



# Infommat

*A Weekly Review*

Friday, May 23, 2003

## INSIDE

### ◆ Strong quarterly retail sales despite drop in March

Lower consumer spending in the automotive and general merchandise sectors in March drove total retail sales down 0.7% to \$26.4 billion. This followed sales increases in the previous three months. In spite of March's decline, retailers posted their strongest quarterly sales results of the last 12 months.

### ◆ Car and truck sales both decline

The number of new motor vehicles sold in March declined 4.4% from February. March's drop followed two large fluctuations in February and January. Cars and trucks both contributed to the decline. In the first quarter, truck sales declined more rapidly than car sales.

### ◆ A flourishing New Economy

Information and communications technology industries have dynamic output, employment and productivity characteristics, but science-based industries have also contributed to the growth in Canada's New Economy, according to a recent study.

## Shipments increase in the first quarter

**M**anufacturers posted a 2.2% increase in shipments in the first quarter. In March, shipments rose 1.4% to \$44.7 billion, the highest level since November 2000. A boost in motor vehicle manufacturing and a price-driven rise in shipments of petroleum and coal products both contributed to the gain.

Despite global uncertainty, Canadian manufacturers have held their own in recent months. Their 2.2% increase in shipments in the first quarter more than compensated for the 0.9% decline in the fourth quarter of 2002. They have now reported higher shipments in four of the last five quarters.

In March, 13 of the 21 manufacturing industries, representing 65% of total shipments, reported higher shipments. The non-durable and durable goods sectors were both up. For non-durable goods manufacturers, it was the fourth increase in a row. Automakers boosted shipments of durable goods 1.2% to \$25.1 billion.

*(continued on page 2)*

### Manufacturers' shipments, March 2003

Seasonally adjusted

	\$ millions	% change, previous month
<b>Canada</b>	<b>44,694</b>	<b>1.4</b>
Newfoundland and Labrador	177	2.4
Prince Edward Island	111	4.0
Nova Scotia	785	1.9
New Brunswick	1,201	8.5
Quebec	10,219	-1.6
Ontario	23,854	2.4
Manitoba	977	-2.1
Saskatchewan	613	1.6
Alberta	3,937	3.0
British Columbia	2,814	-0.4
Yukon, Northwest Territories and Nunavut	6	21.1



### Shipments increase ... (continued from page 1)

The motor vehicle industry, subject to considerable variation in recent months, reported a 6.2% jump in shipments in March to \$5.7 billion, the highest level since the summer of 2002. Some manufacturers noted that they had increased production levels in order to build up stock of new models.

Rising prices continued to push petroleum and coal product shipments to record levels. Shipments jumped 5.5% to \$3.6 billion in March and are now up more than 25% since November. Oil prices increased 1.8% in March and soared 20% during the first quarter. The start of the war in Iraq and the colder-than-normal winter in North America both contributed.

Excluding the motor vehicle and parts industries and the petroleum and coal products industry, shipments increased a more modest 0.3% in March.

Seven provinces and all the territories reported higher shipments in March, with Ontario (+2.4%) at the head of the pack. Manufacturers of motor vehicles and petroleum and coal products were largely behind this increase. The machinery and fabricated metal products industries contributed to Alberta's fifth consecutive monthly gain in shipments.

Employment in manufacturing continued to weaken in April, down 0.3%. This followed a sharp decline in March (-1.6%).

According to the latest release of the Labour Force Survey, manufacturers have cut 38,000 (-1.6%) jobs since the start of the year.

Manufacturers' inventories increased an additional 0.4% in March to \$63.7 billion, the highest level in 18 months. Finished-product inventories were the highest since June 2001. The accumulation in recent months may be a sign of weakening demand. The main contributors to March's increase in inventories were the chemical products and wood products industries.

In March, manufacturers reported their seventh consecutive decline in unfilled orders, the longest series of monthly decreases of unfilled orders since 1990/91. Orders decreased 0.4% to \$42.9 billion, the lowest level since January 1999. Excluding the aerospace products and parts industry, unfilled orders improved 0.7% in March.

In March, new orders rose 1.6% to \$44.5 billion, their highest level since August 2002. Motor vehicles, computers and the plastic and rubber products industries were the top contributors.

