



Infommat

A Weekly Review

Friday, September 20, 2002

INSIDE

◆ New motor vehicle sales strong, despite decline

New motor vehicle sales were down 1.9% from June, the second consecutive monthly decline. Despite the decline, July's sales were still higher than the monthly average in 2001, a record year.

◆ Cars, energy fuel rebound in manufacturers' shipments

Fuelled by strong output of motor vehicles and petroleum and coal products, manufacturing shipments rose 1.0% in July to \$43.6 billion, the first increase in three months. To meet demand, manufacturers have also started to expand inventories.

◆ Strongest gain in labour productivity in three years

Canadian businesses recorded a substantial gain in labour productivity in the second quarter of 2002 in the wake of a surge in both the number of jobs and strong economic growth.

◆ Student fees up, government revenue down

Universities collected \$15.9 billion in total revenue, up 3.5% from 1999/2000 in constant dollars. It was the fourth consecutive annual increase. In 2000/01, government revenue accounted for 55% of total revenue, down from 69% in 1990/91.

Second consecutive increase in capacity utilization

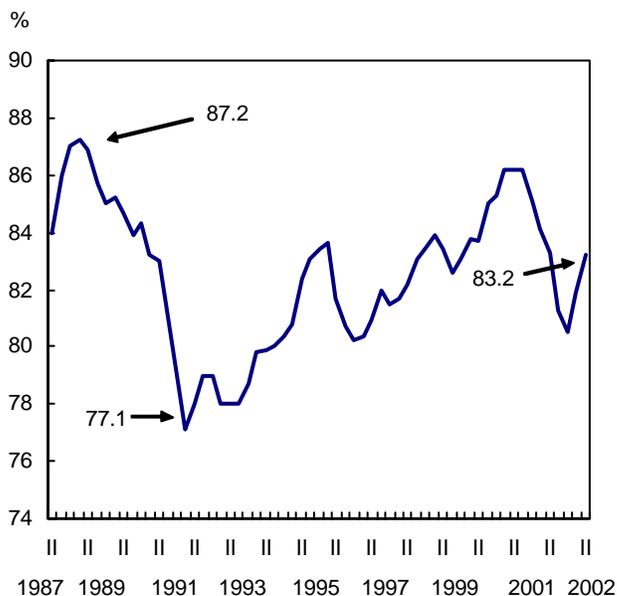
Industries operated at 83.2% of capacity in the second quarter, up from 81.9% in the first, thanks to strong increases in the manufacturing, and forestry and logging industries. This second consecutive rate increase followed a string of five consecutive quarterly declines.

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

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 increase or remain the same.

(continued on page 2)

Industrial capacity utilization rates



Second consecutive increase... (continued from page 1)

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 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.

Industrial capacity utilization rates, Second quarter 2002

	%	% point change, previous quarter	% point change, previous period
Total industrial	83.2	1.3	-0.1
Forestry and logging	80.7	8.7	-3.6
Oil and gas extraction	71.1	0.6	0.9
Mining	79.9	-2.9	-16.4
Electric power generation, transmission and distribution	88.5	0.6	-0.3
Construction	90.8	0.5	1.2
Manufacturing	82.7	1.8	0.9

The rate of capacity use for wood product manufacturers rose 5.1 percentage points to 91.5% in the second quarter. This is the highest rate in this industry since it reached the same level in the third quarter of 1994. 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%. 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 rose 2.7 percentage points to 90.1%.

The forestry and logging industry's rate jumped 8.7 percentage points to 80.7% in the second quarter. The temporary elimination of duties on softwood lumber exports to the United States helped this industry's output increase 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.

For more information, contact Mychèle Gagnon (613-951-0994) or Richard Landry (613-951-2579), Investment and Capital Stock Division.

New motor vehicle sales strong, despite decline

New motor vehicle sales fell 1.9% from June, the second consecutive monthly drop, to 139,416 new vehicles sold in July. Although this was the first time that monthly sales fell short of 140,000 since October 2001, July's sales were still higher than the monthly average in 2001, a record year.

Sales during the first seven months of 2002 were 10.1% higher than in the same period of 2001.

New truck sales posted a decline three times larger than that for passenger cars. The number of new trucks sold declined 2.9% in July to 63,356 vehicles.

