



Canadian Economic Accounts Quarterly Review



Third quarter 2006



Statistics
Canada

Statistique
Canada

Canada

Symbols

The following standard symbols are used in Statistics Canada publications:

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

How to obtain more information

Specific inquiries about this product and related statistics or services should be directed to: our information officer, Statistics Canada, Ottawa, Ontario, K1A 0T6 (telephone: 613-951-3640, iead-info-dcrd@statcan.ca).

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

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

Information to access the product

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

Standards of service to the public

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



Statistics Canada
System of National Accounts

Canadian Economic Accounts Quarterly Review

Third quarter 2006

Published by authority of the Minister responsible for Statistics Canada

© Minister of Industry, 2006

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

December 2006

Catalogue no. 13-010-XIE, Vol. 5, no. 3

Frequency: Quarterly

ISSN 1703-7565

Ottawa

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

Note of Appreciation

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

Related products and services

GDP by income and by expenditure

CANSIM tables	380-0001 to 380-0017, 380-0019 to 380-0035, 380-0037, 380-0056 to 380-0058, 380-0060, 382-0006, 384-0001, 384-0002, 384-0004 to 384-0013, and 384-0036
Publication: National Income and Expenditure Accounts	13-001-XIB
Tables and Analytical Document: National Income and Expenditure Accounts Estimates of Labour Income Provincial Economic Accounts	13-001-PPB 13F0016XPB 13-213-PPB
Spreadsheets	13-001-DDB, 13F0016DDB, 13-213-DDB, 13-001-XDB, 13F0016XDB, 13-213-XDB

GDP by industry

CANSIM tables	379-0017 to 379-0022
Publication: Gross Domestic Product by Industry	15-001-XIE

Balance of international payments

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

Financial flow accounts

CANSIM tables	378-0001, 378-0002
Tables and Analytical Document Spreadsheets	13-014-PPB 13-014-DDB, 13-014-XDB

Labour productivity, hourly compensation and unit labour cost

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

International investment position

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

National balance sheet accounts

CANSIM tables	378-0003 to 378-0010
Publication: National Balance Sheet Accounts	13-214-XIE
Spreadsheets	13-214-DDB, 13-214-XDB

Latest developments in the Canadian economic accounts

Publication	13-605-XIE
-------------	------------

Table of contents

About this publication	5
Revision policy	5
Revisions in this issue	5
Overview	6
Residential construction weakens further	7
Inventory accumulation slows	7
Government spending flattens	7
Business non-residential investment picks up	8
Consumer spending continues to support the economy	8
Turnaround in exports provides a boost to economic activity	8
Corporate earnings lead nominal dollar income growth	8
GDP by industry, September 2006	8
GDP by income and by expenditure	11
Investment in residential construction	11
Personal expenditures	11
International trade	12
Investment in inventory	12
Investment in plant and equipment	12
Labour income (in nominal terms)	12
Corporate profits (in nominal terms)	13
Sector accounts (in nominal terms)	13
Economy-wide prices	13
GDP by industry	19
Steep decline in manufacturing	19
Activity down in wholesale trade	20
Output of energy sector declines	20
Construction up marginally	20
Brokerage and banking activities increase	20
Third quarter 2006	20
Balance of international payments	24
Current account	24
Goods surplus falls slightly	24
Deficit on investment income narrows	25
Services deficit up slightly again	25
Financial account	26
Foreign direct investment in Canada surges on takeovers	26
Direct investment abroad remains robust	26
Record investment in foreign securities	26
Low foreign investment in Canadian securities	28
Transactions in deposits, loans and reserves	28
Financial flows accounts	31
Household sector	31

Corporate sector	32
Government sector	32
Labour productivity, hourly compensation and unit labour cost	38
Little gain in productivity in Canada in 2006...	39
While productivity declined in the United States	39
Downturn in productivity continues to be due mainly to the goods sector	39
Despite the decrease in productivity, growth in unit labour cost remains moderate	40
Stagnation of productivity in the third quarter in both countries	41
Stability of Canadian dollar contributes to improvement in the competitive position of Canadian companies	42
International investment position	47
General rise in assets abroad	47
Liabilities: Jump in foreign direct investment	48
Foreign holdings of Canadian securities stable	48
National balance sheet accounts	50
Growth in national net worth acdelerates	50
Growth in household net worth accelerates	50
Corporate leverage eases	51
Government debt continues to fall	51
Net foreign debt declines sharply	51

About this publication

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

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

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

Revision policy

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

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

GDP by industry:

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

Revisions in this issue

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

With this release revisions have been made back to the first quarter of 2006.

GDP by industry:

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

Labour productivity, hourly compensation and unit labour cost:

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

Overview

Third quarter 2006 and September 2006

The pace of economic activity was largely unchanged in the third quarter, following a pronounced slowing in the second quarter. Real gross domestic product (GDP) advanced 0.4%, compared to 0.5% and 0.9% growth in the second and first quarters, respectively. In the third quarter of 2006, a turnaround in exports, a pick-up in business non-residential investment and a slight acceleration in personal expenditure, were offset by a further decline in investment in residential construction and notably weaker government current expenditures and inventory accumulation.

Real gross domestic product, chained (1997) dollars¹

	Change	Annualized change %	Year-over-year change
First quarter 2005	0.6	2.2	3.2
Second quarter 2005	0.8	3.4	3.0
Third quarter 2005	0.8	3.2	2.7
Fourth quarter 2005	0.6	2.6	2.8
First quarter 2006	0.9	3.8	3.2
Second quarter 2006	0.5	2.0	2.9
Third quarter 2006	0.4	1.7	2.5

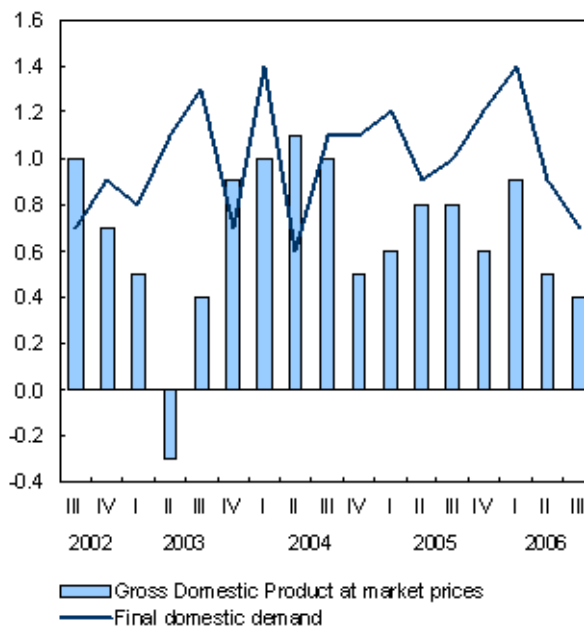
1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

Economic production fell back in September (-0.3%), after having advanced in both July (+0.2%) and August (+0.3%). The production of goods declined sharply (-1.0%) in September while activity in service industries was essentially unchanged.

Continued strength in business investment in non-residential structures and equipment, particularly a gain in engineering construction, along with a rebound in exports led third quarter GDP growth. Exports were buoyed by sales of industrial goods and materials, machinery and equipment, agricultural and fish products and other consumer goods. Consumer spending, which has been a sustaining factor in the economy for several quarters, strengthened marginally in the third quarter.

Final domestic demand continues to outpace GDP

Quarterly % change, chained (1997) dollars



Final domestic demand slowed further, largely constrained by a second and sharper decline in residential construction investment (-2.1%) and slower government spending. Businesses continued to accumulate inventories, but at a slower pace than in the second quarter.

Services-producing industries softened in the quarter (+0.5%), reflecting weaker or reduced activity across a number of industries. Activity remained relatively strong in wholesale and retail trade and in financial services. Output of goods-producing industries continued to decline (-0.1%), constrained by the manufacturing sector and forestry. The energy sector increased 0.9% in the third quarter as oil and gas exploration and petroleum extraction activities rebounded. Both domestic and export demand supported manufacturing production of machinery and equipment.

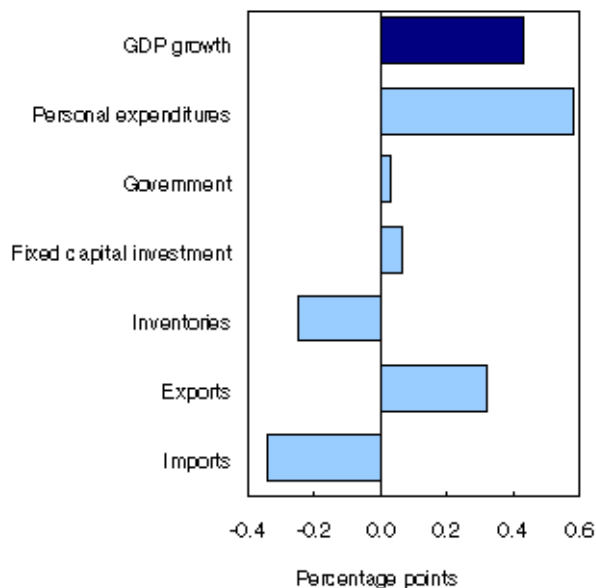
Note to readers

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

Real gross domestic product at basic prices, by industry

	April 2006 ^r	May 2006 ^r	June 2006 ^r	July 2006 ^r	August 2006 ^r	September 2006 ^p
Seasonally adjusted, chained (1997) dollars, month-to-month % change						
All industries	0.1	0.1	-0.0	0.2	0.3	-0.3
Goods-producing industries	-0.3	-0.5	-0.0	0.3	0.1	-1.0
Services-producing industries	0.3	0.3	-0.0	0.2	0.4	-0.0
Industrial production	-0.4	-0.6	0.1	0.6	0.1	-1.4
Manufacturing	-0.8	-0.0	-0.1	0.1	-0.2	-1.4
Wholesale trade	0.3	1.5	-0.5	0.8	1.5	-2.1
Energy sector	0.1	-1.5	0.2	1.4	0.4	-1.0

Industrial production (the output of factories, mines and utilities) edged up (+0.1%) in the quarter, on the heels of a sharp decline in the second quarter. This turnaround was driven by oil and gas as well as mining activities, since manufacturing declined and utilities were unchanged. In the United States, the index of industrial production decelerated sharply from the second quarter.

Contributions to percent change in GDP, third quarter 2006

The economy grew at an annualized rate of 1.7% in the third quarter, a slight deceleration from the 2.0% pace set during the previous quarter. Growth in the US economy slowed to 2.2% in the third quarter as activity in the housing market dropped further and imports strengthened.

Economy-wide prices, as measured by the chain price index for GDP, crept up 0.2% in the quarter (up 0.4% excluding energy). This was largely accounted for by increased export prices, following two quarters of decline; this gain mainly arose from higher prices for industrial goods and materials. Final domestic demand prices were up 0.3%, led by higher prices on government current expenditure on goods and services and business gross fixed capital formation. However, the chain price index growth for consumer expenditure was dampened by the 1% reduction in the goods and services tax rate effective July 1st.

Residential construction weakens further

After a housing boom lasting about 5 years, the second consecutive quarterly drop in investment in residential construction suggests a cooling in the housing market. The more pronounced decline in investment in residential structures (-2.2%) in the third quarter was the largest in this component since the first quarter of 1998. New housing construction fell 3.3% in the third quarter. The resale market also weakened substantially, as ownership transfer costs declined by 4.4%, and the output of real estate agents fell. On the other side of the ledger, renovation activity advanced in the third quarter.

Inventory accumulation slows

Business non-farm inventories continued to build-up in the third quarter, but at a slower pace than in the second. Manufacturing stocks of durable goods picked up, while retailers added less durable goods to their inventory. Wholesale inventory accumulation also slowed. Despite lower motor vehicle production, stocks continued to build in the quarter as imports outpaced the growth of domestic sales.

Government spending flattens

Government current expenditure on goods and services decelerated sharply, mainly reflecting a decline in hours worked from the second quarter. The winding down of the 2006 Census in the third quarter was a contributing factor in slower government current expenditures. Investment in fixed capital formation by government was virtually unchanged from the second quarter.

Business non-residential investment picks up

Business capital spending on non-residential structures and equipment continued to grow at a good clip (+1.7%). Expenditure on machinery and equipment advanced at a quicker pace (+2.2%) than in the second quarter, reflecting robust spending on industrial machinery, on trucks, on software as well as on computers and other office equipment.

Investment in non-residential construction projects accelerated (+1.2%), led by engineering construction.

Consumer spending continues to support the economy

Firmer consumer spending (+1.0%) in the quarter, especially on durable goods, was behind the increase in retail trade output (+0.9%).

Durable goods expenditure (+2.2%) grew at almost twice the rate of the second quarter, as purchases of motor vehicles rebounded (+2.5%). This was partly attributable to dealer incentives and low financing rates. The strong increase in spending on new trucks and vans (+3.7%) was concentrated in July and August.

Expenditures on semi-durable and non-durable goods decelerated in the third quarter, partially offsetting the impact of the spending spree on motor vehicles. However, spending on services picked up, in part due to increased travel spending.

Turnaround in exports provides a boost to economic activity

Exports of goods and services rebounded (+0.9%) after having declined for two consecutive quarters. While exports of services fell, exports of goods were up 1.2%. Exports of agricultural and fish products, industrial goods and materials, machinery and equipment (notably, aircraft, engines and parts) and other consumer goods all registered significant gains.

Exports of automotive products continued to decline (-6.7%) for the third consecutive quarter, reflecting weaker motor vehicle production as some Canadian automobile manufacturing plants experienced extended or irregular shutdowns. This is in contrast to strong imports of automotive products (+4.4%), which continued their upward trend.

Corporate earnings lead nominal dollar income growth

Corporate profits gained 2.7% in the third quarter, up sharply from the second quarter. The strength in earnings arose largely from petroleum and coal manufacturers, from the air transportation industry as well as from chartered banks. The corporate surplus (net lending to the rest of the economy) was up sharply in the non-financial corporations sector.

Labour income was up 1.1% in the third quarter. The first and second quarter growth rates of labour income were affected by a large special payment in the first quarter made to reduce an actuarial deficit of a government employer sponsored pension plan.

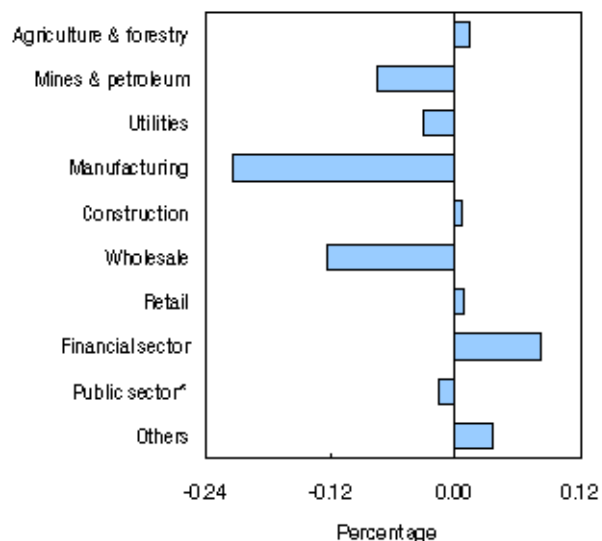
Wages and salaries grew by 1.1%, down slightly from the average increase (+1.5%) registered in the previous 6 quarters, as unemployment edged up. Continuing strength in both mining and oil and gas extraction and in construction contributed to gains in wages and salaries (+1.0%) in the goods-producing industries. The services-producing industries wages and salaries also rose (+1.1%), led by professional and personal services.

GDP by industry, September 2006

The Canadian economy fell back 0.3% in September, after growing 0.3% in August and 0.2% in July. Except for the drop in economic activity registered in August 2003, which was mainly attributable to a power blackout in Ontario, there has not been a monthly decrease of this magnitude since March 2002 (-0.4%). Special events hindered growth in September, such as a strike in the mining sector in Labrador and the winding down of the collection activities of the 2006 Census.

Goods production, which has shown signs of weakness since the start of the year, declined 1.0% in September, while service industries held steady. Decreases in manufacturing, wholesale trade and the energy sector were only partially offset by the strength of the finance, accommodation and food services sectors.

Contribution of main industrial sectors to total growth – September 2006



* Education, health and public administration.

Manufacturing output fell 1.4% in September. This is the eighth monthly decline since the start of the year. Of the 21 major groups, 16 accounting for 82% of total manufacturing output cut back their production. The largest decreases were in the manufacturing of transportation equipment, chemical and metal products, and machinery, as well as in printing activities.

After two months of strong growth, wholesale trade dropped 2.1%. Declines were widespread, with wholesalers of automotive products and of machinery and electronic equipment registering the steepest declines. Retail trade grew by only 0.2% in September, held back by a steep drop in sales of new motor vehicles.

The energy sector declined 1.0%, largely owing to a reduction in natural gas production and a drop in electricity production. The reduction in the production of natural gas was largely due to weaker prices and high inventories.

Industrial production (the output of mines, utilities and factories) fell 1.4% with declines in all three sectors. Industrial production in the United States also decreased (-0.6%) in September, with mining being the only sector to advance.

The finance and insurance sector grew 0.8% in September on the strength of banking and lending activities (+1.0%) and a rebound in brokerage activity. Meanwhile, real estate brokers registered a fifth consecutive monthly decline, reflecting the downturn in the home resale market that began last March.

Canadian economic accounts key indicators[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted at annual rates, millions of dollars at current prices								
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	682,340	694,340	703,668	721,092	723,040	730,884	651,888	688,150
	<i>1.5</i>	<i>1.8</i>	<i>1.3</i>	<i>2.5</i>	<i>0.3</i>	<i>1.1</i>	<i>5.0</i>	<i>5.6</i>
Corporation profits before taxes	183,704	192,368	202,812	195,676	196,924	202,236	171,323	189,455
	<i>2.7</i>	<i>4.7</i>	<i>5.4</i>	<i>-3.5</i>	<i>0.6</i>	<i>2.7</i>	<i>18.3</i>	<i>10.6</i>
Interest and miscellaneous investment income	57,036	60,392	67,724	64,912	64,528	64,148	54,084	60,403
	<i>1.0</i>	<i>5.9</i>	<i>12.1</i>	<i>-4.2</i>	<i>-0.6</i>	<i>-0.6</i>	<i>8.9</i>	<i>11.7</i>
Net income of unincorporated business	85,764	86,556	86,988	87,224	87,872	88,396	84,084	86,206
	<i>0.3</i>	<i>0.9</i>	<i>0.5</i>	<i>0.3</i>	<i>0.7</i>	<i>0.6</i>	<i>7.3</i>	<i>2.5</i>
Taxes less subsidies	155,740	156,352	157,024	160,252	162,468	159,144	148,564	155,297
	<i>2.4</i>	<i>0.4</i>	<i>0.4</i>	<i>2.1</i>	<i>1.4</i>	<i>-2.0</i>	<i>5.8</i>	<i>4.5</i>
Personal disposable income	781,652	793,836	802,164	829,968	825,920	837,456	755,931	787,524
	<i>1.2</i>	<i>1.6</i>	<i>1.0</i>	<i>3.5</i>	<i>-0.5</i>	<i>1.4</i>	<i>4.7</i>	<i>4.2</i>
Personal saving rate[2]	1.0	1.3	1.3	3.1	1.2	1.5	2.6	1.2

Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	661,391	665,602	671,517	679,363	685,789	692,936	638,825	663,583
	<i>0.8</i>	<i>0.6</i>	<i>0.9</i>	<i>1.2</i>	<i>0.9</i>	<i>1.0</i>	<i>3.3</i>	<i>3.9</i>
Government current expenditure on goods and services	216,627	218,239	220,622	222,442	225,106	225,475	211,883	217,689
	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>0.8</i>	<i>1.2</i>	<i>0.2</i>	<i>3.0</i>	<i>2.7</i>
Gross fixed capital formation	258,014	264,002	269,080	275,450	276,684	277,477	244,221	261,572
	<i>1.1</i>	<i>2.3</i>	<i>1.9</i>	<i>2.4</i>	<i>0.4</i>	<i>0.3</i>	<i>8.0</i>	<i>7.1</i>
Investment in inventories	14,503	14,992	14,937	11,594	18,464	15,223	9,767	15,514

Exports of goods and services	464,866	474,439	481,889	477,301	475,240	479,431	462,239	472,037
	<i>-0.4</i>	<i>2.1</i>	<i>1.6</i>	<i>-1.0</i>	<i>-0.4</i>	<i>0.9</i>	<i>5.2</i>	<i>2.1</i>
Imports of goods and services	463,089	475,574	490,041	487,613	497,744	502,714	442,421	474,040
	<i>-0.9</i>	<i>2.7</i>	<i>3.0</i>	<i>-0.5</i>	<i>2.1</i>	<i>1.0</i>	<i>8.2</i>	<i>7.1</i>
Gross domestic product at market prices	1,153,623	1,162,822	1,170,239	1,181,074	1,187,051	1,192,200	1,124,688	1,157,705
	<i>0.8</i>	<i>0.8</i>	<i>0.6</i>	<i>0.9</i>	<i>0.5</i>	<i>0.4</i>	<i>3.3</i>	<i>2.9</i>
GDP at basic prices, by industry								
Goods producing industries	329,975	333,441	336,007	336,477	333,832	333,479	325,202	331,595
	<i>0.9</i>	<i>1.1</i>	<i>0.8</i>	<i>0.1</i>	<i>-0.8</i>	<i>-0.1</i>	<i>2.9</i>	<i>2.0</i>
Industrial production	242,415	244,563	246,320	245,266	242,927	243,156	241,141	243,485
	<i>0.7</i>	<i>0.9</i>	<i>0.7</i>	<i>-0.4</i>	<i>-1.0</i>	<i>0.1</i>	<i>1.8</i>	<i>1.0</i>
Energy sector	63,187	64,427	65,102	64,427	64,323	64,931	62,812	63,767
	<i>1.3</i>	<i>2.0</i>	<i>1.0</i>	<i>-1.0</i>	<i>-0.2</i>	<i>0.9</i>	<i>1.4</i>	<i>1.5</i>
Manufacturing	174,480	175,190	176,357	176,201	173,729	172,819	173,726	174,987
	<i>0.3</i>	<i>0.4</i>	<i>0.7</i>	<i>-0.1</i>	<i>-1.4</i>	<i>-0.5</i>	<i>1.9</i>	<i>0.7</i>
Non-durable manufacturing	71,345	71,455	71,169	70,566	69,741	69,415	72,158	71,317
	<i>0.1</i>	<i>0.2</i>	<i>-0.4</i>	<i>-0.8</i>	<i>-1.2</i>	<i>-0.5</i>	<i>0.7</i>	<i>-1.2</i>
Durable manufacturing	102,977	103,581	105,050	105,511	103,861	103,275	101,380	103,516
	<i>0.5</i>	<i>0.6</i>	<i>1.4</i>	<i>0.4</i>	<i>-1.6</i>	<i>-0.6</i>	<i>2.8</i>	<i>2.1</i>
Construction	63,029	64,014	65,518	67,177	67,320	67,426	60,228	63,689
	<i>1.3</i>	<i>1.6</i>	<i>2.3</i>	<i>2.5</i>	<i>0.2</i>	<i>0.2</i>	<i>6.4</i>	<i>5.7</i>
Services producing industries	729,617	735,726	741,062	749,287	756,063	760,181	709,800	732,506
	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>1.1</i>	<i>0.9</i>	<i>0.5</i>	<i>3.2</i>	<i>3.2</i>
Wholesale trade	65,579	66,506	67,920	69,810	70,905	71,845	61,721	65,997
	<i>2.5</i>	<i>1.4</i>	<i>2.1</i>	<i>2.8</i>	<i>1.6</i>	<i>1.3</i>	<i>5.3</i>	<i>6.9</i>
Retail trade	62,227	62,355	62,752	64,164	65,425	66,040	59,454	62,219
	<i>1.1</i>	<i>0.2</i>	<i>0.6</i>	<i>2.3</i>	<i>2.0</i>	<i>0.9</i>	<i>3.8</i>	<i>4.7</i>
Transportation and warehousing	50,766	51,671	52,073	52,436	52,773	52,783	49,528	51,241
	<i>0.6</i>	<i>1.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>0.0</i>	<i>4.2</i>	<i>3.5</i>
Finance, insurance, real estate and renting	213,249	214,923	216,331	218,524	220,694	222,596	206,434	213,985
	<i>0.9</i>	<i>0.8</i>	<i>0.7</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>4.1</i>	<i>3.7</i>
Information and communication technologies	62,189	62,834	63,271	64,085	64,690	65,256	59,298	62,359
	<i>1.7</i>	<i>1.0</i>	<i>0.7</i>	<i>1.3</i>	<i>0.9</i>	<i>0.9</i>	<i>3.2</i>	<i>5.2</i>

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

2. Actual rate.

GDP by income and by expenditure

Third quarter 2006

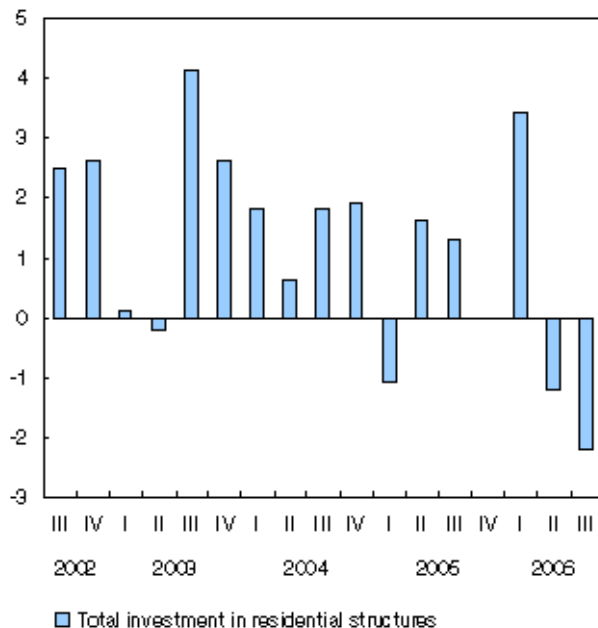
The pace of economic activity was largely unchanged in the third quarter, following a pronounced slowing in the second quarter. Real gross domestic product (GDP) grew by 0.4% in the third quarter after increasing 0.5% and 0.9% in the second and first quarters respectively. The third quarter included a recovery in exports, renewed non-residential investment and a slight acceleration in personal consumer spending. These combined increases were offset by a drop in investment in residential construction along with a significant slowdown in government current expenditures and in inventory accumulation.

