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The Daily

Statistics Canada

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MAJOR RELEASES

OTHER RELEASES

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Industrial capacity utilization rates

Second quarter 2002

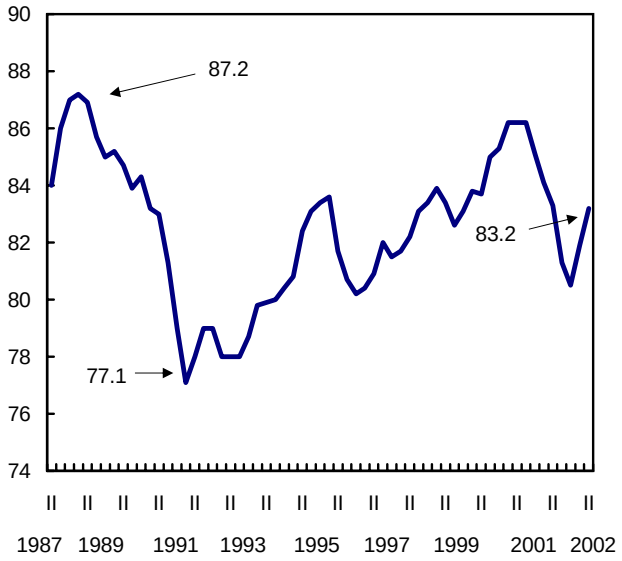
Industries raised their rate of capacity use for the second straight quarter from April to June on the heels of strong increases in manufacturing and forestry and logging.

Industries operated at 83.2% of capacity in the second quarter, up from 81.9% in the first.

The two increases in the first half of the year followed a string of five consecutive quarterly declines. The rate of capacity use has now recovered from a low of 80.5% in the fourth quarter of 2001 and is halfway to 86.2%, the last peak reached in the third quarter of 2000.

Capacity use moves up another notch

% (rate of capacity use)



Higher rates were widespread among industries that make up the industrial aggregate: forestry and logging, electric power generation, transmission and distribution, construction, and 18 of the 21 industry groups in the manufacturing sector. The rate declined only in mining and oil and gas extraction. (Rates of capacity use have been revised back to the first quarter of 2000 to incorporate revisions in source data).

Note to readers

An industry's ***capacity use rate*** *is the ratio of its actual output to its estimated potential output. Statistics Canada derives estimates of an industry's potential output from measures of its capital stock. In addition, since 1987 Statistics Canada has been surveying companies for their estimates of annual capacity use, in order to produce survey-based industry measures. A company's measure of its level of operation, as a percentage of potential, takes into account changes in the obsolescence of facilities, capital-to-labour ratios and other characteristics of production techniques. The surveyed rates anchor the calculated quarterly series and ensure they reflect such changes.*

An increase in output in the first quarter, driven by rising demand, continued in the second quarter of 2002. According to July's Business Conditions Survey, three-quarters of manufacturers planned to maintain the same level of output for the next three months. A majority of them reported that their workforce would either remain the same or increase.

The rise in the rate of capacity use and increased operating profits during the first two quarters of 2002 could have a positive effect on investment.

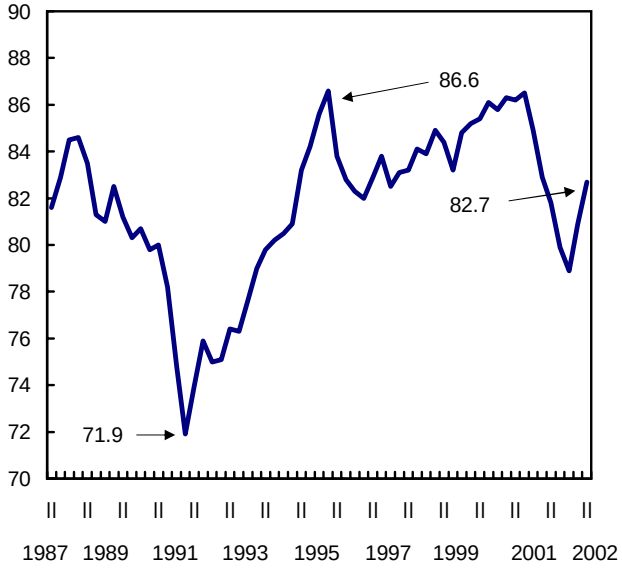
Widespread increase in manufacturing

Manufacturers operated at 82.7% of capacity in the second quarter, up from 80.9% in the first. The rate of capacity use advanced in 18 of the 21 manufacturing groups; the industries contributing most to this increase were transportation equipment, wood products, chemicals, plastics and rubber products, and paper.

