



Infommat

A Weekly Review

Friday, February 7, 2003

INSIDE

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◆ Manufacturers slightly more upbeat about higher production

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◆ Largest gain in over a year for industrial prices

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◆ Consumer lending spurs gains in value of banking services

Deposit-accepting intermediaries in Canada — chartered banks, trust companies, caisses populaires and credit unions — produced services worth \$51.8 billion in 2001, up 4.2% from a revised \$49.7 billion in 2000.

Growth in GDP loses momentum

Canada's economy lost momentum again in November in the wake of weak consumer spending and industrial output. Gross domestic product (GDP) edged up only 0.1%, following a gain of 0.3% in October.

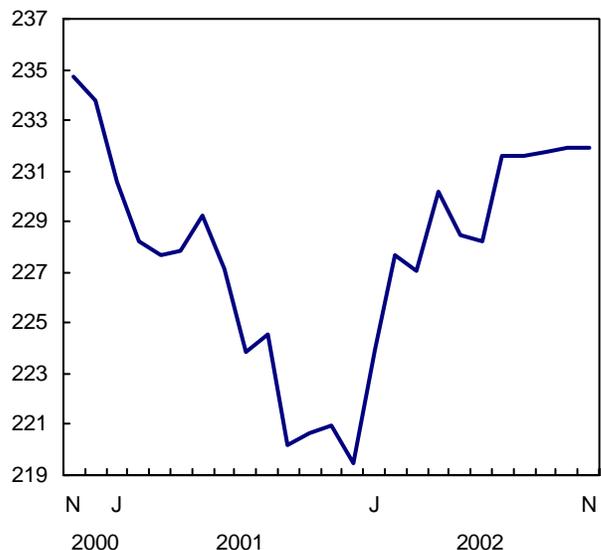
Retailing activity declined 1.1%, mostly the result of a 3.5% drop in new motor vehicle sales, while industrial production, which includes the mining, utilities and manufacturing sectors, remained unchanged. Manufacturing output itself increased only 0.1%.

In addition, the booming housing and construction sector appears to have crested. Residential construction edged up slightly as demand for new homes continued to grow, but at a much slower pace. Except for furniture stores and gasoline stations, most retailers reported lower activity levels in November after strong gains in October.

(continued on page 2)

Industrial production

GDP \$ billions chained 1997



Growth in GDP... (continued from page 1)

Demand for travel-related services remained mixed. Consumer demand for air travel continued to wane as activity levels dropped a further 2.2% in November. Restaurants reported a slight decline in activity levels, but providers of hotel rooms and entertainment services, including gambling, recorded gains.

After gaining 25% since mid-2001, the residential construction industry slowed down in November, advancing 0.1%. Housing starts fell 3.3% in November, although they remained well above the 200,000 mark. The resale housing market cooled considerably.

Within industrial production, reduced electricity generation offset gains in mining and manufacturing. Growth in industrial production has been muted since a 1.5% surge in July. According to comparable US data, industrial production south of the border rose 0.1%. This was the first monthly increase since July, thanks to a surge in motor vehicle production.

Output from the Canadian mining and oil and gas sector rose 0.9%, as higher crude oil and natural gas prices drove up exploration activity by 9.2%. Oil and gas output declined 0.5% as a result of lower production of synthetic oil. Production from Canadian mines expanded significantly in October and November, after declining for much of 2002. A number of mines re-opened after closures earlier in the year.

In manufacturing, gains by non-durable goods manufacturers were offset by declines of durable goods manufacturers. Lower production of computers and telecommunications equipment continued to reduce the output of the information and communication technologies (ICT) manufacturing sector. ICT manufacturing declined 1.1% in November, the second consecutive monthly decline.

Manufacturers of transportation equipment pared back production (-0.8%) for the third straight month. Manufacturers of motor vehicles and heavy trucks cut output 5.6% in an attempt to reduce rising inventories as the North American market for new motor vehicle sales has cooled in recent months.

Sawmill producers decreased output slightly in November. However, output levels in this industry were 17% higher than in November 2001. Lumber exports edged down in November after surging 7.3% in October.