Investment in residential construction

Total investment in residential construction fell 2.2% in the third quarter after sliding 1.2% in the second quarter. This decline reflects the drop in the value of new residential construction and a weaker resale market.

Investment in housing weakens

Quarterly % change, chained (1997) dollars



Housing starts fell again in the third quarter to 219.6 thousand units compared to 248.0 and 228.9 units in the first and second quarters respectively. This decline was the result of a drop in multiple-dwelling starts, which in September were at their lowest level since July 2004. Despite this slowdown, investment in residential construction for the first nine months of 2006 remains strong with housing starts up 1.4% over the same period last year.

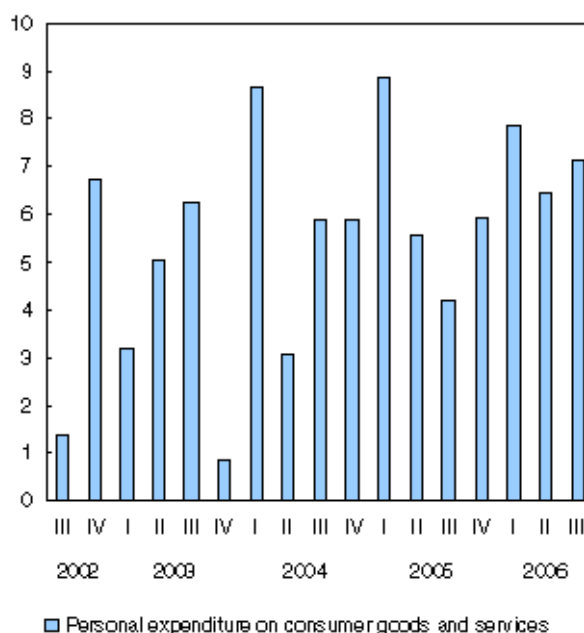
Property transfer costs were down sharply (-4.4%) following a drop in the second quarter (-2.4%). Spending on renovations rose 0.9% after advancing 0.1% in the second quarter.

Personal expenditures

Personal expenditure on consumer goods and services rose by 1.0%, a slight acceleration from the previous quarter (+0.9%). This growth was due mainly to increased spending on services (+0.9%) and on durable goods (+2.2%). However, the impact of this increase on the total change in household spending was partially offset by a slowing in the growth of expenditure on non-durable and semi-durable goods such as food, beverages and tobacco as well as clothing and footwear.

Growth in consumer spending edges up

Quarter-to-quarter change, billions of chained (1997) dollars



The rise in personal expenditure on durable goods was driven mainly by the 2.5% increase in purchases of new and used motor vehicles. The strength of the new vehicle market in July and August exceeded the drop posted in September. The increase was due to dealer incentives impacted by "employee price" sales programs, cash rebates and low interest rate financing. In unit terms, total sales of new motor vehicles climbed 3.7% in the third quarter after a slightly decrease of 0.7% in the previous quarter. In addition to motor vehicles, consumers also spent 1.2% more on furniture, household equipment and maintenance supplies in the third quarter than in the second.

The increase in personal expenditure on services was dampened by spending on recreation services which continued to weaken for the third straight quarter. This weakness was due mainly to lower expenditure on games of chance.

International trade

After two quarters of decline, exports climbed 0.9% in the third quarter while growth in imports slowed.

Exports of goods rebounded (+1.2%) after two consecutive quarters of decline. Third quarter growth was due mainly to higher exports of industrial goods and materials (+4.8%) and machinery and equipment (+3.7%). A 21% increase in the exports of aircraft, engines and parts was recorded. The increases in exports was partially offset by a third consecutive decline in exports of automotive products (-6.7%), as some manufacturing plants in this sector experienced extended or irregular shutdowns. Exports of services were down 1.4% in the third quarter mainly as a result of lower exports of commercial services (-1.8%) and travel (-2.4%).

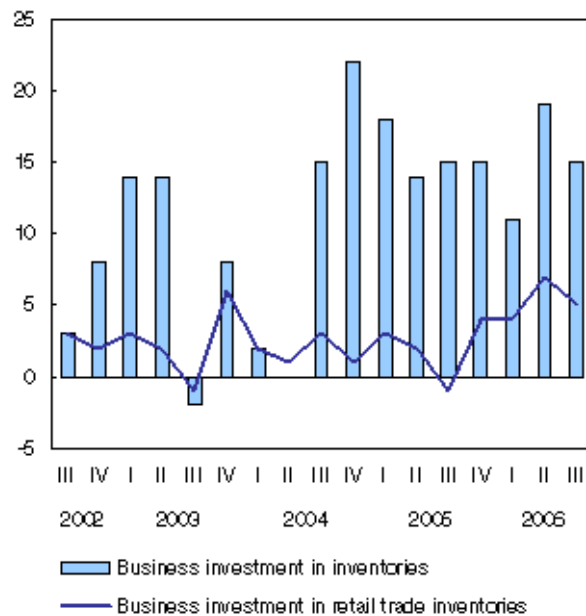
The gain in imports came mainly from the purchase of goods (+1.5%), with growth in imports of automotive products (+4.4%) and machinery and equipment (+2.9%) accounting for most of the increase. Except for the first quarter of 2006, imports of machinery and equipment have risen steadily for the past three and a half years. Imports of crude oil remained strong in the third quarter (+9.0%). This growth was enough to offset the slide in imports of petroleum and coal products. Imports of services fell 1.4% in the third quarter mainly due to lower imports of commercial services (-3.7%).

Investment in inventory

Investment in non-farm inventory continued to rise in the third quarter but at a slower pace than in the second. Wholesale inventories of machinery and equipment and retail stocks experienced slower accumulation. The buildup in inventories of durable manufacturing goods accelerated. This accumulation was especially pronounced for finished product inventories.

Investment in inventories declines as retailers accumulate less inventories

Billions of chained (1997) dollars



Investment in plant and equipment

Businesses continued to increase their investment in plant and equipment by 1.7% in the third quarter, after a rise of 1.3% in the second. The rate of growth of investment accelerated after slowing slightly in the second quarter.

Business investment in machinery and equipment increased 2.2%. This growth was due mainly to the strength of investment in industrial machinery, trucks, software as well as computers and other office equipment.

Engineering construction activity accelerated in the third quarter climbing 1.9%. This increase more than offset the 0.6% drop in construction of non-residential buildings.

Labour income (in nominal terms)

The growth in labour income in the third quarter was 1.1%, while growth in the first and second quarters was affected by a substantial first quarter special payment to reduce an actuarial deficit in a government sponsored employer pension plan.

Wages and salaries rose by 1.1%, a slightly lower rate than the average of 1.5% for the previous six quarters. Sustained strength in the mining, oil and gas extraction and in the construction industries contributed to the 1.0% increase for all goods industries. Overall, services industries also advanced (+1.1%), with the professional and personal services industry leading the way.

Corporate profits (in nominal terms)

Growth in corporate profits was 2.7% during the third quarter building on an increase of 0.6% in the second quarter which followed a decline of 3.5% in the first. As a result, profits have almost reached the record level achieved in the fourth quarter of 2005. The increase in profits was especially pronounced in the petroleum and coal products manufacturing industries and air transportation industries as well as chartered banks. Growth in profits was partially offset by weakness in the motor vehicle and parts manufacturing industry and the accommodation and food services industry.

Sector accounts (in nominal terms)

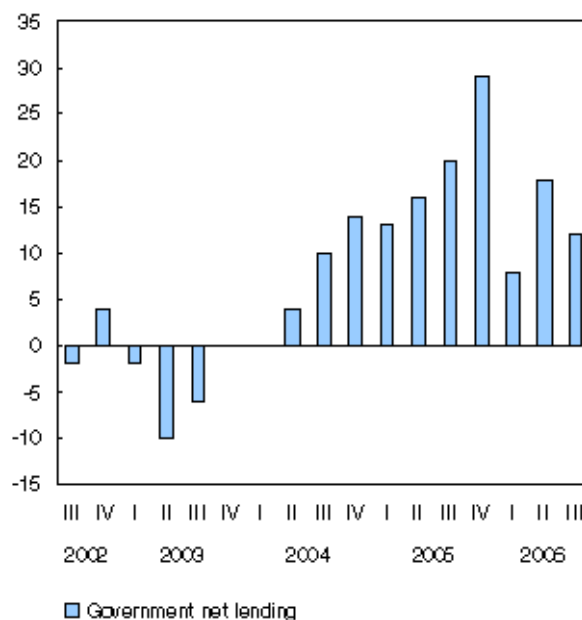
The personal saving rate was 1.5%, up in the third quarter after a drop in the second quarter. Investment in capital acquisition by the personal sector continued to exceed savings. Consumer credit, including new vehicle financing, was up while mortgage borrowing slowed with the downturn in the housing market.

Net lending by the corporate sector increased 8.5% with strong growth in undistributed corporate profits and a slower non-financial capital acquisition. The corporate sector was historically a borrower from other sectors but has generated a series of quarterly surpluses which now exceeds five years.

The federal government became a net borrower in the third quarter for the first time in six quarters (on a seasonally adjusted and national accounting basis) as income from taxes on products fell substantially, reflecting the 1% reduction in the Goods and Services Tax (GST) rate effective July 1, 2006. Outlays of the federal government ballooned as well as a result of special transfers to the provinces and territories of \$4.0 billion under Bill C-48 and the Early Learning and Child Care Initiative and \$0.6 billion in new transfers to persons from the start-up of the Universal Child Care Benefit. All levels of government combined continued to be net lenders to other sectors of the economy.

Government surplus continues

Billions of dollars, seasonally adjusted at annual rates



Economy-wide prices

Economy-wide prices, as measured by the price index for GDP, rose 0.2% in the third quarter following a drop of 0.1% in the second quarter. Export and import prices grew in the third quarter. Export prices rose with continued increases in the prices of industrial goods and materials. The 1% decrease in the GST rate dampened the growth in the chain price index for consumer expenditure.

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

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, Millions of dollars								
Wages, salaries and supplementary labour income	682,340 <i>1.5</i>	694,340 <i>1.8</i>	703,668 <i>1.3</i>	721,092 <i>2.5</i>	723,040 <i>0.3</i>	730,884 <i>1.1</i>	651,888 <i>5.0</i>	688,150 <i>5.6</i>
Corporation profits before taxes	183,704 <i>2.7</i>	192,368 <i>4.7</i>	202,812 <i>5.4</i>	195,676 <i>-3.5</i>	196,924 <i>0.6</i>	202,236 <i>2.7</i>	171,323 <i>18.3</i>	189,455 <i>10.6</i>
Government business enterprise profits before taxes	14,228 <i>4.7</i>	14,596 <i>2.6</i>	15,516 <i>6.3</i>	13,332 <i>-14.1</i>	13,316 <i>-0.1</i>	13,668 <i>2.6</i>	12,508 <i>1.8</i>	14,481 <i>15.8</i>
Interest and miscellaneous investment income	57,036 <i>1.0</i>	60,392 <i>5.9</i>	67,724 <i>12.1</i>	64,912 <i>-4.2</i>	64,528 <i>-0.6</i>	64,148 <i>-0.6</i>	54,084 <i>8.9</i>	60,403 <i>11.7</i>
Accrued net income of farm operators from farm production	1,612 <i>-30.3</i>	1,580 <i>-2.0</i>	1,320 <i>-16.5</i>	520 <i>-60.6</i>	248 <i>-52.3</i>	208 <i>-16.1</i>	3,256 <i>137.1</i>	1,706 <i>-47.6</i>
Net income of non-farm unincorporated business, including rent	84,152 <i>1.1</i>	84,976 <i>1.0</i>	85,668 <i>0.8</i>	86,704 <i>1.2</i>	87,624 <i>1.1</i>	88,188 <i>0.6</i>	80,828 <i>5.0</i>	84,500 <i>4.5</i>
Inventory valuation adjustment	-1,944 ...	2,976 ...	-1,200 ...	2,044 ...	136 ...	-3,728 ...	-1,574 ...	-326 ...
Taxes less subsidies, on factors of production	61,404 <i>2.4</i>	61,848 <i>0.7</i>	62,376 <i>0.9</i>	62,960 <i>0.9</i>	63,896 <i>1.5</i>	64,304 <i>0.6</i>	59,099 <i>5.4</i>	61,402 <i>3.9</i>
Net domestic product at basic prices	1,082,532 <i>1.6</i>	1,113,076 <i>2.8</i>	1,137,884 <i>2.2</i>	1,147,240 <i>0.8</i>	1,149,712 <i>0.2</i>	1,159,908 <i>0.9</i>	1,031,412 <i>6.7</i>	1,099,771 <i>6.6</i>
Taxes less subsidies, on products	94,336 <i>2.4</i>	94,504 <i>0.2</i>	94,648 <i>0.2</i>	97,292 <i>2.8</i>	98,572 <i>1.3</i>	94,840 <i>-3.8</i>	89,465 <i>6.0</i>	93,895 <i>5.0</i>
Capital consumption allowances	176,156 <i>1.1</i>	178,216 <i>1.2</i>	180,692 <i>1.4</i>	182,740 <i>1.1</i>	184,768 <i>1.1</i>	186,656 <i>1.0</i>	169,858 <i>4.7</i>	177,322 <i>4.4</i>
Statistical discrepancy	-464 ...	512 ...	896 ...	-236 ...	-256 ...	-596 ...	53 ...	437 ...
Gross domestic product at market prices	1,352,560 <i>1.5</i>	1,386,308 <i>2.5</i>	1,414,120 <i>2.0</i>	1,427,036 <i>0.9</i>	1,432,796 <i>0.4</i>	1,440,808 <i>0.6</i>	1,290,788 <i>6.4</i>	1,371,425 <i>6.2</i>

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

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

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, Millions of dollars								
Personal expenditure on consumer goods and services	756,184 <i>1.4</i>	765,928 <i>1.3</i>	773,792 <i>1.0</i>	785,916 <i>1.6</i>	797,132 <i>1.4</i>	805,632 <i>1.1</i>	719,869 <i>4.9</i>	760,380 <i>5.6</i>
Durable goods	99,216 <i>0.9</i>	100,184 <i>1.0</i>	100,048 <i>-0.1</i>	102,900 <i>2.9</i>	103,324 <i>0.4</i>	104,908 <i>1.5</i>	94,502 <i>1.1</i>	99,436 <i>5.2</i>
Semi-durable goods	63,164 <i>1.0</i>	63,160 <i>-0.0</i>	63,732 <i>0.9</i>	65,728 <i>3.1</i>	66,904 <i>1.8</i>	67,376 <i>0.7</i>	60,632 <i>3.7</i>	63,151 <i>4.2</i>
Non-durable goods	187,404 <i>1.5</i>	191,444 <i>2.2</i>	192,084 <i>0.3</i>	193,312 <i>0.6</i>	197,488 <i>2.2</i>	198,588 <i>0.6</i>	177,640 <i>5.5</i>	188,870 <i>6.3</i>
Services	406,400 <i>1.5</i>	411,140 <i>1.2</i>	417,928 <i>1.7</i>	423,976 <i>1.4</i>	429,416 <i>1.3</i>	434,760 <i>1.2</i>	387,095 <i>5.7</i>	408,923 <i>5.6</i>
Government current expenditure on goods and services	262,928 <i>1.8</i>	266,552 <i>1.4</i>	269,108 <i>1.0</i>	280,608 <i>4.3</i>	280,088 <i>-0.2</i>	282,328 <i>0.8</i>	249,779 <i>4.3</i>	264,242 <i>5.8</i>
Government gross fixed capital formation	33,744 <i>2.5</i>	34,572 <i>2.5</i>	35,708 <i>3.3</i>	36,404 <i>1.9</i>	37,052 <i>1.8</i>	37,508 <i>1.2</i>	31,553 <i>4.9</i>	34,237 <i>8.5</i>
Government investment in inventories	72 <i>...</i>	-36 <i>...</i>	44 <i>...</i>	128 <i>...</i>	-100 <i>...</i>	-124 <i>...</i>	21 <i>...</i>	27 <i>...</i>
Business gross fixed capital formation	247,204 <i>2.1</i>	252,176 <i>2.0</i>	257,756 <i>2.2</i>	264,812 <i>2.7</i>	267,572 <i>1.0</i>	270,512 <i>1.1</i>	229,787 <i>10.7</i>	249,811 <i>8.7</i>
Residential structures	88,632 <i>2.6</i>	89,980 <i>1.5</i>	91,408 <i>1.6</i>	95,880 <i>4.9</i>	96,936 <i>1.1</i>	96,644 <i>-0.3</i>	82,972 <i>14.0</i>	89,101 <i>7.4</i>
Non-residential structures and equipment	158,572 <i>1.8</i>	162,196 <i>2.3</i>	166,348 <i>2.6</i>	168,932 <i>1.6</i>	170,636 <i>1.0</i>	173,868 <i>1.9</i>	146,815 <i>8.8</i>	160,710 <i>9.5</i>
Non-residential structures	68,176 <i>2.8</i>	70,632 <i>3.6</i>	73,320 <i>3.8</i>	75,412 <i>2.9</i>	77,220 <i>2.4</i>	79,176 <i>2.5</i>	61,600 <i>13.2</i>	69,606 <i>13.0</i>
Machinery and equipment	90,396 <i>1.1</i>	91,564 <i>1.3</i>	93,028 <i>1.6</i>	93,520 <i>0.5</i>	93,416 <i>-0.1</i>	94,692 <i>1.4</i>	85,215 <i>5.9</i>	91,104 <i>6.9</i>
Business investment in inventories	10,176 <i>...</i>	9,772 <i>...</i>	10,652 <i>...</i>	7,912 <i>...</i>	14,864 <i>...</i>	11,444 <i>...</i>	6,216 <i>...</i>	11,158 <i>...</i>
Non-farm	9,360 <i>...</i>	9,628 <i>...</i>	10,328 <i>...</i>	8,392 <i>...</i>	16,024 <i>...</i>	12,180 <i>...</i>	4,755 <i>...</i>	10,566 <i>...</i>
Farm	816 <i>...</i>	144 <i>...</i>	324 <i>...</i>	-480 <i>...</i>	-1,160 <i>...</i>	-736 <i>...</i>	1,461 <i>...</i>	592 <i>...</i>
Exports of goods and services	506,224 <i>1.6</i>	526,944 <i>4.1</i>	547,276 <i>3.9</i>	524,844 <i>-4.1</i>	518,628 <i>-1.2</i>	526,196 <i>1.5</i>	494,578 <i>7.1</i>	519,680 <i>5.1</i>
Goods	439,780 <i>1.8</i>	460,384 <i>4.7</i>	480,232 <i>4.3</i>	458,488 <i>-4.5</i>	451,140 <i>-1.6</i>	459,216 <i>1.8</i>	429,122 <i>7.6</i>	453,062 <i>5.6</i>
Services	66,444 <i>0.0</i>	66,560 <i>0.2</i>	67,044 <i>0.7</i>	66,356 <i>-1.0</i>	67,488 <i>1.7</i>	66,980 <i>-0.8</i>	65,456 <i>4.4</i>	66,618 <i>1.8</i>
Deduct: Imports of goods and services	464,440 <i>1.4</i>	469,084 <i>1.0</i>	479,320 <i>2.2</i>	473,824 <i>-1.1</i>	482,692 <i>1.9</i>	493,280 <i>2.2</i>	440,963 <i>5.9</i>	467,673 <i>6.1</i>
Goods	384,732 <i>1.3</i>	389,968 <i>1.4</i>	398,256 <i>2.1</i>	391,984 <i>-1.6</i>	399,520 <i>1.9</i>	410,240 <i>2.7</i>	363,639 <i>6.1</i>	388,210 <i>6.8</i>
Services	79,708 <i>2.2</i>	79,116 <i>-0.7</i>	81,064 <i>2.5</i>	81,840 <i>1.0</i>	83,172 <i>1.6</i>	83,040 <i>-0.2</i>	77,324 <i>4.7</i>	79,463 <i>2.8</i>
Statistical discrepancy	468 <i>...</i>	-516 <i>...</i>	-896 <i>...</i>	236 <i>...</i>	252 <i>...</i>	592 <i>...</i>	-52 <i>...</i>	-437 <i>...</i>
Gross domestic product at market prices	1,352,560 <i>1.5</i>	1,386,308 <i>2.5</i>	1,414,120 <i>2.0</i>	1,427,036 <i>0.9</i>	1,432,796 <i>0.4</i>	1,440,808 <i>0.6</i>	1,290,788 <i>6.4</i>	1,371,425 <i>6.2</i>
<i>Final domestic demand</i>	<i>1,300,060 <i>1.6</i></i>	<i>1,319,228 <i>1.5</i></i>	<i>1,336,364 <i>1.3</i></i>	<i>1,367,740 <i>2.3</i></i>	<i>1,381,844 <i>1.0</i></i>	<i>1,395,980 <i>1.0</i></i>	<i>1,230,988 <i>5.8</i></i>	<i>1,308,670 <i>6.3</i></i>

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

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

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted at annual rates, Millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	661,391 <i>0.8</i>	665,602 <i>0.6</i>	671,517 <i>0.9</i>	679,363 <i>1.2</i>	685,789 <i>0.9</i>	692,936 <i>1.0</i>	638,825 <i>3.3</i>	663,583 <i>3.9</i>
Durable goods	103,115 <i>1.5</i>	103,969 <i>0.8</i>	103,874 <i>-0.1</i>	106,909 <i>2.9</i>	108,218 <i>1.2</i>	110,556 <i>2.2</i>	97,472 <i>2.5</i>	103,130 <i>5.8</i>
Semi-durable goods	61,254 <i>1.2</i>	61,141 <i>-0.2</i>	62,049 <i>1.5</i>	64,084 <i>3.3</i>	65,486 <i>2.2</i>	66,263 <i>1.2</i>	58,664 <i>4.1</i>	61,239 <i>4.4</i>
Non-durable goods	146,311 <i>0.2</i>	146,511 <i>0.1</i>	146,747 <i>0.2</i>	146,669 <i>-0.1</i>	148,118 <i>1.0</i>	149,102 <i>0.7</i>	143,176 <i>2.1</i>	146,401 <i>2.3</i>
Services	352,270 <i>0.9</i>	355,619 <i>1.0</i>	360,507 <i>1.4</i>	364,078 <i>1.0</i>	366,511 <i>0.7</i>	369,902 <i>0.9</i>	340,450 <i>3.9</i>	354,357 <i>4.1</i>
Government current expenditure on goods and services	216,627 <i>0.6</i>	218,239 <i>0.7</i>	220,622 <i>1.1</i>	222,442 <i>0.8</i>	225,106 <i>1.2</i>	225,475 <i>0.2</i>	211,883 <i>3.0</i>	217,689 <i>2.7</i>
Government gross fixed capital formation	31,845 <i>1.2</i>	32,469 <i>2.0</i>	33,507 <i>3.2</i>	34,051 <i>1.6</i>	34,333 <i>0.8</i>	34,376 <i>0.1</i>	30,257 <i>3.3</i>	32,320 <i>6.8</i>
Government investment in inventories	60 ...	-28 ...	36 ...	104 ...	-80 ...	-100 ...	19 ...	23 ...
Business gross fixed capital formation	226,187 <i>1.1</i>	231,549 <i>2.4</i>	235,599 <i>1.7</i>	241,419 <i>2.5</i>	242,374 <i>0.4</i>	243,123 <i>0.3</i>	213,984 <i>8.6</i>	229,271 <i>7.1</i>
Residential structures	67,928 <i>1.6</i>	68,846 <i>1.4</i>	68,848 <i>0.0</i>	71,172 <i>3.4</i>	70,300 <i>-1.2</i>	68,807 <i>-2.1</i>	66,002 <i>7.8</i>	68,127 <i>3.2</i>
Non-residential structures and equipment	158,158 <i>0.8</i>	162,813 <i>2.9</i>	167,251 <i>2.7</i>	170,543 <i>2.0</i>	172,807 <i>1.3</i>	175,749 <i>1.7</i>	147,387 <i>9.1</i>	161,270 <i>9.4</i>
Non-residential structures	54,858 <i>1.5</i>	56,292 <i>2.6</i>	57,912 <i>2.9</i>	59,089 <i>2.0</i>	59,528 <i>0.7</i>	60,215 <i>1.2</i>	51,679 <i>7.4</i>	55,777 <i>7.9</i>
Machinery and equipment	103,896 <i>0.3</i>	107,215 <i>3.2</i>	110,011 <i>2.6</i>	112,120 <i>1.9</i>	114,146 <i>1.8</i>	116,613 <i>2.2</i>	96,072 <i>10.3</i>	106,169 <i>10.5</i>
Business investment in inventories	14,431 ...	15,024 ...	14,892 ...	11,471 ...	18,559 ...	15,340 ...	9,747 ...	15,485 ...
Non-farm	11,263 ...	12,172 ...	11,809 ...	9,749 ...	17,380 ...	13,852 ...	6,494 ...	12,398 ...
Farm	2,616 ...	2,226 ...	2,473 ...	878 ...	5 ...	383 ...	2,887 ...	2,489 ...
Exports of goods and services	464,866 <i>-0.4</i>	474,439 <i>2.1</i>	481,889 <i>1.6</i>	477,301 <i>-1.0</i>	475,240 <i>-0.4</i>	479,431 <i>0.9</i>	462,239 <i>5.2</i>	472,037 <i>2.1</i>
Goods	405,291 <i>-0.5</i>	415,328 <i>2.5</i>	422,567 <i>1.7</i>	418,378 <i>-1.0</i>	415,560 <i>-0.7</i>	420,667 <i>1.2</i>	402,699 <i>5.5</i>	412,615 <i>2.5</i>
Services	59,757 <i>-0.2</i>	59,327 <i>-0.7</i>	59,542 <i>0.4</i>	59,140 <i>-0.7</i>	59,866 <i>1.2</i>	59,005 <i>-1.4</i>	59,687 <i>3.4</i>	59,624 <i>-0.1</i>
Deduct: Imports of goods and services	463,089 <i>-0.9</i>	475,574 <i>2.7</i>	490,041 <i>3.0</i>	487,613 <i>-0.5</i>	497,744 <i>2.1</i>	502,714 <i>1.0</i>	442,421 <i>8.2</i>	474,040 <i>7.1</i>
Goods	392,943 <i>-1.3</i>	405,171 <i>3.1</i>	417,833 <i>3.1</i>	413,972 <i>-0.9</i>	423,217 <i>2.2</i>	429,543 <i>1.5</i>	373,891 <i>8.4</i>	403,554 <i>7.9</i>
Services	70,126 <i>1.0</i>	70,611 <i>0.7</i>	72,471 <i>2.6</i>	73,638 <i>1.6</i>	74,620 <i>1.3</i>	73,587 <i>-1.4</i>	68,294 <i>7.2</i>	70,652 <i>3.5</i>
Statistical discrepancy	399 ...	-433 ...	-741 ...	195 ...	209 ...	490 ...	-52 ...	-366 ...
Gross domestic product at market prices	1,153,623 0.8	1,162,822 0.8	1,170,239 0.6	1,181,074 0.9	1,187,051 0.5	1,192,200 0.4	1,124,688 3.3	1,157,705 2.9
<i>Final domestic demand</i>	<i>1,134,660</i> <i>0.9</i>	<i>1,146,247</i> <i>1.0</i>	<i>1,159,485</i> <i>1.2</i>	<i>1,175,261</i> <i>1.4</i>	<i>1,185,689</i> <i>0.9</i>	<i>1,193,952</i> <i>0.7</i>	<i>1,093,982</i> <i>4.2</i>	<i>1,141,343</i> <i>4.3</i>

