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Infomat

A Weekly Review

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INSIDE

- ***Spotlight*: Technology**

  This week *Spotlight* is on technology. A new research paper profiles the $18.6-billion computer systems design industry, a leading information technology industry with more than 128,000 employees. A second examines struggles by Canada's 256 Internet service providers to turn a profit.

- **Exports, imports fall in wake of power blackout**

  The power outage that left much of Ontario and parts of the United States in the dark in mid-August was a significant factor in sharp declines in both merchandise imports and exports for the month.

- **Factory shipments hit 20-month low**

  Manufacturing shipments plunged to their lowest level in 20 months in August in the aftermath of the power blackout that put much of Ontario and the north-eastern United States into darkness. Shipments fell 4.5% to $40.9 billion, the lowest level since December 2001.

Job growth far weaker despite September surge

Canada's economy has created less than a quarter of the jobs so far this year than it did in the first nine months of 2002, according to the Labour Force Survey. Between January and September this year, employment rose by 98,000, all in full-time jobs.

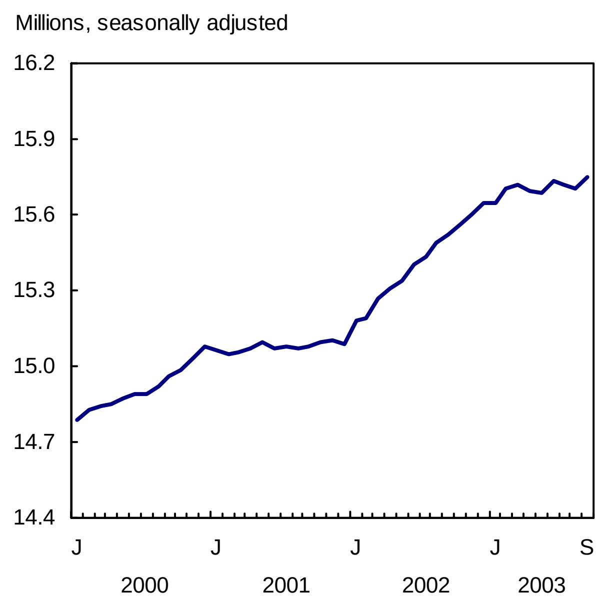
This was well below the much stronger gain of 434,000 during the first three quarters of 2002, when employment was strong in both full-time and part-time jobs.

In September, the economy added 46,000 jobs, spurred by a big gain in full-time jobs. The increase halted two straight months of slight declines.

However, the unemployment rate held steady at 8.0%, as the growth in jobs was matched by a similar increase in the number of people entering the work force.

(continued on page 2)

Employment



Job growth far... *(continued from page 1)*

An increase of 37,000 full-time jobs in September more than offset a decline in full-time employment in August. Ontario accounted for most of September's gains.

On the downside, employment in manufacturing fell by 15,000 in September, putting losses so far this year at 77,000, or 3.3%. Last year, manufacturing was the engine of job growth. In the United States, the number of factory jobs during the first nine months of 2003 was down 3.1%, a similar pace to that of Canada.

Job gains in September were spread across several industries. The largest was in health care and social assistance where employment rose 18,000, offsetting a decline in August. This increase continued a long-term upward trend, with gains since August 2001 totalling 145,000, or 9.4%.

Employment in retail and wholesale trades edged up 16,000, with strength in motor vehicle and parts dealers, as well as in clothing stores. Employment rose by 13,000 in finance, insurance, real estate and leasing, a growth industry as a result of the booming housing market. In construction, employment was up 11,000.

Between January and September, jobs gains in finance, insurance, real estate and leasing, have reached 37,000 (+4.1%). In construction, they were up by 44,000 (+4.8%).

So far this year, employment growth for both adult men and women has been in full-time jobs. Among adult women, employment rose by 17,000 in September, all in full-time positions (+24,000). Among adult men, employment rose by 24,000, split equally between full-time and part-time work.

Among youth, employment edged up slightly in September. However, employment for young people remains at about the same level as the end of 2002.