*The March 2003 issue of the **Monthly Survey of Manufacturing** (Internet: 31-001-XIE, \$15/\$147) is now available. For more information, contact Russell Kowaluk (613-951-0600; kowarus@statcan.ca), Manufacturing, Construction and Energy Division. (See also "Current trends" on page 6.)*

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### Canada welcomes fewer international travellers

International travel both in and out of Canada suffered an across-the-board decline in March, as war broke out in Iraq and concern was mounting over the outbreak of SARS. The number of visitors to Canada fell 5.3% from February, while the number of Canadians heading for the United States and overseas nations declined 4.0%.

In March, an estimated 3.1 million travellers arrived in Canada from the United States, a 5.2% decline from February. An estimated 2.7 million Canadians travelled to the United States, down 4.4% from February.

Travel to Canada from overseas countries was also down significantly. In March, 316,000 people arrived in Canada from countries other than the United States, down 6.1% from February. Ten of Canada's top 12 overseas markets incurred declines in both same-day and overnight trips. Travel from Mexico plunged 26.9%, the largest monthly decline. On the other hand, travel from Hong Kong rose 1.3%, one of the few gains.

*The March 2003 issue of **International travel, advance information** (Internet: 66-001-PIE, \$6/\$55) is now available. For more information, contact Frances Kremarik (613-951-4240; frances.kremarik@statcan.ca), Culture, Tourism and the Centre for Education Statistics.*

## Strong quarterly retail sales despite drop in March

Lower consumer spending in the automotive and general merchandise sectors in March drove total retail sales down 0.7% to \$26.4 billion. This followed sales increases in February (+1.8%), January (+0.8%) and December (+0.2%). Excluding sales by motor and recreational vehicle dealers, the largest component of the automotive sector, total retail sales remained unchanged in March.

In spite of March's decline, retailers posted their strongest quarterly sales results of the last 12 months. Retail sales advanced 1.8% in the first quarter compared with the fourth quarter of 2002. Retail sales have generally been increasing since the fall of 2001, following the September 2001 slump and a period of essentially flat sales that began in April of that year.

Sales in the automotive sector fell 2.3% in March, driven down by lower sales at motor and recreational vehicle dealers (-2.5%) and gasoline service stations (-3.3%). These declines followed sizable gains in February. Reduced gasoline sales volumes at the pump were behind March's lower sales at service stations.

After remaining unchanged in February, sales in the general merchandise sector declined 1.3% in March. Within this sector, both department stores (-0.9%) and other general merchandise stores (-1.8%) suffered sales losses.

Drug stores posted March's largest sales increase (+1.3%), after showing little growth since the spring of 2002. Previously, drug stores had been experiencing a period of strong gains that began in the spring of 2000.

After staying away from furniture stores in the previous two months, consumers returned in March, pushing sales up 1.1% from February. Still riding the housing wave, furniture stores have been showing high sales since the spring of 2002.

March's sales advance in food stores (+1.0%) continued a general pattern of strong monthly increases observed since early 2000.

In March, rising sales in women's clothing stores (+2.4%) and in stores in the "other clothing" category (+0.6%) led to a 1.0% overall sales gain in the clothing sector.

### Retail sales, March 2003 Seasonally adjusted

	\$ millions	% change, previous month	% change, previous year
<b>Canada</b>	<b>26,366</b>	<b>-0.7</b>	<b>4.7</b>
Newfoundland and Labrador	443	0.7	6.5
Prince Edward Island	110	-1.1	-0.9
Nova Scotia	771	-0.2	-0.5
New Brunswick	609	-0.5	-2.7
Quebec	6,073	0.1	5.2
Ontario	9,947	-0.5	5.1
Manitoba	901	0.6	3.7
Saskatchewan	795	1.3	7.4
Alberta	3,246	-1.3	7.4
British Columbia	3,373	-2.9	2.2
Yukon	35	-4.4	6.4
Northwest Territories	46	0.9	16.1
Nunavut	18	2.9	9.2

As was the case in most provinces, retailers in British Columbia posted sales declines in the automotive and general merchandise sectors in March. However, the decline in auto sales was more pronounced in British Columbia, where the number of new motor vehicles sold in March dropped 10.5% from February. Total retail sales in that province fell 2.9% in March, cancelling out the gains in the previous two months.

In Ontario, retail sales fell 0.5% in March, ending a string of three consecutive monthly gains. March's retail sales decline in Ontario, smaller than the national average, was concentrated in the automotive and general merchandise sectors.

SARS (Severe Acute Respiratory Syndrome) occupied the headlines in April. Supermarkets in the Toronto metropolitan area may have benefited from lower spending in restaurants, but sales for most retailers may have been adversely affected by reduced traffic in stores.

