

The Daily

Statistics Canada

Wednesday, February 16, 2000

For release at 8:30 a.m.

MAJOR RELEASES

- **New motor vehicle sales, 1999 and December 1999**

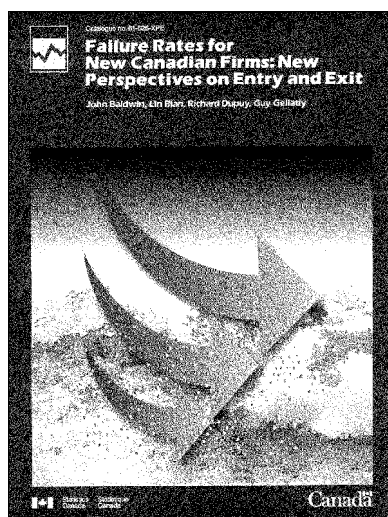
Sales by new motor vehicles dealers rose 8.5% in December, the largest monthly increase since December 1997. This pushed overall sales for 1999 to 1,542,055 units, the highest level since the record result of 1988.

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- **Failure rates for new firms, 1984 to 1994**

At least half of new companies in Canada go out of business before their third birthday, and only about one-fifth of them survive a decade, according to a new study investigating the factors that are related to success and failure in young enterprises.

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(continued on following page)



Failure rates for new Canadian firms 1984 to 1994

New firms play a key role in shaping economic change. They are a source of dynamism, and they offer consumers innovative goods and services, often by developing new market niches or refining existing markets.

Failure rates for new Canadian firms: New perspectives on entry and exit, available today, is a study investigating factors that determine success and failure in young businesses. It focuses on commercial enterprises with employees that began operations between 1984 and 1994, and analyzes differences in failure rates across several variables, such as a firm's province or industry of origin. The study examines the role that firm size plays in determining success or failure, along with factors relating to the intensity of competition. It also examines how the determinants of failure differ across new firms at various stages of their life cycle.

Failure rates for new Canadian firms: New perspectives on entry and exit (61-526-XPE, \$35; 61-526-XIE, \$26) is now available. See *How to order publications*.

For more information, contact Guy Gellatly (613-951-3758), Micro-Economic Analysis Division.



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OTHER RELEASES

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PUBLICATIONS RELEASED

MAJOR RELEASES

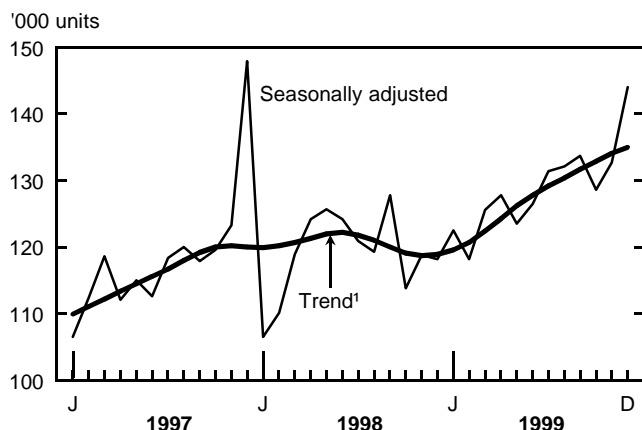
New motor vehicle sales

1999 and December 1999

Sales by new motor vehicles dealers rose 8.5% in December, the largest monthly increase since December 1997. This pushed overall sales for 1999 to 1,542,055 units, the highest level since the record result of 1988.

A total of 144,006 new motor vehicles were sold in December, slightly lower than the number sold in December 1997, when sales rose 20%. Both new passenger cars and new trucks posted increases in December compared with the preceding month; however, sales of cars (+11.1%) were twice those for trucks (+5.5%).

Monthly new motor vehicle sales on the move



¹ The short-term trend represents a moving average of the data.

New motor vehicle sales have been following an upward movement since the fall of 1998. Earlier that year, they had been relatively stable, with some monthly fluctuations.

Slower gain in number of trucks sold

While trucks sales have generally been increasing since the start of 1999, sales gains have been slowing since the summer. This change is due to various factors, including the rise in the price of gasoline since the spring of 1999 and the deterioration of grain prices, which has affected the economy of Western Canada where trucks are more popular.

