

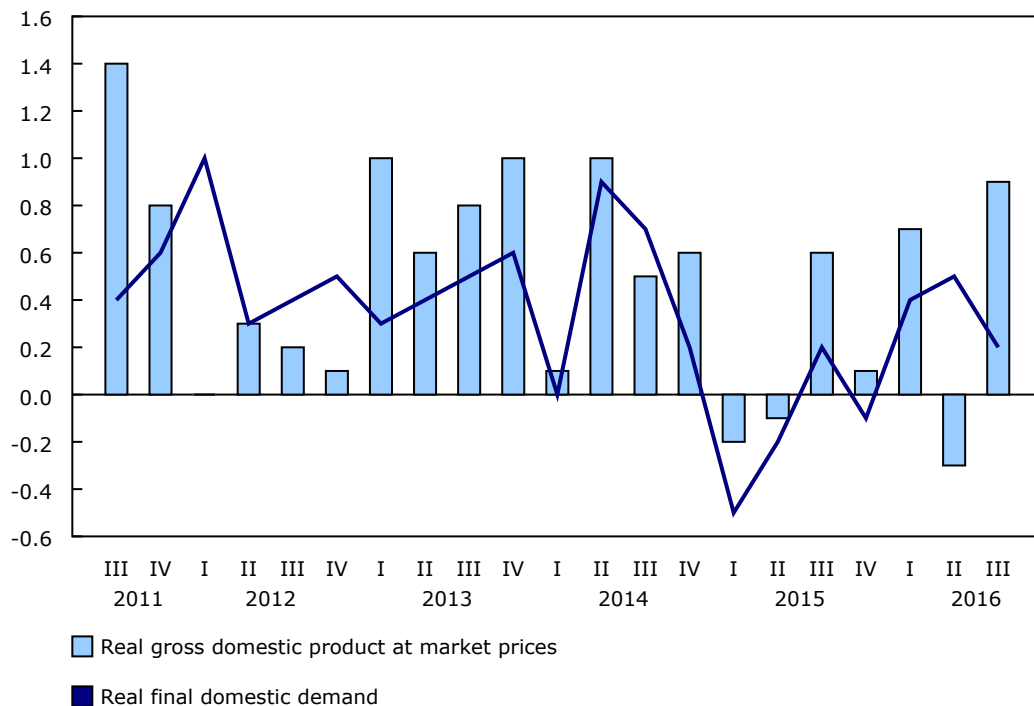
# Gross domestic product, income and expenditure, third quarter 2016

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, November 30, 2016

Real gross domestic product (GDP) grew 0.9% in the third quarter, following a 0.3% decline in the second quarter. Exports of energy products, rebounding from a second quarter decline, boosted growth. Growth in final domestic demand decelerated to 0.2%.

**Chart 1**  
Gross domestic product and final domestic demand

quarterly % change, chained (2007) dollars



Source(s): CANSIM table [380-0064](#).

Exports increased 2.2%, making up some ground lost in the second quarter (-3.9%). Growth was driven by a 6.1% increase in the energy sector, following a 5.1% decline in the second quarter as a result of the Fort McMurray wildfires. Exports of goods grew 2.3%, while services advanced 1.4%.

Growth in household final consumption expenditure was 0.6%, a similar pace to the previous two quarters. The growth was mainly in services (+0.9%). Expenditures on goods increased 0.3% despite a 0.6% decline in outlays on durables, particularly motor vehicles. Investment in residential structures (-1.4%) fell for the first time since the first quarter of 2014.

Government final consumption expenditure declined 0.3% following a 1.3% increase in the second quarter.