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

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

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

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Quarter to quarter percent change at annual rates, Chained (1997) dollars								
Personal expenditure on consumer goods and services	3.4	2.6	3.6	4.8	3.8	4.2	3.3	3.9
Durable goods	6.3	3.4	-0.4	12.2	5.0	8.9	2.5	5.8
Semi-durable goods	5.0	-0.7	6.1	13.8	9.0	4.8	4.1	4.4
Non-durable goods	0.8	0.5	0.6	-0.2	4.0	2.7	2.1	2.3
Services	3.8	3.9	5.6	4.0	2.7	3.8	3.9	4.1
Government current expenditure on goods and services	2.6	3.0	4.4	3.3	4.9	0.7	3.0	2.7
Government gross fixed capital formation	5.0	8.1	13.4	6.7	3.4	0.5	3.3	6.8
Government investment in inventories[2]	36	-88	64	68	-184	-20	5	4
Business gross fixed capital formation	4.4	9.8	7.2	10.3	1.6	1.2	8.6	7.1
Residential structures	6.4	5.5	0.0	14.2	-4.8	-8.2	7.8	3.2
Non-residential structures and equipment	3.4	12.3	11.4	8.1	5.4	7.0	9.1	9.4
Non-residential structures	6.1	10.9	12.0	8.4	3.0	4.7	7.4	7.9
Machinery and equipment	1.3	13.4	10.8	7.9	7.4	8.9	10.3	10.5
Business investment in inventories[2]	-3,163	593	-132	-3,421	7,088	-3,219	1,075	5,739
Non-farm[2]	-3,085	909	-363	-2,060	7,631	-3,528	1,515	5,904
Farm[2]	-26	-390	247	-1,595	-873	378	-610	-398
Exports of goods and services	-1.8	8.5	6.4	-3.8	-1.7	3.6	5.2	2.1
Goods	-1.9	10.3	7.2	-3.9	-2.7	5.0	5.5	2.5
Services	-0.7	-2.8	1.5	-2.7	5.0	-5.6	3.4	-0.1
Deduct: Imports of goods and services	-3.7	11.2	12.7	-2.0	8.6	4.1	8.2	7.1
Goods	-5.2	13.0	13.1	-3.6	9.2	6.1	8.4	7.9
Services	4.2	2.8	11.0	6.6	5.4	-5.4	7.2	3.5
Statistical discrepancy[2]	1,089	-832	-308	936	14	281	216	-315
Gross domestic product at market prices	3.4	3.2	2.6	3.8	2.0	1.7	3.3	2.9
<i>Final domestic demand</i>	<i>3.5</i>	<i>4.1</i>	<i>4.7</i>	<i>5.6</i>	<i>3.6</i>	<i>2.8</i>	<i>4.2</i>	<i>4.3</i>

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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Using seasonally adjusted data, Percentage points								
Personal expenditure on consumer goods and services	0.475	0.354	0.488	0.641	0.522	0.579	1.851	2.139
Durable goods	0.112	0.060	-0.007	0.207	0.088	0.155	0.190	0.416
Semi-durable goods	0.057	-0.009	0.067	0.148	0.101	0.055	0.195	0.202
Non-durable goods	0.026	0.019	0.022	-0.007	0.135	0.091	0.292	0.310
Services	0.279	0.284	0.405	0.294	0.199	0.278	1.175	1.210
Government current expenditure on goods and services	0.123	0.144	0.208	0.160	0.234	0.032	0.589	0.523
Government gross fixed capital formation	0.030	0.049	0.079	0.041	0.021	0.003	0.081	0.164
Government investment in inventories	0.003	-0.008	0.006	0.006	-0.016	-0.002	0.000	0.000
Business gross fixed capital formation	0.198	0.429	0.317	0.451	0.074	0.058	1.469	1.254
Residential structures	0.101	0.088	0.000	0.220	-0.083	-0.145	0.472	0.205
Non-residential structures and equipment	0.097	0.341	0.317	0.231	0.157	0.203	0.997	1.049
Non-residential structures	0.075	0.131	0.146	0.106	0.040	0.063	0.335	0.380
Machinery and equipment	0.022	0.210	0.170	0.125	0.117	0.140	0.662	0.669
Business investment in inventories	-0.251	0.040	-0.015	-0.257	0.517	-0.243	0.063	0.442
Non-farm	-0.248	0.068	-0.030	-0.158	0.570	-0.268	0.124	0.470
Farm	-0.003	-0.028	0.015	-0.100	-0.053	0.025	-0.061	-0.029
Exports of goods and services	-0.168	0.772	0.600	-0.363	-0.158	0.320	1.980	0.820
Goods	-0.159	0.807	0.582	-0.331	-0.215	0.388	1.805	0.827
Services	-0.009	-0.035	0.017	-0.032	0.057	-0.068	0.175	-0.006
Deduct: Imports of goods and services	-0.324	0.910	1.018	-0.167	0.689	0.338	2.756	2.378
Goods	-0.385	0.870	0.869	-0.260	0.613	0.419	2.326	2.175
Services	0.061	0.040	0.149	0.092	0.077	-0.081	0.430	0.203
Statistical discrepancy	0.095	-0.072	-0.027	0.080	0.001	0.024	0.021	-0.029
Gross domestic product at market prices	0.829	0.797	0.638	0.926	0.506	0.434	3.299	2.936
<i>Final domestic demand</i>	<i>0.826</i>	<i>0.976</i>	<i>1.092</i>	<i>1.292</i>	<i>0.851</i>	<i>0.673</i>	<i>3.990</i>	<i>4.080</i>

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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	114.3 <i>0.5</i>	115.1 <i>0.7</i>	115.2 <i>0.1</i>	115.7 <i>0.4</i>	116.2 <i>0.4</i>	116.3 <i>0.1</i>	112.7 <i>1.5</i>	114.6 <i>1.7</i>
Government current expenditure on goods and services	121.4 <i>1.2</i>	122.1 <i>0.6</i>	122.0 <i>-0.1</i>	126.1 <i>3.4</i>	124.4 <i>-1.3</i>	125.2 <i>0.6</i>	117.9 <i>1.3</i>	121.4 <i>2.9</i>
Government gross fixed capital formation	106.0 <i>1.2</i>	106.5 <i>0.5</i>	106.6 <i>0.1</i>	106.9 <i>0.3</i>	107.9 <i>0.9</i>	109.1 <i>1.1</i>	104.3 <i>1.5</i>	106.0 <i>1.6</i>
Business gross fixed capital formation	109.3 <i>1.0</i>	108.9 <i>-0.4</i>	109.4 <i>0.5</i>	109.7 <i>0.3</i>	110.4 <i>0.6</i>	111.3 <i>0.8</i>	107.4 <i>1.8</i>	109.0 <i>1.5</i>
Exports of goods and services	108.9 <i>2.1</i>	111.1 <i>2.0</i>	113.6 <i>2.3</i>	110.0 <i>-3.2</i>	109.1 <i>-0.8</i>	109.8 <i>0.6</i>	107.0 <i>1.8</i>	110.1 <i>2.9</i>
Imports of goods and services	100.3 <i>2.5</i>	98.6 <i>-1.7</i>	97.8 <i>-0.8</i>	97.2 <i>-0.6</i>	97.0 <i>-0.2</i>	98.1 <i>1.1</i>	99.7 <i>-2.2</i>	98.7 <i>-1.0</i>
Gross domestic product at market prices	117.2 <i>0.6</i>	119.2 <i>1.7</i>	120.8 <i>1.3</i>	120.8 <i>0.0</i>	120.7 <i>-0.1</i>	120.9 <i>0.2</i>	114.8 <i>3.0</i>	118.4 <i>3.2</i>
<i>Final domestic demand</i>	<i>114.6</i> <i>0.8</i>	<i>115.1</i> <i>0.4</i>	<i>115.3</i> <i>0.2</i>	<i>116.4</i> <i>1.0</i>	<i>116.5</i> <i>0.1</i>	<i>116.9</i> <i>0.3</i>	<i>112.5</i> <i>1.5</i>	<i>114.7</i> <i>1.9</i>

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

GDP by industry

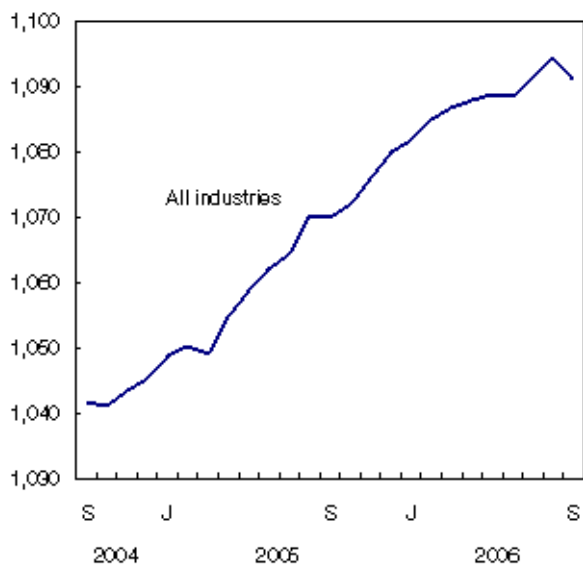
September 2006

The Canadian economy fell back 0.3% in September, after growing 0.3% in August and 0.2% in July. Except for the drop in economic activity registered in August 2003, which was mainly attributable to a power blackout in Ontario, there has not been a monthly decrease of this magnitude since March 2002 (-0.4%). Special events hindered growth in September, such as a strike in the mining sector in Labrador and the winding down of the collection activities of the 2006 Census.

Goods production, which has shown signs of weakness since the start of the year, declined 1.0% in September, while service industries held steady. Decreases in manufacturing, wholesale trade and the energy sector were only partially offset by the strength of the finance, accommodation and food services sectors.

Economic activity turns down

GDP in billions of chained (1997) dollars

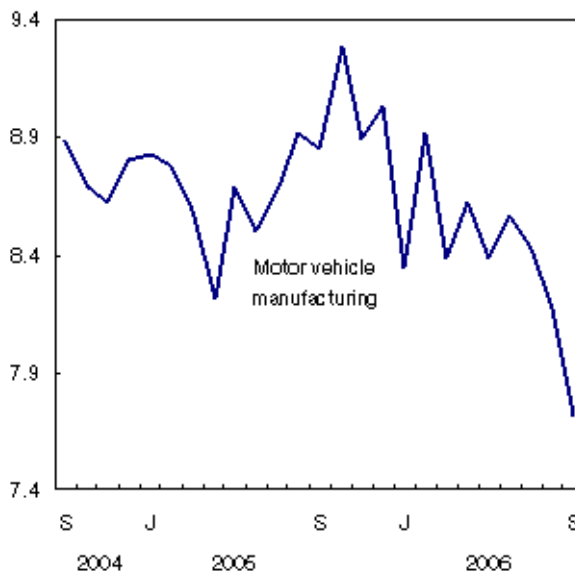


Steep decline in manufacturing

Manufacturing output fell 1.4% in September. This is the eighth monthly decline since the start of the year. This sector's activity level was 3.6% below its peak of December 2005. Of the 21 major groups, 16 accounting for 82% of total manufacturing output, cut back their production. The production of both durable goods (-1.3%) and non-durables (-1.6%) was down. The largest decreases were in the manufacturing of motor vehicles, chemical and metal products, machinery, as well as in printing activities. Only a few subsectors, including the manufacture of wood products and computer and electronic products, advanced in September.

Automakers apply the brakes

GDP in billions of chained (1997) dollars



Note to readers

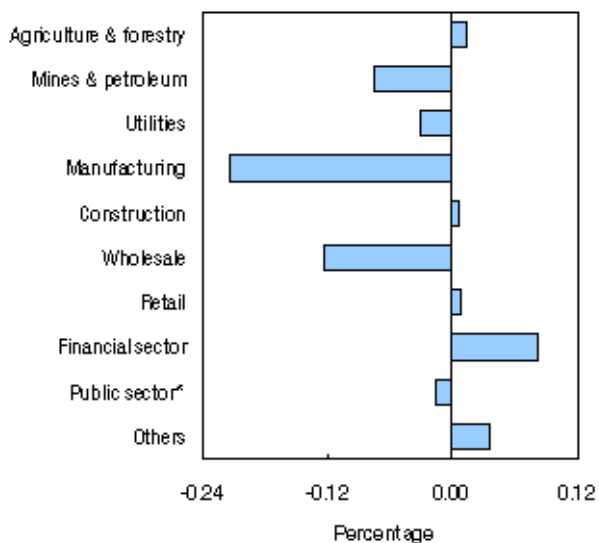
The monthly gross domestic product (GDP) by industry data are chained volume estimates with 1997 as their reference year. This means that the estimates for each industry and aggregate are obtained from a chained volume index multiplied by the industry's value added in 1997. For the period 1997 to 2003, the monthly estimates are benchmarked to annually chained Fisher volume indexes of GDP obtained from the constant-price input-output tables. For the period starting with January 2004, the estimates are derived by chaining a fixed-weight Laspeyres volume index to the prior period. The fixed weights are the industry output and input prices of 2003. This makes the monthly GDP by industry estimates more comparable with the expenditure-based GDP data, chained quarterly.

Industrial production (the output of mines, utilities and factories) fell 1.4% with declines in all three sectors. Industrial production in the United States also decreased (-0.6%) in September, with mining being the only sector to advance.

Activity down in wholesale trade

After two months of strong growth, wholesale trade fell 2.1%. Declines were widespread, with wholesalers of automotive products and of machinery and electronic equipment registering the steepest decreases. Only two subsectors posted increased sales: building supplies, and farm products which continued its recent advance. Retail trade grew by only 0.2% in September, held back by a steep drop in new motor vehicle sales. Excluding new vehicle dealers, retail sales advanced 1.0%.

Contribution of main industrial sectors to total growth – September 2006



* Education, health and public administration.

Output of energy sector declines

The energy sector declined 1.0% in September, in contrast to the gains registered in July and August. This drop is mainly attributable to lower natural gas production. Weaker prices and high natural gas inventories were largely responsible for the decline. Pipeline transportation of natural gas fell 3.3%, while that of oil advanced 1.7%. Lastly, natural gas distribution grew 0.3%, buoyed by industrial and wholesale demand, while residential and commercial distribution posted steep declines.

Construction up marginally

Construction activities grew only marginally (+0.1%), with gains in engineering and repair activities offsetting losses in residential and non-residential construction.

Brokerage and banking activities increase

The finance and insurance sector grew 0.8% in September on the strength of banking and lending activities (+1.0%) and a rebound in brokerage activity. Meanwhile, real estate brokers registered a fifth consecutive monthly decline, reflecting the downturn in the home resale market observed since last March.

Third quarter 2006

The pace of economic activity was largely unchanged in the third quarter, following a pronounced slowing in the second quarter. The rise in the production of services (+0.5%) more than offset the decline (-0.1%) observed in goods-producing industries. The growth came mainly from the energy sector, retail and wholesale trade and the financial sector. Manufacturing and forestry were the main brakes on economic growth.

In contrast with two consecutive quarters of declines, the growth of the energy sector in the third quarter was largely due to a rebound in oil extraction and oil and natural gas exploration activities.

Wholesale trade continued to grow strongly in the third quarter (+1.3%). Wholesalers of food products, computers and professional and office equipment as well as wholesalers of other products, such as chemicals, contributed the most to this performance. However, in contrast with the vibrant growth observed in the past few quarters, wholesalers of household and personal products registered no gain in this quarter. Retail trade advanced 0.9%, well below the growth in the previous two quarters. New motor vehicles sales were the main engine of growth in this sector. Excluding new motor vehicle dealers, retail trade grew by only 0.4%.

The financial sector advanced 0.9% in the third quarter on the strength of banking, brokerage and insurance activities. For a fourth straight quarter, the activities of real estate agents and brokers declined (-3.0%), reflecting the state of the home resale market during the same period.

Construction activities grew 0.2% in the third quarter. All the strength laid in engineering and repair works, while residential and non-residential construction registered declines.

Manufacturing output (-0.5%) fell for a third straight quarter. Of the 21 major groups, 15 were down, accounting for 68% of total manufacturing output. The production of both non-durable goods (-0.5%) and durables (-0.6%) declined. The high value of the Canadian dollar in relation to its American counterpart and high gasoline prices were the main factors that caused manufacturers to adjust their production level, especially in automotive products.

After two quarters of significant declines, industrial production (the output of utilities, mines and factories) edged up 0.1%, with the manufacturing sector once again dampening growth. The strong performance of the mining and oil and gas extraction sector and the stability of utilities could not offset the drop in the manufacturing sector. Industrial production in the United States grew 1.0%, with all three sectors posting gains.

In the third quarter, the output of the federal government excluding defence services was down, primarily because of the end of the main collection activities relating to the 2006 Census. Also, forestry activities in British Columbia declined owing to an increase in forest fires compared to the previous year as well as higher stumpage fees and an expected change in U.S. tariffs.

