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Canadian Economic Accounts Quarterly Review

Fourth quarter 2006

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..	not available for a specific reference period
...	not applicable
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^{r}	revised
x	suppressed to meet the confidentiality requirements of the *Statistics Act*
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System of National Accounts

Canadian Economic Accounts Quarterly Review

Fourth quarter 2006

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Note of Appreciation

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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 380-0060, 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	13-001-PPB
Estimates of Labour Income	13F0016XPB
Provincial Economic Accounts	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	13-014-PPB
Spreadsheets	13-014-DDB, 13-014-XDB
Labour productivity, hourly compensation and unit labour cost	
CANSIM tables	383-0008 to 383-0015
Publication:	
The Canadian productivity accounts - Data	15-003-XIE
Provincial Labour Productivity Growth, 1997 to 2005	15-206-XIE
International investment position	
CANSIM tables	376-0037 to 376-0042 and 376-0051 to 376-0059
Publication:	
Canada's International Investment Position	67-202-XIE
National balance sheet accounts	
CANSIM tables	378-0003 to 378-0010
Publication:	
National Balance Sheet Accounts	13-214-XIE
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Latest developments in the Canadian economic accounts	
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About this publication

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

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

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

Revision policy

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

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

GDP by industry:

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

Revisions in this issue

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

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

GDP by industry:

Since the last release of the *Canadian Economic Accounts Quarterly Review*, revisions were made back to January 2006.

Labour productivity, hourly compensation and unit labour cost:

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

Section A
Overview

Fourth quarter 2006, December 2006 and year 2006

The economy gained momentum throughout the fourth quarter of 2006, closing the year with 0.4% growth in December. For the quarter as a whole, the pace of economic activity eased slightly. Real gross domestic product (GDP) was up 0.4% in the fourth quarter following an increase of 0.5% in the second and third quarters. Growth was largely driven by higher personal expenditure and the strengthening of exports. However, these gains were dampened by the draw-down of non-farm inventories. The economy advanced 2.7% over the year.

Table A.1

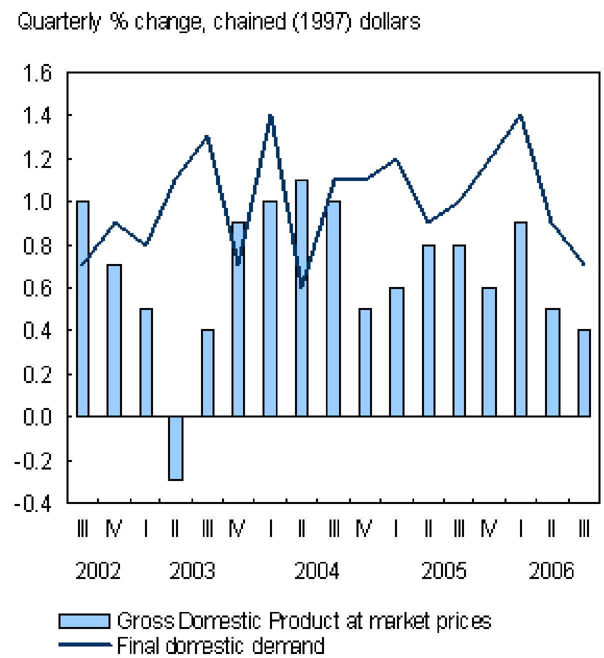
Real gross domestic product, chained (1997) dollars[1]

	Change	Annualized change	Year-over-year change
		%	
First quarter 2006	0.9	3.8	3.2
Second quarter 2006	0.5	2.0	2.9
Third quarter 2006	0.5	2.0	2.6
Fourth quarter 2006	0.4	1.4	2.3
2006	2.7	..	2.7

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

Chart A.1

Final domestic demand continues to outpace GDP



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.

Canadian Economic Accounts re-referencing

Effective with the first quarter 2007 Income and Expenditure Accounts release on May 31, 2007, the expenditure-based gross domestic product (GDP) and associated components will be converted from a 1997 reference year to a 2002 reference year for its volume and price estimates. This change will affect data from 1961 to date. Adopting a new reference year will not affect chained GDP growth rates over the period, as it represents a scaling of the 1997-based data. However, levels and growth rates for the period of 2003 to 2006 will be affected by the regular GDP annual revision process, also released at the time of the first quarter.

We will retain the existing CANSIM vector identifiers for the re-referenced chained dollar data. For the Laspeyres volume data (constant dollars) new CANSIM identifiers will be created and made available to users on our National Economic Accounts website (www.statcan.ca/nea) in mid-May, 2007.

The provincial and territorial counterpart to the Income and Expenditure Accounts, the Provincial Economic Accounts, will be re-referenced to 2002 with its fall 2007 release.

The monthly industry-based GDP estimates will continue using a 1997 reference period until the regular annual revision of these data in September 2007.

For more information please contact an Information Officer in the Income and Expenditure Accounts Division at 613-951-3640 or iead-info-dcrd@statcan.ca. More information on chain Fisher methodology is available at Chain Fisher volume index - Methodology (catalogue 13-605-XIE).

Table A.2

Real gross domestic product at basic prices, by industry

	July 2006[r]	August 2006[r]	September 2006[r]	October 2006[r]	November 2006[r]	December 2006[p]
	Seasonally adjusted, chained (1997) dollars, month-to-month % change					
All industries	**0.3**	**0.3**	**-0.4**	**0.1**	**0.3**	**0.4**
Goods-producing industries	0.3	0.2	-1.2	0.2	0.1	0.1
Services-producing industries	0.3	0.4	-0.0	0.1	0.4	0.5
Industrial production	0.6	-0.0	-1.7	0.2	-0.0	-0.0
Manufacturing	0.0	-0.4	-1.8	-0.5	1.3	0.9
Retail trade	0.5	0.7	0.1	-0.4	-0.3	2.1
Energy sector	1.3	0.5	-1.6	0.8	-2.5	-1.8

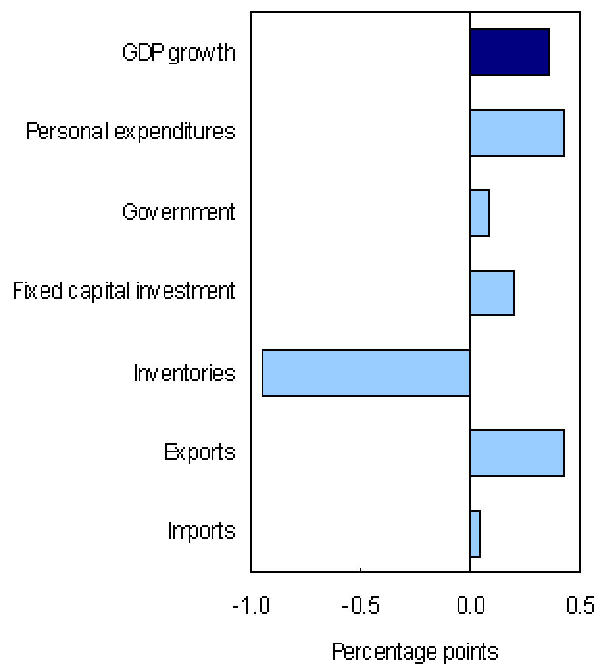
The economy grew by 0.4% in December, compared to gains of 0.3% in November and 0.1% in October. Both the services-producing (+0.5%) and the goods-producing industries (+0.1%) increased in December. Manufacturing, wholesale and retail trade posted the strongest results. Construction, financial services and tourism-related industries also advanced. These gains in December were partly offset by losses in the energy sector, and in the agriculture and forestry industries. A more detailed analysis is available on page 12.

Growth in final domestic demand continued to outpace that of GDP in the fourth quarter. Final domestic demand was supported by personal expenditure, especially on services and on durable goods, along with business investment in non-residential structures. The acceleration in exports added significantly to GDP growth in the quarter.

The strength in personal expenditure was underpinned by spending on financial services, on restaurants and accommodation and on purchased transportation, especially air travel. Automotive products contributed to consumer spending and exports. The surge in exports was also driven by other consumer goods, as well as by machinery and equipment.

Chart A.2

Contributions to percent change in GDP, fourth quarter 2006



Despite these gains, GDP growth was moderated by a drop in inventory investment. Inventories of motor vehicles were down sharply due to growing demand in domestic and international markets.

The rise in the production of services (+0.7%) in the quarter contrasted with the decline (-0.4%) observed in goods-producing industries. The overall growth came mainly from the construction and financial sectors and from the tourism-related industries. Manufacturing, wholesale trade and the energy sector were the main brakes on economic growth.

Industrial production (the output of utilities, mines and factories) retreated by 1.0% as a result of the declines recorded in all three sectors. Industrial production fared better in the United States, falling only by 0.2%.

The Canadian economy grew at an annualized rate of 1.4% in the fourth quarter. Growth in the U.S. economy edged up to 2.2% in the same period, led by firmer exports and personal and government expenditure.

Economy-wide prices, as measured by the chain price index for GDP were up 0.3%, or 0.5% excluding energy. Energy prices have now moderated economy-wide price index growth for four consecutive quarters.

The automotive sector drives exports

With a slight decline in the Canadian dollar over the fourth quarter, export growth was up 1.2%, following a 0.9% increase in the third quarter. This was mainly due to growth in exports of goods (+1.2%). Exports of services, up 0.7%, also contributed to growth, though to a lesser extent.

Automotive products (+7.7%) primarily accounted for the increase in exports of goods. This sector has picked up after the third quarter slowdown, related to protracted plant closures. Other consumer goods and machinery and equipment, up 9.5% and 1.3% respectively, also contributed to export gains in the quarter. The growth in transportation (+3.2%) and travel (+1.2%) services were partly offset by a decline in foreign sales of commercial services (-0.9%).

Personal expenditure remains robust

Personal expenditure on consumer goods and services advanced 0.8%, but at a slower pace than over the first three quarters of 2006. The increased spending was mainly due to higher outlays on services (+1.2%) and durable goods (+1.0%), though it was tempered by reduced spending on non-durable goods (-0.2%).

Growth in expenditure on durable goods was mostly attributable to strong demand for new and used motor vehicles (+1.6%). This resulted from increased purchases of new trucks and vans.

Non-farm inventory draw-down widespread

Non-farm inventories were down $748 million in the fourth quarter, marking the first drop in ten consecutive quarters. Manufacturers and retailers substantially reduced inventories of non-durable goods. Inventory run-down, especially significant in automotive products, occurred against a backdrop of increased exports and consumer demand for these types of products.

The economy-wide inventory-to-sales ratio in real terms fell to 0.666 in the fourth quarter, from 0.674 in the third.

Business investment growth moderates

Business investment in plant and equipment slowed in the fourth quarter (+1.5%), largely sustained by strength in investment in non-residential structures (+2.5%) as a result of strong investment in engineering structures (+3.4%). Growth in Canadian business investment has been ongoing for the last 16 quarters.

The pace of business investment in machinery and equipment slowed considerably (+0.6%), the weakest growth recorded in 6 quarters.

Residential construction edges up

Investment in residential structures edged up (+0.1%) following a third-quarter drop of 1.8%. This turnaround was largely driven by a pick up in renovation activity (+2.2%), as reflected in the strong demand for renovation permits. Renewed activity in the resale market was reflected in a 1.9% rise in ownership transfer costs, which were down 3.4% in the third quarter.

The decline in value of new housing construction (-2.0%) slowed slightly in the fourth quarter compared to the third quarter (-3.3%). Growth in the number of housing starts in the fourth quarter provides a signal of renewed investment in residential construction.

Labour income gaining momentum

Labour income strengthened in the fourth quarter of 2006, growing by 1.5%, compared to 1.1% in the previous quarter. Strength in earnings was supported by a 1.7% increase in wages and salaries in the service industries. Significant gains were made in the financial, insurance and real estate sectors, as well as in the professional and personal services industries.

Personal disposable income grew by 1.1% and the saving rate rose in the fourth quarter. The personal sector deficit (net borrowing position) narrowed.

Growth in corporate profits slows

Corporate profits advanced 0.6% in the fourth quarter, considerably slower than the exceptional growth (+3.0%) in the third quarter. The motor vehicle and parts as well as the paper and wood products manufacturing industries were major contributors to growth in the fourth quarter. Strong profits in construction, telecommunications and transportation also contributed to gains.

The corporate sector's position as net lender to the rest of the economy strengthened in the fourth quarter. With undistributed earnings up in the quarter, partly reflecting the repayment of softwood lumber duties to Canadian producers, corporate net saving advanced for the second straight quarter.

Government revenue rebounds

Corporate income tax liabilities reached a peak of $57 billion during the quarter, increasing $4.6 billion (+8.8%), in part reflecting tax owing on refunds of softwood lumber duties levied by the United States since 2002. Resumption of strong growth in personal income taxes marked the end of the higher federal refunds related to fiscal amendments implemented late in 2005. The rise in government total revenues of $11 billion (+1.9%) was offset somewhat by a drop in its investment income (-$2.9 billion), resulting from lower provincial government natural resource royalties. Government surplus (net lending position) expanded in the fourth quarter.

GDP by industry, December 2006

The economy grew by 0.4% in December, compared to gains of 0.3% in November and 0.1% in October. Both the services-producing (+0.5%) and the goods-producing industries (+0.1%) increased in December. Manufacturing, wholesale and retail trade posted the strongest gains. Construction, financial services, and tourism related industries, also advanced. These gains were partly offset by losses in the energy sector, and the agriculture and forestry industries.

Wholesale trade recorded strong growth (+1.2%), reflecting robust motor vehicle sales. Retail trade enjoyed an even greater increase (+2.1%). December was a pinnacle month for retail, with an increase in monthly output not seen since November 2001.

For the second month in a row, manufacturing strengthened, gaining 0.9%. The increase came from the manufacturing of durable goods which was up 2.0%. Conversely, non-durable goods manufacturing fell back 0.8%. Of the 21 major manufacturing groups, 13 increased, accounting for 64% of total manufacturing value added. Motor vehicle production contributed the most to the increase. However, pharmaceutical and tobacco production hindered the growth.

The energy sector fell 1.8% in December to reach its lowest level of output for 2006. This set back was due to the decline in natural gas extraction. Oil and gas exploration also lost significant ground (-4.7%), a fifth consecutive monthly drop.

Industrial production (the output of mines, utilities and factories) was essentially unchanged in December. The declines in mining and utilities offset the increase in manufacturing. In comparison, industrial production in the United States increased 0.5% in December, due to gains in manufacturing and mining, partly offset by a decline in output of utilities.

Year-end review

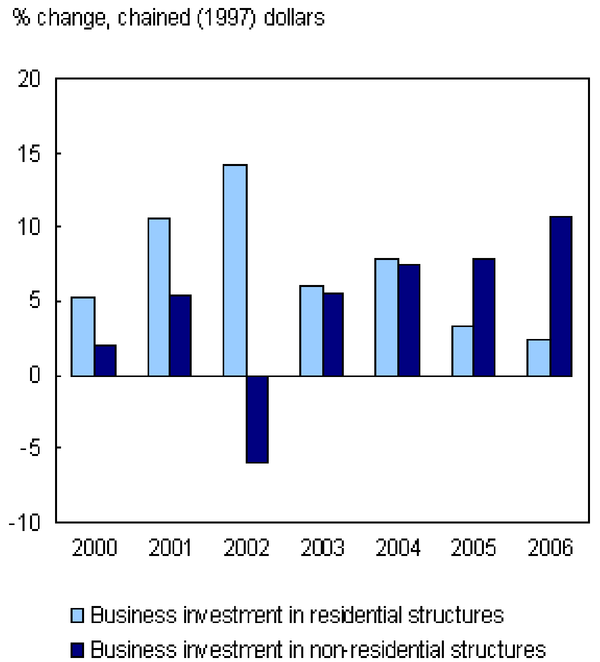
Real GDP grew by 2.7% in 2006, a slight deceleration from 2005, while final domestic demand was up 4.5%. Consumer spending and non-residential investment accounted for most of the growth in 2006.

Construction, retail and wholesale trade as well as finance and insurance were the main industries contributing to growth in 2006. Manufacturing and forestry and logging were hard hit. The energy sector continued to expand but at a much slower pace than in the last four years.

Consumer spending was the leading contributor to real GDP growth in 2006 advancing 4.1%, its best performance since 1997. A solid first quarter helped establish strong annual growth in expenditures on both durable (+6.8%) and semi-durable goods (+7.2%). Declining prices in both of these groups encouraged purchases. Significant gains were also registered in purchases of services (+4.2%).

Non-residential investment was the main contributor to investment’s strong positive impact on GDP in 2006. Business investment in non-residential structures was buoyed by a 14% increase in engineering investment. This was principally concentrated in non-conventional oil and gas extraction where investment nearly doubled in 2006 as considerable infrastructure was added to the Alberta oil sands.

Chart A.3
Composition of investment changes



Business investment in machinery and equipment was 8.0% higher in 2006, largely as a result of strong growth in computers and other office equipment, software, telecommunications equipment, trucks and industrial machinery.

Non-farm business inventories accumulated for the year, albeit at about three-quarters the pace of 2005 due to a draw-down in the last quarter of 2006. Business investment in farm inventories slowed in 2006.

Imports experienced strong growth for the fourth straight year (+5.2%) in 2006, while exports increased only 1.3%. Export growth was hindered in 2006 by lower demand for forestry and automotive products as demand from Canada's largest trading partner, the United States, slumped.

Corporation profits (on a nominal basis) cooled in 2006, after double-digit growth in 2004 and 2005, but still exhibited a healthy increase of 5.7%.

Labour income (on a nominal basis) rose by 6.1% in 2006, while the personal saving rate edged up to 1.8%.

Overall, national saving increased as the Canadian economy continued to lend to non-residents.

Softwood Lumber Agreement between Canada and the United States: National Accounts treatment

Background

On May 22, 2002, the U.S. government imposed anti-dumping and countervailing duties on most exports of softwood lumber to the United States. The Canadian federal and provincial governments and industry challenged the U.S. actions at the World Trade Organization and under the North American Free Trade Agreement, and before the U.S. Court of International Trade.

The effect of the duties was to lower the export price for Canadian softwood to the U.S. Lowered value added in Canada was observed through lower operating revenues for softwood establishments and lower surplus (profit) for Canadian exporters.

The Canadian Balance of Payments (BOP) treated these disputed amounts differently from how they were treated in the U.S. The difference between the export price and the final price to U.S. customers, which was used to pay the duty, was considered by the BOP as non-resident income of the Canadian exporters. The amounts paid to the U.S. government were treated as a bond posted with the U.S. government in order to continue operations and recorded as a financial asset.

The Income and Expenditure Accounts do not include the un-remitted income from non-resident operations as is done in the BOP. (There is an explicit reconciliation published each quarter in the National Income and Expenditure Accounts, Table 14 on this difference in treatment.) Thus, the income earned and used to pay the duty did not enter Canadian income up to this point and no asset was accumulated in the business sector.

The Canadian exporters were effectively allowed to treat the value of the payments to the U.S. government as a reduction in income for tax purposes.

Highlights of the Agreement

- The Agreement was signed on September 12, 2006 and came into force on October 12, 2006. It confirms that the duties collected since May 22, 2002 and interest will be refunded to the importers of record, the vast majority of which are Canadian exporters.
- Under the Agreement, 1 billion U.S. dollars, about 18% of the duties to be liquidated by the U.S. government, will be distributed to the following U.S. interests:
  - 500 million to the members of the Coalition for Fair Lumber Imports;
  - 450 million to meritorious initiatives as described under the Agreement; and
  - 50 million to the bi-national industry council as described under the Agreement.
- The U.S. government indicated during the negotiation of the Agreement that it could take up to two years to liquidate the duties. In order to accelerate the return of money to Canadian companies, the Government of Canada, through its agent, Export Development Canada (EDC), developed a duty refund mechanism.
- Companies therefore had two options:
  1. sell their rights to the refund to EDC; or
  2. get their refund directly from the U.S. government.
  - Companies that chose the first option would receive from EDC approximately 82% of the refund owed to them by the U.S. government, with the remaining approximately 18% paid by EDC to the U.S. interests.
  - Companies that chose the second option would receive from the U.S. government 100% of their refund. The Government of Canada is collecting these companies’ share of the U.S. interests' money through a special charge of approximately 18% that was imposed under the Softwood Lumber Products Export Charge Act, 2006.

System of National Accounts and Balance of Payments treatment

- For the BOP, the refunds will be recorded in the financial accounts with the resulting changes in positions recorded in the International Investment Position.
- In the Income and Expenditure Accounts, the refunds will be recorded in 'interest, dividends and miscellaneous receipt income' from non-residents.
- This difference in treatment requires a one time adjustment to reconcile saving in the non-resident sector of the national Income and Expenditure Accounts and the current account surplus of Canada’s Balance of International Payments. This adjustment will appear in 'net reinvested earnings on direct investment'.
- These transactions will have no impact on current operating costs or revenues and will not affect value added (GDP).
- The income will now be recognized in the income and outlay accounts. However, it will not affect surplus and thus GDP.
- This income may result in changes to tax liabilities.
- The US$ 1 billion payment that is to be transmitted to the U.S. interests will be a transfer from the Canadian corporate sector to the U.S. corporate sector.

Timing of transactions

- The vast majority of the companies that chose option 1 received their refunds in the fourth quarter of 2006. It is expected that the remainder will receive their refunds in the first quarter of 2007.
- The U.S. government has liquidated the duties faster than originally suggested. As a result, the vast majority of the companies that chose option 2 also received their refunds in the fourth quarter of 2006. It is expected that the remainder will receive their refunds in the first quarter of 2007.
- The majority of the monies payable to U.S. interests under option 1 transactions were transmitted to the U.S. interests in the fourth quarter of 2006.
- The special charge to collect the monies owed under option 2 transactions is beginning to be collected in the first quarter of 2007.
- The monies owed under option 2 transactions will likely be transmitted to the U.S. interests in the first quarter of 2007.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted at annual rates, millions of dollars at current prices							
GDP by income and by expenditure								
Wages, salaries and supplementary labour income	694,340	703,668	721,284	723,800	732,000	743,216	688,150	730,075
	1.8	*1.3*	*2.5*	*0.3*	*1.1*	*1.5*	*5.6*	*6.1*
Corporation profits before taxes	192,368	202,812	196,276	197,376	203,220	204,480	189,455	200,338
	4.7	*5.4*	*-3.2*	*0.6*	*3.0*	*0.6*	*10.6*	*5.7*
Interest and miscellaneous investment income	60,392	67,724	64,712	63,488	63,616	61,856	60,403	63,418
	5.9	*12.1*	*-4.4*	*-1.9*	*0.2*	*-2.8*	*11.7*	*5.0*
Net income of unincorporated business	86,556	86,988	86,736	87,352	87,980	88,884	86,206	87,738
	0.9	*0.5*	*-0.3*	*0.7*	*0.7*	*1.0*	*2.5*	*1.8*
Taxes less subsidies	156,352	157,024	160,560	162,716	159,236	159,808	155,297	160,580
	0.4	*0.4*	*2.3*	*1.3*	*-2.1*	*0.4*	*4.5*	*3.4*
Personal disposable income	793,836	802,164	830,520	826,824	838,648	847,720	787,524	835,928
	1.6	*1.0*	*3.5*	*-0.4*	*1.4*	*1.1*	*4.2*	*6.1*
Personal saving rate[2]	1.3	1.3	3.0	1.2	1.3	1.5	1.2	1.8
	...	*...*	*...*	*...*	*...*	*...*	*...*	*...*
	Seasonally adjusted at annual rates, millions of chained (1997) dollars							
Personal expenditure on consumer goods and services	665,602	671,517	680,330	686,613	695,136	700,517	663,583	690,649
	0.6	*0.9*	*1.3*	*0.9*	*1.2*	*0.8*	*3.9*	*4.1*
Government current expenditure on goods and services	218,239	220,622	222,569	224,957	226,059	227,067	217,689	225,163
	0.7	*1.1*	*0.9*	*1.1*	*0.5*	*0.4*	*2.7*	*3.4*
Gross fixed capital formation	264,002	269,080	275,957	277,856	279,975	282,547	261,572	279,084
	2.3	*1.9*	*2.6*	*0.7*	*0.8*	*0.9*	*7.1*	*6.7*
Investment in inventories	14,992	14,937	11,130	17,985	13,819	921	15,514	10,964
	...	*...*	*...*	*...*	*...*	*...*	*...*	*...*
Exports of goods and services	474,439	481,889	476,003	474,500	478,583	484,220	472,037	478,327
	2.1	*1.6*	*-1.2*	*-0.3*	*0.9*	*1.2*	*2.1*	*1.3*
Imports of goods and services	475,574	490,041	487,694	498,307	504,490	503,735	474,040	498,557
	2.7	*3.0*	*-0.5*	*2.2*	*1.2*	*-0.1*	*7.1*	*5.2*
Gross domestic product at market prices	1,162,822	1,170,239	1,181,076	1,186,983	1,192,904	1,197,176	1,157,705	1,189,535
	0.8	*0.6*	*0.9*	*0.5*	*0.5*	*0.4*	*2.9*	*2.7*
GDP at basic prices, by industry								
Goods producing industries	333,441	336,007	336,629	334,262	333,866	332,602	331,595	334,340
	1.1	*0.8*	*0.2*	*-0.7*	*-0.1*	*-0.4*	*2.0*	*0.8*
Industrial production	244,563	246,320	244,974	242,413	242,085	239,770	243,485	242,311
	0.9	*0.7*	*-0.5*	*-1.0*	*-0.1*	*-1.0*	*1.0*	*-0.5*
Energy sector	64,427	65,102	64,479	64,260	64,755	63,277	63,767	64,193
	2.0	*1.0*	*-1.0*	*-0.3*	*0.8*	*-2.3*	*1.5*	*0.7*
Manufacturing	175,190	176,357	175,817	173,185	171,792	170,704	174,987	172,875
	0.4	*0.7*	*-0.3*	*-1.5*	*-0.8*	*-0.6*	*0.7*	*-1.2*
Non-durable manufacturing	71,455	71,169	70,307	69,422	68,822	68,235	71,317	69,196
	0.2	*-0.4*	*-1.2*	*-1.3*	*-0.9*	*-0.9*	*-1.2*	*-3.0*
Durable manufacturing	103,581	105,050	105,389	103,640	102,848	102,350	103,516	103,557
	0.6	*1.4*	*0.3*	*-1.7*	*-0.8*	*-0.5*	*2.1*	*0.0*
Construction	64,014	65,518	67,493	67,978	68,548	69,422	63,689	68,360
	1.6	*2.4*	*3.0*	*0.7*	*0.8*	*1.3*	*5.7*	*7.3*
Services producing industries	735,726	741,062	749,519	756,511	761,727	766,848	732,506	758,651
	0.8	*0.7*	*1.1*	*0.9*	*0.7*	*0.7*	*3.2*	*3.6*
Wholesale trade	66,506	67,920	69,713	70,585	71,282	70,404	65,997	70,496
	1.4	*2.1*	*2.6*	*1.3*	*1.0*	*-1.2*	*6.9*	*6.8*
Retail trade	62,355	62,752	64,164	65,427	65,996	66,268	62,219	65,464
	0.2	*0.6*	*2.3*	*2.0*	*0.9*	*0.4*	*4.7*	*5.2*
Transportation and warehousing	51,671	52,073	52,469	52,806	52,916	52,988	51,241	52,795
	1.8	*0.8*	*0.8*	*0.6*	*0.2*	*0.1*	*3.5*	*3.0*
Finance, insurance, real estate and renting	214,923	216,331	218,619	220,821	223,336	225,826	213,985	222,151
	0.8	*0.7*	*1.1*	*1.0*	*1.1*	*1.1*	*3.7*	*3.8*
Information and communication technologies	62,834	63,271	64,054	64,730	65,408	66,107	62,359	65,075
	1.0	*0.7*	*1.2*	*1.1*	*1.0*	*1.1*	*5.2*	*4.4*

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

Section B
GDP by income and by expenditure

2006 and fourth quarter 2006

The economy gained momentum throughout the fourth quarter of 2006, closing the year with 0.4% growth in December. For the quarter as a whole, the pace of economic activity eased slightly. Real gross domestic product (GDP) was up 0.4% in the fourth quarter following an increase of 0.5% in the second and third quarters. Growth was largely driven by higher personal expenditure and the strengthening of exports. However, these gains were dampened by the draw-down of non-farm inventories. The economy advanced 2.7% over the year.