Note to readers

At the end of every calendar year, seasonally adjusted figures are revised to equal the sum of the unadjusted estimates. Revised seasonally adjusted figures are presented this month for September to December 1999. Revision for the 1999 calendar year will be released in March.

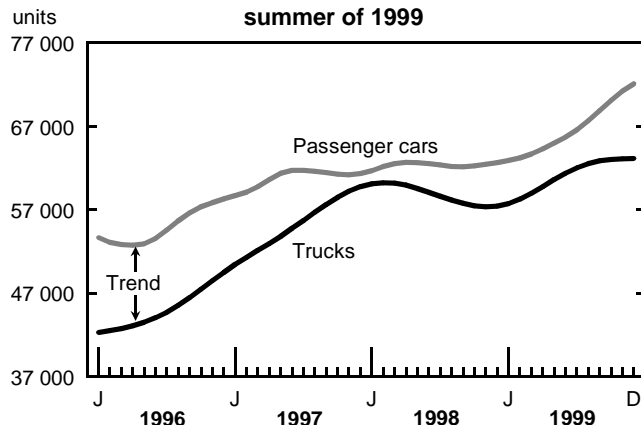
Passenger cars include those used for personal and commercial purposes such as taxis or rental cars.

North American-built new motor vehicles include vehicles manufactured or assembled in Canada, the United States or Mexico. All other new motor vehicles are considered to have been manufactured overseas.

For reasons of confidentiality, data for Yukon, the Northwest Territories and Nunavut have been included with the data for British Columbia.

Sales of new passenger cars have been moving upward since the fall of 1998, after remaining generally stable since the second half of 1997.

Truck sales slow since summer of 1999



1999: Annual sales close to record

In 1999, dealers sold 1,542,055 new vehicles, up 7.9% compared with 1998. Sales for 1999 were at the highest level since the all-time record in 1988, when 1,563,839 vehicles were sold. Both passenger cars and trucks contributed to the 1999 increase. Passenger car sales rose 8.9% compared with 1998, while the increase for trucks was 6.9%.

Annual sales increase is greater in Eastern provinces

The number of new vehicles sold in Newfoundland, New Brunswick and Ontario rose by at least 10.0% in 1999 compared with 1998.

All other provinces posted sales changes that were below the national average, with sales declines in Saskatchewan (-3.6%) and Alberta (-1.6%). These negative annual sales are attributable to the decrease in the number of new trucks sold. In fact, the three Prairie provinces were the only ones to register declines in new truck sales in 1999.

That said, consumers in the Prairie provinces continued to opt most frequently for trucks over cars. Truck sales ranged from 58.2% of total sales in Manitoba to 63.2% in Alberta. By contrast, the lowest proportion of truck sales were in Quebec, where they represented only 37.9% of all new vehicles sales.

More revenue from trucks

Despite the fact that more cars than trucks were sold in 1999, trucks accounted for 58.0% of the \$45.2 billion

in new motor vehicle sales revenue. This is explained by higher average selling prices for trucks than cars. The truck category includes minivans, sport-utility vehicles, light and heavy trucks, vans, coaches and buses.

During 1999, revenue from sales of new trucks increased 13.2% on a year-over-year basis, compared with 11.5% for new cars.

Available on CANSIM: matrix 64.

The December 1999 issue of *New motor vehicle sales* (63-007-XIB, \$13/\$124) will be available shortly. See *How to order publications*.

For data or general information, contact the Client Services Unit (613-951-3549; 1 877 421-3067; retailinfo@statcan.ca), Retail Trade Section, Distributive Trades Division. For analytical information, or to enquire about the concepts, methods and data quality of this release, contact Clérance Kimanyi (613-951-6363; kimacle@statcan.ca), Distributive Trades Division. □

