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- **Deposit-accepting intermediaries: Activities and economic performance, 1998** 2
 The value of services produced by deposit-accepting intermediaries — chartered banks, trust companies, caisses populaires and credit unions — rose a marginal 0.8% to \$41.6 billion in 1998. This slight gain was tempered by uncertainty in late 1998 in global financial markets, particularly in Asia, Eastern Europe and Latin America.
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MAJOR RELEASES

Deposit-accepting intermediaries: Activities and economic performance 1998

Turbulence in global financial markets late in 1998 curbed the growth in the value of services produced in Canada by deposit-accepting intermediaries, which consist of chartered banks, trust companies, caisses populaires and credit unions.

These intermediaries produced services worth \$41.6 billion in 1998, up 0.8% from a revised \$41.3 billion in 1997. This increase was tempered by uncertainty in financial markets — particularly in Asia, Eastern Europe and Latin America — in the fourth quarter of 1998.

As these economies weathered the economic storm, world commodity prices plummeted. Consequently, Canada's currency, like that of other commodity-exporting nations, fell to a significant low relative to the U.S. dollar. The Bank of Canada raised interest rates and widened the spread between Canadian and U.S. short-term interest rates. These higher short-term rates, coupled with consumer preferences for better-yielding investments, put pressure on deposit-accepting intermediaries' net interest margins. At the same time, interest income generated by higher asset volumes was offset by these developments.

Furthermore, the financial market volatility made investors drift to high-quality government bonds and other secure investments, reducing the value of traded securities and their sales volume. As a result, non-interest income was hurt, since the major part of the revenues generated by trading and investment services fall into this category.

Overall, net interest income slipped by 0.4% to \$23.9 billion in 1998. This decline was offset by a 2.5% gain in non-interest income, which reached \$17.8 billion.

Net interest income slipped in part because of volatility in financial markets overseas and growth in securitization transactions. This process involves the selling of assets to independent parties, which in return issue securities to interested investors.

Therefore, securitized assets are removed from the balance sheet. In 1998, Canadian deposit-accepting intermediaries sold larger amounts of loans and receivables to independent parties in order to diversify risk and increase their liquidity. This contributed to the continued tapering of net interest income in 1998 relative

Note to readers

The annual Survey of Deposit-accepting Intermediaries covers the portfolio of Canadian-based 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 and the Bank of Canada. Some of the deposit-accepting intermediaries were unable to estimate their activities in electronic financial services and fiduciary services. This may result in an under-estimation of the value of these services as well as an over-estimation of the value of retail banking services and treasury and investment banking 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 services (chartered banks, trust companies, caisses populaires and credit unions) 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 covers 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; **investment banking** covers services to individuals, corporations and institutions such as securities brokerage, mutual fund management, corporate financing and other investment services. **Fiduciary services** refers 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 RRSPs.

Net interest income is the difference between interest income and interest 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 income. Examples include revenue from brokerage and other securities services, credit services, trading income, deposit and payment services charges, mutual fund management, card services, foreign exchange non-trading, insurance, securitization revenues and trans-sectoral income.

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

to non-interest income, as revenues from securitization boosted non-interest income.

The percentage of the non-interest income in the deposit-accepting intermediaries' portfolio continued to grow in 1998. Non-interest income represented 42.7%

of the value of services produced, compared with 42.0% in 1997.

More importantly, this data is consistent with a shift from net interest to non-interest income owing to a broader range of fee-based activities offered outside of traditional retail banking services.

Retail banking services remained the dominant pillar among deposit-accepting intermediaries

Retail banking services remained the dominant pillar among the deposit-accepting intermediaries in 1998. The value of retail banking services surpassed the value of services of each of the other major activities: electronic financial services; fiduciary services; corporate and institutional finance; and treasury and investment banking.

Deposit-accepting intermediaries produced retail banking services worth \$28.2 billion in 1998, up 1.5% from 27.7 billion produced in 1997.

This segment represented 67.7% of the total of value of services produced in 1998, up modestly from 67.2% in 1997.

Electronic financial services continued to expand

The value of electronic financial services continued to expand, fueled by greater use of electronic devices such as automated teller machines, debit cards and telephone and computer banking services.

