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MAJOR RELEASES

- **Monthly Survey of Manufacturing, September 2002**
Manufacturers reported a mixed message in September. Shipments advanced 1.2% from August to \$44.5 billion, the third consecutive increase. This result was somewhat dampened by higher finished-product inventories and a decrease in unfilled orders.

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 - **Composite Index, October 2002**
The growth of the leading indicator was unchanged at 0.2% in October, the same as in August and September.

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NEW PRODUCTS



MAJOR RELEASES

Monthly Survey of Manufacturing

September 2002

Manufacturers reported a mixed message in September. Shipments advanced 1.2% from August to \$44.5 billion, the third consecutive increase. This result was somewhat dampened by higher finished-product inventories and a decrease in unfilled orders.

Following the economic slowdown of 2001, Canada's manufacturing sector fared reasonably well from January to September. Year-to-date shipments were up 0.6% from the same period of 2001. The trend in shipments also remained positive throughout 2002.

In September, 12 of the 21 major manufacturing industries, representing almost 77% of total shipments, posted increases. On a provincial basis, shipments were up in seven provinces. Ontario led the provinces with a 1.6% rise in dollar value shipped compared with August. Also up strongly in September were Alberta (+4.1%) and Quebec (+1.0%).

Shipments by province and territory

	August 2002	September 2002	August to September 2002
Seasonally adjusted			
	\$ millions		% change
Newfoundland and Labrador	179	182	1.9
Prince Edward Island	110	114	3.5
Nova Scotia	751	757	0.8
New Brunswick	1,116	1,098	-1.6
Quebec	10,157	10,257	1.0
Ontario	23,713	24,103	1.6
Manitoba	976	937	-4.0
Saskatchewan	603	614	1.9
Alberta	3,446	3,586	4.1
British Columbia	2,927	2,843	-2.9
Yukon, Northwest Territories and Nunavut	5	4	-11.7

With the arrival of autumn, consumer spending continued to sustain several sectors of the economy. Favourably low interest rates and a relatively strong job market in Canada fed consumers' voracious demand for houses and automobiles. The durable, big-ticket goods industries led the rise in shipments with a 1.8% increase, up for the third straight month. Manufacturers of non-durable goods reported a modest 0.3% increase in shipments in September.

Note to readers

In addition to current-month estimates, data for the previous three months are regularly revised. Factors influencing revisions include late receipt of company data, incorrect information reported earlier, replacement of estimates with actual figures (once available), and seasonal adjustments. Consult the appropriate CANSIM tables for revised data.

Non-durable goods industries include food, beverage and tobacco products, textile mills, textile product mills, leather and allied products, paper, printing and related support activities, petroleum and coal products, chemicals and plastic and rubber products.

Durable goods industries include clothing, wood products, non-metallic mineral products, primary metals, fabricated metal products, machinery, computer and electronic products, electrical equipment, appliance and components, transportation equipment, furniture and related products and miscellaneous manufacturing.

Unfilled orders are a stock of orders that will contribute to future shipments assuming that the orders are not cancelled.

New orders are those received whether shipped in the current month or not. They are measured as the sum of shipments for the current month plus the change in unfilled orders. Some people interpret new orders as orders that will lead to future demand. This is inappropriate since the "new orders" variable includes orders that have already been shipped. Readers should take note that the month-to-month change in new orders may be volatile. This will happen particularly if the previous month's change in unfilled orders is closely related to the current month's change.

Not all orders will be translated into Canadian factory shipments because portions of large contracts can be subcontracted out to manufacturers in other countries.

Manufacturers look ahead to the fourth quarter with some caution

Despite the third straight increase in shipments, the mood among manufacturers was somewhat more guarded, as they looked ahead to the fourth quarter. According to October's Quarterly Business Conditions Survey, producers indicated some concerns over production prospects and unfilled order levels for the fourth quarter.

Employment in manufacturing edged down in October for the second straight month. The most recent Labour Force Survey reported that manufacturers cut 32,000 jobs in September and October, the first decreases since April. Despite the decline, manufacturing employment remained up by 117,000 (+5.3%) so far in 2002.

Unfilled orders were also down in September. Orders dipped 0.9% to \$46.7 billion, the second decrease in three months.

Canada's manufacturing sector contrasts with that of the United States

Manufacturers in the United States, Canada's largest trading partner, continued their struggle to recover from the onset of the global slowdown in 2001. Shipments in the United States decreased 0.1% in September, drawn down by a gradually slowing automobile sector and lower production of machinery. Year-to-date shipments in September were down 2.2% from the same period of 2001, and were well below Canada's 0.6% increase for the same period.