The transportation equipment industry increased its rate of capacity use from 88.2% to 90.5%. The rate has not been this high since the first quarter of 2000, when it reached 91.6%. A decline in dealers' inventories of cars and trucks and continuing US demand led motor vehicle manufacturers to boost output 5.4% in the second quarter. Manufacturers of automotive parts also raised their output 3.5% to meet the demand from North American assembly plants. The vitality of the motor vehicle assembly industry also had positive effects on the production of rubber products, primary metals and fabricated metal products and contributed to the increase in the rate for these industries.

Upswing in manufacturing continues

% (rate of capacity use)



Wood product manufacturers' rate of capacity use rose 5.1 percentage points to 91.5% in the second quarter. This is the highest rate in this industry since the third quarter of 1994, when the rate reached the same level. The output of sawmill operators rose 6.9%, largely because of the temporary elimination of softwood lumber duties from April 22 to May 21 and the demand for new homes, which has continued since the start of 2002.

In the chemical manufacturing industry group, the rate rose 2.5 percentage points to 80.7%. All the main components of this group stepped up production in the second quarter. The main contributors to the gain were basic chemicals, where output rose 4.7% from the first quarter, and pharmaceutical and drug products, where it rose 3.8%.

Because of increased output in the plastic and rubber manufacturing industries, the rate of capacity use rose 3.3 percentage points to 87.6%.

In the paper manufacturing industry, the rate of capacity use rose 2.7 percentage points to 90.1%. Pulp, paper and cardboard plants boosted their production, as did industries manufacturing converted paper.

In other industries, capacity surges in forestry and logging

The forestry and logging industry's rate of capacity use jumped 8.7 percentage points to 80.7% in the second quarter. As a result of the elimination of countervailing duties on softwood lumber exports to the United States during a four-week period in the second quarter, this industry's output increased 11.9%. Lumber exports rose 2.9% in May, when the countervailing duties were suspended for most of the month, and plummeted 40.0% in June when the duties were re-imposed.

In construction, the rate of capacity use reached 90.8%, up 0.5 percentage points from the first quarter. Output levels rose in the second quarter in residential construction and, to a lesser extent, engineering construction, thus contributing to the increase in the rate. The demand for new homes continued in the second quarter, although it was weaker than in the first. Particularly low interest rates and sustained job growth stimulated consumers' demand for housing and contributed to these positive results.

Output in the electrical energy industry rose 0.8%, raising the rate of capacity use 0.6 percentage points to 88.5%.

Capacity use in the mining and oil and gas extraction industry fell 0.5 percentage points in the second quarter to 74.0%. Drilling activity, with production down 20.3%, greatly contributed to the reduction of output in the mining industry.

Available on CANSIM: table 028-0002.

Information on methods and data quality: survey number 2821 in the Integrated Meta Data Base.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Mychèle Gagnon (613-951-0994) or Richard Landry (613-951-2579), Investment and Capital Stock Division. □

