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MAJOR RELEASES

- **Deposit-accepting intermediaries: activities and economic performance, 1997** 2
The value of financial services produced in Canada by deposit-accepting intermediaries (chartered banks, trust companies, caisses populaires and credit unions) increased 15.8% from \$35.8 billion in 1996 to \$41.5 billion in 1997.

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MAJOR RELEASES

Deposit-accepting intermediaries: activities and economic performance 1997

The value of services produced in Canada by deposit-accepting intermediaries (chartered banks, trust companies, caisses populaires and credit unions) reached \$41.5 billion in 1997, up from \$35.8 billion in 1996. This 15.8% increase is explained primarily by a sustained demand for new electronic financial services, investment banking and fiduciary services.

The percentage of non-interest income within the deposit-accepting intermediaries' portfolio also increased from 1996 to 1997. In 1997, non-interest income represented 42.5% of the value of services produced by these institutions compared with only 36.5% in 1996. The growth in non-interest income illustrated a 10-year trend observed by the Bank of Canada in a study published in spring 1997. The change was partly due to financial reforms that allowed deposit-accepting intermediaries to broaden their range of activities outside their traditional areas. In effect, deposit-accepting intermediaries were able to diversify into activities that essentially produced income related to fees and commissions.

Retail banking services continued to generate most of the deposit-accepting intermediaries income

The value of retail banking services produced by deposit-accepting intermediaries was \$27.9 billion in 1997, up 7.5% from the \$26.0 billion produced in 1996. These services generated 67.3% of the total value of services produced by deposit-accepting intermediaries in 1997, down from 72.5% in 1996. Net interest income represented close to three-quarters (72.7%) of the value of retail banking services in 1997, whereas the remainder (27.3%) was non-interest income.

Corporate and institutional financing lost ground

The value of corporate and institutional financing totalled \$3.5 billion in 1997, up 3.3% from 1996. In 1997, corporate and institutional financing generated 8.4% of the total value of services produced by deposit-accepting intermediaries, down 1.0 of a percentage point from 1996.

Note to readers

The annual survey of deposit-accepting intermediaries covers the portfolio of activities of the principal deposit-accepting intermediaries, namely chartered banks, trust companies, caisses populaires and credit unions. Information from the survey is supplemented by data from Statistics Canada, the Bank of Canada, and the Task Force on the Future of the Canadian Financial Services Sector.

Some of the deposit-accepting intermediaries were unable to estimate their activities in electronic financial services. This results in an under-estimation of the absolute value of these services as well as an over-estimation of the value of retail banking services in the portfolios of deposit-accepting intermediaries. This does not affect the quality of the conclusions or the general trends observed from this survey.

Retail banking covers all financial services to individuals and to small- and medium-sized businesses through a traditional branch network.

Corporate and institutional finance covers financing and operating services for institutions and large corporations. This category includes trade and export financing, project financing and syndicated lending.

Electronic financial services cover services to individuals, businesses and institutions through networks of banking machines, telephone banking centres and the Internet.

Treasury and investment banking: Treasury banking manages consolidated operations' funds whereas investment banking covers services to individuals, corporations and institutions such as securities brokerage, mutual fund management, corporate and risk capital financing and other investment services.

Fiduciary services refer to all services provided when acting as a trustee or agent and the performance of services such as record keeping, custodial and performance evaluation services for personal trusts, pension funds, corporate and institutional investments and group RSPs.

Net interest income is the difference between interest income and expenses. Interest income covers all interest from loans, titles and deposits of deposit-accepting intermediaries. Interest expenses cover interest paid on deposits, subordinated debentures and other interest costs.

Non-interest income covers all sources of revenue other than interest charges. Examples include revenue from brokerage and other securities services, credit services, net investment securities gains and losses, trading income, deposit and payment services charges, mutual fund management, card services, foreign exchange non-trading, insurance, securitization revenues, trans-sectoral income other than interest and earnings or loss from the sale of assets.

Value of services produced is the sum of net interest and non-interest income. This is not to be confused with service charges.

In 1997, 48.9% of income generated by corporate and institutional financing was non-interest income, down 4.4 percentage points from 1996. A significant component of corporate and institutional financing is derived from real estate and capital project financing. Short-term fluctuations in this type of financing are difficult to explain since they can be influenced by the financing of specific projects.