Manufacturing inventories in the United States rose slightly in September, entirely because of industries in the non-durable sector. Meanwhile, manufacturers of durable products lowered inventories for the twentieth consecutive month; inventories now stand at their lowest level since December 1995. By contrast, Canadian manufacturers increased total inventories by 0.3%. This was the third rise in a row, and the result of a sharp increase in finished-product inventories.

In addition, employment in the United States has been weak throughout 2002, again in contrast to Canada's healthy labour market. In October, employment in the United States fell back because of declines in manufacturing and construction, which have been areas of strength in Canada so far this year.

Motor vehicles and computers boost September shipments

Following a 3.7% drop in August, makers of motor vehicles and heavy trucks made up most of the ground lost, as shipments rebounded 3.5% to \$6.0 billion in September.

Consumer demand for motor vehicles has remained quite impressive in Canada, and to a lesser extent in the United States, following an outstanding summer. Near-record low interest rates and financing incentives on 2002 and 2003 models continued to drive auto sales. Year-to-date levels were up 7.1% from the same period of 2001.

In addition, manufacturers of heavy trucks reaped the benefits of strong demand. This was primarily due to a surge in truck orders in anticipation of improved emission control standards on diesel engines, to be implemented October 1. To avoid possible price hikes for the new engines, some users of heavy trucks ordered vehicles in advance of the enhanced policies.

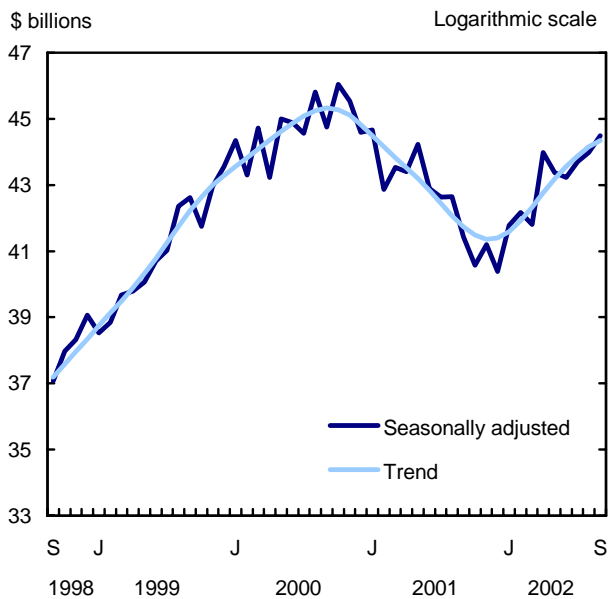
Manufacturers of computer and electronic products boosted shipments by 10.8% to \$1.9 billion in September, improving on last month's 7.6% drop, and making up lost ground after rather lethargic production over the summer. Despite this month's increase, shipments remain well below previous years.

Year-to-date shipments for 2002 were 20.1% below the same period of 2001, and remain at levels not seen since the mid-1990s.

Decreases in the motor vehicle parts industry and the wood products industry partly offset the shipment gains of the month. Motor vehicle parts manufacturers reported the first decline in output (-3.1%) since May.

Lower prices and shipping delays pulled down the value of wood products shipped by 2.6% to \$2.4 billion in September. This was the first decrease since the sharp downturn last spring, the result of May's reinstatement of US tariffs on Canadian softwood lumber exports. Shipment levels made notable gains in July and August, partly the result of solid demand for new housing.

Shipments advance for the third consecutive month



Finished-product inventories increase sharply in September

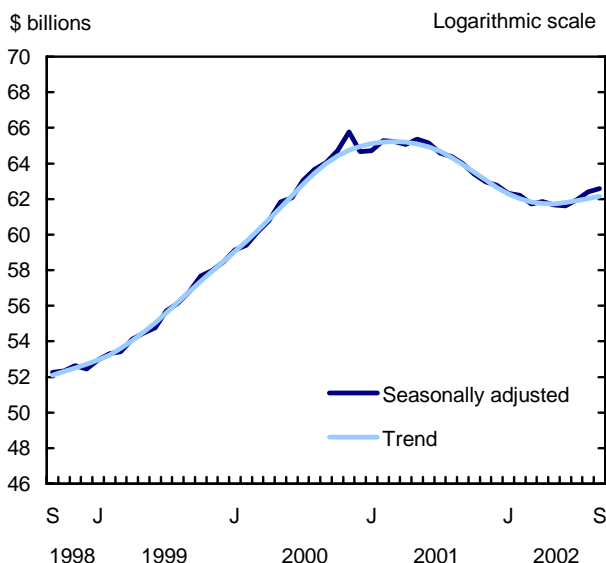
Manufacturers reported a significant increase in finished-product inventories in September, which contributed to the third consecutive rise in total inventories. Inventories were up 0.3% to \$62.6 billion, the highest level so far in 2002. As well, the trend for inventories remained positive for the fourth month in a row.