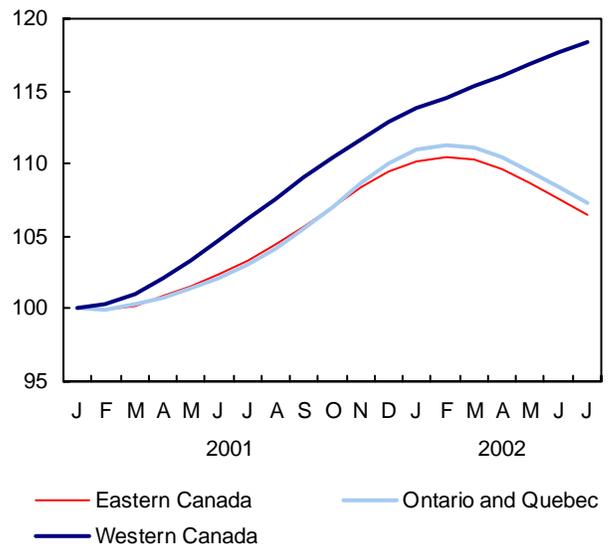
In July, dealers reported sales of 76,061 new cars, down 1.0% from June, when sales had also declined (-1.6%). North American-built cars and overseas-built cars both contributed to the decline in new passenger car sales.

Nova Scotia (+11.5%) reported the strongest monthly increase in new motor vehicle sales in July. Ontario reported the largest monthly drop (-4.6%), its second consecutive decline.

The July 2002 issue of *New motor vehicle sales* (Internet: 63-007-XIB, \$13/\$124) is now available. For more information, contact Elton Cryderman (613-951-0669; elton.cryderman@statcan.ca), Distributive Trades Division.

Trends of new motor vehicle sales by region

% indexes (January 2001=100)



Cars, energy fuel rebound in manufacturers' shipments

Manufacturers marked the start of summer on an upbeat note. Fuelled by strong output of motor vehicles and petroleum and coal products, manufacturing shipments rose 1.0% in July to \$43.6 billion, the first increase in three months.

Record low interest rates, an expanding labour market and healthy consumer confidence were factors contributing to greater manufacturing activity over the last 12 months. In July, 14 of 21 industries reported higher shipments, representing 74% of the total. So far in 2002, manufacturing employment has grown 6.7% (+149,000 jobs).

Employment and labour force growth in the manufacturing sector have been strong in Canada compared with the United States, where manufacturers mostly continued to draw from their inventories.

Motor vehicle shipments rose 5.4% to \$5.9 billion, by far the largest increase of all manufacturing industries in July. This followed a 0.8% increase in June. Low interest rates, generous financing incentives and strong consumer confidence continued to drive sales to near-record levels in Canada.

Shipments of petroleum and coal products rose 6.4% to \$2.8 billion in July, the fourth increase in five months. Several plants returned to full production levels following some temporary plant shutdowns in May and June. Prices for petroleum and coal

products edged up 1.8% in July, after falling in May and June. Ongoing uncertainty in the Middle East will likely contribute to future volatility in this industry.

Following the re-instatement of the US-imposed duties on Canadian softwood lumber exports in late May, wood product shipments plunged 8.1% in June, after a 3.9% drop in May. July shipments recovered somewhat, rising 1.1% to \$2.3 billion. Although export demand for lumber softened in recent months, the investment boom in domestic new housing may have offset some of the foreign demand.

Offsetting the overall increase in total manufacturing shipments was a substantial 19.2% drop in production of aerospace products and parts, which wiped out most of June's gains (+23.2%). Persistent uncertainty in the international aviation sector continued to hamper Canadian aerospace manufacturing. Year-to-date production of aerospace product and parts in Canada fell 19.8%, compared with a 10.9% drop in output of non-defence aircraft and parts in the United States.

Following a year of significant inventory reductions, manufacturers may be showing signs of confidence in the economy. In recent months, inventories have started to gradually accumulate once again. In July, inventories increased for the third time in four months, rising 0.6% to \$62.1 billion, a five-month high.

The inventory-to-shipment ratio eased back slightly to 1.42 in July. Since April 2001, the ratio has lingered around this level, partly because of manufacturers' recent efforts to restore their inventories. In 2001, as the economy weakened and demand subsided, manufacturers scaled back production significantly to reduce inventories.