On a provincial basis, employment in Ontario rose by an estimated 39,000, mostly full-time jobs. That brought Ontario's jobs gains so far this year to 86,000 (+1.4%). The largest increases were in construction, finance, insurance, real estate and leasing as well as education services. Ontario's unemployment rate edged up from 7.1% to 7.3%, after a big increase in labour force participation.

After a slow start to 2003, employment in Alberta increased by 10,000 in September, bringing gains since March to 37,000 (+2.2%). The largest increase in September was in retail and wholesale trade.

Employment rose by only 7,000 in Quebec, as an increase of 16,000 part-time jobs was partly offset by a slight decline in full-time jobs. After a strong 2002, employment in Quebec was 0.7% below the level where it started the year.

For more information, contact Vincent Ferrao (613-951-4750), Labour Statistics Division.

Sweet season for retailers last Easter

Consumers made it a sweet season for retailers last Easter, according to second-quarter 2003 data from the Quarterly Retail Commodity Survey.

The largest year-over-year increase among commodity groups occurred in food and beverage sales, which rose 6.3% from the second quarter in 2002. Easter occurred during this period, boosting sales of candy and other seasonal items.

Within the food and beverages category, year-over-year increases of more than 10% occurred for candy, confectionary and snack foods, bakery products and dairy products and eggs.

Overall, consumers spent $82.8 billion on goods and services in the second quarter, up 2.7% over the same three months last year.

Year-over-year consumer spending in retail stores rose for most major commodity groups, except for clothing, footwear and accessories and motor vehicles, parts and services which remained virtually unchanged.

Sales of health and personal care products amounted to $6.0 billion, up 5.1%. Spending on prescription drugs, which account for 46% of health and personal care spending, was up 6.7%. This was the weakest growth in sales for prescription drugs since the third quarter of 1999.

Second-quarter spending on over-the-counter drugs and vitamins was up 5.6%.

For more information, contact Annie Côté Steski (613-951-6590), Distributive Trades Division.

SPOTLIGHT: Technology

Computer systems design: an $18.6-billion industry

The computer systems design industry recorded solid rates of growth in the late 1990s before hitting a slowdown in 2001, according to a new research paper profiling this leading information technology (IT) industry.

Even so, the industry as a whole remained profitable throughout the four-year period from 1998 to 2001. Profit margins fell from 6.5 cents on the dollar in 1998 to 1.9 cents in 1999, then rebounded to 4.7 cents in 2001.

Total revenues for the 43,440 firms in the industry hit almost $18.6 billion in 2001, up 54.5% from only $12.0 billion in 1998.

However, revenues rose only 2.8% from 2000 to 2001, when the large expansion in industry employment during previous years came to an abrupt end. Employment levels fell 3.5% to 128,000, after growing 55.2% from 1998 to 2000.

Firms in this industry offer an array of services, including computer systems consulting, customization of packaged software, network design and development and IT infrastructure management services.

They are information technology experts who develop and implement computer environment solutions for business and government. The largest source of revenue in the industry came from IT technical consulting services.

The slowdown in 2001 was particularly hard on medium-sized firms – those with 10 to 99 employees – whose revenues fell 18%. This was in stark contrast to large firms, whose revenues rose 15%, and small firms, where the increase was 7%.

One probable reason for the solid performance of large firms was that they were more likely to have long-term contracts on their books.

Thus, their revenue streams were somewhat protected despite the worsening economic climate. The gain among small firms, those with fewer than 10 employees, can in part be attributed to medium-sized firms trimming employment levels to fewer than 10 persons, becoming small firms in the process.

Exports worth about $2.8 billion accounted for 15% of industry revenues in 2001. The United States was the largest foreign market, with sales of more than $1.9 billion. Europe was a distant second at $521 million. The largest firms accounted for about one-half of exports, and medium-sized firms for about 40%.

Employment in the industry peaked at 132,700 in 2000, a 61% gain in only two years. By 2001, employment had fallen to just over 128,000.