*The November 2002 issue of **Gross domestic product by industry** (Internet: 15-001-XIE, \$11/\$110) is now available. For general information, contact Yolande Chantigny (1-800-887-4623; imad@statcan.ca). For analytical information, contact Jo Ann MacMillan (613-951-7248; joann.macmillan@statcan.ca), Industry Measures and Analysis Division. (See also "Current trends" on page 6.)*

Upturn in growth for Leading Indicators

After fluctuating around 0.2% from August to November, the Composite Leading Indicator grew 0.4% in December. This upturn was led by the firming of the stock market as well as strong domestic demand. Two components fell, four were unchanged and four rose.

Services employment rose 0.7%, its largest increase since October 2000, to lead all components in growth. Business services, an important indicator of the early stages of business planning, led the way.

Within durable goods, furniture and appliances continued to increase gradually while housing has led growth in recent months.

Auto sales ended the year on a positive note, after trending down over four months. The average workweek in manufacturing posted its first back-to-back increases since April 2000.

The trend of the US leading indicator continued to lag behind the Canadian, with no growth in five months. An upturn in the financial market indicators, notably equity prices, was not enough to overcome the ongoing slump in manufacturing. Overall, half of the 10 components declined.

*For more information on the economy, the January issue of **Canadian Economic Observer** (paper: 11-010-XPB, \$23/\$227) is now available. For more information, contact Francine Roy (613-951-3627), Current Economic Analysis Group. (See also "Current trends" on page 6.)*

Manufacturers slightly more upbeat about higher production

Canadian manufacturers appear to be slightly more upbeat about prospects for increased production during the next three months, according to new data from the Business Conditions Survey. However, most saw little chance for higher employment.

Overall, just over one-quarter (26%) of manufacturers indicated in January that output from their firms would be higher in the coming quarter, up from only 17% from the previous survey in October 2002.

Just over one-half (54%) indicated that their production prospects would remain about the same, and 20% felt that production would decline.

Fifteen of the 21 major industry groupings indicated a more positive outlook for the first quarter of 2003. Producers in three industries were the major contributors: transportation equipment; petroleum and coal products; and plastics and rubber products.

On the other hand, the outlook for employment prospects in manufacturing remained stable. Some 72% of manufacturers indicated that their employment levels would change little in the coming three months, the same proportion as in October. Only 13% said their firms planned to increase employment, and 15% said employment would likely decline.

Manufacturing accounted for about one out of every five new jobs in the economy during 2002, according to an annual review of the year's labour market. Of 560,000 new jobs created during the year, about 125,000 were in manufacturing.

The Business Conditions Survey also found that about 80% of manufacturers felt that their current level of finished products inventory was about right. About 15% reported that inventories were too high.

Manufacturers' expectations and business conditions

Seasonally adjusted

	January 2002	April 2002	July 2002	October 2002	January 2003
% of manufacturers who said					
Volume of production in next three months will be:					
About the same as in previous three months	60	55	69	66	54
Higher	11	27	20	17	26
Lower	29	18	10	17	20
Orders received are:					
About the same	55	57	60	55	61
Rising	13	25	22	27	21
Declining	32	17	18	18	18
Backlog of unfilled orders is:					
About normal	69	68	70	74	72
Higher than normal	6	13	14	8	8
Lower than normal	25	19	16	18	20
Finished-product inventory is:					
About right	69	80	80	78	80
Too low	3	5	6	5	5
Too high	27	15	14	18	15
Employment in next three months will:					
Change little from previous three months	73	74	72	72	72
Increase	9	12	13	13	13
Decrease	18	14	15	15	15

In addition, 61% of manufacturers indicated orders they had received were about right, and 21% indicated their new orders were rising. The majority (72%) reported that their current level of unfilled orders was about normal.

For more information, contact Claude Robillard (613-951-3507; claudio.robillard@statcan.ca), Manufacturing, Construction and Energy Division.

Mentally disordered accused: special study

A newly released report provides an overview of the justice system's policies relating to accused people who are mentally disordered. The report, prepared by the Canadian Centre for Justice Statistics, also identifies variables that may be suitable for future data collection.

This paper provides background information for possible data collection initiatives and future research addressing the interplay between the health and justice systems when a mental disorder becomes a factor in legal proceedings.

Special study on mentally disordered accused in the criminal justice system (85-559-XIE, free) is now available on Statistics Canada's website (www.statcan.ca). For more information, contact Client Services (1-800-387-2231; 613-951-9023; ccjccsj@statcan.ca), Canadian Centre for Justice Statistics.

Largest gain in over a year for industrial prices

Manufacturers' prices, as measured by the Industrial Product Price Index (IPPI), were up 2.8% in December 2002 from December 2001, the highest year-over-year increase since May 2001.