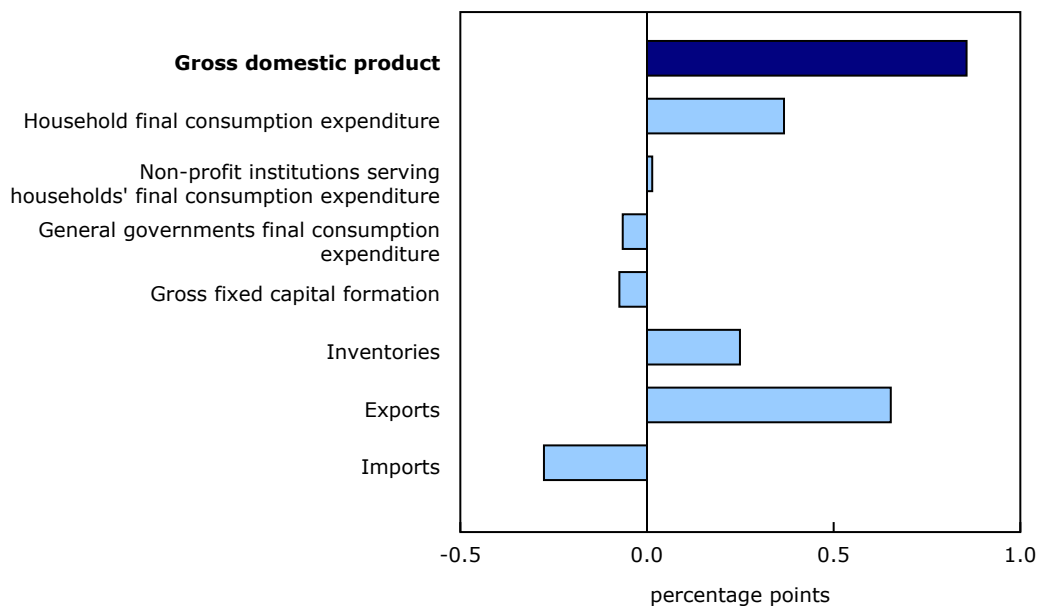


Business investment on machinery and equipment fell 3.2% in the third quarter, while intellectual property products declined 4.5% on reduced investment in mineral exploration and evaluation (-26.3%). Investment in non-residential structures rose 3.7%, largely due to the import of a module destined for the Hebron offshore oil project in Newfoundland and Labrador.

Businesses added \$4.8 billion to inventories, as manufacturing, wholesale and retail inventory levels all increased. Retail inventories of motor vehicles grew by \$3.0 billion in the third quarter.

Expressed at an annualized rate, real GDP rose 3.5% in the third quarter. In comparison, real GDP in the United States grew 3.2%.

**Chart 2**  
**Contributions to percent change in real gross domestic product, third quarter**



Source(s): CANSIM table [380-0064](#).

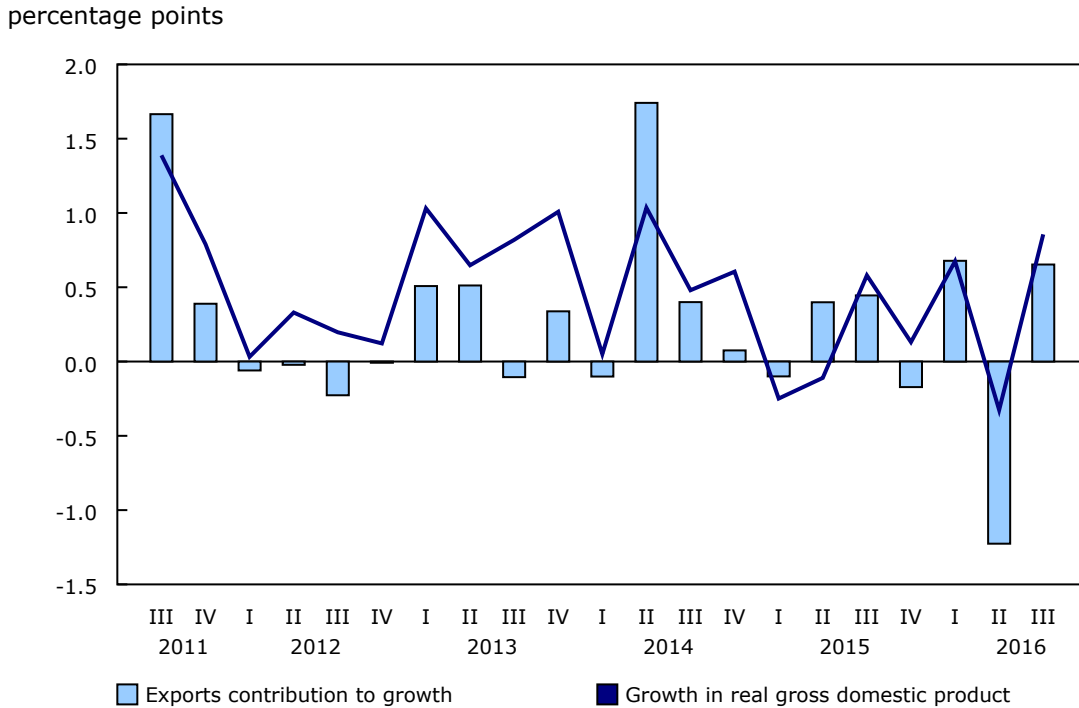
**Exports grow following a decline in the second quarter**

Exports of goods and services rose 2.2% in the third quarter, following a 3.9% decline in the second quarter.