Chart B.1
Final domestic demand continues to outpace GDP

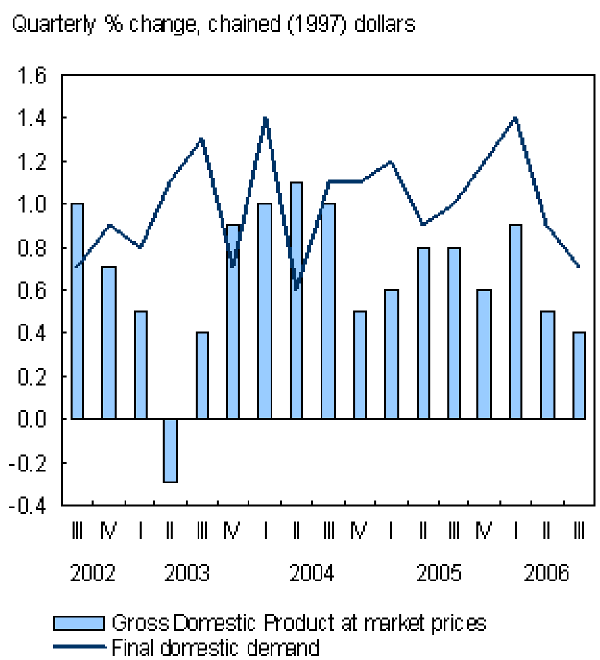
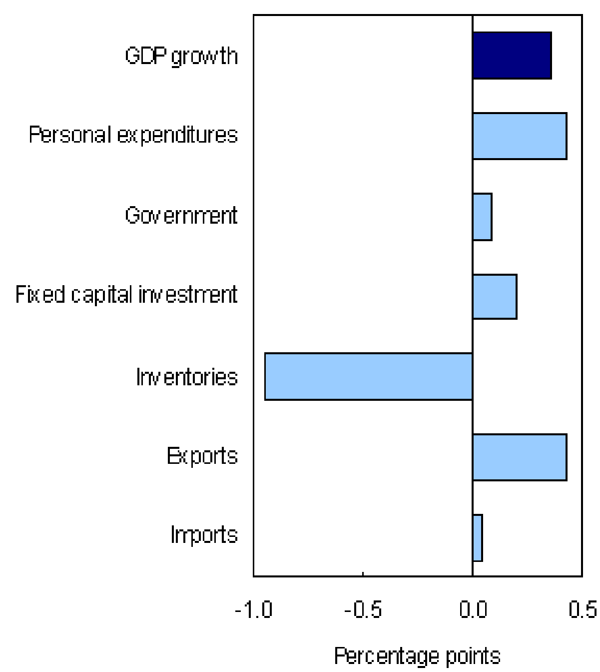


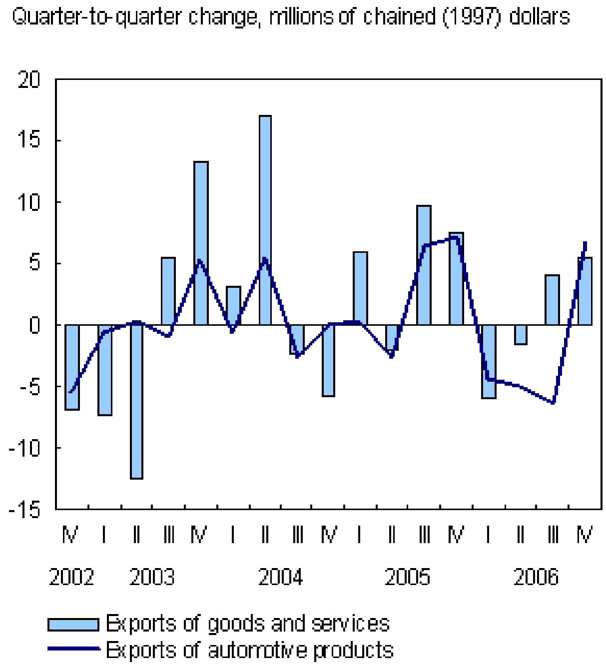
Chart B.2
Contributions to percent change in GDP, fourth quarter 2006



International trade

With a slight decline in the Canadian dollar over the fourth quarter, export growth was up 1.2%, following a 0.9% increase in the third quarter. This was mainly due to growth in exports of goods (+1.2%). Exports of services, up 0.7%, also contributed to growth, though to a lesser extent.

Chart B.3
Automotive products drive exports



Automotive products (+7.7%) primarily accounted for the increase in exports of goods. This sector has picked up after the third quarter slowdown, related to protracted plant closures. Other consumer goods and machinery and equipment, up 9.5% and 1.3% respectively, also contributed to export gains in the quarter.

The growth in transportation (+3.2%) and travel (+1.2%) services were partly offset by a decline in foreign sales of commercial services (-0.9%). Foreign sales of energy products put a damper on export growth; they were down (-2.8%), which reflected a 12% drop in exports of petroleum and coal products.

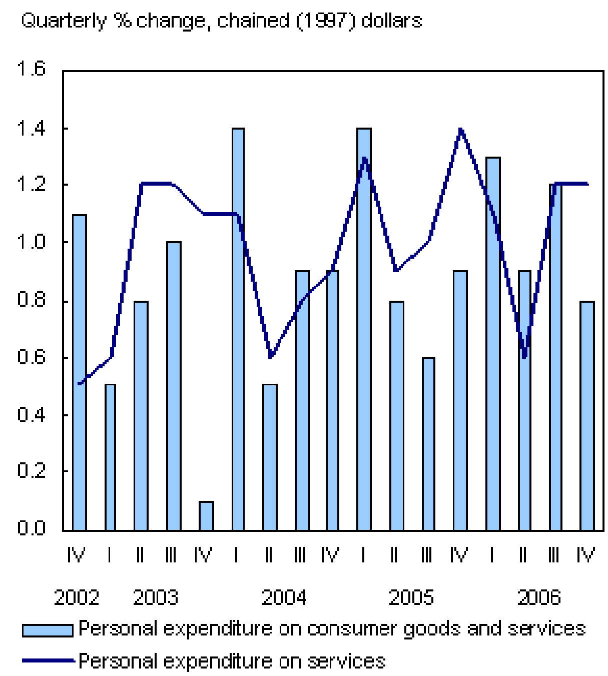
Imports were largely flat over the fourth quarter (-0.1%). Imports of services grew by 0.7%, though this was counterbalanced by a downturn in imports of goods (-0.3%). Growth in imports of services was boosted by the Canadian demand for foreign travel (+2.1%) and transportation services (+1.4%).

The drop in imported goods may be mainly ascribed to automotive products (-2.7%) and energy products (-5.8%). Offsetting factors included growth in imports of machinery and equipment (+0.9%) and other consumer goods (+2.1%).

Personal expenditure

Personal expenditure on consumer goods and services advanced 0.8%, but at a slower pace than over the first three quarters of 2006. The increased spending was mainly due to higher outlays on services (+1.2%) and durable goods (+1.0%), though it was tempered by reduced spending on non-durable goods (-0.2%).

Chart B.4
Services support the growth in personal expenditure



Growth in spending on services was primarily spurred by financial and legal services (+2.0%). This increase is mainly attributable to expenditures related to mutual funds, as well as commissions on stock and bond transactions. Increased expenditure on restaurants and accommodation services (+1.7%) also contributed significantly to strong spending on services. Spending on purchased transportation was up sharply (+2.7%) compared to 0.4% in the previous quarter, led by air transport (+4.1%). This was the strongest increase recorded since the end of 2003, when the industry rebounded from a drop in air travel caused by publicized cases of SARS.

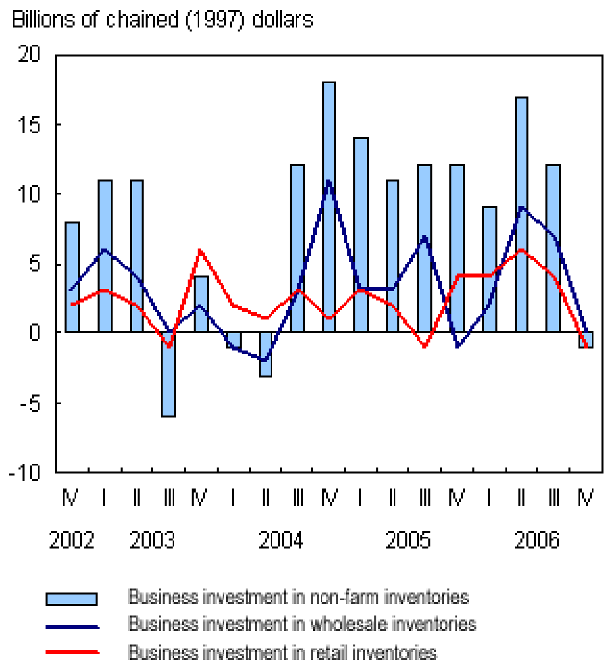
Growth in expenditure on durable goods was mostly attributable to strong demand for new and used motor vehicles (+1.6%). This resulted from increased purchases of new trucks and vans, whereas spending on new cars and on used motor vehicles were down.

Milder temperatures in Central and Eastern Canada in the fourth quarter also contributed to a drop in the consumption of electricity and of other fuels, while natural gas consumption was on the rise as Western Canada experienced colder temperatures.

Investment in inventory

Non-farm inventories were down $748 million in the fourth quarter, marking the first drop in ten consecutive quarters. Manufacturers and retailers substantially reduced inventories of non-durable goods. Inventory run-down, especially significant in automotive products, occurred against a backdrop of increased exports and consumer demand for these types of products.

Chart B.5
Wholesalers and retailers liquidate inventories



The economy-wide inventory-to-sales ratio in real terms fell to 0.666 in the fourth quarter, from 0.674 in the third.

Investment in plant and equipment

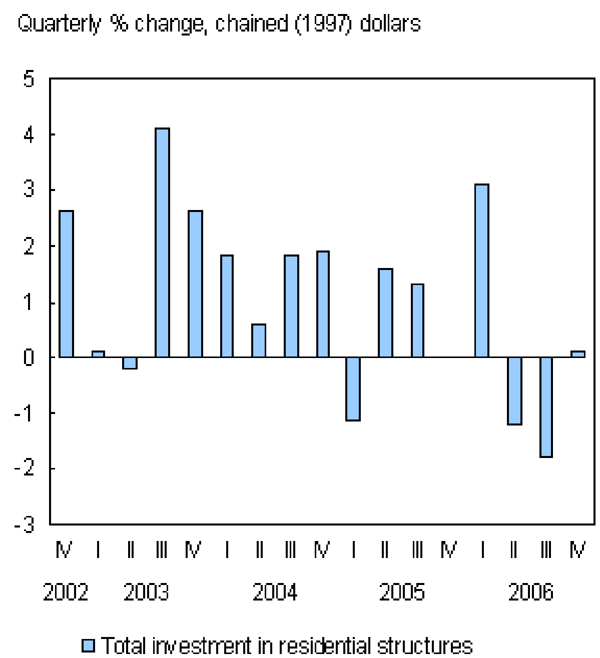
Business investment in plant and equipment slowed in the fourth quarter (+1.5%), largely sustained by strength in investment in non-residential structures (+2.5%) as a result of strong investment in engineering structures (+3.4%). Growth in Canadian business investment in this area has been ongoing for the last 16 quarters.

The pace of business investment in machinery and equipment slowed considerably (+0.6%), the weakest growth recorded in 6 quarters. Expenditures were up on automobiles (+2.2%), trucks (+0.9%), other transportation equipment (+5.0%) and software (+4.4%). These gains were offset by a year-end decline in investment in industrial machinery (-1.3%), as well as computers and other office equipment (-0.2%) and telecommunications equipment (-1.6%).

Investment in residential construction

Investment in residential structures edged up (+0.1%) following a third-quarter drop of 1.8%. This turnaround was largely driven by a pick up in renovations activity (+2.2%), as reflected in the strong demand for renovation permits. Renewed activity in the resale market was reflected in a 1.9% rise in ownership transfer costs, which were down 3.4% in the third quarter.

Chart B.6
Housing investment shows signs of recovery



The decline in value of new housing construction (-2.0%) slowed slightly in the fourth quarter compared to the third quarter (-3.3%). Growth in the number of housing starts in the fourth quarter provides a signal of renewed investment in residential construction. After edging down in the third quarter, housing starts were once again on the rise, 222,000 units having been recorded in the fourth quarter as opposed to 228,000 and 220,000 in the second and third respectively. This growth was due entirely to the increase in multiple dwelling construction starts.

Labour income (in nominal terms)

Labour income strengthened in the fourth quarter of 2006, growing by 1.5%, compared to 1.1% in the previous quarter. Wages and salaries advanced 1.5%, equivalent to the average over the past seven quarters. Strength in earnings was supported by a 1.7% increase in wages and salaries in the service industries. Significant gains were made in the financial, insurance and real estate sectors, as well as in the professional and personal services industries.

Corporate profits (in nominal terms)

Corporate profits advanced 0.6% in the fourth quarter, considerably slower than the exceptional growth (+3.0%) in the third quarter. The motor vehicle and parts as well as the paper and wood products manufacturing industries were major contributors to growth in the fourth quarter.

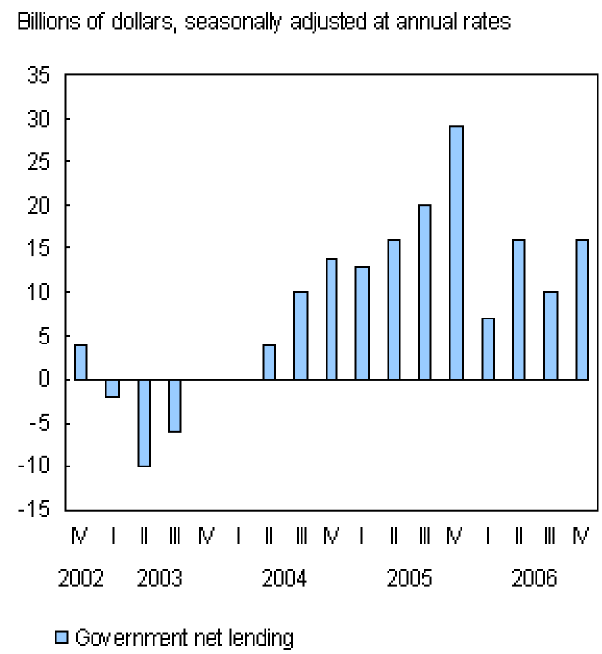
Strong profits in construction, telecommunications and transportation also contributed to gains. An improvement in aircraft load factors gave a boost to profit growth within the transportation industry over the fourth quarter. Insofar as the refund of amounts retained during the softwood lumber proceedings have not been recorded as operating income for the year, growth in profits seems to portend renewed activity in this industry. A more detailed analysis is available on page 12.

Corporate profits were dampened by both lower demand for oil and gas and lower prices, a situation which hindered gains in the energy sector.

Government (in nominal terms)

Corporate income tax liabilities reached a peak of $57 billion during the quarter, increasing $4.6 billion (+8.8%) in part reflecting tax owing on refunds of softwood lumber duties levied by the United States since 2002. Resumption of strong growth in personal income taxes marked the end of the higher federal refunds related to fiscal amendments implemented late in 2005. The rise in government total revenues of $11 billion (+1.9%) was offset somewhat by a drop in its investment income (-$2.9 billion), resulting from lower provincial government natural resource royalties.

Chart B.7
The surplus of governments expands



Sector accounts (in nominal terms)

Personal disposable income grew by 1.1% and the saving rate rose in the fourth quarter. The personal sector deficit (net borrowing position) narrowed.

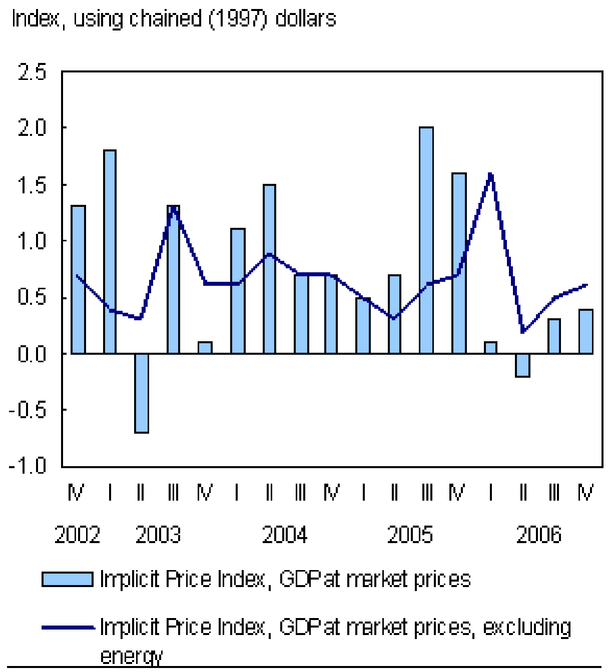
The corporate sector's position as net lender to the rest of the economy strengthened in the fourth quarter. With undistributed earnings up in the quarter, partly reflecting the repayment of softwood lumber duties to Canadian producers, corporate net saving advanced for the second straight quarter.

Government surplus (net lending position) expanded in the fourth quarter. This gain mainly reflected growth in income, in particular tax revenue from corporations and individuals.

Economy-wide prices

Economy-wide prices, as measured by the GDP chain price index, were up 0.3% over the quarter, 0.5% if energy is excluded. This marks the fourth consecutive quarter in which energy prices moderated economy-wide price index growth.

Chart B.8
Energy moderates increase of economy-wide prices



These price increases reflect the steady rise in the cost of personal expenditure on consumer services (+0.7%), residential construction (+1.4%), as well as renewed growth in the prices of machinery and equipment (+1.1%). Increasing equipment prices are due in part to the weakening of the Canadian dollar against the U.S. dollar. The cost of government current expenditure on goods and services rose 0.8%. This coincides with strong growth in wages and salaries.

Year-end review

Real GDP grew by 2.7% in 2006, a slight deceleration from 2005, while final domestic demand was up 4.5%. Consumer spending and non-residential investment accounted for most of the growth in 2006. Spending on durable and semi-durable goods helped boost imports of consumer goods while the personal sector continued in its role as a net-borrower in the economy. Overall, inventory accumulation was slower than that of 2005.

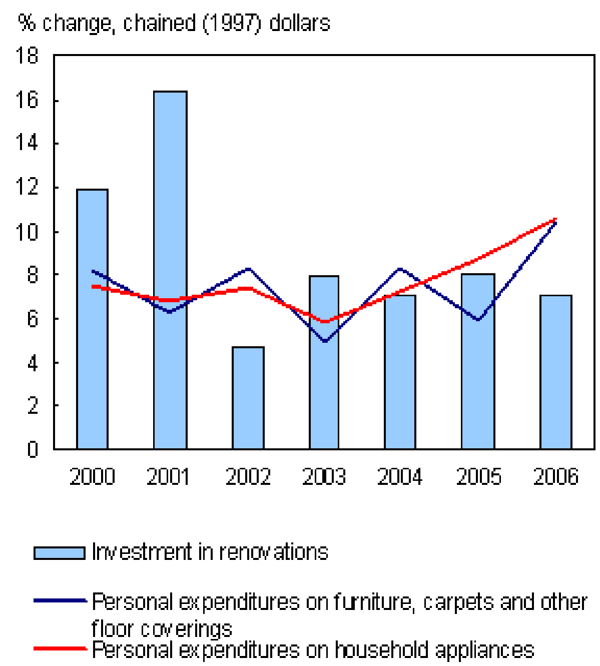
Personal expenditure

Consumer spending was the leading contributor to real GDP growth in 2006 advancing 4.1%, its best performance since 1997. A solid first quarter helped establish strong annual growth in expenditures on both durable (+6.8%) and semi-durable goods (+7.2%). Declining prices in both of these groups encouraged purchases. Significant gains were also registered in purchases of services (+4.2%).

Outlays on durable goods outpaced their strong performance of 2005 as many consumers continued to favour big ticket items. Motor vehicles were an exception, recording a moderate increase in expenditures (+2.1%).

Canadians were busy improving their home environment in 2006. While growth in new housing construction decelerated in 2005, higher renovation spending continued to influence spending habits. Purchases of furniture, carpets and other floor coverings, of household appliances and of recreational, sporting and camping equipment (such as consumer electronics and recreational vehicles) all registered record double-digit increases from 2005. Spending on semi-durable household furnishings such as lamps and glassware rose 6.7% over the same period.

Chart B.9
Consumers continue to invest in home improvements



Canadians were also busy updating their wardrobes as sales of apparel and footwear grew at record rates. Outlays on men's and boy's clothing (+7.8%) and footwear (+8.9%) rose at twice the pace of the previous year. Growth in women's, girl's and children's clothing was a comparable 8.1%.

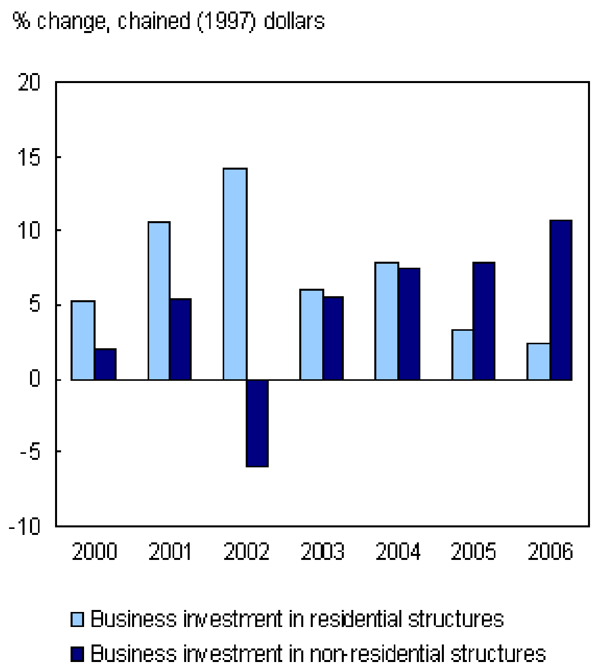
Spending on non-durable goods slowed considerably in 2006 gaining only 1.3%. Consumption of electricity, natural gas, and other fuels declined as milder weather tempered demand for heating fuels and electricity.

In the services category, purchased transportation grew 4.1% in 2006 as Canadians flocked to airlines. Spending on air transport (+6.3%) matched its 2005 growth as the pick up in air traffic continued from a strong performance in 2004. Canadians' travel spending abroad increased 10%, the fourth straight year of stellar growth.

Business investment

Investment continued to be an important contributor to economic growth. Increases in both residential and non-residential investment have accounted for a considerable share of the annual gains in GDP since 2003.

Chart B.10
Composition of investment changes



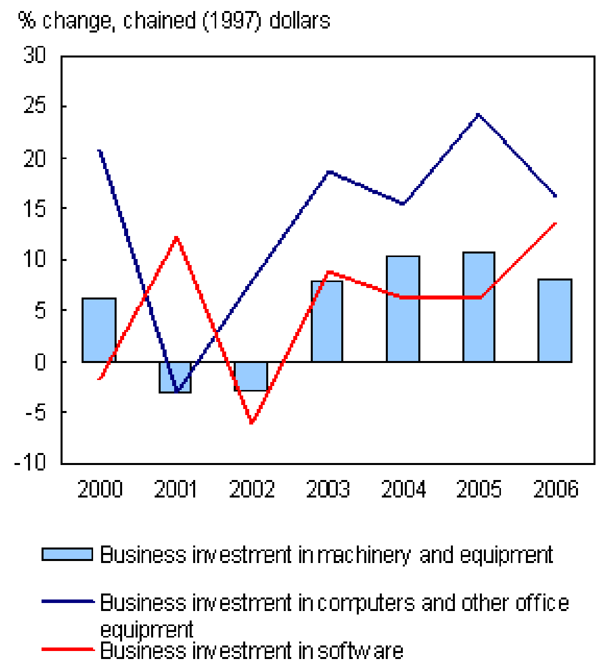
Residential investment has recorded strong growth since 2000, peaking at 14% in 2002, but this pace weakened over the last two years. Despite a strong first quarter in 2006, with surging housing starts, growth in residential investment in 2006 decelerated to 2.3%. The value of new housing grew only slightly (+0.5%), partially recovering from a similarly sized decline the year before.

Canadians continued to make home improvements in 2006, driving up the value of renovations (+7.0%) to existing structures and bolstering total residential investment. Renovations accounted for a significant proportion of total investment in residential structures as spending on renovations experienced the eighth consecutive year of strong positive growth.

Non-residential investment was the main contributor to investment's strong positive impact on GDP in 2006. Business investment in non-residential structures was buoyed by a 14% increase in engineering investment. The private and public investment survey reported substantial investment growth (in nominal terms) in the mining, oil and gas extraction sector. This was principally concentrated in non-conventional oil and gas extraction where investment nearly doubled in 2006 as considerable infrastructure was added to the Alberta oil sands.

Business investment in machinery and equipment was 8.0% higher in 2006, largely as a result of strong growth in computers and other office equipment, software, telecommunications equipment, trucks and industrial machinery.

Chart B.11
Technology investment gets second wind



Inventories

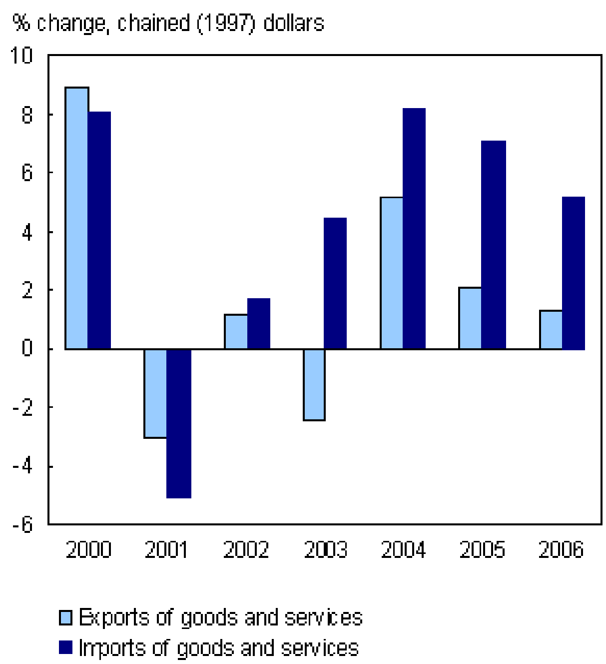
Non-farm business inventories accumulated for the year, albeit at about three-quarters the pace of 2005 due to a draw-down in the last quarter of 2006. There was a slower build up of manufacturing inventories from 2005 especially durable goods. Wholesale inventory accumulation was stronger in 2006, led by increases in machinery and equipment. Retail inventories were also stronger, led by durables. Other non-farm inventories were drawn down in 2006, after a notable accumulation in 2005.

Business investment in farm inventories slowed in 2006. With the reopening of the U.S. border to Canadian live cattle in July 2005, cattle inventories have continued to decline. In the crop sector, strong exports of wheat and canola, coupled with lower grain and oil-seed production in 2006, contributed to a slow down in inventory accumulation.

International trade

Imports experienced strong growth for the fourth straight year (+5.2%) in 2006, while exports increased only 1.3%. In nominal terms, the value of Canadian exports and imports reached record levels in 2006, with the nominal trade balance falling to its lowest point in seven years partly reflecting lower energy export prices.

Chart B.12
Growth in imports continues to outpace that of exports



Export growth was hindered in 2006 by lower demand for forestry and automotive products as demand from Canada's largest trading partner, the United States, slumped. Export growth was strongest for agriculture and fish products (+5.0%) and energy (+4.5%), the former of which continued to benefit from the recent resumption of cattle exports to the United States and new markets for wheat and canola. Energy exports, accounting for the majority of export growth, benefited from large gains by petroleum exporters, but were held back by falling demand for natural gas after unseasonable temperatures in 2006. The largest component of exports, machinery and equipment, experienced moderate 3.0% growth in 2006, bolstered by new markets for aerospace products.

Imports recorded gains across the board with the exception of energy (-8.5%) and forestry (-7.3%), each of which contracted significantly. Machinery and equipment continued its solid growth in 2006 (+8.8%) following a strong three-year average (+10%). Similarly, imports of consumer goods such as household furnishings, apparel, footwear, and consumer electronics grew 9.1%, the largest increase in four years, as domestic demand for durable and semi-durable goods skyrocketed.

Corporate profits (in nominal terms)

Corporation profits cooled in 2006, after double-digit growth in 2004 and 2005, but still exhibited a healthy increase of 5.7%.

Unlike the stellar growth recorded in the previous three years, profits of the oil and gas extraction industry and petroleum and coal products manufacturers grew only marginally in 2006, contributing to the slower growth of corporation profits before taxes.

The wholesale and retail industries as well as the financial sector led the pack in 2006 in terms of gains in corporation profits. Wholesalers of motor vehicles, building materials, and machinery and equipment saw considerable growth and retailers benefited from strong consumer spending. The profits of motor vehicles and parts manufacturers dropped in 2006 as exports slid throughout most of the year, with some strength in the last quarter. The wood and paper industry also recorded declining profits. Despite these declines, profits of manufacturers were relatively unchanged from the previous year as manufacturers of computers and electronic products, of primary metal, and of non-metallic mineral products reaped the benefits of higher demand or commodity prices. Both chartered banks and insurance carriers contributed to the profit gains of the financial sector in 2006.

Labour income (in nominal terms)

Labour income rose by 6.1% in 2006, slightly more than the 5.9% increase in wages and salaries. Supplementary labour income was up by 7.1%, pushed by a large special payment made to reduce an actuarial deficit of a government employer sponsored pension plan. The unemployment rate has been on a downward trend reaching its lowest point in 30 years as 2006 saw strong job creation in a number of Canadian industries.

Alberta posted the strongest gain in wages and salaries (+13%), followed by British Columbia (+8.3%) and Saskatchewan (+7.3%). Wages and salaries growth exceeded the overall increase of 5.9% in the mining and oil and gas extraction, construction, and finance, insurance and real estate industries. Manufacturing posted the lowest increase in 2006, rising 1.3%.

