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Information and Communications Technologies (ICT)



Quarterly Monitor of the Canadian ICT Sector First Quarter 2011

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Quarterly Monitor of the Canadian ICT Sector
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Industry Canada
Spectrum, Information Technologies and Telecommunications
Information and Communications Technologies Branch

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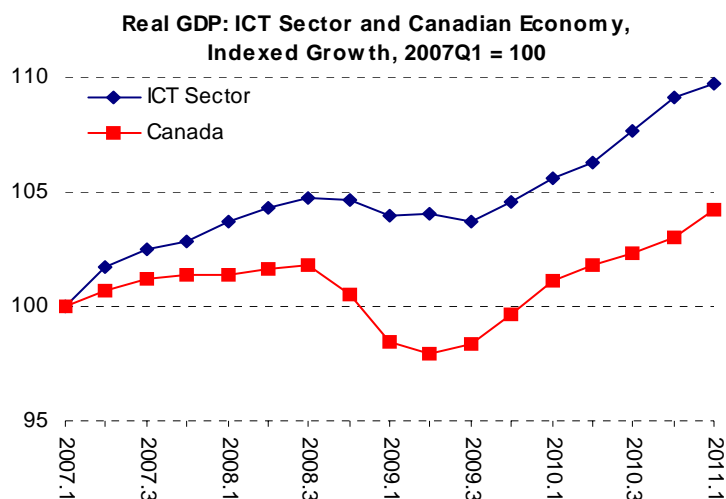
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Gross Domestic Product

ICT output growth slows down

The first quarter of 2011 marked the sixth consecutive quarterly increase in real ICT sector output, up 0.5%. However, the increase occurred at a decreasing rate relative to the five previous quarters. Real GDP for all Canadian industries experienced a growth of 1.1%. The ICT sector continues to trend upwards following the mid-2009 downturn with a cumulative growth of 5.8% since the third quarter of 2009.

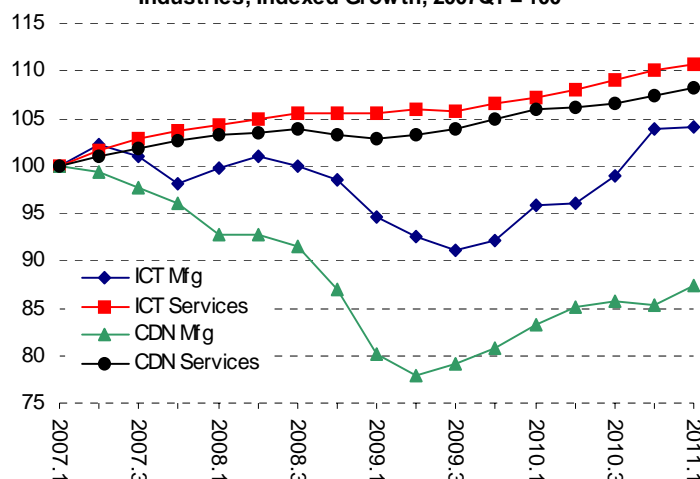


In the first quarter of 2011, ICT manufacturing GDP increased slightly, up 0.2% from the previous quarter. Total Canadian manufacturing GDP increased by 2.5% breaking the stagnation experienced in the last three quarters. While both ICT manufacturing GDP and Canadian manufacturing GDP trended downwards from mid-2008 until mid-2009, ICT manufacturing GDP levels did not fall as severely as Canadian manufacturing GDP. Total Canadian manufacturing output has not been as resilient as ICT manufacturing output. ICT manufacturing output returned to its pre-downturn level quickly, while Canadian manufacturing GDP only recovered this quarter.

In the current quarter, ICT services continued to increase, up 0.6%, for a sixth consecutive quarter. Total Canadian services also grew, up 0.7% over the previous quarter. Both ICT services and total Canadian services continue to trend upwards at a steady pace.

