



Catalogue no. 13-010-XIE

Canadian economic accounts quarterly review

Third quarter 2004



Symbols

The following standard symbols are used in Statistics Canada publications:

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

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Statistics Canada
System of National Accounts

Canadian economic accounts quarterly review

Third quarter 2004

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Related products and services

GDP by income and by expenditure

CANSIM tables	378-0001, 378-0002, 380-0001 to 380-0017, 380-0019 to 380-0035, 380-0037, 380-0056 to 380-0058, 382-0006, 384-0001, 384-0002, 384-0004 to 384-0013, and 384-0036
Publication:	
National income and expenditure accounts, quarterly estimates	13-001-XIB
Tables and analytical documents:	
Income and expenditure accounts	13-001-PPB
Financial flow accounts	13-014-PPB
Estimates of labour income	13F0016XPB
Provincial economic accounts	13-213-PPB
Spreadsheets	13-001-DDB, 13-014-DDB, 13F0016DDB, 13-213-DDB, 13-001-XDB, 13-014-XDB, 13F0016XDB, 13-213-XDB

GDP by industry

CANSIM tables	379-0017 to 379-0022
Publication:	
Gross domestic product by industry	15-001-XIE

Balance of international payments

CANSIM tables	376-0001 to 376-0036 and 376-0060 to 376-0061
Publication:	
Canada's balance of international payments	67-001-XIE

Labour productivity, hourly compensation and unit labour cost

CANSIM tables	383-0008 to 383-0015
Publication:	
Productivity growth in Canada	15-204-XIE

International investment position

CANSIM tables	376-0037 to 376-0042 and 376-0051 to 376-0059
Publication:	
Canada's international investment position	67-202-XIE

National balance sheet accounts

CANSIM tables	378-0003 to 378-0010
Publication:	
National balance sheet accounts, quarterly estimates	13-214-XIE
Spreadsheets	13-214-DDB, 13-214-XDB

Latest developments in the Canadian economic accounts

Publication:	13-605-XIE
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About this publication

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

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

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

Revision policy

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

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, International investment position, National balance sheet accounts:

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

GDP by industry:

Since the September release of the *Canadian economic accounts quarterly review*, revisions were made back to January 1999.

Labour productivity, hourly compensation and unit labour cost:

With this release revisions have been made back to the first quarter of 1997.

Overview

Third quarter 2004

Real Gross Domestic Product (GDP) advanced 0.8% in the third quarter, bolstered by robust manufacturing, wholesale and retail sectors. This was slightly higher than the average 0.7% growth in the previous four quarters. The economy ended the quarter on a weak note, with no growth in September, following 0.4% growth in August and 0.3% in July.

Real Gross domestic product, chained (1997) dollars¹

	Change	Annualized change	Year-over- year change
	%		
First quarter 2003	0.7	2.8	3.1
Second quarter 2003	-0.2	-0.7	2.0
Third quarter 2003	0.3	1.4	1.3
Fourth quarter 2003	0.8	3.3	1.7
First quarter 2004	0.7	2.7	1.6
Second quarter 2004	1.0	3.9	2.8
Third quarter 2004	0.8	3.2	3.3

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

Final domestic demand increased 0.8%, as consumer and government spending picked up steam while business investment advanced 1.1%. Increased domestic demand coupled with the stronger Canadian dollar contributed to a 3.1% increase of imports. Exports on the other hand fell 0.5% as a result of weaker international demand. A massive build-up of business inventories was registered in the quarter.

The index of industrial production (the output of factories, mines and utilities) was up 1.5% as higher output of manufacturers and utilities was dampened by lower mining activity. In the U.S., industrial production was up 0.8%.

Real Gross domestic product at basic prices, by industry, chained (1997) dollars¹

	April 2004 ^f	May 2004 ^f	June 2004 ^f	July 2004 ^f	August 2004 ^f	September 2004 ^p
	Seasonally adjusted, month-to-month % change					
All industries	0.0	0.1	0.6	0.3	0.4	-0.0
Goods-producing industries	0.1	0.2	0.6	0.5	0.7	-0.1
Service-producing industries	0.0	0.1	0.6	0.2	0.3	-0.0
Industrial production	0.4	0.2	0.9	0.3	0.9	-0.3
Residential building construction	-0.4	-1.1	-1.1	1.9	1.5	0.2
Manufacturing	-0.1	-0.0	1.7	0.3	0.9	-0.2
Wholesale trade	0.1	-0.7	1.4	0.8	0.8	-0.4

^f Revised figure

^p Preliminary figure

Overall, the Canadian economy grew at an annualized rate of 3.2% in the third quarter.

Canadian economic accounts key indicators[1]

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	610,460 <i>0.2</i>	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,860 <i>1.1</i>	636,236 <i>1.3</i>	641,980 <i>0.9</i>	592,692 <i>4.0</i>	613,718 <i>3.5</i>
Corporation profits before taxes	142,180 <i>-11.0</i>	148,916 <i>4.7</i>	154,064 <i>3.5</i>	165,876 <i>7.7</i>	178,136 <i>7.4</i>	181,800 <i>2.1</i>	137,480 <i>8.6</i>	151,210 <i>10.0</i>
Interest and miscellaneous investment income	51,548 <i>3.4</i>	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,612 <i>6.4</i>	58,116 <i>6.4</i>	59,672 <i>2.7</i>	48,188 <i>-9.0</i>	51,508 <i>6.9</i>
Net income of unincorporated business	77,688 <i>0.6</i>	78,160 <i>0.6</i>	79,232 <i>1.4</i>	80,488 <i>1.6</i>	81,876 <i>1.7</i>	82,032 <i>0.2</i>	74,730 <i>6.8</i>	78,076 <i>4.5</i>
Taxes less subsidies	139,428 <i>-0.4</i>	144,664 <i>3.8</i>	146,596 <i>1.3</i>	147,620 <i>0.7</i>	151,756 <i>2.8</i>	153,592 <i>1.2</i>	139,259 <i>7.5</i>	142,653 <i>2.4</i>
Personal disposable income	712,876 <i>0.8</i>	714,548 <i>0.2</i>	719,504 <i>0.7</i>	729,200 <i>1.3</i>	738,176 <i>1.2</i>	741,904 <i>0.5</i>	692,691 <i>3.8</i>	713,548 <i>3.0</i>
Personal saving rate[2]	2.0 ...	0.7 ...	1.3 ...	0.6 ...	0.5 ...	0.0 ...	3.2 ...	1.4 ...
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	618,084 <i>0.8</i>	624,729 <i>1.1</i>	625,780 <i>0.2</i>	634,903 <i>1.5</i>	638,154 <i>0.5</i>	642,868 <i>0.7</i>	601,594 <i>3.4</i>	620,444 <i>3.1</i>
Government current expenditure on goods and services	206,608 <i>1.5</i>	206,820 <i>0.1</i>	208,788 <i>1.0</i>	210,210 <i>0.7</i>	210,856 <i>0.3</i>	212,927 <i>1.0</i>	198,902 <i>2.8</i>	206,466 <i>3.8</i>
Gross fixed capital formation	221,037 <i>0.6</i>	227,857 <i>3.1</i>	230,826 <i>1.3</i>	233,916 <i>1.3</i>	235,782 <i>0.8</i>	237,860 <i>0.9</i>	214,350 <i>2.4</i>	224,837 <i>4.9</i>
Investment in inventories	14,698 ...	3,434 ...	12,150 ...	3,430 ...	2,563 ...	17,071 ...	2,079 ...	11,888 ...
Exports of goods and services	436,945 <i>-1.3</i>	434,813 <i>-0.5</i>	444,732 <i>2.3</i>	449,105 <i>1.0</i>	468,064 <i>4.2</i>	465,736 <i>-0.5</i>	450,568 <i>1.1</i>	439,799 <i>-2.4</i>
Imports of goods and services	404,169 <i>0.8</i>	401,081 <i>-0.8</i>	417,823 <i>4.2</i>	420,932 <i>0.7</i>	432,853 <i>2.8</i>	446,270 <i>3.1</i>	391,070 <i>1.4</i>	405,977 <i>3.8</i>
Gross domestic product at market prices	1,091,782 <i>-0.2</i>	1,095,469 <i>0.3</i>	1,104,391 <i>0.8</i>	1,111,737 <i>0.7</i>	1,122,353 <i>1.0</i>	1,131,302 <i>0.8</i>	1,074,621 <i>3.4</i>	1,096,359 <i>2.0</i>
GDP at basic prices, by industry								
Goods producing industries	314,466 <i>-0.8</i>	316,431 <i>0.6</i>	320,947 <i>1.4</i>	323,030 <i>0.6</i>	326,006 <i>0.9</i>	330,503 <i>1.4</i>	311,916 <i>1.8</i>	317,208 <i>1.7</i>
Services producing industries	695,861 <i>0.4</i>	698,179 <i>0.3</i>	704,532 <i>0.9</i>	709,868 <i>0.8</i>	716,494 <i>0.9</i>	721,966 <i>0.8</i>	681,007 <i>4.2</i>	697,886 <i>2.5</i>
Industrial production	236,015 <i>-1.4</i>	237,477 <i>0.6</i>	240,806 <i>1.4</i>	241,882 <i>0.4</i>	245,035 <i>1.3</i>	248,701 <i>1.5</i>	236,852 <i>2.0</i>	238,435 <i>0.7</i>
Non-durable manufacturing	72,933 <i>-1.2</i>	71,963 <i>-1.3</i>	72,901 <i>1.3</i>	73,204 <i>0.4</i>	74,021 <i>1.1</i>	75,173 <i>1.6</i>	72,936 <i>2.4</i>	72,913 <i>-0.0</i>
Durable manufacturing	100,365 <i>-1.8</i>	100,748 <i>0.4</i>	103,385 <i>2.6</i>	103,889 <i>0.5</i>	106,455 <i>2.5</i>	109,019 <i>2.4</i>	101,478 <i>2.4</i>	101,679 <i>0.2</i>
Information and communication technologies sector (ICT)	56,210 <i>-0.4</i>	56,801 <i>1.1</i>	58,853 <i>3.6</i>	59,485 <i>1.1</i>	60,080 <i>1.0</i>	62,007 <i>3.2</i>	54,994 <i>3.2</i>	57,076 <i>3.8</i>
Manufacturing	173,553 <i>-1.6</i>	172,932 <i>-0.4</i>	176,482 <i>2.1</i>	177,287 <i>0.5</i>	180,643 <i>1.9</i>	184,343 <i>2.0</i>	174,647 <i>2.4</i>	174,820 <i>0.1</i>
Agriculture, forestry, fishing and hunting	23,086 <i>3.1</i>	22,878 <i>-0.9</i>	23,011 <i>0.6</i>	23,566 <i>2.4</i>	23,355 <i>-0.9</i>	23,937 <i>2.5</i>	21,237 <i>-3.5</i>	22,842 <i>7.6</i>
Construction	55,747 <i>0.7</i>	56,456 <i>1.3</i>	57,520 <i>1.9</i>	58,030 <i>0.9</i>	57,970 <i>-0.1</i>	58,195 <i>0.4</i>	53,904 <i>2.9</i>	56,273 <i>4.4</i>
Wholesale trade	61,296 <i>-0.0</i>	61,053 <i>-0.4</i>	64,099 <i>5.0</i>	63,711 <i>-0.6</i>	65,526 <i>2.8</i>	66,770 <i>1.9</i>	58,660 <i>7.1</i>	61,941 <i>5.6</i>
Retail trade	56,902 <i>1.2</i>	57,963 <i>1.9</i>	57,419 <i>-0.9</i>	58,527 <i>1.9</i>	58,878 <i>0.6</i>	59,736 <i>1.5</i>	55,590 <i>5.3</i>	57,126 <i>2.8</i>

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

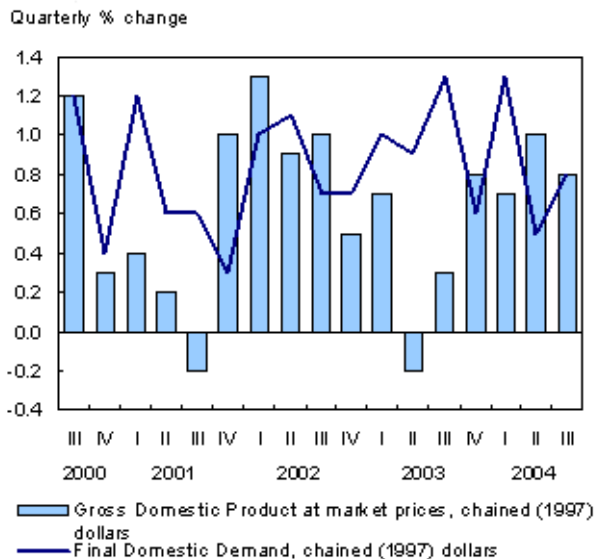
2 Actual rate.

GDP by income and by expenditure

Third quarter 2004

Real Gross Domestic Product (GDP) advanced 0.8% in the third quarter, down slightly from 1.0% in the second quarter. Real GDP growth has averaged 0.7% in the previous four quarters. Final domestic demand increased 0.8%, as consumer and government spending picked up steam while business investment advanced 1.1%.

GDP posted solid gain



Increased domestic demand coupled with a stronger Canadian dollar contributed to a 3.1% increase of imports. Exports on the other hand fell 0.5%, the first decline this year. Exports to the US declined, but not as much as exports to other countries. A massive build-up of inventories was registered in the quarter.

Economy-wide prices, as measured by the chain price index for GDP, rose 0.9%. The Canadian dollar appreciated 4.0% against the US dollar for the quarter. The implicit price index for final domestic demand rose 0.1%, as consumers and businesses benefited from the stronger dollar which translated into lower prices for imported goods.

Overall, the Canadian economy grew at an annualized rate of 3.2% in the third quarter, similar to the rate of growth in the U.S.

Consumer spending regained strength

Consumer spending advanced 0.7% in the third quarter, up from 0.5% in the second quarter. Spending on goods accelerated, while spending on services slowed due to reduced expenditures related to travel outside the country and transportation services.

Consumer spending on furniture, furnishings and household equipment and maintenance advanced a solid 2.3%, boosted by the strong housing market. Purchases of clothing were also strong after a weak second quarter.

Purchases of new and used motor vehicles slipped 0.3%, despite lucrative cash-back and financing incentives for 2004 models.

Spending on recreational, sporting and camping equipment rose 2.5%, while record net outlays on games of chance contributed mainly to the gain in recreational services (+1.5%).

Investment in residential structures slowed

Investment in residential structures remained at record levels in the third quarter, but slowed to 0.8%, half its second quarter pace. This slowdown was largely attributable to lower resale activity, reflected by a drop in ownership transfer costs.

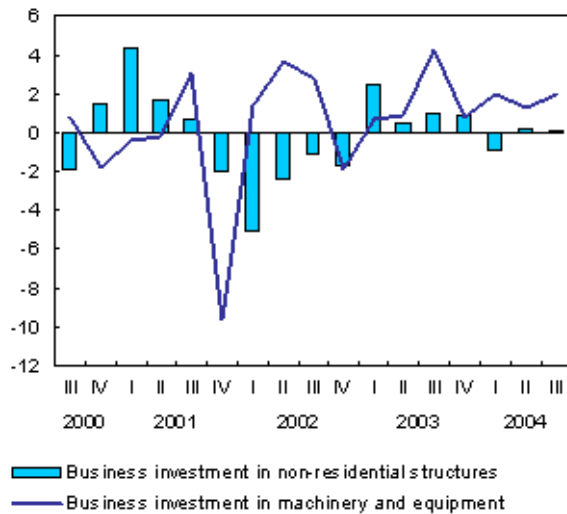
Renovation spending on the other hand posted a healthy 2.9% increase, while new housing construction was up 1.2%.

Business investment in machinery and equipment picked up

Business investment in machinery and equipment advanced 2.0% in the third quarter, after averaging 1.7% growth in the previous six quarters. Much of the strength came from outlays on industrial machinery (+5.2%), computers and other office equipment (+6.7%), and software (+4.3%).

Business investment in machinery and equipment picked up

Quarterly % change, chained (1997) dollars



Business investment in non-residential structures registered another weak quarter. Higher spending on engineering projects was offset by reduced outlays on buildings, which recorded a fourth consecutive quarterly decline.

Corporate profits slowed

Corporate profits slowed considerably to 2.1% in the third quarter, following two consecutive quarters of over 7% growth. While mining, oil and gas profits benefited from higher prices, manufacturing profits were restrained by weak exports.

The corporate surplus edged down, reflecting slower growth in internally-generated funds and increased non-financial capital acquisition, led by the massive build-up of inventories.

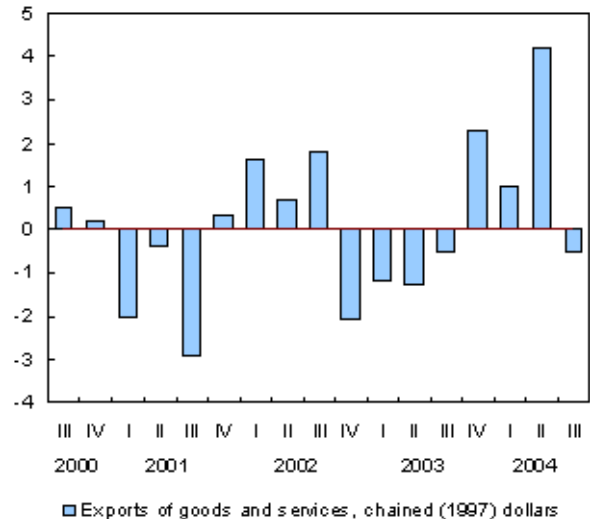
Exports slipped on weaker international demand

Exports of goods and services slipped 0.5% in the third quarter, after a solid 4.2% gain in the second quarter. This is the first downturn in a year, reflecting declines in both goods and services exports.

Lower exports of energy and automotive products were the main sources of weakness, although the weakness was widespread. Both exports of machinery and equipment and forestry products were weak, after a solid first half of the year. Exports of other consumer goods fell 4.7% after posting a strong second quarter.

Exports slipped with international demand

Quarterly % change



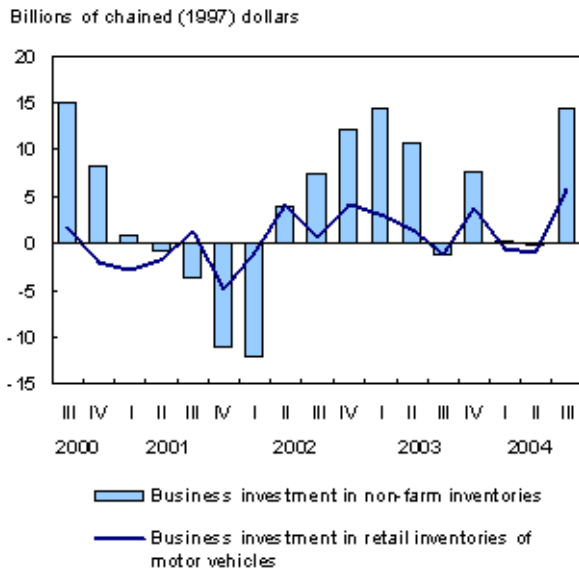
Exports of services declined 1.2%, the first drop in five quarters. Commercial services exports fell for a fifth consecutive quarter while exports of transportation services decreased after advancing in the previous four quarters.