Accrued net farm income (in nominal terms)

Accrued net farm income declined considerably from 2005. Higher receipts in the crop sector did not offset lower livestock revenues, rising input costs and declining program payments. Following a bumper crop in 2005, crop receipts were boosted by increased deliveries of grain and oilseeds (which drew down inventories) and from increasing prices in the second half of 2006. Livestock revenues fell as lower hog revenues, driven by price declines, more than offset higher cattle and calf receipts. Program payments were down from their record level in 2005 with the phasing-out of several special programs.

Sector accounts (in nominal terms)

While the personal saving rate edged up to 1.8% in 2006, household non-financial capital acquisitions including investment in residential real estate exceeded personal saving. Consequently, the personal sector continued to be a net borrower from the rest of the economy. Corporations, on the other hand, continue to be a net lender with their strong position supported by growing profits. The government sector continues to lend to the rest of the economy as well, but at a lower level than in 2005. Overall, national saving increased as the Canadian economy continued to lend to non-residents.

Economy-wide prices

Energy prices declined in 2006 helping to curb the pace of economy-wide prices from 3.2% in 2005 to 2.2% in 2006. Of particular note is the price of imports which fell for the fourth consecutive year reflecting continued strength in the Canadian dollar. Import prices have fallen to 97.8% of their 1997 value. Excluding energy, economy-wide prices grew by 2.7%.

Chart B.13
Import prices continue to fall as imports grow

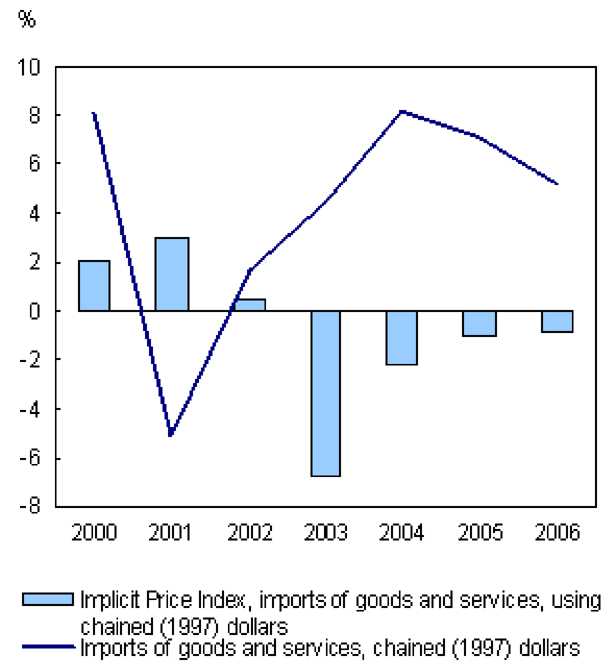


Table B.1 Gross domestic product, income-based, current prices and quarterly percentage change[1]

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Wages, salaries and supplementary labour income	694,340	703,668	721,284	723,800	732,000	743,216	688,150	730,075
	1.8	*1.3*	*2.5*	*0.3*	*1.1*	*1.5*	*5.6*	*6.1*
Corporation profits before taxes	192,368	202,812	196,276	197,376	203,220	204,480	189,455	200,338
	4.7	*5.4*	*-3.2*	*0.6*	*3.0*	*0.6*	*10.6*	*5.7*
Government business enterprise profits before taxes	14,596	15,516	13,852	13,792	13,688	13,600	14,481	13,733
	2.6	*6.3*	*-10.7*	*-0.4*	*-0.8*	*-0.6*	*15.8*	*-5.2*
Interest and miscellaneous investment income	60,392	67,724	64,712	63,488	63,616	61,856	60,403	63,418
	5.9	*12.1*	*-4.4*	*-1.9*	*0.2*	*-2.8*	*11.7*	*5.0*
Accrued net income of farm operators from farm production	1,580	1,320	420	156	208	520	1,706	326
	-2.0	*-16.5*	*-68.2*	*-62.9*	*33.3*	*150.0*	*-47.6*	*-80.9*
Net income of non-farm unincorporated business, including rent	84,976	85,668	86,316	87,196	87,772	88,364	84,500	87,412
	1.0	*0.8*	*0.8*	*1.0*	*0.7*	*0.7*	*4.5*	*3.4*
Inventory valuation adjustment	2,976	-1,200	1,860	-464	-3,272	-5,360	-326	-1,809
	...	...	...	...	...	...	...	...
Taxes less subsidies, on factors of production	61,848	62,376	62,704	63,388	63,456	63,856	61,402	63,351
	0.7	*0.9*	*0.5*	*1.1*	*0.1*	*0.6*	*3.9*	*3.2*
Net domestic product at basic prices	**1,113,076**	**1,137,884**	**1,147,424**	**1,148,732**	**1,160,688**	**1,170,532**	**1,099,771**	**1,156,844**
	2.8	***2.2***	***0.8***	***0.1***	***1.0***	***0.8***	***6.6***	***5.2***
Taxes less subsidies, on products	94,504	94,648	97,856	99,328	95,780	95,952	93,895	97,229
	0.2	*0.2*	*3.4*	*1.5*	*-3.6*	*0.2*	*5.0*	*3.6*
Capital consumption allowances	178,216	180,692	182,564	184,560	186,568	188,328	177,322	185,505
	1.2	*1.4*	*1.0*	*1.1*	*1.1*	*0.9*	*4.4*	*4.6*
Statistical discrepancy	512	896	-428	-56	404	-1,068	437	-287
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,386,308**	**1,414,120**	**1,427,416**	**1,432,564**	**1,443,440**	**1,453,744**	**1,371,425**	**1,439,291**
	2.5	***2.0***	***0.9***	***0.4***	***0.8***	***0.7***	***6.2***	***4.9***

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

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Personal expenditure on consumer goods and services	765,928	773,792	786,692	797,632	808,172	814,744	760,380	801,810
	1.3	*1.0*	*1.7*	*1.4*	*1.3*	*0.8*	*5.6*	*5.4*
Durable goods	100,184	100,048	103,116	103,900	105,804	106,472	99,436	104,823
	1.0	*-0.1*	*3.1*	*0.8*	*1.8*	*0.6*	*5.2*	*5.4*
Semi-durable goods	63,160	63,732	65,736	66,708	67,480	67,540	63,151	66,866
	-0.0	*0.9*	*3.1*	*1.5*	*1.2*	*0.1*	*4.2*	*5.9*
Non-durable goods	191,444	192,084	193,660	197,300	198,244	195,620	188,870	196,206
	2.2	*0.3*	*0.8*	*1.9*	*0.5*	*-1.3*	*6.3*	*3.9*
Services	411,140	417,928	424,180	429,724	436,644	445,112	408,923	433,915
	1.2	*1.7*	*1.5*	*1.3*	*1.6*	*1.9*	*5.6*	*6.1*
Government current expenditure on goods and services	266,552	269,108	280,672	280,360	283,120	286,516	264,242	282,667
	1.4	*1.0*	*4.3*	*-0.1*	*1.0*	*1.2*	*5.8*	*7.0*
Government gross fixed capital formation	34,572	35,708	36,464	37,156	37,728	38,180	34,237	37,382
	2.5	*3.3*	*2.1*	*1.9*	*1.5*	*1.2*	*8.5*	*9.2*
Government investment in inventories	-36	44	128	-100	-124	-68	27	-41
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	252,176	257,756	265,516	268,892	273,332	279,184	249,811	271,731
	2.0	*2.2*	*3.0*	*1.3*	*1.7*	*2.1*	*8.7*	*8.8*
Residential structures	89,980	91,408	95,756	96,824	96,912	98,272	89,101	96,941
	1.5	*1.6*	*4.8*	*1.1*	*0.1*	*1.4*	*7.4*	*8.8*
Non-residential structures and equipment	162,196	166,348	169,760	172,068	176,420	180,912	160,710	174,790
	2.3	*2.6*	*2.1*	*1.4*	*2.5*	*2.5*	*9.5*	*8.8*
Non-residential structures	70,632	73,320	76,336	79,104	82,148	85,136	69,606	80,681
	3.6	*3.8*	*4.1*	*3.6*	*3.8*	*3.6*	*13.0*	*15.9*
Machinery and equipment	91,564	93,028	93,424	92,964	94,272	95,776	91,104	94,109
	1.3	*1.6*	*0.4*	*-0.5*	*1.4*	*1.6*	*6.9*	*3.3*
Business investment in inventories	9,772	10,652	7,188	13,184	10,628	-2,108	11,158	7,223
	...	...	...	...	...	...	...	...
Non-farm	9,628	10,328	7,660	14,144	10,996	-1,788	10,566	7,753
	...	...	...	...	...	...	...	...
Farm	144	324	-472	-960	-368	-320	592	-530
	...	...	...	...	...	...	...	...
Exports of goods and services	526,944	547,276	524,108	518,712	526,440	533,184	519,680	525,611
	4.1	*3.9*	*-4.2*	*-1.0*	*1.5*	*1.3*	*5.1*	*1.1*
Goods	460,384	480,232	457,852	451,288	459,496	465,640	453,062	458,569
	4.7	*4.3*	*-4.7*	*-1.4*	*1.8*	*1.3*	*5.6*	*1.2*
Services	66,560	67,044	66,256	67,424	66,944	67,544	66,618	67,042
	0.2	*0.7*	*-1.2*	*1.8*	*-0.7*	*0.9*	*1.8*	*0.6*
Deduct: Imports of goods and services	469,084	479,320	473,776	483,328	495,452	496,960	467,673	487,379
	1.0	*2.2*	*-1.2*	*2.0*	*2.5*	*0.3*	*6.1*	*4.2*
Goods	389,968	398,256	392,224	400,620	412,396	411,880	388,210	404,280
	1.4	*2.1*	*-1.5*	*2.1*	*2.9*	*-0.1*	*6.8*	*4.1*
Services	79,116	81,064	81,552	82,708	83,056	85,080	79,463	83,099
	-0.7	*2.5*	*0.6*	*1.4*	*0.4*	*2.4*	*2.8*	*4.6*
Statistical discrepancy	-516	-896	424	56	-404	1,072	-437	287
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,386,308**	**1,414,120**	**1,427,416**	**1,432,564**	**1,443,440**	**1,453,744**	**1,371,425**	**1,439,291**
	2.5	***2.0***	***0.9***	***0.4***	***0.8***	***0.7***	***6.2***	***4.9***
Final domestic demand	*1,319,228*	*1,336,364*	*1,369,344*	*1,384,040*	*1,402,352*	*1,418,624*	*1,308,670*	*1,393,590*
	1.5	*1.3*	*2.5*	*1.1*	*1.3*	*1.2*	*6.3*	*6.5*

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

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]							
Personal expenditure on consumer goods and services	665,602	671,517	680,330	686,613	695,136	700,517	663,583	690,649
	0.6	*0.9*	*1.3*	*0.9*	*1.2*	*0.8*	*3.9*	*4.1*
Durable goods	103,969	103,874	107,179	108,907	111,690	112,777	103,130	110,138
	0.8	*-0.1*	*3.2*	*1.6*	*2.6*	*1.0*	*5.8*	*6.8*
Semi-durable goods	61,141	62,049	64,152	65,383	66,425	66,689	61,239	65,662
	-0.2	*1.5*	*3.4*	*1.9*	*1.6*	*0.4*	*4.4*	*7.2*
Non-durable goods	146,511	146,747	147,018	148,331	149,193	148,843	146,401	148,346
	0.1	*0.2*	*0.2*	*0.9*	*0.6*	*-0.2*	*2.3*	*1.3*
Services	355,619	360,507	364,362	366,612	370,913	375,507	354,357	369,349
	1.0	*1.4*	*1.1*	*0.6*	*1.2*	*1.2*	*4.1*	*4.2*
Government current expenditure on goods and services	218,239	220,622	222,569	224,957	226,059	227,067	217,689	225,163
	0.7	*1.1*	*0.9*	*1.1*	*0.5*	*0.4*	*2.7*	*3.4*
Government gross fixed capital formation	32,469	33,507	34,051	34,410	34,578	34,760	32,320	34,450
	2.0	*3.2*	*1.6*	*1.1*	*0.5*	*0.5*	*6.8*	*6.6*
Government investment in inventories	-28	36	108	-80	-100	-52	23	-31
	...	...	...	...	...	...	...	...
Business gross fixed capital formation	231,549	235,599	241,924	243,468	245,417	247,805	229,271	244,654
	2.4	*1.7*	*2.7*	*0.6*	*0.8*	*1.0*	*7.1*	*6.7*
Residential structures	68,846	68,848	71,002	70,160	68,916	68,961	68,127	69,760
	1.4	*0.0*	*3.1*	*-1.2*	*-1.8*	*0.1*	*3.2*	*2.4*
Non-residential structures and equipment	162,813	167,251	171,329	174,208	178,147	180,769	161,270	176,113
	2.9	*2.7*	*2.4*	*1.7*	*2.3*	*1.5*	*9.4*	*9.2*
Non-residential structures	56,292	57,912	59,689	60,881	62,407	63,979	55,777	61,739
	2.6	*2.9*	*3.1*	*2.0*	*2.5*	*2.5*	*7.9*	*10.7*
Machinery and equipment	107,215	110,011	112,141	113,730	116,061	116,710	106,169	114,661
	3.2	*2.6*	*1.9*	*1.4*	*2.0*	*0.6*	*10.5*	*8.0*
Business investment in inventories	15,024	14,892	11,007	18,081	13,938	985	15,485	11,003
	...	...	...	...	...	...	...	...
Non-farm	12,172	11,809	9,097	16,571	12,021	-748	12,398	9,235
	...	...	...	...	...	...	...	...
Farm	2,226	2,473	1,122	438	952	965	2,489	869
	...	...	...	...	...	...	...	...
Exports of goods and services	474,439	481,889	476,003	474,500	478,583	484,220	472,037	478,327
	2.1	*1.6*	*-1.2*	*-0.3*	*0.9*	*1.2*	*2.1*	*1.3*
Goods	415,328	422,567	417,319	415,045	419,930	425,158	412,615	419,363
	2.5	*1.7*	*-1.2*	*-0.5*	*1.2*	*1.2*	*2.5*	*1.6*
Services	59,327	59,542	58,901	59,641	58,890	59,313	59,624	59,186
	-0.7	*0.4*	*-1.1*	*1.3*	*-1.3*	*0.7*	*-0.1*	*-0.7*
Deduct: Imports of goods and services	475,574	490,041	487,694	498,307	504,490	503,735	474,040	498,557
	2.7	*3.0*	*-0.5*	*2.2*	*1.2*	*-0.1*	*7.1*	*5.2*
Goods	405,171	417,833	414,242	424,217	431,126	429,709	403,554	424,824
	3.1	*3.1*	*-0.9*	*2.4*	*1.6*	*-0.3*	*7.9*	*5.3*
Services	70,611	72,471	73,480	74,262	73,786	74,327	70,652	73,964
	0.7	*2.6*	*1.4*	*1.1*	*-0.6*	*0.7*	*3.5*	*4.7*
Statistical discrepancy	-433	-741	351	46	-334	883	-366	237
	...	...	...	...	...	...	...	...
Gross domestic product at market prices	**1,162,822**	**1,170,239**	**1,181,076**	**1,186,983**	**1,192,904**	**1,197,176**	**1,157,705**	**1,189,535**
	0.8	***0.6***	***0.9***	***0.5***	***0.5***	***0.4***	***2.9***	***2.7***
Final domestic demand	*1,146,247*	*1,159,485*	*1,176,842*	*1,187,456*	*1,199,126*	*1,208,000*	*1,141,343*	*1,192,856*
	1.0	*1.2*	*1.5*	*0.9*	*1.0*	*0.7*	*4.3*	*4.5*

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.
2. Chained dollar series are calculated as the product of the chain-type quantity index and the current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Quarter to quarter percent change at annual rates, chained (1997) dollars							
Personal expenditure on consumer goods and services	2.6	3.6	5.4	3.7	5.1	3.1	3.9	4.1
Durable goods	3.4	-0.4	13.3	6.6	10.6	4.0	5.8	6.8
Semi-durable goods	-0.7	6.1	14.3	7.9	6.5	1.6	4.4	7.2
Non-durable goods	0.5	0.6	0.7	3.6	2.3	-0.9	2.3	1.3
Services	3.9	5.6	4.3	2.5	4.8	5.0	4.1	4.2
Government current expenditure on goods and services	3.0	4.4	3.6	4.4	2.0	1.8	2.7	3.4
Government gross fixed capital formation	8.1	13.4	6.7	4.3	2.0	2.1	6.8	6.6
Government investment in inventories[2]	-88	64	72	-188	-20	48	4	-54
Business gross fixed capital formation	9.8	7.2	11.2	2.6	3.2	3.9	7.1	6.7
Residential structures	5.5	0.0	13.1	-4.7	-6.9	0.3	3.2	2.4
Non-residential structures and equipment	12.3	11.4	10.1	6.9	9.4	6.0	9.4	9.2
Non-residential structures	10.9	12.0	12.9	8.2	10.4	10.5	7.9	10.7
Machinery and equipment	13.4	10.8	8.0	5.8	8.5	2.3	10.5	8.0
Business investment in inventories[2]	593	-132	-3,885	7,074	-4,143	-12,953	5,739	-4,483
Non-farm[2]	909	-363	-2,712	7,474	-4,550	-12,769	5,904	-3,163
Farm[2]	-390	247	-1,351	-684	514	13	-398	-1,620
Exports of goods and services	8.5	6.4	-4.8	-1.3	3.5	4.8	2.1	1.3
Goods	10.3	7.2	-4.9	-2.2	4.8	5.1	2.5	1.6
Services	-2.8	1.5	-4.2	5.1	-4.9	2.9	-0.1	-0.7
Deduct: Imports of goods and services	11.2	12.7	-1.9	9.0	5.1	-0.6	7.1	5.2
Goods	13.0	13.1	-3.4	10.0	6.7	-1.3	7.9	5.3
Services	2.8	11.0	5.7	4.3	-2.5	3.0	3.5	4.7
Statistical discrepancy[2]	-832	-308	1,092	-305	-380	1,217	-315	603
Gross domestic product at market prices	**3.2**	**2.6**	**3.8**	**2.0**	**2.0**	**1.4**	**2.9**	**2.7**
Final domestic demand	*4.1*	*4.7*	*6.1*	*3.7*	*4.0*	*3.0*	*4.3*	*4.5*

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

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Using seasonally adjusted data, percentage points							
Personal expenditure on consumer goods and services	0.354	0.488	0.720	0.510	0.691	0.433	2.139	2.235
Durable goods	0.060	-0.007	0.225	0.116	0.184	0.071	0.416	0.482
Semi-durable goods	-0.009	0.067	0.153	0.088	0.074	0.018	0.202	0.326
Non-durable goods	0.019	0.022	0.025	0.122	0.080	-0.032	0.310	0.179
Services	0.284	0.405	0.317	0.184	0.352	0.375	1.210	1.248
Government current expenditure on goods and services	0.144	0.208	0.171	0.210	0.096	0.088	0.523	0.659
Government gross fixed capital formation	0.049	0.079	0.041	0.027	0.013	0.014	0.164	0.165
Government investment in inventories	-0.008	0.006	0.006	-0.016	-0.002	0.004	0.000	-0.005
Business gross fixed capital formation	0.429	0.317	0.490	0.119	0.151	0.185	1.254	1.217
Residential structures	0.088	0.000	0.204	-0.081	-0.121	0.004	0.205	0.157
Non-residential structures and equipment	0.341	0.317	0.286	0.200	0.272	0.181	1.049	1.060
Non-residential structures	0.131	0.146	0.160	0.108	0.139	0.144	0.380	0.548
Machinery and equipment	0.210	0.170	0.126	0.092	0.132	0.037	0.669	0.512
Business investment in inventories	0.040	-0.015	-0.291	0.513	-0.309	-0.947	0.442	-0.365
Non-farm	0.068	-0.030	-0.206	0.555	-0.342	-0.949	0.470	-0.248
Farm	-0.028	0.015	-0.085	-0.041	0.033	0.001	-0.029	-0.117
Exports of goods and services	0.772	0.600	-0.466	-0.116	0.312	0.429	0.820	0.501
Goods	0.807	0.582	-0.415	-0.174	0.372	0.396	0.827	0.538
Services	-0.035	0.017	-0.051	0.058	-0.059	0.033	-0.006	-0.037
Deduct: Imports of goods and services	0.910	1.018	-0.162	0.722	0.421	-0.051	2.378	1.711
Goods	0.870	0.869	-0.241	0.661	0.458	-0.094	2.175	1.445
Services	0.040	0.149	0.080	0.061	-0.037	0.042	0.203	0.266
Statistical discrepancy	-0.072	-0.027	0.093	-0.026	-0.032	0.102	-0.029	0.052
Gross domestic product at market prices	**0.797**	**0.638**	**0.926**	**0.500**	**0.499**	**0.358**	**2.936**	**2.749**
Final domestic demand	*0.976*	*1.092*	*1.422*	*0.866*	*0.950*	*0.719*	*4.080*	*4.277*

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.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Using seasonally adjusted data, (1997 = 100)							
Personal expenditure on consumer goods and services	115.1	115.2	115.6	116.2	116.3	116.3	114.6	116.1
	0.7	*0.1*	*0.3*	*0.5*	*0.1*	*0.0*	*1.7*	*1.3*
Government current expenditure on goods and services	122.1	122.0	126.1	124.6	125.2	126.2	121.4	125.5
	0.6	*-0.1*	*3.4*	*-1.2*	*0.5*	*0.8*	*2.9*	*3.4*
Government gross fixed capital formation	106.5	106.6	107.1	108.0	109.1	109.8	106.0	108.5
	0.5	*0.1*	*0.5*	*0.8*	*1.0*	*0.6*	*1.6*	*2.4*
Business gross fixed capital formation	108.9	109.4	109.8	110.4	111.4	112.7	109.0	111.1
	-0.4	*0.5*	*0.4*	*0.5*	*0.9*	*1.2*	*1.5*	*2.0*
Exports of goods and services	111.1	113.6	110.1	109.3	110.0	110.1	110.1	109.9
	2.0	*2.3*	*-3.1*	*-0.7*	*0.6*	*0.1*	*2.9*	*-0.2*
Imports of goods and services	98.6	97.8	97.1	97.0	98.2	98.7	98.7	97.8
	-1.7	*-0.8*	*-0.7*	*-0.1*	*1.2*	*0.5*	*-1.0*	*-0.9*
Gross domestic product at market prices	**119.2**	**120.8**	**120.9**	**120.7**	**121.0**	**121.4**	**118.4**	**121.0**
	1.7	***1.3***	***0.1***	***-0.2***	***0.2***	***0.3***	***3.2***	***2.2***
Final domestic demand	*115.1*	*115.3*	*116.4*	*116.6*	*116.9*	*117.4*	*114.7*	*116.8*
	0.4	*0.2*	*1.0*	*0.2*	*0.3*	*0.4*	*1.9*	*1.9*

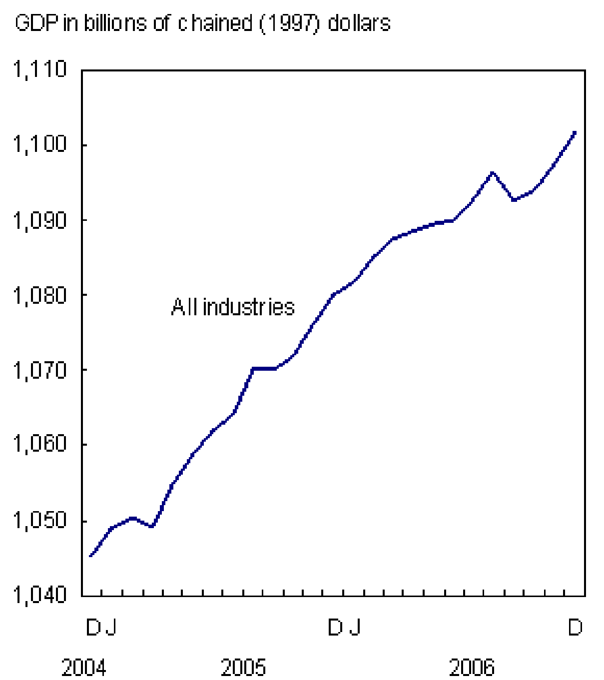
1. The first line is the series itself. The second line is the percentage change.

Section C
GDP by industry

December 2006

The economy gained momentum throughout the fourth quarter closing the year with 0.4% growth in December, compared to 0.3% and 0.1% gains in November and October, respectively. Both the service (+0.5%) and the goods producing industries (+0.1%) increased. Manufacturing, wholesale and retail trade posted the strongest gains. Construction, financial services, and mining, excluding oil and natural gas, also advanced. These gains were partly offset by losses in the energy sector, and the agriculture and forestry industries.

Chart C.1
Economic activity accelerates in December

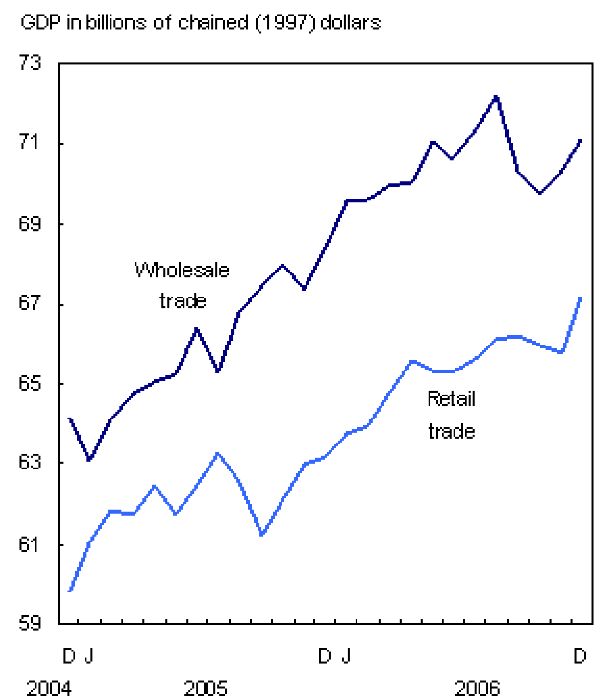


Motor vehicle sales boost wholesale and retail activity

Wholesale trade climbed 1.2% due to robust sales of motor vehicle, largely attributable to the launch of new car models. Sales of pharmaceutical and metal products also helped push wholesale along. However, sales of machinery and equipment declined.

December was a pinnacle month for retail activity which jumped 2.1%, a monthly increase not seen since November 2001. Shoppers stormed into stores in December after shying away in October and November. New car dealers had a banner month with strong sales of passenger vehicles, trucks and vans. Significant gains were also realized by apparel and general merchandise retailers (which include department stores).

Chart C.2
Motor vehicles steer wholesale and retail activities



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.

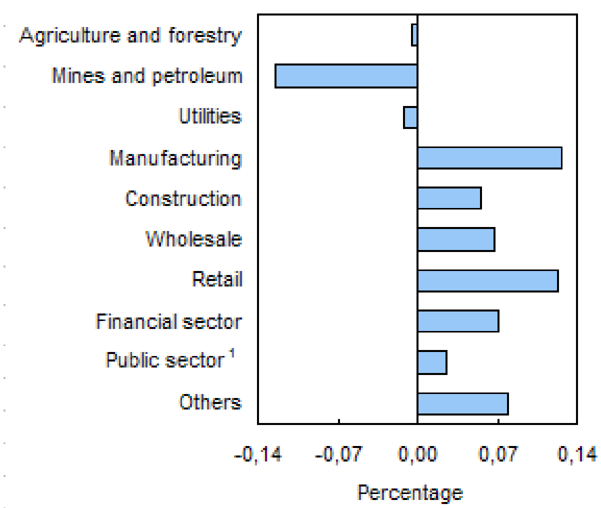
The energy sector reaches a new low

The energy sector fell 1.8% in December, reaching its lowest level of output for 2006. This setback was due to the continued decline in natural gas extraction, and was partly offset by a slight gain in oil extraction. Oil and gas exploration also loss significant ground (-4.7%). Utilities recorded a modest decline (-0.4%), despite the warm weather in December in Ontario and Quebec where demand fell sharply.

The output of the mining sector excluding oil and gas advanced 0.6%. The gains realized by the non-metallic mineral mines were largely offset by the losses experienced by metal ore mines.

Industrial production (the output of mines, utilities and factories) was essentially unchanged in December. The drop in mining and the decline in utilities outweighed the gains made by manufacturers. In comparison, industrial production in the United States increased 0.5% in December, due to gains in manufacturing and mining. As in Canada, output of utilities declined in the United States.

Chart C.3
Main industrial sectors' contribution to total growth – December 2006



1. Education, health and public administration.

Manufacturing moves ahead for a second consecutive month

For the second month in a row, manufacturing strengthened, growing 0.9%. The increase was in the production of durable goods, up 2.0%. Conversely, non-durable goods manufacturing fell back 0.8%. Of the 21 major manufacturing groups, 13 increased, accounting for 64% of the total manufacturing value added.