Finished-product inventories jumped 2.4% to \$19.3 billion, a five-month high. The increase overshadowed declines in raw materials (-0.4%) and good-in-process (-1.0%) inventories. Nevertheless, according to October's Quarterly Business Conditions Survey, the majority of manufacturers reported

that they were relatively content with their levels of finished-product inventories, going into the final quarter of 2002.

The main contributors to higher inventories in September were manufacturers of primary metals (+2.2%) and food (+1.7%). Partly offsetting the increase was a 2.6% drop in inventories of aerospace products and parts to \$7.9 billion. Since last autumn, demand remained sluggish in the aerospace sector. Coupled with a gradual accumulation of inventories by some manufacturers, these factors have contributed to significant layoffs and production cuts for the aerospace products and parts industry throughout 2002.

Manufacturers' inventories rise for the third month in a row



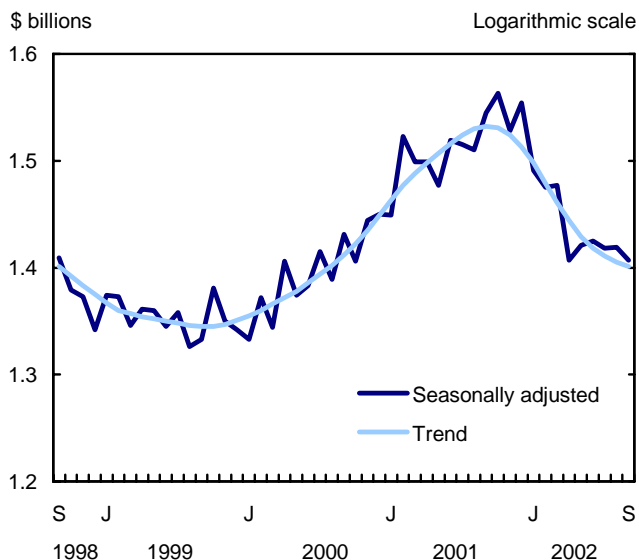
The inventory-to-shipment ratio edges back slightly

The inventory-to-shipment ratio was trimmed back to 1.41 in September, equaling April's 18-month low. The ratio edged down as a result of a solid increase in shipments relative to slower growth of inventories. Following the deceleration of the global economy last year, Canada's inventory-to-shipment ratio has remained relatively stable over the last six months, and remained well below the nine-year high of 1.56 established in October 2001.

Despite a strong increase in finished-product inventories, a rise in shipments as well contributed to a

stable finished-product inventory-to-shipment ratio. The ratio remained unchanged at 0.43 for the third straight month. The ratio is a key measure of the time that would be required in order to exhaust finished-product inventories if shipments were to remain at their current level.

The inventory-to-shipment ratio edges back to the lowest level since April



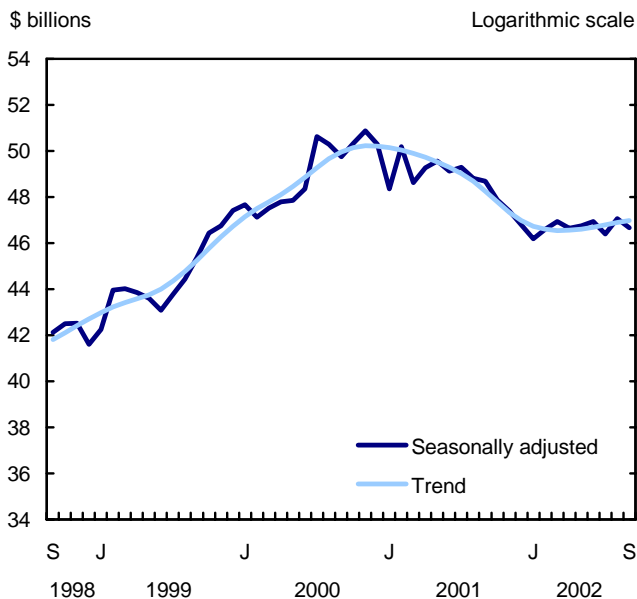
Lower unfilled orders reported in September

Fewer unfilled orders remained on the books for manufacturers in September. Unfilled orders fell back 0.9% to \$46.7 billion following a 1.4% rise in August. This was the second drop for orders in the last three months. Decreases were reported in the aerospace products and parts, motor vehicle and computer industries.