Massive build-up of inventories

Businesses (excluding farms) raised inventories by \$14.5 billion in the third quarter, after reducing them in the previous quarter. The build-up was widespread across manufacturers, wholesalers and retailers.

Much of the stockpiling was related to motor vehicles. Weaker sales and exports contributed to the build-up of motor vehicles, as well as higher domestic production and imports. Non-durable goods inventories were also up notably.

Massive build-up of inventories



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

Imports of goods posted second strong quarterly increase

With healthy domestic demand, imports of goods advanced 3.8% in the third quarter, in line with the gain recorded in the second quarter. Strength was registered most notably in imports of automotive products, machinery and equipment, and industrial goods and materials.

Imports of automotive products were up 7.5%, the strongest increase in thirteen quarters, supporting increased motor vehicle manufacturing and contributing to the build-up of inventories. Machinery and equipment imports advanced 4.0%, as businesses took advantage of lower prices resulting from the stronger Canadian dollar versus the U.S. dollar. Industrial goods and materials imports continued to post significant increases, while imports of other consumer goods were up 3.1%, the strongest quarterly gain so far in 2004.

Imports of agricultural and fish products and energy products declined after advancing in the first half of the year. Imports of services declined for the second consecutive quarter, pulled down by lower commercial and travel services. Imports of commercial services have now fallen for three consecutive quarters.

Labour income posts another solid gain

Labour income advanced 0.9% in the third quarter, in line with the previous four quarters. Wages and salaries and supplementary labour income were up notably in the transportation, communication and utilities, and finance, real estate and company management industries. Employment continued to grow, posting a 0.3% rise in the quarter.

Personal disposable income advanced 0.5%, less than half the pace of the previous two quarters. The slower growth stemmed in part from increased personal income taxes.

Personal saving was negligible, as almost all personal disposable income was spent on consumer goods and services. The debt-to-income ratio edged up to 105.1 (i.e., households carried \$1.05 of debt for each dollar of disposable income).

Government surplus edged up

The surplus (on a national accounts basis) of all levels of government combined edged up to \$24.1 billion (seasonally adjusted at annual rates). For the last two quarters, the surplus has been at a level not seen since 2001. The large third quarter surplus resulted from higher revenues, stemming mostly from the new Ontario health premium and higher corporate taxes and investment income.

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	610,460 <i>0.2</i>	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,860 <i>1.1</i>	636,236 <i>1.3</i>	641,980 <i>0.9</i>	592,692 <i>4.0</i>	613,718 <i>3.5</i>
Corporation profits before taxes	142,180 <i>-11.0</i>	148,916 <i>4.7</i>	154,064 <i>3.5</i>	165,876 <i>7.7</i>	178,136 <i>7.4</i>	181,800 <i>2.1</i>	137,480 <i>8.6</i>	151,210 <i>10.0</i>
Government business enterprise profits before taxes	10,600 <i>-23.6</i>	10,544 <i>-0.5</i>	11,552 <i>9.6</i>	11,744 <i>1.7</i>	11,292 <i>-3.8</i>	11,696 <i>3.6</i>	11,478 <i>9.5</i>	11,643 <i>1.4</i>
Interest and miscellaneous investment income	51,548 <i>3.4</i>	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,612 <i>6.4</i>	58,116 <i>6.4</i>	59,672 <i>2.7</i>	48,188 <i>-9.0</i>	51,508 <i>6.9</i>
Accrued net income of farm operators from farm production	792 <i>-35.7</i>	252 <i>-68.2</i>	500 <i>98.4</i>	992 <i>98.4</i>	840 <i>-15.3</i>	584 <i>-30.5</i>	889 <i>-45.6</i>	694 <i>-21.9</i>
Net income of non-farm unincorporated business, including rent	76,896 <i>1.2</i>	77,908 <i>1.3</i>	78,732 <i>1.1</i>	79,496 <i>1.0</i>	81,036 <i>1.9</i>	81,448 <i>0.5</i>	73,841 <i>8.0</i>	77,382 <i>4.8</i>
Inventory valuation adjustment	11,012 ...	2,832 ...	2,428 ...	-1,916 ...	-5,944 ...	1,480 ...	-2,959 ...	4,876 ...
Taxes less subsidies, on factors of production	55,328 <i>2.1</i>	55,836 <i>0.9</i>	56,484 <i>1.2</i>	57,024 <i>1.0</i>	57,872 <i>1.5</i>	58,276 <i>0.7</i>	53,721 <i>2.2</i>	55,465 <i>3.2</i>
Net domestic product at basic prices	958,816 <i>-0.9</i>	964,148 <i>0.6</i>	975,904 <i>1.2</i>	995,688 <i>2.0</i>	1,017,584 <i>2.2</i>	1,036,936 <i>1.9</i>	915,330 <i>3.7</i>	966,496 <i>5.6</i>
Taxes less subsidies, on products	84,100 <i>-1.9</i>	88,828 <i>5.6</i>	90,112 <i>1.4</i>	90,596 <i>0.5</i>	93,884 <i>3.6</i>	95,316 <i>1.5</i>	85,538 <i>11.1</i>	87,188 <i>1.9</i>
Capital consumption allowances	163,192 <i>1.2</i>	165,520 <i>1.4</i>	167,672 <i>1.3</i>	170,008 <i>1.4</i>	173,396 <i>2.0</i>	175,904 <i>1.4</i>	156,146 <i>5.8</i>	164,403 <i>5.3</i>
Statistical discrepancy	924 ...	956 ...	36 ...	-564 ...	1,068 ...	-144 ...	954 ...	685 ...
Gross domestic product at market prices	1,207,032 <i>-0.6</i>	1,219,452 <i>1.0</i>	1,233,724 <i>1.2</i>	1,255,728 <i>1.8</i>	1,285,932 <i>2.4</i>	1,308,012 <i>1.7</i>	1,157,968 <i>4.5</i>	1,218,772 <i>5.3</i>

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	684,216 <i>0.5</i>	694,632 <i>1.5</i>	695,324 <i>0.1</i>	709,724 <i>2.1</i>	718,952 <i>1.3</i>	725,780 <i>0.9</i>	657,302 <i>5.5</i>	688,707 <i>4.8</i>
Durable goods	93,572 <i>0.4</i>	95,208 <i>1.7</i>	90,772 <i>-4.7</i>	92,568 <i>2.0</i>	93,148 <i>0.6</i>	93,816 <i>0.7</i>	92,052 <i>8.4</i>	93,180 <i>1.2</i>
Semi-durable goods	58,248 <i>0.6</i>	58,392 <i>0.2</i>	58,640 <i>0.4</i>	60,436 <i>3.1</i>	60,884 <i>0.7</i>	61,956 <i>1.8</i>	56,900 <i>4.3</i>	58,295 <i>2.5</i>
Non-durable goods	166,764 <i>-1.1</i>	168,884 <i>1.3</i>	168,804 <i>-0.0</i>	173,188 <i>2.6</i>	176,352 <i>1.8</i>	178,544 <i>1.2</i>	158,504 <i>5.3</i>	168,256 <i>6.2</i>
Services	365,632 <i>1.3</i>	372,148 <i>1.8</i>	377,108 <i>1.3</i>	383,532 <i>1.7</i>	388,568 <i>1.3</i>	391,464 <i>0.7</i>	349,846 <i>5.1</i>	368,976 <i>5.5</i>
Government current expenditure on goods and services	236,548 <i>1.8</i>	238,812 <i>1.0</i>	243,160 <i>1.8</i>	246,276 <i>1.3</i>	248,624 <i>1.0</i>	250,832 <i>0.9</i>	223,677 <i>6.0</i>	237,711 <i>6.3</i>
Government gross fixed capital formation	31,348 <i>0.5</i>	31,572 <i>0.7</i>	31,880 <i>1.0</i>	32,592 <i>2.2</i>	32,664 <i>0.2</i>	32,572 <i>-0.3</i>	29,617 <i>9.7</i>	31,501 <i>6.4</i>
Government investment in inventories	44 ...	28 ...	-8 ...	-96 ...	288 ...	184 ...	-45 ...	15 ...
Business gross fixed capital formation	201,196 <i>-0.7</i>	208,660 <i>3.7</i>	211,040 <i>1.1</i>	215,380 <i>2.1</i>	222,388 <i>3.3</i>	224,860 <i>1.1</i>	197,828 <i>3.8</i>	205,875 <i>4.1</i>
Residential structures	71,024 <i>0.9</i>	75,380 <i>6.1</i>	78,212 <i>3.8</i>	80,552 <i>3.0</i>	83,712 <i>3.9</i>	85,120 <i>1.7</i>	65,829 <i>19.4</i>	73,757 <i>12.0</i>
Non-residential structures	50,576 <i>0.5</i>	51,456 <i>1.7</i>	52,252 <i>1.5</i>	52,468 <i>0.4</i>	53,564 <i>2.1</i>	54,396 <i>1.6</i>	49,686 <i>-6.1</i>	51,155 <i>3.0</i>
Machinery and equipment	79,596 <i>-2.8</i>	81,824 <i>2.8</i>	80,576 <i>-1.5</i>	82,360 <i>2.2</i>	85,112 <i>3.3</i>	85,344 <i>0.3</i>	82,313 <i>-0.3</i>	80,963 <i>-1.6</i>
Business investment in inventories	11,524 ...	-2,576 ...	7,100 ...	-2,020 ...	-1,760 ...	13,740 ...	-568 ...	7,662 ...
Non-farm	10,260 ...	-4,520 ...	4,936 ...	-3,200 ...	-2,572 ...	13,172 ...	1,094 ...	6,119 ...
Farm	1,264 ...	1,944 ...	2,164 ...	1,180 ...	812 ...	568 ...	-1,662 ...	1,543 ...
Exports of goods and services	454,720 <i>-6.6</i>	452,796 <i>-0.4</i>	452,188 <i>-0.1</i>	466,776 <i>3.2</i>	506,648 <i>8.5</i>	507,640 <i>0.2</i>	479,358 <i>-0.8</i>	461,596 <i>-3.7</i>
Goods	394,328 <i>-6.9</i>	392,108 <i>-0.6</i>	390,180 <i>-0.5</i>	403,924 <i>3.5</i>	442,108 <i>9.5</i>	443,908 <i>0.4</i>	413,788 <i>-1.6</i>	400,004 <i>-3.3</i>
Services	60,392 <i>-4.6</i>	60,688 <i>0.5</i>	62,008 <i>2.2</i>	62,852 <i>1.4</i>	64,540 <i>2.7</i>	63,732 <i>-1.3</i>	65,570 <i>5.1</i>	61,592 <i>-6.1</i>
Deduct: Imports of goods and services	411,640 <i>-4.8</i>	403,520 <i>-2.0</i>	406,924 <i>0.8</i>	413,468 <i>1.6</i>	440,804 <i>6.6</i>	447,740 <i>1.6</i>	428,248 <i>2.1</i>	413,611 <i>-3.4</i>
Goods	341,032 <i>-5.2</i>	332,576 <i>-2.5</i>	333,896 <i>0.4</i>	339,536 <i>1.7</i>	365,592 <i>7.7</i>	374,608 <i>2.5</i>	356,582 <i>1.7</i>	341,835 <i>-4.1</i>
Services	70,608 <i>-2.6</i>	70,944 <i>0.5</i>	73,028 <i>2.9</i>	73,932 <i>1.2</i>	75,212 <i>1.7</i>	73,132 <i>-2.8</i>	71,666 <i>4.1</i>	71,776 <i>0.2</i>
Statistical discrepancy	-924 ...	-952 ...	-36 ...	564 ...	-1,068 ...	144 ...	-953 ...	-684 ...
Gross domestic product at market prices	1,207,032 <i>-0.6</i>	1,219,452 <i>1.0</i>	1,233,724 <i>1.2</i>	1,255,728 <i>1.8</i>	1,285,932 <i>2.4</i>	1,308,012 <i>1.7</i>	1,157,968 <i>4.5</i>	1,218,772 <i>5.3</i>
Final domestic demand	1,153,308 <i>0.6</i>	1,173,676 <i>1.8</i>	1,181,404 <i>0.7</i>	1,203,972 <i>1.9</i>	1,222,628 <i>1.5</i>	1,234,044 <i>0.9</i>	1,108,424 <i>5.4</i>	1,163,794 <i>5.0</i>

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	618,084 <i>0.8</i>	624,729 <i>1.1</i>	625,780 <i>0.2</i>	634,903 <i>1.5</i>	638,154 <i>0.5</i>	642,868 <i>0.7</i>	601,594 <i>3.4</i>	620,444 <i>3.1</i>
Durable goods	94,992 <i>1.0</i>	97,399 <i>2.5</i>	93,220 <i>-4.3</i>	95,382 <i>2.3</i>	96,213 <i>0.9</i>	97,345 <i>1.2</i>	93,099 <i>8.3</i>	94,923 <i>2.0</i>
Semi-durable goods	56,103 <i>0.7</i>	56,448 <i>0.6</i>	56,297 <i>-0.3</i>	58,295 <i>3.5</i>	58,800 <i>0.9</i>	60,071 <i>2.2</i>	54,472 <i>3.8</i>	56,142 <i>3.1</i>
Non-durable goods	139,720 <i>-0.1</i>	139,941 <i>0.2</i>	140,836 <i>0.6</i>	142,493 <i>1.2</i>	142,562 <i>0.0</i>	143,271 <i>0.5</i>	137,196 <i>2.3</i>	140,078 <i>2.1</i>
Services	328,125 <i>1.2</i>	332,052 <i>1.2</i>	335,907 <i>1.2</i>	339,449 <i>1.1</i>	341,421 <i>0.6</i>	343,202 <i>0.5</i>	317,627 <i>2.6</i>	330,098 <i>3.9</i>
Government current expenditure on goods and services	206,608 <i>1.5</i>	206,820 <i>0.1</i>	208,788 <i>1.0</i>	210,210 <i>0.7</i>	210,856 <i>0.3</i>	212,927 <i>1.0</i>	198,902 <i>2.8</i>	206,466 <i>3.8</i>
Government gross fixed capital formation	30,708 <i>2.0</i>	30,787 <i>0.3</i>	31,233 <i>1.4</i>	31,638 <i>1.3</i>	31,169 <i>-1.5</i>	30,984 <i>-0.6</i>	28,758 <i>9.1</i>	30,709 <i>6.8</i>
Government investment in inventories	40 <i>...</i>	24 <i>...</i>	-4 <i>...</i>	-84 <i>...</i>	248 <i>...</i>	160 <i>...</i>	-40 <i>...</i>	14 <i>...</i>
Business gross fixed capital formation	190,451 <i>0.4</i>	197,167 <i>3.5</i>	199,693 <i>1.3</i>	202,379 <i>1.3</i>	204,691 <i>1.1</i>	206,938 <i>1.1</i>	185,677 <i>1.4</i>	194,235 <i>4.6</i>
Residential structures	60,515 <i>-0.2</i>	63,298 <i>4.6</i>	64,621 <i>2.1</i>	66,026 <i>2.2</i>	67,044 <i>1.5</i>	67,589 <i>0.8</i>	57,937 <i>14.5</i>	62,262 <i>7.5</i>
Non-residential structures	44,671 <i>0.5</i>	45,109 <i>1.0</i>	45,501 <i>0.9</i>	45,100 <i>-0.9</i>	45,197 <i>0.2</i>	45,262 <i>0.1</i>	44,493 <i>-8.3</i>	44,928 <i>1.0</i>
Machinery and equipment	84,681 <i>0.9</i>	88,229 <i>4.2</i>	88,920 <i>0.8</i>	90,688 <i>2.0</i>	91,906 <i>1.3</i>	93,735 <i>2.0</i>	82,715 <i>-1.2</i>	86,441 <i>4.5</i>
Business investment in inventories	14,657 <i>...</i>	3,410 <i>...</i>	12,160 <i>...</i>	3,526 <i>...</i>	2,287 <i>...</i>	16,894 <i>...</i>	2,123 <i>...</i>	11,876 <i>...</i>
Non-farm	10,685 <i>...</i>	-1,212 <i>...</i>	7,766 <i>...</i>	319 <i>...</i>	-162 <i>...</i>	14,515 <i>...</i>	2,876 <i>...</i>	7,889 <i>...</i>
Farm	3,598 <i>...</i>	4,558 <i>...</i>	4,086 <i>...</i>	2,866 <i>...</i>	1,959 <i>...</i>	1,533 <i>...</i>	-866 <i>...</i>	3,715 <i>...</i>
Exports of goods and services	436,945 <i>-1.3</i>	434,813 <i>-0.5</i>	444,732 <i>2.3</i>	449,105 <i>1.0</i>	468,064 <i>4.2</i>	465,736 <i>-0.5</i>	450,568 <i>1.1</i>	439,799 <i>-2.4</i>
Goods	379,747 <i>-1.1</i>	377,254 <i>-0.7</i>	386,402 <i>2.4</i>	390,224 <i>1.0</i>	408,522 <i>4.7</i>	406,891 <i>-0.4</i>	390,278 <i>0.7</i>	381,819 <i>-2.2</i>
Services	57,303 <i>-2.8</i>	57,654 <i>0.6</i>	58,445 <i>1.4</i>	58,998 <i>0.9</i>	59,690 <i>1.2</i>	58,990 <i>-1.2</i>	60,450 <i>3.8</i>	58,087 <i>-3.9</i>
Deduct: Imports of goods and services	404,169 <i>0.8</i>	401,081 <i>-0.8</i>	417,823 <i>4.2</i>	420,932 <i>0.7</i>	432,853 <i>2.8</i>	446,270 <i>3.1</i>	391,070 <i>1.4</i>	405,977 <i>3.8</i>
Goods	343,451 <i>0.9</i>	339,224 <i>-1.2</i>	352,555 <i>3.9</i>	355,109 <i>0.7</i>	368,300 <i>3.7</i>	382,196 <i>3.8</i>	332,512 <i>1.5</i>	343,906 <i>3.4</i>
Services	60,791 <i>0.5</i>	61,695 <i>1.5</i>	64,972 <i>5.3</i>	65,513 <i>0.8</i>	64,703 <i>-1.2</i>	64,577 <i>-0.2</i>	58,651 <i>1.3</i>	61,986 <i>5.7</i>
Statistical discrepancy	-836 <i>...</i>	-855 <i>...</i>	-32 <i>...</i>	499 <i>...</i>	-932 <i>...</i>	125 <i>...</i>	-889 <i>...</i>	-616 <i>...</i>
Gross domestic product at market prices	1,091,782 <i>-0.2</i>	1,095,469 <i>0.3</i>	1,104,391 <i>0.8</i>	1,111,737 <i>0.7</i>	1,122,353 <i>1.0</i>	1,131,302 <i>0.8</i>	1,074,621 <i>3.4</i>	1,096,359 <i>2.0</i>
Final domestic demand	1,045,724 <i>0.9</i>	1,059,110 <i>1.3</i>	1,065,043 <i>0.6</i>	1,078,606 <i>1.3</i>	1,084,316 <i>0.5</i>	1,093,185 <i>0.8</i>	1,014,795 <i>3.1</i>	1,051,568 <i>3.6</i>