The output of motor vehicles jumped 6.7% in December as the production of new models reached a more normal level of production. This gain also helped related industries, such as the manufacturing of motor vehicle parts. Manufacturing of heavy-duty trucks plunged in December as the demand for 2007 models remains weak.

The pharmaceutical and medicine industry recorded a significant decline (-10%) as the production of vaccines that fuelled the November gain dwindled. Furthermore, the manufacturing of tobacco products tumbled (-14%). This decline brought the industry's output to almost half of what it was on average for the three previous years (2003-2005).

Construction and real estate sectors post gains

The construction sector rose 0.9% in December. There was a significant increase in engineering and repair work, while the unusually warm December weather helped residential repair and alteration activities. Residential construction edged up 0.2%, despite a reduction in single-family homes and apartments starts. Non-residential building construction showed a modest increase of 0.3%, its first in eight months.

Activity in the home resale market rose in December (+3.2%). This increase represented the highest gain for a single month for all of 2006. The Ontario and Quebec markets fuelled this climb.

Other industries

After a dismal performance in November due to the weather, a rebound in the accommodation industry in British Columbia contributed to the healthy growth (+1.1%) of the industry in December. Similar gains were realized in the restaurant and air transportation industries.

Fourth quarter 2006

The pace of economic activity eased in the fourth quarter 2006. After retreating on the last month of the third quarter, economic activity accelerated in each month of the fourth quarter. The rise in the production of services (+0.7%) contrasted with the decline (-0.4%) observed in goods-producing industries. The growth came mainly from the construction and financial sectors and from the tourism-related industries. Lower output in manufacturing, wholesale trade and the energy sector explains most of the slowdown in economic growth.

The decline in the energy sector (-2.3%) was largely due to the reductions in natural gas extraction and oil and natural gas exploration activities. The level of exploration activities peaked early in the third quarter of 2006 and has registered five consecutive monthly declines since then.

Wholesale trade retreated 1.2% in the fourth quarter largely due to a decline in sales of motor vehicles and parts. Food products and office and professional equipment also contributed to the decline. Conversely, household and personal products and building supplies posted appreciable gains. However, retail trade edged up 0.4%, a performance that was well below that recorded in the previous three quarters of 2006. New motor vehicle sales were the main source of growth in this sector.

Manufacturing activities fell (-0.6%) for a fourth straight quarter. The manufacturing sector as a whole finished the year on a positive note however, with a strong gain in the last two months. Of the 21 major groups, 13 were down, accounting for 61% of total manufacturing value added. The production of both non-durable goods (-0.9%) and durables (-0.5%) declined.

Industrial production (the output of utilities, mines and factories) retreated by 1.0% as a result of the declines recorded in all three sectors. Industrial production in the United States fell 0.2%. The losses recorded by manufacturers were only partially offset by the gains in the mining and utilities sectors.

On the positive side, the finance, insurance and real estate sector advanced 1.1% in the fourth quarter on the strength of banking, brokerage and insurance activities. Stockbrokers' activity grew substantially (+3.5%) due to vigorous sales of mutual funds. For the first time in 2006, real estate agents and brokers posted a quarterly gain (+1.5%), reflecting the state of the home resale market during the same period.

Construction activities grew 1.3% in the fourth quarter. Construction activities have increased every quarter since the third quarter of 2000. All the strength was again in engineering and repair works, as both residential and non-residential construction registered a third consecutive quarterly decline.

Industries related to tourism, such as arts and entertainment, hotels, restaurants and air travel showed robust growth for the fourth quarter, in light of the increase in domestic travel.

Year-end review

Canadian economic activity, as measured by value added by industry, increased 2.7% in 2006, a slightly lower pace than that recorded in 2005 (+2.8%). The year ended on a positive note however as November and December recorded the largest back-to-back monthly increases. The annual slowdown affected mostly the goods-producing sector (+0.8%) as growth in service industries accelerated (+3.6%) from 2005. The 6.9% gain in the value of the Canadian dollar against the U.S. currency impeded growth in export-oriented industries, such as non-durable manufacturing, while the increase in the price of crude oil—reaching a summit not seen since the 1970s—forced consumers both in Canada and the United States to adjust their preferences in the type of motor vehicles they were buying.

Construction, retail and wholesale trade as well as finance and insurance were the main sectors contributing to growth in 2006. Manufacturing and forestry and logging were hard hit. The energy sector continued to expand but at a much slower pace than in the last four years.

Output in the manufacturing sector decreased 1.2% in 2006, dragged down principally by a 3.0% decreased in the production of non-durable goods. Of the 21 major manufacturing groups, 13 decreased, accounting for 54% of total manufacturing value added. Following ten consecutive months of decline or minimal growth, the year however ended on a positive note for the manufacturing sector as a whole, with strong increases in November and December. The continued strength in the value of the Canadian dollar combined with higher labour costs affected mostly export-sensitive manufacturers, such as the textile and clothing industries (-8.8%), and pushed some to relocate their operations, as it happened in the tobacco industry (-33%) and the paper industries (-6.6%).

The increase in the value of crude oil on international markets affected plastic products manufacturers (-6.0%) as well as motor vehicle and parts manufacturers (-7.4%) as they had to adjust to changing consumer demand for more fuel-efficient cars.

On the positive side manufacturers of construction-related products and of machinery and equipment benefited from the increased activity in plant and equipment investment. Manufacturing of architectural and structural products increased 4.4%, machinery increased 3.8%, while aerospace and other transportation equipment both registered a double-digit increase.

The energy sector advanced 0.7% on the strength of oil and gas extraction (+2.9%). Most of this increase however was due to higher levels of non-conventional oil extraction, as natural gas inventories were at unusually high levels throughout the year in both Canada and the United States. Warmer than usual weather lowered the demand for natural gas and as a consequence pushed down its price as well as extraction. Weather was also a factor in the decreased production of electricity (-1.8%). Mining excluding oil and gas declined 1.1%. Some of the largest mining industries experienced production difficulties (such as strikes and accidents) during the year while potash output was curtailed during contract negotiations with buyers in China.
Industrial production declined 0.5% in 2006, the first time since 2001, as the increase in the mining, oil and gas sector was not sufficient to offset the lower production of manufacturers and utilities. In the United States, industrial production rose 4.1% as manufacturing output increased 5.0%, mining 2.6% and utilities 0.7%.

The construction sector increased 7.3% pushed by intense repair and engineering construction activities (+11%), principally attributable to investments in oil sands projects. Both residential and non-residential construction advanced, reaching a peak in early 2006. Residential construction activities increased 3.3% due to alterations and improvements work and apartment construction while other types of dwellings decreased. Non-residential construction rose 4.7% on the strength of commercial and public buildings while industrial buildings declined. The home resale market however declined in 2006, lowering the activities of real estate agents and brokers by 1.6%.

For a second year in a row, wholesalers were a major source of growth in the economy. Wholesaling activities increased 6.8% led by sales of motor vehicles, electronic equipment, machinery, and household and personal products. Retail trade also expanded significantly in 2006 (+5.2%). Consumers spent more on used cars, home furnishings and electronic products, as well as at general merchandise stores (which include department stores) and, to a lesser degree, on new cars.

Tourism-related industries also fared very well. Air transportation increased 9.2% a third year in a row of near double-digit increases. Performing arts and spectator sports increased 5.4% while accommodation services increased 5.8% and food and beverage services increased 2.6%. The increased demand for these services was domestically-based as international travellers reduced their number of visits to Canada.

The finance and insurance sector rose 5.1% in 2006. Banking activities increased 5.8% while securities trading gained 8.9% due to the rise in the volume of transactions on the Canadian stock exchanges. The insurance sector advanced 1.8%.

The public sector, comprising education, health services, and public administration, rose 2.1%. The 2006 Census was one factor contributing to the increased activities in public administration.

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

	May 2006	June 2006	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
	Seasonally adjusted at annual rates, millions chained (1997) dollars							
All industries	**1,089,615**	**1,089,835**	**1,092,894**	**1,096,564**	**1,092,583**	**1,093,952**	**1,097,401**	**1,101,854**
	0.1	***0.0***	***0.3***	***0.3***	***-0.4***	***0.1***	***0.3***	***0.4***
Goods-producing industries	**333,947**	**333,813**	**334,800**	**335,351**	**331,446**	**332,135**	**332,622**	**333,049**
	-0.3	***-0.0***	***0.3***	***0.2***	***-1.2***	***0.2***	***0.1***	***0.1***
Agriculture, forestry, fishing and hunting	25,301	24,926	24,414	24,552	24,758	24,728	25,038	24,969
	-0.8	*-1.5*	*-2.1*	*0.6*	*0.8*	*-0.1*	*1.3*	*-0.3*
Mining and oil and gas extraction	39,204	39,113	39,857	40,383	39,759	40,223	39,337	38,520
	-1.5	*-0.2*	*1.9*	*1.3*	*-1.5*	*1.2*	*-2.2*	*-2.1*
Utilities	27,646	27,820	27,966	27,655	27,148	27,657	27,086	26,966
	0.3	*0.6*	*0.5*	*-1.1*	*-1.8*	*1.9*	*-2.1*	*-0.4*
Construction	67,902	68,109	68,160	68,640	68,845	69,044	69,297	69,925
	-0.0	*0.3*	*0.1*	*0.7*	*0.3*	*0.3*	*0.4*	*0.9*
Manufacturing	173,180	173,158	173,214	172,600	169,562	168,768	170,934	172,409
	-0.0	*-0.0*	*0.0*	*-0.4*	*-1.8*	*-0.5*	*1.3*	*0.9*
Services-producing industries	**757,164**	**757,530**	**759,603**	**762,758**	**762,820**	**763,488**	**766,486**	**770,569**
	0.3	***0.0***	***0.3***	***0.4***	***0.0***	***0.1***	***0.4***	***0.5***
Wholesale trade	71,085	70,627	71,311	72,206	70,330	69,789	70,296	71,126
	1.5	*-0.6*	*1.0*	*1.3*	*-2.6*	*-0.8*	*0.7*	*1.2*
Retail trade	65,342	65,327	65,669	66,120	66,200	65,929	65,743	67,132
	-0.4	*-0.0*	*0.5*	*0.7*	*0.1*	*-0.4*	*-0.3*	*2.1*
Transportation and warehousing	52,832	52,783	52,802	53,056	52,890	52,531	53,103	53,329
	0.1	*-0.1*	*0.0*	*0.5*	*-0.3*	*-0.7*	*1.1*	*0.4*
Information and cultural industries	44,082	44,335	44,471	44,652	44,626	44,908	44,978	44,951
	0.3	*0.6*	*0.3*	*0.4*	*-0.1*	*0.6*	*0.2*	*-0.1*
Finance, insurance and real estate	220,785	221,401	222,438	223,238	224,332	225,067	225,797	226,615
	0.2	*0.3*	*0.5*	*0.4*	*0.5*	*0.3*	*0.3*	*0.4*
Professional, scientific and technical services	48,697	48,779	48,877	49,072	49,226	49,410	49,616	49,754
	0.2	*0.2*	*0.2*	*0.4*	*0.3*	*0.4*	*0.4*	*0.3*
Administrative and waste management services	25,589	25,704	25,754	25,841	25,943	26,022	26,072	26,179
	0.7	*0.4*	*0.2*	*0.3*	*0.4*	*0.3*	*0.2*	*0.4*
Educational services	47,673	47,682	47,790	47,739	47,905	48,001	48,056	48,045
	-0.0	*0.0*	*0.2*	*-0.1*	*0.3*	*0.2*	*0.1*	*-0.0*
Health care and social assistance	61,834	61,876	61,918	61,965	62,053	62,153	62,483	62,638
	0.1	*0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.5*	*0.2*
Arts, entertainment and recreation	9,278	9,225	8,991	9,202	9,320	9,350	9,506	9,625
	-1.3	*-0.6*	*-2.5*	*2.3*	*1.3*	*0.3*	*1.7*	*1.3*
Accommodation and food services	24,026	23,764	23,728	24,027	24,224	24,347	24,738	25,054
	1.8	*-1.1*	*-0.2*	*1.3*	*0.8*	*0.5*	*1.6*	*1.3*
Other services (except public administration)	26,777	26,844	26,881	26,949	27,031	27,063	27,124	27,102
	0.3	*0.3*	*0.1*	*0.3*	*0.3*	*0.1*	*0.2*	*-0.1*
Public administration	61,291	61,306	61,223	61,041	60,892	61,027	61,090	61,202
	0.5	*0.0*	*-0.1*	*-0.3*	*-0.2*	*0.2*	*0.1*	*0.2*
Other aggregations								
Industrial production	242,123	242,128	243,488	243,469	239,299	239,817	239,793	239,701
	-0.4	*0.0*	*0.6*	*-0.0*	*-1.7*	*0.2*	*-0.0*	*-0.0*
Non-durable manufacturing industries	69,663	69,094	68,820	69,460	68,186	68,349	68,457	67,900
	0.2	*-0.8*	*-0.4*	*0.9*	*-1.8*	*0.2*	*0.2*	*-0.8*
Durable manufacturing industries	103,387	103,949	104,285	103,010	101,248	100,280	102,355	104,416
	-0.2	*0.5*	*0.3*	*-1.2*	*-1.7*	*-1.0*	*2.1*	*2.0*
Business sector industries	925,734	925,934	928,992	932,890	928,723	929,815	932,841	937,160
	0.1	*0.0*	*0.3*	*0.4*	*-0.4*	*0.1*	*0.3*	*0.5*
Non-business sector industries	164,282	164,303	164,329	164,144	164,286	164,558	164,989	165,154
	0.2	*0.0*	*0.0*	*-0.1*	*0.1*	*0.2*	*0.3*	*0.1*
ICT sector, total	64,637	65,111	65,306	65,459	65,460	65,959	65,897	66,465
	0.3	*0.7*	*0.3*	*0.2*	*0.0*	*0.8*	*-0.1*	*0.9*
Energy sector	64,068	64,033	64,897	65,199	64,170	64,715	63,128	61,988
	-0.9	*-0.1*	*1.3*	*0.5*	*-1.6*	*0.8*	*-2.5*	*-1.8*

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

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted at annual rates, millions chained (1997) dollars							
Goods-producing industries	**333,441**	**336,007**	**336,629**	**334,262**	**333,866**	**332,602**	**331,595**	**334,340**
	1.1	***0.8***	***0.2***	***-0.7***	***-0.1***	***-0.4***	***2.0***	***0.8***
Agriculture, forestry, fishing and hunting	25,987	25,273	25,458	25,242	24,575	24,912	25,488	25,046
	1.6	*-2.7*	*0.7*	*-0.8*	*-2.6*	*1.4*	*3.5*	*-1.7*
Mining and oil and gas extraction	39,359	39,973	39,605	39,369	40,000	39,360	38,865	39,583
	2.5	*1.6*	*-0.9*	*-0.6*	*1.6*	*-1.6*	*0.2*	*1.8*
Utilities	28,068	27,814	27,519	27,673	27,590	27,236	27,948	27,505
	0.0	*-0.9*	*-1.1*	*0.6*	*-0.3*	*-1.3*	*4.3*	*-1.6*
Construction	64,014	65,518	67,493	67,978	68,548	69,422	63,689	68,360
	1.6	*2.4*	*3.0*	*0.7*	*0.8*	*1.3*	*5.7*	*7.3*
Manufacturing	175,190	176,357	175,817	173,185	171,792	170,704	174,987	172,875
	0.4	*0.7*	*-0.3*	*-1.5*	*-0.8*	*-0.6*	*0.7*	*-1.2*
Services-producing industries	**735,726**	**741,062**	**749,519**	**756,511**	**761,727**	**766,848**	**732,506**	**758,651**
	0.8	***0.7***	***1.1***	***0.9***	***0.7***	***0.7***	***3.2***	***3.6***
Wholesale trade	66,506	67,920	69,713	70,585	71,282	70,404	65,997	70,496
	1.4	*2.1*	*2.6*	*1.3*	*1.0*	*-1.2*	*6.9*	*6.8*
Retail trade	62,355	62,752	64,164	65,427	65,996	66,268	62,219	65,464
	0.2	*0.6*	*2.3*	*2.0*	*0.9*	*0.4*	*4.7*	*5.2*
Transportation and warehousing	51,671	52,073	52,469	52,806	52,916	52,988	51,241	52,795
	1.8	*0.8*	*0.8*	*0.6*	*0.2*	*0.1*	*3.5*	*3.0*
Information and cultural industries	43,696	43,636	43,838	44,128	44,583	44,946	43,383	44,374
	0.9	*-0.1*	*0.5*	*0.7*	*1.0*	*0.8*	*3.8*	*2.3*
Finance, insurance and real estate	214,923	216,331	218,619	220,821	223,336	225,826	213,985	222,151
	0.8	*0.7*	*1.1*	*1.0*	*1.1*	*1.1*	*3.7*	*3.8*
Professional, scientific and technical services	47,800	47,972	48,374	48,696	49,058	49,593	47,535	48,931
	0.8	*0.4*	*0.8*	*0.7*	*0.7*	*1.1*	*2.8*	*2.9*
Administrative and waste management services	24,380	24,694	25,110	25,565	25,846	26,091	24,183	25,653
	1.7	*1.3*	*1.7*	*1.8*	*1.1*	*0.9*	*3.9*	*6.1*
Educational services	47,329	47,329	47,633	47,681	47,811	48,034	47,073	47,790
	0.9	*-0.0*	*0.6*	*0.1*	*0.3*	*0.5*	*1.6*	*1.5*
Health care and social assistance	60,807	61,227	61,540	61,828	61,979	62,425	60,704	61,943
	0.5	*0.7*	*0.5*	*0.5*	*0.2*	*0.7*	*1.4*	*2.0*
Arts, entertainment and recreation	9,060	9,223	9,132	9,302	9,171	9,494	8,996	9,275
	2.1	*1.8*	*-1.0*	*1.9*	*-1.4*	*3.5*	*0.4*	*3.1*
Accommodation and food services	23,183	23,309	23,771	23,801	23,993	24,713	23,221	24,070
	0.0	*0.5*	*2.0*	*0.1*	*0.8*	*3.0*	*1.0*	*3.7*
Other services (except public administration)	26,277	26,366	26,594	26,775	26,954	27,096	26,225	26,855
	0.3	*0.3*	*0.9*	*0.7*	*0.7*	*0.5*	*2.0*	*2.4*
Public administration	59,517	60,073	60,570	61,188	61,052	61,106	59,462	60,979
	0.5	*0.9*	*0.8*	*1.0*	*-0.2*	*0.1*	*1.3*	*2.6*
Other aggregations								
Industrial production	244,563	246,320	244,974	242,413	242,085	239,770	243,485	242,311
	0.9	*0.7*	*-0.5*	*-1.0*	*-0.1*	*-1.0*	*1.0*	*-0.5*
Non-durable manufacturing industries	71,455	71,169	70,307	69,422	68,822	68,235	71,317	69,196
	0.2	*-0.4*	*-1.2*	*-1.3*	*-0.9*	*-0.9*	*-1.2*	*-3.0*
Durable manufacturing industries	103,581	105,050	105,389	103,640	102,848	102,350	103,516	103,557
	0.6	*1.4*	*0.3*	*-1.7*	*-0.8*	*-0.5*	*2.1*	*0.0*
Business sector industries	907,116	914,107	921,940	925,510	930,202	933,272	902,519	927,731
	0.9	*0.8*	*0.9*	*0.4*	*0.5*	*0.3*	*3.1*	*2.8*
Non-business sector industries	161,291	162,217	163,349	164,191	164,253	164,900	160,794	164,173
	0.8	*0.6*	*0.7*	*0.5*	*0.0*	*0.4*	*1.5*	*2.1*
ICT sector, total	62,834	63,271	64,054	64,730	65,408	66,107	62,359	65,075
	1.0	*0.7*	*1.2*	*1.1*	*1.0*	*1.1*	*5.2*	*4.4*
Energy sector	64,427	65,102	64,479	64,260	64,755	63,277	63,767	64,193
	2.0	*1.0*	*-1.0*	*-0.3*	*0.8*	*-2.3*	*1.5*	*0.7*

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

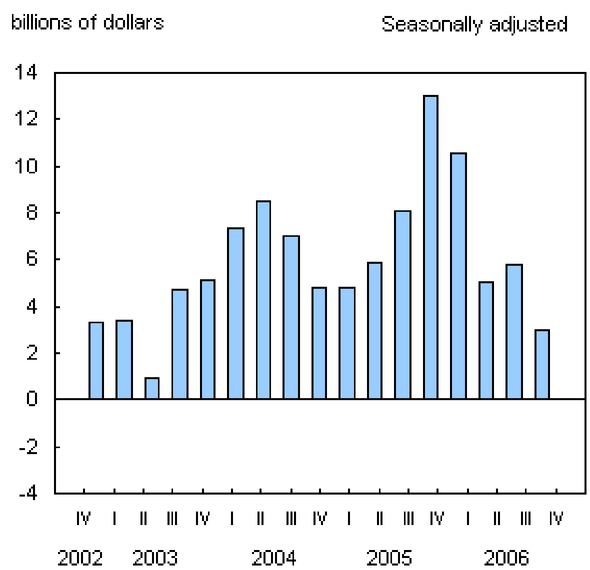
Section D
Balance of international payments

Fourth quarter 2006

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, decreased $2.8 billion to $3.0 billion in the fourth quarter. This was the lowest surplus in more than three years as a large increase in the deficit on investment income more than offset an improved performance for goods. For the year 2006, the current account surplus fell, due to a lower goods surplus, to $24.3 billion, down $7.5 billion from the 2005 record.

Chart D.1

Lowest current account surplus in more than three years



In the capital and financial account (not seasonally adjusted), sizeable investment by foreign direct investors for a second straight quarter was again the result of the acquisitions. On the asset side of Canada's international balance sheet, Canadian portfolio investment abroad was again robust, continuing the strong pace seen in all four quarters, and leading to record purchases of foreign securities in 2006.

Current account

Larger deficit on direct investment income

In the fourth quarter, the deficit on investment income increased $3.8 billion to reach $5.7 billion following one of the lowest deficits in 30 years in the third quarter.

Profits on foreign direct investment in Canada reached a record of $8.6 billion. Meanwhile, Canadian investors earned $6.3 billion on their direct investment abroad, a $1.9 billion decline compared to the record high registered during the previous quarter.

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.

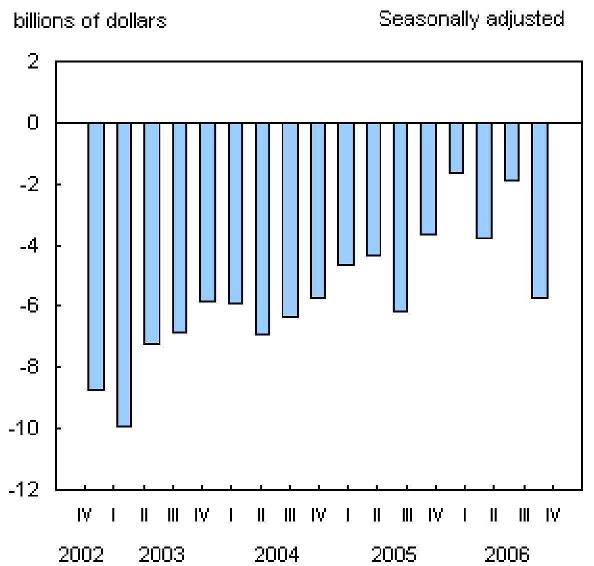
The **current account** covers transactions on goods, services, investment income and current transfers. Transactions in exports and interest income are examples of receipts, while imports and interest expense are payments. The balance from these transactions determines if Canada's current account is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

Chart D.2

Higher profits earned by foreign direct investors increase the deficit

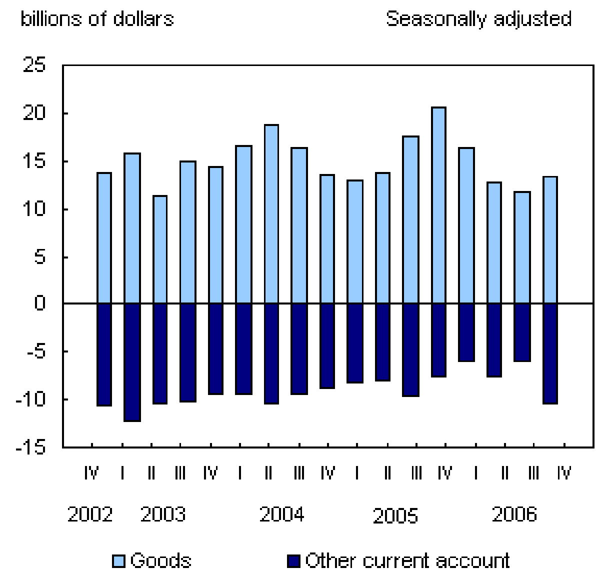


For 2006, the $13.0 billion deficit on investment income was the lowest in almost 25 years. Profits on Canadian direct investment abroad reached $29.1 billion, more than double the values recorded in 2003. Over the three-year period, profits from investments in the finance and insurance sector abroad increased by $9.1 billion. In 2006, profits earned on foreign direct investment in Canada remained stable although dividends distributed were the highest ever.

Payments of interest on Canadian bonds continued their descent that started at the end of 2002 while interest received on foreign bonds increased by more than $1 billion for the second year in a row.

Chart D.3

Surplus in goods rebounds



Goods surplus up for the first time in 2006

Following declines for three consecutive quarters totalling $8.7 billion, the goods surplus increased $1.7 billion in the fourth quarter. While imports remained stable, exports went up in spite of lower energy products exports.

Exports of goods went up $1.5 billion in the fourth quarter. Automotive products improved by $1.8 billion after decreasing for three straight quarters. Export values of these products have trended down since their peak at the beginning of 2000.

Industrial goods exports increased $1.0 billion largely due to higher prices, with the exception of the $0.4 billion increase for metal ores which came from a combination of higher volume and price.

Exports of energy products recorded a $2.0 billion drop in value after three relatively stable quarters. Large drops for natural gas and petroleum and coal products were due to declines in both volumes and prices while all the reduction for crude petroleum came from lower prices. For these three product groups, export values on a monthly basis registered their lowest levels in October and increased in each of the following two months.

Turning to imports, higher imports of machinery and equipment products and, to a lesser extent, consumer goods and industrial goods offset a large decrease for crude petroleum. A large part of the reduction in the values of crude petroleum imports came from lower prices. For the year, the goods surplus dropped $10.6 billion to $54.3 billion. Imports increased $16.1 billion spread across most major groups of products. Industrial goods, led by metals and metals ores, and machinery and equipment, despite lower prices, were the main contributors to the increase.

The values of goods exported rose $5.5 billion in 2006. Industrial goods were up $10.1 billion, largely due to higher prices. Metal and alloys counted for two-thirds of the rise. Automotive products lost $5.3 billion, spread between automobiles, trucks and parts. Energy products remained unchanged as the large increase in crude petroleum was offset by an equivalent drop for natural gas. While average prices of crude petroleum rose around 10% in 2006, natural gas prices went down 20%.

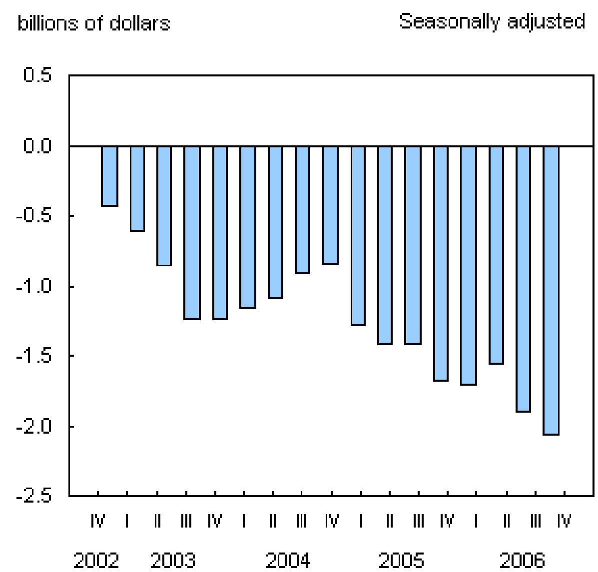
Services remain stable

In the fourth quarter, the deficit on services increased $0.4 billion to a record $4.7 billion.

The travel deficit reached another record at $2.1 billion. Canadians continued to increase their travel spending in foreign countries. A record number of Canadians travelled to foreign countries other than United States during the fourth quarter and their expenses reached $2.8 billion, the third consecutive quarterly record.

Chart D.4

Another larger deficit for travel



Spending by foreign travellers in Canada increased slightly despite another drop in the number of American same-day travellers.

For the year, the $17.1 billion deficit for services was the highest ever. The $3.4 billion increase in the deficit was largely due to higher transportation fares and other trip expenses for Canadian travelling abroad. Both travel and transportation deficits for the year were the highest ever recorded.