Despite the decrease in September, the trend for unfilled orders, which had been slowly improving since last spring, remained stable for the fourth consecutive month.

New orders declined 1.2% in September to \$44.1 billion. Fewer orders in the transportation equipment sector offset a strong increase in the primary metals industry.

Unfilled orders lower in September



Available on CANSIM: tables 304-0014 and 304-0015.

Information on methods and data quality available in the Integrated Meta Data Base: survey number 2101.

The September 2002 issue of the *Monthly Survey of Manufacturing* (31-001-XIB, \$15/\$147) will be available soon. See *How to order products*.

Data for shipments by province in greater detail than normally published may be available on request.

All data are benchmarked to the 1998 *Annual Survey of Manufactures*.

For general information or to order data, contact the dissemination officer (1-866-873-8789; 613-951-9497; fax: 613-951-9499; manufact@statcan.ca). To enquire about the concepts, methods or data quality of the release, contact Russell Kowaluk (613-951-0600; kowarus@statcan.ca), Manufacturing, Construction and Energy Division. □

Manufacturing industries except motor vehicle, parts and accessories

	Shipments		Inventories		Unfilled orders		New orders	
	\$ millions	% change	\$ millions	% change	\$ millions	% change	\$ millions	% change
September 2001	33,758	-3.6	60,729	-0.5	47,150	-0.1	33,697	-2.3
October 2001	33,312	-1.3	60,111	-1.0	46,427	-1.5	32,589	-3.3
November 2001	33,555	0.7	59,667	-0.7	45,946	-1.0	33,074	1.5
December 2001	32,808	-2.2	59,489	-0.3	45,273	-1.5	32,135	-2.8
January 2002	34,114	4.0	58,890	-1.0	44,578	-1.5	33,419	4.0
February 2002	33,969	-0.4	58,798	-0.2	45,007	1.0	34,398	2.9
March 2002	33,955	-0.0	58,362	-0.7	45,299	0.6	34,247	-0.4
April 2002	35,103	3.4	58,431	0.1	44,970	-0.7	34,774	1.5
May 2002	35,058	-0.1	58,179	-0.4	45,046	0.2	35,135	1.0
June 2002	34,865	-0.6	58,174	0.0	45,234	0.4	35,052	-0.2
July 2002	34,866	0.0	58,386	0.4	44,670	-1.2	34,302	-2.1
August 2002	35,314	1.3	58,906	0.9	45,376	1.6	36,020	5.0
September 2002	35,713	1.1	59,060	0.3	45,084	-0.6	35,421	-1.7

Shipments, inventories and orders in all manufacturing industries

	Shipments		Inventories		Unfilled orders		New orders		Inventories to shipments ratio
	Seasonally adjusted								
	\$ millions	% change	\$ millions	% change	\$ millions	% change	\$ millions	% change	
September 2001	41,429	-2.9	63,998	-0.6	48,694	-0.2	41,317	-2.0	1.54
October 2001	40,570	-2.1	63,392	-0.9	47,880	-1.7	39,756	-3.8	1.56
November 2001	41,190	1.5	62,954	-0.7	47,401	-1.0	40,712	2.4	1.53
December 2001	40,380	-2.0	62,767	-0.3	46,789	-1.3	39,768	-2.3	1.55
January 2002	41,782	3.5	62,311	-0.7	46,178	-1.3	41,170	3.5	1.49
February 2002	42,168	0.9	62,213	-0.2	46,596	0.9	42,586	3.4	1.48
March 2002	41,803	-0.9	61,724	-0.8	46,931	0.7	42,137	-1.1	1.48
April 2002	43,982	5.2	61,861	0.2	46,641	-0.6	43,693	3.7	1.41
May 2002	43,380	-1.4	61,657	-0.3	46,761	0.3	43,500	-0.4	1.42
June 2002	43,228	-0.3	61,612	-0.1	46,933	0.4	43,400	-0.2	1.43
July 2002	43,709	1.1	61,969	0.6	46,404	-1.1	43,181	-0.5	1.42
August 2002	43,983	0.6	62,402	0.7	47,067	1.4	44,645	3.4	1.42
September 2002	44,495	1.2	62,588	0.3	46,659	-0.9	44,087	-1.2	1.41