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

	February 2006	March 2006	April 2006	May 2006	June 2006	July 2006	August 2006	September 2006
Seasonally adjusted at annual rates, millions chained (1997) dollars								
All industries	1,085,014 <i>0.3</i>	1,086,640 <i>0.1</i>	1,087,995 <i>0.1</i>	1,088,708 <i>0.1</i>	1,088,531 <i>-0.0</i>	1,091,039 <i>0.2</i>	1,094,350 <i>0.3</i>	1,090,893 <i>-0.3</i>
Goods-producing industries	337,177 <i>0.3</i>	336,156 <i>-0.3</i>	335,043 <i>-0.3</i>	333,306 <i>-0.5</i>	333,148 <i>-0.0</i>	334,249 <i>0.3</i>	334,692 <i>0.1</i>	331,495 <i>-1.0</i>
Agriculture, forestry, fishing and hunting	25,443 <i>0.9</i>	25,190 <i>-1.0</i>	25,151 <i>-0.2</i>	24,946 <i>-0.8</i>	24,459 <i>-2.0</i>	24,019 <i>-1.8</i>	24,027 <i>0.0</i>	24,181 <i>0.6</i>
Mining and oil and gas extraction	39,533 <i>0.0</i>	39,685 <i>0.4</i>	39,970 <i>0.7</i>	39,045 <i>-2.3</i>	39,158 <i>0.3</i>	39,881 <i>1.8</i>	40,391 <i>1.3</i>	39,898 <i>-1.2</i>
Utilities	28,031 <i>4.9</i>	27,772 <i>-0.9</i>	27,563 <i>-0.8</i>	27,652 <i>0.3</i>	27,791 <i>0.5</i>	27,996 <i>0.7</i>	27,666 <i>-1.2</i>	27,324 <i>-1.2</i>
Construction	67,274 <i>0.6</i>	67,391 <i>0.2</i>	67,396 <i>0.0</i>	67,256 <i>-0.2</i>	67,309 <i>0.1</i>	67,203 <i>-0.2</i>	67,494 <i>0.4</i>	67,581 <i>0.1</i>
Manufacturing	176,228 <i>-0.5</i>	175,245 <i>-0.6</i>	173,780 <i>-0.8</i>	173,756 <i>-0.0</i>	173,652 <i>-0.1</i>	173,895 <i>0.1</i>	173,531 <i>-0.2</i>	171,030 <i>-1.4</i>
Services-producing industries	749,086 <i>0.3</i>	751,817 <i>0.4</i>	754,370 <i>0.3</i>	756,917 <i>0.3</i>	756,903 <i>-0.0</i>	758,296 <i>0.2</i>	761,198 <i>0.4</i>	761,049 <i>-0.0</i>
Wholesale trade	69,743 <i>0.2</i>	70,081 <i>0.5</i>	70,309 <i>0.3</i>	71,382 <i>1.5</i>	71,024 <i>-0.5</i>	71,611 <i>0.8</i>	72,720 <i>1.5</i>	71,204 <i>-2.1</i>
Retail trade	63,958 <i>0.3</i>	64,760 <i>1.3</i>	65,612 <i>1.3</i>	65,342 <i>-0.4</i>	65,320 <i>-0.0</i>	65,658 <i>0.5</i>	66,180 <i>0.8</i>	66,282 <i>0.2</i>
Transportation and warehousing	52,376 <i>0.2</i>	52,658 <i>0.5</i>	52,731 <i>0.1</i>	52,850 <i>0.2</i>	52,738 <i>-0.2</i>	52,674 <i>-0.1</i>	52,931 <i>0.5</i>	52,743 <i>-0.4</i>
Information and cultural industries	43,885 <i>0.3</i>	43,941 <i>0.1</i>	43,920 <i>-0.0</i>	44,025 <i>0.2</i>	44,280 <i>0.6</i>	44,475 <i>0.4</i>	44,550 <i>0.2</i>	44,464 <i>-0.2</i>
Finance, insurance and real estate	218,539 <i>0.3</i>	219,144 <i>0.3</i>	220,177 <i>0.5</i>	220,762 <i>0.3</i>	221,143 <i>0.2</i>	221,896 <i>0.3</i>	222,474 <i>0.3</i>	223,418 <i>0.4</i>
Professional, scientific and technical services	48,237 <i>0.1</i>	48,297 <i>0.1</i>	48,429 <i>0.3</i>	48,481 <i>0.1</i>	48,509 <i>0.1</i>	48,543 <i>0.1</i>	48,677 <i>0.3</i>	48,757 <i>0.2</i>
Administrative and waste management services	25,130 <i>0.7</i>	25,318 <i>0.7</i>	25,411 <i>0.4</i>	25,621 <i>0.8</i>	25,730 <i>0.4</i>	25,789 <i>0.2</i>	25,858 <i>0.3</i>	25,977 <i>0.5</i>
Educational services	47,660 <i>0.0</i>	47,562 <i>-0.2</i>	47,628 <i>0.1</i>	47,595 <i>-0.1</i>	47,584 <i>-0.0</i>	47,595 <i>0.0</i>	47,585 <i>-0.0</i>	47,542 <i>-0.1</i>
Health care and social assistance	61,542 <i>0.2</i>	61,744 <i>0.3</i>	61,795 <i>0.1</i>	61,850 <i>0.1</i>	61,826 <i>-0.0</i>	61,848 <i>0.0</i>	61,893 <i>0.1</i>	61,948 <i>0.1</i>
Arts, entertainment and recreation	9,060 <i>-0.0</i>	9,223 <i>1.8</i>	9,364 <i>1.5</i>	9,248 <i>-1.2</i>	9,186 <i>-0.7</i>	8,932 <i>-2.8</i>	9,098 <i>1.9</i>	9,169 <i>0.8</i>
Accommodation and food services	23,917 <i>1.7</i>	24,034 <i>0.5</i>	23,620 <i>-1.7</i>	24,046 <i>1.8</i>	23,746 <i>-1.2</i>	23,668 <i>-0.3</i>	23,923 <i>1.1</i>	24,124 <i>0.8</i>
Other services (except public administration)	26,575 <i>0.3</i>	26,639 <i>0.2</i>	26,681 <i>0.2</i>	26,758 <i>0.3</i>	26,824 <i>0.2</i>	26,845 <i>0.1</i>	26,878 <i>0.1</i>	27,037 <i>0.6</i>
Public administration	60,480 <i>0.2</i>	60,452 <i>-0.0</i>	60,750 <i>0.5</i>	61,121 <i>0.6</i>	61,168 <i>0.1</i>	61,064 <i>-0.2</i>	60,844 <i>-0.4</i>	60,646 <i>-0.3</i>
Other aggregations								
Industrial production	245,718 <i>0.2</i>	244,837 <i>-0.4</i>	243,781 <i>-0.4</i>	242,390 <i>-0.6</i>	242,609 <i>0.1</i>	244,158 <i>0.6</i>	244,319 <i>0.1</i>	240,991 <i>-1.4</i>
Non-durable manufacturing industries	70,246 <i>-1.7</i>	70,014 <i>-0.3</i>	69,777 <i>-0.3</i>	70,006 <i>0.3</i>	69,440 <i>-0.8</i>	69,228 <i>-0.3</i>	70,080 <i>1.2</i>	68,938 <i>-1.6</i>
Durable manufacturing industries	105,866 <i>0.3</i>	105,111 <i>-0.7</i>	103,875 <i>-1.2</i>	103,617 <i>-0.2</i>	104,092 <i>0.5</i>	104,554 <i>0.4</i>	103,313 <i>-1.2</i>	101,959 <i>-1.3</i>
Business sector industries	922,189 <i>0.3</i>	923,824 <i>0.2</i>	924,727 <i>0.1</i>	925,105 <i>0.0</i>	924,953 <i>-0.0</i>	927,599 <i>0.3</i>	931,130 <i>0.4</i>	927,833 <i>-0.4</i>
Non-business sector industries	163,246 <i>0.1</i>	163,251 <i>0.0</i>	163,691 <i>0.3</i>	164,011 <i>0.2</i>	163,987 <i>-0.0</i>	163,875 <i>-0.1</i>	163,695 <i>-0.1</i>	163,515 <i>-0.1</i>
ICT sector, total	63,984 <i>0.1</i>	64,340 <i>0.6</i>	64,391 <i>0.1</i>	64,632 <i>0.4</i>	65,048 <i>0.6</i>	65,304 <i>0.4</i>	65,307 <i>0.0</i>	65,156 <i>-0.2</i>
Energy sector	64,747 <i>1.7</i>	64,849 <i>0.2</i>	64,913 <i>0.1</i>	63,958 <i>-1.5</i>	64,098 <i>0.2</i>	64,980 <i>1.4</i>	65,248 <i>0.4</i>	64,564 <i>-1.0</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, 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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted at annual rates, millions chained (1997) dollars								
Goods-producing industries	329,975	333,441	336,007	336,477	333,832	333,479	325,202	331,595
	<i>0.9</i>	<i>1.1</i>	<i>0.8</i>	<i>0.1</i>	<i>-0.8</i>	<i>-0.1</i>	<i>2.9</i>	<i>2.0</i>
Agriculture, forestry, fishing and hunting	25,589	25,987	25,273	25,279	24,852	24,076	24,619	25,488
	<i>1.9</i>	<i>1.6</i>	<i>-2.7</i>	<i>0.0</i>	<i>-1.7</i>	<i>-3.1</i>	<i>7.4</i>	<i>3.5</i>
Mining and oil and gas extraction	38,401	39,359	39,973	39,581	39,391	40,057	38,789	38,865
	<i>1.8</i>	<i>2.5</i>	<i>1.6</i>	<i>-1.0</i>	<i>-0.5</i>	<i>1.7</i>	<i>2.1</i>	<i>0.2</i>
Utilities	28,061	28,068	27,814	27,509	27,669	27,662	26,806	27,948
	<i>0.8</i>	<i>0.0</i>	<i>-0.9</i>	<i>-1.1</i>	<i>0.6</i>	<i>-0.0</i>	<i>0.7</i>	<i>4.3</i>
Construction	63,029	64,014	65,518	67,177	67,320	67,426	60,228	63,689
	<i>1.3</i>	<i>1.6</i>	<i>2.3</i>	<i>2.5</i>	<i>0.2</i>	<i>0.2</i>	<i>6.4</i>	<i>5.7</i>
Manufacturing	174,480	175,190	176,357	176,201	173,729	172,819	173,726	174,987
	<i>0.3</i>	<i>0.4</i>	<i>0.7</i>	<i>-0.1</i>	<i>-1.4</i>	<i>-0.5</i>	<i>1.9</i>	<i>0.7</i>
Services-producing industries	729,617	735,726	741,062	749,287	756,063	760,181	709,800	732,506
	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>1.1</i>	<i>0.9</i>	<i>0.5</i>	<i>3.2</i>	<i>3.2</i>
Wholesale trade	65,579	66,506	67,920	69,810	70,905	71,845	61,721	65,997
	<i>2.5</i>	<i>1.4</i>	<i>2.1</i>	<i>2.8</i>	<i>1.6</i>	<i>1.3</i>	<i>5.3</i>	<i>6.9</i>
Retail trade	62,227	62,355	62,752	64,164	65,425	66,040	59,454	62,219
	<i>1.1</i>	<i>0.2</i>	<i>0.6</i>	<i>2.3</i>	<i>2.0</i>	<i>0.9</i>	<i>3.8</i>	<i>4.7</i>
Transportation and warehousing	50,766	51,671	52,073	52,436	52,773	52,783	49,528	51,241
	<i>0.6</i>	<i>1.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>0.0</i>	<i>4.2</i>	<i>3.5</i>
Information and cultural industries	43,323	43,696	43,636	43,863	44,075	44,496	41,790	43,383
	<i>1.0</i>	<i>0.9</i>	<i>-0.1</i>	<i>0.5</i>	<i>0.5</i>	<i>1.0</i>	<i>1.3</i>	<i>3.8</i>
Finance, insurance and real estate	213,249	214,923	216,331	218,524	220,694	222,596	206,434	213,985
	<i>0.9</i>	<i>0.8</i>	<i>0.7</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>4.1</i>	<i>3.7</i>
Professional, scientific and technical services	47,409	47,800	47,972	48,239	48,473	48,659	46,241	47,535
	<i>1.0</i>	<i>0.8</i>	<i>0.4</i>	<i>0.6</i>	<i>0.5</i>	<i>0.4</i>	<i>2.3</i>	<i>2.8</i>
Administrative and waste management services	23,977	24,380	24,694	25,134	25,587	25,875	23,267	24,183
	<i>1.3</i>	<i>1.7</i>	<i>1.3</i>	<i>1.8</i>	<i>1.8</i>	<i>1.1</i>	<i>3.6</i>	<i>3.9</i>
Educational services	46,885	47,329	47,329	47,624	47,602	47,574	46,311	47,073
	<i>0.3</i>	<i>0.9</i>	<i>-0.0</i>	<i>0.6</i>	<i>-0.0</i>	<i>-0.1</i>	<i>2.4</i>	<i>1.6</i>
Health care and social assistance	60,478	60,807	61,227	61,574	61,824	61,896	59,862	60,704
	<i>0.3</i>	<i>0.5</i>	<i>0.7</i>	<i>0.6</i>	<i>0.4</i>	<i>0.1</i>	<i>1.9</i>	<i>1.4</i>
Arts, entertainment and recreation	8,876	9,060	9,223	9,115	9,266	9,066	8,960	8,996
	<i>0.6</i>	<i>2.1</i>	<i>1.8</i>	<i>-1.2</i>	<i>1.7</i>	<i>-2.2</i>	<i>0.7</i>	<i>0.4</i>
Accommodation and food services	23,177	23,183	23,309	23,819	23,804	23,905	22,987	23,221
	<i>-0.2</i>	<i>0.0</i>	<i>0.5</i>	<i>2.2</i>	<i>-0.1</i>	<i>0.4</i>	<i>2.0</i>	<i>1.0</i>
Other services (except public administration)	26,189	26,277	26,366	26,567	26,754	26,920	25,703	26,225
	<i>0.5</i>	<i>0.3</i>	<i>0.3</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>1.8</i>	<i>2.0</i>
Public administration	59,204	59,517	60,073	60,438	61,013	60,851	58,677	59,462
	<i>0.3</i>	<i>0.5</i>	<i>0.9</i>	<i>0.6</i>	<i>1.0</i>	<i>-0.3</i>	<i>2.0</i>	<i>1.3</i>
Other aggregations								
Industrial production	242,415	244,563	246,320	245,266	242,927	243,156	241,141	243,485
	<i>0.7</i>	<i>0.9</i>	<i>0.7</i>	<i>-0.4</i>	<i>-1.0</i>	<i>0.1</i>	<i>1.8</i>	<i>1.0</i>
Non-durable manufacturing industries	71,345	71,455	71,169	70,566	69,741	69,415	72,158	71,317
	<i>0.1</i>	<i>0.2</i>	<i>-0.4</i>	<i>-0.8</i>	<i>-1.2</i>	<i>-0.5</i>	<i>0.7</i>	<i>-1.2</i>
Durable manufacturing industries	102,977	103,581	105,050	105,511	103,861	103,275	101,380	103,516
	<i>0.5</i>	<i>0.6</i>	<i>1.4</i>	<i>0.4</i>	<i>-1.6</i>	<i>-0.6</i>	<i>2.8</i>	<i>2.1</i>
Business sector industries	898,747	907,116	914,107	921,727	924,928	928,854	875,777	902,519
	<i>1.0</i>	<i>0.9</i>	<i>0.8</i>	<i>0.8</i>	<i>0.3</i>	<i>0.4</i>	<i>3.3</i>	<i>3.1</i>
Non-business sector industries	160,047	161,291	162,217	163,181	163,896	163,695	158,479	160,794
	<i>0.3</i>	<i>0.8</i>	<i>0.6</i>	<i>0.6</i>	<i>0.4</i>	<i>-0.1</i>	<i>2.0</i>	<i>1.5</i>
ICT sector, total	62,189	62,834	63,271	64,085	64,690	65,256	59,298	62,359
	<i>1.7</i>	<i>1.0</i>	<i>0.7</i>	<i>1.3</i>	<i>0.9</i>	<i>0.9</i>	<i>3.2</i>	<i>5.2</i>
Energy sector	63,187	64,427	65,102	64,427	64,323	64,931	62,812	63,767
	<i>1.3</i>	<i>2.0</i>	<i>1.0</i>	<i>-1.0</i>	<i>-0.2</i>	<i>0.9</i>	<i>1.4</i>	<i>1.5</i>

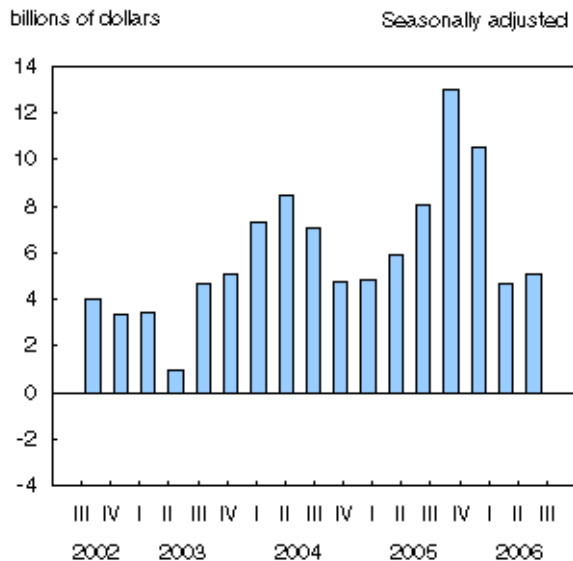
1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change.

Balance of international payments

Third quarter 2006

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased \$0.4 billion in the third quarter to \$5.1 billion. After four quarters of large fluctuations, the goods surplus remained little changed and the deficit on investment income fell as receipts increased.

Current account surplus up slightly



In the capital and financial account (not seasonally adjusted), Canada increased its international assets during the quarter mainly due to record acquisitions of foreign securities by portfolio investors. The largest investment by foreign direct investors in nearly six years pushed Canada's international liabilities up, partly offsetting the higher assets.

Current account

Goods surplus falls slightly

The surplus on trade in goods decreased \$0.7 billion to \$12.2 billion in the third quarter, the lowest level in more than three years. Exports rebounded to the first quarter level while imports continued to increase.

Exports rose \$2.0 billion in the third quarter to \$114.8 billion. Large increases in export prices of metals and alloys and, to a lesser extent, metal ores contributed to the \$2.0 billion increase in the value of industrial goods exported. This was the seventh consecutive increase for this group of commodities.

Exports of aircraft, engines and parts rebounded \$0.7 billion to \$4.0 billion, their highest level since the beginning of 2003 but below the \$5.4 billion peak recorded at the end of 2001.

These increases were partially offset by the third consecutive large drop in automotive products. All three major components (cars, trucks, and parts) declined during the quarter. During the last two quarters, automotive products have registered their lowest levels of export in eight years.

Exports of energy products, which have fluctuated widely during the past year, remained unchanged. This quarter, both prices and volumes showed only small changes.

Imports increased \$2.7 billion to a record \$102.6 billion in the third quarter. Automotive products recorded the largest increase at \$0.9 billion, with cars and trucks accounting for most of the rise.

Machinery and equipment imports rose \$0.8 billion to \$28.8 billion, continuing the upward trend that started in the first quarter of 2004.

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.

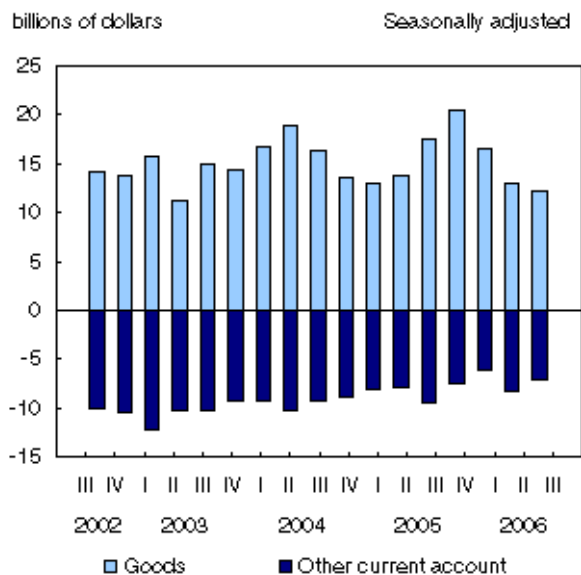
The **current account** covers transactions on goods, services, investment income and current transfers. Transactions in exports and interest income are examples of receipts, while imports and interest expense are payments. The balance from these transactions determines if Canada's current account is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

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

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

Imports of energy products increased \$0.3 billion to a record of \$9.7 billion. Higher imports of crude petroleum were mostly offset by lower imports of other energy products.

Reduced deficit on investment income offsets lower goods surplus

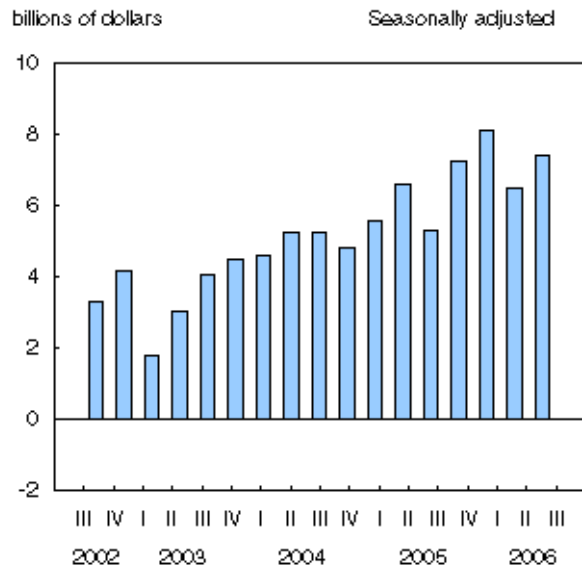


Deficit on investment income narrows

The deficit on investment income shrank \$1.1 billion to \$3.2 billion as profits earned by Canadian direct investors abroad reached \$7.4 billion, the second highest level ever.

The \$0.9 billion increase to profits from Canadian direct investment abroad was split between higher dividends and higher reinvested earnings. The metallic minerals and finance and insurance sectors recorded the highest increases in profits during the third quarter.

Profits on direct investment abroad remain strong



Interest on foreign bonds and money market instruments reached \$1.5 billion, a 50% increase since the third quarter of 2005 as Canadian investors have rapidly increased their holdings of these instruments.

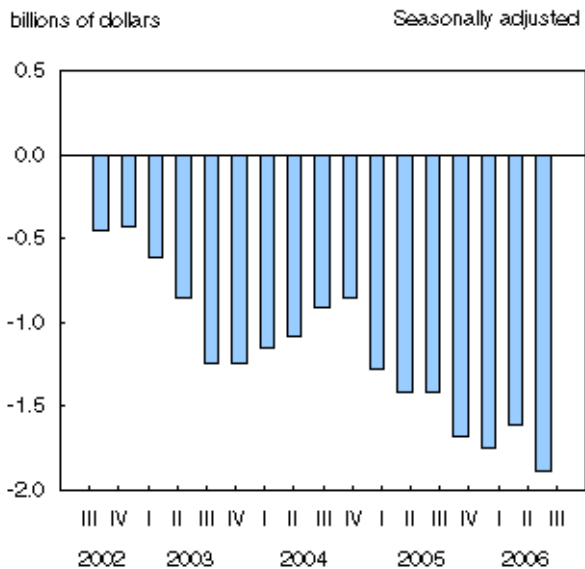
Profits on foreign direct investment in Canada remained stable in the third quarter. However, these Canadian firms declared lower dividends thereby raising the level of retained earnings.

Services deficit up slightly again

The services deficit was little changed in the third quarter, increasing by \$0.1 billion. Higher deficits in travel and in transportation were partially offset by a lower deficit for commercial services.

The travel deficit grew \$0.3 billion to \$1.9 billion as fewer Americans visited Canada and more Canadians, mostly those spending as least one night abroad, went to the United States.

A larger travel deficit as more Canadians travel abroad



The number of foreign travellers coming to Canada has dropped for the 8th consecutive quarter while the number of Canadian international travellers increased for the 8th consecutive quarter. The travel deficit has doubled during this period.

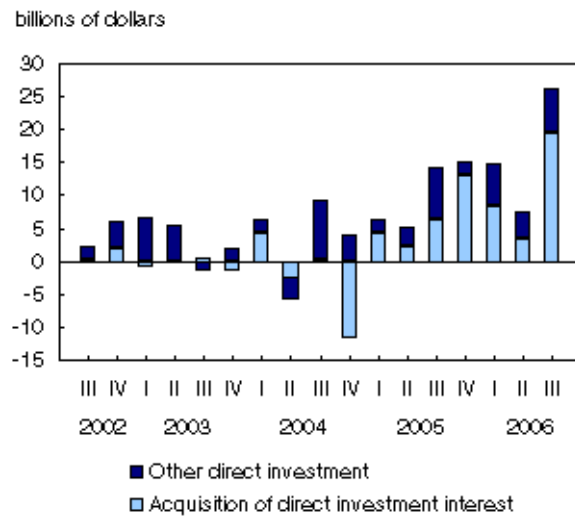
The commercial services deficit fell back to \$0.8 billion after two quarters above \$0.9 billion. This was due in large part to a lower deficit for financial services following high payments in the second quarter.

Financial account

Foreign direct investment in Canada surges on takeovers

Foreign direct investment in the Canadian economy rose nearly four-fold to \$26.2 billion in the third quarter. This large investment came mainly on the strength of an acquisition of a major Canadian firm. Industrially, the investment went primarily into the energy and metallic minerals industry sector (81%). Geographically, the investment came mainly from British investors, with some investment also by American and other European investors.

Largest foreign direct investment in Canada in nearly six years

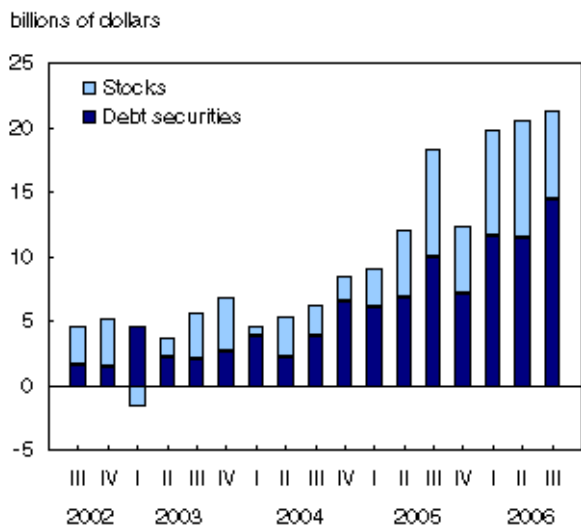


Direct investment abroad remains robust

At \$10.6 billion, Canadian direct investors continued their strong investment into foreign economies, similar to their investment of the 2nd quarter. The investment consisted mainly of injections of working capital and reinvested earnings as investment through acquisitions was about half the previous quarter. From an industry perspective, the investment was concentrated in two sectors: finance and insurance and energy and metallic minerals. As well, the direct investment was focused in two principal regions: Asian economies and the United States.

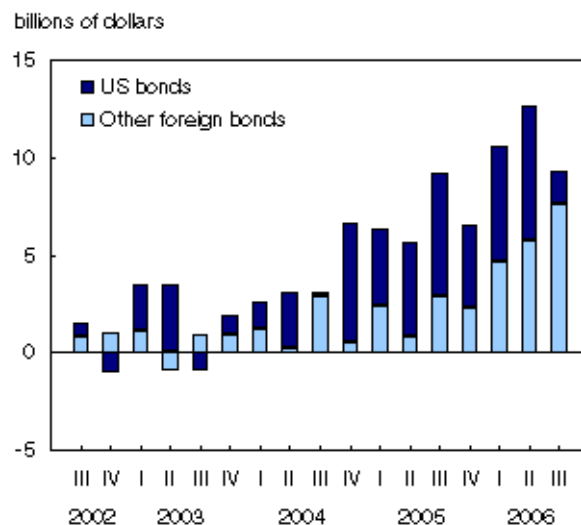
Record investment in foreign securities

Canadians purchased a record \$21.3 billion of foreign securities over the third quarter, two-thirds were in debt securities. The first three quarters of 2006 have seen an astonishing \$61.6 billion invested in foreign securities by Canadians, almost equal to the record annual investment in 2000 of \$63.9 billion.

Buying of foreign securities on track for a record year¹

1. Reverse of Balance of Payments signs.

Canadian acquisitions of foreign bonds remained strong at \$9.3 billion during the third quarter, following back-to-back record purchases. In quarter three, over 80% went to buy non-US bonds, totalling \$7.6 billion, another record. Just under half of the investment was channelled into "Maple" bonds. Foreign issuers have been marketing their debt in Canada for some time now. Typically, the bonds are denominated in Canadian dollars and sold to institutional investors.

Strong acquisitions of foreign bonds persist after two record quarters¹

1. Reverse of Balance of Payments signs.

Canadians also bought a record \$5.0 billion of foreign money market paper, more than double the previous high. Two-thirds of this quarter's acquisitions were in overseas paper with the remainder invested in US paper. Similar to "Maple" bonds, foreign paper denominated in Canadian dollars began gaining popularity with \$4.2 billion purchased over the quarter. Of this amount, 85% was issued by European financial firms.

While investment in foreign equities was lower than the first two quarters, the third quarter saw Canadian investors buy a significant \$6.9 billion worth. This investment was equally split between US shares and overseas shares.

Low foreign investment in Canadian securities

Foreign portfolio investment in Canadian securities was a meagre \$1.2 billion in the quarter. The entire investment was in Canadian bonds as foreign investors sold roughly equal amounts of stocks and money market paper.

Foreign investors bought \$3.5 billion of Canadian bonds after selling them over the four previous quarters. Foreign investments were mainly attracted to bonds issued by federal enterprises and other corporations, and mainly to new issues. Retirements led to foreign investors reducing their holdings of federal government bonds. By currency, non-residents bought \$5 billion of Canadian bonds denominated in US-dollars but sold some in Canadian and other foreign currencies.

Foreign investors divested some of their holdings of money market paper following three quarters of strong purchases totalling \$9.7 billion. Sales by non-residents in the third quarter totalled \$1.2 billion and were in paper issued by governments, mainly federal enterprise paper. Geographically, the selling was by American and European investors.

After two strong quarters of foreign buying, investors sold back a small amount of their holdings of Canadian shares in the third quarter. They sold \$1.1 billion worth of equities in the quarter following the acquisition of \$17.1 billion over the two previous quarters.

Transactions in deposits, loans and reserves

The other investment account recorded a moderate net outflow of \$4.1 billion. The flow was mostly related to increases in net deposits and other investment accounts while Canada's official international reserves saw virtually no change. The Canadian dollar closed the quarter at 89.5 US cents, little changed from the second quarter, when the dollar rose sharply against the US dollar. The dollar was mixed against most other major foreign currencies.

