21.2 Domestic product by industry

21.2.1 Indexes of real domestic product

Since the early 1960s Statistics Canada has published a set of production data pertaining to the entire spectrum of Canadian industries in its full industry detail (including the index of industrial production). These data, in the form of production indexes, are measures of value added for each industry revalued in the dollars of the base year. Technically, they are termed "indexes of real domestic product (RDP) at factor cost originating by industry". In constructing the index for total RDP, where the gross output of one industry flows to another industry (intermediate input) and/or to final demand (non-industrial sales), the portion double-counted has been eliminated. This is accomplished by subtracting the intermediate inputs (materials, fuels, advertising, etc.) valued in terms of the dollars of a common base year from the constant dollar value of the gross output to yield a constant dollar value added aggregate.

RDP indexes are published on an annual, a quarterly and a monthly basis. The monthly and quarterly data are published both seasonally adjusted and without seasonal adjustment. The seasonally adjusted data are considered to be preferable for the analysis of emerging trends, as the strong seasonal fluctuations to which sub-annual data are frequently subject have been removed through the seasonal adjustment process, thus revealing the underlying trend as well as the cyclical and irregular factors affecting the data. In general, the annual indexes are suitable for studies of production trends, growth rates and inter-industry comparisons, whereas monthly indexes provide a much better tool for the study of the cyclical behaviour of industries and short-term changes in production.

Recent performance. Spurred on by strong domestic and foreign demand for the goods and services produced by Canadian industries throughout most of the decade since 1961, total real output in the 1961-72 period achieved an average annual rate of gain of 5.7% in contrast to the average rate of growth of 4.7% in the 1946-61 period. Domestic demand has been influenced by demographic factors operating since World War II; younger age groups are displaying both their purchasing power and changing tastes. Buoyant foreign demand for Canadian commodities has been a dominant force since 1961, with sales of wheat and motor vehicles and parts having recorded the most dramatic gains over the past eleven years. Within this period a generally healthy investment climate has prevailed. Both residential and non-residential construction made good gains. However, in the case of non-residential construction, the rapid pace of activity peaked in 1966 and various inhibiting factors have contributed to weakness in this industry since then. The durable manufacturing sector was particularly dynamic in response to both domestic and external demands.

The influx of the postwar generation is also reflected in the rapid increase in the labour force. Over most of the period, the expanding economy generated sufficient employment opportunities to adequately absorb the increases in the labour force. Some slackness in the over-all economy developed in the latter part of the 1960s with the result that, among other things, the growth in labour force employment has tended to fall below the rate of increase in the labour force itself.

The rate of growth of the economy decelerated in 1970, but picked up in 1971. The momentum was reasonably sustained in 1972. Real domestic product increased by 5.3% in 1972, following a rise of 5.7% in 1971. Such rates of growth still exceed the long-term growth rate for the postwar period (Table 21.10).

Manufacturing and, in particular, durable goods manufacturing, has been a leading contributor to the growth of the Canadian economy over most of the period. The burgeoning motor vehicles and motor vehicle parts industries have been prime movers in the rapid increase in the output of durables. A severe interruption in the strong upward trend in motor vehicle production occurred early in 1966 and persisted until the final quarter of 1966. It has been variously attributed to changes in the general economic conditions in North America and specifically to the 1966 credit squeeze and the upward climb of prices, combined with consumer concern about car safety. Since 1968, production has been hit, directly or indirectly, by strikes and parts shortages, and in 1970 output declined markedly as a result of a slump in consumer spending compounded by the impact of the automobile strike in the latter part of the year. There was a strong recovery early in 1971 which raised the level for the year well above that for 1969 (Table 21.11). This industry made further good gains in 1972 despite an