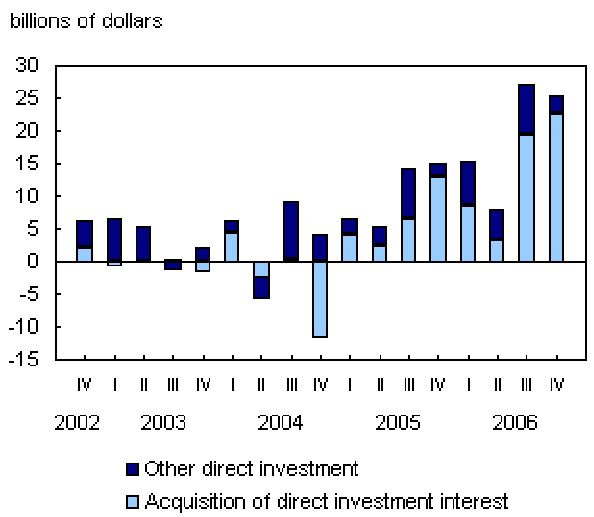
Financial account

Takeovers keep foreign direct investment in Canada high

Foreign direct investors injected $25.4 billion into the Canadian economy during the fourth quarter after investments totalling $27.0 billion in the previous quarter. As was the case in the third quarter, most of the fourth quarter investment resulted from foreign acquisitions of Canadian companies. Foreign direct investment in Canada amounted to $75.6 billion in 2006, the second highest on record, and was largely dominated by acquisitions.

Chart D.5

Second consecutive quarter of strong acquisitions by foreign direct investors



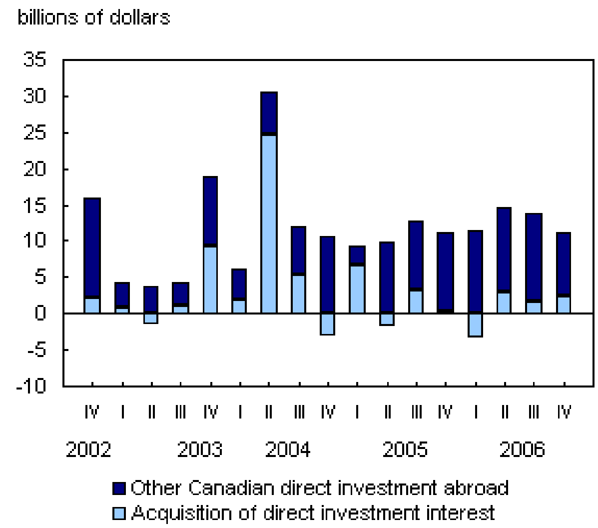
The energy and metallic mineral sector received the bulk of the direct investment from abroad with $13.0 billion, following an investment of $21.5 billion in the third quarter. A record $44.3 billion was invested in this sector of the Canadian economy in 2006. The United Kingdom and the United States were the main direct investors in Canada in 2006, with investments respectively of $22.2 billion and $20.9 billion.

Direct investment abroad remains strong

Canadian direct investors continued to invest into foreign economies in the fourth quarter. They invested $11.2 billion, on par with the quarterly average investment observed since 2005. The investment of the fourth quarter resulted mainly from injections of working capital into existing affiliates and reinvested earnings.

Chart D.6

Canadian direct investors continue to invest into foreign economies[1]



1. Reverse of Balance of Payments signs.

On an industry basis, the finance and insurance sector dominated all the industries with investments totalling $8.4 billion in the fourth quarter. A slight divestment was observed in the energy and metallic minerals sector. Canadian direct investment abroad was mainly directed to the United States.

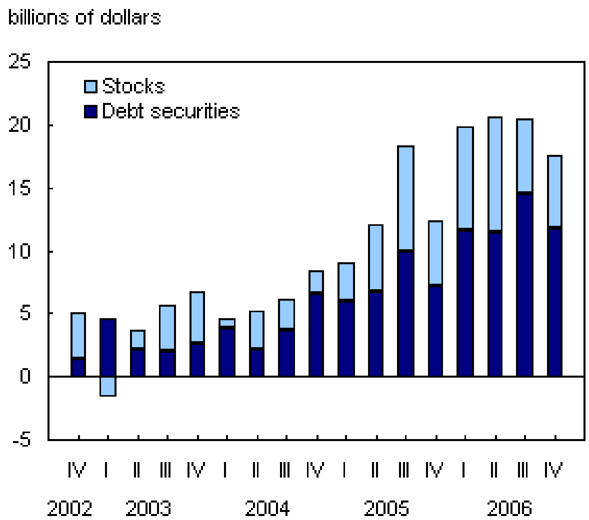
Over the year, $47.8 billion was invested abroad with a nominal $3.8 billion made through acquisitions. A hefty proportion of the direct investment into foreign economies in 2006 went to the finance and insurance sector ($37.6 billion).

Acquisitions of Maple bonds drive the growth in foreign securities

Canadians bought $17.6 billion worth of foreign securities over the fourth quarter, with two-thirds in foreign debt instruments. Purchases of foreign securities have been exceeding the $10 billion mark for seven straight quarters. Acquisitions of foreign bonds again surpassed those in foreign equities, a trend started in 2004. Canadians have added an unprecedented $78.3 billion of foreign securities to their portfolios in 2006, with a record $43.0 billion in foreign bonds.

Chart D.7

Canadian portfolio investment abroad over the $10 billion mark for seven straight quarters[1]



1. Reverse of Balance of Payments signs.

Acquisitions of Maple bonds dominated the investment in foreign bonds, accounting for four-fifths of the $10.3 billion total. Over the year, Canadians have acquired $43.0 billion worth of foreign bonds, with just over 60% accounted for by Maple bonds.

Investment in foreign money market paper contributed to the growth in the fourth quarter. Canadians invested $1.5 billion, almost exclusively in overseas paper denominated in Canadian dollars. Acquisitions of US corporate paper were offset by dispositions of US government paper.

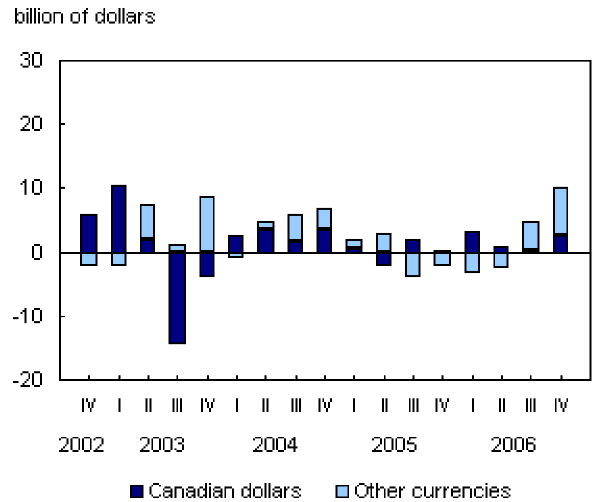
Canadians were again active in buying foreign shares in the fourth quarter. Of the $5.8 billion acquired, $3.3 billion were US stocks and the remainder was invested in overseas shares. For the entire year, Canadian investors bought $28.9 billion worth of foreign stocks, with two-thirds going to American equities. This was the largest annual investment in the last five years.

New issues of Canadian bonds rebound

Non-residents invested $3.8 billion in Canadian securities over the fourth quarter, all in Canadian bonds as they sold off Canadian equities and Canadian money market paper. Foreign investors acquired $10.2 billion worth of Canadian bonds in the fourth quarter, the highest quarterly acquisition in five years. For the year, non-residents invested $28.2 billion in Canadian securities. Investment over the first two quarters was focused on Canadian equities and money market instruments, while investment in the last two quarters was largely in Canadian bonds.

Chart D.8

Foreign portfolio investment up due to acquisitions of Canadian bonds



There was a robust $17.6 billion worth of new issues of Canadian bonds placed in foreign markets in the fourth quarter. Most of the new issues in quarter-four were initiated by corporations and provincial governments. Retirements were higher as well resulting in $4.5 billion of net new issues for the quarter. Trading activity with non-residents was up and resulted in non-residents buying $6.1 billion worth of bonds.

After acquiring $17.1 billion worth of Canadian equities between January and June 2006, non-residents sold off $5.7 billion in the second half, $4.7 billion of which was in the fourth quarter. The divestment of the fourth quarter was mainly explained by an important foreign acquisition of a Canadian firm resulting in the withdrawal of foreign-held portfolio shares from the market.

Transactions in the other investment account

The other investment account recorded a net inflow of $3.2 billion. Large movements of capital occurred in Canada's deposits abroad and deposits of non-residents in Canada. Deposit liabilities were reduced by $18.0 billion in the fourth quarter while on the asset side, the divestment on foreign deposits reached $27.6 billion. Canada's official international reserves decreased slightly while the Canadian dollar depreciated against all its major counterparts. The Canadian dollar closed at 85.8 US cents, down 3.7 US cents from the third quarter.

Table D.1 Balance of payments

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Not seasonally adjusted, millions of dollars							
Current account								
Receipts								
Goods and services	131,581	135,153	128,370	132,412	131,432	131,496	518,028	523,709
Goods	112,599	120,045	113,575	116,097	112,583	116,316	453,060	458,570
Services	18,982	15,108	14,795	16,315	18,849	15,180	64,968	65,139
Investment income	11,307	13,559	14,733	13,792	15,842	13,632	48,199	57,999
Direct investment	5,467	7,686	8,501	7,229	8,415	6,418	25,994	30,564
Portfolio investment	3,208	3,455	3,505	3,700	3,903	4,121	12,644	15,230
Other investment	2,631	2,418	2,727	2,863	3,524	3,092	9,561	12,206
Current transfers	1,816	2,128	3,039	2,024	1,954	2,752	8,066	9,769
Current account receipts	144,704	150,839	146,142	148,228	149,228	147,879	574,293	591,477
Payments								
Goods and services	115,462	117,945	117,672	125,251	121,252	122,324	466,896	486,498
Goods	95,584	98,649	96,983	104,851	100,296	102,149	388,210	404,279
Services	19,878	19,296	20,689	20,400	20,957	20,174	78,686	82,219
Investment income	17,027	17,082	16,800	17,834	17,051	19,336	67,010	71,021
Direct investment	8,338	8,082	6,605	8,399	7,086	8,784	30,953	30,873
Portfolio investment	6,848	6,765	6,142	6,178	6,348	6,458	27,192	25,125
Other investment	1,842	2,234	4,054	3,258	3,617	4,094	8,865	15,023
Current transfers	1,817	1,985	3,470	1,653	1,926	2,567	8,585	9,616
Current account payments	134,306	137,011	137,943	144,738	140,229	144,226	542,491	567,135
Balances								
Goods and services	16,119	17,208	10,698	7,161	10,179	9,172	51,132	37,211
Goods	17,015	21,396	16,592	11,246	12,287	14,166	64,850	54,291
Services	-896	-4,188	-5,894	-4,085	-2,108	-4,994	-13,718	-17,080
Investment income	-5,720	-3,523	-2,068	-4,042	-1,208	-5,704	-18,811	-13,022
Direct investment	-2,870	-397	1,896	-1,169	1,329	-2,365	-4,960	-310
Portfolio investment	-3,640	-3,310	-2,636	-2,478	-2,444	-2,336	-14,548	-9,895
Other investment	790	184	-1,328	-394	-93	-1,002	696	-2,817
Current transfers	-1	143	-431	371	28	185	-519	154
Current account balance	**10,398**	**13,828**	**8,200**	**3,490**	**9,000**	**3,653**	**31,802**	**24,342**
Capital and financial account[1]								
Capital account	**1,769**	**979**	**1,003**	**995**	**922**	**1,037**	**5,932**	**3,957**
Financial account	**-7,236**	**-5,857**	**-9,587**	**-3,528**	**-10,215**	**3,726**	**-35,109**	**-19,603**
Canadian assets, net flows								
Canadian direct investment abroad	-12,786	-11,105	-8,302	-14,491	-13,824	-11,176	-41,300	-47,793
Portfolio investment	-18,291	-12,297	-19,820	-20,519	-20,427	-17,569	-51,652	-78,335
Foreign bonds	-9,234	-6,496	-10,613	-12,593	-9,533	-10,298	-27,615	-43,038
Foreign stocks	-8,407	-5,187	-8,202	-9,055	-5,892	-5,779	-21,947	-28,928
Foreign money market	-651	-614	-1,005	1,129	-5,002	-1,491	-2,089	-6,370
Other investment	-13,277	9,238	-20,167	-20,213	-12,987	21,327	-22,164	-32,039
Loans	-251	5,229	-1,936	-4,317	-6,401	441	8,529	-12,213
Deposits	-12,911	11,043	-12,034	-16,190	-4,066	27,563	-15,688	-4,727
Official international reserves	1,092	108	-3,637	909	52	1,662	-1,653	-1,014
Other assets	-1,207	-7,141	-2,560	-615	-2,572	-8,339	-13,352	-14,086
Total Canadian assets, net flows	-44,355	-14,164	-48,290	-55,223	-47,238	-7,418	-115,116	-158,168
Canadian liabilities, net flows								
Foreign direct investment in Canada	14,109	15,135	15,207	7,960	26,953	25,430	40,984	75,550
Portfolio investment	3,836	81	9,815	12,085	2,514	3,824	8,472	28,238
Canadian bonds	-1,934	-2,212	-220	-1,604	4,686	10,223	-1,183	13,084
Canadian stocks	7,389	-812	8,022	9,091	-1,034	-4,671	9,133	11,408
Canadian money market	-1,619	3,105	2,013	4,599	-1,138	-1,728	522	3,746
Other investment	19,174	-6,910	13,681	31,649	7,556	-18,110	30,551	34,777
Loans	-5,423	-3,528	1,882	4,727	7,027	1,231	2,007	14,867
Deposits	24,654	336	11,052	27,060	657	-17,986	28,942	20,783
Other liabilities	-58	-3,717	747	-138	-128	-1,355	-398	-874
Total Canadian liabilities, net flows	37,118	8,307	38,703	51,695	37,023	11,144	80,008	138,565
Total capital and financial account, net flows	**-5,467**	**-4,878**	**-8,583**	**-2,533**	**-9,293**	**4,763**	**-29,177**	**-15,646**
Statistical discrepancy	-4,931	-8,951	384	-957	294	-8,416	-2,625	-8,696

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

Table D.2 Current account

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted at quarterly rates, millions of dollars							
Receipts								
Goods and services	131,319	136,386	130,575	129,210	131,132	132,792	518,028	523,709
Goods	115,095	120,060	114,461	112,825	114,872	116,411	453,060	458,570
Services	16,225	16,327	16,113	16,385	16,260	16,380	64,968	65,139
Travel	4,100	4,035	4,017	4,170	4,095	4,152	16,460	16,434
Transportation	2,919	2,989	3,033	2,955	3,033	3,157	11,632	12,179
Commercial services	8,742	8,865	8,617	8,861	8,714	8,634	35,115	34,826
Government services	463	438	447	398	418	437	1,761	1,700
Investment income	11,433	13,541	14,733	13,404	15,924	13,938	48,199	57,999
Direct investment	5,613	7,629	8,427	6,930	8,626	6,581	25,994	30,564
Interest	340	391	276	398	457	288	1,275	1,419
Profits	5,273	7,239	8,151	6,532	8,169	6,292	24,718	29,144
Portfolio investment	3,217	3,438	3,533	3,699	3,923	4,076	12,644	15,230
Interest	1,042	1,190	1,194	1,356	1,536	1,568	4,006	5,654
Dividends	2,175	2,248	2,339	2,343	2,387	2,507	8,638	9,575
Other investment	2,603	2,474	2,773	2,776	3,375	3,282	9,561	12,206
Current transfers	2,060	2,056	2,604	2,228	2,320	2,617	8,066	9,769
Private	661	614	743	647	708	671	2,587	2,768
Official	1,400	1,442	1,862	1,581	1,613	1,946	5,479	7,002
Total receipts	**144,812**	**151,983**	**147,912**	**144,843**	**149,376**	**149,347**	**574,293**	**591,477**
Payments								
Goods and services	117,075	119,637	118,234	120,615	123,639	124,010	466,896	486,498
Goods	97,493	99,565	98,052	100,155	103,099	102,973	388,210	404,279
Services	19,582	20,072	20,182	20,461	20,540	21,037	78,686	82,219
Travel	5,520	5,717	5,724	5,723	5,988	6,211	22,260	23,646
Transportation	4,413	4,503	4,626	4,753	4,785	5,025	17,528	19,189
Commercial services	9,413	9,615	9,595	9,721	9,518	9,552	37,946	38,385
Government services	237	237	237	264	249	249	952	999
Investment income	17,604	17,177	16,353	17,172	17,823	19,672	67,010	71,021
Direct investment	8,726	8,134	6,646	7,494	7,558	9,175	30,953	30,873
Interest	579	574	566	566	566	571	2,313	2,269
Profits	8,147	7,559	6,080	6,928	6,992	8,604	28,640	28,604
Portfolio investment	6,823	6,758	6,191	6,200	6,313	6,421	27,192	25,125
Interest	5,799	5,649	5,413	5,422	5,587	5,755	23,239	22,178
Dividends	1,024	1,109	778	777	725	666	3,953	2,947
Other investment	2,056	2,286	3,516	3,479	3,953	4,076	8,865	15,023
Current transfers	2,037	2,143	2,797	1,994	2,149	2,676	8,585	9,616
Private	1,202	1,228	1,899	1,233	1,299	1,877	4,812	6,308
Official	835	915	898	760	851	799	3,773	3,308
Total payments	**136,717**	**138,957**	**137,384**	**139,781**	**143,612**	**146,358**	**542,491**	**567,135**
Balances								
Goods and services	14,244	16,749	12,340	8,595	7,493	8,782	51,132	37,211
Goods	17,602	20,494	16,409	12,671	11,772	13,438	64,850	54,291
Services	-3,358	-3,745	-4,069	-4,075	-4,279	-4,657	-13,718	-17,080
Travel	-1,419	-1,682	-1,707	-1,553	-1,893	-2,058	-5,800	-7,211
Transportation	-1,494	-1,515	-1,593	-1,798	-1,752	-1,868	-5,897	-7,011
Commercial services	-671	-750	-978	-860	-804	-919	-2,831	-3,560
Government services	226	201	210	135	169	188	810	701
Investment income	-6,172	-3,636	-1,620	-3,768	-1,900	-5,734	-18,811	-13,022
Direct investment	-3,113	-505	1,780	-564	1,068	-2,594	-4,960	-310
Interest	-239	-184	-290	-168	-109	-283	-1,038	-850
Profits	-2,874	-321	2,071	-395	1,177	-2,312	-3,922	540
Portfolio investment	-3,606	-3,320	-2,658	-2,501	-2,390	-2,346	-14,548	-9,895
Interest	-4,757	-4,459	-4,219	-4,067	-4,051	-4,187	-19,234	-16,523
Dividends	1,151	1,139	1,561	1,565	1,661	1,841	4,686	6,628
Other investment	547	188	-742	-703	-578	-794	696	-2,817
Current transfers	23	-87	-193	234	171	-59	-519	154
Private	-542	-614	-1,156	-586	-591	-1,206	-2,225	-3,541
Official	564	528	964	820	762	1,148	1,706	3,694
Current account	**8,095**	**13,026**	**10,528**	**5,061**	**5,764**	**2,989**	**31,802**	**24,342**

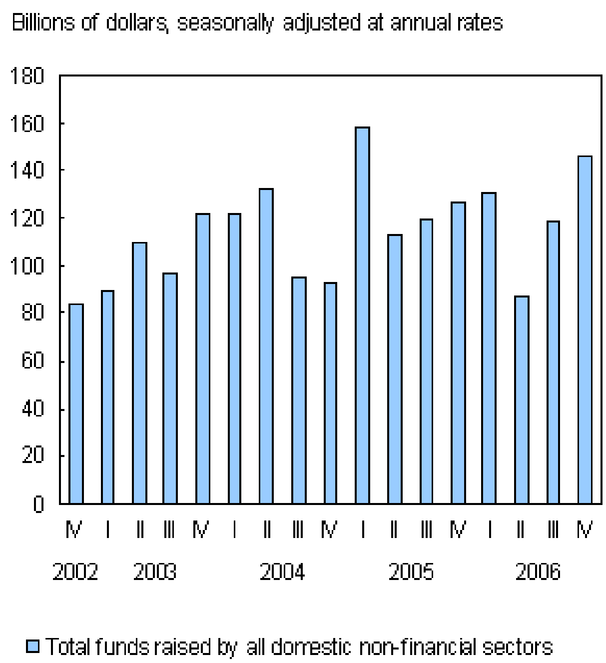
Section E
Financial flows accounts

Fourth quarter 2006

Total funds raised by domestic non-financial sectors on financial markets amounted to $145.9 billion in the fourth quarter of 2006 (seasonally adjusted at annual rates), up from the third quarter. Private sector borrowers, in particular non-financial corporations, were the largest contributors to the demand for funds, while new borrowing by the government sector was negligible.

Chart E.1

Overall demand for funds expands



Financial markets in the fourth quarter of 2006 were punctuated by continued growth in share prices. The S&P Toronto stock exchange composite index closed December just under the 13,000 mark, a historical high. With the bank rate unchanged since May 2006, mortgage rates continued to tumble while bond yields fluctuated around September levels after retreating from the peak in June 2006. The Canadian dollar, while still strengthening over the year, slid to 88 cents against its U.S. counterpart in the fourth quarter.

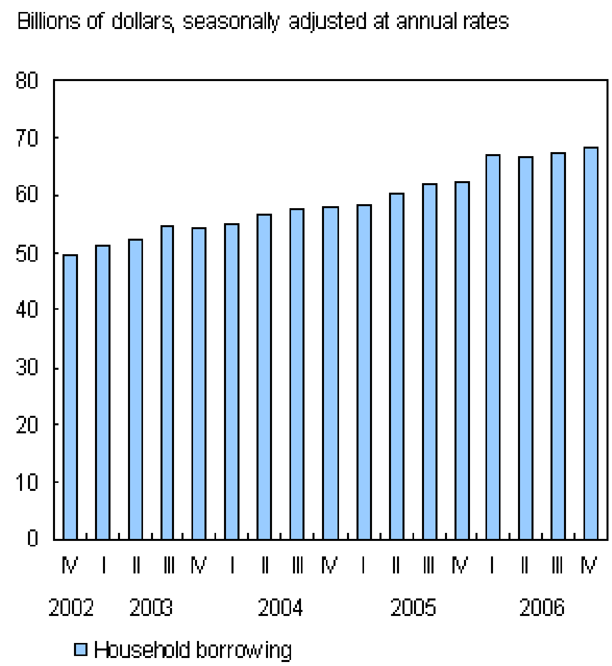
Household sector

Overall household borrowing remained steady in the fourth quarter. Mortgage demand rose slightly, as housing re-sale activity rallied and renovations spending strengthened further. Spending on consumer durables - particularly on motor vehicles - and on services was reflected in increased use of consumer credit.

Household debt in the form of mortgages and consumer credit edged up, amounting to 110.5 of personal disposable income. However, debt servicing charges remained stable at about 8% of personal disposable income.

Chart E.2

Household borrowing steady



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

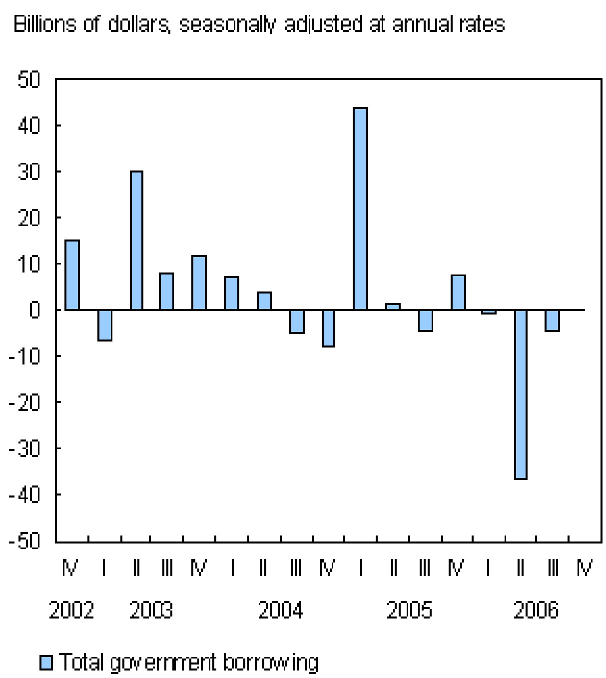
The corporate sector's position as net lender to the rest of the economy strengthened in the fourth quarter. With corporate earnings up in the quarter, corporate net saving advanced for the third straight quarter after a transitory drop in the first quarter. This advance was supported in part by the repayment of U.S. softwood lumber duties to Canadian forest product manufacturers. A more detailed analysis is available on page 12.

Private non-financial corporations provided the bulk of demand for borrowed funds in the fourth quarter. This was reflected in new share issues and the renewed recourse to debt financing. This firmer demand corresponds with robust fixed capital investment, especially in non-residential structures. As well, funds raised were used to repatriate domestic interests held by non-residents, as there were some key acquisitions by Canadian enterprises in the energy sector in the fourth quarter.

Government sector

A significant net reduction of federal government long-term debt offset the new issuance of bonds by provincial governments, making for negligible demand for funds by the total government sector. The overall government surplus expanded in the fourth quarter.

Chart E.3
Government borrowing negligible



Year-end review

For the year as a whole, total funds raised in 2006 were down 6.7% compared to 2005.

Despite higher saving, the personal sector deficit (net borrowing) increased further. Household demand for mortgages and consumer credit continued to grow, with borrowing up 10.9%. Household borrowing was encouraged in part by the sustained low interest rate environment.

Private non-financial corporations displayed lower new share and corporate bond issuances compared to the previous five years. This reflects the continued restructuring of business balance sheets amidst a period of sustained corporate surpluses, despite renewed capital spending in 2006.

The total government sector had a net reduction of funds borrowed through financial markets. The reduction of long-term debt by both the federal and provincial government sectors contributed to this, as the total government sector experienced a third consecutive annual surplus.