You can read the full research paper *Building the perfect system: An analysis of the computer systems and related services industry* (63F0002XIE2003045) free of charge on Statistics Canada's website (www.statcan.ca).

For more information, contact Moreno Da Pont (613-951-9345), Service Industries Division.

Federal government spending on science and tech

The federal government planned to spend $7.7 billion on scientific and technological activities for the fiscal year 2002/03, up 3.0% from spending forecast for 2001/02.

Of this planned total spending, the federal government is expected to spend $5.1 billion on research and development.

The vast majority of federal funding, about 78 cents out of every dollar, will go to activities in natural sciences and engineering. Most of that is for research and development.

In 2002/03, a planned total of 32,335 person-years will be involved in federal science and technology activities, down 1.1% from 2001/02.

Internet service providers: Struggling to remain competitive

Despite strong year-over-year growth in operating revenues, the 256 Internet service providers (ISPs) in Canada are struggling to turn a profit, according to a new research paper profiling the $1.3-billion industry.

About 45% of all ISPs surveyed reported a loss in 2001, according to data from the Survey of Internet Service Providers and Related Services.

While operating revenues rose 27% to $1.27 billion in 2001, this increase was only about half the gain of 42% in 2000. At the same time, industry operating expenses surged 36% to $1.55 billion, a significantly faster pace of increase than that of revenues.

As a result, the overall operating margin of ISPs grew from a loss of 13.9 cents for every dollar of revenue in 2000, to a loss of 22.2 cents for every dollar of revenue in 2001.

The report examines the industry's perception of factors that impede the growth of business, and highlights significant distinguishing characteristics between small, medium-sized and large firms.

ISPs reported five principal obstacles to growth: competition, cost-related impediments, delays in obtaining facilities from suppliers, access to financing, and access to markets. Six out of every 10 ISPs rated competition as their chief obstacle to growth.

You can read the full report *Struggling to remain competitive: A study of factors impeding growth for Canadian Internet service providers* (63F0002XIE2003044) is now available on Statistics Canada's website (www.statcan.ca).

For more information, contact Heather Archibald (613-951-0403), Service Industries Division.

Exports, imports fall in wake of power blackout

The power outage that left much of Ontario and parts of the United States in the dark in mid-August was a significant factor in sharp declines in both merchandise imports and exports for the month.

Canadian companies exported 3.8% less to the world, while imports plunged 5.9%, the largest monthly percentage drop since December 1991. Exports fell to $31.9 billion, while imports dropped to $26.7 billion.

As a result, Canada's trade surplus with the rest of the world increased to $5.2 billion, an improvement of $428 million from July.

The automotive industry accounted for most import and export declines, as reduced output occurred in Ontario and some northern states. A combination of continued slow sales of the 2003 model year and stalled or delayed starts of new model assembly (partly due to the blackout) led to lower-than-normal production for this time of year.

Most of Canada's automotive trade occurs with the United States. Exports south of the border dropped 4.6% to $26.6 billion. Imports from there fell to a lesser extent, down 3.9% to $19.0 billion.

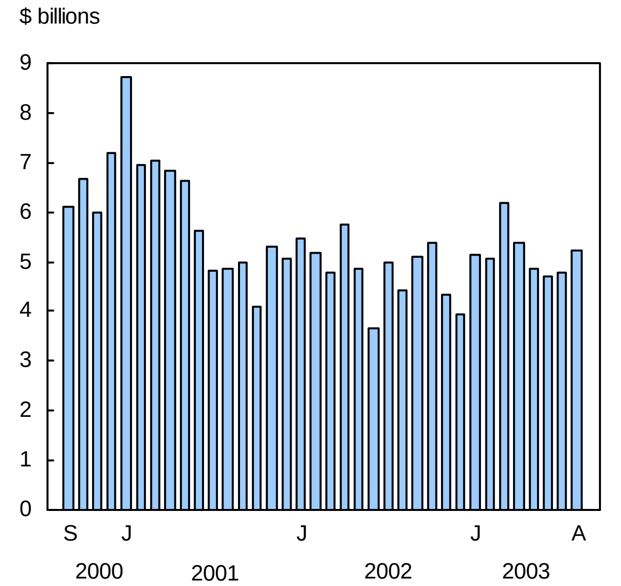
Canada's merchandise trade deficit with non-US partners narrowed in August, offsetting the decrease in the surplus with the United States. Leading the surge were strong exports to the European Union (+12.2%). Coupled with a 12.8% reduction of imports, this cut Canada's trade deficit with the EU nearly in half to $834 million from its July level of $1.4 billion.