Unfilled orders decreased 0.9% to \$46.6 billion in July, the first decline since April. Following the economic downturn of 2001, unfilled orders had improved in recent months. July orders were subdued by the ongoing uncertainty in the aviation sector.

Slightly offsetting July's overall decrease, manufacturers of computer and electronic products reported a 4.6% rise in unfilled orders to \$4.3 billion, the fifth increase in a row for this industry.

Pulled down by decreases in the aerospace product and parts industry and the computer and electronic products industry, new orders fell for the third straight month following a strong start to 2002. New orders were \$43.2 billion in July, down 0.5% from June.

*The July 2002 issue of the **Monthly Survey of Manufacturing** (Internet: 31-001-XIB, \$15/\$147) will be available soon. For more information, contact Russell Kowaluk (613-951-0600; kowarus@statcan.ca), Manufacturing, Construction and Energy Division. (See also "Current trends" on page 6.)*

Manufacturers' shipments, July 2002 Seasonally adjusted

	\$ millions	% change, previous month
Canada	43,629	1.0
Newfoundland and Labrador	188	-8.6
Prince Edward Island	103	-3.9
Nova Scotia	724	0.2
New Brunswick	1,077	-1.2
Quebec	10,201	-0.9
Ontario	23,541	2.0
Manitoba	964	3.4
Saskatchewan	582	-4.5
Alberta	3,384	0.4
British Columbia	2,858	2.6
Yukon, Northwest Territories and Nunavut	6	66.8

Strongest gain in labour productivity in three years

Canadian businesses recorded a substantial gain in labour productivity in the second quarter of 2002, in the wake of a surge in both the number of jobs and strong economic growth.

Productivity in the business sector rose 3.0% between April and June this year, compared with the same three months in 2001. It was the strongest year-over-year quarterly growth rate in three years, and followed a 2.9% increase in the first three months of 2002.

On the other hand, Canada's productivity growth was lower than that of the United States for the second quarter in a row. Productivity in the American business sector rose 4.8% in the second quarter compared with the same three months last year, mainly as a result of a reduction in the number of hours worked.

Labour productivity, measured as output for every hour worked, is an indicator of a nation's standard of living. (On a quarter-to-quarter basis, productivity rose 0.9% in the Canadian business sector compared with the first quarter of 2002, and 0.4% in the United States.)

Productivity growth in Canada has occurred hand-in-hand with strong growth in jobs, and even stronger economic growth. Output in Canada's business sector increased 3.8% compared with the second quarter of 2001, while employment advanced 1.4%.

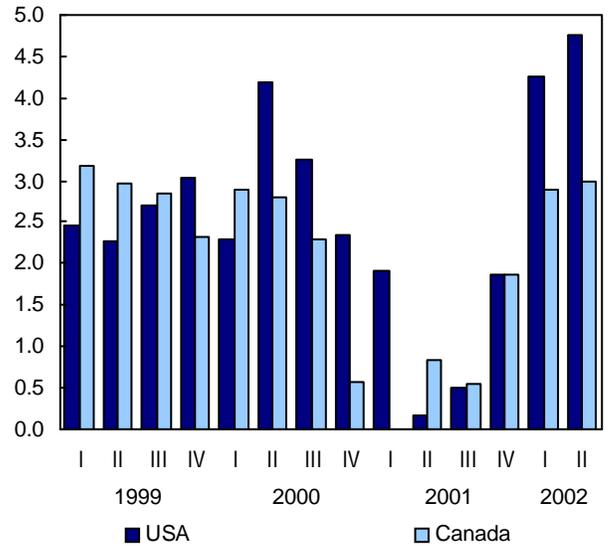
In addition, Canadian companies were keeping their costs well under control. Hourly compensation climbed 2.6%. However, because productivity grew even more, the key measure of unit labour costs was down 0.5%, which makes Canadian goods more competitive.

Although Canada's productivity growth is still lower than that of the United States, recent revisions to the American data show that the gap is shrinking. In other words, Canadian businesses have been doing better in productivity compared with their U.S. counterparts than previously thought.

For the period from 1997 through 2001, earlier estimates put the average annual increases in labour productivity at 2.6% in the United States and 1.8% in Canada, leaving Canada 0.8 percentage points behind.