Strong contributors to the year-over-year growth were petroleum and coal products (+24.5%) and primary metal products (+8.4%). Fruit, vegetable and feed products and chemical products also contributed to the annual growth in manufacturers' prices. However, lower prices for pulp and paper products and for lumber and other wood products dampened the increase.

The increase for petroleum and coal product prices was the largest since December 2000. If these prices had been excluded, the year-over-year increase would have been 1.6% instead of 2.8%.

Manufacturers paid 17.6% more for their raw materials than they did in December 2001, after an 11.6% increase in November. Higher prices for mineral fuels and vegetable products, as well as for wood products and non-ferrous metals, were mainly responsible for this annual rise in the Raw Materials Price Index (RMPI). If mineral fuels had been excluded, the RMPI would have increased 7.8%.

The year 2002 was a year of stabilization and recovery for industrial prices, with a reversal of the downward trend that began in June 2001. By the year's end, almost all of the ground lost in the second half of 2001 had been regained.

Petroleum and coal prices had a strong year. After substantial declines in the last quarter of 2001, the IPPI for petroleum and coal products grew steadily throughout 2002, though still not reaching the high levels experienced in late 2000 and early 2001. Increased demand for petroleum and petroleum products, along with a tightening and at times an uncertain oil supply, contributed to this recovery.

Industrial product and raw materials price indexes, December 2002

	Index (1997=100)	% change, previous month	% change, previous year
Industrial Product Price Index (IPPI)	108.2	-0.4	2.8
IPPI excluding petroleum and coal products	106.9	-0.4	1.6
Intermediate goods	105.0	-0.3	3.3
Finished goods	113.0	-0.5	1.9
Raw Materials Price Index (RMPI)	118.4	4.2	17.6
RMPI excluding mineral fuels	96.3	0.0	7.8
Mineral fuels (crude oil)	166.1	10.1	32.5
Vegetable products	108.3	-1.9	21.5
Animals and animal products	105.8	1.9	2.8
Wood	86.6	-0.1	8.1
Ferrous materials	91.4	-2.0	5.5
Non-ferrous metals	82.0	-0.7	7.3
Non-metallic minerals	112.5	0.0	2.8

Prices for motor vehicles remained steady. Following a year of growth in 2001, the general trend in the IPPI for motor vehicles and transportation equipment remained flat throughout 2002, mirroring the trend in new motor vehicle sales.

For the most part, lumber prices fell during 2002. With the imposition of duties on softwood lumber by the United States in late May, the IPPI for lumber and other wood products was in steady decline for the remainder of the year.

*The December 2002 issue of **Industry price indexes** (paper: 62-011-XPB, \$22/\$217) will be available soon. For more information, contact Client Services (613-951-9606; infounit@statcan.ca) or Danielle Gouin (613-951-3375; danielle.gouin@statcan.ca), Prices Division.*

Canadian Community Health Survey, Public Use Microdata File

The *Public Use Microdata File* from the Canadian Community Health Survey (CCHS), 2000–2001 is now available. Data were collected from over 130,000 respondents, aged 12 or older, residing in households across all provinces and territories.

The *Public Use Microdata File* from the 2000–2001 CCHS provides data for 106 health regions or combined health regions across Canada. It comes on CD-ROM, with a built-in Beyond 20/20 application, and includes information on a wide range of topics, including alcohol consumption and dependence, chronic health conditions, fruit and vegetable consumption, general health, use of health services, height and weight, injuries, physical activity, restriction of activities and smoking. It also provides information on the socio-demographic characteristics, the income and the labour force characteristics of the population.

*To order a copy of the **Public Use Microdata File** or custom tabulations from the 2000–2001 CCHS, contact Client Services (613-951-1746; hd-ds@statcan.ca), Health Statistics Division. This product is available free of charge to public organizations in the health sector for research and non-commercial purposes. For more information, contact Mario Bédard (613-951-8933; mario.bedard@statcan.ca), Health Statistics Division.*

Consumer lending spurs gains in value of banking services

Deposit-accepting intermediaries in Canada — chartered banks, trust companies, caisses populaires and credit unions — produced services worth \$51.8 billion in 2001, up 4.2% from a revised \$49.7 billion in 2000.

The growth of the value of these services came from net interest income that climbed 11.8% to \$27.6 billion in 2001. Higher volumes of consumer lending in areas such as mortgages and credit cards spurred the gain.