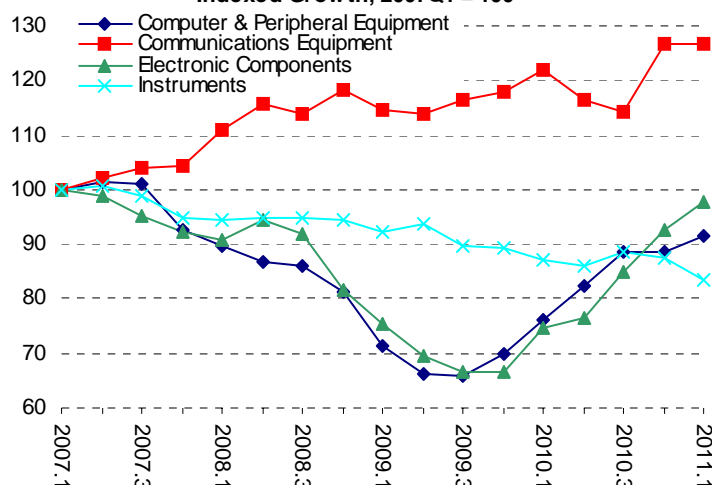
* See ICT services definition on page five. This total includes the ICT wholesaling industries.

Real GDP: ICT & CDN Manufacturing & Services Industries, Indexed Growth, 2007Q1 = 100



Real GDP increased in two of the four key ICT manufacturing industries this quarter. The electronic components and computer and peripheral equipment industries increased by 5.4% and 3.3%, respectively. Electronic components output trended upwards, for the third consecutive quarter, surpassing its pre-downturn level. Real GDP for the computer and peripheral equipment industry continued to grow for the sixth consecutive quarter. The instruments and communications equipment industry output decreased by 4.6% and 0.2%. Communications equipment industry real GDP experienced a slight decrease compared to a significant increase in the previous quarter. Meanwhile, output for the instruments industry decreased sharply this quarter, continuing its steady downward trend since the second quarter of 2009.

Real GDP: Selected ICT Manufacturing Industries, Indexed Growth, 2007Q1 = 100



1st Quarter

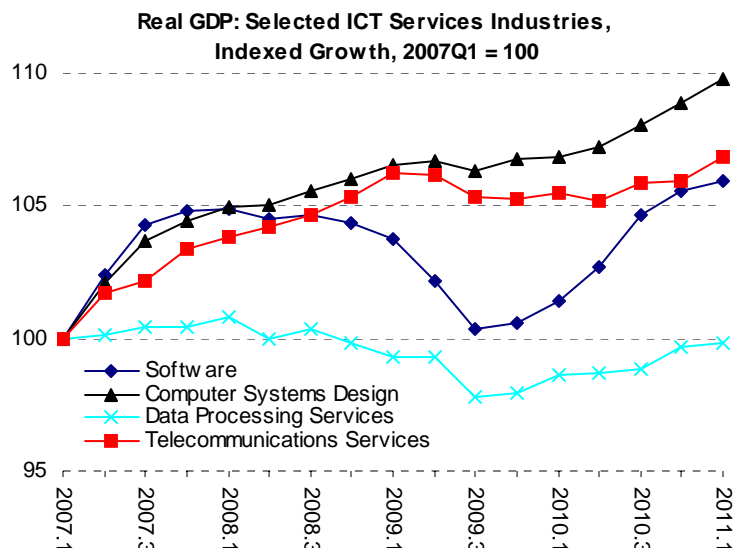
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July '11

Gross Domestic Product

For the first quarter of 2011, output in ICT services was pulled down by ICT wholesaling. Real GDP in ICT wholesaling dropped this quarter by 1.1%, breaking seven consecutive quarterly increases. Excluding wholesaling, ICT services output increased by 0.7%, while it increased by 0.6% including wholesaling.

The slower increase in ICT services this quarter is attributable to small increases in software and data processing services, which increased by 0.3% and 0.1%, respectively, while computer systems design and telecommunication services both increased by 0.9%.



1st Quarter

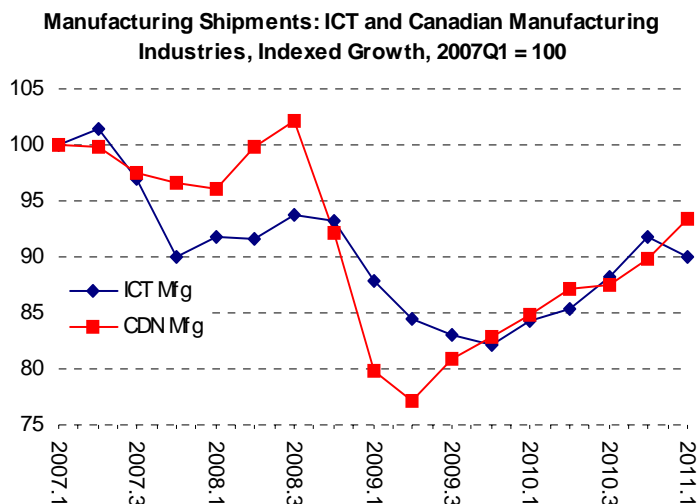
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July '11