Productivity in Canada and the United States

Year-over-year % change



The revisions brought the U.S. average down to 2.3%, while the Canadian average climbed slightly to 1.9%, for a gap of only 0.4 percentage points.

It was the second year in a row that revisions in both countries have resulted in a significant reduction of the productivity gap.

However, the revisions also showed that Canadian businesses outperformed their American counterparts in terms of average annual productivity growth in only one of the last four years, that is, in 1999. That year, productivity grew at a revised average annual rate of 2.9% in Canada, compared with 2.6% in the United States.

From 1997 to 2000, the average annual gap in favour of the United States shrank by one-third.

For more information, contact Jean-Pierre Maynard (613-951-3654; maynard@statcan.ca), Micro-Economic Analysis Division.

Student fees up, government revenue down

Universities collected \$15.9 billion in total revenue, up 3.5% from 1999/2000 in constant dollars. It was the fourth consecutive annual increase, but the smallest since 1996/97. In 2000/01, government revenue accounted for 55% of total revenue, down from 69% in 1990/91.

Student fees, however, accounted for 19% of total revenue in 2000/01, up from 12% a decade earlier. Students paid almost \$3.1 billion in fees in 2000/01, up \$120 million, or 4.1%, from 1999/2000. This was the smallest increase in revenue from student fees since 1995/96. Since that year, student fees have risen by an annual average of 7.7%.

Contributions from all levels of government rose 2.8% to \$8.7 billion, the smallest increase since 1997/98. Revenues from private sources increased 4.3% to \$7.2 billion.

In 2000/01, alumni and other donors contributed \$1.6 billion in bequests, donations and non-government grants and contracts, up \$125 million, or 8.6%, from 1999/2000.

The federal government also contributed almost \$1.6 billion, up 16% from 1999/2000. Over the last three years, federal funding has risen by an annual average of 18%.

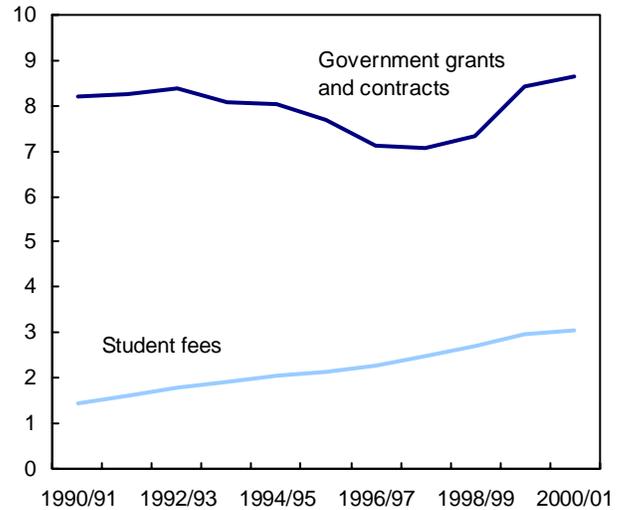
Provincial governments contributed \$7.0 billion, up 0.5%, following a 13.5% increase in 1999/2000. The much lower increase in 2000/01 can be partly attributed to a 7.8% decline in provincial funding in Ontario. That province accounted for one-third of all revenue for Canadian universities from provincial governments in 2000/01.

Quebec universities received the highest proportion of total revenue from government funding at 66%, and the proportion of total revenue from student fees, 11%, remained the lowest.

Student fees have increased at a faster pace than government contributions every year since 1990/91, except 1999/2000. However, in 2000/01, government contributions increased faster in six provinces: Newfoundland and Labrador, Prince Edward Island, Quebec, Manitoba, Saskatchewan and British Columbia.

University revenues from student fees and government contributions

\$ billions (constant 2000/01 dollars)



In terms of expenditures, total university spending for 2000/01 amounted to a record \$15.3 billion, up 5.4% from 1999/2000. During the past two years, expenditures increased at an average rate of 8.6%, compared with only 1.0% from 1990/91 to 1998/99.

University spending on scholarships and bursaries increased 14.5% to almost \$562 million in 2000/01. This was well above the annual average of 11.7% during the 1990s, partly offsetting increased tuition fees.