Other factors were lower funding costs for equity derivatives and increased interest rate spreads on loans among some large lenders. Retail banking services provided the biggest portion of growth in net interest income.

On the other hand, there were various mitigating factors. Interest rates fell sharply, helping to propel an already active housing market. As stock market indexes plummeted in the wake of highly publicized corporate failures, the uncertain investment climate put a damper on investment trading volumes. The events of September 11, 2001 aggravated this uncertainty.

Non-interest income declined 3.4% to \$24.2 billion, somewhat reversing its large gain in 2000 and dropping again below the level of net interest income, a pattern observed prior to 2000.

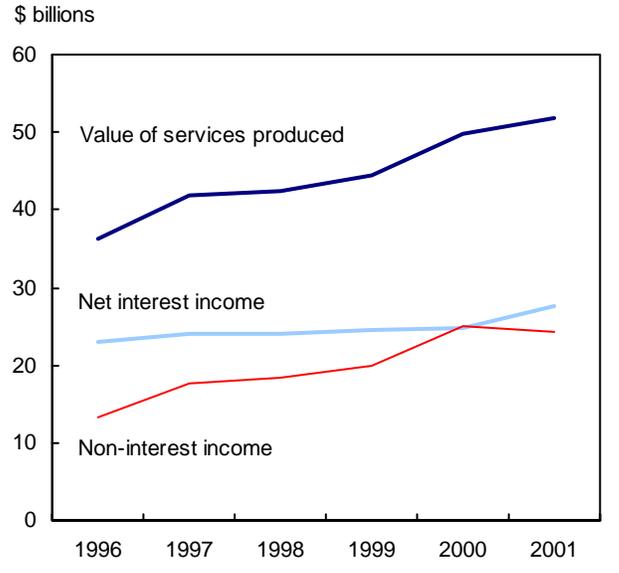
The annual Survey of Deposit-accepting Intermediaries covers the Canadian-based activities of the principal deposit-accepting intermediaries, namely chartered banks, trust companies, caisses populaires and credit unions.

Retail banking services generated 61.2% of the value of services produced in 2001, still the largest proportion. The value of these services increased 6.0% to \$31.7 billion.

The growth in retail banking was a result of a 10.3% advance in net interest income to \$23.7 billion. Higher volumes of mortgage and consumer lending helped drive this increase, as the value of house sales soared and interest rates dropped. Growth in business deposits was another important contributor.

Treasury and investment banking remained the second highest revenue generator for deposit-accepting intermediaries, accounting for \$10.5 billion or 20.4% of the value of services provided in 2001.

Value of services produced in Canada by deposit-accepting intermediaries



The value of services produced by corporate and institutional finance activities slipped 1.7% to \$3.7 billion in 2001 in the wake of notable corporate downturns, weak equity markets and the aftermath of September 11. This segment accounted for 7.1% of the total value of services produced in 2001, down from 7.6% in 2000.

The value of services produced by electronic financial services fell for the second straight year in 2001. This portfolio produced services worth \$3.1 billion, down 7.2% from 2000. Electronic financial services accounted for 6% of the total value of services produced by the industry in 2001, down from 6.7% in 2000.

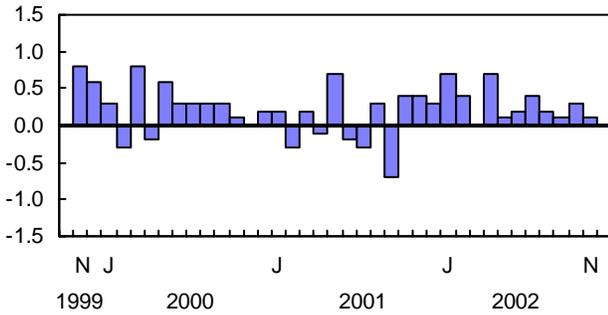
Gains in fiduciary services outpaced the other major services in 2001, continuing a trend of vibrant unbroken growth since 1996. Fiduciary services reached \$2.8 billion, up 30.4%. They accounted for 5.3% of the value of all services produced in 2001, up from 4.3% in 2000.

For more information, contact Christine Hinchley (613-951-5092; christine.hinchley@statcan.ca) or Mario Vella (613-951-1395; mario.vella@statcan.ca), Industrial Organization and Finance Division.

