



The Daily

Statistics Canada

Friday, January 3, 1997
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- **Industrial Product Price Index, November 1996**

In November, industrial product prices fell for the eighth time in 1996. A strengthening Canadian dollar against the U.S. dollar was central to the 0.2% decline in prices from their October level.

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- **Raw Materials Price Index, November 1996**

Manufacturers paid significantly less for their raw materials in November. Overall, prices fell 2.4% from their October level, mainly due to crude oil, and vegetable and animal products.

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MAJOR RELEASES

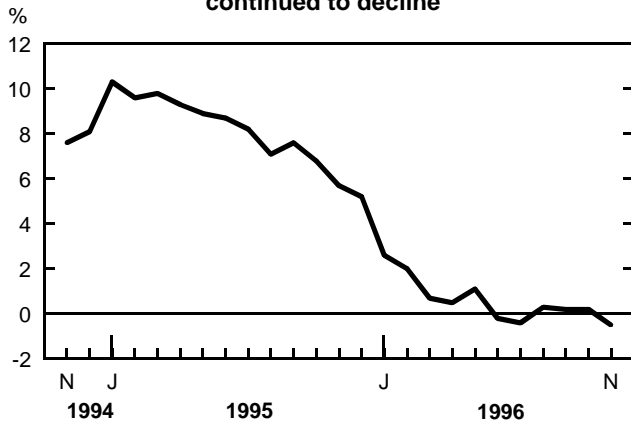
Industrial Product Price Index

November 1996 (preliminary)

In November, industrial product prices fell for the eighth time in 1996. A strengthening Canadian dollar against the U.S. dollar was central to the 0.2% decline in prices from their October level.

The twelve-month change in industrial prices continued to decline in November. It edged down to -0.5%.

12-month change in industrial prices continued to decline



The increase in the value of the Canadian dollar in November lowered the value of all export prices quoted in U.S. currency. If the impact of the change in the exchange rate were eliminated, industrial prices would have increased about 0.1%.

The impact of the increase in the value of the Canadian dollar was most noticeable for motor vehicles, pulp, paper, and wood products. Producers frequently quote export prices for these items in U.S. dollars.

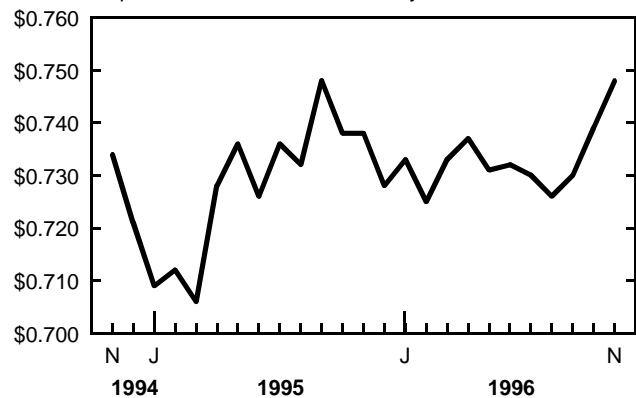
Note to readers

The Industrial Product Price Index (IPPI) reflects the prices that producers receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the Consumer Price Index, the IPPI excludes indirect taxes and all the costs that occur between the time when a good leaves the plant and the time when the final user takes possession of it, including the transportation, wholesale and retail costs.

Canadian producers export many goods. They often quote their prices in foreign currencies, particularly for motor vehicles, pulp, paper, and wood products. Therefore, a rise or fall in the value of the Canadian dollar against the U.S. dollar affects the IPPI. A 1.0% change in the value of the Canadian dollar against the U.S. dollar has been estimated to change the IPPI by approximately 0.2%

The value of the Canadian dollar continued up

Mid-month price of Cdn\$1 in U.S. currency



In November, the most important monthly price declines were for motor vehicles and parts, newsprint and pulp. The prices of ethylene and pork also decreased.

Higher prices for softwood lumber, petroleum products, and copper and copper alloy products partly offset these price drops.