Balance of payments

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Not seasonally adjusted, millions of dollars								
Current account								
Receipts								
Goods and services	130,461	131,581	135,153	128,457	132,553	131,555	492,984	518,028
Goods	114,276	112,599	120,045	113,598	116,103	112,756	429,121	453,060
Services	16,185	18,982	15,108	14,859	16,450	18,799	63,863	64,968
Investment income	12,805	11,307	13,559	14,692	13,698	14,309	37,532	48,199
Direct investment	7,120	5,467	7,686	8,468	7,140	7,429	20,677	25,994
Portfolio investment	3,069	3,208	3,455	3,505	3,700	3,900	10,182	12,644
Other investment	2,616	2,631	2,418	2,720	2,858	2,980	6,673	9,561
Current transfers	1,830	1,816	2,128	3,044	2,072	2,118	7,427	8,066
Current account receipts	145,097	144,704	150,839	146,193	148,323	147,983	537,943	574,293
Payments								
Goods and services	121,145	115,462	117,945	117,812	125,336	121,149	440,218	466,896
Goods	101,457	95,584	98,649	96,958	104,749	100,272	363,639	388,210
Services	19,688	19,878	19,296	20,854	20,586	20,877	76,580	78,686
Investment income	17,154	17,027	17,082	16,834	17,870	16,804	62,346	67,010
Direct investment	7,898	8,338	8,082	6,618	8,411	7,339	27,489	30,953
Portfolio investment	6,838	6,848	6,765	6,151	6,147	6,283	28,139	27,192
Other investment	2,418	1,842	2,234	4,066	3,312	3,182	6,717	8,865
Current transfers	1,651	1,817	1,985	3,471	1,653	1,902	7,746	8,585
Current account payments	139,950	134,306	137,011	138,118	144,859	139,855	510,310	542,491
Balances								
Goods and services	9,316	16,119	17,208	10,645	7,217	10,406	52,765	51,132
Goods	12,819	17,015	21,396	16,641	11,353	12,484	65,482	64,850
Services	-3,503	-896	-4,188	-5,996	-4,136	-2,078	-12,717	-13,718
Investment income	-4,349	-5,720	-3,523	-2,142	-4,173	-2,495	-24,814	-18,811
Direct investment	-778	-2,870	-397	1,850	-1,271	90	-6,812	-4,960
Portfolio investment	-3,769	-3,640	-3,310	-2,646	-2,448	-2,383	-17,957	-14,548
Other investment	198	790	184	-1,346	-454	-202	-44	696
Current transfers	180	-1	143	-427	419	217	-319	-519
Current account balance	5,147	10,398	13,828	8,076	3,464	8,128	27,633	31,802
Capital and financial account[1]								
Capital account	1,712	1,769	979	1,007	998	914	4,449	5,932
Financial account	-9,624	-7,236	-5,857	-10,433	-2,322	-8,574	-36,956	-35,109
Canadian assets, net flows								
Canadian direct investment abroad	-8,180	-12,786	-11,105	-8,143	-11,552	-10,575	-56,274	-41,300
Portfolio investment	-11,991	-18,291	-12,297	-19,817	-20,528	-21,275	-24,369	-51,652
Foreign bonds	-5,601	-9,234	-6,496	-10,613	-12,603	-9,334	-15,290	-27,615
Foreign stocks	-5,263	-8,407	-5,187	-8,199	-9,054	-6,938	-8,092	-21,947
Foreign money market	-1,127	-651	-614	-1,005	1,129	-5,002	-987	-2,089
Other investment	-2,775	-13,277	9,238	-20,252	-20,235	-12,595	-7,396	-22,164
Loans	3,886	-251	5,229	-1,936	-4,317	-6,401	3,505	8,529
Deposits	-4,448	-12,911	11,043	-12,012	-16,211	-3,772	-10,666	-15,688
Official international reserves	585	1,092	108	-3,637	909	52	3,427	-1,653
Other assets	-2,798	-1,207	-7,141	-2,667	-616	-2,474	-3,662	-13,352
Total Canadian assets, net flows	-22,946	-44,355	-14,164	-48,213	-52,314	-44,445	-88,039	-115,116
Canadian liabilities, net flows								
Foreign direct investment in Canada	5,295	14,109	15,135	14,767	7,442	26,191	1,995	40,984
Portfolio investment	-807	3,836	81	8,534	10,720	1,222	54,267	8,472
Canadian bonds	896	-1,934	-2,212	-1,501	-2,920	3,464	18,955	-1,183
Canadian stocks	-2,679	7,389	-812	8,022	9,091	-1,091	35,742	9,133
Canadian money market	976	-1,619	3,105	2,013	4,550	-1,151	-429	522
Other investment	8,834	19,174	-6,910	14,478	31,829	8,458	-5,179	30,551
Loans	3,249	-5,423	-3,528	2,489	4,834	7,700	-2,345	2,007
Deposits	5,187	24,654	336	11,052	27,060	657	-531	28,942
Other liabilities	398	-58	-3,717	937	-65	101	-2,303	-398
Total Canadian liabilities, net flows	13,322	37,118	8,307	37,780	49,991	35,870	51,083	80,008
Total capital and financial account, net flows	-7,912	-5,467	-4,878	-9,427	-1,324	-7,660	-32,507	-29,177
Statistical discrepancy	2,765	-4,931	-8,951	1,351	-2,140	-468	4,874	-2,625

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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted at quarterly rates, millions of dollars								
Receipts								
Goods and services	126,139	131,319	136,386	130,759	129,185	131,070	492,984	518,028
Goods	109,942	115,095	120,060	114,620	112,785	114,803	429,121	453,060
Services	16,197	16,225	16,327	16,139	16,400	16,268	63,863	64,968
Travel	4,107	4,100	4,035	4,005	4,156	4,047	16,745	16,460
Transportation	2,842	2,919	2,989	3,016	2,988	2,968	11,024	11,632
Commercial services	8,808	8,742	8,865	8,671	8,840	8,794	34,511	35,115
Government services	441	463	438	447	416	459	1,582	1,761
Investment income	12,516	11,433	13,541	14,734	13,300	14,562	37,532	48,199
Direct investment	6,925	5,613	7,629	8,400	6,836	7,745	20,677	25,994
Interest	310	340	391	267	369	362	754	1,275
Profits	6,615	5,273	7,239	8,132	6,467	7,383	19,923	24,718
Portfolio investment	3,067	3,217	3,438	3,537	3,704	3,894	10,182	12,644
Interest	912	1,042	1,190	1,197	1,359	1,525	2,387	4,006
Dividends	2,155	2,175	2,248	2,340	2,344	2,369	7,795	8,638
Other investment	2,524	2,603	2,474	2,798	2,760	2,922	6,673	9,561
Current transfers	2,010	2,060	2,056	2,633	2,308	2,496	7,427	8,066
Private	623	661	614	743	647	756	2,785	2,587
Official	1,387	1,400	1,442	1,891	1,661	1,740	4,642	5,479
Total receipts	140,665	144,812	151,983	148,126	144,793	148,129	537,943	574,293
Payments								
Goods and services	115,910	117,075	119,637	118,256	120,455	123,100	440,218	466,896
Goods	96,183	97,493	99,565	97,999	99,877	102,558	363,639	388,210
Services	19,727	19,582	20,072	20,257	20,578	20,542	76,580	78,686
Travel	5,526	5,520	5,717	5,750	5,766	5,935	20,747	22,260
Transportation	4,391	4,413	4,503	4,651	4,735	4,809	16,001	17,528
Commercial services	9,571	9,413	9,615	9,617	9,813	9,549	38,885	37,946
Government services	238	237	237	239	264	249	946	952
Investment income	16,855	17,604	17,177	16,554	17,635	17,798	62,346	67,010
Direct investment	7,429	8,726	8,134	6,825	7,914	8,021	27,489	30,953
Interest	582	579	574	579	580	579	2,280	2,313
Profits	6,847	8,147	7,559	6,246	7,335	7,442	25,209	28,640
Portfolio investment	6,839	6,823	6,758	6,198	6,166	6,257	28,139	27,192
Interest	5,937	5,799	5,649	5,422	5,415	5,549	24,137	23,239
Dividends	903	1,024	1,109	776	751	709	4,003	3,953
Other investment	2,587	2,056	2,286	3,530	3,555	3,519	6,717	8,865
Current transfers	2,012	2,037	2,143	2,805	2,020	2,145	7,746	8,585
Private	1,202	1,202	1,228	1,900	1,233	1,274	4,657	4,812
Official	810	835	915	906	787	871	3,089	3,773
Total payments	134,777	136,717	138,957	137,615	140,110	143,043	510,310	542,491
Balances								
Goods and services	10,229	14,244	16,749	12,503	8,730	7,970	52,765	51,132
Goods	13,759	17,602	20,494	16,621	12,908	12,245	65,482	64,850
Services	-3,530	-3,358	-3,745	-4,118	-4,178	-4,275	-12,717	-13,718
Travel	-1,420	-1,419	-1,682	-1,744	-1,610	-1,888	-4,002	-5,800
Transportation	-1,550	-1,494	-1,515	-1,635	-1,747	-1,842	-4,977	-5,897
Commercial services	-763	-671	-750	-946	-973	-755	-4,374	-2,831
Government services	203	226	201	208	152	210	636	810
Investment income	-4,339	-6,172	-3,636	-1,820	-4,335	-3,236	-24,814	-18,811
Direct investment	-504	-3,113	-505	1,574	-1,078	-276	-6,812	-4,960
Interest	-272	-239	-184	-312	-210	-217	-1,527	-1,038
Profits	-232	-2,874	-321	1,886	-867	-59	-5,286	-3,922
Portfolio investment	-3,772	-3,606	-3,320	-2,662	-2,462	-2,363	-17,957	-14,548
Interest	-5,024	-4,757	-4,459	-4,226	-4,055	-4,023	-21,750	-19,234
Dividends	1,253	1,151	1,139	1,564	1,593	1,660	3,793	4,686
Other investment	-64	547	188	-733	-794	-597	-44	696
Current transfers	-2	23	-87	-172	288	352	-319	-519
Private	-579	-542	-614	-1,157	-586	-518	-1,872	-2,225
Official	577	564	528	985	874	870	1,554	1,706
Current account	5,888	8,095	13,026	10,511	4,683	5,086	27,633	31,802

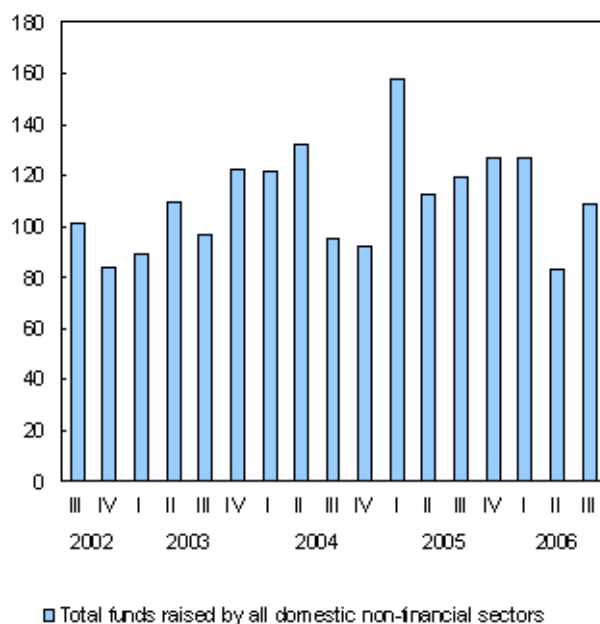
Financial flows accounts

Third quarter 2006

Total funds raised by domestic non-financial sectors on credit markets amounted to \$109.1 billion in the third quarter of 2006 (seasonally adjusted at annual rates), up from the second quarter. This reflected slower repayment of public sector debt relative to the second quarter, and steady demand for funds by the private sector.

Total funds raised by all domestic non-financial sectors rebounds

Billions of dollars, seasonally adjusted at annual rates



Falling mortgage rates and bond yields highlighted financial markets in the third quarter of 2006, despite an unchanged bank rate since May 2006. After gains in July and August, prices in the Toronto stock exchange closed the quarter slightly above June 2006 index levels. The Canadian dollar maintained its strength against the U.S., hovering just under the 90 cent mark.

Household sector

Overall household borrowing advanced in the third quarter. Mortgage demand softened, reflecting the weakness in residential investment. Strong spending on consumer durables - particularly on motor vehicles - and on services was reflected in a pick up in the use of consumer credit.

Total household debt, the sum of mortgages and consumer credit, edged up, amounting to 109.5% of personal disposable income. However, debt servicing charges remained stable at about 8% of personal disposable income.

Note to readers

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

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

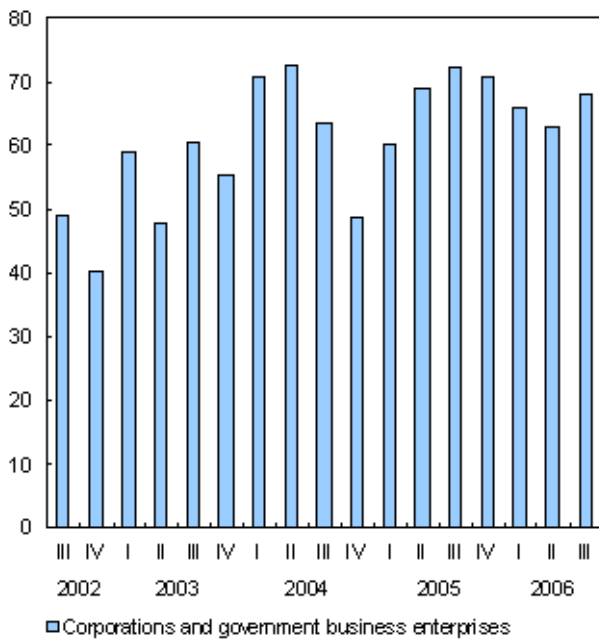
Corporate sector

The corporate sector's position as net lender to the rest of the economy remained, as the surplus expanded in the third quarter. Corporations continued to internally generate more than enough funds to finance strengthened investment. With profits up 2.7% in the quarter, net saving advanced for the second straight quarter, on the heels of a slight drop in the first quarter.

Reduced demand for borrowed funds by non-financial private corporations in the quarter was reflected in loans and short-term paper. Net new share issues continued to be less than the strong issuance of the first quarter of 2006, despite gains in stock prices during the summer.

Corporate surplus expands

Billions of dollars, seasonally adjusted at annual rates

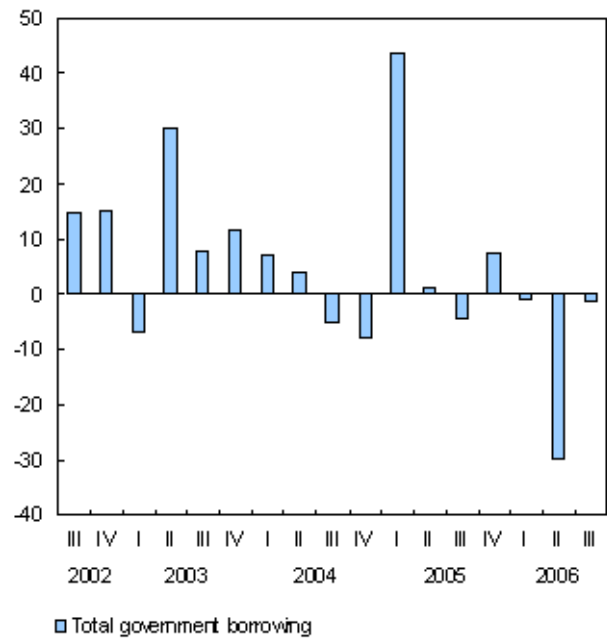


Government sector

Reduced federal tax revenue and a transfer of \$3.3 billion to the provinces under Bill C-48 resulted in the federal government becoming a net borrower (at seasonally adjusted annual rates) for the first time in six quarters. The overall government surplus declined in the third quarter.

Total government borrowing

Billions of dollars, seasonally adjusted at annual rates



Financial market summary table

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, Millions of dollars								
Funds raised:								
Persons and unincorporated business	63,032	64,476	64,564	66,844	66,048	69,988	61,280	63,397
Consumer credit	21,824	21,864	21,404	21,516	21,956	22,520	21,329	21,667
Bank loans	1,332	1,276	1,148	1,392	3,792	2,176	1,535	1,610
Other loans	1,288	1,308	1,212	2,364	-628	4,416	3,072	1,061
Mortgages	38,588	40,028	40,800	41,572	40,928	40,876	35,344	39,059
Non-financial private corporations	47,632	59,976	54,748	60,992	44,576	38,724	51,282	53,904
Bank loans	5,820	-1,188	9,736	9,044	10,100	-6,724	8,953	4,619
Other loans	4,904	1,380	-336	6,620	10,172	8,240	-4,671	2,537
Other short-term paper	-448	9,548	1,236	10,012	15,060	2,812	2,654	3,925
Mortgages	7,692	11,068	12,228	12,420	13,192	13,864	6,442	9,571
Bonds	11,908	20,392	12,624	-864	-15,152	11,588	16,065	14,545
Shares	17,756	18,776	19,260	23,760	11,204	8,944	21,839	18,707
Non-financial government enterprises	1,008	-1,308	232	-324	2,356	1,628	-1,654	-207
Bank loans	-312	580	56	-344	812	404	7	5
Other loans	3,068	-1,136	-928	724	-416	-316	250	241
Other short-term paper	-912	1,612	1,424	88	-1,712	-268	-1,160	-156
Mortgages	12	0	0	0	-4	-4	-4	2
Bonds	-848	-2,364	-320	-792	3,676	1,812	-747	-299
Shares	0	0	0	0	0	0	0	0
Federal government	-17,796	440	-720	-2,064	-28,576	-7,616	-18,791	2,309
Bank loans	136	132	136	-40	-60	-36	140	141
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	-8,200	11,108	8,172	8,600	-21,236	-3,556	-55	11,036
Canada Savings Bonds	-1,644	-1,572	-1,132	-2,336	-1,728	-1,444	-1,443	-1,751
Other bonds	-8,088	-9,228	-7,896	-8,288	-5,552	-2,580	-17,433	-7,117
Other levels of government	19,052	-4,820	8,164	1,104	-1,276	6,384	18,346	9,734
Bank loans	168	248	492	820	-160	-52	-502	209
Other loans	248	732	768	-300	96	-656	1,090	732
Other short-term paper	-4,220	-5,036	8,840	4,112	2,992	-5,476	-1,764	-4,440
Mortgages	-12	-12	-12	16	-8	-4	-33	-13
Provincial bonds	22,072	-3,684	-2,832	-6,716	-4,996	9,460	17,334	11,648
Municipal bonds	832	2,368	628	3,004	732	3,020	1,878	1,290
Other bonds	-36	564	280	168	68	92	343	308
Total funds raised by domestic non-financial sectors	112,928	118,764	126,988	126,552	83,128	109,108	110,463	129,137
Consumer credit	21,824	21,864	21,404	21,516	21,956	22,520	21,329	21,667
Bank loans	7,144	1,048	11,568	10,872	14,484	-4,232	10,133	6,584
Other loans	9,508	2,284	716	9,408	9,224	11,684	-259	4,571
Canada short-term paper	-8,200	11,108	8,172	8,600	-21,236	-3,556	-55	11,036
Other short-term paper	-5,580	6,124	11,500	14,212	16,340	-2,932	-270	-671
Mortgages	46,280	51,084	53,016	54,008	54,108	54,732	41,749	48,619
Bonds	24,196	6,476	1,352	-15,824	-22,952	21,948	15,997	18,624
Shares	17,756	18,776	19,260	23,760	11,204	8,944	21,839	18,707

Sector accounts - Persons and unincorporated businesses[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, Millions of dollars								
Income	1,020,336	1,036,668	1,048,900	1,078,420	1,075,280	1,089,304	979,012	1,027,733
	<i>1.5</i>	<i>1.6</i>	<i>1.2</i>	<i>2.8</i>	<i>-0.3</i>	<i>1.3</i>	<i>5.0</i>	<i>5.0</i>
Wages, salaries and supplementary labour income	682,340	694,340	703,668	721,092	723,040	730,884	651,888	688,150
	<i>1.5</i>	<i>1.8</i>	<i>1.3</i>	<i>2.5</i>	<i>0.3</i>	<i>1.1</i>	<i>5.0</i>	<i>5.6</i>
Unincorporated business net income[2]	85,764	86,556	86,988	87,224	87,872	88,396	84,084	86,206
	<i>0.3</i>	<i>0.9</i>	<i>0.5</i>	<i>0.3</i>	<i>0.7</i>	<i>0.6</i>	<i>7.3</i>	<i>2.5</i>
Interest, dividends and miscellaneous investment income	113,304	115,184	117,416	119,216	121,484	122,856	108,958	114,527
	<i>1.0</i>	<i>1.7</i>	<i>1.9</i>	<i>1.5</i>	<i>1.9</i>	<i>1.1</i>	<i>4.2</i>	<i>5.1</i>
Current transfers from government	134,976	136,436	136,792	146,316	138,688	142,520	129,956	134,768
	<i>3.1</i>	<i>1.1</i>	<i>0.3</i>	<i>7.0</i>	<i>-5.2</i>	<i>2.8</i>	<i>4.2</i>	<i>3.7</i>
Current transfers from corporations	1,464	1,512	1,580	1,604	1,612	1,624	1,341	1,496
	<i>2.5</i>	<i>3.3</i>	<i>4.5</i>	<i>1.5</i>	<i>0.5</i>	<i>0.7</i>	<i>9.5</i>	<i>11.6</i>
Current transfers from non-residents	2,488	2,640	2,456	2,968	2,584	3,024	2,785	2,586
	<i>-9.9</i>	<i>6.1</i>	<i>-7.0</i>	<i>20.8</i>	<i>-12.9</i>	<i>17.0</i>	<i>7.7</i>	<i>-7.1</i>
Outlay	1,012,380	1,026,644	1,038,660	1,052,976	1,065,740	1,077,132	959,297	1,018,274
	<i>1.7</i>	<i>1.4</i>	<i>1.2</i>	<i>1.4</i>	<i>1.2</i>	<i>1.1</i>	<i>5.1</i>	<i>6.1</i>
Personal expenditure on goods and services	756,184	765,928	773,792	785,916	797,132	805,632	719,869	760,380
	<i>1.4</i>	<i>1.3</i>	<i>1.0</i>	<i>1.6</i>	<i>1.4</i>	<i>1.1</i>	<i>4.9</i>	<i>5.6</i>
Current transfers to government	238,684	242,832	246,736	248,452	249,360	251,848	223,081	240,209
	<i>2.6</i>	<i>1.7</i>	<i>1.6</i>	<i>0.7</i>	<i>0.4</i>	<i>1.0</i>	<i>5.9</i>	<i>7.7</i>
Current transfers to corporations	13,840	14,168	14,484	14,948	15,560	15,924	12,741	14,010
	<i>2.2</i>	<i>2.4</i>	<i>2.2</i>	<i>3.2</i>	<i>4.1</i>	<i>2.3</i>	<i>5.6</i>	<i>10.0</i>
Current transfers to non-residents	3,672	3,716	3,648	3,660	3,688	3,728	3,606	3,675
	<i>0.2</i>	<i>1.2</i>	<i>-1.8</i>	<i>0.3</i>	<i>0.8</i>	<i>1.1</i>	<i>7.8</i>	<i>1.9</i>
Saving	7,956	10,024	10,240	25,444	9,540	12,172	19,715	9,459
	<i>-17.3</i>	<i>26.0</i>	<i>2.2</i>	<i>148.5</i>	<i>-62.5</i>	<i>27.6</i>	<i>-1.3</i>	<i>-52.0</i>
Disposable income[3]	781,652	793,836	802,164	829,968	825,920	837,456	755,931	787,524
	<i>1.2</i>	<i>1.6</i>	<i>1.0</i>	<i>3.5</i>	<i>-0.5</i>	<i>1.4</i>	<i>4.7</i>	<i>4.2</i>
Saving rate	1.0	1.3	1.3	3.1	1.2	1.5	2.6	1.2

Gross saving and capital transfers	53,624	56,184	53,572	69,436	54,196	57,088	60,519	54,194
	<i>0.4</i>	<i>4.8</i>	<i>-4.6</i>	<i>29.6</i>	<i>-21.9</i>	<i>5.3</i>	<i>5.1</i>	<i>-10.5</i>
Saving	7,956	10,024	10,240	25,444	9,540	12,172	19,715	9,459
	<i>-17.3</i>	<i>26.0</i>	<i>2.2</i>	<i>148.5</i>	<i>-62.5</i>	<i>27.6</i>	<i>-1.3</i>	<i>-52.0</i>
Capital consumption allowances	39,812	40,184	40,648	41,220	41,736	42,276	37,799	39,957
	<i>1.6</i>	<i>0.9</i>	<i>1.2</i>	<i>1.4</i>	<i>1.3</i>	<i>1.3</i>	<i>5.9</i>	<i>5.7</i>
Net capital transfers	5,856	5,976	2,684	2,772	2,920	2,640	3,005	4,778
	<i>27.4</i>	<i>2.0</i>	<i>-55.1</i>	<i>3.3</i>	<i>5.3</i>	<i>-9.6</i>	<i>57.8</i>	<i>59.0</i>
Deduct: Non-financial capital acquisition	109,148	106,488	109,392	115,524	116,448	116,472	100,178	107,572
	<i>3.7</i>	<i>-2.4</i>	<i>2.7</i>	<i>5.6</i>	<i>0.8</i>	<i>0.0</i>	<i>12.4</i>	<i>7.4</i>
Net lending	-55,524	-50,304	-55,820	-46,088	-62,252	-59,384	-39,659	-53,378

Transactions in financial assets	9,624	24,796	8,860	21,132	7,372	15,588	21,964	13,434

Currency and deposits	10,532	7,176	4,480	30,788	8,876	33,192	27,752	4,189

Canadian debt securities	-9,876	-8,984	-21,348	-25,208	-19,588	-30,792	-12,330	-10,954

Corporate shares and mutual funds	8,944	10,364	9,840	12,236	924	6,444	-1,906	11,872

Life insurance and pensions	36,124	39,892	39,732	45,048	49,872	44,920	31,960	38,021

Other financial assets	-36,100	-23,652	-23,844	-41,732	-32,712	-38,176	-23,512	-29,694

Transactions in liabilities	60,944	72,672	63,672	70,400	67,292	77,256	59,874	65,575

Consumer credit	21,824	21,864	21,404	21,516	21,956	22,520	21,329	21,667

Bank and other loans	2,620	2,584	2,360	3,756	3,164	6,592	4,607	2,671

Mortgages	38,588	40,028	40,800	41,572	40,928	40,876	35,344	39,059

Trade payables	-2,088	8,196	-892	3,556	1,244	7,268	-1,406	2,178

Net financial investment	-51,320	-47,876	-54,812	-49,268	-59,920	-61,668	-37,910	-52,141