Current trends

Gross domestic product

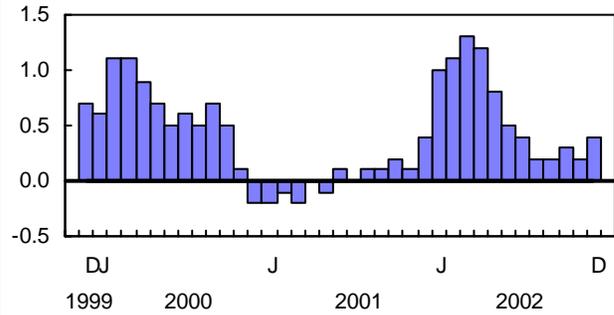
% change, previous month



Total economic activity edged up 0.1% in November, following a 0.3% gain in October.

Composite Index

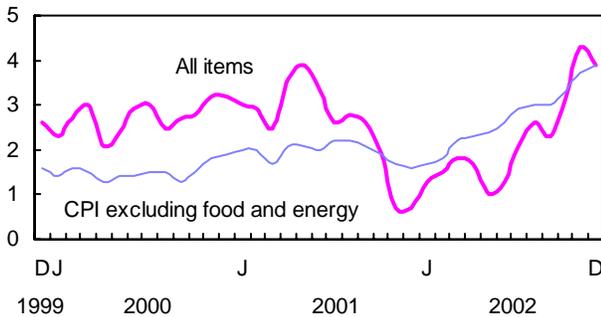
% change, previous month



The leading indicator grew 0.4% in December after fluctuating around 0.2% for four straight months.

Consumer Price Index

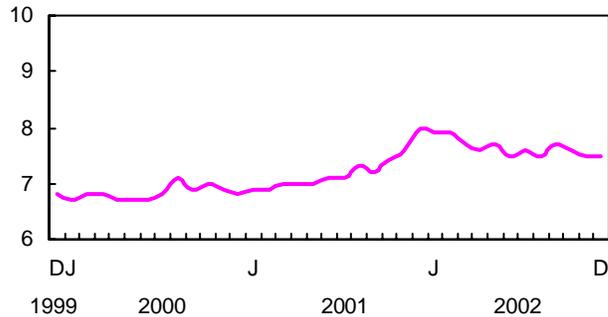
% change, previous year



Consumer prices for goods and services were 3.9% higher in December than they were a year earlier. Excluding food and energy, prices also rose 3.9%.

Unemployment rate

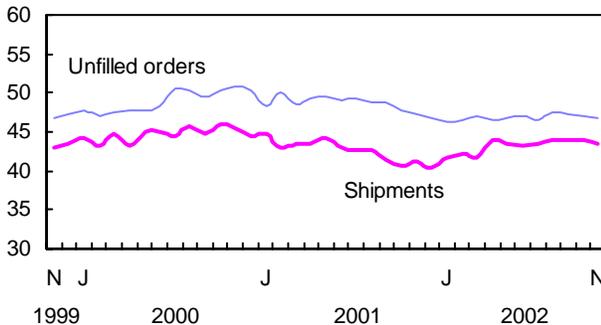
%



In December, the unemployment rate was unchanged at 7.5%.

Manufacturing

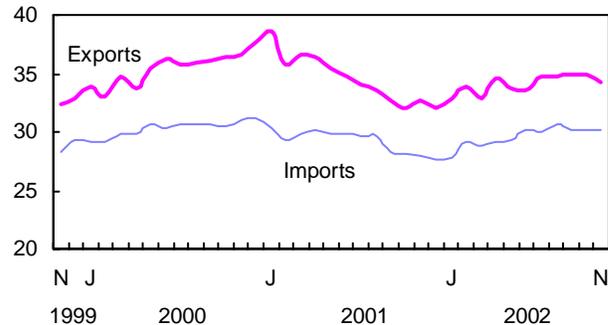
\$ billions



Manufacturers' shipments declined 1.3% in November to \$43.6 billion. The backlog of unfilled orders declined 0.2% to \$46.9 billion.

Merchandise trade

\$ billions



In November, the value of merchandise exports declined 2.2% to \$34.3 billion. Imports edged down 0.1% to \$30.2 billion.

Note: All series are seasonally adjusted except the Consumer Price Index.