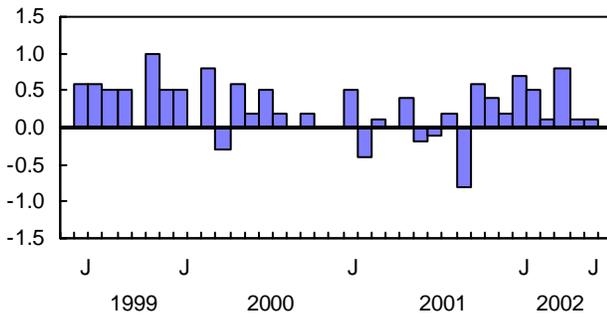
The largest percentage increase in expenditures was for buildings (+30.1%). However, at \$575 million, expenditures on buildings were still lower in 2000/01 than the level of almost \$580 million in 1993/94 in constant dollars and only accounted for 3.7% of overall spending, nationally.

For more information, contact Bernard Bourgoin (613-951-1506; bernard.bourgoin@statcan.ca), Culture, Tourism and the Centre for Education Statistics.

Current trends

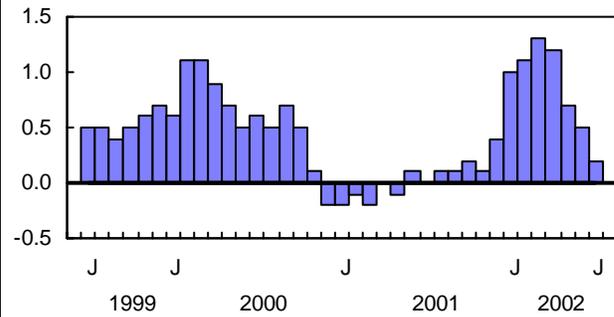
Gross domestic product

% change, previous month



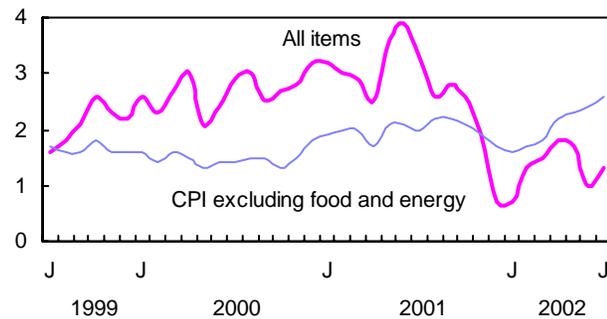
Composite Index

% change, previous month



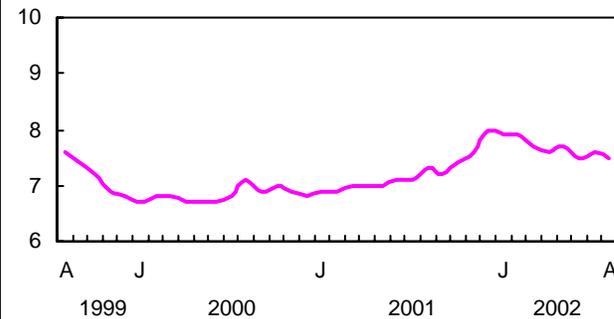
Consumer Price Index

% change, previous year



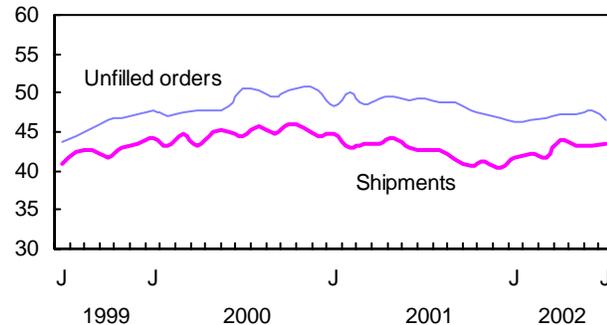
Unemployment rate

%



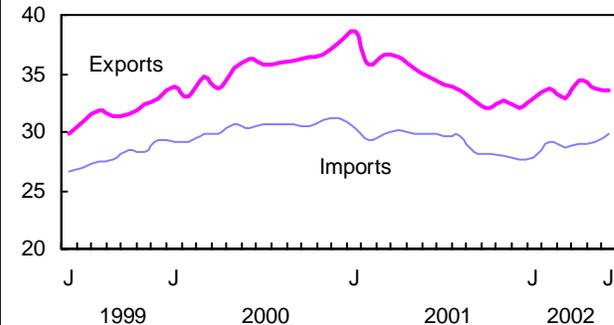
Manufacturing

\$ billions



Merchandise trade

\$ billions



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	June	967.4	0.1%	2.9%
Composite Index (1992=100)	July	177.6	0.2%	6.9%
Operating profits of enterprises (\$ billions)	Q2 2002	38.8	10.7%	-0.2%
Capacity utilization rate (%) ²	Q2 2002	83.2	1.3†	-0.1†
DOMESTIC DEMAND				
Retail trade (\$ billions)	June	25.6	1.8%	6.2%
New motor vehicle sales (thousands of units)	July*	139.4	-1.9%	5.4%
Wholesale trade (\$ billions)	June	34.5	0.1%	3.7%
LABOUR				
Employment (millions)	August	15.5	0.4%	2.7%
Unemployment rate (%)	August	7.5	-0.1†	0.2†
Participation rate (%)	August	67.0	0.2†	1.1†
Average weekly earnings (\$)	June	676.61	0.10%	2.03%
Help-wanted Index (1996=100)	August	126.9	-1.1%	-11.9%
Regular Employment Insurance beneficiaries (in thousands)	June	551.5	-0.5%	8.1%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	July*	34.9	3.4%	2.5%
Merchandise imports (\$ billions)	July*	30.0	0.2%	1.1%
Merchandise trade balance (all figures in \$ billions)	July*	4.9	1.1	0.5
MANUFACTURING				
Shipments (\$ billions)	July*	43.6	1.0%	2.3%
New orders (\$ billions)	July*	43.2	-0.5%	0.9%
Unfilled orders (\$ billions)	July*	46.6	-0.9%	-5.5%