Industrial capacity utilization rates

	Second quarter 2001[r]	First quarter 2002[r]	Second quarter 2002	Second quarter 2001 to second quarter 2002	First quarter to second quarter 2002
				Percentage point change	
Total industrial	**83.3**	**81.9**	**83.2**	**-0.1**	**1.3**
Forestry and logging	84.3	72.0	80.7	-3.6	8.7
Mining and oil and gas extraction	78.8	74.5	74.0	-4.8	-0.5
Oil and gas extraction	70.2	70.5	71.1	0.9	0.6
Mining	96.3	82.8	79.9	-16.4	-2.9
Electric power generation, transmission and distribution	88.8	87.9	88.5	-0.3	0.6
Construction	89.6	90.3	90.8	1.2	0.5
Manufacturing	81.8	80.9	82.7	0.9	1.8
Food	82.0	82.2	83.3	1.3	1.1
Beverage and tobacco products	78.3	74.8	74.4	-3.9	-0.4
Beverage	78.6	76.4	75.3	-3.3	-1.1
Tobacco	77.6	70.8	72.2	-5.4	1.4
Textile mills	81.3	80.5	81.5	0.2	1.0
Textile product mills	76.9	76.8	79.9	3.0	3.1
Clothing	84.3	82.1	84.9	0.6	2.8
Leather and allied products	74.8	70.8	71.5	-3.3	0.7
Wood products	82.5	86.4	91.5	9.0	5.1
Paper	89.0	87.4	90.1	1.1	2.7
Printing and related support activities	75.4	72.6	74.0	-1.4	1.4
Petroleum and coal products	94.0	95.9	96.8	2.8	0.9
Chemical	79.8	78.2	80.7	0.9	2.5
Plastics and rubber products	80.9	84.3	87.6	6.7	3.3
Plastic products	79.2	84.8	88.7	9.5	3.9
Rubber products	84.9	83.2	84.9	0.0	1.7
Non-metallic mineral products	79.1	80.5	80.1	1.0	-0.4
Primary metal	87.5	88.3	89.3	1.8	1.0
Fabricated metal products	80.5	80.4	82.5	2.0	2.1
Machinery	80.0	77.6	78.6	-1.4	1.0
Computer and electronic products	74.5	65.9	66.9	-7.6	1.0
Electrical equipment, appliances and components	78.0	66.7	67.9	-10.1	1.2
Transportation equipment	85.5	88.2	90.5	5.0	2.3
Furniture and related products	81.0	74.0	73.5	-7.5	-0.5
Miscellaneous manufacturing	80.3	78.6	81.8	1.5	3.2

[r] *Revised data.*

■

OTHER RELEASES

New Housing Price Index

July 2002

The New Housing Price Index (1992=100) rose 0.2% in July from June. Following a period of fairly sharp increases starting in February, the price of new homes increased more moderately in June and July. This index of contractors' selling prices was up 4.0% from July 2001.

Monthly rises occurred in 9 of the 21 urban centres surveyed. The largest was Regina (+1.3%), where increased material and labour costs pushed prices upward.

New Housing Price Index
(1992=100)

	July 2002	July 2001 to July 2002	June to July 2002
		% change	
Canada	**110.5**	**4.0**	**0.2**
House only	114.8	5.1	0.2
Land only	104.9	1.2	-
St. John's	105.2	3.4	0.4
Halifax	123.0	4.3	0.3
Charlottetown	107.7	0.6	-
Saint John–Moncton–Fredericton	96.1	2.1	-
Québec	108.8	2.8	-
Montréal	120.2	5.3	-
Ottawa–Gatineau	129.7	7.6	-0.1
Toronto	112.9	3.2	0.3
Hamilton	112.3	3.6	0.3
St. Catharines–Niagara	111.1	1.6	-0.1
Kitchener–Waterloo	114.9	4.6	-0.1
London	106.7	2.5	-0.2
Windsor	106.9	0.5	-
Sudbury–Thunder Bay	98.1	1.0	0.2
Winnipeg	122.6	2.8	0.2
Regina	140.5	3.5	1.3
Saskatoon	121.6	1.3	-
Calgary	143.0	5.3	0.3
Edmonton	123.0	7.7	0.4
Vancouver	86.0	2.3	-
Victoria	75.7	4.3	-0.1

\- *Nil or zero.*

St. John's and Edmonton followed with rises of 0.4% each for July. Survey respondents cited higher labour and material costs, as well as good markets.

Halifax, Toronto, Hamilton and Calgary all reported increases of 0.3%. Each city saw material and labour costs go up and reported good market conditions despite the normal summer slowdown. Halifax and Calgary also reported higher land costs, and Hamilton cited higher city levies.

Sudbury–Thunder Bay and Winnipeg each posted an increase of 0.2%. Building costs pushed prices up in Sudbury–Thunder Bay, and some builders' price reviews affected pricing in Winnipeg.

Seven urban centres showed no monthly change: Charlottetown, St. John–Moncton–Frederiction, Québec, Montréal, Windsor, Saskatoon and Vancouver.

Five centres posted declines from June: London dropped 0.2%, and Ottawa–Gatineau, St. Catharines–Niagara, Kitchener–Waterloo and Victoria each lost 0.1%.