*The March 2003 issue of **Retail trade** (Internet: 63-005-XIB, \$16/\$155) is now available. For more information, contact Paul Gratton (613-951-3541; paul.gratton@statcan.ca), Distributive Trades Division.*

### Perspectives on labour and income

The May 2003 online edition of *Perspectives on labour and income* features two articles on non-wage benefits. "Non-wage job benefits" examines what kinds of jobs come with benefits, such as insurance packages, pension plans, and wellness or employee assistance programs. "Health-related insurance for the self-employed" looks at coverage of the self-employed by extended medical, dental, and disability insurance. Also included is an update on work absences.

*The May 2003 online edition of **Perspectives on labour and income** (75-001-XIE, \$5/\$48) is now available. For more information, contact Henry Pold (613 951-4608; henry.pold@statcan.ca), Labour and Household Surveys Analysis Division.*

## Car and truck sales both decline

The number of new motor vehicles sold in March declined 4.4% from February. March's sales drop followed two large fluctuations in February (+14.0%) and January (-14.6%). Cars and trucks both contributed to the decline.

New motor vehicle sales in the first quarter of 2003 fell 5.6% from the fourth quarter of 2002; truck sales dropped 9.8%, whereas car sales declined only 2.0%.

In March, 139,670 new vehicles were sold, almost the same volume as in March 2002. Sales of new vehicles have been following a downward track in recent months, after remaining at a high level throughout 2002.

Dealers sold 76,201 new passenger cars in March, down 4.8% from February, when sales rose sharply (+10.7%). North American-built cars and overseas-built cars both contributed to March's decline. After remaining high throughout most of 2002, new car sales have faltered in recent months.

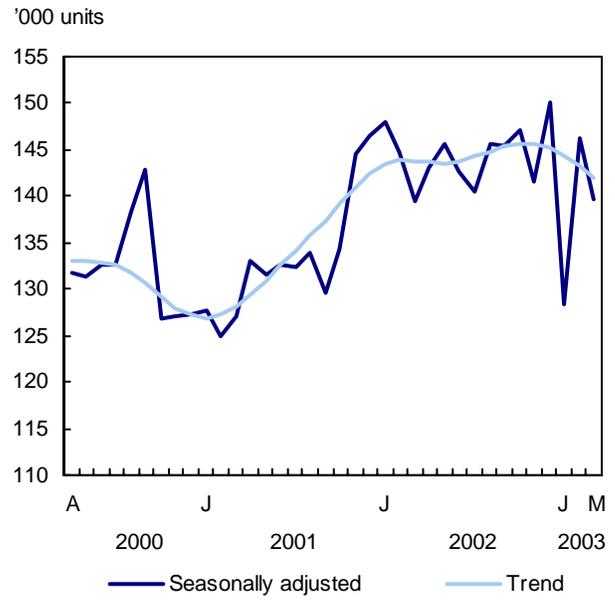
In March, truck sales fell 4.0% from February to 63,469 vehicles. This drop followed two large fluctuations in February (+18.1%) and January (-18.8%). In recent months, new truck sales have slumped after moving upward since the summer of 2002.

In March, sales fell in all provinces from February, when they posted increases of at least 9.0% except in the region formed by British Columbia and the territories. Sales in western Canada have been following a downward trend since the fall of 2002. The only exception is Saskatchewan, where sales have maintained an upward movement.

In Quebec and Ontario, sales have been declining since the start of 2003. However, in Quebec they rose throughout 2002, whereas in Ontario they were fairly flat.

In eastern Canada, sales have also been tracking downward in recent months, after remaining generally stable in 2002. However,

### New motor vehicle sales



in New Brunswick, where the movement is more pronounced, new motor vehicle sales have been declining since the start of 2002.

Preliminary figures from the auto industry show that the number of new motor vehicles sold in April was down an estimated 4% from March.

*The March 2003 issue of **New motor vehicle sales** (Internet: 63-007-XIB, \$13/\$124) is now available. For more information, contact Clérance Kimanyi (613-951-6363; clerance.kimanyi@statcan.ca), Distributive Trades Division.*

## Wholesale sales decline

Wholesalers sold a total of \$36.6 billion worth of goods and services in March, down 0.5% from February. This decrease in sales follows a decline of 0.2% in February. The upward movement of wholesale sales since November 2001 has slowed in recent months.