Exports of goods were up 2.3%, following a 4.7% decline in the second quarter. Exports of energy products grew 6.1%, following a 5.1% decline brought on by the Fort McMurray wildfires and scheduled maintenance shutdowns in the second quarter. An exception was natural gas, natural gas liquids and related products, which declined 3.8%. Exports of consumer goods rose 3.6%, following a 6.4% decline in the second quarter. Metal ores and non-metallic minerals (+5.7%), industrial machinery, equipment and parts (+3.7%) and forestry products and building and packaging materials (+2.7%) also grew.

Exports of services rose 1.4% following a 0.3% decrease in the previous quarter. The increase was led by travel (+3.0%) and commercial (+1.0%) services.

**Chart 3**  
**Contribution of exports to growth in real gross domestic product**



Source(s): CANSIM table [380-0064](#).

Imports of goods and services rose 0.8%, twice the pace of the second quarter. Imports of goods rose 1.0% while imports of services were flat.

### Household spending grows

Household final consumption expenditure grew 0.6% after increasing 0.5% in the second quarter. Conversely, durables fell 0.6%, driven by lower purchases of vehicles (-0.8%). Purchases of non-durable (+0.7%) and semi-durable goods (+0.5%) increased.

Outlays on services increased 0.9% following 0.6% growth in the previous quarter. Food, beverage and accommodation services (+1.4%) and recreational and cultural services (+2.1%) contributed to the increase. Transport services (+2.5%) were also higher.

Expenditures by Canadians abroad rose 1.7% following a 0.9% increase in the second quarter.

### Investment in housing decreases

Business investment in residential structures contracted 1.4% following nine consecutive quarters of growth. Ownership transfer costs (-5.7%), which reflect movement in the resale housing market, contributed the most to the decline. A new tax on home purchases by non-residents in British Columbia came into effect in August, contributing to lower total ownership transfer costs. Investment in new construction (-0.2%) was also lower while renovation investment edged up 0.1%.

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## Decline in business investment continues

Business investment in machinery and equipment decreased 3.2% following a 1.0% gain in the second quarter.

Business investment in intellectual property products fell 4.5% after edging up 0.2% in the second quarter. Mineral exploration and evaluation (-26.3%) largely contributed to the decline, with reduced exploration activity in oil and gas. Research and development (-2.1%) and software (-0.7%) investment also declined.

Investment in non-residential structures rose 3.7%, following seven consecutive quarterly declines. Increased investment in engineering structures (+5.4%), driven by the import of a module destined for the Hebron offshore oil project in Newfoundland and Labrador, was partially offset by lower investment in non-residential buildings (-1.3%).

Overall, business gross fixed capital formation decreased 0.5% in the third quarter after edging down 0.1% in the previous quarter. This marks the eighth consecutive quarterly decline.

## Inventories accumulate

Businesses accumulated \$4.8 billion in inventories in the third quarter after adding \$531 million in the previous quarter.

Non-farm inventories grew \$3.6 billion. Manufacturing added \$1.6 billion in good to inventories, with stocks of non-durable goods increasing \$2.9 billion and stocks of durable goods decreasing \$1.3 billion. Retail added \$643 million, with lower sales of motor vehicles resulting in a \$3.0 billion increase of inventories. Wholesalers accumulated \$1.2 billion in inventories, with stocks of durable goods increasing by \$1.5 billion. Farm inventories accumulated by \$1.0 billion for a second consecutive quarter.

The economy-wide stock-to-sales ratio decreased from 0.751 in the second quarter to 0.747 in the third quarter.