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

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	3.2	4.4	0.7	6.0	2.1	3.0	3.4	3.1
Durable goods	3.9	10.5	-16.1	9.6	3.5	4.8	8.3	2.0
Semi-durable goods	2.8	2.5	-1.1	15.0	3.5	8.9	3.8	3.1
Non-durable goods	-0.3	0.6	2.6	4.8	0.2	2.0	2.3	2.1
Services	4.8	4.9	4.7	4.3	2.3	2.1	2.6	3.9
Government current expenditure on goods and services	5.9	0.4	3.9	2.8	1.2	4.0	2.8	3.8
Government gross fixed capital formation	8.2	1.0	5.9	5.3	-5.8	-2.4	9.1	6.8
Government investment in inventories[2]	44	-16	-28	-80	332	-88	-53	54
Business gross fixed capital formation	1.7	14.9	5.2	5.5	4.6	4.5	1.4	4.6
Residential structures	-0.7	19.7	8.6	9.0	6.3	3.3	14.5	7.5
Non-residential structures	2.2	4.0	3.5	-3.5	0.9	0.6	-8.3	1.0
Machinery and equipment	3.6	17.8	3.2	8.2	5.5	8.2	-1.2	4.5
Business investment in inventories[2]	-2,619	-11,247	8,750	-8,634	-1,239	14,607	6,466	9,753
Non-farm[2]	-3,633	-11,897	8,978	-7,447	-481	14,677	6,558	5,013
Farm[2]	979	960	-472	-1,220	-907	-426	-94	4,581
Exports of goods and services	-5.1	-1.9	9.4	4.0	18.0	-2.0	1.1	-2.4
Goods	-4.2	-2.6	10.1	4.0	20.1	-1.6	0.7	-2.2
Services	-10.7	2.5	5.6	3.8	4.8	-4.6	3.8	-3.9
Deduct: Imports of goods and services	3.4	-3.0	17.8	3.0	11.8	13.0	1.4	3.8
Goods	3.6	-4.8	16.7	2.9	15.7	16.0	1.5	3.4
Services	2.0	6.1	23.0	3.4	-4.9	-0.8	1.3	5.7
Statistical discrepancy[2]	-94	-19	823	531	-1,431	1,057	-214	272
Gross domestic product at market prices	-0.7	1.4	3.3	2.7	3.9	3.2	3.4	2.0
Final domestic demand	3.7	5.2	2.3	5.2	2.1	3.3	3.1	3.6

1 Quarter to quarter percentage change, annualized.

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.448	0.609	0.096	0.820	0.288	0.412	1.872	1.799
Durable goods	0.074	0.195	-0.334	0.169	0.064	0.085	0.624	0.158
Semi-durable goods	0.033	0.030	-0.013	0.167	0.041	0.102	0.182	0.151
Non-durable goods	-0.010	0.022	0.088	0.161	0.007	0.068	0.305	0.294
Services	0.351	0.362	0.354	0.322	0.177	0.157	0.761	1.197
Government current expenditure on goods and services	0.279	0.020	0.187	0.134	0.060	0.189	0.522	0.743
Government gross fixed capital formation	0.051	0.007	0.037	0.033	-0.039	-0.015	0.218	0.175
Government investment in inventories	0.004	-0.001	-0.003	-0.007	0.030	-0.008	-0.005	0.005
Business gross fixed capital formation	0.072	0.586	0.219	0.230	0.197	0.189	0.227	0.785
Residential structures	-0.010	0.272	0.130	0.138	0.099	0.053	0.731	0.429
Non-residential structures	0.023	0.041	0.037	-0.037	0.009	0.006	-0.401	0.044
Machinery and equipment	0.059	0.274	0.052	0.129	0.088	0.130	-0.103	0.312
Business investment in inventories	-0.233	-0.956	0.725	-0.710	-0.101	1.183	0.583	0.791
Non-farm	-0.316	-1.022	0.763	-0.626	-0.039	1.212	0.600	0.401
Farm	0.083	0.066	-0.038	-0.084	-0.061	-0.030	-0.017	0.390
Exports of goods and services	-0.508	-0.183	0.835	0.362	1.590	-0.196	0.542	-0.915
Goods	-0.364	-0.214	0.767	0.315	1.532	-0.137	0.334	-0.705
Services	-0.144	0.031	0.068	0.047	0.059	-0.059	0.208	-0.210
Deduct: Imports of goods and services	0.288	-0.258	1.357	0.245	0.943	1.050	0.496	1.385
Goods	0.259	-0.344	1.052	0.196	1.016	1.062	0.422	1.043
Services	0.030	0.086	0.305	0.049	-0.073	-0.011	0.074	0.343
Statistical discrepancy	-0.009	-0.002	0.075	0.048	-0.129	0.094	-0.020	0.025
Gross domestic product at market prices	-0.184	0.338	0.814	0.665	0.955	0.797	3.444	2.023
Final domestic demand	0.850	1.222	0.539	1.217	0.507	0.775	2.840	3.503

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

Gross domestic product, implicit chain price indexes[1]

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	110.7 <i>-0.3</i>	111.2 <i>0.5</i>	111.1 <i>-0.1</i>	111.8 <i>0.6</i>	112.7 <i>0.8</i>	112.9 <i>0.2</i>	109.3 <i>2.1</i>	111.0 <i>1.6</i>
Government current expenditure on goods and services	114.5 <i>0.4</i>	115.5 <i>0.9</i>	116.5 <i>0.9</i>	117.2 <i>0.6</i>	117.9 <i>0.6</i>	117.8 <i>-0.1</i>	112.5 <i>3.1</i>	115.2 <i>2.4</i>
Government gross fixed capital formation	102.1 <i>-1.4</i>	102.5 <i>0.4</i>	102.1 <i>-0.4</i>	103.0 <i>0.9</i>	104.8 <i>1.7</i>	105.1 <i>0.3</i>	103.0 <i>0.5</i>	102.6 <i>-0.4</i>
Business gross fixed capital formation	105.6 <i>-1.1</i>	105.8 <i>0.2</i>	105.7 <i>-0.1</i>	106.4 <i>0.7</i>	108.6 <i>2.1</i>	108.7 <i>0.1</i>	106.6 <i>2.3</i>	106.0 <i>-0.5</i>
Exports of goods and services	104.1 <i>-5.3</i>	104.1 <i>0.0</i>	101.7 <i>-2.3</i>	103.9 <i>2.2</i>	108.2 <i>4.1</i>	109.0 <i>0.7</i>	106.4 <i>-1.8</i>	105.0 <i>-1.4</i>
Imports of goods and services	101.8 <i>-5.7</i>	100.6 <i>-1.2</i>	97.4 <i>-3.2</i>	98.2 <i>0.8</i>	101.8 <i>3.7</i>	100.3 <i>-1.5</i>	109.5 <i>0.6</i>	101.9 <i>-6.9</i>
Gross domestic product at market prices	110.6 <i>-0.5</i>	111.3 <i>0.6</i>	111.7 <i>0.4</i>	113.0 <i>1.2</i>	114.6 <i>1.4</i>	115.6 <i>0.9</i>	107.8 <i>1.0</i>	111.2 <i>3.2</i>
<i>Final domestic demand</i>	<i>110.3</i> <i>-0.4</i>	<i>110.8</i> <i>0.5</i>	<i>110.9</i> <i>0.1</i>	<i>111.6</i> <i>0.6</i>	<i>112.8</i> <i>1.1</i>	<i>112.9</i> <i>0.1</i>	<i>109.2</i> <i>2.3</i>	<i>110.7</i> <i>1.3</i>

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

Financial market summary table

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
Funds raised:								
Persons and unincorporated business	49,024	52,664	49,908	52,528	52,036	51,104	46,993	50,251
Consumer credit	18,260	18,972	17,056	18,356	18,120	17,964	16,499	17,639
Bank loans	1,116	1,324	692	1,164	980	776	442	1,181
Other loans	648	1,520	1,152	1,536	1,052	992	2,962	1,552
Mortgages	29,000	30,848	31,008	31,472	31,884	31,372	27,090	29,879
Non-financial private corporations	29,752	37,164	62,892	75,212	75,564	40,300	40,084	40,624
Bank loans	-3,772	2,520	-736	9,460	7,968	6,516	1,035	-894
Other loans	1,492	-5,848	204	-3,656	-2,264	-3,216	-277	-3,354
Other short-term paper	-13,056	-6,068	-15,200	4,068	1,112	-3,312	-4,580	-10,084
Mortgages	4,200	5,980	5,672	5,936	6,432	6,292	4,915	4,972
Bonds	19,576	7,776	28,064	20,296	24,784	18,032	8,043	18,513
Shares	21,312	32,804	44,888	39,108	37,532	15,988	30,948	31,471
Non-financial government enterprises	4,804	-4,320	-5,844	-4,348	400	1,020	-891	-780
Bank loans	552	-1,128	748	-724	-216	56	301	344
Other loans	1,372	-368	-1,220	-1,868	1,320	576	1,056	2,197
Other short-term paper	-852	-1,940	-4,616	-2,712	2,664	800	318	-1,703
Mortgages	-4	-4	-4	-8	0	-4	6	-6
Bonds	3,788	-864	-736	964	-3,400	-396	-2,572	-1,589
Shares	-52	-16	-16	0	32	-12	0	-23
Federal government	4,132	2,036	-9,772	-5,852	-12,100	-20,052	-1,246	-1,567
Bank loans	116	112	108	224	108	112	106	106
Other loans	-4	-4	8	0	0	0	0	0
Canada short-term paper	10,748	14,232	9,464	-5,524	3,224	-1,096	7,756	12,231
Canada Savings Bonds	-1,660	-1,544	-1,392	-568	-644	-796	-1,510	-1,290
Other bonds	-5,068	-10,760	-17,960	16	-14,788	-18,272	-7,598	-12,614
Other levels of government	16,444	10,700	2,768	29,204	31,164	18,988	9,739	8,407
Bank loans	140	-304	752	-1,204	-144	-684	205	265
Other loans	896	824	532	2,016	396	1,108	454	630
Other short-term paper	-2,980	-5,644	2,624	-5,956	27,968	-2,388	-2,300	-1,013
Mortgages	0	-76	28	52	4	-52	-7	-13
Provincial bonds	15,904	13,996	-568	32,660	-284	19,940	10,906	7,702
Municipal bonds	2,460	1,872	-608	1,604	3,200	1,032	463	813
Other bonds	24	32	8	32	24	32	18	23
Total funds raised by domestic non-financial sectors	104,156	98,244	99,952	146,744	147,064	91,360	94,679	96,935
Consumer credit	18,260	18,972	17,056	18,356	18,120	17,964	16,499	17,639
Bank loans	-1,848	2,524	1,564	8,920	8,696	6,776	2,089	1,002
Other loans	4,404	-3,876	676	-1,972	504	-540	4,195	1,025
Canada short-term paper	10,748	14,232	9,464	-5,524	3,224	-1,096	7,756	12,231
Other short-term paper	-16,888	-13,652	-17,192	-4,600	31,744	-4,900	-6,562	-12,800
Mortgages	33,196	36,748	36,704	37,452	38,320	37,608	32,004	34,832
Bonds	35,024	10,508	6,808	55,004	8,892	19,572	7,750	11,558
Shares	21,260	32,788	44,872	39,108	37,564	15,976	30,948	31,448

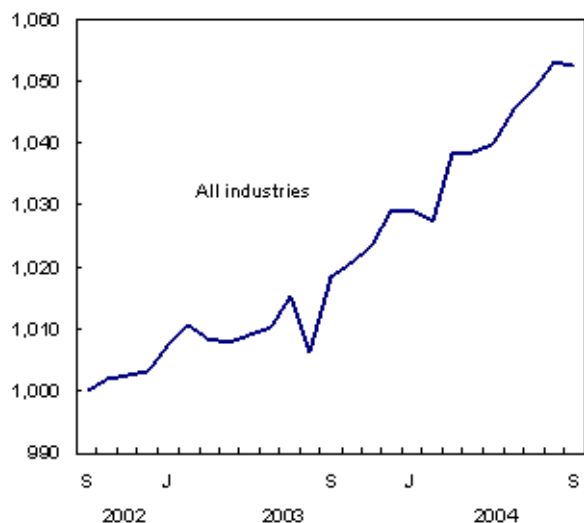
GDP by industry

September 2004 and third quarter 2004

The Canadian economy paused in September 2004, after a 0.4% expansion in August. A slowdown in foreign demand and unfavourable weather in the Prairies contributed to this flat performance.

Economic activity levels out

GDP billions of chained \$ (1997)



Weakness was concentrated in the goods producing sector, as output in mining, manufacturing and construction declined. Lower exports not only impacted on manufacturers, but also reduced wholesaling activities. A slowdown in housing resales further hampered growth in the services sector. Consumers helped sustain retailing activity in September, but reduced their expenditures on new and used motor vehicles.

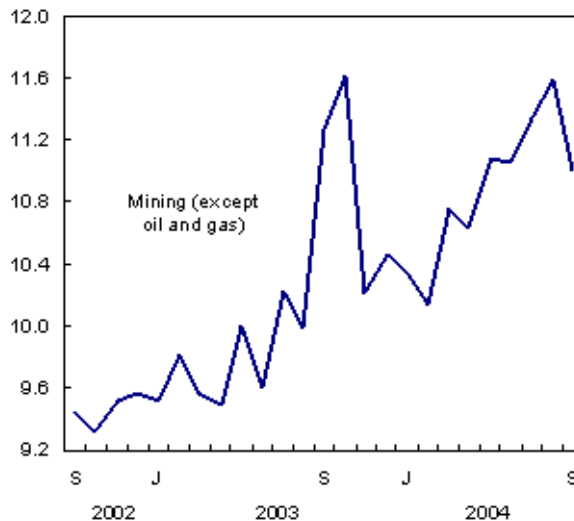
Industrial production (the output of Canada's factories, mines and utilities) retreated by 0.3% in September after six consecutive months of expansion. Both the mining (-0.8%) and manufacturing (-0.2%) sectors contributed to this setback, while output of utilities increased 0.4%. In the United States, the index of industrial production increased 0.1% in September on the strength of utilities, pulled back by weakness in the manufacturing and mining sectors.

Output falls in the mining sector

The mining sector was pushed down by a sharp reduction in the output of diamond mines (-17%), following two banner months of production. Lingering strikes throughout September pulled the output of iron mines down a further 22%. Oil and gas extraction was up 0.2%. Drilling and rigging activities were hampered by bad weather in the Prairies, pulling down services incidental to mineral extraction by 1.6%.

Sharp decline in mining

GDP billions of chained \$ (1997)

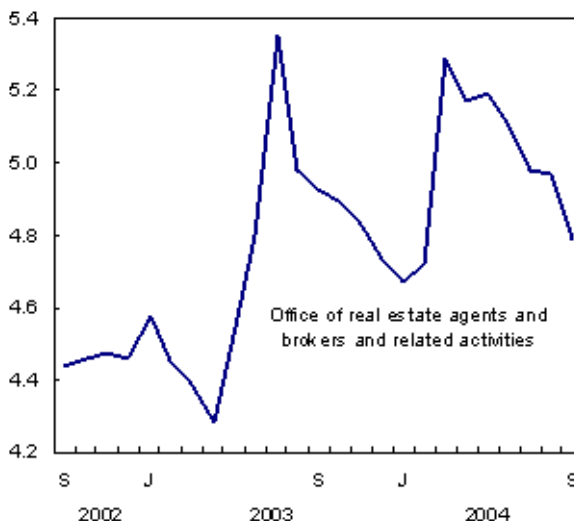


Non-residential building construction continues to slide

Construction activity edged down 0.1% in September. The construction of non-residential buildings declined for a sixth month in a row (-1.3%). A reduction in the construction of institutional and industrial buildings was behind this decrease. The value of non-residential building permits was also down, with a large decrease in the value of permits for institutional buildings largely offset by a sharp increase seen for industrial buildings.

Reduction in real estate transactions

GDP billions of chained \$ (1997)



Residential construction picked up slightly (+0.2%) after posting solid gains in July and August. There was an increase in the construction of detached single family houses and duplexes. Row and apartment housing construction was down. All three major census metropolitan areas (Toronto, Montreal and Vancouver) saw large declines in housing starts in September. Real estate transactions also declined, bringing the output of real estate agents and brokers down 3.6%, as well as architectural and legal services.

Reduced export demand curtails manufacturing

The manufacturing sector retreated 0.2% in September largely due to a decline in durable goods. Motor vehicle assembly was down 3.6% after a robust production in July and August. Strong demand for heavy-duty trucks helped temper the September decrease. The production of many types of machinery remained strong in September. There was, however, a large decline in the production of engine, turbine and power equipment following a record-setting pace in August. Manufacturing of fabricated metal products was up 1.3% in September. Lower output of sawmills and of veneer, plywood and particle boards brought wood products manufacturing down 1.1% from recent summer peaks.

Food products manufacturing rose 0.5% in September, largely on the strength of meat products (+3.0%). More cattle and poultry were processed with the ageing of the increasing cattle stock, and the rebuilding of the poultry stock following the avian flu cull. After seven consecutive months of increase, the output of chemical products slipped 0.1% in September. Output of the clothing industry increased 0.6%, after months of decline leaving production levels 9% lower than a year-ago.

Lower sales of automotive products hamper retail and wholesale trade

Retailing activity was up 0.2% in September as consumers increased their purchases at food and beverage stores, home electronics outlets and pharmacies. Activity in computer stores retreated from an August surge, but it still stands above the July level. The surge in oil prices may have modified the spending pattern of consumers, as sales of new and used motor vehicles contracted in September.