Virtually all the decline in motor vehicle prices was due to the change in the value of the Canadian dollar. Domestic prices for both automobiles and trucks showed little change. The export prices of both automobiles and trucks fell by a little over 1%.

Inventories continued to push down newsprint and pulp prices

In November, both newsprint and pulp prices dropped.

Newsprint prices continued their decline in both Canada and the United States. In Canada, manufacturers' prices for newsprint fell 3.0%. In the United States, prices were down 5.6%. After peaking in February, newsprint prices in Canada had fallen 23.6% by November.

Pulp prices were down 2.8% in Canada. In the United States, manufacturers' pulp prices were down 0.6%.

Both the newsprint and pulp industries continued to suffer from sizeable inventories. The problem remained more severe for newsprint.

Lumber prices rising with housing construction

Prices for Canadian softwood lumber rose 2.9% in November and stood 28.0% higher than a year earlier. This increase followed a 4.6% drop in October. In the United States, manufacturers' softwood lumber prices were up 5.4% and stood 19.9% higher than a year previous.

Softwood lumber prices were up across Canada, except on the coast of British Columbia. Most of the increase in lumber prices was due to the 4.3% rise in the price for spruce, pine and fir.

November's increase in softwood lumber prices coincided with a strengthening of residential construction in Canada and the United States.

In the United States, housing starts jumped 9.2%, following decreases in September and October. Building permits also rose by 3.9%.

In Canada, housing starts jumped 17.0%, after a noticeable decline in October. In addition, housing resales were up sharply, rising 12.4%. The seasonally

adjusted value of building permits also increased according to the most recent available figures. In October, the value of building permits recovered 2.1% as residential permits jumped 5.2%.

Gasoline prices continued up

Prices at the gas pumps and prices paid to manufacturers for petroleum products continued to rise in November, though crude oil prices retreated.

At the manufacturer's level, the overall price for gasoline and fuel oil rose about 1.7%, a fourth consecutive increase. In the United States, the producer price for gasoline rose 3.1%, while that for fuel oil dropped 4.3%.

As noted by the Consumer Price Index, Canadian consumers paid 0.9% more for gasoline in November. This was the fourth increase in as many months.

The price of crude oil fell 6.8%, ending its series of increases that began in July.

Perspective on industrial prices

In November, Canadian industrial prices continued to edge down. Domestically, the employment figures for November suggest the economy continued its slow growth.

In the United States, our most important trading partner, producer prices for November remained unchanged for finished goods and edged down marginally for intermediate goods. This occurred as both industrial production and capacity utilization recovered from their slight October decline.

Available on CANSIM: matrices 2000-2008.

The November 1996 issue of *Industry price indexes* (62-011-XPB, \$21/\$210) will be available shortly. See *How to order publications*.

For further information on this release, contact Paul-Roméo Danis (613-951-3350; fax: 613-951-2848;

Internet: danipau@statcan.ca), Client Services Unit, Prices Division.

Industrial product price indexes
(1986=100)