Sector discrepancy	-4,204	-2,428	-1,008	3,180	-2,332	2,284	-1,749	-1,237

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

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

3. Total income minus current transfers to government.

Sector accounts - Corporations and government business enterprises, total[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	340,000	355,936	374,748	366,124	366,296	370,364	315,804	349,829
	<i>3.5</i>	<i>4.7</i>	<i>5.3</i>	<i>-2.3</i>	<i>0.0</i>	<i>1.1</i>	<i>9.8</i>	<i>10.8</i>
Corporation profits before taxes	183,704	192,368	202,812	195,676	196,924	202,236	171,323	189,455
	<i>2.7</i>	<i>4.7</i>	<i>5.4</i>	<i>-3.5</i>	<i>0.6</i>	<i>2.7</i>	<i>18.3</i>	<i>10.6</i>
Government business enterprise profits before taxes	14,228	14,596	15,516	13,332	13,316	13,668	12,508	14,481
	<i>4.7</i>	<i>2.6</i>	<i>6.3</i>	<i>-14.1</i>	<i>-0.1</i>	<i>2.6</i>	<i>1.8</i>	<i>15.8</i>
Inventory valuation adjustment	-1,944	2,976	-1,200	2,044	136	-3,728	-1,574	-326

Interest, dividends and miscellaneous receipts[2]	75,712	77,148	88,452	84,816	84,152	86,276	65,840	77,692
	<i>9.0</i>	<i>1.9</i>	<i>14.7</i>	<i>-4.1</i>	<i>-0.8</i>	<i>2.5</i>	<i>10.5</i>	<i>18.0</i>
Interest on consumer debt	13,840	14,168	14,484	14,948	15,560	15,924	12,741	14,010
	<i>2.2</i>	<i>2.4</i>	<i>2.2</i>	<i>3.2</i>	<i>4.1</i>	<i>2.3</i>	<i>5.6</i>	<i>10.0</i>
Interest on public debt[3]	54,460	54,680	54,684	55,308	56,208	55,988	54,966	54,517
	<i>0.4</i>	<i>0.4</i>	<i>0.0</i>	<i>1.1</i>	<i>1.6</i>	<i>-0.4</i>	<i>0.4</i>	<i>-0.8</i>
Outlay	237,344	244,236	263,196	262,396	258,068	258,444	227,033	243,805
	<i>3.0</i>	<i>2.9</i>	<i>7.8</i>	<i>-0.3</i>	<i>-1.6</i>	<i>0.1</i>	<i>5.4</i>	<i>7.4</i>
Interest, dividends and miscellaneous payments	187,928	193,156	210,344	207,896	205,880	204,816	181,299	193,489
	<i>3.0</i>	<i>2.8</i>	<i>8.9</i>	<i>-1.2</i>	<i>-1.0</i>	<i>-0.5</i>	<i>3.8</i>	<i>6.7</i>
Direct taxes	47,644	49,308	50,852	49,828	50,160	51,512	44,132	48,514
	<i>3.0</i>	<i>3.5</i>	<i>3.1</i>	<i>-2.0</i>	<i>0.7</i>	<i>2.7</i>	<i>12.7</i>	<i>9.9</i>
Other current transfers	1,772	1,772	2,000	4,672	2,028	2,116	1,602	1,802
	<i>6.5</i>	<i>0.0</i>	<i>12.9</i>	<i>133.6</i>	<i>-56.6</i>	<i>4.3</i>	<i>13.1</i>	<i>12.5</i>
Saving	102,656	111,700	111,552	103,728	108,228	111,920	88,771	106,024
	<i>4.6</i>	<i>8.8</i>	<i>-0.1</i>	<i>-7.0</i>	<i>4.3</i>	<i>3.4</i>	<i>22.6</i>	<i>19.4</i>
Gross saving and capital transfers	217,216	227,704	229,524	223,048	228,688	233,496	199,775	221,401
	<i>2.9</i>	<i>4.8</i>	<i>0.8</i>	<i>-2.8</i>	<i>2.5</i>	<i>2.1</i>	<i>11.5</i>	<i>10.8</i>
Saving	102,656	111,700	111,552	103,728	108,228	111,920	88,771	106,024
	<i>4.6</i>	<i>8.8</i>	<i>-0.1</i>	<i>-7.0</i>	<i>4.3</i>	<i>3.4</i>	<i>22.6</i>	<i>19.4</i>
Capital consumption allowances	112,032	113,604	115,460	116,732	118,084	119,272	108,474	112,957
	<i>1.2</i>	<i>1.4</i>	<i>1.6</i>	<i>1.1</i>	<i>1.2</i>	<i>1.0</i>	<i>4.1</i>	<i>4.1</i>
Net capital transfers	2,528	2,400	2,512	2,588	2,376	2,304	2,530	2,420
	<i>12.9</i>	<i>-5.1</i>	<i>4.7</i>	<i>3.0</i>	<i>-8.2</i>	<i>-3.0</i>	<i>-3.6</i>	<i>-4.3</i>
Deduct: Non-financial capital acquisition	148,232	155,460	159,016	157,200	165,988	165,484	135,825	153,397
	<i>-1.8</i>	<i>4.9</i>	<i>2.3</i>	<i>-1.1</i>	<i>5.6</i>	<i>-0.3</i>	<i>10.0</i>	<i>12.9</i>
Net lending	68,984	72,244	70,508	65,848	62,700	68,012	63,950	68,004

Transactions in financial assets	482,652	459,244	455,728	558,784	442,612	456,148	352,032	453,315

<i>Of which:</i>								
Consumer credit	21,824	21,864	21,404	21,516	21,956	22,520	21,329	21,667

Bank and other loans	13,280	14,500	28,856	30,312	22,252	25,492	28,681	15,427

Mortgages	53,268	60,548	63,736	62,552	63,396	61,484	46,849	56,540

Short-term paper	2,720	51,292	27,520	74,688	-9,432	-8,892	-3,659	26,009

Bonds	91,144	68,128	82,356	67,492	46,316	46,812	55,484	75,310

Shares	30,860	5,868	960	-3,064	-17,600	-8,304	22,486	16,742

Foreign investments	52,956	60,528	57,816	76,528	68,792	70,428	17,907	51,578

Transactions in liabilities	412,544	403,948	389,920	494,268	390,736	390,832	286,511	389,311

<i>Of which:</i>								
Currency and deposits	123,412	96,180	79,988	106,524	67,100	89,676	90,712	93,012

Bank and other loans	17,084	8,748	12,192	18,348	18,292	5,092	14,892	13,490

Short-term paper	20,480	39,184	12,744	45,624	21,292	16,896	4,903	22,498

Bonds	72,672	81,496	80,400	70,764	31,112	50,224	66,173	71,453

Shares	48,276	46,224	83,872	101,048	50,908	46,292	33,289	58,812

Life insurance and pensions	32,804	38,228	36,168	39,764	45,156	39,484	28,773	35,398

Net financial investment	70,108	55,296	65,808	64,516	51,876	65,316	65,521	64,004

Sector discrepancy	-1,124	16,948	4,700	1,332	10,824	2,696	-1,571	4,000

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

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

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

Sector accounts - Government[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	550,156	561,268	575,036	575,240	576,492	577,040	520,780	556,342
	<i>2.1</i>	<i>2.0</i>	<i>2.5</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>	<i>5.7</i>	<i>6.8</i>
Taxes on incomes	217,608	223,148	228,556	230,728	229,500	233,616	199,588	219,977
	<i>3.3</i>	<i>2.5</i>	<i>2.4</i>	<i>1.0</i>	<i>-0.5</i>	<i>1.8</i>	<i>9.3</i>	<i>10.2</i>
Contributions to social insurance plans	64,324	64,516	64,872	65,080	66,596	66,608	62,437	64,271
	<i>1.5</i>	<i>0.3</i>	<i>0.6</i>	<i>0.3</i>	<i>2.3</i>	<i>0.0</i>	<i>1.1</i>	<i>2.9</i>
Taxes on production and imports	171,764	173,324	174,612	176,384	177,948	174,456	165,063	172,299
	<i>1.3</i>	<i>0.9</i>	<i>0.7</i>	<i>1.0</i>	<i>0.9</i>	<i>-2.0</i>	<i>4.4</i>	<i>4.4</i>
Other current transfers from persons	9,944	10,076	9,928	10,036	10,072	10,096	9,831	9,955
	<i>0.7</i>	<i>1.3</i>	<i>-1.5</i>	<i>1.1</i>	<i>0.4</i>	<i>0.2</i>	<i>2.8</i>	<i>1.3</i>
Investment income	44,724	47,080	53,752	49,416	48,996	48,704	43,408	47,420
	<i>1.4</i>	<i>5.3</i>	<i>14.2</i>	<i>-8.1</i>	<i>-0.8</i>	<i>-0.6</i>	<i>2.0</i>	<i>9.2</i>
Sales of goods and services[2]	41,792	43,124	43,316	43,596	43,380	43,560	40,453	42,420
	<i>0.8</i>	<i>3.2</i>	<i>0.4</i>	<i>0.6</i>	<i>-0.5</i>	<i>0.4</i>	<i>5.7</i>	<i>4.9</i>
Outlay	522,860	530,244	534,076	554,316	545,604	551,868	504,717	525,959
	<i>1.2</i>	<i>1.4</i>	<i>0.7</i>	<i>3.8</i>	<i>-1.6</i>	<i>1.1</i>	<i>3.2</i>	<i>4.2</i>
Gross current expenditure on goods and services[2]	304,720	309,676	312,424	324,204	323,468	325,888	290,232	306,662
	<i>1.6</i>	<i>1.6</i>	<i>0.9</i>	<i>3.8</i>	<i>-0.2</i>	<i>0.7</i>	<i>4.5</i>	<i>5.7</i>
Current transfers	155,072	157,576	158,884	166,940	158,144	162,192	150,333	156,375
	<i>0.7</i>	<i>1.6</i>	<i>0.8</i>	<i>5.1</i>	<i>-5.3</i>	<i>2.6</i>	<i>3.0</i>	<i>4.0</i>
Interest on the public debt	63,068	62,992	62,768	63,172	63,992	63,788	64,152	62,922
	<i>0.3</i>	<i>-0.1</i>	<i>-0.4</i>	<i>0.6</i>	<i>1.3</i>	<i>-0.3</i>	<i>-2.1</i>	<i>-1.9</i>
Saving	27,296	31,024	40,960	20,924	30,888	25,172	16,063	30,383
	<i>22.7</i>	<i>13.7</i>	<i>32.0</i>	<i>-48.9</i>	<i>47.6</i>	<i>-18.5</i>	<i>334.0</i>	<i>89.1</i>
Gross saving and capital transfers	50,072	54,152	64,264	44,376	54,532	48,992	38,562	53,524
	<i>9.8</i>	<i>8.1</i>	<i>18.7</i>	<i>-30.9</i>	<i>22.9</i>	<i>-10.2</i>	<i>49.9</i>	<i>38.8</i>
Saving	27,296	31,024	40,960	20,924	30,888	25,172	16,063	30,383
	<i>22.7</i>	<i>13.7</i>	<i>32.0</i>	<i>-48.9</i>	<i>47.6</i>	<i>-18.5</i>	<i>334.0</i>	<i>89.1</i>
Capital consumption allowances	24,312	24,428	24,584	24,788	24,948	25,108	23,585	24,408
	<i>0.0</i>	<i>0.5</i>	<i>0.6</i>	<i>0.8</i>	<i>0.6</i>	<i>0.6</i>	<i>5.3</i>	<i>3.5</i>
Net capital transfers	-1,536	-1,300	-1,280	-1,336	-1,304	-1,288	-1,086	-1,267
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Deduct: Non-financial capital acquisition	33,816	34,536	35,752	36,532	36,952	37,384	31,574	34,264
	<i>2.6</i>	<i>2.1</i>	<i>3.5</i>	<i>2.2</i>	<i>1.1</i>	<i>1.2</i>	<i>4.9</i>	<i>8.5</i>
Net lending	16,256	19,616	28,512	7,844	17,580	11,608	6,988	19,260
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Transactions in financial assets	56,340	47,188	55,244	-520	7,668	16,472	18,256	54,823
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Currency and deposits	2,872	2,140	1,532	-2,840	10,808	2,724	35	2,951
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Loans	3,776	3,176	4,884	5,244	-856	-692	5,993	4,053
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Canadian securities	12,048	8,780	22,900	-5,312	-1,504	35,204	9,325	17,325
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Other financial assets	37,644	33,092	25,928	2,388	-780	-20,764	2,903	30,494
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Transactions in liabilities	37,920	27,064	20,560	-2,944	-8,192	6,076	9,609	34,552
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Bank and other loans	552	1,112	1,396	480	-124	-744	728	1,082
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Short-term paper	-12,420	6,072	17,012	12,712	-18,244	-9,032	-1,819	6,596
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Bonds	12,324	-11,852	-11,344	-15,136	-13,600	6,756	19	3,850
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Other liabilities	37,464	31,732	13,496	-1,000	23,776	9,096	10,681	23,024
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Net financial investment	18,420	20,124	34,684	2,424	15,860	10,396	8,647	20,271
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>
Sector discrepancy	-2,164	-508	-6,172	5,420	1,720	1,212	-1,659	-1,011
	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>...</i>

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

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

Sector accounts - Non-residents[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted data at annual rates, millions of dollars								
Income	525,824	531,384	551,136	548,648	550,856	560,780	498,913	531,103
	<i>1.9</i>	<i>1.1</i>	<i>3.7</i>	<i>-0.5</i>	<i>0.4</i>	<i>1.8</i>	<i>5.4</i>	<i>6.5</i>
Sales of goods (imports)	384,732	389,968	398,256	391,984	399,520	410,240	363,639	388,210
	<i>1.3</i>	<i>1.4</i>	<i>2.1</i>	<i>-1.6</i>	<i>1.9</i>	<i>2.7</i>	<i>6.1</i>	<i>6.8</i>
Sales of services (imports)	79,708	79,116	81,064	81,840	83,172	83,040	77,324	79,463
	<i>2.2</i>	<i>-0.7</i>	<i>2.5</i>	<i>1.0</i>	<i>1.6</i>	<i>-0.2</i>	<i>4.7</i>	<i>2.8</i>
Interest, dividends and miscellaneous receipts	53,332	54,156	63,244	63,604	60,084	58,920	50,205	54,844
	<i>9.6</i>	<i>1.5</i>	<i>16.8</i>	<i>0.6</i>	<i>-5.5</i>	<i>-1.9</i>	<i>1.2</i>	<i>9.2</i>
Current transfers	8,052	8,144	8,572	11,220	8,080	8,580	7,745	8,586
	<i>-15.9</i>	<i>1.1</i>	<i>5.3</i>	<i>30.9</i>	<i>-28.0</i>	<i>6.2</i>	<i>8.7</i>	<i>10.9</i>
Outlay	547,760	566,892	592,212	571,756	564,384	576,172	525,848	559,932
	<i>2.8</i>	<i>3.5</i>	<i>4.5</i>	<i>-3.5</i>	<i>-1.3</i>	<i>2.1</i>	<i>7.4</i>	<i>6.5</i>
Purchases of goods (exports)	439,780	460,384	480,232	458,488	451,140	459,216	429,122	453,062
	<i>1.8</i>	<i>4.7</i>	<i>4.3</i>	<i>-4.5</i>	<i>-1.6</i>	<i>1.8</i>	<i>7.6</i>	<i>5.6</i>
Purchases of services (exports)	66,444	66,560	67,044	66,356	67,488	66,980	65,456	66,618
	<i>0.0</i>	<i>0.2</i>	<i>0.7</i>	<i>-1.0</i>	<i>1.7</i>	<i>-0.8</i>	<i>4.4</i>	<i>1.8</i>
Interest, dividends and miscellaneous payments	33,500	31,708	36,712	36,380	36,524	39,992	23,842	32,186
	<i>24.9</i>	<i>-5.3</i>	<i>15.8</i>	<i>-0.9</i>	<i>0.4</i>	<i>9.5</i>	<i>13.0</i>	<i>35.0</i>
Current transfers	8,036	8,240	8,224	10,532	9,232	9,984	7,428	8,066
	<i>3.5</i>	<i>2.5</i>	<i>-0.2</i>	<i>28.1</i>	<i>-12.3</i>	<i>8.1</i>	<i>10.2</i>	<i>8.6</i>
Saving	-21,936	-35,508	-41,076	-23,108	-13,528	-15,392	-26,935	-28,829

Gross saving and capital transfers	-28,784	-42,584	-44,992	-27,132	-17,520	-19,048	-31,384	-34,760

Saving	-21,936	-35,508	-41,076	-23,108	-13,528	-15,392	-26,935	-28,829

Net capital transfers	-6,848	-7,076	-3,916	-4,024	-3,992	-3,656	-4,449	-5,931

Net lending[2]	-28,784	-42,584	-44,992	-27,132	-17,520	-19,048	-31,384	-34,760

Transactions in financial assets	38,600	107,632	53,236	142,684	168,680	144,852	42,261	63,906

Currency and deposits	3,780	5,728	8,600	-11,004	41,280	-14,908	2,184	4,200

Loans	-708	-1,564	-16,644	-6,444	544	-256	-5,140	-3,382

Short-term paper	-3,820	1,860	3,384	12,652	10,172	3,872	-150	520

Bonds	-1,876	-508	-11,064	-5,316	-9,664	13,576	18,507	-1,523

Shares	-20,992	32,412	5,124	29,152	22,704	3,676	35,743	9,134

Other financial assets	62,216	69,704	63,836	123,644	103,644	138,892	-8,883	54,957

Transactions in liabilities	75,808	135,176	98,916	160,356	176,496	158,896	78,519	96,040

Official reserves	-976	-2,636	2,820	6,200	-1,240	1,580	-3,426	1,655

Currency and deposits	5,124	7,464	8,292	9,552	18,900	18,312	11,198	6,267

Bank and other loans	-3,908	3,668	1,148	6,528	608	13,604	9,307	-1,145

Foreign investments	57,360	68,216	65,464	87,720	85,080	80,540	21,323	59,607

Other liabilities	18,208	58,464	21,192	50,356	73,148	44,860	40,117	29,656

Net financial investment	-37,208	-27,544	-45,680	-17,672	-7,816	-14,044	-36,258	-32,134

Sector discrepancy	8,424	-15,040	688	-9,460	-9,704	-5,004	4,874	-2,626

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

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

Labour productivity, hourly compensation and unit labour cost

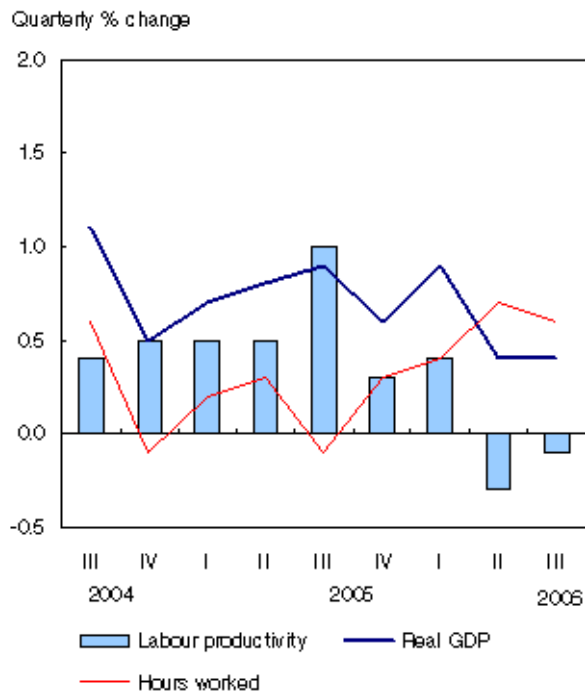
Third quarter 2006

Labour productivity in Canadian businesses fell slightly by 0.1% between July and September, slightly less than the drop of 0.3% posted in the second quarter. This is the second straight decline after a series of seven quarters of positive growth.

Productivity gains in mining, oil and gas extraction, financial, insurance and real estate services, and rental services, along with those in wholesale trade were completely offset by losses in the manufacturing and construction sectors.

In the first three quarters of 2006, productivity posted an average quarterly growth of 0.5% in the United States, while Canada's average growth remained at zero. A substantial slowdown in both countries in productivity growth was observed compared to 2005.

Hours worked continues to outpace GDP



Note to readers

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

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

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

Revisions

This chapter introduces revised historical data for the Labour Force Survey (LFS) published in February 2006. An overview of the revisions is presented in the article entitled "Improvements to the Labour Force Survey in 2006" (71F0031X1E, free). The new estimates incorporate the GDP revision from 2001 to 2005 released on September 29 by the Industry Accounts and the new annual benchmarks for hours worked released on November 22, 2006. In light of these revisions, the detailed data on productivity and other related variables were revised back to the first quarter of 1997.

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.

With the value of the Canadian dollar remaining unchanged against that of the US dollar, the increase in their unit labour cost of Canadian businesses paralleled the increases being experienced by their American counterparts.

Little gain in productivity in Canada in 2006...

Increases in labour productivity occur when increases in the production of goods and services exceed increases in the labour inputs that are devoted to production. Labour productivity is measured here by the ratio of GDP to the number of hours worked. Growth in productivity over time is generally associated with improvements in the standard of living.

The situation in the third quarter of 2006 was similar to that in the second quarter in terms of the pace of output and labour growth. In the last two quarters, production advanced at exactly the same pace (+0.4%), while the number of hours worked grew at a more robust rate than production, posting an increase of 0.7% in the second quarter and 0.6% in the third quarter.

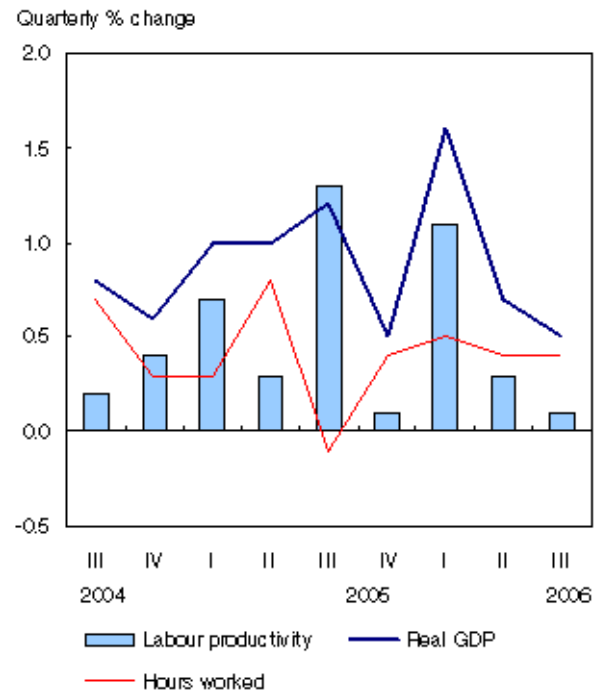
The increase of 0.3% in employment between July and September occurred mainly in full-time work. The increase of the share of full-time workers explains the growth of 0.4% in hours worked per job during the third quarter.

While productivity declined in the United States

In the United States, the quarterly growth in labour productivity has slowed substantially since the beginning of 2006.

After posting robust growth of 1.1% in the first three months of the year, the labour productivity of American firms deteriorated, posting growth (revised) of 0.3% in the second quarter and almost zero growth in the third quarter (+0.1%).

U.S. productivity slows



Between July and September, the growth in the number of hours worked in American businesses remained steady, while production slowed leading to stagnation in U.S. productivity.

Downturn in productivity continues to be due mainly to the goods sector

The second straight quarter of lower productivity in all enterprises is once again due largely to the goods-producing industries. A decline of 0.6% in the third quarter means that productivity in this sector fell for a third straight quarter. During this time, the productivity of services-producing businesses continued to slow, posting absolutely no growth. Since the start of 2006, labour productivity in this group of industries has declined gradually from a growth rate of 1.0% in the first quarter to 0.0% in the third quarter.

The stagnation of services-producing businesses in the third quarter occurred despite increases of 0.8% in the accommodation and food services industries and of 0.7% in financial, insurance and real estate services, followed closely by wholesale trade (+0.6%). In contrast, productivity in transportation and warehousing services dropped 0.7%, followed by professional, scientific and technical services (-0.5%).

The virtual lack of productivity growth among service-producing businesses coincided with changes in production and hours of work. This differs from goods-producing businesses, which posted lower production volume for the second straight quarter, a drop of 0.1% in the third quarter and 0.8% in the second. In contrast, hours worked grew at about the same pace during this same period, climbing 0.5% in the third quarter compared with 0.6% on the second.

The drop in productivity among goods-producing businesses is largely a reflection of the substantial decreases noted in agriculture, fishing and forestry (-2.9%), the construction industry (-1.1%) and in manufacturing (-0.7%). Only the mining, oil and gas extraction industry experienced growth in productivity in the third quarter (+0.8%).

This release introduces important revisions to GDP in manufacturing, which were recently released. The new data show a rebound in productivity in this sector in 2005 after two years of weak growth. The 3.6% advancement in productivity in 2005 reflects a drop of 2.9% in hours worked and a modest increase of 0.7% in real GDP.

Since early 2006, manufacturing output has fallen off over the three quarters, while labour has risen slightly in the last two quarters. This situation led to a drop of 0.7% in manufacturing productivity in the third quarter, after falling 1.7% in the second quarter and posting almost zero growth in the first.

Despite the decrease in productivity, growth in unit labour cost remains moderate

Unit labour cost is obtained by calculating the ratio of hourly compensation to labour productivity.