Table E.1 Financial market summary table

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Funds raised								
Persons and unincorporated business	**64,476**	**64,564**	**70,452**	**67,868**	**70,312**	**70,064**	**63,397**	**69,674**
Consumer credit	21,864	21,404	23,412	23,696	24,580	25,320	21,667	24,252
Bank loans	1,276	1,148	2,756	2,224	1,932	308	1,610	1,805
Other loans	1,308	1,212	828	-1,068	1,128	1,308	1,061	549
Mortgages	40,028	40,800	43,456	43,016	42,672	43,128	39,059	43,068
Non-financial private corporations	**59,976**	**54,748**	**61,388**	**53,392**	**44,588**	**70,848**	**53,904**	**57,554**
Bank loans	-1,188	9,736	4,456	11,960	-4,196	5,216	4,619	4,359
Other loans	1,380	-336	5,424	7,580	4,500	-652	2,537	4,213
Other short-term paper	9,548	1,236	19,608	16,236	8,632	16,740	3,925	15,304
Mortgages	11,068	12,228	12,760	13,708	14,116	18,240	9,571	14,706
Bonds	20,392	12,624	-4,380	-8,792	12,948	13,380	14,545	3,289
Shares	18,776	19,260	23,520	12,700	8,588	17,924	18,707	15,683
Non-financial government enterprises	**-1,308**	**232**	**324**	**2,240**	**7,512**	**4,984**	**-207**	**3,765**
Bank loans	580	56	-328	792	424	-60	5	207
Other loans	-1,136	-928	788	-476	-424	1,532	241	355
Other short-term paper	1,612	1,424	776	-1,964	6,028	-944	-156	974
Mortgages	0	0	0	-4	-4	-4	2	-3
Bonds	-2,364	-320	-912	3,892	1,488	4,460	-299	2,232
Shares	0	0	0	0	0	0	0	0
Federal government	**440**	**-720**	**-2,604**	**-32,780**	**-4,240**	**-1,440**	**2,309**	**-10,266**
Bank loans	132	136	-36	-60	-36	-12	141	-36
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	11,108	8,172	7,536	-24,172	-1,680	3,572	11,036	-3,686
Canada Savings Bonds	-1,572	-1,132	-2,888	-1,680	-1,916	-2,504	-1,751	-2,247
Other bonds	-9,228	-7,896	-7,216	-6,868	-608	-2,496	-7,117	-4,297
Other levels of government	**-4,820**	**8,164**	**1,604**	**-3,824**	**-192**	**1,416**	**9,734**	**-249**
Bank loans	248	492	944	-196	24	292	209	266
Other loans	732	768	-160	128	4	536	732	127
Other short-term paper	-5,036	8,840	4,252	3,764	-6,836	-5,012	-4,440	-958
Mortgages	-12	-12	20	-16	-4	0	-13	0
Provincial bonds	-3,684	-2,832	-6,432	-8,288	4,776	5,140	11,648	-1,201
Municipal bonds	2,368	628	2,844	420	1,672	488	1,290	1,356
Other bonds	564	280	136	364	172	-28	308	161
Total funds raised by domestic non-financial sectors	**118,764**	**126,988**	**131,164**	**86,896**	**117,980**	**145,872**	**129,137**	**120,478**
Consumer credit	**21,864**	**21,404**	**23,412**	**23,696**	**24,580**	**25,320**	**21,667**	**24,252**
Bank loans	**1,048**	**11,568**	**7,792**	**14,720**	**-1,852**	**5,744**	**6,584**	**6,601**
Other loans	**2,284**	**716**	**6,880**	**6,164**	**5,208**	**2,724**	**4,571**	**5,244**
Canada short-term paper	**11,108**	**8,172**	**7,536**	**-24,172**	**-1,680**	**3,572**	**11,036**	**-3,686**
Other short-term paper	**6,124**	**11,500**	**24,636**	**18,036**	**7,824**	**10,784**	**-671**	**15,320**
Mortgages	**51,084**	**53,016**	**56,236**	**56,704**	**56,780**	**61,364**	**48,619**	**57,771**
Bonds	**6,476**	**1,352**	**-18,848**	**-20,952**	**18,532**	**18,440**	**18,624**	**-707**
Shares	**18,776**	**19,260**	**23,520**	**12,700**	**8,588**	**17,924**	**18,707**	**15,683**

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**1,036,668**	**1,048,900**	**1,078,328**	**1,075,580**	**1,090,712**	**1,106,672**	**1,027,733**	**1,087,823**
	1.6	***1.2***	***2.8***	***-0.3***	***1.4***	***1.5***	***5.0***	***5.8***
Wages, salaries and supplementary labour income	694,340	703,668	721,284	723,800	732,000	743,216	688,150	730,075
	1.8	*1.3*	*2.5*	*0.3*	*1.1*	*1.5*	*5.6*	*6.1*
Unincorporated business net income[2]	86,556	86,988	86,736	87,352	87,980	88,884	86,206	87,738
	0.9	*0.5*	*-0.3*	*0.7*	*0.7*	*1.0*	*2.5*	*1.8*
Interest, dividends and miscellaneous investment income	115,184	117,416	119,064	121,364	123,272	125,460	114,527	122,290
	1.7	*1.9*	*1.4*	*1.9*	*1.6*	*1.8*	*5.1*	*6.8*
Current transfers from government	136,436	136,792	146,676	138,868	143,008	144,784	134,768	143,334
	1.1	*0.3*	*7.2*	*-5.3*	*3.0*	*1.2*	*3.7*	*6.4*
Current transfers from corporations	1,512	1,580	1,600	1,612	1,624	1,640	1,496	1,619
	3.3	*4.5*	*1.3*	*0.8*	*0.7*	*1.0*	*11.6*	*8.2*
Current transfers from non-residents	2,640	2,456	2,968	2,584	2,828	2,688	2,586	2,767
	6.1	*-7.0*	*20.8*	*-12.9*	*9.4*	*-5.0*	*-7.1*	*7.0*
Outlay	**1,026,644**	**1,038,660**	**1,053,120**	**1,065,720**	**1,080,096**	**1,093,820**	**1,018,274**	**1,073,189**
	1.4	***1.2***	***1.4***	***1.2***	***1.3***	***1.3***	***6.1***	***5.4***
Personal expenditure on goods and services	765,928	773,792	786,692	797,632	808,172	814,744	760,380	801,810
	1.3	*1.0*	*1.7*	*1.4*	*1.3*	*0.8*	*5.6*	*5.4*
Current transfers to government	242,832	246,736	247,808	248,756	252,064	258,952	240,209	251,895
	1.7	*1.6*	*0.4*	*0.4*	*1.3*	*2.7*	*7.7*	*4.9*
Current transfers to corporations	14,168	14,484	14,960	15,644	16,128	16,348	14,010	15,770
	2.4	*2.2*	*3.3*	*4.6*	*3.1*	*1.4*	*10.0*	*12.6*
Current transfers to non-residents	3,716	3,648	3,660	3,688	3,732	3,776	3,675	3,714
	1.2	*-1.8*	*0.3*	*0.8*	*1.2*	*1.2*	*1.9*	*1.1*
Saving	**10,024**	**10,240**	**25,208**	**9,860**	**10,616**	**12,852**	**9,459**	**14,634**
	26.0	***2.2***	***146.2***	***-60.9***	***7.7***	***21.1***	***-52.0***	***54.7***
Disposable income[3]	793,836	802,164	830,520	826,824	838,648	847,720	787,524	835,928
	1.6	*1.0*	*3.5*	*-0.4*	*1.4*	*1.1*	*4.2*	*6.1*
Saving rate	1.3	1.3	3.0	1.2	1.3	1.5	1.2	1.8
	...	...	...	...	...	...	...	...
Gross saving and capital transfers	**56,184**	**53,572**	**69,096**	**54,468**	**55,492**	**58,288**	**54,194**	**59,336**
	4.8	***-4.6***	***29.0***	***-21.2***	***1.9***	***5.0***	***-10.5***	***9.5***
Saving	10,024	10,240	25,208	9,860	10,616	12,852	9,459	14,634
	26.0	*2.2*	*146.2*	*-60.9*	*7.7*	*21.1*	*-52.0*	*54.7*
Capital consumption allowances	40,184	40,648	41,132	41,704	42,204	42,704	39,957	41,936
	0.9	*1.2*	*1.2*	*1.4*	*1.2*	*1.2*	*5.7*	*5.0*
Net capital transfers	5,976	2,684	2,756	2,904	2,672	2,732	4,778	2,766
	2.0	*-55.1*	*2.7*	*5.4*	*-8.0*	*2.2*	*59.0*	*-42.1*
Deduct: Non-financial capital acquisition	106,488	109,392	115,832	116,900	117,580	118,736	107,572	117,262
	-2.4	*2.7*	*5.9*	*0.9*	*0.6*	*1.0*	*7.4*	*9.0*
Net lending	**-50,304**	**-55,820**	**-46,736**	**-62,432**	**-62,088**	**-60,448**	**-53,378**	**-57,926**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Transactions in financial assets	**24,796**	**8,860**	**28,352**	**8,864**	**15,972**	**5,752**	**13,434**	**14,735**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Currency and deposits	7,176	4,480	31,452	33,744	30,992	4,600	4,189	25,197
	...	...	...	...	...	...	...	...
Canadian debt securities	-8,984	-21,348	-26,352	-17,252	-16,440	-26,416	-10,954	-21,615
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	10,364	9,840	14,704	-10,828	-8,448	12,284	11,872	1,928
	...	...	...	...	...	...	...	...
Life insurance and pensions	39,892	39,732	47,036	49,428	46,320	41,200	38,021	45,996
	...	...	...	...	...	...	...	...
Other financial assets	-23,652	-23,844	-38,488	-46,228	-36,452	-25,916	-29,694	-36,771
	...	...	...	...	...	...	...	...
Transactions in liabilities	**72,672**	**63,672**	**74,396**	**69,440**	**76,428**	**67,552**	**65,575**	**71,954**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Consumer credit	21,864	21,404	23,412	23,696	24,580	25,320	21,667	24,252
	...	...	...	...	...	...	...	...
Bank and other loans	2,584	2,360	3,584	1,156	3,060	1,616	2,671	2,354
	...	...	...	...	...	...	...	...
Mortgages	40,028	40,800	43,456	43,016	42,672	43,128	39,059	43,068
	...	...	...	...	...	...	...	...
Trade payables	8,196	-892	3,944	1,572	6,116	-2,512	2,178	2,280
	...	...	...	...	...	...	...	...
Net financial investment	**-47,876**	**-54,812**	**-46,044**	**-60,576**	**-60,456**	**-61,800**	**-52,141**	**-57,219**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Sector discrepancy	-2,428	-1,008	-692	-1,856	-1,632	1,352	-1,237	-707
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.
2. Sum of accrued net income of farm operators from farm production and net income of non-farm unincorporated business, including rent.
3. Total income minus current transfers to government.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**355,936**	**374,748**	**366,640**	**365,772**	**375,348**	**389,516**	**349,829**	**374,319**
	4.7	***5.3***	***-2.2***	***-0.2***	***2.6***	***3.8***	***10.8***	***7.0***
Corporation profits before taxes	192,368	202,812	196,276	197,376	203,220	204,480	189,455	200,338
	4.7	*5.4*	*-3.2*	*0.6*	*3.0*	*0.6*	*10.6*	*5.7*
Government business enterprise profits before taxes	14,596	15,516	13,852	13,792	13,688	13,600	14,481	13,733
	2.6	*6.3*	*-10.7*	*-0.4*	*-0.8*	*-0.6*	*15.8*	*-5.2*
Inventory valuation adjustment	2,976	-1,200	1,860	-464	-3,272	-5,360	-326	-1,809
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[2]	77,148	88,452	84,560	83,252	89,740	104,736	77,692	90,572
	1.9	*14.7*	*-4.4*	*-1.5*	*7.8*	*16.7*	*18.0*	*16.6*
Interest on consumer debt	14,168	14,484	14,960	15,644	16,128	16,348	14,010	15,770
	2.4	*2.2*	*3.3*	*4.6*	*3.1*	*1.4*	*10.0*	*12.6*
Interest on public debt[3]	54,680	54,684	55,132	56,172	55,844	55,712	54,517	55,715
	0.4	*0.0*	*0.8*	*1.9*	*-0.6*	*-0.2*	*-0.8*	*2.2*
Outlay	**244,236**	**263,196**	**261,736**	**255,620**	**259,656**	**271,608**	**243,805**	**262,155**
	2.9	***7.8***	***-0.6***	***-2.3***	***1.6***	***4.6***	***7.4***	***7.5***
Interest, dividends and miscellaneous payments	193,156	210,344	206,964	203,168	204,832	209,876	193,489	206,210
	2.8	*8.9*	*-1.6*	*-1.8*	*0.8*	*2.5*	*6.7*	*6.6*
Direct taxes	49,308	50,852	50,108	50,424	52,612	57,248	48,514	52,598
	3.5	*3.1*	*-1.5*	*0.6*	*4.3*	*8.8*	*9.9*	*8.4*
Other current transfers	1,772	2,000	4,664	2,028	2,212	4,484	1,802	3,347
	0.0	*12.9*	*133.2*	*-56.5*	*9.1*	*102.7*	*12.5*	*85.7*
Saving	**111,700**	**111,552**	**104,904**	**110,152**	**115,692**	**117,908**	**106,024**	**112,164**
	8.8	***-0.1***	***-6.0***	***5.0***	***5.0***	***1.9***	***19.4***	***5.8***
Gross saving and capital transfers	**227,704**	**229,524**	**224,120**	**230,300**	**237,112**	**240,588**	**221,401**	**233,030**
	4.8	***0.8***	***-2.4***	***2.8***	***3.0***	***1.5***	***10.8***	***5.3***
Saving	111,700	111,552	104,904	110,152	115,692	117,908	106,024	112,164
	8.8	*-0.1*	*-6.0*	*5.0*	*5.0*	*1.9*	*19.4*	*5.8*
Capital consumption allowances	113,604	115,460	116,536	117,728	118,980	119,928	112,957	118,293
	1.4	*1.6*	*0.9*	*1.0*	*1.1*	*0.8*	*4.1*	*4.7*
Net capital transfers	2,400	2,512	2,680	2,420	2,440	2,752	2,420	2,573
	-5.1	*4.7*	*6.7*	*-9.7*	*0.8*	*12.8*	*-4.3*	*6.3*
Deduct: Non-financial capital acquisition	155,460	159,016	156,872	165,176	166,380	158,340	153,397	161,692
	4.9	*2.3*	*-1.3*	*5.3*	*0.7*	*-4.8*	*12.9*	*5.4*
Net lending	**72,244**	**70,508**	**67,248**	**65,124**	**70,732**	**82,248**	**68,004**	**71,338**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Transactions in financial assets	**459,244**	**455,728**	**593,176**	**448,968**	**557,028**	**500,100**	**453,315**	**524,818**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Of which:								
Consumer credit	21,864	21,404	23,412	23,696	24,580	25,320	21,667	24,252
	...	...	...	...	...	...	...	...
Bank and other loans	14,500	28,856	33,536	17,792	34,504	18,088	15,427	25,980
	...	...	...	...	...	...	...	...
Mortgages	60,548	63,736	65,124	66,128	65,184	67,308	56,540	65,936
	...	...	...	...	...	...	...	...
Short-term paper	51,292	27,520	90,584	-19,308	11,712	44,160	26,009	31,787
	...	...	...	...	...	...	...	...
Bonds	68,128	82,356	63,292	41,672	58,944	82,772	75,310	61,670
	...	...	...	...	...	...	...	...
Shares	5,868	960	5,616	-12,044	-112	2,420	16,742	-1,030
	...	...	...	...	...	...	...	...
Foreign investments	60,528	57,816	73,320	70,952	72,724	90,704	51,578	76,925
	...	...	...	...	...	...	...	...
Transactions in liabilities	**403,948**	**389,920**	**535,592**	**399,168**	**486,596**	**429,964**	**389,311**	**462,830**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Of which:								
Currency and deposits	96,180	79,988	102,148	76,604	96,284	91,956	93,012	91,748
	...	...	...	...	...	...	...	...
Bank and other loans	8,748	12,192	12,944	17,504	7,012	10,608	13,490	12,017
	...	...	...	...	...	...	...	...
Short-term paper	39,184	12,744	56,376	18,128	38,456	33,136	22,498	36,524
	...	...	...	...	...	...	...	...
Bonds	81,496	80,400	71,648	43,884	73,228	99,716	71,453	72,119
	...	...	...	...	...	...	...	...
Shares	46,224	83,872	110,084	46,640	65,892	104,888	58,812	81,876
	...	...	...	...	...	...	...	...
Life insurance and pensions	38,228	36,168	41,808	45,108	41,144	36,256	35,398	41,079
	...	...	...	...	...	...	...	...
Net financial investment	**55,296**	**65,808**	**57,584**	**49,800**	**70,432**	**70,136**	**64,004**	**61,988**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Sector discrepancy	16,948	4,700	9,664	15,324	300	12,112	4,000	9,350
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.
2. Includes interest and dividends received from non-residents.
3. Interest on the public debt is routed to other sectors of the economy through the corporate sector due to incomplete information on transactions of government debt instruments.

Table E.4 Sector accounts - Government[1]

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**561,268**	**575,036**	**575,000**	**575,716**	**577,520**	**588,592**	**556,342**	**579,207**
	2.0	***2.5***	***-0.0***	***0.1***	***0.3***	***1.9***	***6.8***	***4.1***
Taxes on incomes	223,148	228,556	230,756	229,476	234,724	247,528	219,977	235,621
	2.5	*2.4*	*1.0*	*-0.6*	*2.3*	*5.5*	*10.2*	*7.1*
Contributions to social insurance plans	64,516	64,872	64,604	65,988	66,312	66,288	64,271	65,798
	0.3	*0.6*	*-0.4*	*2.1*	*0.5*	*-0.0*	*2.9*	*2.4*
Taxes on production and imports	173,324	174,612	176,560	178,196	174,576	175,132	172,299	176,116
	0.9	*0.7*	*1.1*	*0.9*	*-2.0*	*0.3*	*4.4*	*2.2*
Other current transfers from persons	10,076	9,928	10,004	10,044	10,092	10,164	9,955	10,076
	1.3	*-1.5*	*0.8*	*0.4*	*0.5*	*0.7*	*1.3*	*1.2*
Investment income	47,080	53,752	49,368	48,284	47,896	45,000	47,420	47,637
	5.3	*14.2*	*-8.2*	*-2.2*	*-0.8*	*-6.0*	*9.2*	*0.5*
Sales of goods and services[2]	43,124	43,316	43,708	43,728	43,920	44,480	42,420	43,959
	3.2	*0.4*	*0.9*	*0.0*	*0.4*	*1.3*	*4.9*	*3.6*
Outlay	**530,244**	**534,076**	**554,552**	**546,360**	**553,488**	**559,016**	**525,959**	**553,354**
	1.4	***0.7***	***3.8***	***-1.5***	***1.3***	***1.0***	***4.2***	***5.2***
Gross current expenditure on goods and services[2]	309,676	312,424	324,380	324,088	327,040	330,996	306,662	326,626
	1.6	*0.9*	*3.8*	*-0.1*	*0.9*	*1.2*	*5.7*	*6.5*
Current transfers	157,576	158,884	167,140	158,220	162,624	164,192	156,375	163,044
	1.6	*0.8*	*5.2*	*-5.3*	*2.8*	*1.0*	*4.0*	*4.3*
Interest on the public debt	62,992	62,768	63,032	64,052	63,824	63,828	62,922	63,684
	-0.1	*-0.4*	*0.4*	*1.6*	*-0.4*	*0.0*	*-1.9*	*1.2*
Saving	**31,024**	**40,960**	**20,448**	**29,356**	**24,032**	**29,576**	**30,383**	**25,853**
	13.7	***32.0***	***-50.1***	***43.6***	***-18.1***	***23.1***	***89.1***	***-14.9***
Gross saving and capital transfers	**54,152**	**64,264**	**43,920**	**53,140**	**47,992**	**53,936**	**53,524**	**49,747**
	8.1	***18.7***	***-31.7***	***21.0***	***-9.7***	***12.4***	***38.8***	***-7.1***
Saving	31,024	40,960	20,448	29,356	24,032	29,576	30,383	25,853
	13.7	*32.0*	*-50.1*	*43.6*	*-18.1*	*23.1*	*89.1*	*-14.9*
Capital consumption allowances	24,428	24,584	24,896	25,128	25,384	25,696	24,408	25,276
	0.5	*0.6*	*1.3*	*0.9*	*1.0*	*1.2*	*3.5*	*3.6*
Net capital transfers	-1,300	-1,280	-1,424	-1,344	-1,424	-1,336	-1,267	-1,382
	...	...	...	...	...	...	...	...
Deduct: Non-financial capital acquisition	34,536	35,752	36,592	37,056	37,604	38,112	34,264	37,341
	2.1	*3.5*	*2.3*	*1.3*	*1.5*	*1.4*	*8.5*	*9.0*
Net lending	**19,616**	**28,512**	**7,328**	**16,084**	**10,388**	**15,824**	**19,260**	**12,406**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Transactions in financial assets	**47,188**	**55,244**	**72**	**10,796**	**16,028**	**54,612**	**54,823**	**20,377**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Currency and deposits	2,140	1,532	-3,228	6,052	1,816	508	2,951	1,287
	...	...	...	...	...	...	...	...
Loans	3,176	4,884	5,636	-1,516	-580	1,180	4,053	1,180
	...	...	...	...	...	...	...	...
Canadian securities	8,780	22,900	-7,392	7,016	16,872	7,972	17,325	6,117
	...	...	...	...	...	...	...	...
Other financial assets	33,092	25,928	5,056	-756	-2,080	44,952	30,494	11,793
	...	...	...	...	...	...	...	...
Transactions in liabilities	**27,064**	**20,560**	**-4,024**	**-8,940**	**9,484**	**37,868**	**34,552**	**8,597**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Bank and other loans	1,112	1,396	748	-128	-8	816	1,082	357
	...	...	...	...	...	...	...	...
Short-term paper	6,072	17,012	11,788	-20,408	-8,516	-1,440	6,596	-4,644
	...	...	...	...	...	...	...	...
Bonds	-11,852	-11,344	-14,296	-18,168	2,348	0	3,850	-7,529
	...	...	...	...	...	...	...	...
Other liabilities	31,732	13,496	-2,264	29,764	15,660	38,492	23,024	20,413
	...	...	...	...	...	...	...	...
Net financial investment	**20,124**	**34,684**	**4,096**	**19,736**	**6,544**	**16,744**	**20,271**	**11,780**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Sector discrepancy	-508	-6,172	3,232	-3,652	3,844	-920	-1,011	626
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.
2. In GDP, government current expenditure is recorded on a net basis, that is , after deduction of sales of goods and services. In the government sector accounts, sales of goods and services to other sectors are shown separately as part of revenue, and current expenditure is recorded on a gross basis, which leaves saving unchanged.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Seasonally adjusted data at annual rates, millions of dollars							
Income	**531,384**	**551,136**	**547,888**	**549,620**	**563,624**	**574,024**	**531,103**	**558,789**
	1.1	***3.7***	***-0.6***	***0.3***	***2.5***	***1.8***	***6.5***	***5.2***
Sales of goods (imports)	389,968	398,256	392,224	400,620	412,396	411,880	388,210	404,280
	1.4	*2.1*	*-1.5*	*2.1*	*2.9*	*-0.1*	*6.8*	*4.1*
Sales of services (imports)	79,116	81,064	81,552	82,708	83,056	85,080	79,463	83,099
	-0.7	*2.5*	*0.6*	*1.4*	*0.4*	*2.4*	*2.8*	*4.6*
Interest, dividends and miscellaneous receipts	54,156	63,244	62,924	58,316	59,576	66,360	54,844	61,794
	1.5	*16.8*	*-0.5*	*-7.3*	*2.2*	*11.4*	*9.2*	*12.7*
Current transfers	8,144	8,572	11,188	7,976	8,596	10,704	8,586	9,616
	1.1	*5.3*	*30.5*	*-28.7*	*7.8*	*24.5*	*10.9*	*12.0*
Outlay	**566,892**	**592,212**	**570,864**	**564,304**	**579,776**	**605,360**	**559,932**	**580,076**
	3.5	***4.5***	***-3.6***	***-1.1***	***2.7***	***4.4***	***6.5***	***3.6***
Purchases of goods (exports)	460,384	480,232	457,852	451,288	459,496	465,640	453,062	458,569
	4.7	*4.3*	*-4.7*	*-1.4*	*1.8*	*1.3*	*5.6*	*1.2*
Purchases of services (exports)	66,560	67,044	66,256	67,424	66,944	67,544	66,618	67,042
	0.2	*0.7*	*-1.2*	*1.8*	*-0.7*	*0.9*	*1.8*	*0.6*
Interest, dividends and miscellaneous payments	31,708	36,712	36,340	36,680	44,056	61,708	32,186	44,696
	-5.3	*15.8*	*-1.0*	*0.9*	*20.1*	*40.1*	*35.0*	*38.9*
Current transfers	8,240	8,224	10,416	8,912	9,280	10,468	8,066	9,769
	2.5	*-0.2*	*26.7*	*-14.4*	*4.1*	*12.8*	*8.6*	*21.1*
Saving	**-35,508**	**-41,076**	**-22,976**	**-14,684**	**-16,152**	**-31,336**	**-28,829**	**-21,287**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Gross saving and capital transfers	**-42,584**	**-44,992**	**-26,988**	**-18,664**	**-19,840**	**-35,484**	**-34,760**	**-25,244**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Saving	-35,508	-41,076	-22,976	-14,684	-16,152	-31,336	-28,829	-21,287
	...	...	...	...	...	...	...	...
Net capital transfers	-7,076	-3,916	-4,012	-3,980	-3,688	-4,148	-5,931	-3,957
	...	...	...	...	...	...	...	...
Net lending[2]	**-42,584**	**-44,992**	**-26,988**	**-18,664**	**-19,840**	**-35,484**	**-34,760**	**-25,244**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Transactions in financial assets	**107,632**	**53,236**	**145,312**	**175,352**	**133,664**	**74,284**	**63,906**	**132,153**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Currency and deposits	5,728	8,600	-2,208	37,276	-24,120	4,688	4,200	3,909
	...	...	...	...	...	...	...	...
Loans	-1,564	-16,644	-8,664	328	-2,120	2,608	-3,382	-1,962
	...	...	...	...	...	...	...	...
Short-term paper	1,860	3,384	10,504	10,048	2,632	-13,556	520	2,407
	...	...	...	...	...	...	...	...
Bonds	-508	-11,064	212	-3,420	26,828	27,440	-1,523	12,765
	...	...	...	...	...	...	...	...
Shares	32,412	5,124	28,116	18,624	4,148	-5,256	9,134	11,408
	...	...	...	...	...	...	...	...
Other financial assets	69,704	63,836	117,352	112,496	126,296	58,360	54,957	103,626
	...	...	...	...	...	...	...	...
Transactions in liabilities	**135,176**	**98,916**	**160,948**	**184,312**	**150,184**	**99,364**	**96,040**	**148,702**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Official reserves	-2,636	2,820	5,708	-1,564	1,276	-1,360	1,655	1,015
	...	...	...	...	...	...	...	...
Currency and deposits	7,464	8,292	10,148	17,932	18,644	-644	6,267	11,520
	...	...	...	...	...	...	...	...
Bank and other loans	3,668	1,148	13,232	-1,928	21,740	8,836	-1,145	10,470
	...	...	...	...	...	...	...	...
Foreign investments	68,216	65,464	87,576	87,404	84,744	104,748	59,607	91,118
	...	...	...	...	...	...	...	...
Other liabilities	58,464	21,192	44,284	82,468	23,780	-12,216	29,656	34,579
	...	...	...	...	...	...	...	...
Net financial investment	**-27,544**	**-45,680**	**-15,636**	**-8,960**	**-16,520**	**-25,080**	**-32,134**	**-16,549**
	...	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Sector discrepancy	-15,040	688	-11,352	-9,704	-3,320	-10,404	-2,626	-8,695
	...	...	...	...	...	...	...	...

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line is the period to period percentage change.
2. This account presents the saving as well as the net lending or borrowing position of non-residents with respect to their transactions with Canadian residents. The sign of these aggregates is, therefore, the reverse of what appears in the Canadian Balance of International Payments.

Section F
Labour productivity, hourly compensation and unit labour cost

Fourth quarter 2006 and annual 2006

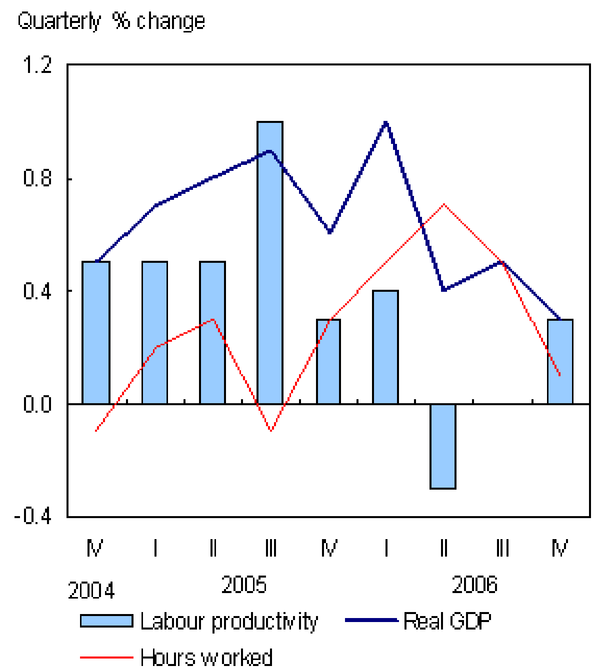
Productivity in Canadian businesses increased 0.3% between October and December, after a weak performance over the two preceding quarters. This reflected a slight slowdown in growth in GDP and a more noticeable slowdown in the growth in hours worked. Productivity improves when the gross domestic product (GDP) increases more than hours worked.

With the depreciation in the Canadian dollar, unit labour costs expressed in U.S. dollars were down in the fourth quarter for the first time in six quarters. This allowed Canadian businesses to recover some of the competitiveness they had lost in relation to their U.S. counterparts starting in the third quarter of 2005.

Annual productivity growth reached 1.2% for 2006 as a whole, lower than the 2.1% recorded in 2005. This moderate gain in productivity can largely be attributed to the slowdown in productivity growth in the goods sector, while the services sector (mainly wholesale and retail trade) made a more positive contribution.

Chart F.1

Productivity growth in Canada's business sector rebounds slightly



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 at 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

With this release, Canadian revisions have been made back to the first quarter of 2006. In the United States, the Bureau of Labor Statistics has revised its data back to 2002 and these revisions are reflected in this release.

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

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

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

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

In particular, shortages of skilled labour in the West contributed to the productivity slowdown; and developments associated with activity in Alberta's tar sands, which resulted in strong growth in the volume of hours worked without yet generating commensurate increases in production (see *The Daily*, February 23, 2007).

Fourth quarter 2006

Slight recovery in productivity in the goods sector

After two consecutive quarters of no growth, business productivity rose slightly in the fourth quarter. This recovery can largely be attributed to productivity in the goods-producing industries, which rose by 0.2% in the fourth quarter after dropping during the first three quarters of 2006.

The manufacturing sector, which represents approximately 50% of value added of the goods sector, accounted for part of the increase in the fourth quarter. Manufacturing productivity rose in the fourth quarter after having dropped during the first three quarters of the year.

Productivity in the mining, oil and gas extraction industry was down in the fourth quarter. This industry, which is undergoing changes in the composition of its output, recorded productivity decreases during eight of the past ten quarters.

In the services sector, the main productivity increases were recorded in accommodation and food services, transportation and warehousing and finance and insurance. However, two of the main sectors driving annual productivity growth in 2006, namely the wholesale trade and the retail trade, recorded drops in the fourth quarter.

Slowdown in unit labour cost for goods sector

Unit labour cost was up in the fourth quarter for Canadian businesses as a whole (+1.1%), despite an improvement in this regard in the goods sector.

After rising by 1.4% in the third quarter, labour cost per unit of GDP in the goods-producing industries slowed in the fourth quarter, posting a growth rate of 1.0%. This improvement can be attributed to agriculture, forestry and fishing industries and construction.

In contrast, the mining, oil and gas extraction sector partially offset this performance and posted a strong increase in its unit labour cost in the fourth quarter.