New motor vehicle sales

| | Dec. 1998 | Nov. 1999 ^r | Dec. 1999 ^p | Dec. 1998 to Dec. 1999 | Nov. to Dec. 1999 |
|-----------------------------|----------------|---------------------------|---------------------------|------------------------------------|----------------------------|
| seasonally adjusted | | | | | |
| | | | | % change | |
| New motor vehicles | 118,179 | 132,708 | 144,006 | 21.9 | 8.5 |
| Passenger cars | 64,038 | 71,378 | 79,276 | 23.8 | 11.1 |
| North American ¹ | 50,851 | 55,756 | 62,328 | 22.6 | 11.8 |
| Overseas | 13,187 | 15,622 | 16,948 | 28.5 | 8.5 |
| Trucks, vans and buses | 54,141 | 61,330 | 64,730 | 19.6 | 5.5 |
| Market share | | | | | |
| | Dec. 1998 | Dec. 1999 ^p | Dec. 1998 to Dec. 1999 | Dec. 1998 | Dec. 1999 |
| unadjusted | | | | | |
| | | | % change | % | |
| New motor vehicles | 108,261 | 132,561 | 22.4 | | |
| Passenger cars | 52,731 | 67,302 | 27.6 | | |
| North American ¹ | 41,857 | 53,502 | 27.8 | 79.4 | 79.5 |
| Overseas | 10,874 | 13,800 | 26.9 | 20.6 | 20.5 |
| Trucks, vans and buses | 55,530 | 65,259 | 17.5 | | |
| North American ¹ | 50,720 | 59,295 | 16.9 | 91.3 | 90.9 |
| Overseas | 4,810 | 5,964 | 24.0 | 8.7 | 9.1 |

^r Revised figures.

^p Preliminary figures.

¹ Manufactured or assembled in Canada, the United States or Mexico.

Annual sales of new motor vehicles 1999

| | Total | Passenger cars | Trucks | Total | Passenger cars | Trucks |
|-------------------------------|-------------------------|-------------------|----------------|--------------------|-------------------|------------|
| | number of vehicles sold | | | % change from 1998 | | |
| Canada | 1,542,055 | 806,551 | 735,504 | 7.9 | 8.9 | 6.9 |
| Newfoundland | 24,421 | 13,868 | 10,553 | 13.7 | 16.9 | 9.8 |
| Prince Edward Island | 4,802 | 2,673 | 2,129 | 5.4 | 5.0 | 5.9 |
| Nova Scotia | 43,374 | 25,064 | 18,310 | 7.4 | 8.2 | 6.3 |
| New Brunswick | 41,874 | 20,909 | 20,965 | 10.2 | 13.1 | 7.6 |
| Quebec | 385,927 | 239,499 | 146,428 | 6.0 | 4.9 | 8.0 |
| Ontario | 645,472 | 342,653 | 302,819 | 13.1 | 12.1 | 14.3 |
| Manitoba | 43,366 | 18,136 | 25,230 | 0.7 | 10.6 | -5.4 |
| Saskatchewan | 34,774 | 12,979 | 21,795 | -3.6 | 5.8 | -8.4 |
| Alberta | 160,830 | 59,223 | 101,607 | -1.6 | 5.5 | -5.3 |
| British Columbia ¹ | 157,215 | 71,547 | 85,668 | 6.6 | 8.5 | 5.0 |

¹ Includes Yukon, the Northwest Territories and Nunavut.

Failure rates for new firms

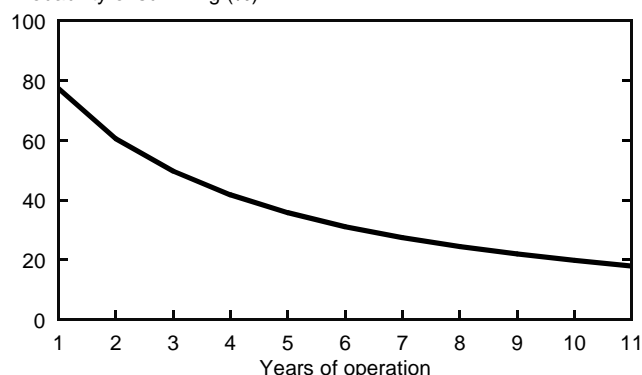
1984 to 1994

At least half of new companies in Canada go out of business before their third anniversary, and only one-fifth of them survive a decade, according to a new study investigating the factors that are related to success and failure in young enterprises.

