



The Daily

Statistics Canada

Thursday, October 23, 1997

For release at 8:30 a.m.

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- **Canada's international transactions in securities, August 1997** 3
Foreign investors loaded up on Canadian securities in August, buying \$8.4 billion, their largest monthly investment in four years. Most of the buying went to Canadian bonds (\$5.9 billion).
- **Financial performance indicators for Canadian business, 1996** 5
Larger firms were substantially more profitable than medium and smaller enterprises in 1996.

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Financial performance indicators for Canadian business

This publication, released today, contains information on the financial performance and balance sheets of Canadian businesses. It is an authoritative reference for accountants, management consultants, business advisors, financial analysts and commercial lenders. It is available in print or electronic form (diskettes or CD-ROM).

The publication contains 15 key financial performance indicators such as rates of return, profit margins and debt-to-equity ratios, as well as 26 "common-sized" balance sheet accounts. It groups the ratios into three themes: profitability, solvency and operating efficiency. Volume 1 covers medium and large firms (those with revenues over \$5 million) for 161 financial and non-financial industries based on 1996 data. Volume 2 covers small and medium firms (revenues of \$50,000 to \$25 million) for 239 non-financial industries based on 1994 data. Volume 3 covers more than 650 industries for small and medium firms for 1994, 1995 and 1996.

Financial performance indicators for Canadian business is now available. Volume 1 (61F0058XDB) costs \$170, Volume 2 (61F0059XDB), \$190, and Volume 3 (61F0060XDB), \$210. They are available as a set for \$395, a \$175 savings. Other combination prices are: Volumes 1 and 2: \$280, and Volumes 2 and 3, \$320. Single industry tables cost \$50. There is a \$30 charge for each volume of the print version.

For more information or to order this publication, contact Gail Sharland (613-951-9843), Industrial Organization and Finance Division, or the national enquiries line (1 800 263-1136).

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MAJOR RELEASES

Canada's international transactions in securities

August 1997

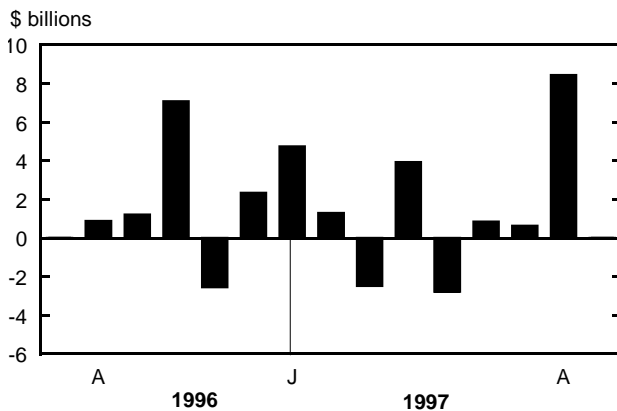
Foreign investors loaded up on Canadian securities in August, buying \$8.4 billion, their largest monthly investment in four years. Most of the buying went to Canadian bonds (\$5.9 billion). At the same time, foreigners borrowed heavily from Canada using Canadian bonds as collateral for loans under repurchase agreements. Meanwhile, Canadian residents sold a small amount of foreign securities in August after accumulating \$5.6 billion in the first seven months of the year.

Foreign investors heavy buyers of Canadian bonds

Foreign residents bought a significant \$5.9 billion of Canadian bonds in August, largely federal issues trading in the secondary market (\$4.6 billion). The balance came from foreign investment in new corporate bonds issued in foreign markets. Geographically, U.S. investors bought the bulk of Canadian bonds.

After reducing their holdings by \$5.1 billion over four previous months, non-residents rediscovered Canadian money-market paper in August with purchases of \$1.3 billion. U.S. investors were the major buyers (\$2.3 billion) in August, while both European (\$0.5 billion) and Asian investors (\$0.5 billion) were sellers.

Foreign investment in Canadian securities*



* Includes bonds, stocks and money market paper.

Related market information

Interest rates

In August, Canadian short-term rates declined some 15 basis points while their U.S. counterparts were unchanged. This increased the differential to 215 basis points, continuing to favour investment in the United States. During the month, U.S. and Canadian long-term federal government bond yields rose by a similar 25 basis points, the result being a differential remaining at zero.

Stock prices

After a strong four-month advance of 17.6%, Canadian stock prices, as measured by the TSE 300 Index, declined 3.9% in August. U.S. stock prices, as measured by Standard and Poor's Composite 500 Index, also declined in August (-5.7%) after gaining 26% over the previous four-month-period.