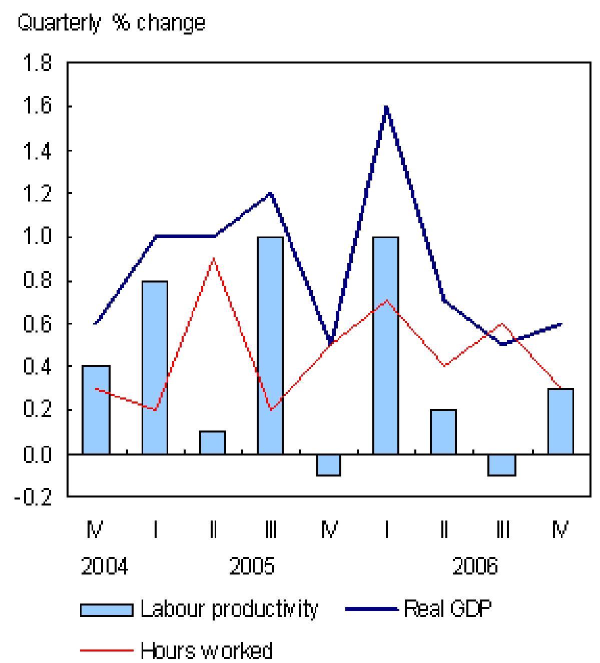
However, the labour cost per unit of GDP in the commercial services industries rose from 0.3% in the third quarter to 1.1% in the fourth. This deterioration in terms of labour costs can largely be attributed to the wholesale trade and transportation and warehousing. The unit labour cost dropped in accommodation and food services and in the retail trade.

Canada and U.S. productivity advance at the same pace

Productivity advanced a modest 0.3% in both Canada and the United States during the last quarter of 2006.

Chart F.2

U.S. productivity growth remains weak



Canadian business sector real GDP grew 0.3% in the fourth quarter, a slightly slower pace of growth than in the previous two quarters. GDP had posted a strong increase of 1.0% in the first quarter and then slowed to 0.4% in the second quarter and 0.5% in the third quarter of 2006.

On the labour market front, hours worked in Canadian companies edged up 0.1% in the fourth quarter, while employment rose by 0.8%. Hours worked grew less than employment because of a decline in hours worked per job. A large part of this decline came from a relatively higher growth in the number of part-time jobs, a decline in overtime hours and the unusual storms in British Columbia.

Growth in U.S. business sector real GDP accelerated slightly to 0.6% in the fourth quarter reflecting the strong rise in consumer spending and the downturn in imports. Stronger exports also contributed to the growth in the U.S. GDP in the last quarter of 2006. GDP growth in the fourth quarter followed gains of 0.5% in the third and of 0.7% in the second quarter.

Hours worked in American businesses increased 0.3% in the fourth quarter, down from 0.6% in the previous quarter.

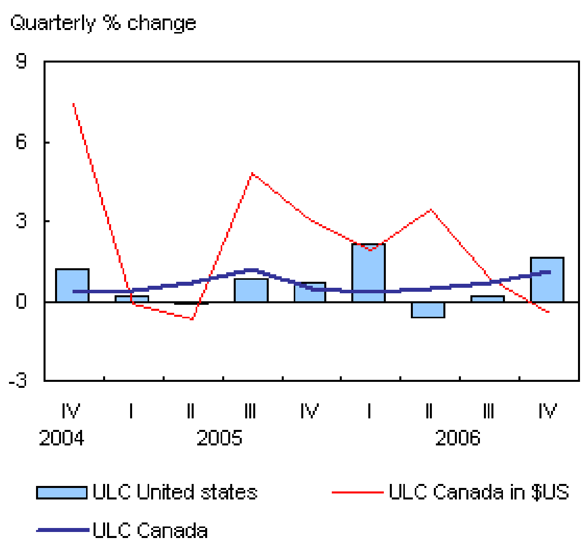
Growth in U.S. unit labour cost surpassed Canada in the fourth quarter

Unit labour cost—salary costs and benefits of workers per unit of economic production—rose more quickly in the United States than in Canada in the fourth quarter, when measured in their respective national currencies.

Without taking the exchange rate into account, unit labour costs in Canadian businesses accelerated in the latter half of 2006, by 0.7% in the third and 1.1% in the fourth quarter. U.S. businesses saw their unit labour costs jump to 1.6% in the fourth quarter, a large increase compared to the two previous quarters.

Chart F.3

Canadian unit labour costs in U.S. dollars declines



The competitive position was even more favourable for Canadian businesses in the fourth quarter when the unit cost of labour is adjusted for the exchange rate. In the fourth quarter, the Canadian dollar depreciated 1.6% against the U.S. dollar. This depreciation resulted in a 0.5% decline in Canadian unit labour costs, expressed in American dollars.

Year-end review

In 2006, productivity growth can largely be attributed to the service sector

Most of the 1.2% increase in productivity in the business sector in 2006 can be attributed to service-producing businesses. Productivity in services rose by 2.1% in 2006, slightly below the rate in 2005 (+2.6%).

The wholesale and retail trade industries were the main engines of productivity growth in the service sector. Wholesale trade productivity rose by 7.2%, and retail trade increased by 4.2% in 2006. Information and cultural industries contributed as well to the increase in productivity with a growth of 3.6% in 2006.

Output in the wholesale trade industry increased at essentially the same rate as in 2005 (+6.8%). The bulk of this growth came from sales of automotive vehicles, electronic equipment, and personal and household goods. Strong imports of foreign goods also contributed to the vitality in this sector. The number of hours worked in this sector decreased for the second year in a row, by -0.4%, the same rate observed in 2005.

In contrast with services, productivity in the goods sector slowed considerably, rising only 0.1% in 2006, as compared with 1.3% in 2005. With the exception of construction, all goods-producing industries saw their productivity slow.

Productivity in the construction industry rebounded in 2006, posting 3.4% growth after dropping during the two previous years. In 2006, construction activity shifted to non-residential construction, including a significant addition of infrastructure for the development of the Alberta oil sands. Non-residential construction activities are generally much more capital-intensive than residential construction and, consequently are usually associated with higher productivity. Since 2002, residential construction had constituted the main source of growth in this industry.

Poor productivity performance among goods producers is associated with a slowdown in the mining, oil and gas extraction sector, which dropped in 2006. This reflects the slow rate of increase in economic activity in this sector despite a leap of 10% in hours worked, largely driven by development of non-conventional sources of oil and gas extraction in Alberta.

Productivity in manufacturing industries slowed down in 2006, from 3.6% in 2005 to 0.1% in 2006. This slowdown took place in the context of a 1.4% drop in hours worked and a 1.2% decline in real GDP in 2006. This was especially evident for manufacturers of non-durable goods.

Unit labour costs on the rise in 2006 in almost all industries

In 2006, the tightening of the labour market, particularly in the western part of the country, led to an increase in the growth of hourly compensation for the second consecutive year. The latter was up by 3.8% in 2006 as compared with 4.4% in 2005, more than the 2.2% average observed between 2001 and 2004.

This strong growth in hourly compensation, combined with productivity gains of 1.2%, led to a 2.6% increase in the unit labour costs of Canadian businesses in 2006. This is the largest increase in unit labour cost since 2001, when this indicator had posted a 3.0% increase. Unit labour costs are used to monitor inflationary pressures by comparing relative differences between changes in hourly wages and productivity.

The increase in the unit labour cost for businesses as a whole in 2006 can largely be attributed to goods-producing businesses, which saw unit costs accelerate from 1.5% in 2005 to 2.6% in 2006. The unit labour cost for service-producing businesses slowed down slightly compared to 2005, from 2.6% in 2005 to 2.2% in 2006.

The rise in unit labour cost in goods-producing industries once again this past year comes mainly from the mining, oil and gas extraction industries. The unit labour cost in this industry rose by 12.5% in 2006, compared with 12.4% in 2005 and 9.4% in 2004.

The industries that recorded the best performances in terms of unit labour costs in 2006 tended to be those that experienced the highest productivity growth. Labour unit cost in wholesale trade was down by 1.8% and posted the best performance in this regard, followed by retail trade -1.4%).

Unit labour costs in wholesale trade were down for the fifth straight year.

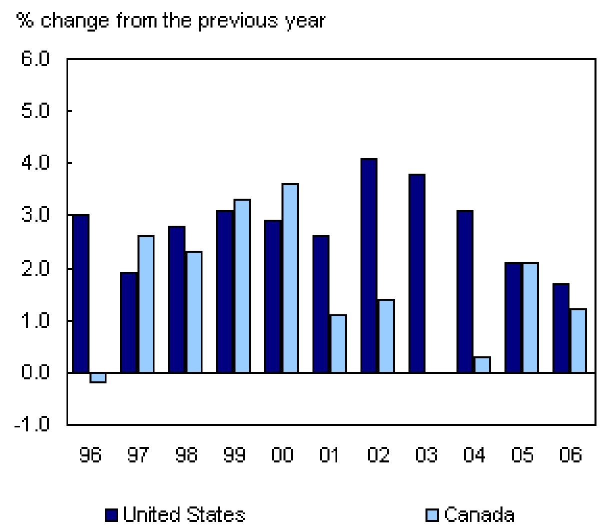
Productivity slows on both sides of the border

In 2006, productivity in Canada was up 1.2%. This growth was considerably above the levels in 2003 (+0.0%) and 2004 (+0.3%), but below the level in 2005 (+2.1%). Canadian productivity growth rates over the last four years have fluctuated considerably.

In comparison, annual productivity growth in the United States was 1.7% in 2006, continuing the slowdown since the 4.1% peak recorded in 2002.

Chart F.4

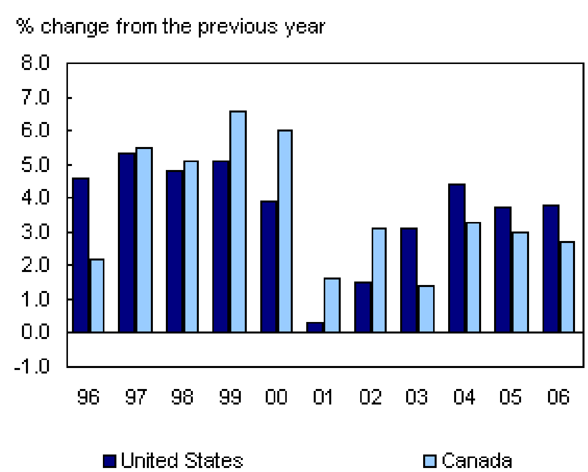
Productivity growth slows in both countries in 2006



In 2005, Canada had closed the gap in productivity growth with the United States, bringing its annual growth to 2.1%. The gap re-emerged in 2006 because of differences in GDP growth. The growth in business sector real GDP decelerated to 2.7% in 2006 from 3.0% in 2005. South of the border, business sector production climbed 3.8% in 2006 from 3.7% in 2005.

Chart F.5

U.S. GDP continues to outpace Canadian GDP

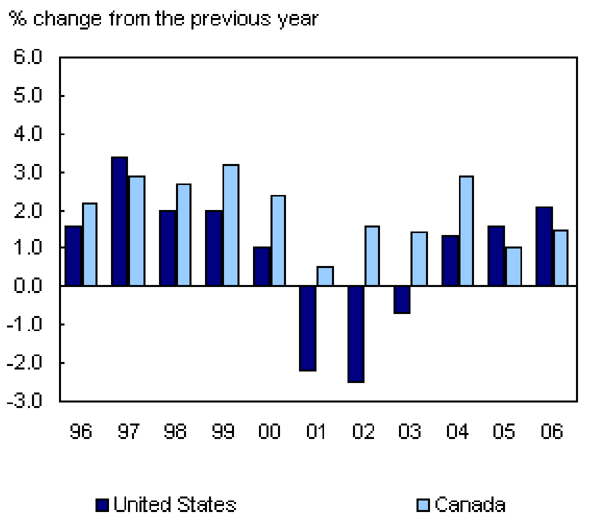


In contrast, growth in hours worked accelerated in both countries by the same amount. In Canada hours worked growth increased to 1.5% from 1.0% in 2005 while, in the U.S., hours worked growth increased to 2.1% from 1.6%.

From an employment standpoint, the growth in employment in Canada in 2006 was highly concentrated in full-time work. The volume of hours worked and the number of jobs in Canadian businesses rose at the same pace (+1.5%). In contrast, the volume of hours worked increased by 1.0% in 2005, much less than the 1.8% growth in the number of jobs.

Chart F.6

Growth in hours worked accelerates in both countries



In 2006, the volume of hours worked in American businesses increased by 2.1%, from 1.6% in 2005. This is the second year in a row that hours worked in the United States grew more than in Canada. Prior to 2005, the growth in Canadian hours worked had been larger than in the U.S. every year since 1997.

In 2006, the tightening of the labour market in Canada, particularly in the western part of the country, led to an increase in the escalation of hourly compensation growth for a second consecutive year. The latter was up by 3.8% in 2006 compared with 4.4% in 2005, more than the 2.6% average observed between 2001 and 2004.

This stronger growth in hourly compensation, combined with productivity gains of 1.2%, led to a 2.6% increase in the unit labour costs of Canadian businesses in 2006. The increase in 2006 is the largest since 2001, when this indicator posted 3.0% growth. Unit labour cost has been increasing steadily since 2004.

In the United States, unit labour cost has also been increasing steadily since 2004. Prior to 2006, unit labour cost increases in the United States were less than in Canada. From 2006, they exceeded the increases experienced in the Canadian economy, when each are measured in their respective currencies. However when measured in U.S. dollars, the annual growth of unit labour costs in Canada have been close to 10% since 2004, far exceeding the U.S. experience.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006
	Seasonally adjusted					
	Percent change from previous quarter					
Canada						
Labour productivity	1.0	0.3	0.4	-0.3	0.0	0.3
Real GDP	0.9	0.6	1.0	0.4	0.5	0.3
Hours worked	-0.1	0.3	0.5	0.7	0.5	0.1
Hourly compensation	2.2	0.9	0.8	0.2	0.7	1.4
Unit labour cost	1.2	0.5	0.3	0.5	0.7	1.1
Exchange rate[2]	-3.3	-2.4	-1.5	-2.8	-0.1	1.6
Unit labour cost in US$	4.8	3.0	1.9	3.4	0.8	-0.5
United States						
Labour productivity	1.0	-0.1	1.0	0.2	-0.1	0.3
Real GDP	1.2	0.5	1.6	0.7	0.5	0.6
Hours worked	0.2	0.5	0.7	0.4	0.6	0.3
Hourly compensation	1.8	0.6	3.1	-0.4	0.2	1.9
Unit labour cost	0.8	0.7	2.1	-0.6	0.2	1.6
	Percent change from same quarter of previous year					
Canada						
Labour productivity	2.6	2.4	2.3	1.5	0.5	0.4
Real GDP	2.8	3.0	3.2	2.9	2.5	2.2
Hours worked	0.3	0.6	0.9	1.4	2.0	1.8
Hourly compensation	5.3	5.4	5.2	4.2	2.6	3.2
Unit labour cost	2.7	3.0	2.9	2.7	2.1	2.7
Exchange rate[2]	-8.1	-4.0	-5.9	-9.7	-6.7	-2.8
Unit labour cost in US$	11.6	7.1	9.2	13.8	9.5	5.8
United States						
Labour productivity	2.4	2.0	2.1	2.2	1.1	1.4
Real GDP	3.9	3.7	4.4	4.0	3.3	3.4
Hours worked	1.5	1.7	2.3	1.8	2.2	2.1
Hourly compensation	4.5	3.6	5.7	5.2	3.6	4.8
Unit labour cost	2.1	1.6	3.5	2.9	2.5	3.4
	Percent change from previous quarter at annualized rate[3]					
Canada						
Labour productivity	3.9	1.4	1.7	-1.0	0.0	1.0
Real GDP	3.6	2.4	3.9	1.8	2.1	1.2
Hours worked	-0.3	1.0	2.1	2.8	2.0	0.3
Hourly compensation	9.3	3.7	3.0	0.9	3.0	5.7
Unit labour cost	5.1	2.1	1.4	2.1	2.8	4.5
Unit labour cost in US$	20.5	12.7	7.9	14.3	3.4	-1.9
United States						
Labour productivity	4.3	-0.2	3.8	1.0	-0.3	1.0
Real GDP	4.9	1.8	6.7	2.7	1.9	2.5
Hours worked	0.6	2.1	2.8	1.7	2.2	1.5
Hourly compensation	7.3	2.7	12.9	-1.6	0.9	7.5
Unit labour cost	2.9	2.9	8.8	-2.6	1.2	6.5

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.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006
	Seasonally adjusted					
	Percent change from previous quarter					
Canada						
All jobs	0.2	-0.1	0.3	1.0	0.2	0.8
Hours worked	-0.1	0.3	0.5	0.7	0.5	0.1
Average hours	-0.2	0.3	0.2	-0.3	0.3	-0.7
Labour share[2]	-0.8	-1.2	1.2	0.4	0.5	0.8
United States						
All jobs	0.2	0.4	0.7	0.4	0.2	0.4
Hours worked	0.2	0.5	0.7	0.4	0.6	0.3
Average hours	0.0	0.1	-0.1	0.0	0.3	0.0
Labour share[2]	-0.1	0.0	1.4	-1.4	0.0	1.3
	Percent change from same quarter of previous year					
Canada						
All jobs	1.5	1.3	0.9	1.4	1.4	2.4
Hours worked	0.3	0.6	0.9	1.4	2.0	1.8
Average hours	-1.2	-0.7	0.0	0.0	0.5	-0.5
Labour share[2]	-0.9	-1.8	-0.7	-0.4	0.9	3.0
United States						
All jobs	1.7	1.7	2.0	1.8	1.8	1.8
Hours worked	1.5	1.7	2.3	1.8	2.2	2.1
Average hours	-0.1	0.1	0.3	0.0	0.3	0.2
Labour share[2]	-0.9	-1.3	0.6	-0.1	0.0	1.3
	Percent change from previous quarter at annualized rates[3]					
Canada						
All jobs	0.7	-0.3	1.4	4.1	0.7	3.4
Hours worked	-0.3	1.0	2.1	2.8	2.0	0.3
Average hours	-0.8	1.2	0.8	-1.2	1.2	-2.8
Labour share[2]	-3.3	-4.5	4.7	1.7	2.1	3.4
United States						
All jobs	0.7	1.7	3.0	1.7	1.0	1.6
Hours worked	0.6	2.1	2.8	1.7	2.2	1.5
Average hours	0.0	0.4	-0.4	0.0	1.2	0.0
Labour share[2]	-0.4	0.0	5.9	-5.6	0.0	5.5

1. Source: U.S. data are from the Bureau of Labor Statistics, Productivity and costs, published in NEWS.
2. This is the ratio of labour compensation to GDP at market prices in current dollars.
3. The change at annualized rates corresponds to the annual growth rate that would have been observed if the growth over the quarter had been the same for the whole year.

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Using seasonally adjusted data, (1997 = 100)							
Business sector - goods	**116.6**	**117.3**	**117.2**	**116.0**	**115.5**	**115.7**	**116.0**	**116.1**
	1.4	***0.6***	***-0.1***	***-1.0***	***-0.4***	***0.2***	***1.3***	***0.1***
Agriculture, forestry, fishing and hunting	159.8	157.0	159.4	157.0	153.4	159.2	156.9	157.3
	2.9	*-1.8*	*1.5*	*-1.5*	*-2.3*	*3.8*	*3.8*	*0.2*
Construction	111.9	113.0	115.4	116.5	116.3	116.8	112.4	116.3
	0.6	*1.0*	*2.1*	*1.0*	*-0.2*	*0.4*	*-0.7*	*3.4*
Manufacturing	119.5	121.0	120.8	118.6	117.7	118.5	118.7	118.9
	1.4	*1.3*	*-0.2*	*-1.8*	*-0.8*	*0.7*	*3.6*	*0.1*
Business sector - services	**116.4**	**116.9**	**117.6**	**118.0**	**118.4**	**118.4**	**115.7**	**118.1**
	1.0	***0.4***	***0.6***	***0.3***	***0.3***	***0.0***	***2.6***	***2.1***
Wholesale trade	133.4	136.6	139.5	141.8	143.3	142.1	132.1	141.7
	1.5	*2.4*	*2.1*	*1.6*	*1.1*	*-0.8*	*7.4*	*7.2*
Retail trade	125.3	126.7	129.6	130.8	131.5	130.7	125.4	130.7
	0.6	*1.1*	*2.3*	*0.9*	*0.5*	*-0.6*	*2.3*	*4.2*
Transportation and warehousing	113.0	114.2	113.2	112.9	112.2	113.0	112.0	112.8
	2.0	*1.1*	*-0.9*	*-0.3*	*-0.6*	*0.7*	*4.0*	*0.7*
Information and cultural industries	123.4	123.0	123.8	123.8	123.9	123.9	119.6	123.9
	5.7	*-0.3*	*0.7*	*0.0*	*0.1*	*0.0*	*4.5*	*3.6*
Finance, real estate and company management	107.8	106.2	106.8	108.3	109.9	110.7	108.1	108.9
	-1.2	*-1.5*	*0.6*	*1.4*	*1.5*	*0.7*	*-1.9*	*0.8*
Professional, scientific and technical services	118.1	118.1	118.0	118.1	117.5	117.6	117.8	117.8
	0.4	*0.0*	*-0.1*	*0.1*	*-0.5*	*0.1*	*1.6*	*0.0*
Administrative and support, waste management and remediation services	96.5	96.7	97.2	98.4	98.4	98.3	96.2	98.1
	0.6	*0.2*	*0.5*	*1.2*	*0.0*	*-0.1*	*0.9*	*2.0*
Accomodation and food services	114.2	114.3	115.1	113.3	114.1	116.5	112.9	114.8
	1.2	*0.1*	*0.7*	*-1.6*	*0.7*	*2.1*	*2.2*	*1.6*
Other commercial services	110.3	110.6	109.7	108.6	108.1	107.8	109.7	108.6
	0.9	*0.3*	*-0.8*	*-1.0*	*-0.5*	*-0.3*	*2.4*	*-1.0*

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

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

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Using seasonally adjusted data (1997 = 100)							
Business sector - goods	**113.1**	**112.8**	**113.3**	**114.9**	**116.5**	**117.7**	**112.7**	**115.6**
	0.9	***-0.3***	***0.4***	***1.4***	***1.4***	***1.0***	***1.5***	***2.6***
Agriculture, forestry, fishing and hunting	97.6	100.4	101.5	97.9	97.7	95.1	100.3	98.1
	-1.4	*2.9*	*1.1*	*-3.5*	*-0.2*	*-2.7*	*-7.6*	*-2.3*
Construction	107.6	106.5	102.9	104.2	105.8	105.5	105.9	104.6
	2.0	*-1.0*	*-3.4*	*1.3*	*1.5*	*-0.3*	*2.5*	*-1.3*
Manufacturing	107.9	107.0	107.9	109.4	111.0	111.9	107.5	110.1
	0.7	*-0.8*	*0.8*	*1.4*	*1.5*	*0.8*	*0.2*	*2.4*
Business sector - services	**114.6**	**115.4**	**115.7**	**115.8**	**116.2**	**117.5**	**113.8**	**116.3**
	1.2	***0.7***	***0.3***	***0.1***	***0.3***	***1.1***	***2.6***	***2.2***
Wholesale trade	95.2	95.7	93.8	92.2	92.7	95.6	95.3	93.6
	1.2	*0.5*	*-2.0*	*-1.7*	*0.5*	*3.1*	*-1.6*	*-1.8*
Retail trade	104.7	105.8	102.9	103.5	101.8	101.5	103.9	102.4
	1.1	*1.1*	*-2.7*	*0.6*	*-1.6*	*-0.3*	*1.5*	*-1.4*
Transportation and warehousing	112.0	112.2	111.9	111.2	111.2	113.0	112.0	111.8
	-0.4	*0.2*	*-0.3*	*-0.6*	*0.0*	*1.6*	*0.9*	*-0.1*
Information and cultural industries	108.5	111.9	112.8	114.0	114.3	116.0	109.2	114.3
	-0.4	*3.1*	*0.8*	*1.1*	*0.3*	*1.5*	*2.3*	*4.6*
Finance, real estate and company management	119.0	120.3	121.2	123.1	122.7	124.3	117.8	122.8
	1.8	*1.1*	*0.7*	*1.6*	*-0.3*	*1.3*	*4.6*	*4.2*
Professional, scientific and technical services	121.2	121.7	123.7	123.1	127.4	128.7	120.6	125.7
	1.3	*0.4*	*1.6*	*-0.5*	*3.5*	*1.0*	*2.4*	*4.3*
Administrative and support, waste management and remediation services	130.3	130.8	131.4	131.1	134.1	136.5	129.8	133.3
	0.2	*0.4*	*0.5*	*-0.2*	*2.3*	*1.8*	*3.4*	*2.7*
Accomodation and food services	129.3	126.8	128.3	128.3	126.6	125.2	122.7	127.1
	7.2	*-1.9*	*1.2*	*0.0*	*-1.3*	*-1.1*	*6.9*	*3.6*
Other commercial services	123.7	124.8	129.5	130.6	131.5	133.0	123.4	131.2
	0.4	*0.9*	*3.8*	*0.8*	*0.7*	*1.1*	*4.4*	*6.3*

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

Table F.5 Business sector - Labour productivity and related variables for Canada and the United States[1]

	2001	2002	2003	2004	2005	2006
	Percent change from previous year					
Canada						
Labour productivity	1.1	1.4	0.0	0.3	2.1	1.2
Real GDP	1.6	3.1	1.4	3.3	3.0	2.7
Hours worked	0.5	1.6	1.4	2.9	1.0	1.5
Hourly compensation	4.3	1.5	2.5	2.2	4.4	3.8
Unit labour cost	3.0	0.1	2.4	1.9	2.3	2.6
Exchange rate[2]	4.3	1.3	-10.8	-7.1	-6.9	-6.4
Unit labour cost in US$	-1.0	-1.4	15.1	9.6	9.6	9.6
United States						
Labour productivity	2.6	4.1	3.8	3.1	2.1	1.7
Real GDP	0.3	1.5	3.1	4.4	3.7	3.8
Hours worked	-2.2	-2.5	-0.7	1.3	1.6	2.1
Hourly compensation	4.2	3.5	4.1	3.8	4.2	4.8
Unit labour cost	1.6	-0.5	0.2	0.7	2.0	3.1

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.

Section G
Canada's International investment position

Fourth quarter 2006

Canada's net external liabilities fell to their lowest level in more than a quarter-century during the last three months of 2006, the result primarily of a weakening Canadian dollar.

The country's net liabilities hit $106.8 billion, down 17.4% from the third quarter, the fastest rate of decline on record.

The level at the end of 2006 was lower than the level registered at the end of 1980. At that time, for each dollar of international assets, Canada had $2 of liabilities with non-residents. At the end of 2006, Canada owed only $1.09 to non residents for each dollar in international assets.

Net liabilities represented only 7.3% of gross domestic product (GDP) at the end of the fourth quarter, the lowest proportion ever. This was down from 9.0% in the third quarter and far below the peak of 44.3% in 1994.

The weakening of the Canadian dollar had a much stronger positive impact on Canada's international assets than on its liabilities, accelerating the downward trend of Canada's net external liabilities.

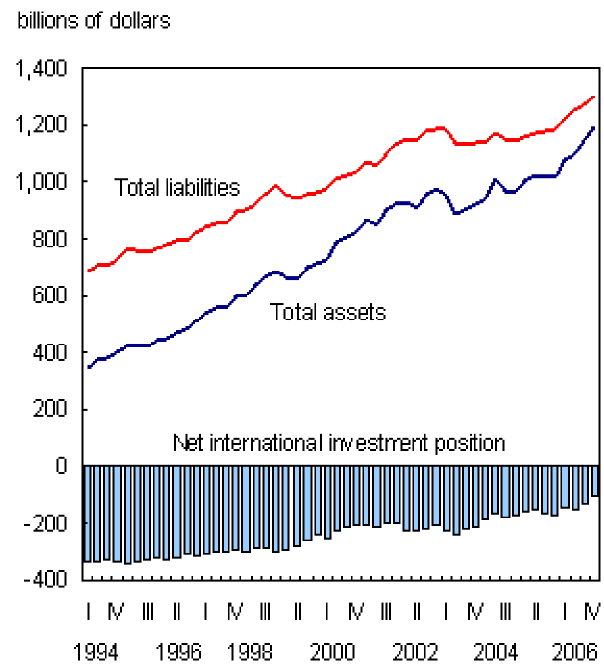
The value of Canada's international assets reached $1,192.8 billion at the end of 2006, up $49.5 billion, or 4.3%, from the third quarter. The major reason for the increase was the weakening dollar, which added $54.5 billion to the value of Canadian assets held abroad.

On the other hand, international liabilities rose by 2.1% to $1,299.6 billion. Again, a good portion of the increase was due to changes in valuation driven by the exchange rate. Other factors were large takeover transactions and strong acquisitions of Canadian bonds, but these were partially offset by a large decline in deposits.

The Canadian dollar lost ground against major foreign currencies. It depreciated by 8.2% against the pound sterling, 7.8% against the euro, 6.4% against the Swiss franc, 3.3% against the Japanese yen and 4.1% against the U.S. dollar.