In fact, roughly one out of every four new firms (23%) won't make it past their first birthday, according to the study which examined 1.3 million businesses that began operations during the 10 years between 1984 and 1994. The study found that new businesses have short lives, about six years on average.

Chances of staying in business, new commercial firms born between 1984 and 1994

Probability of surviving (%)



Using multivariate analysis, the study examines how business size, age of entrant, competition, macroeconomic conditions and location jointly affect the probability of survival for new firms. It concludes that there is no single reason why some new firms fail while others succeed. The underlying dynamics of failure are varied and complex. They reflect the specific characteristics of individual firms, the structural characteristics of particular markets and the overall performance of the economy.

Firm's size, business experience affect failure rates

A firm's size, in terms of employees, as well as its business experience have a strong impact on a company's chance for success. First-year businesses that are among the very smallest (when their size is measured in relation to the average start-up size in their industry) are 11% more likely to fail than first-year firms that are among the very largest.

Note to readers

This release is based on a new analytical study released today titled "Failure rates for new Canadian firms: New perspectives on entry and exit." This study is the fourth in a series that investigates dynamic changes in key sectors of the economy.

This study focuses on commercial enterprises, with employees, that started operations between 1984 and 1994, and analyzes differences in failure rates across several variables, such as a firm's province or industry of origin. It examines the role that firm size plays in determining success or failure, along with factors that relate to the intensity of competition.

The study also examines how the determinants of failure differ across new firms at different stages of their life cycle, and whether the factors that influence failure are consistent across different entry periods.

Technically, the report focuses on changes in the probability of survival brought about by a change in a particular factor such as firm size or age, while simultaneously controlling for the effects of other factors that are related to survival. To do this, the study compares the probability of survival for firms that are "much smaller than the average" to firms that are "much larger than the average", or between firms that are "young and inexperienced" versus those "older and more mature". All of these comparisons focus on the value of the variable under consideration at two extreme points in its distribution (the 5th and 95th percentiles) while holding all other variables constant at their means.

Data for this study came from an administrative data source developed at Statistics Canada that is used to investigate entry and exit patterns.

In general, larger firms in relation to the first-year average in their industry have better chances of survival. Large firms make more substantial investments to start businesses, and are better prepared to solve the problems associated with running a new business.

The importance of these size characteristics increases with age. Five-year old firms that are among the smallest in relation to the average start-up size in their industry are 20% more likely to fail than five-year old firms that are among the largest. Compared with other factors, a firm's size characteristics are the most telling predictor of its success.

The chances of a new firm succeeding also increase as it acquires market experience. Older, mature companies — those that have acquired substantial business experience — are about 12% less likely to fail than young, inexperienced companies. This suggests that there is a strong learning-by-doing component to survival.

Young firms in certain industries are more likely to fail

Certain industries are more competitive than others, with more firms vying for customers, and with rapidly

changing employment shares. The competitive forces within an industry influence failure rates, but to a lesser extent than firm-specific factors such as size and age.

After controlling for firm size, macroeconomic climate and province of origin, new firms in certain industries fare better than those in others. Among goods-producing industries, new firms in manufacturing and mining have among the highest overall survival rates. For example, first-year firms in manufacturing have only a 21% chance of failing in their first year, while first-year firms in mining industries have a 23% chance of failing during their initial year.

In the services sector, new firms in wholesale trade, real estate industries and business services fare relatively well. First-year firms in wholesale trade have only an 18% chance of failing during the first year, while first-year firms in both business services and real estate industries have a 19% chance. In comparison, first-year firms in communications have a 28% chance of failing during their initial year.

The nature of these industry differences changes over the course of a new company's life cycle. Among five-year-old entrants, the chance of failing in year five is basically the same in all industries.

Young firms in certain provinces are more likely to fail

After controlling for firm size, industry competition and the macroeconomic climate, there are sharp differences in failure rates across provinces for the very youngest new firms. In terms of overall survival rates, new firms in Ontario, British Columbia, Quebec and Alberta fare better than those in other provinces. In these four provinces, between 20% and 25% of firms in

their first year will go under, compared with roughly 35% of new companies in the Atlantic provinces.