## Household disposable income grows

Household disposable income increased 2.2% in the third quarter (nominal terms). Compensation of employees (+0.5%) grew at the same pace as in the second quarter, while the net property income of households rose 5.1%. Federal government transfers to households increased 5.4%, aided by the introduction of the new Canada Child Benefit program, which came into effect July 1. Personal income tax paid declined 2.5%.

The household saving rate rose to 5.8% in the third quarter, as household disposable income increased at a faster pace than household spending. The debt-service ratio was 13.97%, down from 14.14% in the previous quarter.

## Gross operating surplus rebounds

The gross operating surplus of non-financial corporations grew 4.0% following three consecutive quarterly declines. The increase was primarily in the oil and gas extraction and petroleum and coal product manufacturing industries, in tandem with higher energy exports. The gross operating surplus of financial corporations (+46.6%) rebounded strongly following a 30.2% drop in the second quarter. Insurance claims due to the Fort McMurray wildfires contributed to the second quarter decline.

Overall, the gross operating surplus increased 6.4% after declining 3.4% in the second quarter.

## Governments increase borrowing

Government revenues edged down 0.3% in the third quarter, while outlays rose 0.8%, leading to an increase in the overall net borrowing position of the government sector. At the federal level, revenues (-1.1%) were pulled down by declining taxes on incomes (-1.6%). Federal expenditures on goods and services declined 2.3%, while current transfers to households increased 5.4%. Measured on a national accounts basis, the federal net borrowing position continued to grow.

## Real gross national income advances

Real gross national income rose 0.9% after increasing 0.4% in the second quarter. Export prices rose 2.1% following three consecutive quarters of decline. Import prices rebounded 1.3% after falling 1.5% in the second quarter, and the terms of trade improved for a second consecutive quarter.

The price of final domestic demand rose 0.4%, while the GDP implicit price index (the price of goods and services produced in Canada) rose 0.6%.

### Note to readers

For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

Percentage changes for expenditure-based statistics (such as personal expenditures, investment, exports and imports) are calculated from volume measures that are adjusted for price variations. Percentage changes for income-based and flow-of-funds statistics (such as labour income, corporate profits, mortgage borrowing and total funds raised) are calculated from nominal values; that is, they are not adjusted for price variations.

There are two ways of expressing growth rates for gross domestic product (GDP) and other time series found in this release:

1. Unless otherwise stated, the growth rates in this release represent the percentage change in the series from one quarter to the next, such as from the second quarter to the third quarter of 2016.
2. Quarterly growth can be expressed at an annual rate by using a compound growth formula, similar to the way in which a monthly interest rate can be expressed at an annual rate. Expressing growth at an annual rate facilitates comparisons with official GDP statistics from the United States. Both the quarterly growth rate and the annualized quarterly growth rate should be interpreted as an indication of the latest trend in GDP.

### Revisions

Data on GDP for the third quarter of 2016 were released along with revised data from the first quarter of 2013 to the second quarter of 2016. These data incorporate new and revised data, as well as updated data on seasonal trends.

### Real-time CANSIM tables

Real-time CANSIM tables 380-8063 and 380-8064 will be updated on December 7. For more information, consult the document [Real-time CANSIM tables](#).

### Next release

Data on GDP by income and expenditure for the fourth quarter of 2016 will be released on March 2, 2017.

**Table 1**  
**Gross domestic product by income account – Seasonally adjusted at annual rates**

	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	Third quarter 2016	Second quarter 2016	Third quarter 2016
	quarter-to-quarter % change						millions of dollars	
Compensation of employees	0.5	0.3	0.8	0.8	0.5	0.5	1,047,140	1,052,168
Gross operating surplus	-2.0	1.5	-2.8	0.2	-3.4	6.4	485,660	516,796
Gross mixed income	1.3	1.0	1.2	1.3	3.7	-2.2	246,532	241,144
Taxes less subsidies on production	0.6	0.1	0.9	1.1	0.2	-0.6	88,020	87,468
Taxes less subsidies, on products and imports	3.1	0.4	1.0	1.5	0.7	-0.5	135,916	135,268
Statistical discrepancy (millions of dollars)	-1,028	1,096	160	-1,188	820	252	1,136	1,388
<b>Gross domestic product at market prices</b>	<b>0.0</b>	<b>0.7</b>	<b>-0.1</b>	<b>0.7</b>	<b>-0.1</b>	<b>1.5</b>	<b>2,004,404</b>	<b>2,034,232</b>

Source(s): CANSIM table [380-0063](#).

