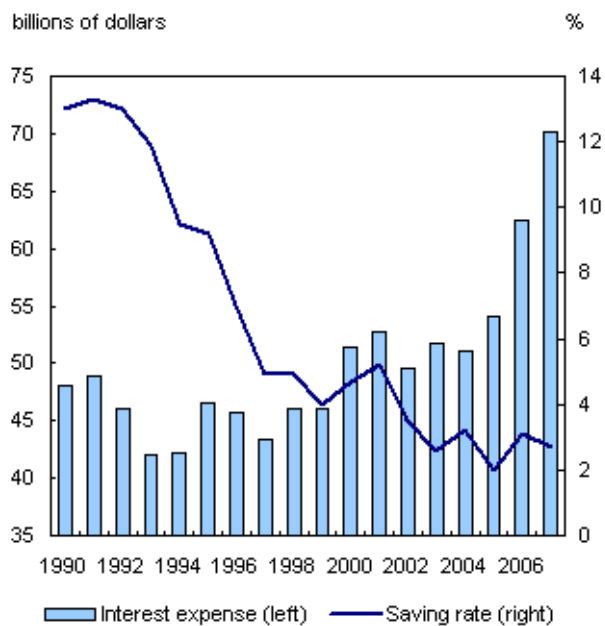
PDI = personal disposable income

Chart J.1
Mortgage interest and non-mortgage interest



Further, the persons and unincorporated businesses sector's total interest expense (both mortgage and non-mortgage) increased significantly in 2006 and 2007, which was one of the factors causing the saving rate to be near historical lows.

Chart J.2
Persons and unincorporated businesses sector interest expense and saving rate

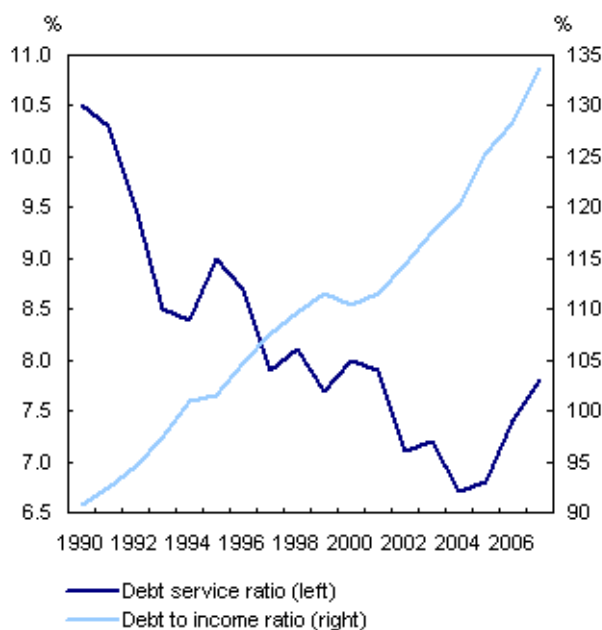


Persons and unincorporated businesses sector debt service ratio

In 1990, the persons and unincorporated businesses sector's DSR was at 10.5%, and subsequently trended downward to a low of 6.7% for 2004. The ratio has been generally increasing since 2005, reaching 7.8% for 2007—a level not seen since 2001. For its part, the debt to income ratio for the persons and unincorporated businesses sector has continued its upward trend. The debt to income ratio is defined as the sector's total liabilities divided by personal disposable income.⁶ The recent levels of the sector's DSR are, however, still relatively low on a historical basis dating back to 1990. In 2006 and 2007, growth in personal disposable income helped to somewhat offset the increases in interest expenses.

⁶ The numerator used in the annual calculation of the debt to income ratio as seen in Chart 3, is the average of the four quarter-ending values of total liabilities for a given year.

Chart J.3
Persons and unincorporated businesses sector debt service ratio and debt to income ratio



From 1990 to 2000, the persons and unincorporated businesses sector's debt to net worth ratio⁷ trended downwards from 22% to 19% along with the debt service ratio. However, in the following years the debt to net worth ratio increased back to above 20%, due to the impact of the market correction on financial assets. The DSR continued to trend downwards until 2004, as interest rates declined.

Methodology and data sources

Estimates of the non-mortgage interest and mortgage interest were developed using a supply-side approach, within a matrix model framework. The supply-side approach derives estimates by looking at the providers of credit to the persons and unincorporated businesses sector. This is in contrast to a demand-side approach, whereby estimates would be directly obtained from a survey of the sector such as a household survey. The matrix model framework is a closed-system where, for the economy as a whole, interest payments and interest receipts are balanced. In addition, the project linked the flows of interest receipts and expenses to the financial instruments reported in the National Balance Sheet Accounts. The matrix model framework includes the four main economic sectors published in the Income and Expenditure Accounts, namely: government, non-residents, persons and unincorporated businesses, and corporations and government business enterprises.

Source data are obtained from the Quarterly Survey of Financial Statements conducted by the Industrial Organization and Finance Division of Statistics Canada. As well, for the banking sector, data are obtained from the Office of the Superintendent of Financial Institutions Canada (OSFI). Other data sources include the Canada Mortgage and Housing Corporation (CMHC), and Statistics Canada's Public Institutions Division, and Income Statistics Division. In addition, public financial statements and various industry publications are used to further confront estimates.

Quarterly estimates are available both raw and seasonally adjusted. Seasonality was present in the mortgage interest series primarily due to the cyclical nature of mortgages, and the manner in which the data are reported.

⁷ For the calculation of the debt to net worth ratio, the average of the four quarter-ending market values for a given year are used.