



# The Daily

Statistics Canada

Friday, May 23, 1997  
For release at 8:30 a.m.

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## MAJOR RELEASES

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- **Financial statistics for enterprises, first quarter 1997** 2  
In the first quarter of 1997, operating profits of corporations increased 3.3% to a record \$25.5 billion. The increase came in the wake of a lull in profit growth in the previous quarter.

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## OTHER RELEASES

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- Deliveries of major grains, April 1997 5
- Telephone statistics, March 1997 5

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## PUBLICATIONS RELEASED

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## RELEASE DATES: May 26-30, 1997

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The Web site address is [www.statcan.ca](http://www.statcan.ca). See *Products and services, Downloadable publications*.

For further information, contact Monique Parisian (613-951-8201; Internet: [parimon@statcan.ca](mailto:parimon@statcan.ca)).



## MAJOR RELEASES

### Financial statistics for enterprises

First quarter 1997

In the first quarter of 1997, operating profits of corporations increased 3.3% to a record \$25.5 billion. The increase came in the wake of a lull in profit growth in the previous quarter.

Exceptional gains in the motor vehicles, parts and accessories industry, spearheaded by strong domestic and foreign demand, dominated the 5.6% profit increase in the non-financial sector, where profits reached \$19.1 billion. The financial industries did not fare as well, as profits fell 2.8% to \$6.4 billion from record levels in the fourth quarter of 1996. Overall, profits were up in exactly half of the 30 industry groups.

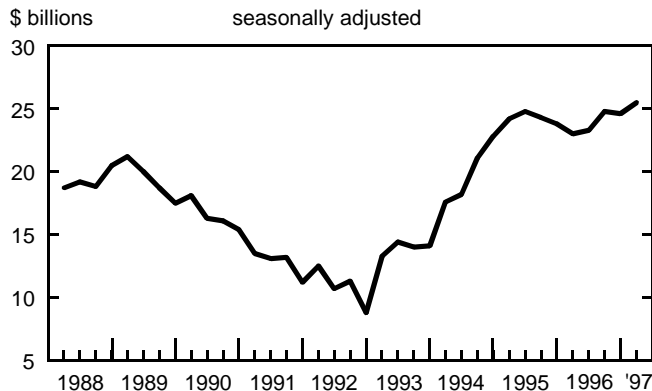
#### Notes to readers

The quarterly financial statistics cover the domestic activities of non-government corporations.

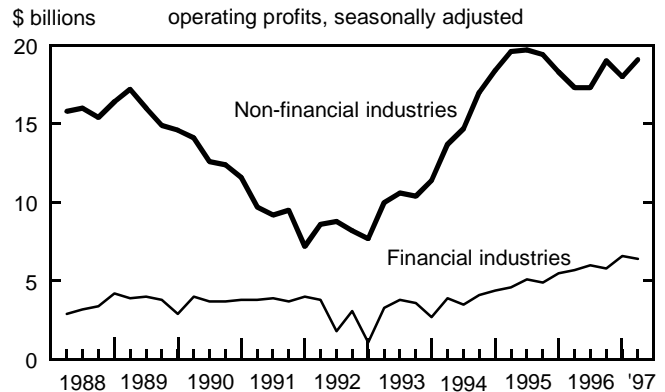
Operating profits exclude capital gains or expense deductions for income taxes, interest on borrowing and asset write-offs. Investment income is excluded from operating profits of non-financial industries, but is included in the operating profits of the financial industries.

As part of the survey's annual revisions policy, this quarter's release incorporates revised data from 1993 to 1996.

#### Operating profits resumed growth



#### Non-financial industry profits rebounded



#### Resilient automotive sector boosted non-financial industries

The growth of first quarter profits in the non-financial industries (+5.6%) was attributable to the strong performance by the automotive industry. Excluding the automotive results, total non-financial operating profits lost ground in the quarter.

Profits in the motor vehicles, parts and accessories industry rebounded to \$2.3 billion in the first quarter after tumbling to \$1.1 billion in the fourth quarter of 1996. Sales surged 9.7% to a record \$46.6 billion in the first quarter of 1997. New motor vehicle sales figures for March indicated that purchases in the first quarter were the highest since 1990. Low interest rates, incentive programs and pent-up demand have been cited as major factors in the escalating sales activity. Exports of automotive products staged a comeback in the first quarter after slipping in the latter part of 1996.