Another possible factor influencing this decline in corporate and institutional financing from 1996 to 1997 may be the increased corporate access to capital markets that have supplanted bank loans as the principal source of financing. This trend is supported by a Bank of Canada finding that, since the early 1980s, the bank share of the business credit market has declined.

Electronic financial services took off

In 1997, the value of electronic financial services was \$1.8 billion, an increase of 68.2% over 1996. The proportion of these services in the deposit-accepting intermediaries portfolio of activities increased 1.4 percentage points from 3.0% in 1996 to 4.4% in 1997.

The growth in electronic financial services is primarily linked to the greater use of electronic delivery through such means as automatic tellers, debit cards, telephones and computer banking services.

Treasury and investment banking expanded

The value of services produced by treasury and investment banking grew 55.2% from 1996 to 1997. In 1997, this category represented 15.0% of the total value of financial services, compared with only 11.2% in 1996.

This gain was propelled by the popularity of mutual funds and of discount brokerage services in Canada in recent years and is consistent with a five-year trend observed in the November 1998 Task Force on the

Future of the Canadian Financial Services Sector. The report substantiated the finding that attractive yields provided by mutual funds diverted a large part of individual savings toward investment funds and away from the more traditional deposit instruments. In response, the deposit accepting intermediaries marketed their own investment funds to stem the flow of this capital away from their institutions. Another possible reason for the growth in investment banking is that deposit-accepting intermediaries have become major players in discount brokerage services.

A sustained demand for fiduciary services

In 1997, deposit-accepting intermediaries provided fiduciary services valued at more than \$2.0 billion, a 46.2% increase over the previous year. This type of service accounted for 4.9% of the total value of services produced by deposit-accepting intermediaries, a 1.0 percentage point increase over 1996. More than 82.2% of the value generated by this type of service was non-interest income and only 17.8% was net interest income.

Over the last few years, deposit-accepting intermediaries have expanded their fiduciary services, especially in estate management and financial planning. Aging baby boomers have contributed to the accelerating demand for this type of service. New federal financial legislation that came into effect in 1992 gave chartered banks the right to participate in fiduciary markets by creating or acquiring them as subsidiaries specializing in this field. The caisses populaires and credit unions enjoyed a headstart in this area, taking advantage of the less stringent provincial legislation to penetrate this market.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Patrick Huot (613-951-0583; huotpat@statcan.ca), Industrial Organization and Finance Division. □

The value of services produced by deposit-accepting intermediaries

	Net interest Income			Non-interest Income			Value of services produced in Canada		
	1996 ^r	1997	1996 to 1997	1996 ^r	1997	1996 to 1997	1996 ^r	1997	1996 to 1997
	\$ millions		% change	\$ millions		% change	\$ millions		% change
Retail banking services	19,396	20,276	4.5	6,556	7,615	16.2	25,952	27,891	7.5
Corporate and institutional finance	1,570	1,774	13.0	1,790	1,697	-5.2	3,360	3,471	3.3
Electronic financial services ¹	446	567	27.0	632	1,248	97.3	1,079	1,815	68.2
Treasury and investment banking	952	855	-10.3	3,073	5,393	75.5	4,026	6,248	55.2
Fiduciary services	375	361	-3.7	1,016	1,672	64.6	1,391	2,033	46.2
Total	22,740	23,834	4.8	13,066	17,624	34.9	35,807	41,458	15.8

^r Revised to include respondents who submitted late reports in 1996.

¹ See Note to readers

Distribution of income by activity of deposit-accepting intermediaries

	Net interest Income			Non-interest Income			Value of services produced in Canada		
	1996 ^r	1997	1996 to 1997	1996 ^r	1997	1996 to 1997	1996 ^r	1997	1996 to 1997
	%		% point change	%		% point change	%		% point change
Retail banking services	85.3	85.1	-0.2	50.2	43.2	-7.0	72.5	67.3	-5.2
Corporate and institutional finance	6.9	7.4	0.5	13.7	9.6	-4.1	9.4	8.4	-1.0
Electronic financial services	2.0	2.4	0.4	4.8	7.1	2.3	3.0	4.4	1.4
Treasury and investment banking	4.2	3.6	-0.6	23.5	30.6	7.1	11.2	15.0	3.8
Fiduciary services	1.6	1.5	-0.1	7.8	9.5	1.7	3.9	4.9	1.0
Total	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0

^r Revised figures.