Wholesaling activity decreased 0.4% with a reduction in both export and import trade flows. Automotive and computer products were important contributors to this decrease. An increase in the wholesaling of machinery and equipment partly offset these declines.

Other sectors

A wet and cold September in the Prairies severely affected harvesting. The unfavourable weather dashed hopes of a significant harvest by retarding it into October, and by lowering its quality, particularly that of wheat. Forestry and logging activity was up 5.2% as timber

quotas were increased in British Columbia to combat the pine beetle infestation. Output in the arts and entertainment industry was curtailed in September as attendance to professional sporting events was reduced by the beginning of a lock-out.

Industry overview, third quarter 2004

Third quarter growth was bolstered by a strong export induced manufacturing sector with added strength from wholesaling and retailing activities as well as information and communication technology (ICT) related services. Economic expansion in the third quarter was somewhat hampered by strike activity.

Industrial production (the output of factories, mines and utilities) was up 1.5% as higher output of manufacturers and utilities was dampened by a decline in the mining, oil and gas sector. In the United States, the index of industrial production rose 0.8%, with increases in the manufacturing and mining sectors, while output of utilities declined.

A 2.0% increase in the output of manufacturers was mainly due to sharply higher production of motor vehicles, chemical products, machinery, fabricated metals products and ICT equipment. Manufacturing output was partly constrained by a declining clothing industry, reduced production of non-metallic mineral products and sharply lower production of aluminium due to strike activity.

Wholesaling activity was up 1.9% led by machinery and computers and electronic products. Retailing services were 1.5% higher spurred by the sale of big ticket items like new cars, furniture, computers, home electronics and home improvement products. The output of ICT related services expanded by 3.2% in the third quarter. Hospitals more than recovered from strike activity in the second quarter.

Output of the mining, oil and gas sector fell 0.4% largely due to a precipitous 44% decline in iron ore mining due to maintenance and labour stoppages. Despite high crude oil prices, oil extraction was reduced partly because of maintenance work. Drilling and rigging activities also declined for the third consecutive quarter. On the positive side, diamonds continued to sparkle (+19%). Strong export demand pushed up the mining of nickel and potash.

Residential construction hit new highs in the third quarter (+1.9%). Activity of real estate agents and brokers fell 4.7% as sales of existing homes were down. Non-residential construction of buildings fell for a fifth consecutive quarter with a sharp 3.7% decline in the third quarter.

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

	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	September 2003 to September 2004
	Seasonally adjusted at annual rates, millions chained (1997) dollars						%
All industries	1,038,565 <i>0.0</i>	1,039,786 <i>0.1</i>	1,045,534 <i>0.6</i>	1,048,459 <i>0.3</i>	1,053,007 <i>0.4</i>	1,052,568 <i>-0.0</i>	3.4
Goods producing industries	324,900 <i>0.1</i>	325,652 <i>0.2</i>	327,467 <i>0.6</i>	328,999 <i>0.5</i>	331,462 <i>0.7</i>	331,048 <i>-0.1</i>	3.8
Agriculture, forestry, fishing and hunting	23,160 <i>-1.8</i>	23,409 <i>1.1</i>	23,496 <i>0.4</i>	23,869 <i>1.6</i>	23,796 <i>-0.3</i>	24,146 <i>1.5</i>	5.6
Mining and oil and gas extraction	37,851 <i>1.4</i>	38,177 <i>0.9</i>	37,843 <i>-0.9</i>	37,804 <i>-0.1</i>	37,985 <i>0.5</i>	37,679 <i>-0.8</i>	-0.2
Utilities	25,348 <i>1.1</i>	25,483 <i>0.5</i>	25,423 <i>-0.2</i>	25,658 <i>0.9</i>	26,001 <i>1.3</i>	26,095 <i>0.4</i>	3.1
Construction	58,214 <i>-0.5</i>	58,178 <i>-0.1</i>	57,519 <i>-1.1</i>	57,991 <i>0.8</i>	58,325 <i>0.6</i>	58,268 <i>-0.1</i>	2.8
Manufacturing	179,650 <i>-0.1</i>	179,581 <i>-0.0</i>	182,698 <i>1.7</i>	183,312 <i>0.3</i>	185,030 <i>0.9</i>	184,687 <i>-0.2</i>	5.4
Services producing industries	714,886 <i>0.0</i>	715,329 <i>0.1</i>	719,268 <i>0.6</i>	720,620 <i>0.2</i>	722,642 <i>0.3</i>	722,635 <i>-0.0</i>	3.1
Wholesale trade	65,523 <i>0.1</i>	65,078 <i>-0.7</i>	65,978 <i>1.4</i>	66,526 <i>0.8</i>	67,029 <i>0.8</i>	66,755 <i>-0.4</i>	6.5
Retail trade	58,866 <i>-0.8</i>	58,769 <i>-0.2</i>	58,999 <i>0.4</i>	59,270 <i>0.5</i>	59,899 <i>1.1</i>	60,038 <i>0.2</i>	3.9
Transportation and warehousing	49,719 <i>0.6</i>	50,122 <i>0.8</i>	50,310 <i>0.4</i>	50,190 <i>-0.2</i>	50,191 <i>0.0</i>	50,049 <i>-0.3</i>	5.0
Information and cultural industries	42,807 <i>0.6</i>	42,907 <i>0.2</i>	43,029 <i>0.3</i>	43,234 <i>0.5</i>	43,201 <i>-0.1</i>	43,205 <i>0.0</i>	2.1
Finance, insurance and real estate	210,043 <i>0.3</i>	210,189 <i>0.1</i>	210,487 <i>0.1</i>	210,580 <i>0.0</i>	211,133 <i>0.3</i>	211,321 <i>0.1</i>	3.4
Professional, scientific and technical services	46,255 <i>0.2</i>	46,280 <i>0.1</i>	46,326 <i>0.1</i>	46,343 <i>0.0</i>	46,420 <i>0.2</i>	46,327 <i>-0.2</i>	2.0
Administrative and waste management services	21,978 <i>0.5</i>	22,003 <i>0.1</i>	22,116 <i>0.5</i>	22,163 <i>0.2</i>	22,211 <i>0.2</i>	22,243 <i>0.1</i>	2.9
Educational services	45,000 <i>-0.1</i>	45,279 <i>0.6</i>	45,967 <i>1.5</i>	45,893 <i>-0.2</i>	45,915 <i>0.0</i>	46,002 <i>0.2</i>	3.5
Health care and social assistance	61,703 <i>-0.9</i>	61,686 <i>-0.0</i>	62,759 <i>1.7</i>	62,985 <i>0.4</i>	63,097 <i>0.2</i>	63,164 <i>0.1</i>	1.8
Arts, entertainment and recreation	9,605 <i>0.5</i>	9,553 <i>-0.5</i>	9,524 <i>-0.3</i>	9,561 <i>0.4</i>	9,760 <i>2.1</i>	9,519 <i>-2.5</i>	0.0
Accommodation and food services	23,158 <i>-1.6</i>	23,345 <i>0.8</i>	23,258 <i>-0.4</i>	23,257 <i>-0.0</i>	23,200 <i>-0.2</i>	23,352 <i>0.7</i>	2.1
Other services (except public administration)	24,465 <i>0.2</i>	24,453 <i>-0.0</i>	24,519 <i>0.3</i>	24,483 <i>-0.1</i>	24,443 <i>-0.2</i>	24,577 <i>0.5</i>	1.6
Public administration	57,268 <i>0.0</i>	57,139 <i>-0.2</i>	57,431 <i>0.5</i>	57,625 <i>0.3</i>	57,663 <i>0.1</i>	57,581 <i>-0.1</i>	1.4
Other aggregations							
Industrial production	243,909 <i>0.4</i>	244,453 <i>0.2</i>	246,743 <i>0.9</i>	247,477 <i>0.3</i>	249,646 <i>0.9</i>	248,980 <i>-0.3</i>	3.8
Non-durable manufacturing industries	73,597 <i>-0.1</i>	73,547 <i>-0.1</i>	74,919 <i>1.9</i>	74,832 <i>-0.1</i>	75,320 <i>0.7</i>	75,368 <i>0.1</i>	3.7
Durable manufacturing industries	105,888 <i>-0.1</i>	105,869 <i>-0.0</i>	107,608 <i>1.6</i>	108,326 <i>0.7</i>	109,565 <i>1.1</i>	109,165 <i>-0.4</i>	6.6
Business sector industries	882,594 <i>0.1</i>	883,724 <i>0.1</i>	887,548 <i>0.4</i>	890,173 <i>0.3</i>	894,578 <i>0.5</i>	894,049 <i>-0.1</i>	3.6
Non-business sector industries	156,187 <i>-0.4</i>	156,278 <i>0.1</i>	158,188 <i>1.2</i>	158,490 <i>0.2</i>	158,644 <i>0.1</i>	158,731 <i>0.1</i>	1.9
ICT sector, total	59,547 <i>-0.4</i>	60,249 <i>1.2</i>	60,445 <i>0.3</i>	61,454 <i>1.7</i>	62,679 <i>2.0</i>	61,887 <i>-1.3</i>	7.5

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions chained (1997) dollars								
Goods producing industries	314,466	316,431	320,947	323,030	326,006	330,503	311,916	317,208
	<i>-0.8</i>	<i>0.6</i>	<i>1.4</i>	<i>0.6</i>	<i>0.9</i>	<i>1.4</i>	<i>1.8</i>	<i>1.7</i>
Agriculture, forestry, fishing and hunting	23,086	22,878	23,011	23,566	23,355	23,937	21,237	22,842
	<i>3.1</i>	<i>-0.9</i>	<i>0.6</i>	<i>2.4</i>	<i>-0.9</i>	<i>2.5</i>	<i>-3.5</i>	<i>7.6</i>
Mining and oil and gas extraction	35,994	37,505	37,662	37,668	37,957	37,823	35,410	36,797
	<i>-0.1</i>	<i>4.2</i>	<i>0.4</i>	<i>0.0</i>	<i>0.8</i>	<i>-0.4</i>	<i>0.6</i>	<i>3.9</i>
Utilities	25,723	25,543	25,406	25,746	25,418	25,918	26,424	25,818
	<i>-3.3</i>	<i>-0.7</i>	<i>-0.5</i>	<i>1.3</i>	<i>-1.3</i>	<i>2.0</i>	<i>2.3</i>	<i>-2.3</i>
Construction	55,747	56,456	57,520	58,030	57,970	58,195	53,904	56,273
	<i>0.7</i>	<i>1.3</i>	<i>1.9</i>	<i>0.9</i>	<i>-0.1</i>	<i>0.4</i>	<i>2.9</i>	<i>4.4</i>
Manufacturing	173,553	172,932	176,482	177,287	180,643	184,343	174,647	174,820
	<i>-1.6</i>	<i>-0.4</i>	<i>2.1</i>	<i>0.5</i>	<i>1.9</i>	<i>2.0</i>	<i>2.4</i>	<i>0.1</i>
Services producing industries	695,861	698,179	704,532	709,868	716,494	721,966	681,007	697,886
	<i>0.4</i>	<i>0.3</i>	<i>0.9</i>	<i>0.8</i>	<i>0.9</i>	<i>0.8</i>	<i>4.2</i>	<i>2.5</i>
Wholesale trade	61,296	61,053	64,099	63,711	65,526	66,770	58,660	61,941
	<i>-0.0</i>	<i>-0.4</i>	<i>5.0</i>	<i>-0.6</i>	<i>2.8</i>	<i>1.9</i>	<i>7.1</i>	<i>5.6</i>
Retail trade	56,902	57,963	57,419	58,527	58,878	59,736	55,590	57,126
	<i>1.2</i>	<i>1.9</i>	<i>-0.9</i>	<i>1.9</i>	<i>0.6</i>	<i>1.5</i>	<i>5.3</i>	<i>2.8</i>
Transportation and warehousing	47,479	47,495	48,697	49,058	50,050	50,143	47,795	47,954
	<i>-1.4</i>	<i>0.0</i>	<i>2.5</i>	<i>0.7</i>	<i>2.0</i>	<i>0.2</i>	<i>1.7</i>	<i>0.3</i>
Information and cultural industries	42,564	42,421	41,948	42,332	42,914	43,213	41,395	42,354
	<i>0.2</i>	<i>-0.3</i>	<i>-1.1</i>	<i>0.9</i>	<i>1.4</i>	<i>0.7</i>	<i>6.3</i>	<i>2.3</i>
Finance, insurance and real estate	202,360	203,981	205,194	208,039	210,240	211,011	198,721	203,060
	<i>0.8</i>	<i>0.8</i>	<i>0.6</i>	<i>1.4</i>	<i>1.1</i>	<i>0.4</i>	<i>4.8</i>	<i>2.2</i>
Professional, scientific and technical services	45,451	45,404	45,515	45,962	46,287	46,363	44,006	45,391
	<i>0.6</i>	<i>-0.1</i>	<i>0.2</i>	<i>1.0</i>	<i>0.7</i>	<i>0.2</i>	<i>4.5</i>	<i>3.1</i>
Administrative and waste management services	21,485	21,598	21,664	21,786	22,032	22,206	20,733	21,531
	<i>0.5</i>	<i>0.5</i>	<i>0.3</i>	<i>0.6</i>	<i>1.1</i>	<i>0.8</i>	<i>4.8</i>	<i>3.9</i>
Educational services	44,998	44,604	44,828	44,843	45,415	45,937	44,607	44,854
	<i>0.0</i>	<i>-0.9</i>	<i>0.5</i>	<i>0.0</i>	<i>1.3</i>	<i>1.1</i>	<i>1.1</i>	<i>0.6</i>
Health care and social assistance	61,780	61,977	62,283	62,302	62,049	63,082	59,449	61,755
	<i>1.3</i>	<i>0.3</i>	<i>0.5</i>	<i>0.0</i>	<i>-0.4</i>	<i>1.7</i>	<i>3.8</i>	<i>3.9</i>
Arts, entertainment and recreation	9,579	9,512	9,549	9,564	9,561	9,613	9,160	9,508
	<i>2.0</i>	<i>-0.7</i>	<i>0.4</i>	<i>0.2</i>	<i>-0.0</i>	<i>0.6</i>	<i>6.5</i>	<i>3.8</i>
Accommodation and food services	22,450	22,753	23,319	23,378	23,254	23,270	23,307	22,909
	<i>-2.9</i>	<i>1.4</i>	<i>2.5</i>	<i>0.3</i>	<i>-0.5</i>	<i>0.1</i>	<i>1.9</i>	<i>-1.7</i>
Other services (except public administration)	24,150	24,136	24,359	24,424	24,479	24,501	23,766	24,184
	<i>0.2</i>	<i>-0.1</i>	<i>0.9</i>	<i>0.3</i>	<i>0.2</i>	<i>0.1</i>	<i>2.9</i>	<i>1.8</i>
Public administration	56,444	56,368	56,857	57,195	57,279	57,623	54,830	56,438
	<i>0.6</i>	<i>-0.1</i>	<i>0.9</i>	<i>0.6</i>	<i>0.1</i>	<i>0.6</i>	<i>2.6</i>	<i>2.9</i>
Other aggregations								
Industrial production	236,015	237,477	240,806	241,882	245,035	248,701	236,852	238,435
	<i>-1.4</i>	<i>0.6</i>	<i>1.4</i>	<i>0.4</i>	<i>1.3</i>	<i>1.5</i>	<i>2.0</i>	<i>0.7</i>
Non-durable manufacturing industries	72,933	71,963	72,901	73,204	74,021	75,173	72,936	72,913
	<i>-1.2</i>	<i>-1.3</i>	<i>1.3</i>	<i>0.4</i>	<i>1.1</i>	<i>1.6</i>	<i>2.4</i>	<i>-0.0</i>
Durable manufacturing industries	100,365	100,748	103,385	103,889	106,455	109,019	101,478	101,679
	<i>-1.8</i>	<i>0.4</i>	<i>2.6</i>	<i>0.5</i>	<i>2.5</i>	<i>2.4</i>	<i>2.4</i>	<i>0.2</i>
Business sector industries	853,422	858,049	868,142	875,200	884,622	892,933	839,885	858,512
	<i>-0.1</i>	<i>0.5</i>	<i>1.2</i>	<i>0.8</i>	<i>1.1</i>	<i>0.9</i>	<i>3.6</i>	<i>2.2</i>
Non-business sector industries	155,773	155,484	156,343	156,693	156,884	158,622	152,148	155,550
	<i>0.8</i>	<i>-0.2</i>	<i>0.6</i>	<i>0.2</i>	<i>0.1</i>	<i>1.1</i>	<i>2.2</i>	<i>2.2</i>
ICT sector, total	56,210	56,801	58,853	59,485	60,080	62,007	54,994	57,076
	<i>-0.4</i>	<i>1.1</i>	<i>3.6</i>	<i>1.1</i>	<i>1.0</i>	<i>3.2</i>	<i>3.2</i>	<i>3.8</i>

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

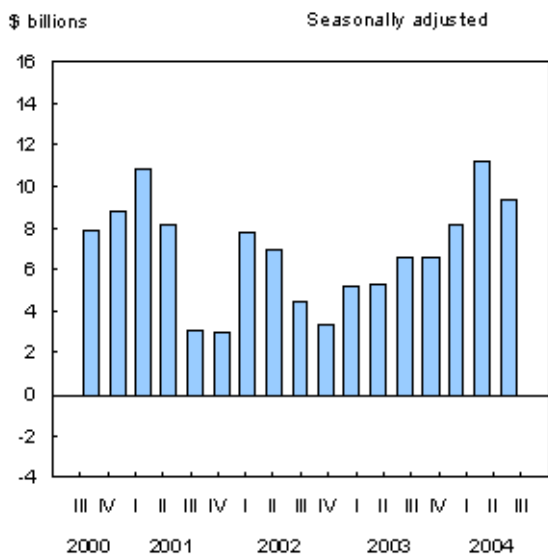
Balance of international payments

Third quarter 2004

Canada's **current account** surplus with the rest of the world, on a seasonally adjusted basis, decreased by \$1.8 billion in the third quarter to \$9.4 billion, its first drop since the fourth quarter of 2002. The change was due to the smaller surplus in goods while a better performance for services was offset by a larger deficit for investment income.

In the **capital and financial account** (not seasonally adjusted), Canada's foreign assets rose by more than its international liabilities with direct investment abroad again leading the way. After the record increase of the second quarter, Canadian direct investment advanced more moderately. Canadian liabilities with the rest of the world rose by a smaller amount as increases to direct and portfolio liabilities were partly offset by a reduction in other liabilities, primarily loans.