The decline in March was mainly the result of weaker wholesale sales of computers and electronics (-7.8%), automotive products (-2.5%) and lumber and building materials (-1.8%). These declines were eased by increases in industrial machinery (+1.7%) and other products (+1.1%).

Wholesale sales declined in seven provinces in March. The Maritime provinces were the hardest hit, with Prince Edward Island (-3.6%), New Brunswick (-1.9%) and Nova Scotia (-1.8%) all posting decreases. Sales in Ontario, Manitoba, Saskatchewan and British Columbia also fell.

Wholesale sales were up in the first quarter, despite the declines posted in March and February. First quarter sales advanced 2.1% from the fourth quarter of 2002, which had a similar increase. Sales in the first quarter were up 8.6% from the first quarter of 2002.

*The March 2003 issue of **Wholesale trade** (Internet: 63-008-XIB, \$14/\$140) is now available. For more information, contact Jean Lebreux (613-951-4907; jean.lebreux@statcan.ca), Distributive Trades Division.*

## A flourishing New Economy

**I**nformation and communications technology (ICT) industries have dynamic output, employment and productivity characteristics, but science-based industries have also contributed to the growth in Canada's New Economy, according to a recent study.

Production and performance trends in ICT industries during the late 1980s and much of the 1990s surpassed most other business sector industries that fall outside the ICT and science groups, often by a considerable margin. Gross domestic product (GDP) growth, productivity growth, investments in technology, and research and development expenditures are all areas in which the ICT sector excels.

The rapid growth of the technology sector is a central characteristic of the New Economy. From 1987 to 1997, real GDP in the ICT sector almost doubled (+96%). This was more than three times the rate of growth of 28% for other industries.

Companies in the ICT sector employed 44% more workers in 1997 than in 1981, while employment in other industries rose only 24%. At the same time, long-run multifactor productivity gains in the ICT sector averaged 1.7% a year, about four times the rate of growth of 0.4% for industries outside the ICT and science areas.

This study divided industries that comprise the ICT sector into three groups: manufacturing; core services, such as computer services and telecommunications services; and other services.

From 1987 to 1997, productivity gains in high-tech companies were heavily concentrated in manufacturing firms, not those engaged in services. During this 10-year period, labour productivity in ICT manufacturing firms rose 90%, or 6.7% a year. This was well above gains of only 27%, or 2.4% a year, in core ICT services.

However, core ICT services incurred the fastest growth rates in terms of both economic output and employment. From 1987 to 1997, real GDP in computer services and telecommunications increased 8.2% a year, compared with only 2.5% for all other industries. From 1981 to 1997, employment in core ICT services increased 85%, or 3.9% annually, while remaining stable in ICT manufacturing.

The science sector includes many other industries that are not part of the OECD's definition of the ICT sector. Many of these industries also contributed to the growth of the New Economy, via investments in research and development and skilled labour. Long-run production and performance characteristics in many of these science-based industries rivalled, or surpassed, those for the ICT sector.

Strong productivity performance in the New Economy was not limited to manufacturers in the ICT sector. Science-based goods industries, which include many "heavy manufacturing" industries such as petroleum products, aircraft industries, industrial chemicals and pharmaceuticals, also registered sharp productivity gains during the 1980s and the 1990s.

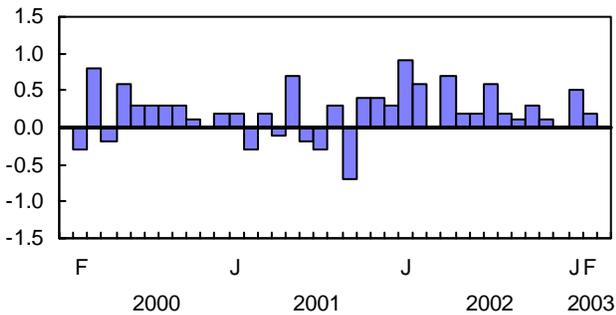
Multifactor productivity in science-based goods industries increased 51% from 1981 to 1997, substantially stronger growth than for any of the high-tech service industries studied. Science-based goods industries also had high rates of investment and enjoyed high profit margins.