Latest statistics

	Period	Level	Change, previous period	Change, previous year
GENERAL				
Gross domestic product (\$ billions, 1997) ¹	November*	984.4	0.1%	3.7%
Composite Index (1992=100)	December	180.6	0.4%	7.9%
Operating profits of enterprises (\$ billions)	Q3 2002	40.3	2.6%	12.9%
Capacity utilization rate (%) ²	Q3 2002	83.3	0.8†	2.5†
DOMESTIC DEMAND				
Retail trade (\$ billions)	November	25.8	-0.6%	5.1%
New motor vehicle sales (thousands of units)	November	140.9	-4.7%	-2.6%
Wholesale trade (\$ billions)	November	35.9	0.3%	8.8%
LABOUR				
Employment (millions)	December	15.6	0.4%	3.7%
Unemployment rate (%)	December	7.5	0.0†	-0.5†
Participation rate (%)	December	67.5	0.2†	1.2†
Average weekly earnings (\$)	November	684.76	0.31%	2.05%
Help-wanted Index (1996=100)	January*	111.6	-1.7%	-11.3%
Regular Employment Insurance beneficiaries (in thousands)	November	550.5	-1.1%	-1.6%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	November	34.3	-2.2%	5.0%
Merchandise imports (\$ billions)	November	30.2	-0.1%	7.8%
Merchandise trade balance (all figures in \$ billions)	November	4.1	-0.8	-0.6
MANUFACTURING				
Shipments (\$ billions)	November	43.6	-1.3%	5.8%
New orders (\$ billions)	November	43.5	-0.9%	6.8%
Unfilled orders (\$ billions)	November	46.9	-0.2%	-1.1%
Inventory/shipments ratio	November	1.46	0.04	-0.07
PRICES				
Consumer Price Index (1992=100)	December	120.4	-0.3%	3.9%
Industrial Product Price Index (1997=100)	December	108.2	-0.4%	2.8%
Raw Materials Price Index (1997=100)	December	118.4	4.2%	17.6%
New Housing Price Index (1992=100)	November	112.5	0.6%	5.0%

Note: All series are seasonally adjusted with the exception of the price indexes.

* new this week

† percentage point

¹ 1997 replaces 1992 as the base year used in determining prices for gross domestic product by industry. Also, valuation has been changed from factor cost to basic prices.

² Calculation of the rates of capacity use is now based on the 1997 North American Industry Classification System (NAICS), which has replaced the 1980 Standard Industrial Classification.

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A weekly review

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SUBJECT AREA Title of product	Period	Catalogue number	Price (\$) (issue/subscription)
AGRICULTURE			
Cereals and oilseeds review	November 2002	22-007-XIB	11/112
Cereals and oilseeds review	November 2002	22-007-XPB	15/149
Farm Product Price Index	November 2002	21-007-XIB	free
Field crop reporting series: Stocks of Canadian grains at December 31, 2002		22-002-XIB	11/66
Field crop reporting series: Stocks of Canadian grains at December 31, 2002		22-002-XPB	15/88
Stocks of frozen and chilled meat products	January 2003	23-009-XIE	free
CANADIAN CENTRE FOR JUSTICE STATISTICS			
Special study on mentally disordered accused in the criminal justice system		85-559-XIE	free
DEMOGRAPHY			
Quarterly demographic statistics	Q3 2002	91-002-XIB	8/25
Quarterly demographic statistics	Q3 2002	91-002-XPB	10/33
INDUSTRY MEASURES AND ANALYSIS			
Gross domestic product by industry	November 2002	15-001-XIE	11/110
INTERNATIONAL TRADE			
Exports by commodity	November 2002	65-004-XMB	37/361
Exports by commodity	November 2002	65-004-XPB	78/773
LABOUR STATISTICS			
Employment, earnings and hours	November 2002	72-002-XIB	24/240
MANUFACTURING, CONSTRUCTION AND ENERGY			
Asphalt roofing	December 2002	45-001-XIB	5/47
Electric power statistics	November 2002	57-001-XIB	9/85
Refined petroleum products	September 2002	45-004-XIB	16/155
PRICES			
Canadian International Development Agency Post Indexes	February 2003	62F0084XIE	free
Foreign Service Directives Post Indexes	February 2003	62F0082XIE	free
Military Post Indexes	February 2003	62F0085XIE	free
Post Indexes for Non-government Organizations	February 2003	62F0083XIE	free
SERVICE INDUSTRIES			
Restaurant, caterer and tavern statistics	November 2002	63-011-XIE	6/55

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