First reduction of the current account surplus in almost two years



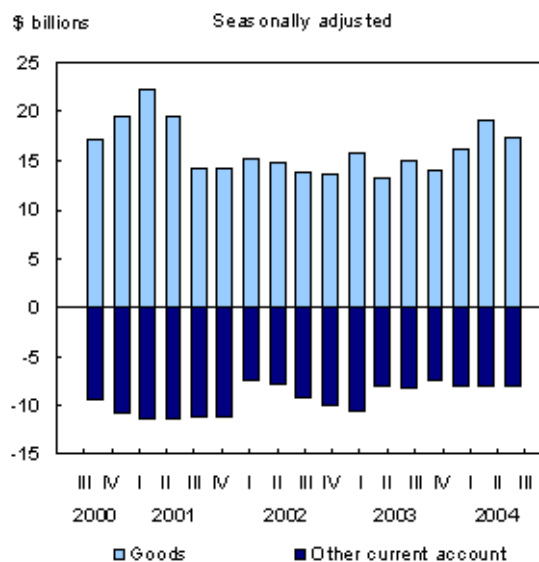
By the end of the third quarter, the Canadian dollar jumped nearly 6% against the US dollar, closing above 79 US cents. The strong performance of the Canadian dollar during the quarter was also seen against other major currencies.

Current account

Goods surplus drops after two strong quarters

The surplus on trade in goods fell to \$17.3 billion in the third quarter, down \$1.8 billion from the second quarter. This reduction followed two strong quarterly increases in the surplus totalling \$5.1 billion.

Smaller goods surplus lowers current account balance



In the third quarter, the increase in imports surpassed the rise in exports leading to a smaller surplus. Once again higher prices were responsible for the increase in the value

Note to readers

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

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

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

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

of energy exports. Exports of automotive products shrank by \$0.9 billion after registering the highest values in almost two years during the second quarter.

The \$2.3 billion increase in imports came largely from higher values for cars and trucks. Industrial goods, especially metal and metal ores, and crude petroleum were the other major components that contributed to the increase.

Services deficit falls

In the third quarter, the deficit on trade in services was reduced by \$0.3 billion to \$2.6 billion. The travel deficit decreased \$0.2 billion as fewer Canadians travelled abroad. For the first time since the second quarter of 2003, the number of Canadians spending at least one evening abroad went down.

Globally, the number of foreign visitors to Canada dropped during the third quarter, but an increase in the number of non-US travellers caused travel revenues to remain at the same level as in the previous quarter.

The deficit on commercial services shrank \$0.1 billion in the third quarter as imports decreased more than exports. The largest declines in imports came from royalties and from miscellaneous services.

Lower profits earned on Canadian direct investment abroad

The deficit on investment income grew by \$0.3 billion to \$5.4 billion as profits earned by Canadian direct investors abroad fell by \$0.6 billion in the third quarter. This reduction came from lower dividend receipts.

Profits earned by foreign investors on their direct investments in Canada also went down as lower dividend payments were observed in the third quarter.

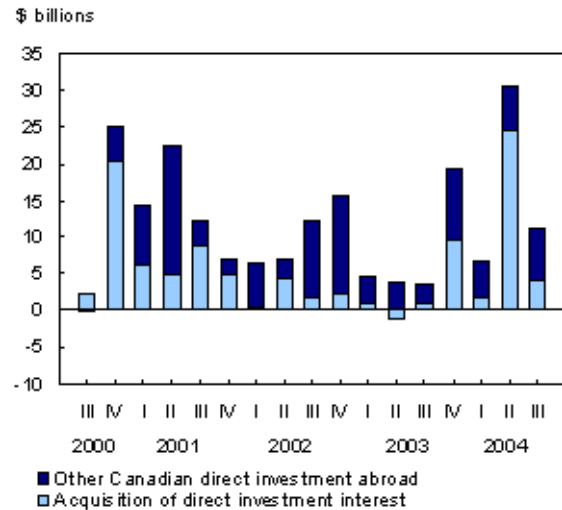
Interest paid on Canadian bonds was fairly stable in the third quarter, despite a stronger Canadian dollar, as new issues of bonds outpaced retirements.

Financial account

Direct investment abroad advances again

Canadian direct investors advanced a more moderate amount to foreign economies during the quarter, after the record expansion in the second quarter. The \$11.1 billion investment went to both acquisitions and increases to working capital in foreign affiliates. Geographically, the lion's share (59%) was invested in the United States, however a fifth of the total went to Asian economies. The investment was widely spread by industry of investor, led by companies classified to services and retailing.

Canadian direct investment moderates from record



¹ Reverse of Balance of Payments signs.

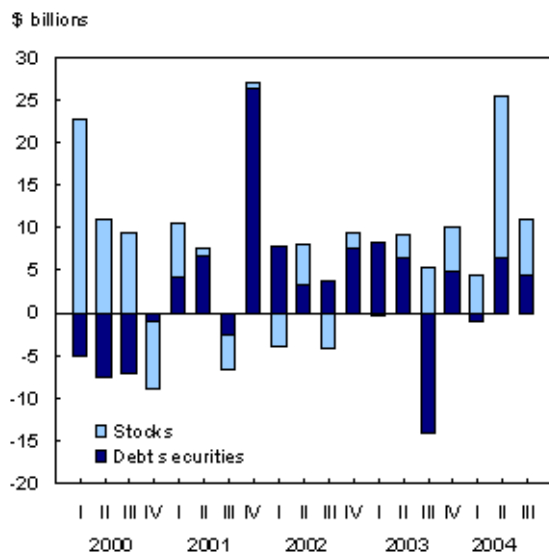
Canadian investment in foreign securities almost entirely in bonds

Similar to the second quarter, most of the \$3.5 billion investment in foreign securities was in bonds. However in contrast to that quarter, the \$3 billion flowing to foreign bonds went primarily to overseas bonds as Canadian investors reduced their buying of US treasuries and corporate bonds. The small investment in foreign stocks repeated the theme thus far in 2004 where Canadians were buying American equities but selling some of their holdings of overseas shares.

Modest investment in Canada by foreign direct investors

Some \$5.8 billion worth of foreign direct investment flowed into Canada during the quarter, up significantly from a restated negative investment in quarter two. The investment was mainly in short-term liabilities and earnings reinvested for working capital purposes as acquisitions were again negative for the third time in the past four quarters. Negative acquisitions result when Canadians on balance repatriate companies from foreign investors. The quarter's investment came four-fifths from US investors while on an industry basis the investment was spread, led by the machinery and transportation sector.

Foreign investors continue to buy Canadian securities



Foreign investment in Canadian securities evenly split between bonds and stocks

Foreign portfolio investors upped their holdings of Canadian securities by \$10.8 billion in the quarter. They bought equal amounts of bonds and equities but sold short-term instruments for the third time in the past five quarters.

The \$6.6 billion investment in bonds in the quarter was the largest by foreign investors in a year and a half. Similar to the second quarter, the majority (70%) went to bonds issued by Canadian corporations. The remaining investment was entirely in bonds issued by federal enterprises. The investment originated entirely from Europe and United States as Asian investors sold some of their holdings after acquiring bonds in the previous quarter. On a currency basis, roughly two-thirds was foreign currency denominated mainly in US-dollar with the remainder denominated in Canadian dollars.

In the third quarter, special events were again the principal cause of the \$6.3 billion increase in holdings of Canadian shares. While the second quarter saw new Canadian shares issued mainly through a large acquisition of an American firm, the third quarter increase was led by the largest share offering in Canadian history and a corporate restructuring. US investors were the dominant purchasers as they bought four-fifths of the total. Canadian stock prices were up marginally in the quarter but made up all the lost ground from the previous quarter.

In the market for short-term instruments, the seesaw pattern of investment returned to a negative as foreign investors sold off \$2.1 billion worth. The second quarter had seen an increase of \$1.8 billion in foreign holdings of Canadian paper. The divestment in the third quarter was mainly in paper issued directly by the federal and provincial governments. Both Canadian and US short-term rates rose over the quarter, with the 0.8 percent spread continuing to favour investing in Canada.

Other investment

In the other investment category, net transactions resulted in a capital outflow entirely from a reduction in Canadian liabilities with non-residents. A large reduction in loans under repurchase agreements, reversing most of the previous quarter's increase, dominated the reduction in liabilities. Deposit liabilities were also reduced, mostly in foreign currencies between Canadian banks and their foreign affiliates.

On the asset side, transactions led to a small capital inflow as deposit and other assets mostly offset each other. Canada's international reserves increased modestly after a small reduction in the previous quarter. The increase was due to larger holdings of securities and deposits denominated in US dollars.

Balance of payments

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	115,187	112,766	112,425	115,247	129,618	126,142	477,694	459,974
Goods	100,587	95,292	98,493	101,497	113,934	107,690	413,795	400,010
Services	14,600	17,475	13,932	13,749	15,684	18,452	63,899	59,964
Investment income	8,172	8,354	9,122	8,891	10,734	9,943	31,185	32,700
Direct investment	4,140	4,348	5,239	4,978	6,519	5,793	13,624	16,455
Portfolio investment	2,359	2,353	2,243	2,199	2,295	2,298	9,628	9,321
Other investment	1,673	1,654	1,640	1,714	1,921	1,852	7,934	6,923
Current transfers	1,490	1,490	1,820	2,050	1,624	1,567	6,957	6,714
Current account receipts	124,849	122,611	123,367	126,188	141,976	137,652	515,836	499,388
Payments								
Goods and services	106,404	98,449	101,037	103,231	114,158	109,495	427,382	412,688
Goods	89,126	80,420	83,643	84,565	95,614	90,975	356,581	341,833
Services	17,278	18,029	17,393	18,666	18,544	18,520	70,801	70,855
Investment income	13,424	13,483	13,387	14,631	15,631	15,127	59,839	56,443
Direct investment	4,696	4,896	4,774	5,837	7,136	6,756	20,670	20,884
Portfolio investment	7,188	7,129	6,893	6,801	6,888	6,856	30,466	28,755
Other investment	1,541	1,458	1,719	1,993	1,606	1,515	8,702	6,804
Current transfers	1,321	1,475	1,520	2,163	1,435	1,520	5,951	6,440
Current account payments	121,149	113,407	115,943	120,026	131,223	126,143	493,171	475,570
Balances								
Goods and services	8,783	14,318	11,388	12,015	15,460	16,646	50,312	47,287
Goods	11,461	14,872	14,850	16,932	18,320	16,715	57,214	58,177
Services	-2,678	-554	-3,462	-4,917	-2,860	-69	-6,903	-10,891
Investment income	-5,252	-5,129	-4,265	-5,740	-4,896	-5,184	-28,653	-23,743
Direct investment	-556	-548	464	-859	-617	-964	-7,046	-4,429
Portfolio investment	-4,829	-4,777	-4,650	-4,601	-4,593	-4,558	-20,838	-19,433
Other investment	132	196	-80	-279	315	338	-769	119
Current transfers	169	14	301	-113	189	46	1,006	274
Current account balance	3,700	9,204	7,424	6,162	10,753	11,509	22,664	23,818
Capital and financial account[1]								
Capital account	985	1,067	917	924	1,201	1,099	4,988	3,968
Financial account	-13,012	-6,456	-8,775	-7,900	-5,680	-7,414	-17,837	-24,694
Canadian assets, net flows								
Canadian direct investment abroad	-2,743	-3,510	-19,258	-6,748	-30,507	-11,110	-41,472	-30,191
Portfolio investment	-3,204	-2,812	-5,154	-2,389	-4,137	-3,462	-25,087	-12,519
Foreign bonds	-2,664	-5	-1,901	-2,612	-3,057	-3,030	-6,229	-8,071
Foreign stocks	-540	-2,807	-3,253	224	-1,080	-432	-18,858	-4,449
Other investment	3,959	2,227	-8,046	446	-12,430	754	-13,206	-25,401
Loans	2,913	6,256	2,627	-704	-2,068	816	-8,182	6,171
Deposits	3,066	292	-9,205	-1,454	-5,627	4,150	5,731	-23,234
Official international reserves	229	4	1,749	-236	243	-517	298	4,693
Other assets	-2,249	-4,325	-3,217	2,840	-4,978	-3,694	-11,053	-13,030
Total Canadian assets, net flows	-1,988	-4,095	-32,459	-8,690	-47,074	-13,818	-79,765	-68,111
Canadian liabilities, net flows								
Foreign direct investment in Canada	5,679	-863	-827	7,006	-1,496	5,755	33,026	9,222
Portfolio investment	9,204	-8,820	10,130	3,325	25,429	10,841	20,935	18,469
Canadian bonds	6,161	-12,240	3,947	1,747	4,695	6,632	18,684	7,000
Canadian stocks	2,575	5,394	5,227	4,351	18,893	6,345	-1,531	12,931
Canadian money market	467	-1,975	956	-2,772	1,841	-2,136	3,782	-1,461
Other investment	-25,907	7,323	14,380	-9,541	17,462	-10,192	7,967	15,726
Loans	-3,480	-264	4,472	1,196	3,770	-7,078	1,400	1,741
Deposits	-20,592	7,525	10,131	-10,519	14,714	-1,905	13,568	18,265
Other liabilities	-1,835	61	-223	-218	-1,022	-1,210	-7,001	-4,280
Total Canadian liabilities, net flows	-11,024	-2,361	23,683	790	41,394	6,404	61,928	43,417
Total capital and financial account, net flows	-12,027	-5,389	-7,859	-6,976	-4,479	-6,315	-12,850	-20,725
Statistical discrepancy	8,328	-3,814	434	813	-6,274	-5,194	-9,815	-3,092

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

Current account

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	113,279	112,786	112,635	116,238	126,193	126,422	477,694	459,974
Goods	98,578	98,030	97,545	100,980	110,528	110,978	413,795	400,010
Services	14,700	14,757	15,090	15,258	15,665	15,444	63,899	59,964
Travel	3,443	3,552	3,732	3,985	4,091	4,113	16,747	14,746
Transportation	2,430	2,517	2,637	2,759	3,004	2,995	11,115	10,285
Commercial services	8,484	8,338	8,372	8,173	8,217	7,981	34,599	33,551
Government services	344	349	350	341	353	354	1,438	1,382
Investment income	8,233	8,362	9,068	9,010	10,640	9,942	31,185	32,700
Direct investment	4,229	4,398	5,131	5,054	6,476	5,831	13,624	16,455
Interest	171	185	175	130	154	155	471	748
Profits	4,058	4,213	4,956	4,924	6,322	5,676	13,153	15,707
Portfolio investment	2,312	2,327	2,315	2,221	2,251	2,264	9,628	9,321
Interest	432	463	480	472	548	543	1,775	1,814
Dividends	1,881	1,864	1,836	1,750	1,702	1,722	7,853	7,508
Other investment	1,692	1,637	1,622	1,735	1,914	1,846	7,934	6,923
Current transfers	1,650	1,651	1,706	1,808	1,808	1,757	6,957	6,714
Private	589	651	632	697	620	670	2,567	2,558
Official	1,061	1,000	1,073	1,111	1,188	1,087	4,390	4,156
Total receipts	123,163	122,799	123,409	127,056	138,641	138,120	515,836	499,388
Payments								
Goods and services	102,689	100,644	101,505	103,129	109,974	111,705	427,382	412,688
Goods	85,260	83,143	83,469	84,884	91,397	93,653	356,581	341,833
Services	17,428	17,501	18,035	18,245	18,578	18,052	70,801	70,855
Travel	4,284	4,590	5,002	5,220	5,281	5,043	18,333	18,608
Transportation	3,450	3,603	3,592	3,716	3,932	3,996	14,122	14,225
Commercial services	9,470	9,082	9,213	9,081	9,136	8,783	37,464	37,119
Government services	224	226	228	228	229	230	883	903
Investment income	13,521	13,913	13,641	14,151	15,755	15,360	59,839	56,443
Direct investment	4,646	5,174	5,039	5,654	7,074	6,815	20,670	20,884
Interest	462	474	475	498	497	499	1,385	1,862
Profits	4,184	4,700	4,564	5,156	6,576	6,316	19,285	19,022
Portfolio investment	7,195	7,147	6,942	6,763	6,905	6,873	30,466	28,755
Interest	6,503	6,429	6,189	6,115	6,194	6,159	27,714	25,849
Dividends	692	718	753	648	711	714	2,753	2,905
Other investment	1,681	1,592	1,660	1,734	1,777	1,672	8,702	6,804
Current transfers	1,653	1,606	1,601	1,638	1,722	1,656	5,951	6,440
Private	906	902	925	945	991	974	3,382	3,607
Official	746	704	676	692	731	681	2,569	2,833
Total payments	117,863	116,163	116,747	118,917	127,451	128,721	493,171	475,570
Balances								
Goods and services	10,590	12,142	11,130	13,110	16,219	14,717	50,312	47,287
Goods	13,318	14,887	14,075	16,096	19,132	17,325	57,214	58,177
Services	-2,728	-2,744	-2,945	-2,986	-2,913	-2,608	-6,903	-10,891
Travel	-842	-1,038	-1,271	-1,235	-1,190	-930	-1,586	-3,862
Transportation	-1,020	-1,086	-955	-957	-927	-1,001	-3,007	-3,940
Commercial services	-986	-744	-841	-908	-919	-802	-2,865	-3,567
Government services	120	123	121	114	124	125	555	479
Investment income	-5,288	-5,551	-4,572	-5,141	-5,115	-5,419	-28,653	-23,743
Direct investment	-417	-776	92	-600	-598	-984	-7,046	-4,429
Interest	-291	-289	-300	-368	-344	-344	-914	-1,114
Profits	-126	-487	392	-232	-254	-640	-6,132	-3,315
Portfolio investment	-4,883	-4,820	-4,626	-4,542	-4,654	-4,609	-20,838	-19,433
Interest	-6,072	-5,966	-5,709	-5,643	-5,645	-5,616	-25,939	-24,036
Dividends	1,189	1,146	1,083	1,101	992	1,007	5,100	4,602
Other investment	11	45	-38	1	137	174	-769	119
Current transfers	-2	45	104	170	86	101	1,006	274
Private	-317	-251	-293	-249	-371	-305	-815	-1,049
Official	315	296	397	419	457	406	1,821	1,323
Current account	5,300	6,636	6,662	8,139	11,190	9,399	22,664	23,818

Labour productivity, hourly compensation and unit labour cost

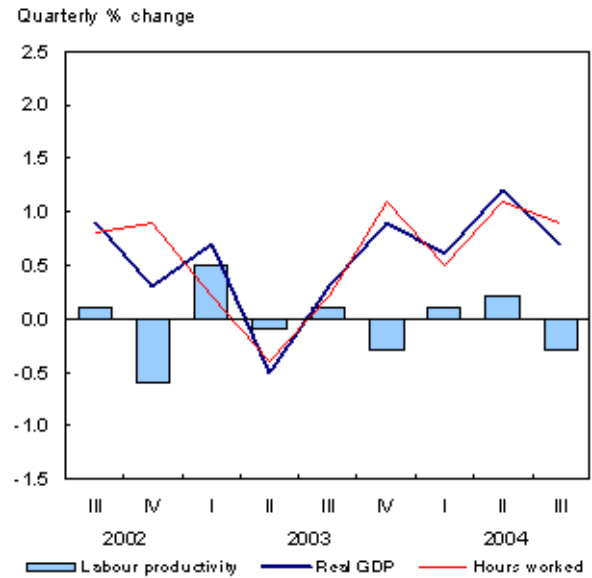
Third quarter 2004

With the slowdown in economic activity and the continued rise in hours worked, Canada's business sector productivity performance fell slightly by 0.3% between July and September.