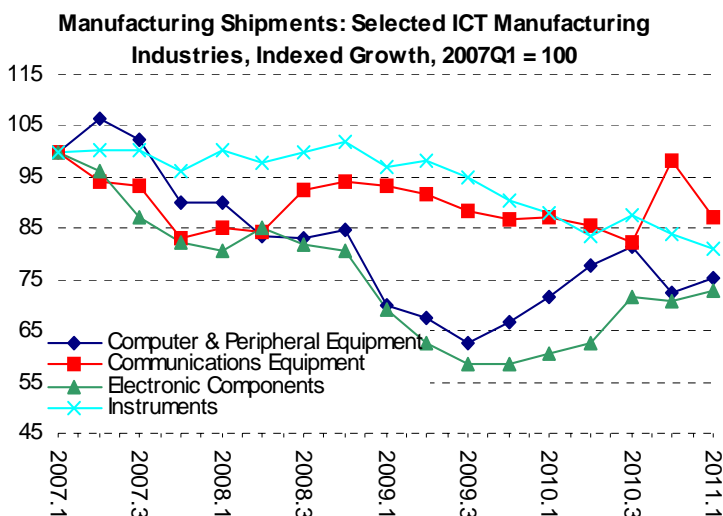
Manufacturing Shipments

ICT manufacturing shipments dropped...

ICT manufacturing shipments fell by 1.9% this quarter, after four quarters of increases. ICT manufacturing shipments experienced a sharp decline between the third quarter of 2008 and the second quarter of 2009. Shipments continued to steadily decrease up until the beginning of 2010, when they reached their lowest level since 2002. Since the first quarter of 2010, ICT manufacturing shipments steadily increased, only dropping this quarter. ICT manufacturing shipments have yet to return to the level prior to the decline.



...due to declines in communications equipment and instruments



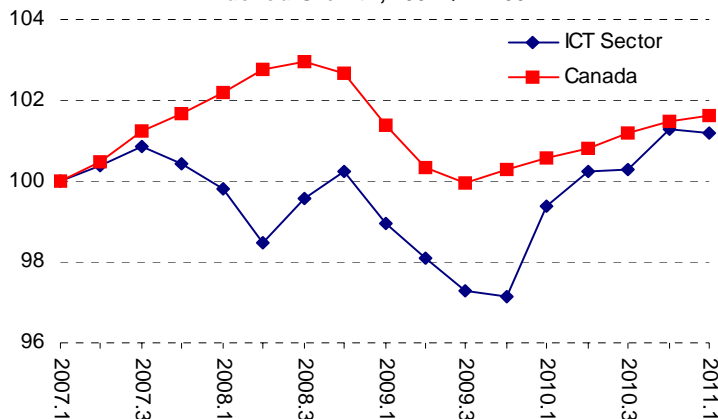
The decline in ICT manufacturing shipments this quarter was mainly attributed to decreases in shipments of communications equipment, down 11.6%, and shipments of instruments, down 3.3%. The decrease in communications equipment shipments this quarter nearly offsets the large increase of the previous quarter. Shipments of instruments have trended downwards steadily since the end of 2008, and this period marks the second consecutive decrease. Shipments of computer and peripheral equipment and electronic components increased by 4.1% and 2.6%, respectively, after both experiencing decreases in the previous quarter.

Employment*

Slight decrease in employment...

Employment in the ICT sector decreased slightly in the first quarter of 2011, down 0.1% from the fourth quarter of 2010 breaking five consecutive quarters of increases. Meanwhile, employment in the Canadian economy continued to grow moderately for the sixth consecutive quarter, with a growth of 0.2% in the first quarter of 2011.