Exports to Japan decreased 3.6%, while imports sank at over four times that rate (-16.1%).

The unexpected power outage in mid-August brought temporary shutdowns and requests by government for manufacturers to conserve electricity, reducing automotive output in Ontario.

Exports of automotive products dropped nearly three quarters of a billion dollars, down 10.0% from July on a seasonally adjusted balance of payments basis. The passenger auto sector sank 16.8% and was responsible for 85% of this drop. Exports of motor vehicle parts fell by $100 million, or 4.2%, from the previous month. Truck and other motor vehicle exports dipped a marginal 0.9%.

Trade balance



Merchandise imports for August dropped for all major sectors except consumer goods (+1.3%) and forestry products (+1.2%).

In the automotive sector, lower-than-usual output arising from the mid-August blackout, combined with reduced demand, caused the bulk of declines in imports.

As a result, automotive product imports tumbled 14.3% to $5.4 billion, the lowest level in five years. Motor vehicle part imports fell 8.9%, while passenger autos fell 22.6%, the third consecutive monthly decline. Trucks and other motor vehicle imports also experienced weakness, tumbling 16.8%.

For more information contact Jocelyne Elibani (1-800-294-5583), International Trade Division.

Fewer Canadians traveling in Canada

Travel in Canada by Canadian residents fell 6.9% to 34.6 million trips between January and March, compared with the first quarter of 2002. These trips represent 83% of all travel in Canada during this period.

Spending on domestic travel, which reached $5.8 billion in the first quarter, remained virtually unchanged from the first quarter of 2002, rising only 0.2%. However, taking inflation into account, spending actually declined 3.6% to $5.1 billion.

These declines occurred when war was breaking out in Iraq and concerns were growing over the SARS epidemic.

Domestic travel fell in every month of the first quarter of 2003, compared with the same period in 2002. The largest occurred in January, when domestic trips fell 9.2% to 11.8 million. That same month, the number of trips by Canadian residents abroad advanced 5.2%.

In February, Canadian residents made 10.9 million trips in Canada, down 3.8% from February 2002. Domestic trips fell 7.4% in March to 11.9 million, as several cases of SARS were identified.

For more information, contact Lizette Gervais-Simard (613-951-1672), Tourism and Culture Division.

Factory shipments hit 20-month low

Manufacturing shipments plunged to their lowest level in 20 months in August in the aftermath of the power blackout that put much of Ontario and the north-eastern United States into darkness. Shipments fell 4.5% to $40.9 billion, the lowest level since December 2001.

Shipments in Ontario alone plunged 7.8% to $21.2 billion. The decline was due notably to the power blackout and its lingering impact. In the week that followed, Ontarians were asked to conserve power because of low energy supplies. Large decreases in shipments were reported by several industries, including motor vehicles, chemical products and food manufacturing.

Ontario led the six provinces reporting lower shipments. Excluding the significant influence of Ontario from the Canada total, manufacturing shipments fell a marginal 0.8%.

In Quebec, manufacturers posted a 2.6% drop, the first since May, primarily the result of declines in the transportation equipment and primary metals industries.

The Ontario blackout aside, manufacturers continued to cope with the effects of several short-range but significant shocks in recent months. The Canadian dollar began its strong rise at the start of the year. Although the dollar has abated somewhat since the spring, it remains high and continues to jeopardize the profit margins of many Canadian manufacturers reliant on the export market.

On the job front, manufacturing employment edged down 15,000 in September, bringing losses so far in 2003 to 77,000, a 3.3% decline, according to the Labour Force Survey. This contrasts with 2002, when manufacturing was the engine of job growth.