*Two research papers from The Canadian Economy in Transition Series, **A guide to research on the New Economy** (11-622-MIE2003001, free) and **The growth and development of New Economy industries** (11-622-MIE2003002, free), are now available on Statistics Canada's website ([www.statcan.ca](http://www.statcan.ca)). For more information, contact Guy Gellatly (613-951-3758) or Desmond Beckstead (613-951-6199), Micro-Economic Analysis Division.*

## Current trends

### Gross domestic product

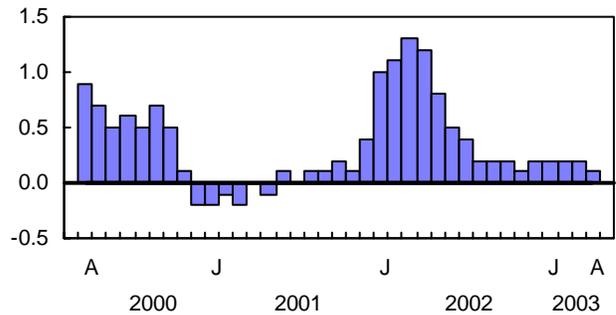
% change, previous month



Total economic activity rose 0.2% in February, after a gain of 0.5% in January.

### Composite Index

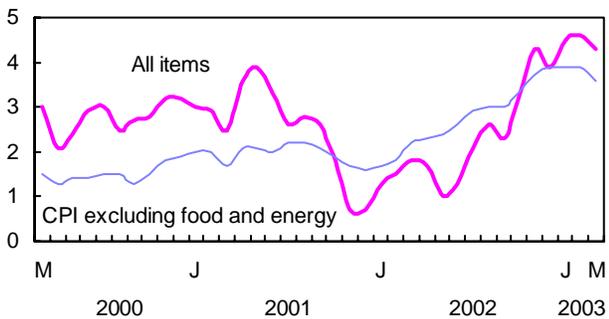
% change, previous month



The leading indicator grew 0.1% in April after rising 0.2% in March.

### Consumer Price Index

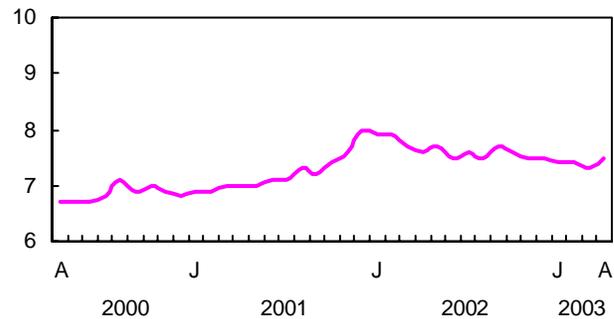
% change, previous year



Consumer prices for goods and services were 4.3% higher in March than they were a year earlier. Excluding food and energy, prices rose 3.6%.

### Unemployment rate

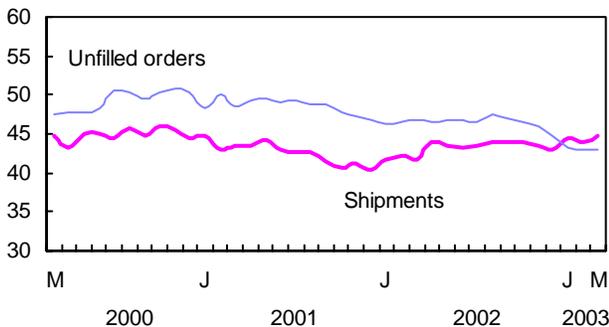
%



In April, the unemployment rate rose 0.2 percentage points to 7.5%.

### Manufacturing

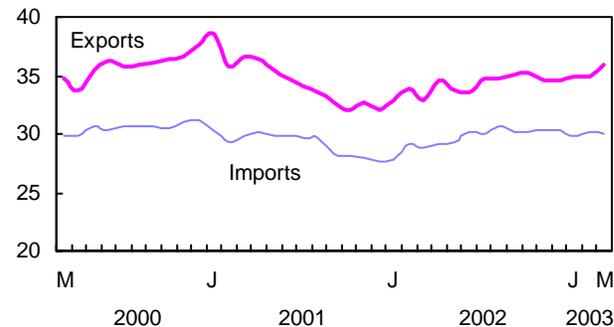
\$ billions



Manufacturers' shipments rose 1.4% in March to \$44.7 billion. The backlog of unfilled orders declined 0.4% to \$42.9 billion.

### Merchandise trade

\$ billions



In March, the value of merchandise exports rose 2.8% to \$35.9 billion. Imports fell 0.5% to \$30.0 billion.