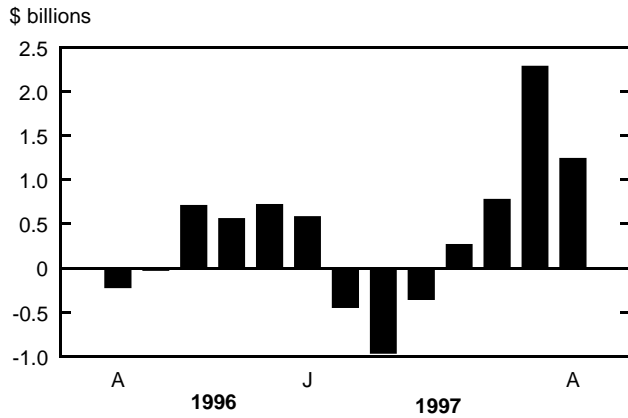
Canadian dollar

The Canadian dollar closed August at US72.05 cents, a half cent lower than July's close.

Foreign buying in Canadian stocks continues

The heavy foreign buying spree in Canadian stocks carried over into August as non-residents added a further \$1.3 billion to their July purchases of \$2.3 billion. The heavy buying in this two-month period, which came predominantly from the United States, brought total foreign buying of Canadian stocks to \$3.4 billion over the first eight months of the year. Even with the two-month surge, it was still well below the \$6.3 billion foreigners acquired for the same period of 1996. After a strong four-month advance of 17.6%, Canadian stock prices, as measured by the TSE 300 Index, declined 3.9% in August.

Foreign investment in Canadian stocks



Available on CANSIM: matrices 2328-2330, 2378-2380 and 4195.

The August 1997 issue of *Canada's international transactions in securities* (67-002-XPB, \$18/\$176) will be available in November. See *How to order publications*.

For further information on this release, contact Don Granger (613-951-1864), Balance of Payments Division. ■

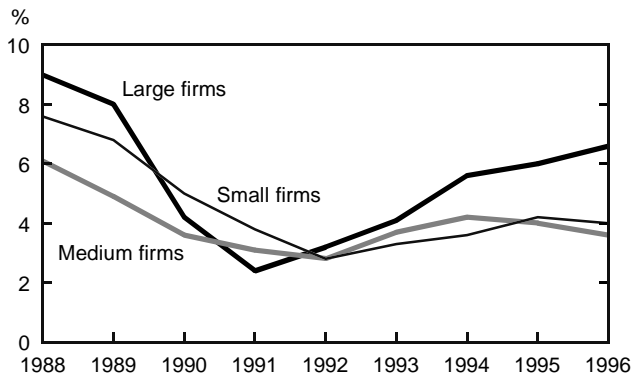
Financial performance indicators for Canadian business

1996

Larger firms were substantially more profitable than medium and smaller enterprises in 1996. This was a continuation of the superior profit performance that began in 1992.

In 1996, large firms had an average rate of return on assets of 6.6% compared with 3.6% for medium-size firms and 4.0% for smaller firms. The 1996 rate of 6.6% is the highest since the peak of 9.0% recorded in 1988 and 1989. Taking into account the current rates of inflation, which are much lower than those in 1988 and 1989, the rates of return have fully recovered.

Return on assets, non-financial industries



Large firms may realize substantial economies of scale

Larger firms may tend to have higher rates of profitability for several reasons. Most relate to the link between market competitiveness and corporate concentration.

A significant part of the recovery from the recession was driven by exports. In many industries, larger firms tend to be more export-oriented; therefore, they benefitted more from the growth in exports.

Note to readers

This release is based on the third edition of the publication Financial performance indicators for Canadian business, which contains information on the financial performance and balance sheets of Canadian business.

The financial performance indicators were developed from corporate income tax records covering more than 900,000 corporations. The information is augmented by data from Statistics Canada's quarterly and annual financial statistics for enterprises surveys.

The measure of profitability in this publication is the return on assets, which is used to compare the performance of groups of various sized firms. The formula is pretax profit to total assets. It measures how well management has employed the firm's assets to generate earnings.

The measurement used to rank industries from most to least profitable is the return on capital employed. It indicates the number of cents returned (net earnings) for every dollar of capital.