On an annual basis, Edmonton (+7.7%) surpassed Ottawa–Gatineau (+7.6%) with the largest 12-month price increase for new homes. This was the first time since June 2000 that the National Capital Region did not have the largest annual gain. Montréal and Calgary followed at 5.3% each. There were no annual decreases in July.

Available on CANSIM: table 327-0005.

The third quarter 2002 issue of *Capital expenditure price statistics* (62-007-XPB, $24/$79) will be available in December. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Louise Chaîné (613-951-0785; fax: 613-951-1539; *infounit@statcan.ca*) or Anne Williamson (613-951-2035; *willann@statcan.ca*), Prices Division. ■

For-hire motor carriers of freight, top carriers

Second quarter 2002

The top 83 for-hire motor carriers of freight (Canada-based trucking companies earning $25 million or more annually) generated operating revenues of $1.78 billion and expenses of $1.68 billion in the second quarter. Average per-carrier revenue and expenses both slipped 0.9% from the second quarter of 2001, reaching $21.5 million and $20.3 million respectively. This financial situation of the top for-hire carriers is similar to that in the second quarter of 2001.

The top for-hire carriers' operating ratio (operating expenses divided by operating revenues) was 0.94, similar to the second quarter of 2001. A ratio of greater than 1.00 represents an operating loss.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Joe Foti (613-951-6354; fax: 613-951-0579; *foti@statcan.ca*), Transportation Division. ■

For-hire trucking (commodity origin and destination)

2001 (preliminary)

Tonnage carried by Canada-based long-distance for-hire carriers amounted to 288 million metric tonnes of freight in 2001, up 3.4% from 2000.

Although domestic activities accounted for 74% of the total tonnage and 79% of the total shipments, transborder movements generated 46% of the total revenues earned and 49% of the total tonne-kilometres for these carriers.

Preliminary data are now available from the For-hire Trucking (Commodity Origin and Destination) Survey for all quarters of 2001.

Available on CANSIM: table 403-0001.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Robert Laroque (613-951-2486; *laroque@statcan.ca*) or John Nicoletta (613-951-0520; fax: 613-951-0579; *john.nicoletta@statcan.ca*) Transportation Division. ■

Improvement and Innovation in Construction Investments Survey

2000

Available today are the first data from the Improvement and Innovation in Construction Investments Survey, a one-time survey conducted in 2002 on behalf of the National Research Council of Canada.

The survey found that the initial cost of construction was the most important factor in construction investment decisions by firms in the last three years. However, long-term ownership, the needs of facility occupants and the utility of the new construction were also very important criteria. About 9% of the firms indicated the priority of these factors might change slightly in the future.

Contrary to the belief that clients often complain about their value-for-money from construction investments, senior managers responded that they were generally satisfied with the results of their company's construction investment in the last three years.

The survey's objectives were to examine the reasons for major construction investments, to identify strategies that are used by investors to achieve satisfactory outcomes from their construction investments, and to identify obstacles to achieving these outcomes.

The survey used a sub-sample composed of the top 300 capital construction investors of the 2000 Canadian Capital Expenditure Survey of buyers or investors of non-residential construction. The sample covered about one-third of total capital construction expenditures.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Keith Lance (613-951-5226; *lanckei@statcan.ca*), Small Business and Special Surveys Division, or André Manseau (613-990-9767; *andre.manseau@nrc.ca*), National Research Council of Canada. ■

NEW PRODUCTS

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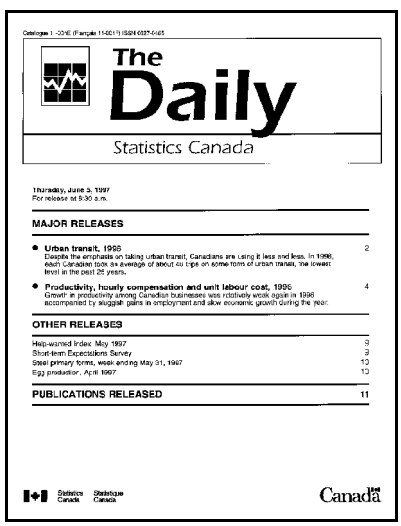
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MAJOR RELEASES

- **Urban transit, 1996** 2
  Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 40 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4
  Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

Help-wanted Index, May 1997 9
Short-term Expectations Survey 9
Steel primary forms, week ending May 31, 1997 10
Egg production, April 1997 10

PUBLICATIONS RELEASED 11

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