**Table 2**

**Real gross domestic product by expenditure account, quarterly change – Seasonally adjusted at annual rates, chained (2007) dollars**

	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	Third quarter 2016	Second quarter 2016	Third quarter 2016
	quarter-to-quarter % change						millions of dollars	
Final consumption expenditure	0.4	0.6	0.3	0.7	0.7	0.4	1,395,382	1,400,907
Household final consumption expenditure	0.5	0.7	0.4	0.6	0.5	0.6	1,021,082	1,027,663
Non-profit institutions serving households' final consumption expenditure	0.8	0.2	0.2	0.1	-0.5	1.0	24,664	24,904
General governments final consumption expenditure	0.2	0.4	0.0	0.8	1.3	-0.3	350,922	349,857
Gross fixed capital formation	-2.1	-0.9	-1.5	-0.3	-0.1	-0.3	386,111	384,881
Business gross fixed capital formation	-2.3	-1.2	-1.8	-0.4	-0.1	-0.5	320,118	318,464
Residential structures	0.3	0.6	0.4	2.5	0.1	-1.4	125,300	123,527
Non-residential structures, machinery and equipment	-4.0	-2.4	-3.6	-2.2	-0.2	0.9	168,692	170,138
Intellectual property products	-1.4	-1.2	-0.2	-2.5	0.2	-4.5	27,328	26,085
General governments gross fixed capital formation	-1.4	0.4	-0.3	0.7	-0.2	0.6	63,870	64,277
Investment in inventories (millions of dollars)	-6,859	-7,187	-2,158	-5,177	9,196	3,638	953	4,591
Exports of goods and services	1.3	1.4	-0.5	2.2	-3.9	2.2	567,448	579,703
Less: imports of goods and services	-0.1	-1.1	-1.6	0.6	0.4	0.8	572,104	576,832
Statistical discrepancy (millions of dollars)	922	-983	-141	1,063	-729	-216	-1,007	-1,223
<b>Gross domestic product at market prices</b>	<b>-0.1</b>	<b>0.6</b>	<b>0.1</b>	<b>0.7</b>	<b>-0.3</b>	<b>0.9</b>	<b>1,782,747</b>	<b>1,798,011</b>
Final domestic demand	-0.2	0.2	-0.1	0.4	0.5	0.2	1,778,539	1,782,710

Source(s): CANSIM table [380-0064](#).

**Table 3**

**Real gross domestic product by expenditure account, annualized change – Seasonally adjusted at annual rates, chained (2007) dollars**

	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	First quarter 2016	Second quarter 2016	Third quarter 2016	Second quarter 2016	Third quarter 2016
	quarter-to-quarter % change, annualized						millions of dollars	
Final consumption expenditure	1.7	2.3	1.3	2.7	2.7	1.6	1,395,382	1,400,907
Household final consumption expenditure	2.0	2.7	1.7	2.5	1.8	2.6	1,021,082	1,027,663
Non-profit institutions serving households' final consumption expenditure	3.3	0.6	0.7	0.3	-2.0	3.9	24,664	24,904
General governments final consumption expenditure	0.9	1.5	0.0	3.3	5.3	-1.2	350,922	349,857
Gross fixed capital formation	-8.2	-3.6	-6.1	-1.1	-0.4	-1.3	386,111	384,881
Business gross fixed capital formation	-8.7	-4.6	-7.0	-1.7	-0.3	-2.1	320,118	318,464
Residential structures	1.2	2.5	1.8	10.2	0.3	-5.5	125,300	123,527
Non-residential structures, machinery and equipment	-15.1	-9.1	-13.7	-8.5	-0.9	3.5	168,692	170,138
Intellectual property products	-5.5	-4.8	-0.8	-9.7	0.7	-17.0	27,328	26,085
General governments gross fixed capital formation	-5.5	1.7	-1.1	2.7	-0.9	2.6	63,870	64,277
Investment in inventories (millions of dollars)	-6,859	-7,187	-2,158	-5,177	9,196	3,638	953	4,591
Exports of goods and services	5.2	5.7	-2.1	9.0	-14.8	8.9	567,448	579,703
Less: imports of goods and services	-0.4	-4.3	-6.3	2.3	1.4	3.3	572,104	576,832
Statistical discrepancy (millions of dollars)	922	-983	-141	1,063	-729	-216	-1,007	-1,223
<b>Gross domestic product at market prices</b>	<b>-0.4</b>	<b>2.3</b>	<b>0.5</b>	<b>2.7</b>	<b>-1.3</b>	<b>3.5</b>	<b>1,782,747</b>	<b>1,798,011</b>
Final domestic demand	-0.7	0.9	-0.5	1.8	2.0	0.9	1,778,539	1,782,710