Fifteen of 21 manufacturing industries, accounting for 68% of total shipments, reported decreases in August. Manufacturers of both durable and non-durable goods posted declines. Shipments of big-ticket durable goods fell 7.1% to $22.8 billion, the sixth decrease so far in 2003. Non-durable goods shipments fell 1.1%, wiping out a 0.5% gain in July.

Motor vehicle manufacturers suffered a major setback in August. Shipments plummeted 23.1% to $4.4 billion, following a healthy 10.5% gain in July. Year-to-date shipments were down 4.7% from the first eight months of 2002.

Excluding the motor vehicle and parts industries, shipments fell a sizable 1.6% in August. The chemical products industry reported shipments of $3.1 billion, down 5.3% from July. The electricity blackout reduced shipment levels at many Ontario-based plants. In addition, some manufacturers had already curtailed production as a result of high input costs of recent months.

The primary metals and aerospace products and parts industries also reported sharp declines in August. Shipments of primary metals fell 4.8% to $2.6 billion, a 19-month low. Meanwhile, production in the beleaguered aerospace industry decreased 9.6% to $924 million, the lowest level since March.

Manufacturers sliced another 1.4% from inventories in August, the fourth consecutive decline. Inventories were $61.5 billion, the lowest level in more than three years. As a result of the blackout, many manufacturers curtailed production activity during the month. The inventory-to-shipment ratio jumped to 1.50 in August from July's recent low (1.45).

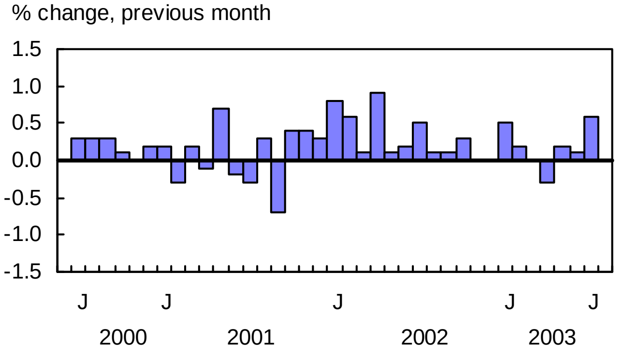
For more information contact Russell Kowaluk (613-951-0600), Manufacturing, Construction and Energy Division.

Shipments, inventories and orders in all manufacturing industries
Seasonally adjusted

	Shipments		Inventories		Unfilled orders		New orders		Inventories-to-shipments ratio
	$ millions	% change	$ millions	% change	$ millions	% change	$ millions	% change	
August 2002	43,851	0.5	62,407	0.7	47,556	2.4	44,968	4.2	1.42
September 2002	44,134	0.6	62,320	-0.1	46,963	-1.2	43,541	-3.2	1.41
October 2002	44,132	0	62,580	0.4	46,491	-1	43,660	0.3	1.42
November 2002	43,385	-1.7	62,989	0.7	46,127	-0.8	43,021	-1.5	1.45
December 2002	42,998	-0.9	63,161	0.3	44,820	-2.8	41,690	-3.1	1.47
January 2003	44,520	3.5	62,929	-0.4	43,123	-3.8	42,823	2.7	1.41
February 2003	43,901	-1.4	63,307	0.6	42,807	-0.7	43,584	1.8	1.44
March 2003	44,070	0.4	63,368	0.1	42,616	-0.4	43,879	0.7	1.44
April 2003	42,953	-2.5	63,898	0.8	41,630	-2.3	41,967	-4.4	1.49
May 2003	42,285	-1.6	63,358	-0.8	40,057	-3.8	40,711	-3	1.5
June 2003	42,063	-0.5	62,702	-1	39,461	-1.5	41,468	1.9	1.49
July 2003	42,874	1.9	62,349	-0.6	39,009	-1.1	42,422	2.3	1.45
August 2003	40,928	-4.5	61,458	-1.4	38,423	-1.5	40,341	-4.9	1.5