The consumer goods and services industry (including department stores) enjoyed a 3.8% increase in first quarter sales. However, shrinking profit margins reduced operating profits to \$0.5 billion from \$0.7 billion in the final quarter of 1996. On a year-over-year basis, first quarter sales and profits substantially improved, as consumer spending appears to be on the upswing.

In the wood and paper industry, operating profits slipped a further 11.0% to \$0.6 billion, a far cry from the peak of \$3.0 billion in profits in the third quarter of

1995. Soft demand for pulp and paper products over the past several quarters resulted in inventory buildups and overcapacity in the industry. First quarter prices were marginally down from the previous quarter, but were significantly below the pulp and paper prices of 1996. Pulp and paper demand has strengthened in recent months and manufacturers have succeeded in trimming inventory levels.

The wood sector somewhat offset the stagnant results in pulp and paper. Demand from the Canadian housing industry continued to strengthen, as housing starts and building permits increased in the first quarter. Strong Canadian and export markets have sustained historically high lumber prices and bolstered the profits of Canadian producers.

Operating profits in the petroleum and natural gas industry (\$4.1 billion) remained at historically high levels in the quarter, and were up 38% from the same quarter a year earlier. Sales and profits in this sector are very much linked to prices. In the first quarter, crude petroleum prices softened somewhat, but were well above year-earlier prices. Crude oil exports continued to climb, benefiting from improving economic conditions and low domestic stocks in the United States. Refined petroleum prices remained strong in the quarter, sustained by healthy domestic and foreign demand. Steady demand from industrial and residential consumers south of the border bolstered sales and profits of natural gas producers.

### Lower profits in the financial sector

Operating profits of the financial industries fell to \$6.4 billion in the first quarter from \$6.6 billion in the fourth quarter of 1996. Lower property and casualty insurers' profits more than offset gains in five of the other seven financial industries. Despite the slide, profit levels compared favourably to average quarterly profits of \$5.8 billion over the first three quarters of 1996, and \$5.0 billion in the 1995.

Property and casualty insurers' operating profits fell to \$0.4 billion from a high of \$1.0 billion in the previous quarter. Excluding the effects of unusually large gains on the sale of securities and other assets in the fourth quarter of 1996, the profit decline would have been significantly lower.

The chartered banks' (booked-in-Canada) profits increased 2.8% to \$3.2 billion in the first quarter. Lower interest costs on deposits contributed to the improved results. The provision for future loan losses remained basically unchanged around \$0.5 billion for the fifth straight quarter.

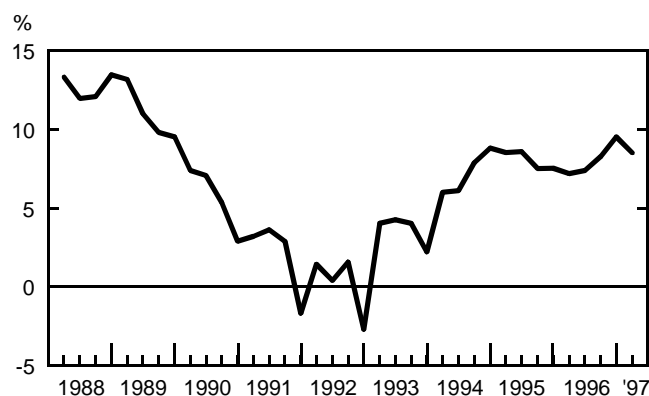
Trust companies' profits jumped 180% to a record \$608 million. However, excluding a one-time gain of

almost \$400 million on the sale of securities and other assets, profits were little changed in the quarter.

### Return on equity faltered despite improved profit margins (all industries)

The annual rate of return on shareholders' equity for all corporations fell a full percentage point to 8.5% in the first quarter. After-tax profits, the profit measure used in the return on equity calculation, declined 9.3%. Despite stronger first quarter operating profits, lower non-operating revenue (including interest, dividends and capital gains) in the non-financial industries pulled down after-tax profits in the quarter.

Return on equity weakened



The operating profit margin ratio improved to 6.9% in the first quarter from 6.8% in the previous quarter, and 6.6% in the first quarter of 1996.