In the third quarter of 2006, labour costs per unit of GDP rose 1.4% for goods-producing businesses, while they rose by 0.9% in service-producing businesses. The rise in labour cost in the third quarter is due mainly to an acceleration of hourly compensation growth in both goods-producing industries (+0.8%) and in services (+0.9%).

In service-producing businesses, the main decreases in unit labour cost were observed in retail trade (-0.8%) and in accommodation and food services (-0.2%). In contrast, professional, scientific and technical services (+3.6%) and administrative, support, waste management and remediation services (+2.4%) posted the main increases in unit labour cost in the third quarter.

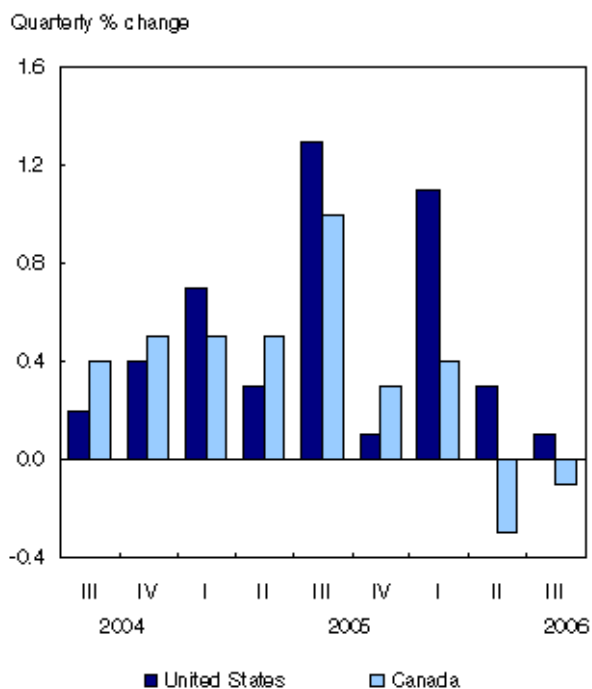
The unit cost of labour among goods-producing businesses rose in all sectors, with construction leading the way (+2.5%). The mining, oil and gas extraction sector, which has experienced several production stoppages in the first six months of 2006 for unforeseen repairs, returned to less chaotic production conditions, resulting in a net slowdown in the growth of its unit labour cost of 1.2% after having increased 2.5% on average per quarter in the previous three quarters.

In the third quarter, manufacturers saw their labour cost per unit of output rise by 1.2% compared with 0.6% in the second quarter. However, the stability of the Canadian dollar allowed Canadian manufacturers to maintain their competitive position against their American counterparts.

Stagnation of productivity in the third quarter in both countries

The third quarter saw real GDP in Canadian businesses grow at the same pace as in American businesses. Both countries have experienced a slowdown in their GDP growth since the first quarter of the year.

Quarterly productivity remains stagnant in both countries

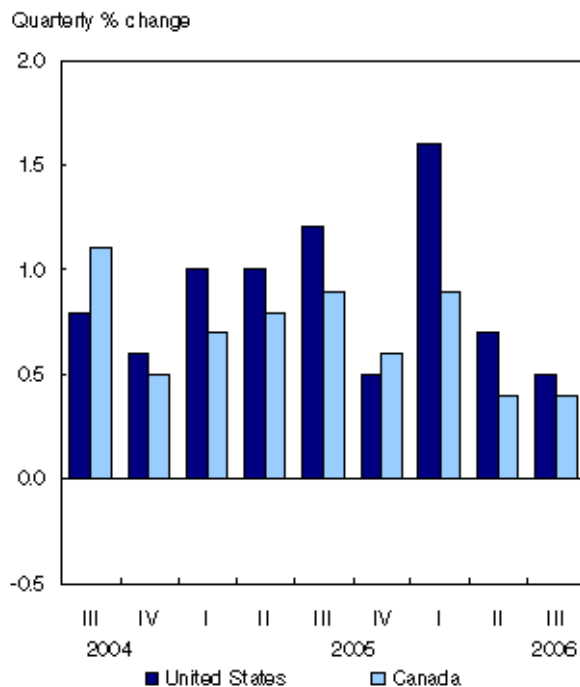


While GDP in Canada increased at the same rate as in the second quarter, GDP growth in the United States slowed slightly in the third quarter.

Contrary to GDP, growth in hours worked in both countries has not slowed over the course of 2006. And hours worked in the third quarter in both countries rose substantially at the same rate as in the second quarter.

Real Canadian GDP in the third quarter, which rose at the same pace as in the previous quarter (+0.4%), was substantially slower than in the first three months of the year (+0.9%). This is the weakest advance recorded in two straight quarters since the beginning of 2003.

GDP growth remains weak in both countries



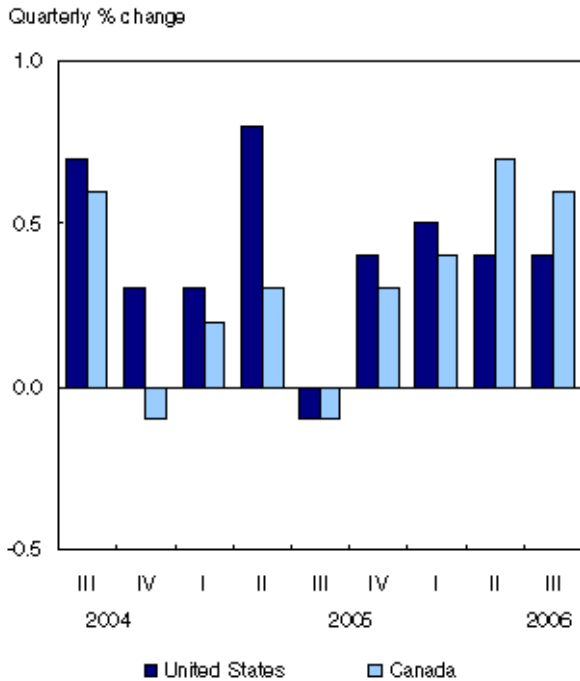
The weak growth in Canada's GDP in the third quarter resulted mainly from a net slowdown in the rate of accumulation of business inventory compared with the second quarter. A further decline in residential construction also slowed growth in Canadian GDP.

For American businesses, growth in their GDP continued to slow in the third quarter due mainly to the collapse of household investment in real estate (-4.2%).

The 0.5% gain in GDP south of the border observed in the third quarter represents the weakest quarterly increase since the beginning of the year. American GDP posted a robust growth of 1.6% in the first quarter and slowed down at 0.7% in the second quarter of 2006.

On the labour market front, hours worked in Canadian companies climbed 0.6% in the third quarter, an increase similar to that of the previous quarter (+0.7%). All of the advancement in employment between July and September occurred in full-time work.

Hours worked in both countries has maintained a pace similar to the second quarter



At the same time, hours worked in American businesses increased 0.4% in the third quarter. Growth in hours worked in the United States in the last four quarters has continued, on average, at a pace of 0.4% per quarter.

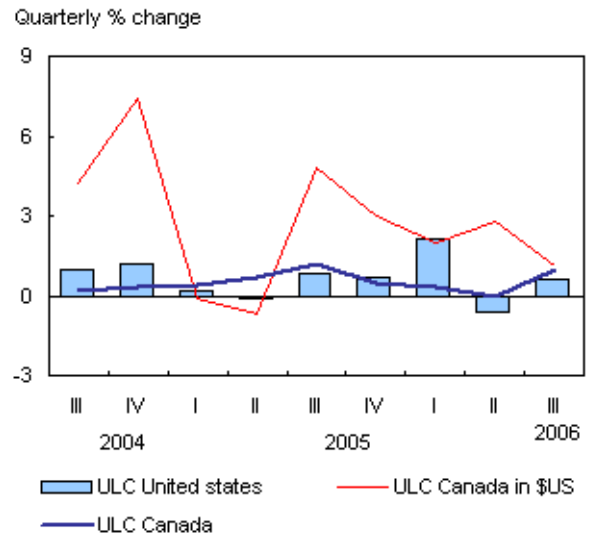
Stability of Canadian dollar contributes to improvement in the competitive position of Canadian companies

Unit labour cost, a major indicator used to measure labour compensation per unit of economic output, continued to climb more rapidly in Canada than in the United States during the third quarter when measured in their respective national currencies.

However, American companies maintained less of an advantage over Canadian companies in terms of the change in their unit labour costs in the third quarter of 2006, even when the exchange rate is taken into account.

But unit labour costs have been rising in both countries. Without taking the exchange rate into account, the labour cost per unit of output for Canadian businesses rose 1.0% in the third quarter, an increase higher than the zero growth recorded in the second quarter. In comparison, American businesses saw their unit labour cost rise by 0.6% in the third quarter. This represents a net acceleration from the 0.6% decrease in the second quarter.

Canadian unit labour costs in US\$ decelerates



During the previous four quarters, the Canadian dollar's appreciation had a strong impact on unit labour costs in Canada. Measured in US dollars, the unit cost of Canadian businesses rose on average 3.2% over this period.

However, unit labour costs in Canada, expressed in US dollars, slowed substantially in the period from July to September, as the Canadian dollar remained stable.

Since the value of the Canadian dollar compared to the US currency appreciated a meagre 0.1%, the rise in Canadian unit labour cost in US dollars was only 1.1% in the third quarter. This rate is slightly above that of 0.6% posted in the United States.

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

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006
Seasonally adjusted						
Percent change from previous quarter						
Canada						
Labour productivity	0.5	1.0	0.3	0.4	-0.3	-0.1
Real GDP	0.8	0.9	0.6	0.9	0.4	0.4
Hours worked	0.3	-0.1	0.3	0.4	0.7	0.6
Hourly compensation	1.2	2.2	0.9	0.8	-0.2	0.8
Unit labour cost	0.7	1.2	0.5	0.3	0.0	1.0
Exchange rate[2]	1.4	-3.3	-2.4	-1.5	-2.8	-0.1
Unit labour cost in US\$	-0.7	4.8	3.0	2.0	2.8	1.1
United States						
Labour productivity	0.3	1.3	0.1	1.1	0.3	0.1
Real GDP	1.0	1.2	0.5	1.6	0.7	0.5
Hours worked	0.8	-0.1	0.4	0.5	0.4	0.4
Hourly compensation	0.2	2.0	0.8	3.2	-0.3	0.7
Unit labour cost	-0.1	0.8	0.7	2.1	-0.6	0.6
Percent change from same quarter of previous year						
Canada						
Labour productivity	2.0	2.6	2.4	2.3	1.5	0.4
Real GDP	3.0	2.8	3.0	3.2	2.8	2.4
Hours worked	1.0	0.3	0.6	0.9	1.3	2.0
Hourly compensation	3.7	5.3	5.4	5.2	3.8	2.3
Unit labour cost	1.6	2.7	3.0	2.9	2.1	1.8
Exchange rate[2]	-8.6	-8.1	-4.0	-5.9	-9.7	-6.7
Unit labour cost in US\$	11.1	11.6	7.1	9.3	13.2	9.3
United States						
Labour productivity	1.6	2.7	2.4	2.7	2.7	1.5
Real GDP	3.6	3.9	3.7	4.4	4.0	3.4
Hours worked	1.9	1.2	1.3	1.6	1.3	1.8
Hourly compensation	4.0	4.9	4.0	6.4	5.8	4.4
Unit labour cost	2.3	2.1	1.6	3.6	3.0	2.8
% change from previous quarter at annualized rate[3]						
Canada						
Labour productivity	2.1	3.9	1.4	1.7	-1.0	-0.3
Real GDP	3.1	3.6	2.4	3.6	1.8	1.8
Hours worked	1.0	-0.3	1.0	1.7	2.8	2.4
Hourly compensation	4.8	9.3	3.7	3.3	-0.9	3.3
Unit labour cost	2.9	5.1	2.1	1.4	0.0	3.9
Unit labour cost in US\$	-2.8	20.5	12.7	8.2	11.8	4.6
United States						
Labour productivity	1.2	5.0	0.2	4.5	1.1	0.4
Real GDP	4.1	4.9	1.8	6.7	2.7	2.2
Hours worked	2.9	-0.1	1.6	2.1	1.7	1.8
Hourly compensation	0.8	8.3	3.1	13.6	-1.4	2.9
Unit labour cost	-0.4	3.2	2.9	8.7	-2.5	2.5

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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006
Seasonally adjusted						
Percent change from previous quarter						
Canada						
All jobs	0.5	0.2	-0.1	0.5	0.9	0.2
Hours worked	0.3	-0.1	0.3	0.4	0.7	0.6
Average hours	-0.3	-0.2	0.3	0.0	-0.3	0.4
Labour share[2]	0.0	-1.2	-0.6	1.3	0.3	0.7
United States						
All jobs	0.5	-0.1	0.3	0.6	0.4	0.2
Hours worked	0.8	-0.1	0.4	0.5	0.4	0.4
Average hours	0.3	0.0	0.1	-0.1	0.0	0.3
Labour share[2]	-0.7	0.0	-0.1	1.4	-1.3	0.3
Percent change from same quarter of previous year						
Canada						
All jobs	2.1	1.5	1.3	1.1	1.5	1.5
Hours worked	1.0	0.3	0.6	0.9	1.3	2.0
Average hours	-1.1	-1.2	-0.7	-0.2	-0.2	0.4
Labour share[2]	-0.5	-1.0	-1.6	-0.5	-0.2	1.7
United States						
All jobs	2.0	1.4	1.3	1.3	1.3	1.5
Hours worked	1.9	1.2	1.3	1.6	1.3	1.8
Average hours	0.0	-0.2	0.1	0.3	0.0	0.2
Labour share[2]	-0.3	-0.8	-1.3	0.6	0.0	0.3
% change from previous quarter at annualized rates[3]						
Canada						
All jobs	2.0	0.7	-0.3	2.0	3.7	0.7
Hours worked	1.0	-0.3	1.0	1.7	2.8	2.4
Average hours	-1.2	-0.8	1.2	0.0	-1.2	1.6
Labour share[2]	0.0	-4.6	-2.6	5.3	1.3	3.0
United States						
All jobs	2.0	-0.3	1.3	2.4	1.7	0.7
Hours worked	2.9	-0.1	1.6	2.1	1.7	1.8
Average hours	1.2	0.0	0.4	-0.4	0.0	1.2
Labour share[2]	-2.8	0.0	-0.4	5.9	-5.2	1.2

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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
	Seasonally adjusted							
Business sector - goods	115.0	116.6	117.3	116.8	115.3	114.6	114.4	116.0
	<i>0.1</i>	<i>1.4</i>	<i>0.6</i>	<i>-0.4</i>	<i>-1.3</i>	<i>-0.6</i>	<i>-0.2</i>	<i>1.3</i>
Agriculture, forestry, fishing and hunting	155.3	159.8	157.0	156.6	151.7	147.3	151.1	156.9
	<i>-0.1</i>	<i>2.9</i>	<i>-1.8</i>	<i>-0.3</i>	<i>-3.1</i>	<i>-2.9</i>	<i>7.3</i>	<i>3.8</i>
Construction	111.2	111.9	113.0	114.4	114.9	113.6	113.2	112.4
	<i>-2.0</i>	<i>0.6</i>	<i>1.0</i>	<i>1.2</i>	<i>0.4</i>	<i>-1.1</i>	<i>-0.1</i>	<i>-0.7</i>
Manufacturing	117.9	119.5	121.0	120.9	118.9	118.1	114.6	118.7
	<i>1.2</i>	<i>1.4</i>	<i>1.3</i>	<i>-0.1</i>	<i>-1.7</i>	<i>-0.7</i>	<i>0.1</i>	<i>3.6</i>
Business sector - services	115.3	116.4	116.9	118.1	118.5	118.5	112.8	115.7
	<i>0.9</i>	<i>1.0</i>	<i>0.4</i>	<i>1.0</i>	<i>0.3</i>	<i>0.0</i>	<i>0.6</i>	<i>2.6</i>
Wholesale trade	131.4	133.4	136.6	139.8	141.7	142.6	123.1	132.1
	<i>3.4</i>	<i>1.5</i>	<i>2.4</i>	<i>2.3</i>	<i>1.4</i>	<i>0.6</i>	<i>1.3</i>	<i>7.4</i>
Retail trade	124.6	125.3	126.7	129.1	130.4	130.7	122.6	125.4
	<i>-0.4</i>	<i>0.6</i>	<i>1.1</i>	<i>1.9</i>	<i>1.0</i>	<i>0.2</i>	<i>1.4</i>	<i>2.3</i>
Transportation and warehousing	110.8	113.0	114.2	114.0	114.0	113.2	107.7	112.0
	<i>0.6</i>	<i>2.0</i>	<i>1.1</i>	<i>-0.2</i>	<i>0.0</i>	<i>-0.7</i>	<i>2.2</i>	<i>4.0</i>
Information and cultural industries	116.8	123.4	123.0	123.1	122.4	123.0	114.4	119.6
	<i>1.5</i>	<i>5.7</i>	<i>-0.3</i>	<i>0.1</i>	<i>-0.6</i>	<i>0.5</i>	<i>-1.9</i>	<i>4.5</i>
Finance, real estate and company management	109.1	107.8	106.2	106.5	107.0	107.8	110.2	108.1
	<i>0.0</i>	<i>-1.2</i>	<i>-1.5</i>	<i>0.3</i>	<i>0.5</i>	<i>0.7</i>	<i>1.1</i>	<i>-1.9</i>
Professional, scientific and technical services	117.6	118.1	118.1	118.1	118.4	117.8	115.9	117.8
	<i>0.3</i>	<i>0.4</i>	<i>0.0</i>	<i>0.0</i>	<i>0.3</i>	<i>-0.5</i>	<i>-0.0</i>	<i>1.6</i>
Administrative and support, waste management and remediation services	95.9	96.5	96.7	96.9	97.4	97.0	95.3	96.2
	<i>0.3</i>	<i>0.6</i>	<i>0.2</i>	<i>0.2</i>	<i>0.5</i>	<i>-0.4</i>	<i>-2.4</i>	<i>0.9</i>
Accommodation and food services	112.9	114.2	114.3	115.3	113.2	114.1	110.5	112.9
	<i>2.5</i>	<i>1.2</i>	<i>0.1</i>	<i>0.9</i>	<i>-1.8</i>	<i>0.8</i>	<i>0.1</i>	<i>2.2</i>
Other commercial services	109.3	110.3	110.6	113.1	112.9	112.8	107.2	109.7
	<i>0.6</i>	<i>0.9</i>	<i>0.3</i>	<i>2.3</i>	<i>-0.2</i>	<i>-0.1</i>	<i>0.5</i>	<i>2.4</i>

Unit labour cost by industry

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Seasonally adjusted								
Business sector - goods	112.1	113.1	112.8	113.1	114.3	115.9	111.0	112.7
	-0.4	0.9	-0.3	0.3	1.1	1.4	2.0	1.5
Agriculture, forestry, fishing and hunting	99.0	97.6	100.4	102.9	100.8	102.0	108.6	100.3
	-5.1	-1.4	2.9	2.5	-2.0	1.2	0.1	-7.6
Construction	105.5	107.6	106.5	103.5	105.4	108.0	103.3	105.9
	1.3	2.0	-1.0	-2.8	1.8	2.5	0.4	2.5
Manufacturing	107.1	107.9	107.0	107.4	108.0	109.3	107.3	107.5
	-0.7	0.7	-0.8	0.4	0.6	1.2	1.1	0.2
Business sector - services	113.2	114.6	115.4	115.8	115.2	116.2	110.9	113.8
	1.2	1.2	0.7	0.3	-0.5	0.9	1.8	2.6
Wholesale trade	94.1	95.2	95.7	94.2	92.4	93.1	96.8	95.3
	-2.0	1.2	0.5	-1.6	-1.9	0.8	-0.1	-1.6
Retail trade	103.6	104.7	105.8	103.4	103.7	102.9	102.3	103.9
	2.3	1.1	1.1	-2.3	0.3	-0.8	1.4	1.5
Transportation and warehousing	112.5	112.0	112.2	112.8	112.1	113.1	110.9	112.0
	1.3	-0.4	0.2	0.5	-0.6	0.9	-0.6	0.9
Information and cultural industries	108.9	108.5	111.9	113.0	113.6	114.0	106.8	109.2
	1.2	-0.4	3.1	1.0	0.5	0.4	2.0	2.3
Finance, real estate and company management	116.9	119.0	120.3	120.9	121.7	121.8	112.6	117.8
	1.6	1.8	1.1	0.5	0.7	0.1	3.0	4.6
Professional, scientific and technical services	119.7	121.2	121.7	122.3	120.0	124.3	117.8	120.6
	0.0	1.3	0.4	0.5	-1.9	3.6	1.9	2.4
Administrative and support, waste management and remediation services	130.0	130.3	130.8	131.7	131.6	134.7	125.4	129.8
	1.6	0.2	0.4	0.7	-0.1	2.4	5.3	3.4
Accommodation and food services	120.6	129.3	126.8	128.5	129.1	128.8	114.8	122.7
	5.6	7.2	-1.9	1.3	0.5	-0.2	2.2	6.9
Other commercial services	123.2	123.7	124.8	129.7	129.2	130.0	118.2	123.4
	1.1	0.4	0.9	3.9	-0.4	0.6	3.1	4.4

International investment position

Third quarter 2006

Canada's net liability to foreign residents fell to its lowest point in a quarter-century at the end of September.

Net external liability – the difference between the value of our international liabilities and our international assets—reached \$131.9 billion at the end of the third quarter, down 12.5%, or \$18.8 billion, from the end of the second quarter.

It was the lowest level since the end of 1980, when international assets represented only half of international liabilities.

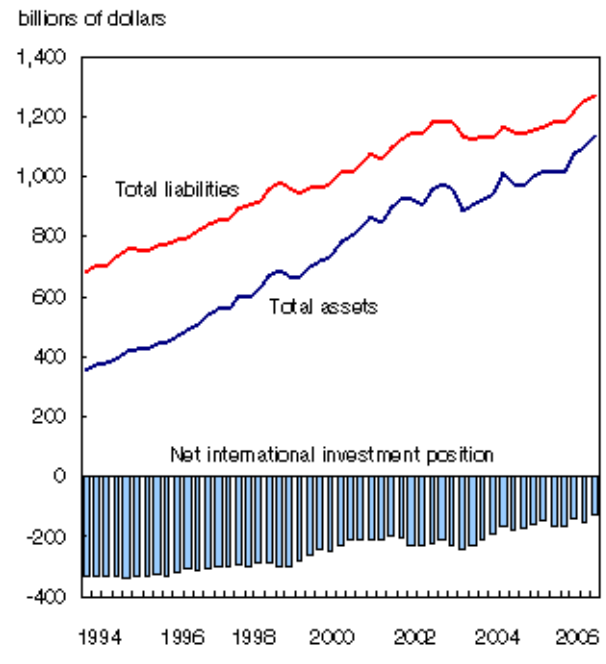
The value of Canada's international assets rose \$40.7 billion to \$1,137.0 billion at the end of the quarter. There were gains in most asset categories led by Canadian direct investment abroad and Canadian holdings of foreign bonds.

At the same time, Canada's international liabilities increased \$22.0 billion to \$1,269.0 billion. Two-thirds of this increase was due to a gain in foreign direct investment in Canada.

The variation of the Canadian dollar against foreign currencies had very little impact on the value of existing holdings during the third quarter. The Canadian dollar gained 1.6% against the Japanese yen and 0.7% against the euro. But it lost 1.4% against the pound sterling and was virtually unchanged compared to the US dollar.

Net liabilities represented 9.2% of Canada's gross domestic product at the end of the third quarter, the lowest proportion ever, down from 10.5% at the end of the second. This proportion has been declining steadily from a peak of 44.3% in 1994.

Canada's international investment position



General rise in assets abroad

Canadian direct investment abroad reached \$487.8 billion at the end of September, up \$11.4 billion from the end of June.

This increase came mostly from injections of working capital into existing foreign affiliates and reinvested earnings. Of this total, direct investment in the United States amounted to \$216.7 billion.

Canadian investors continued to purchase foreign bonds at a good pace during the third quarter. As a result, Canadian holdings of foreign bonds rose \$9.3 billion to a record \$112.4 billion.

Note to readers

Estimates at market value

As of the first quarter of 2005, total portfolio investment (equities, bonds and money market instruments) are available at market value. Annual market value estimates of foreign direct investment are also available and were released earlier this year. These additional series are part of a multi-year initiative to improve the international investment position information. The following analysis focuses on the book value series, however, and this practice will continue until a full set of market value estimates becomes available.

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.

Most of this increase was directed to overseas bonds, Canadians increased their holdings of overseas bonds by about 22% in the third quarter.

In two years, Canadians have more than doubled their holdings of foreign bonds, from \$53.4 billion to \$112.4 billion. Foreign bonds represented 10% of Canada's international assets at the end of the quarter compared to just 5% two years ago. Foreign content limits for tax-deferred Canadian investment vehicles were eliminated during 2005, contributing to the increase.

Canadian investors also increased substantially their holdings of foreign money market paper at the end of the quarter. These holdings reached \$17.6 billion, up by 38.6% from the second quarter.

As was the case for bonds, most of this increase was directed to overseas paper and especially that denominated in Canadian dollars. At the same time, holdings of foreign stocks reached \$195.5 billion, up \$2.4 billion.

While Canada's official international reserves were stable, levels of other asset categories, such as loans and deposits, were up at the end of September.

Liabilities: Jump in foreign direct investment

Foreign direct investment in Canada jumped \$14.2 billion to \$447.8 billion at the end of September, the biggest quarterly increase since 2000. Foreign direct investors increased their investment position in Canada mainly through acquisitions in the third quarter.

Foreign direct investment from the United States reached \$280.7 billion, up \$3.5 billion from the previous quarter. On the other hand, direct investments from all other countries amounted to \$167.1 billion, up \$10.7 billion.