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

## Latest statistics

	Period	Level	Change, previous period	Change, previous year
<b>GENERAL</b>				
Gross domestic product (\$ billions, 1997) <sup>1</sup>	February	996.7	0.2%	3.3%
Composite Index (1992=100)	April*	181.1	0.1%	3.4%
Operating profits of enterprises (\$ billions)	Q4 2002	41.9	5.1%	32.8%
Capacity utilization rate (%) <sup>2</sup>	Q4 2002	82.9	-0.2†	2.5†
<b>DOMESTIC DEMAND</b>				
Retail trade (\$ billions)	March*	26.4	-0.7%	4.7%
New motor vehicle sales (thousands of units)	March	139.7	-4.4%	0.1%
Wholesale trade (\$ billions)	March*	36.6	-0.5%	8.0%
<b>LABOUR</b>				
Employment (millions)	April	15.7	-0.1%	2.6%
Unemployment rate (%)	April	7.5	0.2†	-0.1†
Participation rate (%)	April	67.4	-0.1†	0.8†
Average weekly earnings (\$)	February	687.37	0.13%	1.67%
Help-wanted Index (1996=100)	April	110.8	-0.1%	-13.0%
Regular Employment Insurance beneficiaries (in thousands)	February	531.3	0.3%	-4.2%
<b>INTERNATIONAL TRADE</b>				
Merchandise exports (\$ billions)	March	35.9	2.8%	9.0%
Merchandise imports (\$ billions)	March	30.0	-0.5%	4.1%
Merchandise trade balance (all figures in \$ billions)	March	5.9	1.1	1.8
<b>MANUFACTURING</b>				
Shipments (\$ billions)	March	44.7	1.4%	6.9%
New orders (\$ billions)	March	44.5	1.6%	5.7%
Unfilled orders (\$ billions)	March	42.9	-0.4%	-8.7%
Inventory/shipments ratio	March	1.43	-0.01	-0.05
<b>PRICES</b>				
Consumer Price Index (1992=100)	April*	121.9	-0.7%	3.0%
Industrial Product Price Index (1997=100)	March	108.8	-0.5%	1.3%
Raw Materials Price Index (1997=100)	March	124.0	-4.0%	11.9%
New Housing Price Index (1992=100)	March	113.9	0.1%	4.8%

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

\* new this week

† percentage point

<sup>1</sup> 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.

<sup>2</sup> 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.

# Infomat

## A weekly review

Published by the Official Release Unit, Communications Division,  
Statistics Canada, 10th floor, R.H. Coats Bldg., Ottawa, Ontario, K1A 0T6.

Price per issue: paper, \$4; online at [www.statcan.ca](http://www.statcan.ca), \$3. Annual subscription:  
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<b>CULTURE, TOURISM AND THE CENTRE FOR EDUCATION STATISTICS</b>			
International travel, advance information	March 2003	66-001-PIE	6/55
<b>DISTRIBUTIVE TRADES</b>			
New motor vehicle sales	March 2003	63-007-XIB	13/124
Wholesale trade	March 2003	63-008-XIB	14/140
<b>INCOME STATISTICS</b>			
Survey of Labour and Income Dynamics — Cross sectional public use microdata file	1999	75M0010XCB	2,000
Survey of Labour and Income Dynamics — Cross sectional public use microdata file	2000	75M0010XCB	2,000
<b>INTERNATIONAL TRADE</b>			
Canadian international merchandise trade	March 2003	65-001-XIB	14/141
Exports by commodity	March 2003	65-004-XMB	37/361
Exports by commodity	March 2003	65-004-XPB	78/773
Imports by country	January-March 2003	65-006-XMB	62/206
Imports by country	January-March 2003	65-006-XPB	124/412
<b>LABOUR AND HOUSEHOLD SURVEYS ANALYSIS</b>			
Perspectives on labour and income	May 2003	75-001-XIE	5/48
<b>MANUFACTURING, CONSTRUCTION AND ENERGY</b>			
Monthly Survey of Manufacturing	March 2003	31-001-XIE	15/147
Primary iron and steel	March 2003	41-001-XIB	5/47
<b>MICRO ECONOMIC STUDIES AND ANALYSIS</b>			
A guide to research on the New Economy		11-622-MIE2003001	free
The growth and development of New Economy industries		11-622-MIE2003002	free
<b>PRICES</b>			
The Consumer Price Index	April 2003	62-001-XIB	8/77
The Consumer Price Index	April 2003	62-001-XPB	11/103
<b>TRANSPORTATION</b>			
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