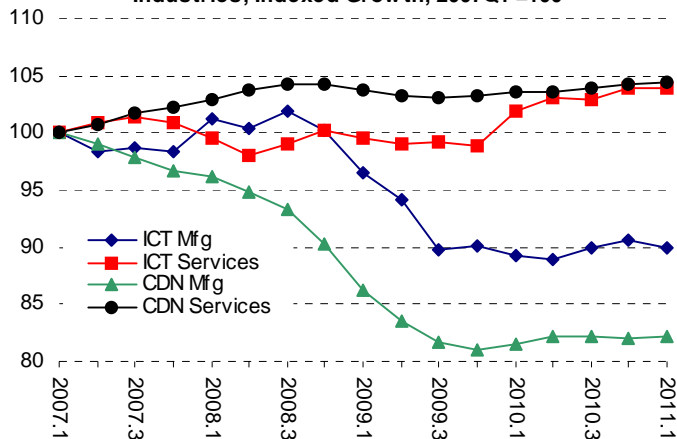
Employment: ICT Sector and Canadian Economy, Indexed Growth, 2007Q1 = 100



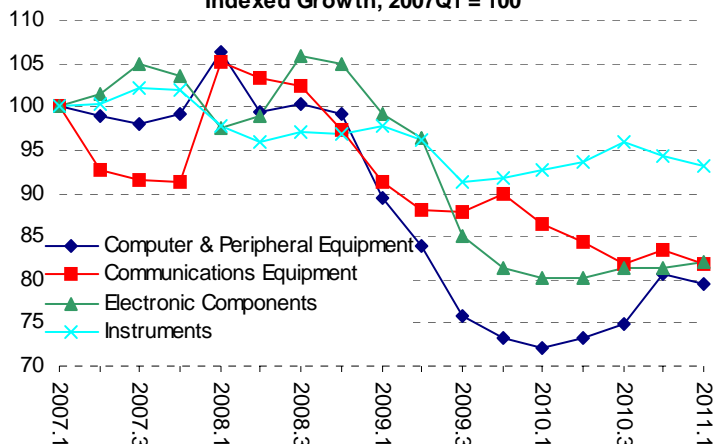
Employment in ICT manufacturing industries declined this quarter, down 0.7%, nearly offsetting increases in the previous quarter. Employment in the ICT manufacturing industries has remained essentially flat since the third quarter of 2009, following the downturn the year prior. Canadian manufacturing industries employment has also remained flat since the second half of 2009.

Employment in ICT services slightly increased, up 0.1% from the previous quarter. This marked the second consecutive quarter of upward trending employment. Employment in the Canadian service economy stayed relatively flat for the eleventh consecutive quarter.

Employment: ICT & CDN Manufacturing & Services Industries, Indexed Growth, 2007Q1 = 100

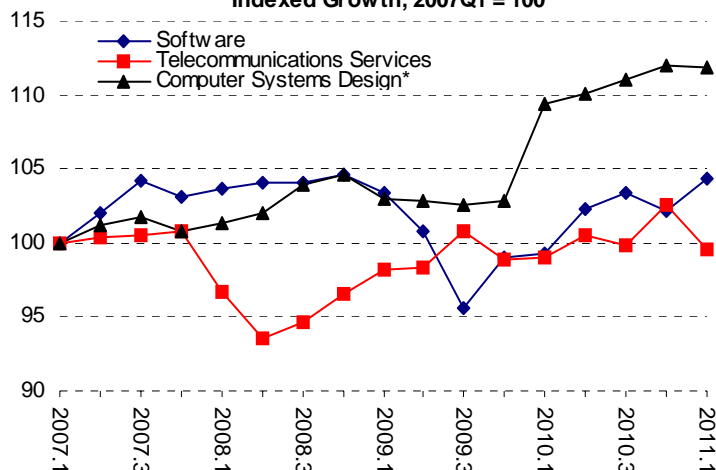


Employment: Selected ICT Manufacturing Industries, Indexed Growth, 2007Q1 = 100



Employment decreased in three out of the four key ICT manufacturing industries this quarter. Employment in the communications equipment, computer and peripheral equipment, and instruments industries experienced declines, down 1.9%, 1.3% and 1.3%, respectively. Employment in the electronic components industry increased for the third quarter in a row, up 0.9%.