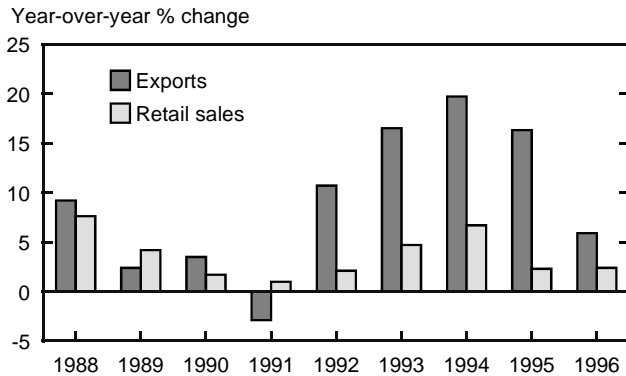
Large firms are those with revenues of more than \$75 million. Medium firms are those with revenues between \$5 million and \$75 million, and small firms are those with revenues between \$50,000 and \$5 million.

Profitability of firms (return on assets)

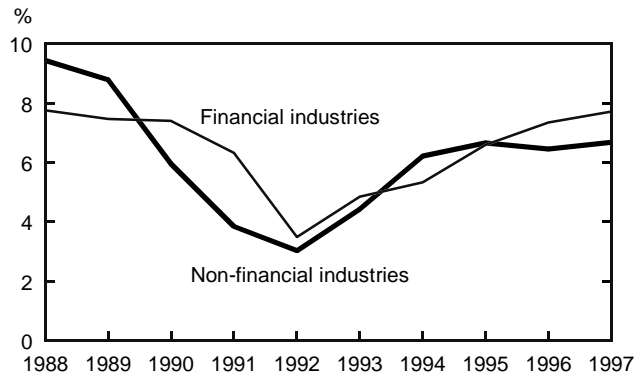
Year	Small	Medium	Large
	%		
1988	7.6	6.1	9.0
1989	6.8	4.9	8.0
1990	5.0	3.6	4.2
1991	3.8	3.1	2.4
1992	2.8	2.8	3.2
1993	3.3	3.7	4.1
1994	3.6	4.2	5.6
1995	4.2	4.0	6.0
1996	4.0	3.6	6.6

Small firms tend to rely on the domestic market, which continues to recover more slowly in the post-recession period. This was a factor in the slower recovery in their rates of profitability.

Merchandise exports compared with retail sales



Return on capital employed



Source: Statistics Canada Quarterly Financial Statistics for Enterprises, quarterly values transformed into annual average (includes values up to second quarter 1997)

Not all small firms are less profitable

Small service-producing firms tend to have higher rates of return because their human capital is a much larger portion of the total capital and the human capital is not included in the balance sheet.

Also, service-producing firms may be able to limit entry of new firms to their field of business through professional standards and associations, or through government licenses and quotas.

There could also be a temporary rise or fall in rates of return because of transitory conditions such as a temporary surge or fall in demand and prices, both in local and international markets.

Financial versus non-financial industries

Between 1988 and 1992, the return on capital employed declined. During most of this period, financial industries out-performed their non-financial counterparts. In the subsequent period of recovery, the gap closed from more than two percentage points in favour of financial industries to an almost even difference in 1995. In 1996 and the first six months of 1997, financial industries continued to improve while non-financial industries remained flat.

Chemical fertilizer and explosives manufacturers most profitable industries

Among the nation's larger enterprises, the most profitable goods producers in 1996 were firms engaged in the production of chemical fertilizers (excluding potash), and explosives. The median rate of return was 17.3%. This was the second year of very strong performance. In 1995 they were ranked second overall with a rate of return of 22.3%. In second place in the 1996 rankings were motor vehicle parts and accessories manufacturers (14.7%). The least profitable goods producers were pulp and paper manufacturers (0.9%) and fish and other seafood processors (1.9%).

Among financial institutions, the most profitable in 1996 were independent investment dealers (26.5%) and investment dealers that are subsidiaries of banks (15.7%). Schedule A banks were third at 12.9%.

Among smaller firms, sawmill, planing and shingle mills were the most profitable goods producers in 1994, with a median rate of return of 13.2%. They were also number one in 1995 with a rate of return of 17.4%. Education services topped the list of service producers at 18.9%.

The least profitable small firms included household furnishing wholesalers (-5.3%, in the goods producing category) and commercial spectator sports service producers (-2.0%, in the services producing category).

Financial performance indicators for Canada business (61F0058XDB, Volume 1, \$170; Volume

2, 61F0059XDB, \$190; and Volume 3, 61F0060XDB, \$210) is now available.