With this third quarter slump, productivity continued its lacklustre performance of the previous five quarters. During this period, productivity growth ranged from a 0.2% gain to a 0.3% decline.

The lack of productivity gains, combined with the strength of the Canadian dollar, pushed up the unit labour cost in American dollars in the third quarter. This has adversely affected the competitiveness of Canadian businesses compared to their American counterparts.

Quarterly productivity edged down



Labour productivity, measured as real GDP per hour worked, is an important contributor to the improvement of living standards and the competitiveness of businesses.

The growth in hours worked remained steady between July and September 2004, while output slowed, giving rise to a productivity decline.

Note to readers

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

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

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

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

Revisions

With this release, revisions have been made back to the first quarter of 1997 to incorporate the adjustments in annual benchmarks on hours worked and revised data of GDP by industry that were published in *The Daily* of November 9, 2004.

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

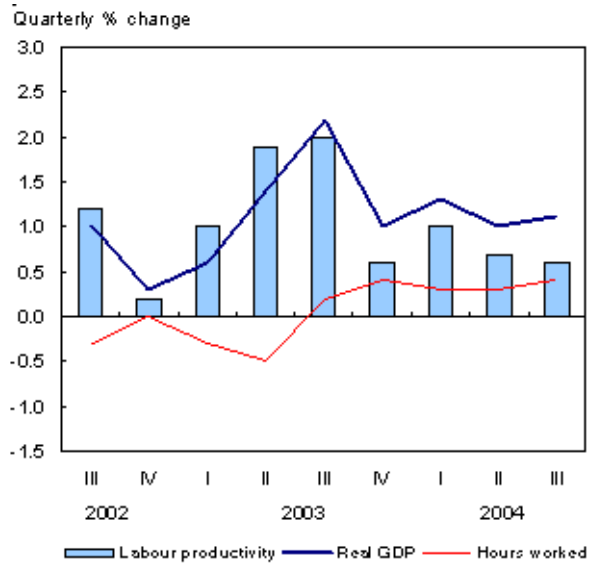
Labour compensation includes all payments in cash or in kind made by domestic producers to persons as remuneration for work. This includes salaries and supplementary labour income of paid workers, plus the imputed labour income of self-employed workers.

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

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

In the United States, productivity increased by only 0.6% in the third quarter, after gains of 1.0% in the first quarter of the year and 0.7% in the second quarter. Over the past four quarters, US productivity has grown an average of 0.7% per quarter.

The U.S. productivity growth continued at slower pace



This is the sixth straight quarter in which Canadian businesses have posted a more modest productivity performance than their American counterparts.

Productivity growth in the goods sector

Productivity rose in the goods sector in the third quarter but it fell in the services sector. The opposite was true in the previous quarter.

After falling in the two previous quarters, productivity in the goods sector experienced a strong growth of 0.9% in the third quarter.

For the first time since the first quarter of 2003, there was a slight decline of 0.5% in productivity in the services sector in the third quarter.

In the third quarter, productivity gains in the goods-producing sector were attributable mainly to the strong 1.4% growth in productivity in the manufacturing sector, following two straight quarters of decline.

This productivity performance in manufacturing in the third quarter occurred in the context of stronger growth in manufacturing output (+2.0%), resulting from a sharp increase in output in the motor vehicle, chemicals, machinery, metals, and information and communications technology equipment industries.

In the services sector, the third quarter decline in productivity was due mainly to the sharp 2.0% decrease in productivity in finance, insurance, real estate and rental services after two straight quarters of increases. The growth in activity in this industry slowed significantly, improving only 0.1% in the third quarter, after a gain of 1.3% in the second quarter, while hours worked rose 2.0% after falling 1.3% in the second quarter.

Wholesale and retail trade, two industry groups in the services sector, experienced a modest growth in productivity in the third quarter, increasing 0.1% and 0.3% respectively. Wholesale trade output rose 1.9% in the third quarter, primarily as a result of machinery, computers and electronics, while retail trade activity rose 1.5% as a result of a general rise in sales.

Businesses unit labour cost increased slightly

On a quarter-to-quarter basis, unit labour cost, an indicator that measures relative changes in hourly compensation as opposed to productivity, increased slightly (+0.3%) during the third quarter.

This quarterly increase resulted from a decline of 0.3% in productivity, since the hourly compensation paid to workers in the business sector was not changed in the third quarter.

In the second quarter, while unit labour costs in the business sector stalled, productivity increases at the same pace as hourly compensation.

Unit labour costs in the services sector increased by 0.4% for a second consecutive quarter. In the goods sector, unit costs fell for a fourth time in the last five quarters, declining by 0.8% in the third quarter.

At the industry level, the most significant decrease occurred in the agriculture, forestry, fishing and hunting sector (-4.2%), while accommodation and food services registered the greatest increase (+3.6%).

In reaction to its productivity rebound in the third quarter combined with the continued trend of moderate growth in hourly compensation, unit labour costs in manufacturing declined for a fifth consecutive quarter. Unit labour costs registered a decline of 1.3% in the third quarter compared to -2.2% in the previous quarter.

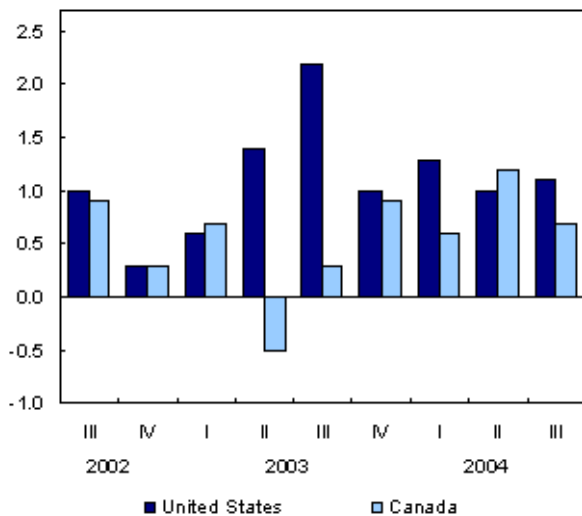
Slowdown in GDP but a stronger Canadian labour market

Growth in real GDP in the third quarter of 2004 south of border outpaced that in Canada, a reversal of the situation in the second quarter.

Growth in GDP of Canadian businesses slowed in the third quarter, reaching 0.7%, about half the pace achieved in the previous quarter (+1.2%). This slowdown is primarily attributable to the 0.5% drop in exports and the 3.1% increase in imports. Essentially, GDP growth came from final domestic demand, as consumer spending picked up steam while investment advanced 1.1%.

Higher output growth of U.S. businesses

Quarterly % change



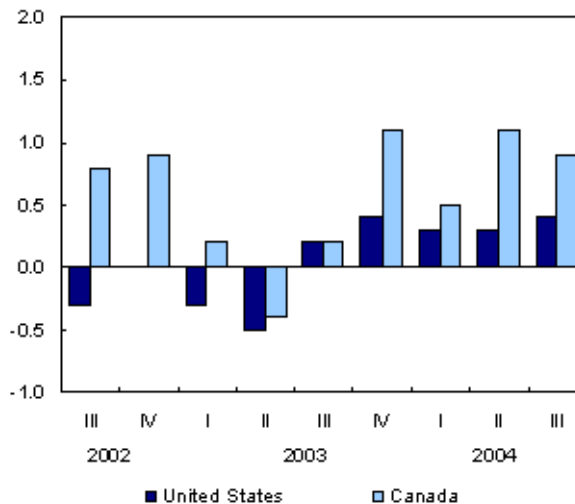
The pace of growth in the real GDP of American businesses in the third quarter remained steady in comparison to the second quarter at 1.1%. On a quarterly basis, GDP of American businesses has seen increases equal to or higher than 1.0% since the second quarter of 2003.

The strength of US activity is mainly the result of a strong recovery in consumer spending by American households. Spending rose by 1.3% in the third quarter, the largest increase since the fourth quarter of 2001 (+1.7%).

Despite the slowdown in GDP growth in Canada, the Canadian labour market continued to be more dynamic than in the United States. The increase hours worked in Canadian businesses, already strong in the second quarter, remained high in the third quarter at 0.9%.

Hours worked in Canada maintained a steady pace

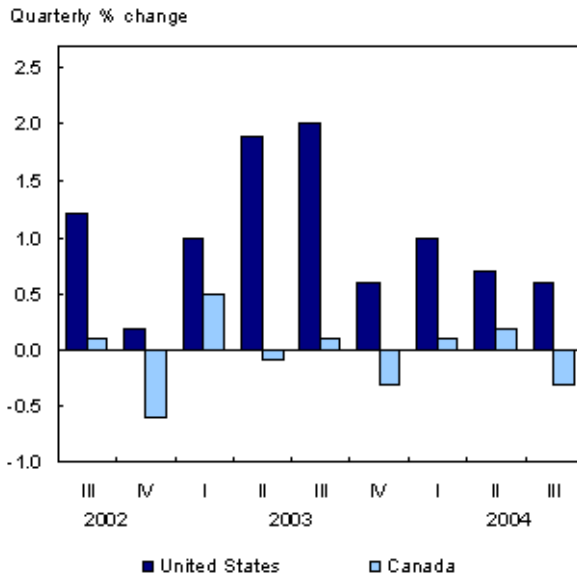
Quarterly % change



In contrast, the hours worked in American businesses increased only 0.4% in the second quarter. During the last five quarters, the pace of growth in hours worked in the United States has remained virtually the same. On average, hours worked have increased over this period by 0.3% per quarter.

Canadian businesses experienced a decline in their productivity in the third quarter. In comparison, the productivity of American businesses continued its upward trend in the third quarter, although at a slower pace, reaching 0.6%.

Canada-U.S. productivity gap persisted



The average gap in productivity growth between the two countries remained at 0.8 percentage points per quarter during the last four quarters.

The strength of the Canadian dollar harms the competitiveness of Canadian exporters

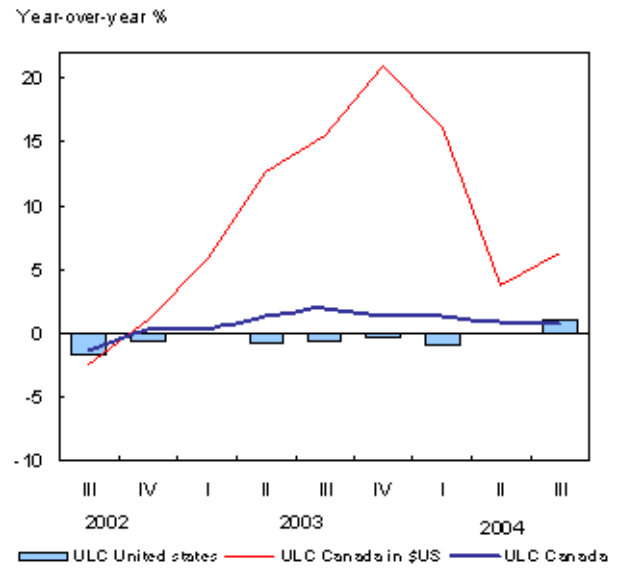
During the third quarter of 2004, Canadian businesses gain a marginal advantage over their American counterpart in terms of their unit labour cost when we do not take account of the exchange rate.

On a year-to-year basis, unit labour cost in Canadian businesses increased by 0.8% during the third quarter compared to 1.1% in American businesses.

It was the first time since the second quarter of 2002 that Canadian businesses obtained a slight advantage over their American counterpart in terms of unit labour costs when they are expressed in their respective currency. At that time, unit labour costs in both countries have increased at exactly the same pace.

On a year-over-year basis, the growth in labour costs per unit of GDP of Canadian businesses has gradually slowed during the last five quarters, when measured in Canadian dollars

Canadian unit labour costs in US\$ went up again



However, this advantage for Canada completely vanishes when the unit labour cost is adjusted for changes in the exchange rate. With the 5.3% appreciation in the value of the Canadian dollar vis-à-vis its US counterpart between the third quarter of 2003 and 2004, the United States continues to hold a clear advantage in terms of unit cost trends.

Unit labour costs for Canadian businesses, as measured in US currency, posted a 6.3% increase annually in the third quarter, while those of American businesses advanced only 1.1%.

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004
Seasonally adjusted						
% change from previous quarter						
Canada						
Labour productivity	-0.1	0.1	-0.3	0.1	0.2	-0.3
Real GDP	-0.5	0.3	0.9	0.6	1.2	0.7
Hours worked	-0.4	0.2	1.1	0.5	1.1	0.9
Hourly compensation	0.3	0.5	-0.2	0.6	0.2	0.0
Unit labour cost	0.5	0.4	0.1	0.5	0.0	0.3
Exchange rate[2]	-7.3	-1.3	-4.7	0.2	3.2	-3.9
Unit labour cost in US\$	8.5	1.7	4.9	0.3	-3.0	4.2
United States						
Labour productivity	1.9	2.0	0.6	1.0	0.7	0.6
Real GDP	1.4	2.2	1.0	1.3	1.0	1.1
Hours worked	-0.5	0.2	0.4	0.3	0.3	0.4
Hourly compensation	1.5	1.4	1.0	0.7	1.3	1.0
Unit labour cost	-0.3	-0.7	0.3	-0.3	0.6	0.3
% change from same quarter of previous year						
Canada						
Labour productivity	-0.1	-0.1	0.3	-0.2	0.1	-0.3
Real GDP	1.4	0.9	1.4	1.3	3.0	3.4
Hours worked	1.5	0.9	1.1	1.4	2.9	3.6
Hourly compensation	1.3	1.9	1.8	1.2	1.1	0.6
Unit labour cost	1.4	2.0	1.4	1.4	0.9	0.8
Exchange rate[2]	-10.1	-11.7	-16.2	-12.7	-2.8	-5.3
Unit labour cost in US\$	12.7	15.5	21.0	16.2	3.8	6.3
United States						
Labour productivity	4.4	5.3	5.6	5.6	4.4	2.9
Real GDP	3.2	4.5	5.3	6.1	5.6	4.4
Hours worked	-1.1	-0.7	-0.3	0.5	1.2	1.5
Hourly compensation	3.6	4.6	5.3	4.6	4.4	4.0
Unit labour cost	-0.7	-0.6	-0.3	-0.9	0.0	1.1
% change from previous quarter at annualized rate[3]						
Canada						
Labour productivity	-0.4	0.4	-1.1	0.4	0.7	-1.1
Real GDP	-1.9	1.3	3.5	2.5	4.7	2.8
Hours worked	-1.4	0.7	4.4	2.1	4.3	3.5
Hourly compensation	1.3	2.0	-0.7	2.3	0.7	0.0
Unit labour cost	1.9	1.5	0.4	1.9	0.0	1.1
Unit labour cost in US\$	38.8	7.0	21.3	1.1	-11.5	17.9
United States						
Labour productivity	7.6	8.5	2.4	3.9	2.9	2.4
Real GDP	5.6	9.3	4.2	5.3	3.9	4.5
Hours worked	-1.9	0.7	1.7	1.3	1.0	2.0
Hourly compensation	6.1	5.6	4.0	2.8	5.2	4.0
Unit labour cost	-1.4	-2.6	1.6	-1.1	2.3	1.5

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

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

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

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

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004
Seasonally adjusted						
% change from previous quarter						
Canada						
All jobs	-0.1	0.3	1.0	-0.1	0.7	0.5
Hours worked	-0.4	0.2	1.1	0.5	1.1	0.9
Average hours	-0.2	-0.1	0.1	0.6	0.3	0.4
Labour share[2]	1.3	-0.3	-0.1	-0.8	-1.7	-1.0
United States						
All jobs	-0.2	0.2	0.2	0.2	0.7	0.4
Hours worked	-0.5	0.2	0.4	0.3	0.3	0.4
Average hours	-0.3	0.1	0.2	0.2	-0.4	0.0
Labour share[2]	-0.5	-0.9	0.2	-0.8	-0.2	0.1
% change from same quarter of previous year						
Canada						
All jobs	1.9	1.3	1.5	1.1	1.9	2.2
Hours worked	1.5	0.9	1.1	1.4	2.9	3.6
Average hours	-0.3	-0.4	-0.3	0.4	0.9	1.4
Labour share[2]	-1.3	-1.2	-0.7	0.0	-2.9	-3.5
United States						
All jobs	-0.4	-0.2	-0.1	0.3	1.2	1.5
Hours worked	-1.1	-0.7	-0.3	0.5	1.2	1.5
Average hours	-0.7	-0.5	-0.2	0.2	0.1	0.0
Labour share[2]	-2.0	-1.9	-1.4	-2.0	-1.7	-0.7
% change from previous quarter at annualized rates[3]						
Canada						
All jobs	-0.3	1.1	4.3	-0.3	2.8	2.1
Hours worked	-1.4	0.7	4.4	2.1	4.3	3.5
Average hours	-0.8	-0.4	0.4	2.5	1.2	1.6
Labour share[2]	5.1	-1.2	-0.4	-3.3	-6.5	-3.8
United States						
All jobs	-0.7	0.7	0.7	0.7	2.8	1.7
Hours worked	-1.9	0.7	1.7	1.3	1.0	2.0
Average hours	-1.2	0.4	0.8	0.8	-1.6	0.0
Labour share[2]	-2.0	-3.6	0.8	-3.2	-0.8	0.4