Employment: Selected ICT Services Industries, Indexed Growth, 2007Q1 = 100



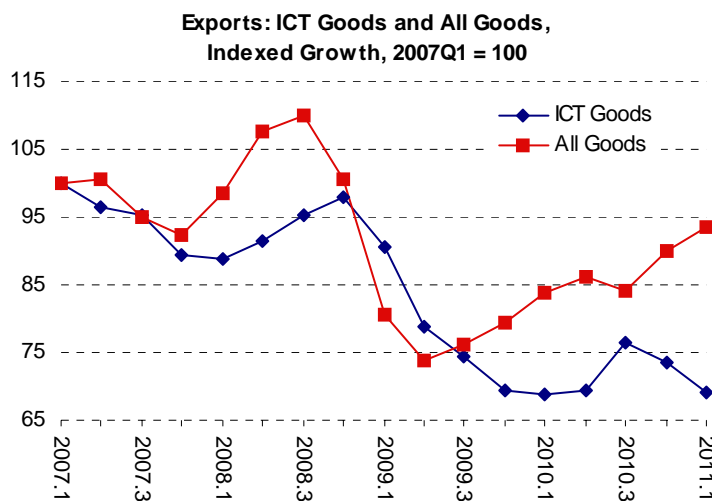
The increase in ICT services employment this quarter was predominately driven by the increase in employment in the software industry and the computer systems design industry. Employment in the software industry was up 2.2% from the last quarter while employment in the computer systems design industry continued to increase for the sixth consecutive quarter, up slightly by 0.1%. Meanwhile employment in the telecommunications industry declined by 2.9%, offsetting the increase from the previous quarter.

*Note: Due to reclassification of some of the establishments within the data processing industry to the computer systems design industry, employment in the computer systems design industry has been combined with employment in the data processing industry

Exports of Goods

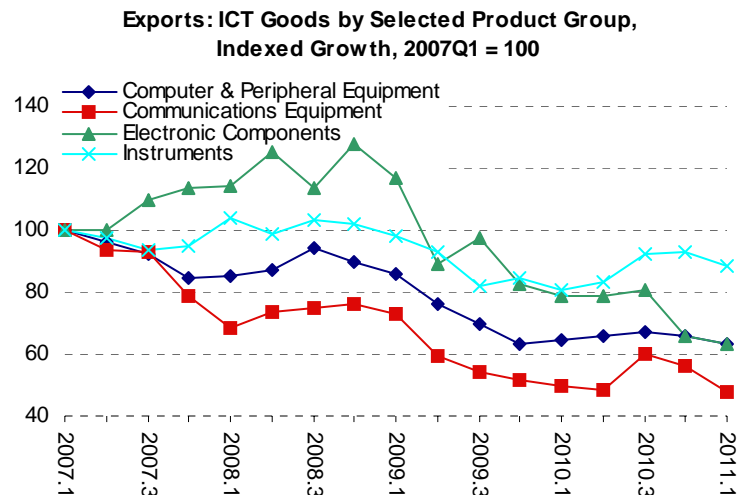
Drop in ICT goods exports...

In the first quarter of 2011, ICT goods exports declined 6.2%, the second consecutive quarterly decrease. ICT exports dropped throughout 2009, leaving ICT goods exports at the lowest level of the analyzed period. The declining trend flattened off at the end of 2009 and turned around in the second quarter of 2010, but has been falling again in the last two quarters. Total Canadian exports have trended upwards since the second quarter of 2009, up 4.1% this quarter.



...attributed to declines in all key ICT exports

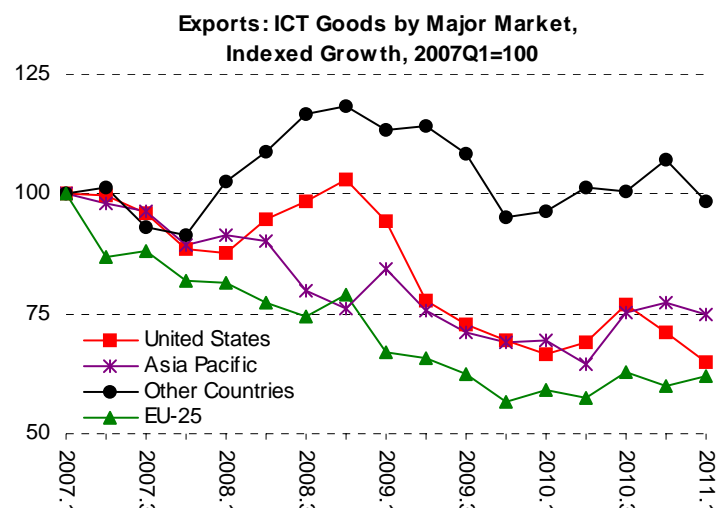
All four key ICT product group exports decreased this quarter. Exports of communications equipment saw the sharpest decline, down 14.6%. Exports of instruments fell 5.2% after increasing in the previous three quarters. Computer equipment exports fell 4.3%, while electronic components exports experienced a decrease of 3.6%. Exports of communications equipment, computer equipment, and electronic components all decreased for a second quarter in a row.