For further information on this release or to order the publication, contact Gail Sharland (613-951-9843), Industrial Organization and Finance Division.

Small firm industry rankings based on median rate of return on capital employed¹ (out of a total of 237 industries)

Ranking	Industry description	Median return on capital employed %
(Goods-producing industries)		
Top 5		
1	Sawmill, planing mill and shingle mill products industries	13.2
2	Photographic equipment and musical instruments, wholesale	12.8
3	General merchandise, wholesale	12.5
4	Rolled, cast and extruded non-ferrous metal products industry	12.4
5	Wood industries	12.0
Bottom 5		
155	Stone quarries	0.6
156	Brewery products industry	0.3
157	Clay products industries	-1.9
158	Men's and boys' clothing industries	-3.8
159	Household furnishings, wholesale	-5.3
(Service-producing industries)		
Top 5		
1	Educational services	18.9
2	Services incidental to transportation	16.1
3	Offices of physicians, surgeons and dentists, private practise	15.8
4	Services incidental to air transport	13.3
5	Services incidental to crude petroleum and natural gas	12.8
Bottom 5		
66	Services incidental to water transport	3.1
67	Motion picture exhibition	2.8
68	Lodging houses and residential clubs	2.5
69	Gas distribution systems industry	1.0
70	Commercial spectator sports	-2.0

¹ Statistics for small firms (annual revenue between \$50,000 and \$5 million) are for the year 1994. Return on capital employed is defined as 100 x (net profit + interest expense) / (debt + equity capital). For this analysis, the smaller firms were classified into 237 industries. Within each of these industries, rates of return for each firm were calculated and ranked, and the median rate was determined. Industries, in turn, were ranked based on their median rates of return. This table shows the top 5 and the bottom 5 industries within the ranking. The goods-producing industries are shown separately from the service-producing industries.

Large firm industry rankings based on median rate of return on capital employed²

Ranking	Industry description	Median return on capital employed
		%
(Goods-producing industries)		
Top 5		
1	Fertilizer and explosives manufacturing (chemical fertilizers excluding potash)	17.3
2	Motor vehicle parts and accessories manufacturing	14.7
3	Logging	14.4
4	Sawmill and planing mill products manufacturing	14.2
5	Agricultural machinery and equipment manufacturing	14.1
Bottom 5		
116	Books, magazines and periodicals, wholesaling	2.7
117	Supermarket stores	2.5
118	Department stores	2.2
119	Fish and other seafood processing	1.9
120	Pulp and paper manufacturing	0.9
(Financial institutions industries)		
Top 5		
1	Investment dealers - independent	26.5
2	Investment dealers - subsidiaries of banks	15.7
3	Banks - schedule A	12.9
4	Property and casualty insurers	10.5
5	Life insurers	7.3
Bottom 5		
6	Trust and mortgage companies - subsidiaries of banks	7.2
7	Trust and mortgage companies - independent	6.8
8	Finance leasing companies	6.6
9	Consumer and business finance companies	6.3
10	Banks - schedule B	5.7

² Statistics for large firms are for the year 1996. Return on capital employed is defined as $100 \times (\text{net profit} + \text{interest expense}) / (\text{debt} + \text{equity capital})$. For this analysis, large firms were classified into 142 industries. Within each of these industries, rates of return for each firm were calculated and ranked, and the median rate was determined. Industries, in turn, were ranked based on their median rates of return. This table shows the top 5 and the bottom 5 industries within the ranking. The goods-producing industries are shown separately from the financial institutions industries.



OTHER RELEASES

Employment, earnings and hours

August 1997 (preliminary)

In August, employees' average weekly earnings were virtually unchanged at \$598.55, down 0.2% from July. Average earnings have remained relatively stable since January 1997. Reductions in average paid hours for employees paid by the hour in logging and forestry, and in manufacturing contributed to the decline in earnings in those industries in August. In construction, a smaller than normal seasonal increase in earnings, especially for hourly employees, contributed to a seasonally adjusted earnings decline in August. Offsetting these earnings declines were average earnings increases in wholesale trade, retail trade, and finance, insurance and real estate.