For firms that have survived their early years, a different pattern emerges. Firms that reach their fifth anniversary in Ontario are no more likely to survive than their counterparts in other provinces. Regardless of the province in which they are located, five-year-old firms have a uniform one-in-ten chance of failing during that year.

New firms were slightly better off in the 1980s than in the early 1990s

Companies that began operations during the 1980s had a slightly better chance of survival than those that started during the early 1990s.

The economy grew more strongly in gross domestic product during the mid-to-late 1980s than during the early 1990s. The macroeconomic climate influenced failure rates for new firms, which was most evident in first-year firms that were among the very smallest relative to their competitors.

During the 1984-89 period, these firms had a slightly lower failure rate (25%) than similar firms that entered in the 1990-94 period (30%). A strong economy keeps more new firms afloat, while a weaker economy does not.

The analytical study, *Failure rates for new Canadian firms: New perspectives on entry and exit*, (61-526-XPE, \$35; 61-526-XIE, \$26) is now available. See *How to order publications*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Guy Gellatly (613-951-3758), Micro-Economic Analysis Division. ■

OTHER RELEASES

Report on smoking prevalence 1985 to 1999

The *Report on smoking prevalence in Canada, 1985 to 1999*, is now available. This report analyses the comparability of surveys about smoking prevalence conducted by Statistics Canada and examines the statistical significance of trends in smoking rates from 1985 to 1999.

Statistics Canada conducted 11 surveys that asked questions about smoking from 1985 to 1999. Most of the surveys have questions on smoking that are comparable, although caution should be used when comparing results from four of these surveys — the National Alcohol and Drugs Survey of 1989, the Health Promotion Survey of 1990, the Canadian Alcohol and Drug Survey of 1994, and the General Social Survey of 1995 — with results from the other surveys.

Overall, the surveys reveal that there has been a significant decline of 10.3 percentage points (error range of plus or minus 2.3 percentage points) in the smoking prevalence of Canadians aged 15 and older between 1985 and 1999, with most of the decline coming after 1994.

However, there was a significant and large increase of 6.5 percentage points (error range of plus or minus 4.4 percentage points) in the current smoking rate for 15- to 19-year-olds between 1991 and January 1, 1994. Since 1994, there has been no significant change in current smoking rate for youth.

Adults who smoke occasionally (about one million Canadians in 1994/95) were one of the most volatile of all smoking groups. By 1996/97, 28% had become daily smokers, 32% remained occasional smokers and 38% became non-smokers.

The *Report on smoking prevalence in Canada, 1985 to 1999*, (82F0077XIE), commissioned by the Canadian Tobacco Manufacturers' Council, is now available free on Statistics Canada's Web site (www.statcan.ca) under *Products and services*, then *Downloadable research papers (free)*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Jason Gilmore (613-951-7118; jason.gilmore@statcan.ca), Health Statistics Division. ■

Railway freight traffic 1998 (preliminary)

Data on freight traffic revenues for railways are now available.

The publication, *Rail in Canada, 1998*, (52-216-XIB, \$39), will be available shortly. See *How to order publications*.

For more information, or to enquire about the concepts, methods or data quality for this release, contact Robert Larocque, (613-951-2486; fax: 613-951-0009; laroque@statcan.ca), Transportation Division. ■

PUBLICATIONS RELEASED

Failure rates for new Canadian firms: New perspectives on entry and exit, 1984-94
Catalogue number 61-526-XIE
(Canada: \$26).

Failure rates for new Canadian firms: New perspectives on entry and exit, 1984-94
Catalogue number 61-526-XPE
(Canada: \$35; outside Canada: US\$35).

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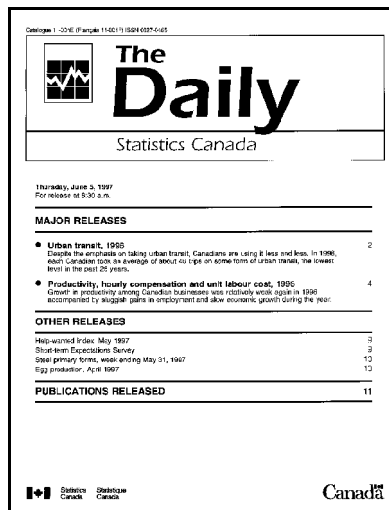
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