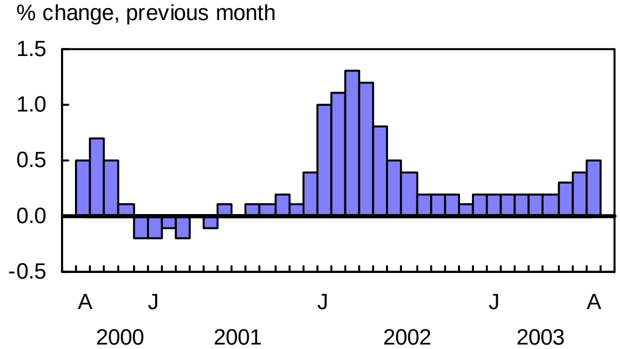
Current trends

Gross domestic product



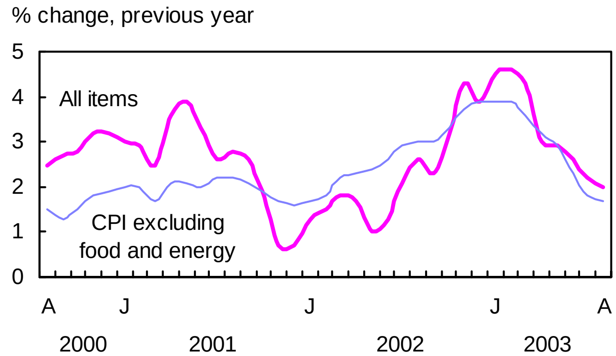
Total economic activity jumped 0.6% in July, after a 0.1% gain in June.

Composite Index



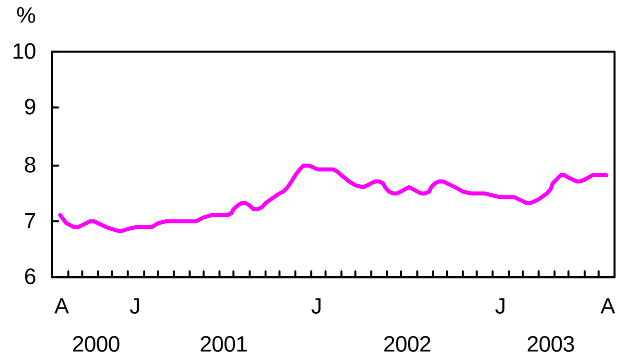
The leading indicator grew 0.5% in August after rising 0.4% in July.

Consumer Price Index



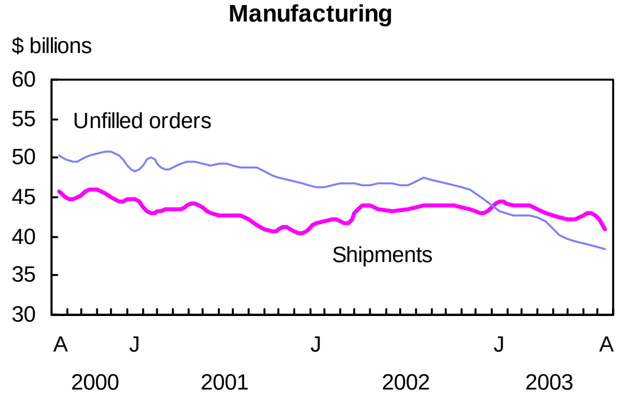
Consumer prices for goods and services were 2.0% higher in August than they were a year earlier. Excluding food and energy, prices rose 1.7%.

Unemployment rate



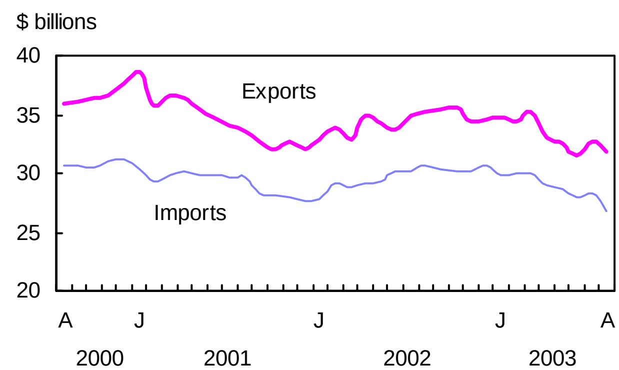
In August, the unemployment rate held steady at 8.0%.