	Relative importance	Nov. 1995	Nov. 1996 ^P	Nov. 1995 to Nov. 1996	Oct. to Nov. 1996
				% change	
Industrial Product Price Index (IPPI)	100.0	129.7	129.0	-0.5	-0.2
Total IPPI excluding petroleum and coal products	93.6	132.2	130.1	-1.6	-0.3
Intermediate goods¹	60.4	133.3	130.2	-2.3	-0.2
First-stage intermediate goods ²	13.4	147.1	127.2	-13.5	-0.4
Second-stage intermediate goods ³	47.0	129.4	131.1	1.3	0.0
Finished goods⁴	39.6	124.1	127.2	2.5	-0.2
Finished foods and feeds	9.9	124.1	127.2	2.5	-0.3
Capital equipment	10.4	126.9	129.6	2.1	-0.3
All other finished goods	19.3	122.7	125.9	2.6	-0.2
Aggregation by commodities					
Meat, fish and dairy products	7.4	120.7	126.2	4.6	-0.6
Fruit, vegetable, feed, miscellaneous food products	6.3	127.3	129.3	1.6	-0.2
Beverages	2.0	129.1	130.8	1.3	-0.3
Tobacco and tobacco products	0.7	172.7	177.2	2.6	0.0
Rubber, leather, plastic fabric products	3.1	127.7	127.2	-0.4	-0.2
Textile products	2.2	119.1	119.1	0.0	-0.1
Knitted products and clothing	2.3	119.1	121.9	2.4	0.0
Lumber, sawmill, other wood products	4.9	153.6	165.8	7.9	1.6
Furniture and fixtures	1.7	125.9	125.8	-0.1	0.0
Paper and paper products	8.1	171.1	132.8	-22.4	-1.3
Printing and publishing	2.7	176.0	168.1	-4.5	-0.4
Primary metal products	7.7	131.8	122.4	-7.1	0.5
Metal fabricated products	4.9	128.7	130.6	1.5	-0.1
Machinery and equipment	4.2	128.2	131.2	2.3	0.2
Autos, trucks, other transportation equipment	17.6	122.1	123.8	1.4	-0.7
Electrical and communications products	5.1	117.9	119.9	1.7	-0.1
Non-metallic mineral products	2.6	123.6	123.8	0.2	0.0
Petroleum and coal products ⁵	6.4	92.5	113.2	22.4	1.3
Chemicals and chemical products	7.2	131.1	133.8	2.1	-0.7
Miscellaneous manufactured products	2.5	123.4	124.3	0.7	-0.1
Miscellaneous non-manufactured commodities	0.4	95.6	89.9	-6.0	0.1

¹ Intermediate goods are goods used principally to produce other goods.

² First-stage intermediate goods are items used most frequently to produce other intermediate goods.

³ Second-stage intermediate goods are items most commonly used to produce final goods.

⁴ Finished goods are goods most commonly used for immediate consumption or for capital investment.

⁵ This index is estimated for the current month.

^P Preliminary figures.

Raw Materials Price Index

November 1996 (preliminary)

Manufacturers paid significantly less for their raw materials in November. Overall prices fell 2.4% from their October level, mainly due to crude oil, and vegetable and animal products. Higher prices for copper and wood partly offset the decline.

If the mineral fuels category (90% of which is crude oil) were excluded, raw material prices for November would actually have declined 0.4% from October.

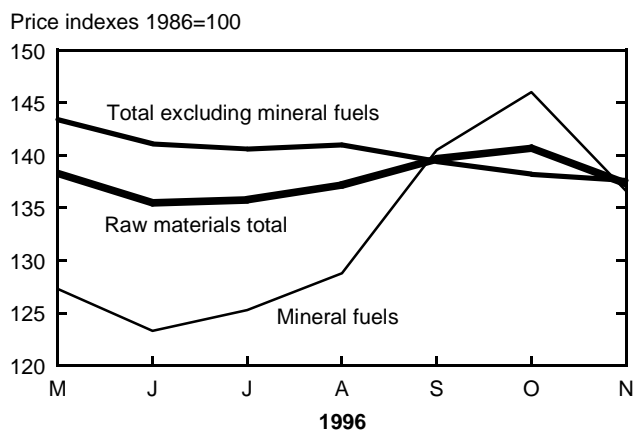
On a 12-month basis, manufacturers paid 9.5% more for raw materials compared with November 1995. Similarly, if mineral fuels were excluded, the 12-month increase in November would have been 0.2%.

Note to readers

The Raw Materials Price Index (RMPI) reflects the prices paid by Canadian manufacturers for key raw materials. Many of these prices are set in a world market. Also, unlike the Industrial Product Price Index, the RMPI includes goods not produced in Canada.

Natural gas prices, at least on the spot market, have recently been subject to significant increases. If these spot prices remain current, adjustments to many long-term contracts will show upward changes in the coming months.