Chart G.1

Canada's international investment position



Canadian holdings of foreign bonds up significantly

Canadian holdings of foreign bonds increased a significant 14.1% to $128.5 billion at the end of 2006, compared with the third quarter. These holdings have shown steady increases for the past two years, resulting in a doubling of the position since the end of 2004.

While the majority of these bonds, about $75.5 billion, were issued by the United States, issues by overseas residents increased by more than 25% to $53.1 billion.

Driven by these increases, total Canadian portfolio investment abroad reached $356.2 billion, representing almost 30% of Canada's international assets.

Note to readers

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.

Strong rise in the value of Canadian direct investment abroad

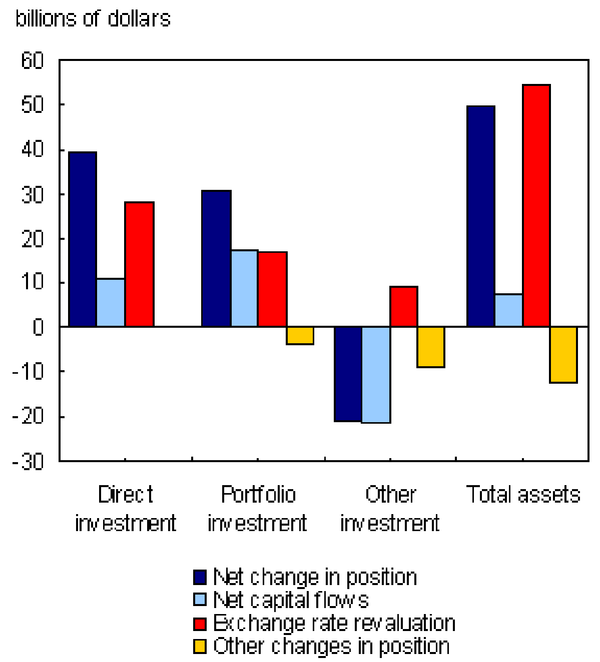
Canadian direct investment abroad reached $533.9 billion at the end of 2006, up 8.0% from the third quarter. This increase was fuelled largely by the weakening of the Canadian dollar, but also by additional investment into foreign economies.

More than half of direct investment abroad is located outside of the United States. The value of direct investment in these countries reached $297.0 billion, an 8.9% increased from the third quarter.

Canadian deposit assets were down sharply and the level of loan assets decreased marginally, while Canada's official international reserves showed a slight increase.

Chart G.2

Contributors to net change in asset values between the third and fourth quarter of 2006



Another strong increase in foreign direct investment in Canada

Foreign direct investment in Canada jumped by another $14.7 billion at the end of 2006, fuelled by foreign acquisitions of Canadian companies.

This came on the heels of a $14.9-billion increase at the end of the third quarter. Year-end positions on foreign direct investment reached $464.2 billion.

However, the net direct investment position (the difference between Canadian direct investment abroad and foreign direct investment in Canada) increased to $69.7 billion. This indicates a stronger increase in the value Canadian direct investment abroad.

Substantial increase in foreign holdings of Canadian bonds

Foreign holdings of Canadian bonds reached $398.5 billion at the end of 2006, up $22.7 billion from the end of September. It represented the strongest increase in five years and was driven by large transactions and the weakening of the Canadian dollar.

Foreign investors increased their holdings in bonds of private corporations by $13.2 billion to $172.8 billion and in provincial government bonds by $6.4 billion to $102.0 billion.

On the other hand, foreign holdings of Canadian equities and Canadian money market instruments both declined at the end of the year, to reach $112.5 billion and $24.5 billion respectively.

Canadian deposit liabilities to non-residents decreased by $8.5 billion to $228.9 billion.

Chart G.3

Contributors to net change in liability values between the third and fourth quarter of 2006

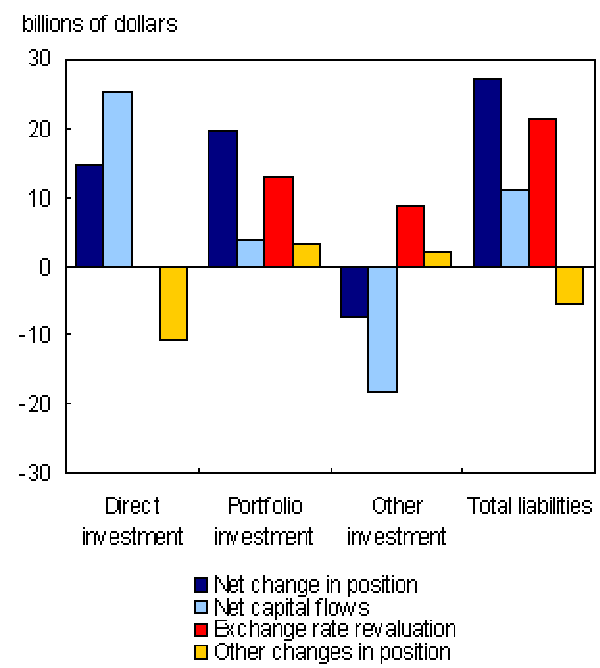


Table G.1 International investment position at period-end

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Millions of dollars							
Assets								
Canadian direct investment abroad	456,856	465,058	479,508	479,502	494,328	533,868	465,058	533,868
Portfolio investment abroad								
Foreign bonds	76,144	82,374	93,517	103,049	112,606	128,523	82,374	128,523
Foreign bonds at market value	*82,107*	*88,827*	*98,997*	*108,175*	*121,308*	*138,241*	*88,827*	*138,241*
Foreign stocks	188,543	189,175	193,941	193,066	195,004	208,183	189,175	208,183
Foreign stocks at market value	*405,695*	*422,791*	*459,380*	*442,669*	*470,260*	*536,477*	*422,791*	*536,477*
Foreign money market	12,516	13,055	14,084	12,687	17,645	19,491	13,055	19,491
Foreign money market at market value	*12,542*	*13,108*	*14,128*	*12,734*	*17,717*	*19,588*	*13,108*	*19,588*
Other investment								
Loans	51,662	48,325	61,843	65,044	72,785	71,848	48,325	71,848
Deposits	131,476	120,694	133,963	146,043	150,314	127,908	120,694	127,908
Official international reserves	38,459	38,030	42,149	40,301	40,131	40,959	38,030	40,959
Other assets	56,329	59,319	60,978	59,406	60,488	62,054	59,319	62,054
Total assets								
at book value	1,011,985	1,016,031	1,079,984	1,099,099	1,143,301	1,192,834	1,016,031	1,192,834
with portfolio investment at market value	*1,235,126*	*1,256,152*	*1,350,946*	*1,353,874*	*1,427,331*	*1,530,943*	*1,256,152*	*1,530,943*
Liabilities								
Foreign direct investment in Canada	404,694	415,561	427,451	434,565	449,548	464,211	415,561	464,211
Portfolio investment								
Canadian bonds	383,642	380,017	381,150	371,892	375,770	398,486	380,017	398,486
Canadian bonds at market value	*416,005*	*407,016*	*402,998*	*385,508*	*400,297*	*423,868*	*407,016*	*423,868*
Canadian stocks	107,896	107,598	110,299	114,293	114,209	112,472	107,598	112,472
Canadian stocks at market value	*308,234*	*314,712*	*346,140*	*342,404*	*346,328*	*373,240*	*314,712*	*373,240*
Canadian money market	17,686	20,783	22,868	27,054	25,919	24,498	20,783	24,498
Canadian money market at market value	*17,791*	*20,899*	*22,997*	*27,237*	*26,124*	*24,702*	*20,899*	*24,702*
Other investment								
Loans	41,239	36,107	39,428	42,937	47,491	48,233	36,107	48,233
Deposits	198,918	201,639	215,360	236,232	237,353	228,856	201,639	228,856
Other liabilities	22,953	22,829	23,173	22,588	22,341	22,872	22,829	22,872
Total liabilities								
at book value	1,177,030	1,184,534	1,219,730	1,249,561	1,272,632	1,299,629	1,184,534	1,299,629
with portfolio investment at market value	*1,409,834*	*1,418,763*	*1,477,547*	*1,491,471*	*1,529,482*	*1,585,982*	*1,418,763*	*1,585,982*
Net international investment position								
at book value	-165,045	-168,503	-139,746	-150,462	-129,330	-106,795	-168,503	-106,795
with portfolio investment at market value	*-174,708*	*-162,611*	*-126,601*	*-137,597*	*-102,151*	*-55,039*	*-162,611*	*-55,039*

Section H
National balance sheet accounts

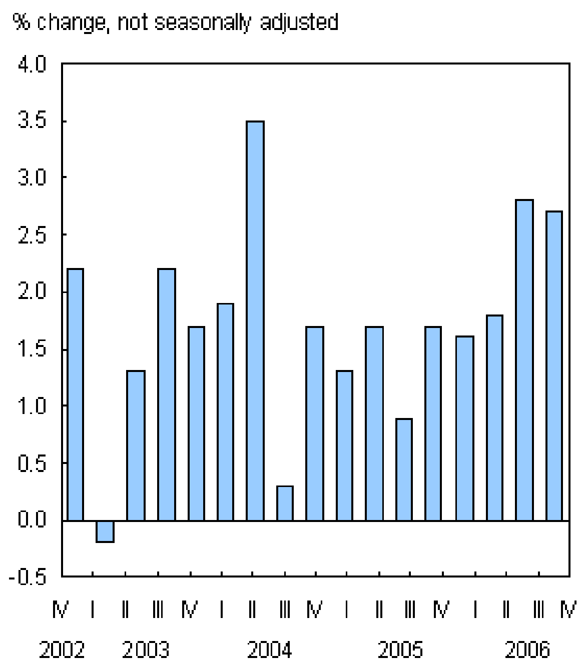
Fourth quarter 2006

Steady growth in national net worth

National net worth reached $4.9 trillion by the end of the fourth quarter, or $150,500 per capita. National net worth expanded by $131 billion in the fourth quarter, up 2.7% and just off the pace set in the third.

Chart H.1

National net worth advances as net foreign debt recedes



The growth in national wealth (economy-wide non-financial assets) slowed to 1.7%. This reflected the easing of economic activity, partly offset by sustained price increases for selected non-financial assets. Residential real estate continued to be the major contributor to growth in national wealth, accounting for over half of the gain.

The advance in national net worth was strongly supported by the sharp decline in Canadians' net foreign indebtedness (with marketable securities on a market value basis). Net foreign debt fell by almost half in the quarter, as assets abroad increased at nearly twice the rate as liabilities to non-residents. Growth in the value of foreign portfolio assets held by Canadians was the main contributor. The increase in these assets was driven by sustained strong investment flows, as well as the revaluation effects of sharp gains in foreign equity prices and a depreciating Canadian dollar in the fourth quarter.

Household net worth up strongly

Household net worth leapt 3.8% in the fourth quarter, a sharp increase from the third (+1.8%). Strong gains in the value of Canadian and foreign equities drove this increase, supported by continued growth in the values of residential real estate.

The Toronto stock exchange closed December 2006 at an historical high, with the S&P Toronto stock exchange composite index reaching just below the 13,000 mark. Mounting unrealized capital gains translated into significant advances in holdings of corporate shares, investment fund units and pension assets. Growth in share asset values contributed to 60% of the increase in financial assets.

The value of residential real estate continued to expand, providing the bulk of the increase in non-financial assets, given its relative size among household assets. New housing prices advanced 1.4% in the fourth quarter.

Households continued to build up mortgage and consumer credit debt. As a result, household debt continued to outpace personal disposable income (seasonally adjusted at annual rates). Canadian households currently carry about $1.10 in debt for every dollar of their disposable income. However, the gains in both financial and non-financial assets in the fourth quarter reduced the ratio of household debt to net worth to 17.8%, down from 18.2% in the third.

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.*

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

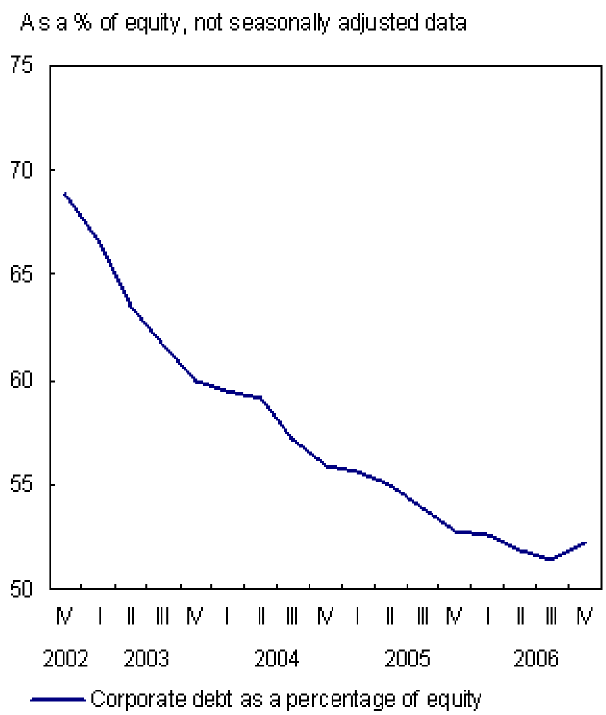
Corporate debt and leverage edge up

Despite sustained strong saving and net lending to the rest of the economy, corporate demand for borrowed funds increased in the fourth quarter, as capital investment strengthened.

In particular, private non-financial corporations turned to credit markets in the fourth quarter. The increase in credit market debt, in particular bonds, reflected both sharper borrowing and the impact of a depreciating Canadian dollar on foreign-denominated liabilities. As a result, the ratio of debt-to-equity (at book value) halted its downward trend and edged up in the fourth quarter.

Chart H.2

Corporate leverage rises against trend



Government debt-to-GDP continues to fall

With the government sector as a whole registering another surplus in the fourth quarter, partly as a result of negligible net borrowing on financial markets, government net debt (total liabilities less total financial assets) fell for a seventh consecutive quarter. Net government debt as a percentage of GDP declined further, representing less than half of GDP, compared to 90% a decade ago.

Year-end review

National net worth spikes upward

National net worth on a year-over-year basis jumped 9.3% in 2006, up from 5.7% growth in 2005. This was largely driven by the significant drop in net foreign indebtedness, concentrated during the third and fourth quarters of 2006.

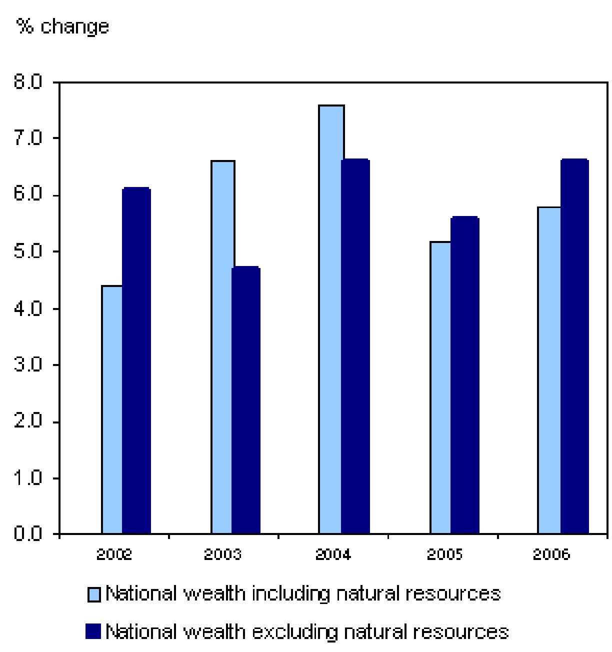
Somewhat stronger growth in national wealth also contributed, as business investment in non-residential structures strengthened and prices for non-financial assets continued to advance. Residential real estate assets continued to be the main contributor to the increase in the value of non-financial assets, accounting for over 70% of the change. National wealth grew 6.7% in the year, compared to 5.6% in 2005.

Natural resources constrain growth of national wealth

The broader measure of national wealth—including natural resources—grew 5.8% in 2006, slightly faster than the pace set in 2005. However, growth in natural resource assets was muted by falling natural gas and timber prices.

Chart H.3

Natural resources constrain growth of national wealth



The value of selected natural resource assets (timber, energy and mineral resources) rose 1.5% to $980.6 billion in 2006. This was a deceleration from the 3.5% rate in 2005. The value of the three broad natural resource components showed mixed growth: a 31.9% increase for minerals, a 1.1% increase for energy, and a 9.8% decline for timber. Increases in the value of metals, crude bitumen, and crude oil offset declines in the value of natural gas and timber. Vigorous growth in the value of minerals in 2006 was propelled by strong international demand. The price of most mineral resources increased substantially in 2006.

Table H.1 National balance sheet accounts[1]

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Market value, not seasonally adjusted, billions of dollars							
National net worth								
National wealth	4,610	4,675	4,712	4,807	4,902	4,986	4,675	4,986
	1.4	*1.4*	*0.8*	*2.0*	*2.0*	*1.7*	*5.6*	*6.7*
Net foreign debt	-175	-162	-126	-137	-102	-55	-162	-55
	...	...	...	...	...	...	...	...
National net worth	4,436	4,513	4,585	4,670	4,800	4,931	4,513	4,931
	0.9	*1.7*	*1.6*	*1.9*	*2.8*	*2.7*	*5.7*	*9.3*
National net worth per capita (dollars)	137,000	139,200	141,000	143,100	146,700	150,500	139,200	150,500
	0.5	*1.6*	*1.3*	*1.5*	*2.5*	*2.6*	*4.7*	*8.1*

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

Table H.2 National balance sheet, market value

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Millions of dollars at quarter end							
Total assets	**14,880,632**	**15,124,640**	**15,496,393**	**15,616,676**	**15,951,022**	**16,471,877**	**15,124,640**	**16,471,877**
Non-financial assets	4,610,490	4,675,140	4,711,783	4,806,945	4,902,036	4,985,556	4,675,140	4,985,556
Residential structures	1,267,502	1,293,245	1,317,081	1,358,901	1,397,453	1,428,069	1,293,245	1,428,069
Non-residential structures	1,117,227	1,131,290	1,122,534	1,134,659	1,150,708	1,165,960	1,131,290	1,165,960
Machinery and equipment	411,343	413,633	415,396	419,098	423,775	429,636	413,633	429,636
Consumer durables	368,365	376,072	377,294	380,000	380,939	388,434	376,072	388,434
Inventories	209,306	209,400	212,557	212,879	219,915	217,140	209,400	217,140
Land	1,236,747	1,251,500	1,266,921	1,301,408	1,329,246	1,356,317	1,251,500	1,356,317
Net financial assets	-174,605	-162,492	-126,470	-137,413	-101,947	-54,835	-162,492	-54,835
Financial assets	10,270,142	10,449,500	10,784,610	10,809,731	11,048,986	11,486,321	10,449,500	11,486,321
Official reserves	38,459	38,029	42,149	40,301	40,130	40,960	38,029	40,960
Gold & foreign currency	34,973	35,357	39,865	38,033	37,860	38,867	35,357	38,867
IMF reserve position	2,439	1,629	1,213	1,219	1,218	970	1,629	970
Special drawing rights	1,047	1,043	1,071	1,049	1,052	1,123	1,043	1,123
Currency and bank deposits	857,176	864,234	884,247	897,827	915,028	925,320	864,234	925,320
Other deposits	202,594	209,181	210,311	217,027	219,832	221,009	209,181	221,009
Foreign currency deposits	101,966	107,541	115,697	105,559	121,944	134,343	107,541	134,343
Consumer credit	262,399	267,696	270,831	278,809	286,196	292,356	267,696	292,356
Trade receivables	245,192	251,283	255,231	256,453	258,510	257,066	251,283	257,066
Bank loans	213,482	216,670	224,152	230,660	231,522	233,352	216,670	233,352
Other loans	216,310	226,042	229,619	229,200	230,532	233,349	226,042	233,349
Canada short-term paper	116,848	120,159	122,768	109,859	109,471	113,158	120,159	113,158
Other short-term paper	169,060	171,059	183,166	188,049	196,970	208,202	171,059	208,202
Mortgages	728,649	741,904	754,085	772,103	791,200	806,229	741,904	806,229
Canada bonds	277,019	271,751	271,939	269,413	274,421	270,429	271,751	270,429
(of which CSB's)	18,651	17,712	17,342	17,125	16,917	15,465	17,712	15,465
Provincial bonds	322,041	323,792	325,829	318,567	318,554	319,074	323,792	319,074
Municipal bonds	39,091	38,605	38,923	38,437	40,494	40,284	38,605	40,284
Other bonds	415,214	436,564	452,391	455,585	463,646	494,593	436,564	494,593
Life insurance & pensions	1,238,576	1,259,364	1,298,124	1,296,035	1,329,463	1,388,719	1,259,364	1,388,719
Corporate claims	1,216,698	1,228,263	1,255,279	1,281,910	1,304,422	1,319,746	1,228,263	1,319,746
Government claims	208,328	209,544	214,052	212,382	215,306	217,871	209,544	217,871
Shares	2,040,270	2,079,588	2,182,383	2,160,684	2,201,093	2,362,244	2,079,588	2,362,244
Foreign investments	505,359	532,417	581,034	570,835	616,651	702,704	532,417	702,704
Other financial assets	855,411	855,814	872,400	880,036	883,601	905,313	855,814	905,313
Liabilities and net worth	**14,880,632**	**15,124,640**	**15,496,393**	**15,616,676**	**15,951,022**	**16,471,877**	**15,124,640**	**16,471,877**
Liabilities	10,444,747	10,611,992	10,911,080	10,947,144	11,150,933	11,541,156	10,611,992	11,541,156
Currency and bank deposits	869,778	880,473	899,776	919,300	932,187	946,210	880,473	946,210
Other deposits	202,594	209,181	210,311	217,027	219,832	221,009	209,181	221,009
Foreign currency deposits	111,537	116,274	115,012	104,615	118,590	132,089	116,274	132,089
Consumer credit	262,399	267,696	270,831	278,809	286,196	292,356	267,696	292,356
Trade payables	246,475	251,783	258,902	261,027	263,749	262,690	251,783	262,690
Bank loans	202,496	205,583	210,792	217,851	214,224	216,611	205,583	216,611
Other loans	214,328	216,926	220,025	219,952	221,406	221,356	216,926	221,356
Canada short-term paper	124,832	129,632	136,334	123,882	122,969	126,307	129,632	126,307
Other short-term paper	177,985	181,433	191,104	199,443	207,303	217,283	181,433	217,283
Mortgages	728,999	742,252	754,432	772,446	791,543	806,575	742,252	806,575
Canada bonds	330,319	323,251	325,023	319,298	319,855	317,752	323,251	317,752
(of which CSB's)	18,651	17,712	17,342	17,125	16,917	15,465	17,712	15,465
Provincial bonds	445,016	445,725	446,169	433,301	437,403	445,054	445,725	445,054
Municipal bonds	42,870	42,360	42,755	42,434	44,683	44,581	42,360	44,581
Other bonds	643,551	659,668	671,084	666,410	688,621	734,225	659,668	734,225
Life insurance & pensions	1,238,576	1,259,364	1,298,124	1,296,035	1,329,463	1,388,719	1,259,364	1,388,719
Corporate claims	460,161	465,205	488,799	513,181	522,685	507,152	465,205	507,152
Government claims	208,328	209,544	214,052	212,382	215,306	217,871	209,544	217,871
Shares	3,101,060	3,164,864	3,307,569	3,294,408	3,354,771	3,556,616	3,164,864	3,556,616
Other liabilities	833,443	840,778	849,986	855,343	860,147	886,700	840,778	886,700
Net worth	**4,435,885**	**4,512,648**	**4,585,313**	**4,669,532**	**4,800,089**	**4,930,721**	**4,512,648**	**4,930,721**

Table H.3 Credit market summary table

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	2005	2006
	Millions of dollars at quarter end							
Debt outstanding of:								
Persons and unicorporated business	962,519	977,074	989,418	1,011,512	1,033,050	1,046,188	977,074	1,046,188
Consumer credit	262,399	267,696	270,831	278,809	286,196	292,356	267,696	292,356
Bank loans	34,351	35,269	36,820	37,541	37,485	37,012	35,269	37,012
Other loans	71,750	72,271	72,449	72,292	73,038	71,744	72,271	71,744
Mortgages	594,019	601,838	609,318	622,870	636,331	645,076	601,838	645,076
Non-financial private corporations	602,663	604,075	612,500	616,860	623,740	646,195	604,075	646,195
Bank loans	115,526	117,001	120,307	123,724	120,849	123,360	117,001	123,360
Other loans	74,247	73,696	74,681	76,925	78,132	76,958	73,696	76,958
Other short-term paper	47,128	44,784	47,270	49,722	51,561	57,088	44,784	57,088
Mortgages	114,287	117,270	120,538	123,660	127,266	132,176	117,270	132,176
Bonds	251,475	251,324	249,704	242,829	245,932	256,613	251,324	256,613
Non-financial government enterprises	65,493	64,635	65,853	65,805	67,703	69,309	64,635	69,309
Bank loans	2,864	2,461	2,596	2,804	2,746	2,650	2,461	2,650
Other loans	7,668	7,260	7,338	7,062	7,115	7,438	7,260	7,438
Other short-term paper	5,664	5,686	5,809	5,476	7,418	6,804	5,686	6,804
Mortgages	100	99	99	98	96	95	99	95
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	47,485	47,411	48,274	48,627	48,589	49,673	47,411	49,673
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,591	1,597	1,616	1,617	1,618	2,528	1,597	2,528
Federal government	413,475	412,102	421,144	406,065	404,372	403,059	412,102	403,059
Bank loans	101	100	76	56	51	64	100	64
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	124,832	129,632	136,334	123,882	122,969	126,307	129,632	126,307
Canada bonds	288,542	282,370	284,734	282,127	281,352	276,688	282,370	276,688
Canada savings bonds	18,651	17,712	17,342	17,125	16,917	15,465	17,712	15,465
Other bonds	269,891	264,658	267,392	265,002	264,435	261,223	264,658	261,223
Other levels of government	399,146	405,922	407,062	406,809	405,569	411,397	405,922	411,397
Bank loans	2,848	3,005	3,715	3,443	3,550	3,705	3,005	3,705
Other loans	12,854	13,041	13,048	12,995	13,036	13,197	13,041	13,197
Other short-term paper	10,650	13,947	13,092	16,398	13,143	13,022	13,947	13,022
Mortgages	2,031	2,029	2,000	2,000	2,000	2,000	2,029	2,000
Provincial bonds	327,263	330,453	330,566	326,812	327,484	333,028	330,453	333,028
Municipal bonds	39,902	39,706	40,914	41,327	42,522	42,543	39,706	42,543
Other bonds	3,598	3,741	3,727	3,834	3,834	3,902	3,741	3,902
Total funds raised by domestic non-financial sectors	2,443,296	2,463,808	2,495,977	2,507,051	2,534,434	2,576,148	2,463,808	2,576,148
Consumer credit	262,399	267,696	270,831	278,809	286,196	292,356	267,696	292,356
Bank loans	155,690	157,836	163,514	167,568	164,681	166,791	157,836	166,791
Other loans	166,519	166,268	167,516	169,274	171,321	169,337	166,268	169,337
Canada short-term paper	124,832	129,632	136,334	123,882	122,969	126,307	129,632	126,307
Other short-term paper	63,442	64,417	66,171	71,596	72,122	76,914	64,417	76,914
Mortgages	710,437	721,236	731,955	748,628	765,693	779,347	721,236	779,347
Bonds	959,977	956,723	959,656	947,294	951,452	965,096	956,723	965,096
Non-residents	42,547	44,165	47,016	45,474	49,215	50,622	44,165	50,622
Bank loans	10,986	11,087	13,360	12,809	17,298	16,741	11,087	16,741
Other loans	31,561	33,078	33,656	32,665	31,917	33,881	33,078	33,881
Mortgages	0	...	...	...	...	...	...	...
Total borrowing excluding domestic financial institutions	2,485,843	2,507,973	2,542,993	2,552,525	2,583,649	2,626,770	2,507,973	2,626,770
Domestic financial institutions	583,609	610,075	640,885	656,652	675,543	714,514	610,075	714,514
Bank loans	46,806	47,747	47,278	50,283	49,543	49,820	47,747	49,820
Other loans	47,809	50,658	52,509	50,678	50,085	52,019	50,658	52,019
Other short-term paper	114,543	117,016	124,933	127,847	135,181	140,369	117,016	140,369
Mortgages	18,562	21,016	22,477	23,818	25,850	27,228	21,016	27,228
Bonds	355,889	373,638	393,688	404,026	414,884	445,078	373,638	445,078
Total funds raised = total funds supplied	3,069,452	3,118,048	3,183,878	3,209,177	3,259,192	3,341,284	3,118,048	3,341,284
Assets of:								
Persons and unicorporated business	130,795	120,557	115,982	106,844	107,396	105,188	120,557	105,188
Non-financial corporations	73,459	76,473	76,900	77,101	77,626	71,484	76,473	71,484
Governments	227,823	227,155	228,512	230,595	240,322	241,792	227,155	241,792
Non-residents	422,866	417,452	420,016	415,002	415,884	436,315	417,452	436,315
Domestic financial institutions	2,238,661	2,300,461	2,366,570	2,402,945	2,440,783	2,509,254	2,300,461	2,509,254