### Financial ratios

	First quarter 1996	Fourth quarter 1996	First quarter 1997
<b>All industries</b>			
Profit margin (%)	6.60	6.82	6.93
Return on equity (%)	7.18	9.53	8.51
Debt-to-equity (ratio)	1.074	1.050	1.059
<b>Non-financial industries</b>			
Working capital (ratio)	1.269	1.283	1.290
Inventory turnover (ratio)	8.771	9.067	9.075
Receivables turnover (ratio)	8.825	8.502	8.859

**Income statement**

	First quarter 1996	Fourth quarter 1996	First quarter 1997	Fourth quarter 1996 to first quarter 1997
seasonally adjusted				
	(\$ billions)			%
				change
<b>All Industries</b>				
Operating revenue	348.8	361.3	367.1	1.6
Operating expenses	325.8	336.7	341.6	1.5
Operating profit	23.0	24.6	25.5	3.3
Profit	10.1	13.6	12.3	-9.5

**Available on CANSIM: matrices 3914-3971 and 3974-3981.**

The first quarter 1997 issue of *Quarterly financial statistics for enterprises* (61-008-XPB, \$23/\$92) will be available in June. See *How to order publications*.

For further information on this release, contact Bill Potter for non-financial industries data (613-951-2662), and Robert Moreau for financial industries data (613-951-2512), Industrial Organization and Finance Division. ■

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## OTHER RELEASES

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### Deliveries of major grains

April 1997

Data on April grain deliveries are now available.

**Available on CANSIM: matrices 976-981.**

The April issue of *Cereals and oilseeds review* (22-007-XPB, \$15/\$149) will be available in June. See *How to order publications*.

For further information on this release, contact Elizabeth Abraham (613-951-3859) or Karen Gray (204-983-2856), Grain Marketing Unit, Agriculture Division. ■

Operating expenses were \$1,071.8 million, up 2.0% from February. Net operating revenue totalled \$291.6 million — the same as the previous month.

**Available on CANSIM: matrix 355.**

The March 1997 issue of *Telephone statistics* (56-002-XPB, \$10/\$93) will be released shortly. See *How to order publications*.

For further information on this release, contact George Sciadas (613-951-3177), Science and Technology Redesign Project. ■

### Telephone statistics

March 1997

The 15 major telephone systems reported monthly revenues of \$1,363.4 million in March, up 1.6% from the previous month.

## PUBLICATIONS RELEASED

**Infomat: a weekly review**, May 23, 1997  
**Catalogue number 11-002-XPE**  
 (Canada: \$4/\$145; outside Canada: US\$4/US\$145).

**Causes of death, 1995**  
**Catalogue number 84-208-XPB**  
 (Canada: \$62/\$; outside Canada: US\$62/US\$).

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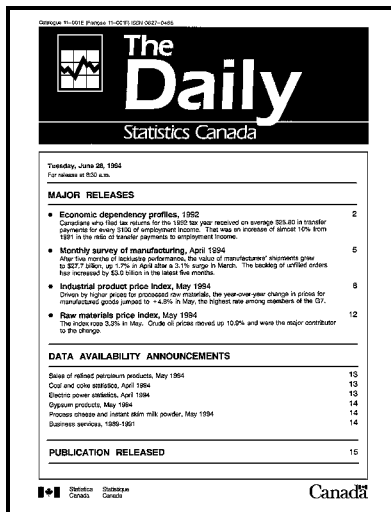
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## RELEASE DATES

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**May 26-30, 1997**  
(Release dates are subject to change.)

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<b>Release date</b>	<b>Title</b>	<b>Reference period</b>
26	<b>Farm cash receipts</b>	First quarter 1997
26	<b>Net farm income</b>	1996 preliminary
27	<b>Characteristics of international travellers</b>	Fourth quarter 1996
28	<b>Industrial Product Price Index</b>	April 1997
28	<b>Raw Materials Price Index</b>	April 1997
29	<b>Employment, earnings and hours</b>	March 1997
29	<b>Employment insurance</b>	March 1997
30	<b>Education quarterly review</b>	Spring 1997
30	<b>International travel account</b>	First quarter 1997

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