Crude oil prices turned down



Increased supply lowered crude oil costs

Crude oil costs, which had been increasing monthly since June, fell 6.8% in November. Crude oil prices were up 39.6% compared with a year earlier. It would appear that supply is starting to catch up to demand. Expectations are that supplies will increase in the coming months. The Organization of the Petroleum Exporting Countries (OPEC) appears to have some unused capacity and Iraq, after being out of the market since 1990, has temporarily re-entered the market. However, the International Energy Agency expects global oil demand to increase in the first quarter of 1997. The stronger demand for crude oil should keep prices from any serious decline.

Grain prices plummet

On a month-to-month basis, vegetable product prices decreased 3.0% in November. The major contributors to the lower prices were grains (-10.7%), in particular corn (-20.8%). However, this decline was somewhat offset by higher prices for soybeans (+9.3%). Compared with 12 months earlier, vegetable product prices were down 4.9%. Lower prices for grains (-16%) were partly offset by higher prices for potatoes (+21.7%) and oilseeds (+6.1%).

Grains, particularly wheat, have been subject to bumper crops worldwide. Wheat prices fell 4.2% in November and were 22.3% lower than the previous year. As global competition stiffens, major wheat-exporting countries such as Canada and the United States could face even lower wheat prices in the coming months.

Sugar prices fell in November, as the harvest in Cuba fared much better than expected. Coffee prices increased as demand outpaced the availability of quality coffee.

Hog prices head down

The animals and animal products group saw prices decline 1.4% from October. Lower prices for hogs (-6.2%) were marginally offset by higher prices for cattle and shellfish, notably scallops. Compared with 12 months earlier, prices for this major group were up 9.5%. Important contributors to the higher prices were hogs (+32.3%), chickens (+20.8%), and furs, hides and skins (+45.9%). The November drop in hog prices could be short-lived if hog producers decide to feed more animals over the winter, due to the recent decline in feed costs.

Actual copper supply still in doubt

The non-ferrous metals group, on a downward price trend since July 1995, saw an interruption in November (+2.8%). On a month-to-month basis, higher prices were noted for copper (+8.5%) and aluminum materials (+5.0%). Lower prices for gold, lead and radioactive concentrates partly offset the overall monthly increase. Compared with 12 months earlier, non-ferrous metal prices were down 14.8%. Over this period, lower prices for copper (-25.5%) and aluminum materials (-11.2%) were marginally offset by higher prices for lead and zinc concentrates.

The recent recovery in copper prices appears to be supply-driven, accompanied by an ongoing, worldwide, robust demand. The actual inventory of copper still remains in doubt. The controversy focuses on whether the low copper inventory in the London Metal Exchange is actually short or whether it has been shifted to non-official warehouses in Rotterdam and China.

In the last six months, gold prices have fallen almost 6%. Three major factors have caused gold prices to weaken: the strong stock market as an alternative investment to gold; supposedly weaker demand for gold from jewellery manufacturers; and concern that the European central banks will sell some

of their gold before joining the European Monetary Union.

Log and lumber prices up

Wood prices edged up 0.7% compared with October. Higher prices for logs (+1.6%) were partly offset by lower pulpwood prices (-2.5%). Compared with 12 months earlier, wood prices were up 4.1%, as higher log prices (+12.0%) were greatly offset by lower pulpwood prices (-18.3%). The increased demand for lumber in the U.S. and Canadian housing markets has pushed up the price of logs. On the other hand, pulpwood has been subject to a much weaker demand in the pulp industry.

Available on CANSIM: matrix 2009.

The November 1996 issue of *Industry price indexes* (62-011-XPB, \$21/\$210) will be available shortly. See *How to order publications*.

For further information on this release, contact Paul-Roméo Danis (613-951-3350; fax: 613-951-2848; Internet: danipau@statcan.ca), Client Services Unit, Prices Division.