In 1998, the value of services produced by the electronic financial services was \$1.9 billion, a 10.0% gain over 1997. As a result, this segment accounted for 4.6% of the total value of services produced in 1998, up slightly from 4.2% in 1997.

Sustained demand for fiduciary services

In 1998, deposit-accepting intermediaries provided fiduciary services valued at more than \$660 million, a 38.0% increase over the previous year. This type of activity accounted for 1.6% of the total value of services produced by deposit-accepting intermediaries, up from 1.2 % in 1997. Interestingly, 89.4% of the value of services produced by this segment was generated by non-interest income.

Over the last few years, deposit-accepting intermediaries have expanded their fiduciary services, especially in estate management and financial planning. The demand for this type of service has

been accelerated in part by the aging baby boomers population segment.

Corporate and institutional finance retreated

The value of corporate and institutional services totalled \$3.4 billion in 1998, down 2.6% from 1997. More significantly, the contribution of this particular segment to the total value of services produced continued to drop.

In 1998, corporate and institutional services generated 8.1% of the total value of services produced by deposit-accepting intermediaries, down from 8.4% in 1997.

Furthermore, 53.3% of income generated in 1998 by corporate and institutional services was non-interest income, up from 48.9% in 1997.

This segment saw its net interest income decline by 11.1% in 1998, in part the result of narrowed spreads in interest margins brought by more competition from alternative sources of financing. Corporate financing through capital markets have supplanted traditional loans as the principal source of financing.

Treasury and investment banking retracted

The value of services produced by treasury and investment banking fell by 4.4% from 1997 to 1998. In 1998, this segment generated \$7.5 billion of the total value of services produced by deposit-accepting intermediaries. In addition, the contribution of this category to the cumulative value of services produced dropped to 18.0% in 1998 from 19.0% in 1997.

This performance slowdown was partly the result of the turbulence in global markets in the latter part of 1998. More-volatile trading conditions weakened the securities market and, in return, lowered non-interest income for the year. Non-interest income associated with this segment contracted by 6.2% in 1998 compared with 1997.

Considering that the value of services produced by treasury and investment banking was mainly composed of non-interest income (82.8%), the overall value of services produced by this segment declined, despite gains made in the net interest income category.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Mario Vella (613-951-1395; mario.vella@statcan.ca) or Martin Pacheco (613-951-0396; martin.pacheco@statcan.ca), Industrial Organization and Finance Division. □

Value of services produced by deposit-accepting intermediaries

	Net interest income			Non-interest income			Value of services produced in Canada		
	1997 ^r	1998	1997 to 1998	1997 ^r	1998	1997 to 1998	1997 ^r	1998	1997 to 1998
	\$ millions	% change		\$ millions	% change		\$ millions	% change	
Retail banking services	20,452	20,434	-0.1	7,297	7,732	6.0	27,749	28,166	1.5
Corporate and institutional finance	1,775	1,578	-11.1	1,697	1,802	6.2	3,472	3,380	-2.6
Electronic financial services ¹	481	488	1.5	1,248	1,414	13.3	1,729	1,902	10.0
Treasury and investment banking	1,229	1,289	4.9	6,623	6,214	-6.2	7,852	7,503	-4.4
Fiduciary services ²	25	70	180.0	454	591	30.2	479	661	38.0
Total	23,962	23,859	-0.4	17,319	17,753	2.5	41,281	41,612	0.8

^r Revised to include new information.

¹ See note to readers.

² 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		
	1997 ^r	1998	1997 to 1998	1997 ^r	1998	1997 to 1998	1997 ^r	1998	1997 to 1998
	%	% point change		%	% point change		%	% point change	
Retail banking services	85.4	85.7	0.3	42.1	43.6	1.5	67.2	67.7	0.5
Corporate and institutional finance	7.4	6.6	-0.8	9.8	10.1	0.3	8.4	8.1	-0.3
Electronic financial services ¹	2.0	2.0	0.0	7.2	8.0	0.8	4.2	4.6	0.4
Treasury and investment banking	5.1	5.4	0.3	38.2	35.0	-3.2	19.0	18.0	-1.0
Fiduciary services ²	0.1	0.3	0.2	2.7	3.3	0.6	1.2	1.6	0.4
Total	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0

^r Revised to include new information.

¹ See note to readers.

² See note to readers.