Manufacturing



Manufacturers' shipments fell 4.5% in August to $40.9 billion. The backlog of unfilled orders declined 1.5% to $38.4 billion.

Merchandise trade



In August, exports fell 3.8% to $31.9 billion. Imports fell 5.9% to $26.7 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]	July	1,017.0	0.6%	1.9%
Composite Index (1992=100)	August*	183.4	0.5%	2.7%
Operating profits of enterprises ($ billions)	Q2 2003	40.4	-1.3%	11.7%
Capacity utilization rate (%)[2]	Q2 2003	82.5	-1.2†	-1.1†
DOMESTIC DEMAND				
Retail trade ($ billions)	July	26.6	0.8%	3.8%
New motor vehicle sales (thousands of units)	August*	143.8	-1.1%	-1.2%
Wholesale trade ($ billions)	July	36.2	1.1%	3.7%
LABOUR				
Employment (millions)	September*	15.7	0.3%	0.4%
Unemployment rate (%)	September*	8.0	0.0†	0.3†
Participation rate (%)	September*	67.6	0.1†	0.4†
Average weekly earnings ($)	July	687.74	-0.3%	1.0%
Regular Employment Insurance beneficiaries (in thousands)	July	581.54	2.1%	0.5%
INTERNATIONAL TRADE				
Merchandise exports ($ billions)	August*	31.9	-3.8%	-9.2%
Merchandise imports ($ billions)	August*	26.7	-5.9%	-13.0%
Merchandise trade balance (all figures in $ billions)	August*	5.2	0.4	0.8
MANUFACTURING				
Shipments ($ billions)	August*	40.9	-4.5%	-6.7%
New orders ($ billions)	August*	40.3	-4.9%	-10.3%
Unfilled orders ($ billions)	August*	38.4	-1.5%	-19.2%
Inventory/shipments ratio	August*	1.50	0.05	0.08
PRICES				
Consumer Price Index (1992=100)	August	122.5	0.2%	2.0%
Industrial Product Price Index (1997=100)	August	105.6	0.3%	-2.0%
Raw Materials Price Index (1997=100)	August	111.0	1.1%	-3.0%
New Housing Price Index (1992=100)	August*	117.3	0.5%	4.7%

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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Products released from October 9 to 15, 2003

SUBJECT AREA Title of product	Period	Catalogue number	Price ($) (issue/subscription)
AGRICULTURE			
Production of eggs	August 2003	23-003-XIB	Free
CULTURE, TOURISM AND THE CENTRE FOR EDUCATION STATISTICS			
Education, skills and learning research papers: Issues in the design of Canada’s Adult Education and Training Survey	1998	81-595-MIE2003009	Free
Education, skills and learning research papers: The labour market impacts of adult education and training in Canada	1998	81-595-MIE2003008	Free
DISTRIBUTIVE TRADES			
New motor vehicle sales	August 2003	63-007-XIB	14/133
INCOME AND EXPENDITURE ACCOUNTS			
National income and expenditure accounts, quarterly estimates	Q2 2003	13-001-XIB	36/117
National income and expenditure accounts, quarterly estimates	Q2 2003	13-001-XPB	48/156
INPUT-OUTPUT			
The input-output structure of the Canadian economy	1998/99	15-201-XIE	54
LABOUR STATISTICS			
Labour force information	Week ending September 20, 2003	71-001-XIE	9/84
MANUFACTURING, CONSTRUCTION AND ENERGY			
Production and shipments of steel pipe and tubing	August 2003	41-011-XIB	6/51
Steel wire and specified wire products	August 2003	41-006-XIB	6/51

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Visit Statistics Canada anytime at *www.statcan.ca.* Click on “Our products and services” to access the CANSIM database. Or consult the tables in “Canadian statistics”.