Source(s): CANSIM table [380-0064](#).



**Table 6**  
**Real gross domestic product by expenditure account, year-over-year change – Seasonally adjusted at annual rates, chained (2007) dollars**

	2010	2011	2012	2013	2014	2015	2014	2015
	year-over-year % change						millions of dollars	
Final consumption expenditure	3.2	2.0	1.6	1.7	2.2	1.8	1,344,226	1,368,439
Household final consumption expenditure	3.7	2.2	1.9	2.6	2.8	1.9	983,482	1,002,349
Non-profit institutions serving households' final consumption expenditure	-1.4	6.2	1.9	2.7	-1.3	2.0	24,187	24,673
General governments final consumption expenditure	2.3	1.3	0.7	-0.7	0.8	1.5	337,819	342,793
Gross fixed capital formation	11.5	4.6	4.9	1.3	0.9	-4.6	414,946	396,027
Business gross fixed capital formation	11.6	7.9	6.6	2.7	1.9	-6.2	351,775	330,057
Residential structures	8.4	1.6	5.6	-0.3	2.7	3.8	116,897	121,329
Non-residential structures, machinery and equipment	14.4	12.8	8.6	5.6	3.2	-11.5	205,560	181,861
Intellectual property products	10.4	5.7	0.1	-2.2	-8.2	-9.0	31,104	28,295
General governments gross fixed capital formation	11.4	-7.6	-3.0	-5.9	-4.2	4.5	61,033	63,803
Investment in inventories (millions of dollars)	2,161	11,757	-5,000	8,671	-5,438	-5,531	9,392	3,861
Exports of goods and services	6.6	4.8	2.6	2.7	5.8	3.4	555,732	574,588
Less: imports of goods and services	13.8	5.6	3.6	1.6	2.2	0.3	575,191	577,125
Statistical discrepancy (millions of dollars)	-473	356	9	849	-717	-159	-815	-974
<b>Gross domestic product at market prices</b>	<b>3.1</b>	<b>3.1</b>	<b>1.7</b>	<b>2.5</b>	<b>2.6</b>	<b>0.9</b>	<b>1,753,683</b>	<b>1,770,196</b>
Final domestic demand	5.0	2.6	2.4	1.6	1.9	0.3	1,757,615	1,762,150

Source(s): CANSIM table [380-0064](#).

**Available in CANSIM: tables [031-0009](#), [380-0063](#) to [380-0076](#), [380-0078](#) to [380-0088](#), [380-0100](#) to [380-0107](#), [380-0515](#), [380-0517](#), [380-0522](#) to [380-0537](#), [380-0554](#), [380-0556](#), [380-0557](#) and [382-0006](#).**

**Definitions, data sources and methods: survey numbers [1901](#), [2602](#), [2820](#) and [5169](#).**

The [System of Macroeconomic Accounts](#) module, accessible from the *Browse by key resource* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The document "[The 2013 to 2015 revisions of the Income and Expenditure Accounts](#)", which is part of *Latest Developments in the Canadian Economic Accounts (13-605-X)*, is now available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts (13-607-X)* is also available.

The *User Guide: Canadian System of Macroeconomic Accounts (13-606-G)* is available from the *Browse by key resource* module of our website, under *Publications*. This publication has been updated with [Chapter 6. Financial and wealth accounts in the Canadian System of Macroeconomic Accounts](#) and [Chapter 7. Price and volume measures in the Canadian System of Macroeconomic Accounts](#).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [STATCAN.infostats-infostats.STATCAN@canada.ca](mailto:STATCAN.infostats-infostats.STATCAN@canada.ca)) or Media Relations (613-951-4636; [STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca](mailto:STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca)).