Exports to the US decrease

ICT exports to the US decreased for a second consecutive quarter (-8.4%). The US share of Canadian ICT goods exports now stands at 61%, down 2 percentage points from the previous quarter.

ICT exports to Asia Pacific economies dropped 3.0%, following two quarters with increases. Exports to 'Other countries' declined 8.1%. Meanwhile, ICT exports to the EU-25 rose 3.3%. The share of ICT exports to the EU-25 and Asia Pacific now stands at 13.5% and 13.1%, respectively, while 'Other countries' share increased and now stands at 12.1%.



Notes, Definitions and Sources

Real GDP Versus Manufacturing Shipments

It is important to note that GDP and shipments differ in two ways. First, GDP measures the total contribution of an industry to the economy in terms of value-added while shipments are a simple measure of revenues. Most of the time, changes in shipments are good indicators of changes in GDP but structural changes to an industry (for example, an increase in outsourcing) can lead to different trends in GDP and shipments indices. Second, GDP is measured in constant dollars while shipments are measured in current dollars. This means that when prices increase, GDP fluctuates less than shipments but when prices decline, GDP fluctuates more than shipments. In the ICT context, this difference is very important in measuring output of the computer equipment industry since a hedonic price index is used. A hedonic price index is a statistical tool used to standardize per unit prices for goods whose quality and characteristics change rapidly such as a computer. The hedonic price index adjusts the price of a computer based on the improvements in speed, design, etc. Using this hedonic price deflator, a very rapid decline in production prices is observed resulting in a much stronger growth in the GDP index compared to the shipments index for the computer equipment industry.

Information and Communications Technologies Sector*

ICT Manufacturing:

- Computer and Peripheral Equipment Mfg
- Communications Equipment Mfg
 - wired communications equipment mfg
 - wireless communications equipment mfg
- Audio and Video Equipment Mfg
- Electronic Component Mfg
- Instruments Mfg
- Communication Wire and Cable Mfg
- Commercial and Service Machinery Mfg

ICT Services:

- Software
- Computer Systems Design
- Data Processing Services
- Telecommunications Services
- Cable and Other Program Distribution
- ICT Wholesaling

* Based on the North American Industry Classification System

Sources:

GDP (2002 constant dollars): GDP by Industry, Industry Measures and Analysis Division, Statistics Canada.

Manufacturing Shipments: Monthly Survey of Manufacturing, Manufacturing, Construction and Energy Division, Statistics Canada.

Employment: Survey on Employment, Payrolls and Hours (SEPH), Labour Statistics Division, Statistics Canada.

Exports: Trade Data Online, International Trade Division, Statistics Canada.

Notes:

1. Self-employed workers are not included. Employment trends in this publication are based on the Survey on Employment, Payrolls and Hours (SEPH) and might be slightly different from trends based on annual industry specific surveys reported in the ICT Statistical Overview. Although data from SEPH might not be as reliable as data from industry specific surveys, they are timelier and provide an indication of the current employment situation.
2. Data used in this report are adjusted for seasonal variation.

Export Markets:

United States: United States.

EU-25: United Kingdom, Germany, France, Belgium, Netherlands, Italy, Spain, Sweden, Austria, Finland, Ireland, Denmark, Poland, Portugal, Czech Republic, Greece, Luxembourg, Hungary, Slovenia, Latvia, Lithuania, Estonia, Slovakia, Cyprus and Malta.

Asia Pacific (based on Department of Foreign Affairs and International Trade definition): Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma (Myanmar), Cambodia (Kampuchea), China, Cook Islands, Fiji, French Polynesia, Guam (U.S.), Hong-Kong, India, Indonesia (includes East Timor), Japan, Kiribati (includes Tuvalu), South Korea, Kyrgyzstan, Laos, Macau (Macao), Malaysia, Maldives, Micronesia, Mongolia, Nauru, Nepal, New Caledonia, New Zealand, Niue, Pakistan, Papua New Guinea, Philippines, Singapore, Solomon Islands, Sri Lanka, Taiwan (Taipei), Tajikistan, Thailand, Tonga, Turkmenistan, Uzbekistan, Vanuatu (New Hebrides), Vietnam.