Raw materials price indexes (1986=100)

	Relative importance	Nov. 1995	Nov. 1996 ^P	Nov. 1995 to Nov. 1996	Oct. to Nov. 1996
				% change	
Raw Materials Price Index (RMPI)	100.0	125.4	137.3	9.5	-2.4
Mineral fuels	31.7	99.9	136.6	36.7	-6.4
Vegetable products	10.3	132.1	125.6	-4.9	-3.0
Animals and animal products	25.5	110.7	121.2	9.5	-1.4
Wood	13.1	202.4	210.7	4.1	0.7
Ferrous materials	3.6	118.9	113.2	-4.8	-4.4
Non-ferrous metals	13.2	139.6	118.9	-14.8	2.8
Non-metallic minerals	2.6	106.0	106.8	0.8	0.0
RMPI excluding mineral fuels	68.3	137.3	137.6	0.2	-0.4

^P Preliminary figures.

OTHER RELEASES

Sales of refined petroleum products

November 1996 (preliminary)

Sales of refined petroleum products totalled 7 324 700 cubic metres in November, up 4.3% from November 1995. The largest sales increases were recorded for all other refined products (+123 500 cubic metres or +18.4%), diesel fuel oil (+111 900 cubic metres or +6.8%) and light fuel oil (+47 300 cubic metres or + 8.7%). Partially offsetting these increases were declines in demand for heavy fuel oil (-25 900 cubic metres or -4.5%) and motor gasoline (-23 000 cubic meters or -0.8%).

During the first 11 months of 1996, sales increased for six of the seven major product groups. Strong sales of light fuel oil were largely due to unseasonably cold weather in the first half of 1996, as well as in October and November. Increased sales of diesel fuel oil reflected higher demand by the transportation and crude oil and natural gas extraction industries.

Sales of heavy fuel oil have declined, mainly because of decreased use of the product by electric utilities.

Available on CANSIM: matrices 628-642 and 644-647.

The November 1996 issue of *Refined petroleum products* (45-004-XPB, \$20/\$200) will be available in February. See *How to order publications*.

For further information about this release, contact David Roeske (613-951-3563; Internet: roesdav@statcan.ca), Energy Section, Industry Division.

Sales of refined petroleum products

	Nov. 1995	Nov. 1996	Nov. 1995 to Nov. 1996
	'000 cubic metres		% change
Total, all products	7 023.7	7 324.7	4.3
Motor gasoline	2 857.3	2 834.3	-0.8
Diesel fuel oil	1 638.2	1 750.1	6.8
Light fuel oil	545.3	592.6	8.7
Heavy fuel oil	576.2	550.3	-4.5
Aviation turbo fuels	405.1	425.4	5.0
Petrochemical feedstocks ¹	332.2	379.1	14.1
All other refined products	669.4	792.9	18.4

	Jan. to Nov. 1995	Jan. to Nov. 1996	Jan.-Nov. 1995 to Jan.-Nov. 1996
	'000 cubic metres		% change
Total, all products	76 860.0	80 040.8	4.1
Motor gasoline	32 122.5	32 538.2	1.3
Diesel fuel oil	17 569.5	18 364.0	4.5
Light fuel oil	4 612.3	5 344.5	15.9
Heavy fuel oil	5 650.3	5 425.3	-4.0
Aviation turbo fuels	4 649.0	5 155.0	10.9
Petrochemical feedstocks ¹	4 049.3	4 206.6	3.9
All other refined products	8 207.1	9 007.2	9.7

¹ Materials produced by refineries that are used by the petrochemical industry to produce petroleum-based chemicals. ■

Crude oil and natural gas

October 1996

In October, steady foreign and domestic demand resulted in a 3.5% increase in natural gas production compared with October 1995. This was the sixth consecutive monthly increase in 1996. Crude oil production also increased, up 1.6% in October, following a 0.7% decrease in September.

Exports of crude oil climbed for a fifth straight month, as low reserves and steadily improving economic conditions in the United States boosted demand. U.S. crude oil stocks remained unusually low, dropping to the lowest October level since 1976. Canadian crude oil has found a ready market in the United States, where a combination of reduced reliance on shipments from the Persian Gulf and declines in indigenous production has increased the demand for shipments from Canada.

Natural gas exports rose 2.5% from October 1995. Exports have been rising since 1991, mainly due to expanded pipeline capacity and growing demand for Canadian natural gas by U.S. electric utilities and residential users. In recent years, pipelines transporting natural gas to the United States have been operating near full capacity, especially during the peak winter months. Planned pipeline expansions will likely lead to a resumption of growth in natural gas exports.