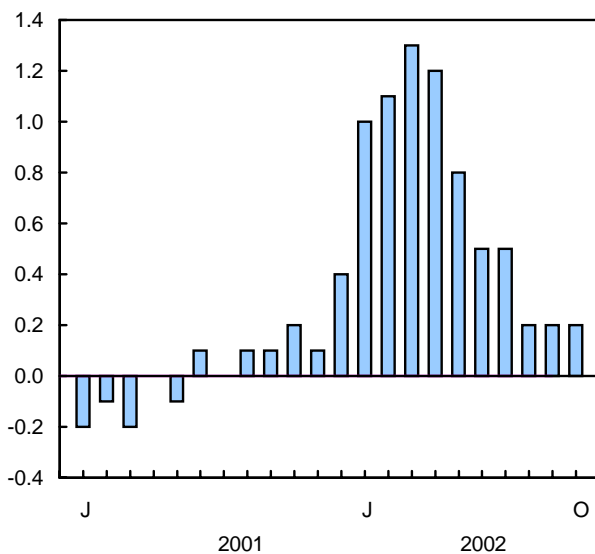
Composite Index

October 2002

The growth of the leading indicator was unchanged at 0.2% in October, the same as in August and September. The levelling off of growth follows a steady deceleration in the first half of the year. Six of the ten components were up, led by housing. The sources of weakness were dominated by the stock market, as has been the case since June.

Composite Index

Smoothed % change



The housing index jumped by 1.7%. Housing starts in October hit their highest level since March 1990, which will give a boost to construction through the autumn.

The strength of household demand was enough almost by itself to lift new orders of durable goods by 0.5%. However, manufacturers remain cautious in view of the drop in demand from the US. Shipments growth continue to be sustained partly by working down inventories, leading to an eighth straight increase in their ratio.

While the unsmoothed index of stock markets posted a small gain in October, the trend continued to tumble at a rate of over 4%, by far the largest drop among the three components that fell. In the US leading index, weakness in the stock market was accompanied by a slump in a growing number of components.

Available on CANSIM: table 377-0003.

Information on methods and data quality available in the Integrated Meta Data Base: survey number 1601.

A more detailed analysis of the components is available on Statistics Canada's website (www.statcan.ca). From the *Canadian statistics* page, choose *Economic conditions*, then click on the banner ad for the *Canadian economic observer*, from that page, choose *Issues of COE*, then *Composite index*. For more information on the economy, the October issue of *Canadian economic observer* (11-010-XPB, \$23/\$227) is already available.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Francine Roy (613-951-3627), Current Economic Analysis Group. □

Composite Index

	May 2002	June 2002	July 2002	August 2002	September 2002	October 2002	Last month of data available % change
Composite leading indicator (1992=100)	176.6	177.5	178.3	178.7	179.0	179.3	0.2
Housing index (1992=100) ¹	132.1	127.9	126.4	125.9	126.2	128.3	1.7
Business and personal services employment ('000)	2,541	2,544	2,545	2,543	2,545	2,553	0.3
S&P/TSX stock price index (1975=1,000)	7,691	7,591	7,384	7,136	6,840	6,558	-4.1
Money supply, M1 (\$ millions, 1992) ²	107,312	107,434	108,162	109,207	110,182	111,269	1.0
US composite leading indicator (1992=100) ³	110.0	110.2	110.3	110.3	110.2	110.2	0.0
Manufacturing							
Average workweek (hours)	39.1	39.1	39.1	39.2	39.2	39.1	-0.3
New orders, durables (\$ millions, 1992) ⁴	20,864	21,341	21,762	22,060	22,047	22,148	0.5
Shipments/inventories of finished goods ⁴	1.70	1.74	1.77	1.79	1.81	1.83	0.02 ⁵
Retail trade							
Furniture and appliance sales (\$ millions, 1992) ⁴	1,750	1,767	1,773	1,777	1,782	1,783	0.1
Other durable goods sales (\$ millions, 1992) ⁴	7,756	7,780	7,750	7,713	7,683	7,673	-0.1
Unsmoothed composite	177.4	179.7	179.2	179.4	179.4	179.0	-0.2

¹ Composite index of housing starts (units) and house sales (multiple listing service).