Type of income by type of activity

	Value of services produced in Canada					
	Net interest income			Non-interest income		
	1996 ^r	1997	1996 to 1997	1996 ^r	1997	1996 to 1997
	%		% point change	%		% point change
Retail banking services	74.7	72.7	-2.0	25.3	27.3	2.0
Corporate and institutional finance	46.7	51.1	4.4	53.3	48.9	-4.4
Electronic financial services	41.4	31.2	-10.1	58.6	68.8	10.1
Treasury and investment banking	23.7	13.7	-10.0	76.3	86.3	10.0
Fiduciary services	27.0	17.8	-9.2	73.0	82.2	9.2
Total	63.5	57.5	-6.0	36.5	42.5	6.0

^r Revised figures.

OTHER RELEASES

Shipments of rolled steel

August 1999

Rolled steel shipments reached 1 254 695 tonnes in August, up 14.4% from 1 096 764 tonnes in July and up 11.2% from 1 128 593 tonnes in August 1998.

Year-to-date shipments at the end of August totalled 9 917 112 tonnes, up 4.3% from 9 509 326 tonnes for the same period a year earlier.

Available on CANSIM: matrices 58 and 122 (series 22-25).

The August 1999 issue of *Primary iron and steel* (41-001-XIB, \$5/\$47) will be available shortly. See *How to order publications*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Andy Shinnan (613-951-3515; shinand@statcan.ca), Manufacturing, Construction and Energy Division. ■

Construction Union Wage Rate Index

September 1999

The Construction Union Wage Rate Index (including supplements) for Canada remained unchanged in September from August's revised level of 114.5 (1992=100). The index increased 2.2% compared with September 1998.

Union wage rates are published for 16 trades in 20 metropolitan areas for both the basic rates and rates including selected supplementary payments. Indexes on a 1992=100 time base are calculated for the same metropolitan areas and are published for those where a majority of trades are covered by current collective agreements.

Available on CANSIM: matrices 956, 958 and 9922-9927.

The third quarter 1999 issue of *Construction price statistics* (62-007-XPB, \$24/\$79) will be available in December. See *How to order publications*.

For more information, or to enquire about the concepts, methods and data quality of this

release, contact Louise Chagné (613-951-3350; infounit@statcan.ca; fax: 613-951-1539) Client Services Unit, Prices Division. ■

Selected financial indexes

September 1999

September figures are now available for selected financial indexes including conventional mortgage rates, prime business lending rates, provincial bond yield averages and exchange rates on a 1992=100 time base.

Available on CANSIM: matrix 9928.

These indexes will appear in the third quarter 1999 issue of *Construction price statistics* (62-007-XPB, \$24/\$79), which will be available in December. See *How to order publications*.

For more information, or to enquire about the concepts, methods, and data quality for this release, contact Louise Chagné (613-951-3350; fax: 613-951-1539; infounit@statcan.ca); Client Services Unit, Prices Division. ■

Steel primary forms

August 1999

Steel primary forms production totalled 1 388 825 tonnes in August, up 2.4% from 1 356 658 tonnes compared with August 1998.

Year-to-date production reached 10 747 929 tonnes, down 1.6% from 10 919 123 tonnes for the same period a year earlier.

Available on CANSIM: matrix 58 (level 2, series 3).

For more information, or to enquire about the concepts, methods, or data quality of this release, contact Andy Shinnan (613-951-3515; shinand@statcan.ca), Manufacturing, Construction and Energy Division. ■

PUBLICATIONS RELEASED

Primary iron and steel, August 1999
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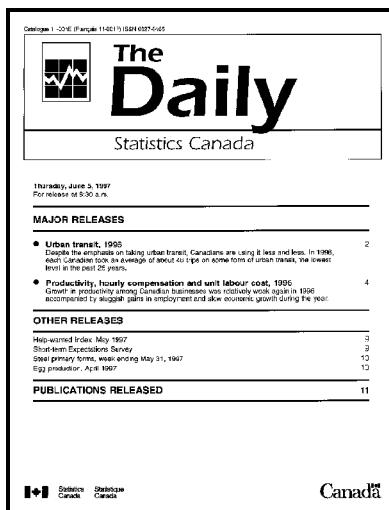
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