Since the end of 2004 the foreign direct investment position in Canada increased 17.5%, or \$66.8 billion, while Canadian direct investment abroad rose only 8.1%, or \$36.4 billion.

Canada's net direct investment asset (the difference between Canadian direct investment abroad and foreign direct investment in Canada) was at \$40.0 billion at the end of September, down from \$70.4 billion at the end of 2004.

Over this period, the decrease in net direct investment asset has been an offset to the overall reduction of the country's net external liability.

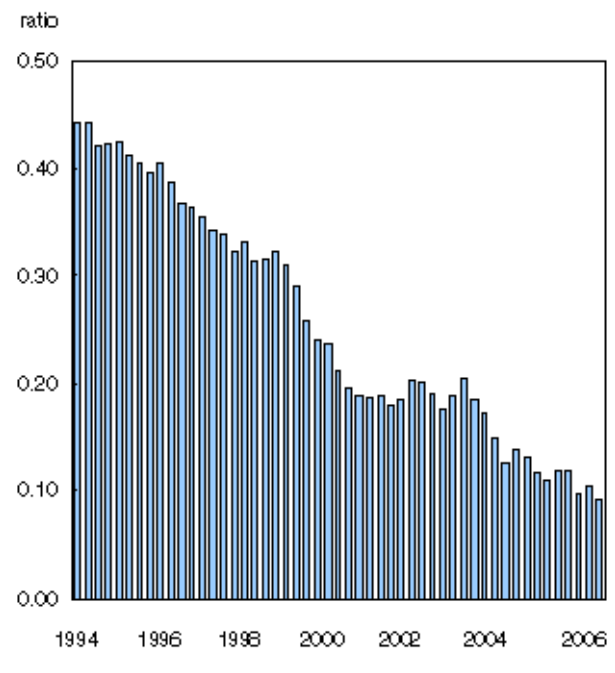
Foreign holdings of Canadian securities stable

Foreign portfolio investment in Canadian securities including stocks, bonds and money market paper, was stable at the end of September compared to the previous quarter.

Foreign holdings of Canadian bonds were up \$2.7 billion in value to \$371.9 billion while, foreign holdings of Canadian stocks decreased slightly to reach \$114.2 billion. At the same time, foreign holdings of Canadian money market paper fell \$1.1 billion to \$25.9 billion after a strong increase in the second quarter.

Finally, loan liabilities to non-residents, mostly short-term loans, rose by \$5.0 billion to \$49.0 billion.

Canada's net international liabilities to GDP



International investment position at period-end

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Millions of dollars								
Assets								
Canadian direct investment abroad	467,465	456,856	465,058	479,348	476,429	487,780	451,438	465,058
Portfolio investment abroad								
Foreign bonds	70,456	76,144	82,374	93,517	103,059	112,416	58,567	82,374
<i>Foreign bonds at market value</i>	<i>77,301</i>	<i>82,107</i>	<i>88,827</i>	<i>98,997</i>	<i>108,184</i>	<i>121,119</i>	<i>62,941</i>	<i>88,827</i>
Foreign stocks	195,545	188,543	189,175	193,940	193,065	195,513	195,573	189,175
<i>Foreign stocks at market value</i>	<i>395,048</i>	<i>405,695</i>	<i>422,791</i>	<i>459,376</i>	<i>442,666</i>	<i>472,059</i>	<i>384,419</i>	<i>422,791</i>
Foreign money market	12,218	12,516	13,055	14,084	12,687	17,645	11,079	13,055
<i>Foreign money market at market value</i>	<i>12,243</i>	<i>12,542</i>	<i>13,108</i>	<i>14,129</i>	<i>12,734</i>	<i>17,716</i>	<i>11,108</i>	<i>13,108</i>
Other investment								
Loans	52,664	51,662	48,325	61,843	65,044	72,785	49,813	48,325
Deposits	124,080	131,476	120,694	133,941	146,043	150,130	109,446	120,694
Official international reserves	41,769	38,459	38,030	42,149	40,301	40,131	40,315	38,030
Other assets	57,097	56,329	59,319	61,230	59,657	60,640	50,133	59,319
Total assets								
at book value	1,021,294	1,011,985	1,016,031	1,080,052	1,096,285	1,137,041	966,363	1,016,031
with portfolio investment at market value	<i>1,227,667</i>	<i>1,235,126</i>	<i>1,256,152</i>	<i>1,351,013</i>	<i>1,351,058</i>	<i>1,422,360</i>	<i>1,159,613</i>	<i>1,256,152</i>
Liabilities								
Foreign direct investment in Canada	391,872	404,694	415,561	427,012	433,608	447,828	380,951	415,561
Portfolio investment								
Canadian bonds	400,315	383,642	380,017	379,809	369,207	371,901	398,070	380,017
<i>Canadian bonds at market value</i>	<i>440,113</i>	<i>416,005</i>	<i>407,016</i>	<i>401,888</i>	<i>382,801</i>	<i>396,167</i>	<i>429,587</i>	<i>407,016</i>
Canadian stocks	105,247	107,896	107,598	110,299	114,293	114,188	104,191	107,598
<i>Canadian stocks at market value</i>	<i>270,545</i>	<i>308,234</i>	<i>314,712</i>	<i>346,140</i>	<i>342,404</i>	<i>346,271</i>	<i>250,085</i>	<i>314,712</i>
Canadian money market	19,710	17,686	20,783	22,868	27,006	25,875	19,621	20,783
<i>Canadian money market at market value</i>	<i>19,832</i>	<i>17,791</i>	<i>20,899</i>	<i>22,997</i>	<i>27,188</i>	<i>26,080</i>	<i>19,707</i>	<i>20,899</i>
Other investment								
Loans	48,011	41,239	36,107	40,532	43,964	49,019	40,226	36,107
Deposits	181,229	198,918	201,639	215,360	236,232	237,450	175,978	201,639
Other liabilities	22,639	22,953	22,829	23,234	22,721	22,705	21,973	22,829
Total liabilities								
at book value	1,169,024	1,177,030	1,184,534	1,219,113	1,247,030	1,268,964	1,141,011	1,184,534
with portfolio investment at market value	<i>1,374,241</i>	<i>1,409,834</i>	<i>1,418,763</i>	<i>1,477,163</i>	<i>1,488,918</i>	<i>1,525,520</i>	<i>1,318,507</i>	<i>1,418,763</i>
Net international investment position								
at book value	-147,729	-165,045	-168,503	-139,060	-150,746	-131,923	-174,647	-168,503
with portfolio investment at market value	<i>-146,574</i>	<i>-174,708</i>	<i>-162,611</i>	<i>-126,150</i>	<i>-137,860</i>	<i>-103,160</i>	<i>-158,894</i>	<i>-162,611</i>

National balance sheet accounts

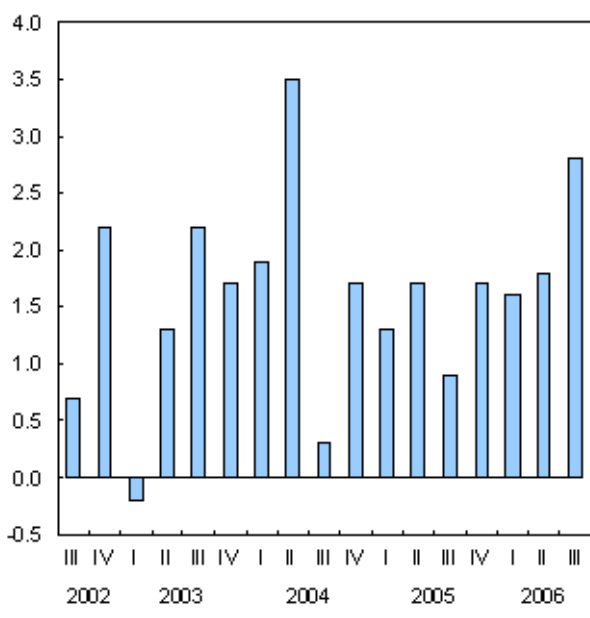
Third quarter 2006

Growth in national net worth accelerates

National net worth reached \$4.8 trillion by the end of the third quarter, or \$146,700 per person. The gain in net worth resulted from an increase in national wealth (economy-wide non-financial assets) as well as a sharp drop in net foreign debt. National net worth grew 2.8% in the third quarter, the largest increase in more than 2 years.

Growth in national net worth picks up

% change, not seasonally adjusted



National wealth advanced 2.0% in the third quarter, matching the second quarter growth. The increase in the market value of residential real estate continued to be the major contributor to increases in national wealth. Non-residential assets also contributed to the gains in national wealth. In particular, strengthened business investment was reflected in the acceleration in the growth of non-residential structures and machinery and equipment.

Growth in household net worth accelerates

Gains in household net worth rebounded in the third quarter following slower growth in the second quarter. Though advancing at a slower pace, the value of residential real estate was the largest contributor to the increase in household net worth. The slower pace was mainly a reflection of reduced investment activity in the resale market combined with higher new housing prices. While new housing price increases slowed from the second quarter, they continued to materially impact the value of residential real estate. Increases in the value of pension assets, as well as corporate shares and mutual funds, also contributed significantly to third quarter gains in household net worth.

Note to readers

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

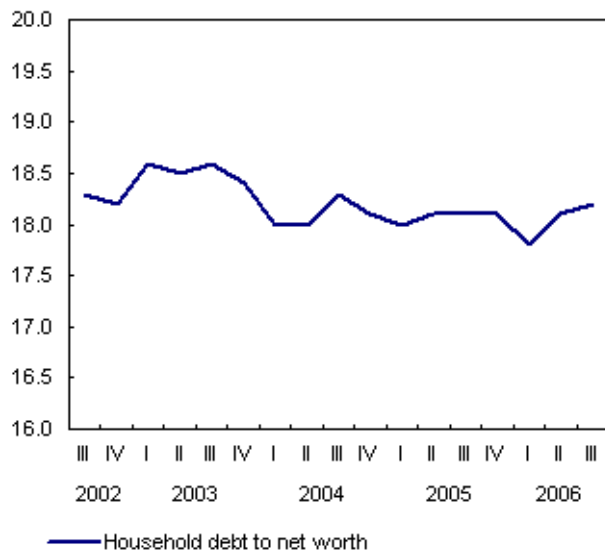
National saving is the sum of saving of persons, corporations and governments. National saving and investment contribute to change in national net worth. The revaluation of assets and liabilities is also responsible for changes in national net worth. The causes of revaluation include changes in share prices, interest rates, exchange rates and loan allowances.

Quarterly series, both book and market value, run from the first quarter of 1990; market value estimates have been available since June 2004. For more information on the market value estimates, consult *Balance sheet estimates at market value*.

This increase in household net worth was accompanied by a proportionally larger increase in household debt leading to a rise in household debt to net worth ratio. Households had 18 cents of debt for every dollar of net worth at the end of the third quarter. Debt service charges remained relatively stable at about 8% of personal disposable income.

Household leverage edges up

As a % of net worth, not seasonally adjusted data

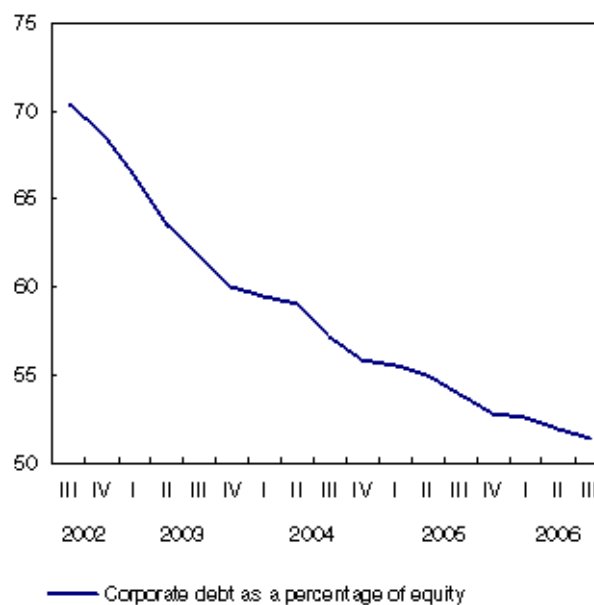


Corporate leverage eases

While growth in credit market debt of non-financial corporations increased in the third quarter, growth in equity was greater, and the leverage ratio (at book value) continued its downward trend. Corporations continued to generate surplus funds on a net basis and remain a lender to the rest of the economy, a trend which began in 2000.

Corporate debt to equity continues to fall

As a % of equity, not seasonally adjusted data



Government debt continues to fall

Government net debt (total liabilities less total financial assets of all levels of government combined) declined significantly in the third quarter as it did in the second quarter, as the government sector continued to be in surplus. Net government debt (at book value) as a percentage of gross domestic product (GDP) has continued its steady decline and is approaching 40%, a level not seen in decades.

Net foreign debt declines sharply

Growth in Canadian foreign assets exceeded the growth in Canadian liabilities to non-residents, more than reversing the change in position of the previous quarter during which the net Canadian international investment position had deteriorated. The pronounced decline in Canada's net foreign debt provided a boost to the growth in national net worth in the third quarter.

National balance sheet accounts[1]

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Market value, not seasonally adjusted, billions of dollars								
National net worth								
National wealth	4,545	4,610	4,675	4,712	4,807	4,904	4,427	4,675
	<i>1.5</i>	<i>1.4</i>	<i>1.4</i>	<i>0.8</i>	<i>2.0</i>	<i>2.0</i>	<i>6.6</i>	<i>5.6</i>
Net foreign debt	-146	-175	-162	-126	-138	-103	-159	-162

National net worth	4,398	4,436	4,513	4,586	4,670	4,801	4,268	4,513
	<i>1.7</i>	<i>0.9</i>	<i>1.7</i>	<i>1.6</i>	<i>1.8</i>	<i>2.8</i>	<i>7.7</i>	<i>5.7</i>
National net worth per capita (dollars)	136,300	137,000	139,200	141,000	143,100	146,700	132,900	139,200
	<i>1.4</i>	<i>0.5</i>	<i>1.6</i>	<i>1.3</i>	<i>1.5</i>	<i>2.5</i>	<i>6.7</i>	<i>4.7</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 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Millions of dollars at quarter end								
Total assets	14,536,574	14,880,632	15,124,640	15,495,675	15,620,724	15,913,300	13,928,243	15,124,640
Non-financial assets	4,544,703	4,610,490	4,675,140	4,711,938	4,807,221	4,903,779	4,427,195	4,675,140
Residential structures	1,243,227	1,267,502	1,293,245	1,317,005	1,359,228	1,400,248	1,209,054	1,293,245
Non-residential structures	1,103,195	1,117,227	1,131,290	1,122,309	1,133,922	1,149,057	1,084,323	1,131,290
Machinery and equipment	409,758	411,343	413,633	415,485	419,272	423,824	403,433	413,633
Consumer durables	364,811	368,365	376,072	377,297	379,943	380,931	359,373	376,072
Inventories	203,093	209,306	209,400	213,032	213,433	219,805	194,088	209,400
Land	1,220,619	1,236,747	1,251,500	1,266,810	1,301,423	1,329,914	1,176,924	1,251,500
Net financial assets	-146,451	-174,605	-162,492	-126,017	-137,675	-102,954	-158,809	-162,492
Financial assets	9,991,871	10,270,142	10,449,500	10,783,737	10,813,503	11,009,521	9,501,048	10,449,500
Official reserves	41,769	38,459	38,029	42,149	40,301	40,130	40,314	38,029
Gold & foreign currency	37,631	34,973	35,357	39,865	38,033	37,860	35,204	35,357
IMF reserve position	3,044	2,439	1,629	1,213	1,219	1,218	3,999	1,629
Special drawing rights	1,094	1,047	1,043	1,071	1,049	1,052	1,111	1,043
Currency and bank deposits	854,790	857,176	864,234	884,247	897,827	915,028	782,036	864,234
Other deposits	199,379	202,594	209,181	210,311	216,727	219,841	193,067	209,181
Foreign currency deposits	92,734	101,966	107,541	115,675	105,559	121,656	94,783	107,541
Consumer credit	256,451	262,399	267,696	270,831	278,409	284,737	246,006	267,696
Trade receivables	239,568	245,192	251,283	255,785	257,496	259,862	230,371	251,283
Bank loans	213,874	213,482	216,670	224,152	230,660	231,522	204,636	216,670
Other loans	213,160	216,310	226,042	230,038	228,416	228,392	208,445	226,042
Canada short-term paper	116,345	116,848	120,159	122,768	109,859	109,471	110,759	120,159
Other short-term paper	159,543	169,060	171,059	182,960	190,036	193,055	151,737	171,059
Mortgages	709,954	728,649	741,904	754,257	772,175	790,034	685,056	741,904
Canada bonds	279,924	277,019	271,751	273,217	271,935	278,516	271,141	271,751
(of which CSB's)	18,860	18,651	17,712	17,342	17,125	16,917	19,462	17,712
Provincial bonds	321,387	322,041	323,792	325,153	318,232	319,266	304,846	323,792
Municipal bonds	39,353	39,091	38,605	39,242	39,131	41,204	37,963	38,605
Other bonds	398,843	415,214	436,564	452,360	456,049	457,828	367,442	436,564
Life insurance & pensions	1,200,967	1,238,576	1,259,364	1,296,811	1,296,912	1,322,401	1,152,666	1,259,364
Corporate claims	1,194,038	1,216,698	1,228,263	1,253,307	1,276,076	1,298,054	1,163,854	1,228,263
Government claims	212,049	208,328	209,544	213,951	212,293	215,602	209,728	209,544
Shares	1,919,441	2,040,270	2,079,588	2,182,740	2,162,949	2,187,324	1,806,760	2,079,588
Foreign investments	490,917	505,359	532,417	581,031	570,841	618,239	460,303	532,417
Other financial assets	837,385	855,411	855,814	872,752	881,620	877,359	779,135	855,814
Liabilities and net worth	14,536,574	14,880,632	15,124,640	15,495,675	15,620,724	15,913,300	13,928,243	15,124,640
Liabilities	10,138,322	10,444,747	10,611,992	10,909,754	10,951,178	11,112,475	9,659,857	10,611,992
Currency and bank deposits	867,763	869,778	880,473	899,776	919,300	932,187	798,264	880,473
Other deposits	199,379	202,594	209,181	210,311	216,727	219,841	193,067	209,181
Foreign currency deposits	97,065	111,537	116,274	115,012	104,615	118,590	103,666	116,274
Consumer credit	256,451	262,399	267,696	270,831	278,409	284,737	246,006	267,696
Trade payables	239,223	246,475	251,783	258,713	260,335	262,967	232,745	251,783
Bank loans	204,158	202,496	205,583	211,090	218,419	215,041	194,971	205,583
Other loans	209,471	214,328	216,926	221,332	219,983	220,583	204,771	216,926
Canada short-term paper	124,756	124,832	129,632	136,334	123,882	122,969	118,787	129,632
Other short-term paper	169,641	177,985	181,433	190,898	201,381	203,344	162,635	181,433
Mortgages	710,306	728,999	742,252	754,604	772,518	790,377	685,405	742,252
Canada bonds	335,948	330,319	323,251	325,017	319,294	320,122	330,880	323,251
(of which CSB's)	18,860	18,651	17,712	17,342	17,125	16,917	19,462	17,712
Provincial bonds	453,637	445,016	445,725	445,508	432,939	438,020	430,455	445,725
Municipal bonds	43,095	42,870	42,360	42,840	42,561	44,788	41,691	42,360
Other bonds	639,372	643,551	659,668	671,204	667,072	682,981	600,755	659,668
Life insurance & pensions	1,200,967	1,238,576	1,259,364	1,296,811	1,296,912	1,322,401	1,152,666	1,259,364
Corporate claims	437,575	460,161	465,205	488,799	513,181	527,553	430,350	465,205
Government claims	212,049	208,328	209,544	213,951	212,293	215,602	209,728	209,544
Shares	2,914,383	3,101,060	3,164,864	3,306,069	3,294,408	3,336,691	2,758,123	3,164,864
Other liabilities	823,083	833,443	840,778	850,654	856,949	853,681	764,892	840,778
Net worth	4,398,252	4,435,885	4,512,648	4,585,921	4,669,546	4,800,825	4,268,386	4,512,648

Credit market summary table

	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	2004	2005
Millions of dollars at quarter end								
Debt outstanding of:								
Persons and unincorporated business	943,913	962,519	977,074	990,152	1,010,115	1,030,480	913,622	977,074
Consumer credit	256,451	262,399	267,696	270,831	278,409	284,737	246,006	267,696
Bank loans	34,177	34,351	35,269	36,775	36,841	37,455	33,202	35,269
Other loans	72,005	71,750	72,271	73,056	71,923	72,809	71,759	72,271
Mortgages	581,280	594,019	601,838	609,490	622,942	635,479	562,655	601,838
Non-financial private corporations	599,451	602,663	604,075	612,500	616,860	623,740	583,239	604,075
Bank loans	115,644	115,526	117,001	120,307	123,724	120,849	113,301	117,001
Other loans	74,971	74,247	73,696	74,681	76,925	78,132	72,612	73,696
Other short-term paper	42,674	47,128	44,784	47,270	49,722	51,561	38,351	44,784
Mortgages	111,295	114,287	117,270	120,538	123,660	127,266	107,475	117,270
Bonds	254,867	251,475	251,324	249,704	242,829	245,932	251,500	251,324
Non-financial government enterprises	65,823	65,493	64,635	65,049	65,823	66,303	65,173	64,635
Bank loans	2,884	2,864	2,461	2,614	2,827	2,773	2,794	2,461
Other loans	7,685	7,668	7,260	7,338	7,062	7,197	7,011	7,260
Other short-term paper	5,134	5,664	5,686	5,654	5,693	5,857	5,843	5,686
Mortgages	98	100	99	99	98	96	97	99
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,274	47,485	47,411	47,607	48,405	48,641	47,512	47,411
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,627	1,591	1,597	1,616	1,617	1,618	1,795	1,597
Federal government	417,613	413,475	412,102	421,169	406,110	404,422	410,612	412,102
Bank loans	101	101	100	101	101	101	100	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	124,756	124,832	129,632	136,334	123,882	122,969	118,787	129,632
Canada bonds	292,756	288,542	282,370	284,734	282,127	281,352	291,725	282,370
Canada savings bonds	18,860	18,651	17,712	17,342	17,125	16,917	19,462	17,712
Other bonds	273,896	269,891	264,658	267,392	265,002	264,435	272,263	264,658
Other levels of government	407,185	399,146	405,922	407,062	406,620	406,952	398,287	405,922
Bank loans	2,997	2,848	3,005	3,715	3,443	3,550	3,873	3,005
Other loans	12,652	12,854	13,041	13,048	12,995	12,814	12,853	13,041
Other short-term paper	13,794	10,650	13,947	13,092	16,312	13,057	18,524	13,947
Mortgages	2,033	2,031	2,029	2,000	2,000	2,000	2,036	2,029
Provincial bonds	332,598	327,263	330,453	330,566	326,812	329,274	318,609	330,453
Municipal bonds	39,628	39,902	39,706	40,914	41,327	42,522	38,959	39,706
Other bonds	3,483	3,598	3,741	3,727	3,731	3,735	3,433	3,741
Total funds raised by domestic non-financial sectors	2,433,985	2,443,296	2,463,808	2,495,932	2,505,528	2,531,897	2,370,933	2,463,808
Consumer credit	256,451	262,399	267,696	270,831	278,409	284,737	246,006	267,696
Bank loans	155,803	155,690	157,836	163,512	166,936	164,728	153,270	157,836
Other loans	167,313	166,519	166,268	168,123	168,905	170,952	164,235	166,268
Canada short-term paper	124,756	124,832	129,632	136,334	123,882	122,969	118,787	129,632
Other short-term paper	61,602	63,442	64,417	66,016	71,727	70,475	62,718	64,417
Mortgages	694,706	710,437	721,236	732,127	748,700	764,841	672,263	721,236
Bonds	973,354	959,977	956,723	958,989	946,969	953,195	953,654	956,723
Non-residents	44,387	42,547	44,165	46,933	45,117	48,609	42,644	44,165
Bank loans	9,716	10,986	11,087	13,062	12,241	16,481	9,665	11,087
Other loans	34,671	31,561	33,078	33,871	32,876	32,128	32,979	33,078
Mortgages	0	0
Total borrowing excluding domestic financial institutions	2,478,372	2,485,843	2,507,973	2,542,865	2,550,645	2,580,506	2,413,577	2,507,973
Domestic financial institutions	555,318	583,609	610,075	641,873	660,967	668,286	510,461	610,075
Bank loans	48,355	46,806	47,747	47,578	51,483	50,313	41,701	47,747
Other loans	42,158	47,809	50,658	53,209	51,078	49,631	40,536	50,658
Other short-term paper	108,039	114,543	117,016	124,882	129,654	132,869	99,917	117,016
Mortgages	15,600	18,562	21,016	22,477	23,818	25,536	13,142	21,016
Bonds	341,166	355,889	373,638	393,727	404,934	409,937	315,165	373,638
Total funds raised = total funds supplied	3,033,690	3,069,452	3,118,048	3,184,738	3,211,612	3,248,792	2,924,038	3,118,048
Assets of:								
Persons and unincorporated business	125,328	130,795	120,557	111,432	106,028	99,078	129,704	120,557
Non-financial corporations	72,202	73,459	76,473	76,599	76,981	77,748	71,324	76,473
Governments	223,767	227,823	227,155	229,603	230,286	241,575	206,851	227,155
Non-residents	442,591	422,866	417,452	419,536	413,082	413,278	439,452	417,452
Domestic financial institutions	2,194,046	2,238,661	2,300,461	2,371,670	2,408,545	2,439,932	2,101,285	2,300,461