The year-over-year increase in average earnings was \$9.84 (+1.67%), with the bulk of earnings gains recorded in the fall of 1996. Not all employee classes recorded earnings gains in the past year. Commissioned agents and working owners led the way with annual pay gains of 11.7%. Commissioned agents and salespersons working for car dealers, investment dealers and real estate agencies were major contributors to year-over-year earnings gains for this employee group. Earnings gains for these employees reflect strength in auto sales, financial market activity and increased housing resales. However, this is a small employee group accounting for only 8% of total payroll employment. Employees paid by the hour had a much more modest earnings gain of 1.7%. Employees on salary, representing 41% of total paid employment, had annual earnings which were virtually unchanged from year earlier levels.

The number of employees on business payrolls expanded in August, increasing by 27,000 from the previous month. Employment gains by industry were concentrated in business services and accommodation, food and beverage services. The business services industry continued to display strong employment

Note to readers

The Survey of Employment, Payrolls and Hours (SEPH) is currently in the final phase of a major, multi-year re-engineering project to improve estimates of the level of business payrolls and paid employment, and to reduce reporting burden on businesses. With the change in methodology, there is a risk that employment estimates from the administrative records may show a different seasonal pattern than the previous questionnaire data, which can only be assessed within the context of a longer time period. Statistics Canada continues to monitor these impacts and will help users interpret its data. To minimize impacts, it is recommended that SEPH data, particularly employment data, be used in the context of longer time periods or for detailed industry distributions.

growth. In the past year, this industry has added an estimated 63,000 additional employees to payrolls. Employment gains were strongest in employment agencies and personnel suppliers, computer and related services, and architectural, engineering and other scientific and technical services.

Manitoba, Saskatchewan and Alberta were the only provinces to record significant changes in employment levels between July and August. All three provinces had increases in employees on payrolls.

Available on CANSIM: matrices 4285-4466, 9438-9452, 9639-9664 and 9899-9911.

Detailed industry data and other labour market indicators are available through standard tables in the monthly publication *Employment, earnings and hours* (72-002-XPB, \$32/\$320), the historical publication *Annual estimates of employment, earnings and hours 1984-1996* (diskette: 72F0002XDE, \$120) and by custom tabulations.

For further information on this release, contact Stephen Johnson (613-951-4090; fax: 613-951-4087; Internet: labour@statcan.ca), Labour Division. □

Average weekly earnings for all employees

Industry group (1980 SIC)	Aug. 1996	July 1997 ^r	Aug. 1997 ^p	July 1997 to Aug. 1997	
				Aug. 1996	Aug. 1997
seasonally adjusted					
	\$			% change	
Industrial aggregate	588.71	599.64	598.55	-0.2	1.7
Logging and forestry	776.20	819.85	801.79	-2.2	3.3
Mining, quarrying and oil wells	1,064.96	1,050.01	1,051.57	0.1	-1.3
Manufacturing	719.59	741.41	736.30	-0.7	2.3
Construction	707.94	722.03	714.66	-1.0	0.9
Transportation and storage	698.19	726.58	723.27	-0.5	3.6
Communications and other utilities	777.31	785.30	787.59	0.3	1.3
Wholesale trade	637.34	651.29	652.52	0.2	2.4
Retail trade	347.54	351.78	353.56	0.5	1.7
Finance and insurance	752.41	783.12	786.94	0.5	4.6
Real estate operators and insurance agencies	593.13	634.13	641.53	1.2	8.2
Business services	658.66	681.25	677.97	-0.5	2.9
Education-related services	668.30	670.77	670.54	0.0	0.3
Health and social services	504.80	518.64	518.80	0.0	2.8
Accommodation, food and beverage services	240.31	233.34	233.79	0.2	-2.7
Public administration	743.39	739.04	734.47	-0.6	-1.2
Provinces and territories					
Newfoundland	532.13	538.11	535.73	-0.4	0.7
Prince Edward Island	498.06	471.91	473.95	0.4	-4.8
Nova Scotia	492.19	509.32	499.72	-1.9	1.5
New Brunswick	509.65	535.83	528.70	-1.3	3.7
Quebec	554.27	565.30	563.16	-0.4	1.6
Ontario	628.00	638.15	638.09	0.0	1.6
Manitoba	518.77	528.43	528.88	0.1	1.9
Saskatchewan	518.40	527.77	525.01	-0.5	1.3
Alberta	587.64	601.31	600.26	-0.2	2.1
British Columbia	612.81	614.00	616.43	0.4	0.6
Yukon	691.90	687.31	695.32	1.2	0.5
Northwest Territories	728.31	726.35	716.18	-1.4	-1.7

^r Revised estimates.

^p Preliminary estimates.

