

inflation rate in 1987 marked the second year of increase which followed four previous years of steady decline.

Reclassified in terms of goods and services, the price index rose 4.1% for the year. The rate of increase in the index for total services dropped year over year, as did that of durable goods. Both semi- and non-durable goods price indexes, however, accelerated.

The industry product price index rose 2.7% in 1987, despite the 4.9% decline in the petroleum and coal products component. Primary metal products, spurred by improving world demand and tight supply for copper and nickel, jumped 5.4%. In addition, the short supply of chemical products led to an increase in their price index, while the cost of transportation equipment fell slightly, primarily the result of weak automobile prices. Production of motor vehicles in Canada dropped 11.4% in 1987, after falling 4.4% in 1986.

23.1.8 Goods-producing and service-producing industries

Gross Domestic Product at factor cost in 1981 prices rose 4.0% in 1987, up from 3.2% the year earlier. Goods-producing industries, which accounted for 40% of Canada's total output, expanded 4.4%. The service-producing industries grew at the slower pace of 3.7% for the year.

The strongest gains in the goods-producing industries occurred in the industries of fishing and forestry (7.4%), construction (5.6%) and manufacturing (5.3%). Growth in the mining industry (4.5%) rebounded in the wake of rising worldwide demand and increasing prices for copper, zinc and lead. Real output in construction slowed, however, in the latter half of the year as the housing boom slackened. Quarterly growth rates of 3.8% and 2.4% for the first and second quarters of 1987 slowed to 2.2% and 2.1% for the third and fourth. Forestry output, as well, slowed as construction contracted.

The largest of the goods-producing industries has historically been manufacturing. In 1987, this industry alone accounted for 46% of the output in the goods-producing industries. Overall, the strength in manufacturing throughout the year was attributable to wood products, pulp and paper, fabricated metals, primary metals and electrical products. A resurgence in demand for transportation equipment in the last quarter of the year, however, fuelled the strong 3.4% growth for that period. Concern that the build-up in the durable goods inventory during the year would slow the output in the manufacturing sector proved unfounded as shipments rose in accordance, resulting in a low ratio of inventories to shipments.

In the service-producing industries the strongest output gains occurred in the trade and the finance, insurance and real estate sectors, up 7.4% and 5.3%, respectively, for 1987. Retail sales jumped 9.7% in the year and the strength of the volume in the fourth quarter revealed the high level of consumer confidence prevalent in the economy, despite the October stock market crash. Sales in the fourth quarter, up 3.1%, were 12% higher than levels a year earlier. Sales of new motor vehicles, which alone accounted for 21% of all retail sales, increased 20% in the fourth quarter, year over year. Department store sales, however, gained only 1.6% in the same time period over 1986.

23.2 Summary, 1987

Overall, the Canadian economy in 1987 was vigorous. Domestic demand, fuelled by strong household expenditure and business investment, led the growth. Employment expanded while the unemployment rate dropped to a six-year low. Inflation was moderate and buoyant external demand maintained growth in exports. Canada emerged from its sixth year of expansion with real output of 4%, up from 1986 growth of 3.2%. Meanwhile, 1988 emerged with steady growth in both the first and second quarters.

Source

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