Available on CANSIM: matrices 530 and 539.

The October 1996 issue of *Crude petroleum and natural gas production* (26-006-XPB, \$18/\$180) will be available shortly. See *How to order publications*.

For further information on this release, contact David Roeske (613-951-3563; Internet: roesdav@statcan.ca), Energy Section, Industry Division.

Crude oil and natural gas

	Oct. 1995	Oct. 1996	Oct. 1995 to Oct. 1996
	'000 cubic metres		% change
Crude oil and equivalent hydrocarbons¹			
Production	9 914.9	10 074.9	1.6
Exports	5 237.3	5 688.4	8.6
Imports ²	2 690.5	3 204.4	19.1
Refinery receipts	7 133.0	7 894.4	10.7
	millions of cubic metres		% change
Natural gas³			
Marketable production	12 659.8	13 098.9	3.5
Exports	6 710.6	6 876.8	2.5
Canadian sales ⁴	4 504.2	5 018.3	11.4

	Jan. to Oct. 1995	Jan. to Oct. 1996	Jan.-Oct. 1995 to Jan.-Oct. 1996
	'000 cubic metres		% change
Crude oil and equivalent hydrocarbons¹			
Production	95 117.3	96 630.5	1.6
Exports	50 568.9	53 076.4	5.0
Imports ²	28 286.9	33 124.2	17.1
Refinery receipts	72 948.6	77 413.2	6.1
	millions of cubic metres		% change
Natural gas³			
Marketable production	122 129.2	126 005.7	3.2
Exports	65 350.3	66 245.3	1.4
Canadian sales ⁴	49 904.3	52 667.9	5.5

¹ Disposition may differ from production due to inventory change, industry own-use, etc.

² Crude oil received by Canadian refineries from foreign countries for processing. Data differ from International Trade Division estimates due to timing differences and the inclusion in "trade" of crude oil landed in Canada for future re-export.

³ Disposition may differ from production due to inventory change, usage as pipeline fuel, pipeline losses, line-pack fluctuations, etc.

⁴ Includes direct sales. ■

Industrial monitor

December 1996

The December 1996 paper edition of *Industrial monitor* is now available. Its tables present up-to-date statistics on 165 manufacturing industries in 22 sectors.

Annual subscription may be purchased for either the full 22-sector package (15F0015XPE, \$3,000), each

individual industrial sector (\$200 per sector), or the manufacturing industries summary only (15F0017XPE, \$50). See *How to order publications*.

For further information on this release, contact the client services representative (613-951-9060), Industry Measures and Analysis Division. ■

PUBLICATIONS RELEASED

Energy statistics handbook, December 1996, paper version
Catalogue number 57-601-UPB
 (Canada: \$375; United States: US\$450; other countries: US\$525).

Energy statistics handbook, December 1996, electronic version
Catalogue number 57-601-XDE
 (Canada: \$275; United States: US\$330; other countries: US\$385).

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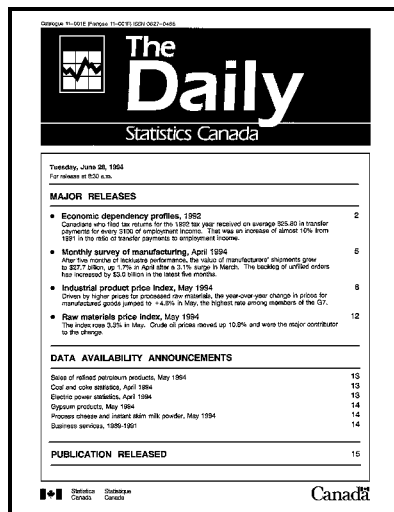
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RELEASE DATES

January 6 to 10
(Release dates are subject to change.)

Release date	Title	Reference period
9	Help-wanted Index	December 1996
10	Labour Force Survey	December 1996
10	New Housing Price Index	November 1996