Number of employees

Industry group (1980 SIC)	June 1997	July 1997 ^r	Aug. 1997 ^p	June 1997 to July 1997	July 1997 to Aug. 1997
	seasonally adjusted				
	'000			% change	
Industrial aggregate	11,271	11,332	11,359	0.5	0.2
Logging and forestry	65	65	67	0.0	3.1
Mining, quarrying and oil wells	144	144	144	0.0	0.0
Manufacturing	1,795	1,805	1,801	0.6	-0.2
Construction	469	468	466	-0.2	-0.4
Transportation and storage	479	480	479	0.2	-0.2
Communications and other utilities	377	377	379	0.0	0.5
Wholesale trade	711	719	719	1.1	0.0
Retail trade	1,413	1,425	1,424	0.8	-0.1
Finance and insurance	512	513	512	0.2	-0.2
Real estate operators and insurances agencies	195	197	196	1.0	-0.5
Business services	734	740	747	0.8	0.9
Education-related services	935	936	928	0.1	-0.9
Health and social services	1,204	1,210	1,213	0.5	0.2
Accommodation, food and beverage services	826	832	835	0.7	0.4
Public administration	672	671	668	-0.1	-0.4
Provinces and territories					
Newfoundland	143	146	147	2.1	0.7
Prince Edward Island	46	46	47	0.0	2.2
Nova Scotia	315	318	318	1.0	0.0
New Brunswick	252	254	253	0.8	-0.4
Quebec	2,689	2,705	2,697	0.6	-0.3
Ontario	4,434	4,451	4,449	0.4	0.0
Manitoba	422	423	427	0.2	0.9
Saskatchewan	331	334	337	0.9	0.9
Alberta	1,152	1,161	1,169	0.8	0.7
British Columbia	1,449	1,452	1,454	0.2	0.1
Yukon	14	14	14	0.0	0.0
Northwest Territories	25	25	25	0.0	0.0

^r Revised estimates.

^p Preliminary estimates.

Informatics Professional Services Price Index 1993-1996

Annual, Canada-level price indexes (1996=100) for informatics professional services are now available for 1993 to 1996. The indexes measure changes in the total price of informatics professional services and changes in its cost of labour and realized net multiplier components. These indexes may be revised.

Informatics professional services include hardware and software consultancy services, computer facilities management, and system maintenance services.

Available on CANSIM: matrix 1981.

For further information on this release, contact Jennifer Winters (613-951-3373; fax: 613-951-2848; Internet: wintjen2@statcan.ca), Goods and Services Section, Prices Division.

Steel primary forms

Week ending October 18, 1997 (preliminary)

Steel primary forms production for the week ending October 18, 1997, totalled 281 874 metric tonnes, down 6.2% from the week-earlier 300 562 metric tonnes and down 1.7% from the year-earlier 286 677 metric tonnes. The cumulative total at the end of the week was 12 239 037 metric tonnes, a 7.0% increase compared with 11 436 644 metric tonnes for the same period in 1996.

For further information on this release, contact Huguette Montcalm (613-951-9827; Internet: monthug@statcan.ca), Manufacturing, Construction and Energy Division. ■

Available on CANSIM: matrix 976-981.

The delivery data are contained in the September issue of *Cereals and oilseeds review* (22-007-XPB, \$15/\$149), which will be available in November. See *How to order publications*.

For further information on this release, contact Ron Wonneck (204-983-3445) or Les Macartney (613-951-8714), Grain Marketing Unit, Agriculture Division. ■

Deliveries of major grains

September 1997

Data on September grain deliveries are now available.

PUBLICATIONS RELEASED

Pulpwood and wood residue statistics, August 1997
Catalogue number 25-001-XPB
 (Canada: \$8/\$73; outside Canada: US\$8/US\$73).

Sawmills and planing mills, August 1997
Catalogue number 35-003-XPB
 (Canada: \$12/\$114; outside Canada: US\$12/US\$114).

All prices exclude sales tax.

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Catalogue 11-001E (P) Article 11-001E/11-001E-001-001

The Daily
 Statistics Canada

Thursday, June 5, 1997
 For release at 9:30 a.m.

MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, 65% of Canadian cities on average of about as high on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4
Growth in productivity among Canadian businesses was notably weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

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Statistics Canada Canada

Statistics Canada's official release bulletin

Catalogue 11-001E.

Published each working day by the Communications Division, Statistics Canada, 10-H, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

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