Inventory/shipments ratio	July*	1.42	-0.01	-0.09
PRICES				
Consumer Price Index (1992=100)	July	119.6	0.5%	2.1%
Industrial Product Price Index (1997=100)	July	106.9	0.2%	-0.3%
Raw Materials Price Index (1997=100)	July	114.7	2.6%	0.3%
New Housing Price Index (1992=100)	July	110.5	0.2%	4.0%

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 Industrial Classification System (NAICS), which has replaced the 1980 Standard Industrial Classification.

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SUBJECT AREA Title of product	Period	Catalogue number	Price (\$) (issue/subscription)
AGRICULTURE			
Livestock statistics	Q2 2002	23-603-XIE	34/112
Production of eggs	July 2002	23-003-XIB	free
CULTURE, TOURISM AND THE CENTRE FOR EDUCATION STATISTICS			
Teacher education in a knowledge-based economy:			
Centering a critical conversation		81-592-XIE	free
Teacher education/educator training: Current trends and future directions		81-593-XIE	free
DISTRIBUTIVE TRADES			
New motor vehicle sales	July 2002	63-007-XIB	13/124
HOUSING, FAMILY AND SOCIAL STATISTICS			
Canadian social trends	Autumn 2002	11-008-XIE	8/27
Canadian social trends	Autumn 2002	11-008-XPE	11/36
INDUSTRIAL ORGANIZATION AND FINANCE			
Inter-corporate ownership	Q3 2002	61-517-XCB	350/995
INTERNATIONAL TRADE			
Exports by country	Jan.-June 2002	65-003-XMB	62/206
Exports by country	Jan.-June 2002	65-003-XPB	124/412
MANUFACTURING, CONSTRUCTION AND ENERGY			
Construction type plywood	July 2002	35-001-XIB	5/47
Particleboard, oriented strandboard and fibreboard	July 2002	36-003-XIB	5/47
Primary iron and steel	July 2002	41-001-XIB	5/47
Steel wire and specified wire products	July 2002	41-006-XIB	5/47
SCIENCE, INNOVATION AND ELECTRONIC INFORMATION			
Quarterly telecommunications statistics	Q1 2002	56-002-XIE	21/40
SOCIO-ECONOMIC ANALYSIS AND MODELING			
Social Policy Simulation Database and Model		89F0002XCB	5,000/12,500
TRANSPORTATION			
Monthly railway carloadings	June 2002	52-001-XIE	8/77

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