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

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

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

Labour productivity by industry

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
	Seasonally adjusted							
Business sector - goods	113.2	114.1	114.9	114.7	113.7	114.7	114.2	113.8
	<i>0.1</i>	<i>0.8</i>	<i>0.7</i>	<i>-0.2</i>	<i>-0.9</i>	<i>0.9</i>	<i>1.6</i>	<i>-0.3</i>
Agriculture, forestry, fishing and hunting	134.2	133.0	133.1	135.2	136.0	147.7	122.7	132.2
	<i>4.5</i>	<i>-0.9</i>	<i>0.1</i>	<i>1.6</i>	<i>0.6</i>	<i>8.6</i>	<i>-5.4</i>	<i>7.7</i>
Construction	109.3	109.4	109.2	108.2	105.1	103.3	109.7	108.9
	<i>1.5</i>	<i>0.1</i>	<i>-0.2</i>	<i>-0.9</i>	<i>-2.9</i>	<i>-1.7</i>	<i>-1.0</i>	<i>-0.7</i>
Manufacturing	117.2	118.4	120.5	120.8	120.4	122.1	118.4	118.4
	<i>-0.3</i>	<i>1.0</i>	<i>1.8</i>	<i>0.2</i>	<i>-0.3</i>	<i>1.4</i>	<i>3.9</i>	<i>0.0</i>
Business sector - services	113.7	114.8	115.2	116.6	117.3	116.7	112.7	114.2
	<i>0.6</i>	<i>1.0</i>	<i>0.3</i>	<i>1.2</i>	<i>0.6</i>	<i>-0.5</i>	<i>2.9</i>	<i>1.3</i>
Wholesale trade	125.9	126.3	131.7	132.3	134.2	134.3	123.8	127.7
	<i>-0.8</i>	<i>0.3</i>	<i>4.3</i>	<i>0.5</i>	<i>1.4</i>	<i>0.1</i>	<i>7.9</i>	<i>3.1</i>
Retail trade	119.5	121.3	119.5	121.7	121.7	122.1	118.5	119.7
	<i>1.0</i>	<i>1.5</i>	<i>-1.5</i>	<i>1.8</i>	<i>0.0</i>	<i>0.3</i>	<i>0.7</i>	<i>1.0</i>
Transportation and warehousing	109.8	111.4	112.8	114.0	113.0	113.2	110.3	111.2
	<i>-1.0</i>	<i>1.5</i>	<i>1.3</i>	<i>1.1</i>	<i>-0.9</i>	<i>0.2</i>	<i>2.2</i>	<i>0.8</i>
Information and cultural industries	117.9	116.5	113.1	115.1	115.7	114.1	117.9	116.7
	<i>-1.0</i>	<i>-1.2</i>	<i>-2.9</i>	<i>1.8</i>	<i>0.5</i>	<i>-1.4</i>	<i>10.8</i>	<i>-1.0</i>
Finance, real estate and company management	107.6	111.3	111.0	113.0	116.0	113.7	110.2	108.6
	<i>3.1</i>	<i>3.4</i>	<i>-0.3</i>	<i>1.8</i>	<i>2.7</i>	<i>-2.0</i>	<i>4.8</i>	<i>-1.5</i>
Professional, scientific and technical services	125.6	125.0	124.3	125.5	125.1	123.9	118.8	124.7
	<i>1.5</i>	<i>-0.5</i>	<i>-0.6</i>	<i>1.0</i>	<i>-0.3</i>	<i>-1.0</i>	<i>5.9</i>	<i>5.0</i>
Administrative and support, waste management and remediation services	95.2	94.7	94.9	96.3	96.2	94.4	96.1	95.0
	<i>0.2</i>	<i>-0.5</i>	<i>0.2</i>	<i>1.5</i>	<i>-0.1</i>	<i>-1.9</i>	<i>-3.5</i>	<i>-1.2</i>
Accommodation and food services	100.9	102.7	106.4	106.3	105.8	105.8	104.8	103.2
	<i>-1.9</i>	<i>1.8</i>	<i>3.6</i>	<i>-0.1</i>	<i>-0.5</i>	<i>0.0</i>	<i>0.3</i>	<i>-1.5</i>
Other commercial services	112.3	113.7	113.0	113.7	114.4	114.6	109.7	112.6
	<i>0.8</i>	<i>1.2</i>	<i>-0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.2</i>	<i>0.4</i>	<i>2.7</i>

Unit labour cost by industry

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Seasonally adjusted								
Business sector - goods	108.9	108.4	108.1	108.7	108.4	107.5	107.5	108.4
	<i>0.6</i>	<i>-0.5</i>	<i>-0.3</i>	<i>0.6</i>	<i>-0.3</i>	<i>-0.8</i>	<i>1.9</i>	<i>0.9</i>
Agriculture, forestry, fishing and hunting	111.6	111.9	114.0	114.1	110.1	105.5	133.4	114.5
	<i>-7.5</i>	<i>0.3</i>	<i>1.9</i>	<i>0.1</i>	<i>-3.5</i>	<i>-4.2</i>	<i>17.4</i>	<i>-14.1</i>
Construction	108.0	109.1	109.7	110.7	113.9	114.6	106.4	109.0
	<i>-1.0</i>	<i>1.0</i>	<i>0.5</i>	<i>0.9</i>	<i>2.9</i>	<i>0.6</i>	<i>4.0</i>	<i>2.4</i>
Manufacturing	102.6	101.8	99.9	99.8	97.6	96.3	100.2	101.3
	<i>1.6</i>	<i>-0.8</i>	<i>-1.9</i>	<i>-0.1</i>	<i>-2.2</i>	<i>-1.3</i>	<i>-0.6</i>	<i>1.1</i>
Business sector - services	105.1	105.6	105.3	105.3	105.7	106.1	104.6	105.3
	<i>-0.1</i>	<i>0.5</i>	<i>-0.3</i>	<i>0.0</i>	<i>0.4</i>	<i>0.4</i>	<i>-1.4</i>	<i>0.6</i>
Wholesale trade	93.0	94.1	90.1	91.0	88.4	87.3	94.5	92.6
	<i>-0.3</i>	<i>1.2</i>	<i>-4.3</i>	<i>1.0</i>	<i>-2.9</i>	<i>-1.2</i>	<i>-4.8</i>	<i>-2.0</i>
Retail trade	102.1	101.0	102.6	102.1	105.2	104.8	100.4	101.8
	<i>0.5</i>	<i>-1.1</i>	<i>1.6</i>	<i>-0.5</i>	<i>3.0</i>	<i>-0.4</i>	<i>0.0</i>	<i>1.5</i>
Transportation and warehousing	110.2	110.1	106.8	105.9	106.0	107.4	107.7	109.0
	<i>1.2</i>	<i>-0.1</i>	<i>-3.0</i>	<i>-0.8</i>	<i>0.1</i>	<i>1.3</i>	<i>0.5</i>	<i>1.2</i>
Information and cultural industries	101.5	103.5	104.0	103.9	104.2	102.9	103.0	102.7
	<i>-0.4</i>	<i>2.0</i>	<i>0.5</i>	<i>-0.1</i>	<i>0.3</i>	<i>-1.2</i>	<i>-4.8</i>	<i>-0.2</i>
Finance, real estate and company management	105.5	106.6	107.8	106.9	106.3	106.9	103.8	106.5
	<i>-0.7</i>	<i>1.0</i>	<i>1.1</i>	<i>-0.8</i>	<i>-0.6</i>	<i>0.6</i>	<i>-3.2</i>	<i>2.6</i>
Professional, scientific and technical services	106.7	107.0	108.7	109.9	109.2	108.7	112.8	107.7
	<i>-1.6</i>	<i>0.3</i>	<i>1.6</i>	<i>1.1</i>	<i>-0.6</i>	<i>-0.5</i>	<i>-2.2</i>	<i>-4.5</i>
Administrative and support, waste management and remediation services	117.5	116.2	119.4	120.6	121.7	123.7	117.6	117.3
	<i>1.4</i>	<i>-1.1</i>	<i>2.8</i>	<i>1.0</i>	<i>0.9</i>	<i>1.6</i>	<i>3.8</i>	<i>-0.3</i>
Accommodation and food services	119.2	120.5	117.2	117.2	122.2	126.6	112.6	118.8
	<i>0.8</i>	<i>1.1</i>	<i>-2.7</i>	<i>0.0</i>	<i>4.3</i>	<i>3.6</i>	<i>3.1</i>	<i>5.5</i>
Other commercial services	101.8	103.9	102.5	103.4	106.0	107.0	101.2	102.3
	<i>0.7</i>	<i>2.1</i>	<i>-1.3</i>	<i>0.9</i>	<i>2.5</i>	<i>0.9</i>	<i>1.5</i>	<i>1.1</i>

International investment position

Third quarter 2004

The value of Canada's assets abroad plunged during the third quarter of 2004 as the Canadian dollar appreciated mostly against the US currency. The appreciation also caused a decline in Canadian liabilities to the rest of the world. As a result, Canada's net liability to foreign residents (the difference between its external assets and foreign liabilities) rose by 9.2% to \$192.9 billion.

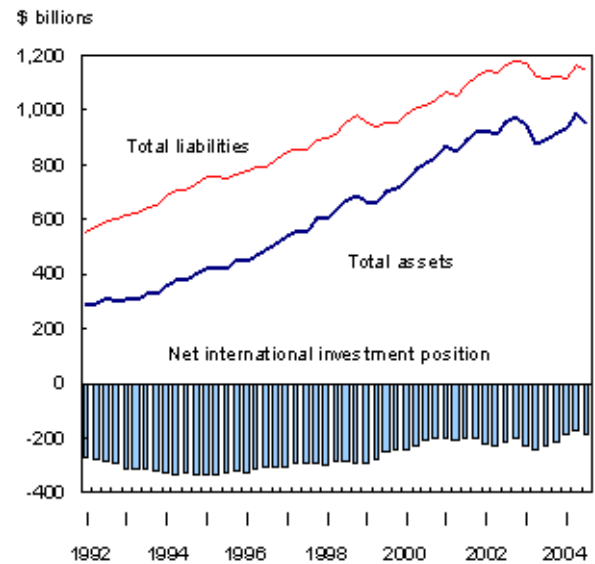
The value of international assets fell to \$954.9 billion, a drop of \$35.4 billion from the second quarter-end level. The dollar, which gained over 5% in value with its US counterpart during the quarter, removed \$43.8 billion from the value of these assets.

At the same time, Canada's international liabilities declined \$19.2 billion to \$1,147.7 billion. The strengthening dollar removed \$23.6 billion from the position more than offsetting all the net transactions during the quarter.

As a result, net external liabilities as a proportion of Canada's gross domestic product (GDP) rose at the end of the third quarter. The ratio, which had been steadily declining from a peak of 44.3% in 1994 to reach 13.7% at the end of the second quarter, rose to 14.7%.

During the third quarter, the Canadian dollar gained ground against the US dollar and also against all other major currencies. It gained 5.4% against the US dollar, 3.5% against the Euro and 6.4% against the Japanese Yen.

Canada's international investment position



Canadian assets abroad decline

The stronger Canadian dollar had its largest impact on the value of Canadian direct investment abroad, which fell by \$9.7 billion to \$438.1 billion. The exchange rate revaluation removed \$21.0 billion from asset values. This more than offset net transactions of \$11.1 billion during the third quarter. About one half of the decline was for assets in the United States.

Note to readers

Additional estimates at market value

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

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.

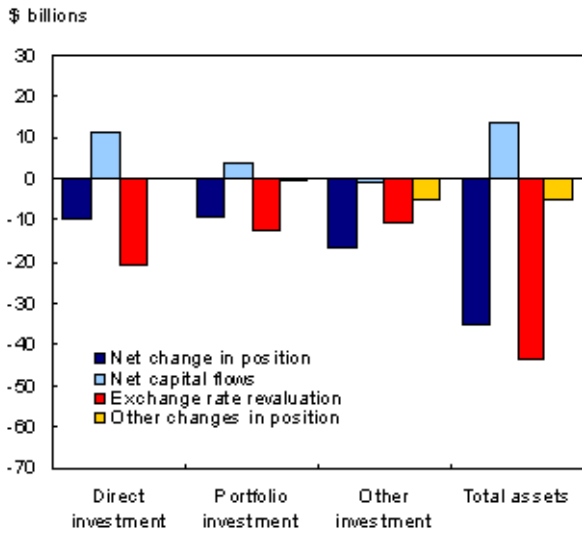
When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

The combination of weak foreign equity markets in the third quarter of 2004 and the rise of the Canadian dollar translated into a 5.0% decrease in the value of foreign stocks held by Canadians. Canadians made only a small investment in foreign stocks during the quarter. The currency revaluation more than offset this investment resulting in a decline of \$9.7 billion in Canadian holding of foreign stocks to \$183.7 billion, the lowest level since the second quarter of 2001.

Canadian holding of foreign bonds increased slightly to \$51.9 billion. Canadians bought foreign bonds during the quarter but the strong loony mostly offset these transactions to leave the value of holdings at the end of September little changed.

At the same time, Canada's international reserves reached \$44.7 billion at the end of September, the lowest level since the end of 1999. The appreciation of the Canadian dollar was responsible for most of this decline.

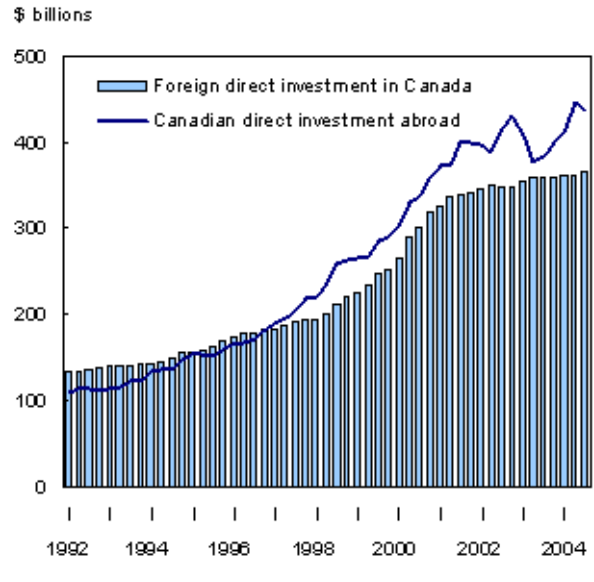
Contributors to net change in asset values between 2004Q2 and 2004Q3



Foreign direct investment in Canada increases

After a small decline in the second quarter, foreign direct investment in Canada increased \$5.7 billion to reach \$366.7 billion, a record in value. Foreign direct investors increased their foreign direct investment position in Canada mainly through short term injections and reinvested earnings in existing subsidiaries.

Foreign direct investment

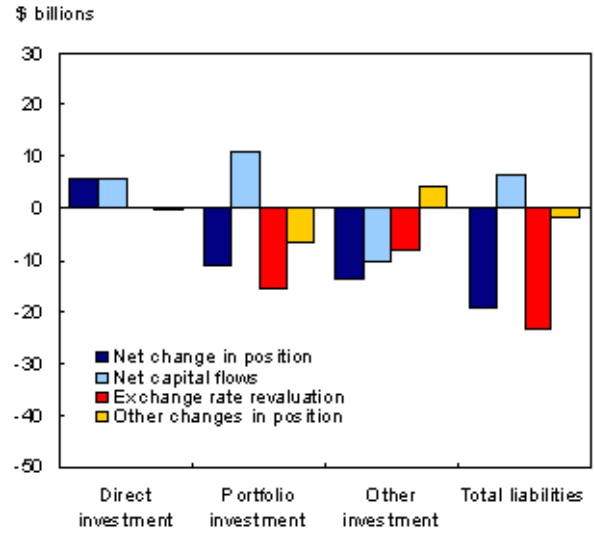


Foreign holdings of Canadian debt instruments decrease substantially

Foreign holdings of Canadian bonds decreased \$10.8 billion to \$403.7 billion at the end of the third quarter. At the same time, foreign holdings of Canadian money market paper fell by 12.6% to \$18.0 billion, the lowest level in 17 years. While foreign demand for short term instruments was lower, the lower value of holdings of Canadian bonds was largely due to the strengthening Canadian dollar.

The largest share offering in Canadian history and a corporate restructuring led foreign investment position in Canadian stocks to its highest level ever at \$106.9 billion at the end of September. The S&P/TSX composite index gained over 1% during the quarter.

Contributors to net change in liability values between 2004Q2 and 2004Q3



International investment position at period-end

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Millions of dollars								
Assets								
Canadian direct investment abroad	376,823	383,983	399,134	411,252	447,833	438,060	429,633	399,134
Portfolio investment abroad								
Foreign bonds	43,547	43,773	44,677	47,747	51,396	51,931	42,973	44,677
<i>Foreign bonds at market value</i>	47,170	47,007	47,790	52,285	54,556	56,345	45,118	47,790
Foreign stocks	185,547	189,221	188,787	190,980	193,379	183,719	213,562	188,787
<i>Foreign stocks at market value</i>	293,919	314,341	341,964	354,286	362,348	338,358	316,285	341,964
Other investment								
Loans	66,903	60,569	59,286	65,999	70,416	62,980	71,878	59,286
Allowances	-11,771	-11,796	-11,605	-11,548	-11,648	-11,480	-11,918	-11,605
Deposits	103,948	104,323	110,837	115,487	123,541	114,654	103,077	110,837
Official international reserves	47,173	47,719	45,690	46,116	46,349	44,652	56,230	45,690
Other assets	65,702	70,166	72,178	64,826	69,008	70,354	69,574	72,178
Total assets								
at book value	877,870	887,958	908,983	930,859	990,274	954,870	975,009	908,983
with portfolio investment at market value	989,867	1,016,312	1,065,274	1,098,703	1,162,403	1,113,923	1,079,877	1,065,274
Liabilities								
Foreign direct investment in Canada	359,541	358,732	357,548	361,660	360,965	366,721	348,917	357,548
Portfolio investment								
Canadian bonds	417,465	408,381	405,323	406,243	414,483	403,729	448,148	405,323
<i>Canadian bonds at market value</i>	456,667	440,906	436,591	447,444	437,170	436,096	481,176	436,591
Canadian stocks	80,606	82,764	84,707	86,187	104,695	106,899	79,607	84,707
<i>Canadian stocks at market value</i>	139,669	153,823	175,627	187,777	205,788	215,088	130,134	175,627
Canadian money market	22,735	20,725	21,388	18,693	20,632	18,042	25,189	21,388
Other investment								
Loans	52,704	52,154	53,618	51,493	52,907	41,427	58,229	53,618
Deposits	169,988	178,043	183,135	174,599	191,379	189,318	195,038	183,135
Other liabilities	21,229	21,333	21,219	21,772	21,856	21,590	22,189	21,219
Total liabilities								
at book value	1,124,269	1,122,132	1,126,937	1,120,647	1,166,919	1,147,726	1,177,318	1,126,937
with portfolio investment at market value	1,222,533	1,225,716	1,249,126	1,263,438	1,290,697	1,288,282	1,260,872	1,249,126
Net international investment position								
at book value	-246,399	-234,174	-217,954	-189,788	-176,645	-192,856	-202,309	-217,954
with portfolio investment at market value	-232,666	-209,404	-183,852	-164,735	-128,294	-174,359	-180,995	-183,852

National balance sheet accounts

Third quarter 2004

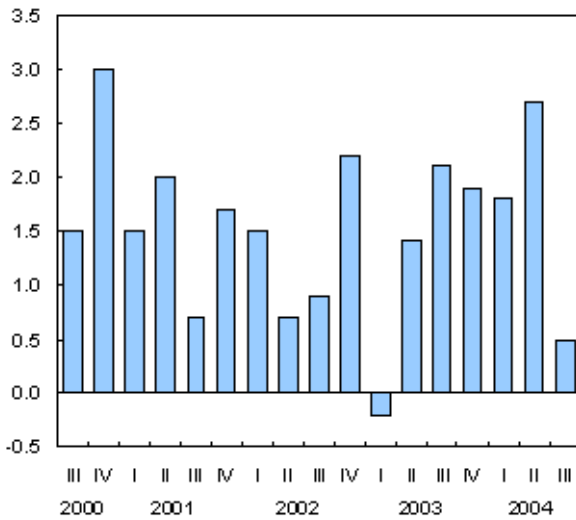
National net worth reached \$4.2 trillion by the end of the third quarter, or \$131,100 per capita.