Type of income by type of activity

	Net interest income			Non-interest income		
	1997 ^r	1998	1997 to 1998	1997 ^r	1998	1997 to 1998
	%	% point change		%	% point change	
Retail banking services	73.7	72.5	-1.2	26.3	27.5	1.2
Corporate and institutional finance	51.1	46.7	-4.4	48.9	53.3	4.4
Electronic financial services ¹	27.8	25.7	-2.1	72.2	74.3	2.1
Treasury and investment banking	15.7	17.2	1.5	84.3	82.8	-1.5
Fiduciary services ²	5.2	10.6	5.4	94.8	89.4	-5.4
Total	58.0	57.3	-0.7	42.0	42.7	0.7

^r Revised to include new information.

¹ See note to readers.

² See note to readers.

OTHER RELEASES

Production and disposition of tobacco products

September 2000

Manufacturers boosted production of cigarettes in September, while sales dipped slightly. The strong production caused an expansion of inventories.

In September, 4.1 billion cigarettes were manufactured, 15% more than in August and 7% more than in September 1999. However, year-to-date production of 34.1 billion cigarettes was 4% behind that of the first nine months of 1999.

September's shipments of 4.1 billion cigarettes were off 3% from August but were up 3% over those of September 1999. Year-to-date shipments of 34.4 billion cigarettes were 2% lower than shipments in the same period of 1999.

Closing inventories, which had been low, were built up slightly in September. Although they grew 5% to 3.7 billion cigarettes by the end of the month, they were still 13% lower than at the same point in 1999.

Available on CANSIM: matrix 46.

The September 2000 issue of *Production and disposition of tobacco products* (32-022-XIB, \$5/\$47) is now available. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact: Peter Zylstra (613-951-3511; zylspet@statcan.ca), Manufacturing, Construction and Energy Division. ■

Civil aviation operating statistics

August 2000

Canadian Airlines reported a decrease of 2% in their scheduled international passenger-kilometres in August. From August 1999 to August 2000, Air Canada's scheduled international operations increased by 32%, while those of Canadian dropped by 27%. (All data referred to here are seasonally adjusted.)

Available on CANSIM: matrix 385 (series 1 to 6).

The August operational data on civil aviation for Air Canada and Canadian Airlines will appear in the November 2000 issue of *Aviation service bulletin* (51-004-XIB, \$8/\$82). A print-on-demand service is also available. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Robert Lund (613-951-0125), Transportation Division. ■

NEW PRODUCTS

Infomat — A weekly review, October 27, 2000
Catalogue number **11-002-XIE** (\$3/\$109).

Infomat — A weekly review, October 27, 2000
Catalogue number **11-002-XPE** (\$4/\$145).

Production and disposition of tobacco products,
September 2000
Catalogue number **32-022-XIB** (\$5/\$47).

Wholesale trade, August 2000
Catalogue number **63-008-XIB** (\$14/\$140).

Employment, earnings and hours, July 2000
Catalogue number **72-002-XIB** (\$24/\$240).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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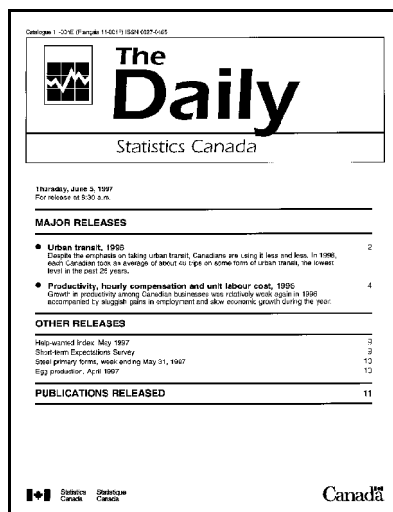
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Editor: Tom Vradenburg (613-951-1103, vradtom@statcan.ca)

Head of Official Release: Madeleine Simard (613-951-1088), simamad@statcan.ca

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RELEASE DATES: OCTOBER 30 TO NOVEMBER 3

October 30 to November 3
(Release dates are subject to change.)

Release date	Title	Reference period
30	Provincial gross domestic product	1999
31	Gross domestic product at factor cost by industry	August 2000
31	Pension plans	1998
1	Help-wanted Index	October 2000
2	Business Conditions Survey: Canadian manufacturing industries	October 2000
2	Criminal victimization	1999
3	Labour Force Survey	October 2000