Growth in national net worth slowed

National net worth edged up 0.5% in the third quarter, slowing markedly from the second quarter (+2.7%). While national wealth grew, these gains were largely offset by a sharp increase in net foreign debt, which resulted from the impact of valuation changes brought about by a stronger Canadian currency.

National net worth decelerated

% change, not seasonally adjusted



While slowing from the 1.7% increase of the second quarter, national wealth grew 1.5%, exceeding the average growth of the previous ten quarters. A combination of increased investment and higher prices of residential real estate assets accounted for more than half of the increase in the third quarter. Build up in inventories also had an impact, as corporations invested heavily in inventories.

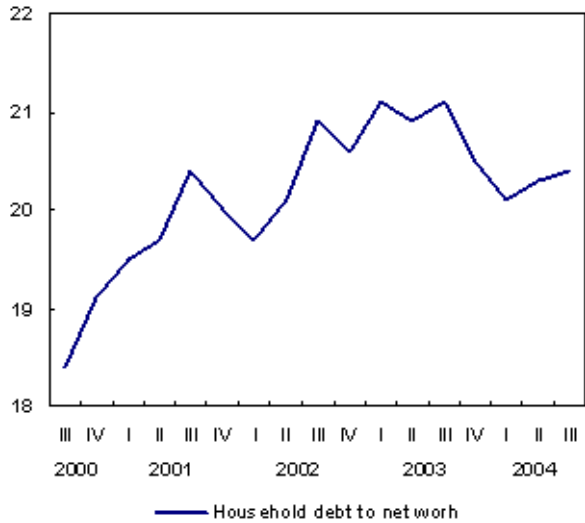
Canadians' net indebtedness to non-residents grew sharply in the quarter, as the value of Canadian direct and portfolio investments abroad declined more than the value of Canadian liabilities to non-residents. While net transaction flows of Canadian direct and portfolio investments abroad were positive, they were more than offset by reductions of foreign-currency-denominated assets related to a stronger Canadian dollar. The Canadian dollar advanced against the U.S. dollar and all other major currencies in the third quarter.

Change in household net worth driven by real estate

Growth in household net worth slowed to 0.9% in the quarter. While gains in household residential real estate assets were the largest contributor to growth in national wealth, growth decelerated from the second quarter. In addition, financial asset growth slowed.

Household leverage crept up

as a % of net worth, unadjusted data



Note to readers

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

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

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

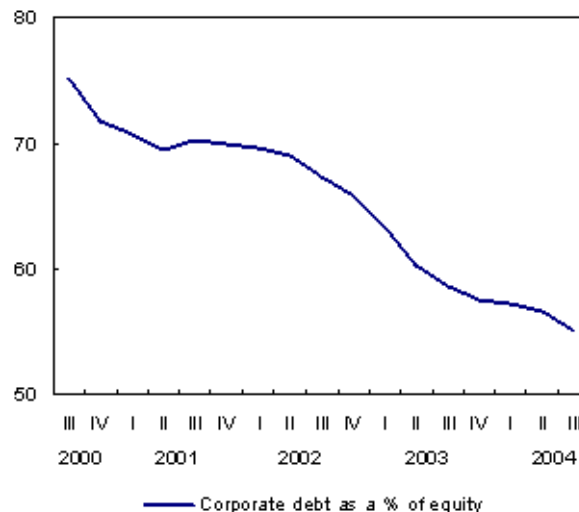
Demand for funds also slowed, but only marginally. As a result, households had \$105.1 in debt (consumer credit and mortgages) for every \$100 of their disposable income, an increase from the second quarter. The ratio of household debt to net worth also increased for the second consecutive quarter, but household sector leverage remained relatively low with debt representing 20.4% of net worth by quarter end.

Corporate debt-to-equity continued falling trend

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

Corporate leverage continued to edge down

as a % of equity, unadjusted data



Government debt-to-GDP at twenty year low

Government net debt (on a book value basis) dropped sharply (total government financial assets minus total government financial liabilities) reflecting both an overall government sector surplus position in the third quarter as well as the reduction of foreign currency denominated government debt related to the appreciation of the Canadian currency. Net government debt as a percentage of GDP fell for the eleventh consecutive quarter and has reached levels last seen twenty years ago.

National balance sheet accounts[1]

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	4,075 <i>1.5</i>	4,133 <i>1.4</i>	4,182 <i>1.2</i>	4,235 <i>1.3</i>	4,308 <i>1.7</i>	4,373 <i>1.5</i>	3,978 <i>6.1</i>	4,182 <i>5.1</i>
Net foreign debt	-232 ...	-209 ...	-183 ...	-165 ...	-128 ...	-174 ...	-180 ...	-183 ...
National net worth	3,843 <i>1.4</i>	3,924 <i>2.1</i>	3,999 <i>1.9</i>	4,070 <i>1.8</i>	4,180 <i>2.7</i>	4,199 <i>0.5</i>	3,797 <i>5.3</i>	3,999 <i>5.3</i>
National net worth per capita (dollars)	121,500 <i>1.2</i>	123,700 <i>1.8</i>	125,900 <i>1.8</i>	127,800 <i>1.5</i>	130,800 <i>2.3</i>	131,100 <i>0.2</i>	120,600 <i>4.3</i>	125,900 <i>4.4</i>
Book value, seasonally adjusted, billions of dollars								
Net worth								
Personal sector	3,622 <i>1.5</i>	3,663 <i>1.1</i>	3,704 <i>1.1</i>	3,766 <i>1.7</i>	3,817 <i>1.4</i>	3,827 <i>0.3</i>	3,576 <i>5.2</i>	3,704 <i>3.6</i>
Corporate sector	519 <i>-2.6</i>	530 <i>2.1</i>	557 <i>5.1</i>	571 <i>2.5</i>	605 <i>6.0</i>	616 <i>1.8</i>	545 <i>8.1</i>	557 <i>2.2</i>
Government sector	-191 ...	-182 ...	-175 ...	-165 ...	-154 ...	-136 ...	-215 ...	-175 ...
National net worth	3,951 <i>1.2</i>	4,010 <i>1.5</i>	4,086 <i>1.9</i>	4,172 <i>2.1</i>	4,268 <i>2.3</i>	4,307 <i>0.9</i>	3,906 <i>6.5</i>	4,086 <i>4.6</i>

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

National balance sheet, market value

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Millions of dollars at quarter end								
Total assets	12,207,404	12,424,469	12,749,291	13,049,686	13,281,419	13,396,905	12,086,485	12,749,291
Non-financial assets	4,074,786	4,132,637	4,182,169	4,234,663	4,308,035	4,373,480	3,977,645	4,182,169
Residential structures	1,063,173	1,091,068	1,110,122	1,135,182	1,165,818	1,193,041	1,030,411	1,110,122
Non-residential structures	994,307	1,003,797	1,012,940	1,019,013	1,026,317	1,035,563	981,316	1,012,940
Machinery and equipment	435,037	436,807	438,946	440,596	444,110	445,682	428,156	438,946
Consumer durables	338,615	339,976	345,252	343,875	350,695	351,328	330,652	345,252
Inventories	191,844	189,261	190,082	190,813	188,857	196,071	192,616	190,082
Land	1,051,810	1,071,728	1,084,827	1,105,184	1,132,238	1,151,795	1,014,494	1,084,827
Net financial assets	-232,152	-208,886	-183,335	-164,733	-128,295	-174,357	-180,366	-183,335
Financial assets	8,132,618	8,291,832	8,567,122	8,815,023	8,973,384	9,023,425	8,108,840	8,567,122
Official reserves	47,172	47,719	45,689	46,116	46,349	44,653	56,230	45,689
Gold & foreign currency	40,548	41,287	39,615	40,282	40,768	39,530	49,478	39,615
IMF reserve position	5,592	5,360	4,988	4,723	4,448	4,035	5,628	4,988
Special drawing rights	1,032	1,072	1,086	1,111	1,133	1,088	1,124	1,086
Currency and bank deposits	685,918	687,350	698,263	711,135	736,960	748,288	670,724	698,263
Other deposits	172,223	175,279	179,956	180,098	184,627	186,146	165,149	179,956
Foreign currency deposits	84,841	96,276	89,914	100,890	99,439	99,146	95,724	89,914
Consumer credit	211,584	217,529	222,092	223,709	230,080	235,511	204,274	222,092
Trade receivables	223,480	222,642	226,784	230,065	232,584	230,813	220,607	226,784
Bank loans	181,080	179,887	175,890	183,392	189,259	191,083	177,120	175,890
Other loans	186,821	184,203	187,269	188,377	191,284	190,085	189,676	187,269
Canada short-term paper	99,419	104,085	108,420	108,128	107,981	108,835	97,631	108,420
Other short-term paper	165,149	161,749	157,189	151,878	154,390	153,714	168,316	157,189
Mortgages	611,080	621,259	628,856	635,107	649,554	660,751	594,108	628,856
Canada bonds	288,004	296,836	292,040	293,780	286,173	278,028	286,068	292,040
(of which CSB's)	21,644	21,382	20,468	21,330	21,208	21,063	22,309	20,468
Provincial bonds	275,435	274,521	277,676	288,891	289,702	295,330	276,853	277,676
Municipal bonds	33,257	33,479	32,876	34,875	34,451	35,052	35,897	32,876
Other bonds	249,979	246,567	254,592	263,880	275,163	274,707	248,379	254,592
Life insurance & pensions	987,370	1,009,815	1,044,206	1,083,669	1,088,743	1,100,224	986,002	1,044,206
Corporate claims	996,237	1,005,795	1,047,016	1,072,414	1,117,333	1,121,127	1,038,343	1,047,016
Government claims	180,821	183,740	181,873	186,174	188,438	185,744	191,607	181,873
Shares	1,419,683	1,482,625	1,609,257	1,682,668	1,706,450	1,737,413	1,392,447	1,609,257
Foreign investments	358,413	383,873	414,174	423,239	436,573	415,616	379,411	414,174
Other financial assets	674,652	676,603	693,090	726,538	727,851	731,159	634,274	693,090
Liabilities and net worth	12,207,404	12,424,469	12,749,291	13,049,686	13,281,419	13,396,905	12,086,485	12,749,291
Liabilities	8,364,770	8,500,718	8,750,457	8,979,756	9,101,679	9,197,782	8,289,206	8,750,457
Currency and bank deposits	700,448	701,331	712,462	725,328	752,438	764,562	684,823	712,462
Other deposits	172,223	175,279	179,956	180,098	184,627	186,146	165,149	179,956
Foreign currency deposits	90,144	104,410	100,917	97,377	100,211	99,780	112,225	100,917
Consumer credit	211,584	217,529	222,092	223,709	230,080	235,511	204,274	222,092
Trade payables	219,763	221,030	225,278	227,412	229,464	229,390	227,337	225,278
Bank loans	160,162	159,275	154,621	161,776	165,475	166,614	157,569	154,621
Other loans	190,409	187,055	191,122	190,996	191,249	186,060	193,586	191,122
Canada short-term paper	109,997	114,699	118,941	116,764	116,791	115,921	107,050	118,941
Other short-term paper	176,629	171,161	166,949	160,971	165,438	163,957	183,508	166,949
Mortgages	611,439	621,620	629,215	635,454	649,902	661,087	594,474	629,215
Canada bonds	374,488	364,420	355,312	356,980	349,851	340,433	371,421	355,312
(of which CSB's)	21,644	21,382	20,468	21,330	21,208	21,063	22,309	20,468
Provincial bonds	414,737	410,149	409,413	424,630	416,282	420,084	428,768	409,413
Municipal bonds	36,776	36,728	36,192	38,190	38,004	38,760	39,606	36,192
Other bonds	468,236	471,344	483,938	500,099	509,877	511,168	478,689	483,938
Life insurance & pensions	987,370	1,009,815	1,044,206	1,083,669	1,088,743	1,100,224	986,002	1,044,206
Corporate claims	436,267	436,272	442,565	452,350	453,606	452,712	460,006	442,565
Government claims	180,821	183,740	181,873	186,174	188,438	185,744	191,607	181,873
Shares	2,150,348	2,233,344	2,395,758	2,491,951	2,543,536	2,608,118	2,073,403	2,395,758
Other liabilities	672,929	681,517	699,647	725,828	727,667	731,511	629,709	699,647
Net worth	3,842,634	3,923,751	3,998,834	4,069,930	4,179,740	4,199,123	3,797,279	3,998,834

Credit market summary table

	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	Third quarter 2004	2002	2003
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	819,399	834,781	844,768	853,277	871,230	884,763	795,090	844,768
Consumer credit	211,584	217,529	222,092	223,709	230,080	235,511	204,274	222,092
Bank loans	33,717	33,538	33,417	34,869	34,640	34,438	32,075	33,417
Other loans	68,504	68,801	68,557	69,199	69,633	68,255	67,522	68,557
Mortgages	505,594	514,913	520,702	525,500	536,877	546,559	491,219	520,702
Non-financial private corporations	542,326	540,634	544,885	555,450	565,055	562,133	567,930	544,885
Bank loans	106,903	107,774	106,069	108,762	110,638	112,598	108,663	106,069
Other loans	77,355	76,169	77,407	75,927	75,082	72,933	81,943	77,407
Other short-term paper	40,596	40,500	36,092	39,467	39,575	39,595	48,644	36,092
Mortgages	99,421	99,913	100,954	102,536	104,177	105,701	97,030	100,954
Bonds	218,051	216,278	224,363	228,758	235,583	231,306	231,650	224,363
Non-financial government enterprises	70,811	67,766	66,214	66,724	66,559	66,495	70,065	66,214
Bank loans	3,085	2,223	3,233	2,925	2,969	2,719	2,456	3,233
Other loans	6,690	6,752	5,942	5,849	5,755	5,928	4,536	5,942
Other short-term paper	8,053	8,005	7,078	6,225	7,169	7,310	8,409	7,078
Mortgages	100	99	99	99	97	97	104	99
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	50,084	48,116	48,051	49,893	48,450	48,343	52,809	48,051
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,678	2,450	1,690	1,612	1,998	1,977	1,630	1,690
Federal government	433,457	434,204	430,411	431,476	427,435	419,906	434,865	430,411
Bank loans	103	103	103	103	103	103	101	103
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	109,997	114,699	118,941	116,764	116,791	115,921	107,050	118,941
Canada bonds	323,357	319,402	311,367	314,609	310,541	303,882	327,714	311,367
Canada savings bonds	21,644	21,382	20,468	21,330	21,208	21,063	22,309	20,468
Other bonds	301,713	298,020	290,899	293,279	289,333	282,819	305,405	290,899
Other levels of government	370,081	373,850	373,043	381,433	390,347	389,915	365,835	373,043
Bank loans	4,083	4,350	4,341	3,899	3,863	3,856	4,076	4,341
Other loans	11,503	11,698	11,804	12,127	12,236	12,540	10,935	11,804
Other short-term paper	16,201	13,847	14,797	13,602	22,479	20,488	15,132	14,797
Mortgages	2,304	2,304	2,304	2,084	2,084	2,084	2,367	2,304
Provincial bonds	299,189	304,466	302,938	312,653	311,574	312,455	295,154	302,938
Municipal bonds	34,972	35,350	35,018	35,221	36,258	36,633	36,353	35,018
Other bonds	1,829	1,835	1,841	1,847	1,853	1,859	1,818	1,841
Total funds raised by domestic non-financial sectors	2,236,074	2,251,235	2,259,321	2,288,360	2,320,626	2,323,212	2,233,785	2,259,321
Consumer credit	211,584	217,529	222,092	223,709	230,080	235,511	204,274	222,092
Bank loans	147,891	147,988	147,163	150,558	152,213	153,714	147,371	147,163
Other loans	164,052	163,420	163,710	163,102	162,706	159,656	164,936	163,710
Canada short-term paper	109,997	114,699	118,941	116,764	116,791	115,921	107,050	118,941
Other short-term paper	64,850	62,352	57,967	59,294	69,223	67,393	72,185	57,967
Mortgages	607,419	617,229	624,059	630,219	643,235	654,441	590,720	624,059
Bonds	930,281	928,018	925,389	944,714	946,378	936,576	947,249	925,389
Non-residents	56,493	56,176	55,470	55,589	58,776	58,033	60,081	55,470
Bank loans	20,918	20,612	21,269	21,616	23,784	24,469	19,551	21,269
Other loans	35,575	35,564	34,201	33,973	34,992	33,564	40,530	34,201
Mortgages	0	0	0	0	...
Total borrowing excluding domestic financial institutions	2,292,567	2,307,411	2,314,791	2,343,949	2,379,402	2,381,245	2,293,866	2,314,791
Domestic financial institutions	382,135	382,326	388,566	392,394	400,221	397,890	382,721	388,566
Bank loans	12,271	11,287	7,458	11,218	13,262	12,900	10,198	7,458
Other loans	27,144	24,664	28,712	27,894	28,543	26,404	28,170	28,712
Other short-term paper	111,779	108,809	108,982	101,677	96,215	96,564	111,323	108,982
Mortgages	4,020	4,391	5,156	5,235	6,667	6,646	3,754	5,156
Bonds	226,921	233,175	238,258	246,370	255,534	255,376	229,276	238,258
Total funds raised = total funds supplied	2,674,702	2,689,737	2,703,357	2,736,343	2,779,623	2,779,135	2,676,587	2,703,357
Assets of:								
Persons and unincorporated business	136,692	131,987	135,556	134,317	127,863	126,561	133,136	135,556
Non-financial corporations	73,769	71,453	71,425	75,385	75,056	75,601	75,260	71,425
Governments	183,497	190,512	186,654	188,827	192,297	195,266	178,007	186,654
Non-residents	470,271	457,848	455,428	451,942	461,002	442,167	508,128	455,428
Domestic financial institutions	1,836,441	1,863,385	1,879,532	1,911,091	1,948,497	1,964,457	1,808,896	1,879,532