² Deflated by the Consumer Price Index for all items.

³ The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for the month immediately preceding.

⁴ The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for the second preceding month.

⁵ Difference from previous month.



OTHER RELEASES

Machinery and Equipment Price Index

Third quarter 2002

The Machinery and Equipment Price Index (1986=100) was 137.3 in the third quarter, unchanged from the second. The domestic component increase (+0.1%) was nullified by the imported component decrease (-0.1%). Compared with the third quarter of 2001, the overall index was up 1.9%; the domestic (+2.2%) and imported (+1.7%) components both advanced.

Only industry groups related to natural resources increased from the second quarter. The rise in agriculture (+0.2%) made up for declines in community, business and personal services (-0.4%), transport (-0.1%), and public administration (-0.3%). Manufacturing and finance remained unchanged. The transport decrease was led by telephones (-0.6%) and urban transit (-1.7%), but eased by an increase for electricity (+0.2%).

Machinery and Equipment Price Index (1986=100)

	Relative importance	Third quarter 2002 ^P	Second quarter to third quarter 2002	Third quarter 2001 to third quarter 2002
			% change	
Machinery and Equipment Price Index	100.0	137.3	0.0	1.9
Agriculture	11.0	170.2	0.2	3.0
Forestry	1.5	138.2	0.1	2.1
Fishing	0.6	132.2	0.2	3.7
Mines, quarries and oil wells	6.0	142.5	0.1	2.1
Manufacturing	29.9	146.3	0.0	1.5
Construction	3.5	145.6	-0.1	0.6
Transportation, communication, storage and utilities	25.9	130.4	-0.1	2.7
Trade	4.0	119.2	0.0	1.8
Finance, insurance and real estate	1.8	107.3	-0.2	0.5
Community, business and personal services	11.1	105.1	-0.4	0.5
Public administration	4.7	132.2	-0.3	1.7

^P Preliminary figures.

The year-over-year increase was due primarily to transport (+2.7%), manufacturing (+1.5%), and agriculture (+3.0%). The rise in transport resulted from an increase in electricity (+1.6%) and telephones (+3.8%). The growth in manufacturing was sustained

by paper and allied products (+1.7%), primary metals (+2.1%), transportation equipment (+2.3%) and food and beverages (+2.3%).

In the third quarter, the commodities contributing positively were "all others" (+0.4%), packaging machinery and lubrication equipment (+0.7%), other trailers and semi-trailers (+3.3%), other agricultural machinery (+0.2%), ships and boats, military and commercial (+0.7%) and cutting and forming tools (+0.5%). However, the increases for these commodities were offset by the declines in specialized industrial equipment (-0.1%), passenger automobile (-0.5%), busses and chassis (-2.8%), telephone and telegraph line apparatus and equipment (-0.6%), farm and garden tractor (-0.3%) and office machine and equipment (-1.5%).

The Canadian dollar was worth an average of 64.1 cents US in the third quarter, up 0.3% from the last quarter but down 1.0% from the third quarter of 2001.

Available on CANSIM: table 327-0013, 327-0014 and 327-0016.

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

For more information, or to enquire about the concepts, methods, or data quality of this release, contact Louise Chaîné (613-951-0785, fax 613-951-1539, infounit@statcan.ca), Prices Division. ■

Restaurants, caterers and taverns

September 2002

Total receipts of restaurants, caterers and taverns in September were an estimated \$2.82 billion, up 4.6% from the September 2001 estimate.

Available on CANSIM: table 355-0001.

The September 2002 issue of *Restaurant, caterer and tavern statistics* (63-011-XIE, \$6/\$55) will be available soon. See *How to order products*.

For more information, or to enquire about the concepts methods or data quality of this release, contact Bill Birbeck (613-951-3506), Services Industries Division. ■

Shipments of rolled steel

September 2002

Rolled steel shipments for September totalled 1 173 644 metric tonnes, up 0.2% from 1 171 232 tonnes in August and 2.1% from 1 149 881 tonnes in September 2001.

Year-to-date shipments at the end of September reached 11 502 894 tonnes, up 6.7% from 10 782 452 tonnes in the same period of 2001.

Available on CANSIM: table 303-0010.

The September 2002 issue of *Primary iron and steel*, Vol. 57, no 9 (41-001-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 the dissemination officer (1-866-873-8789; 613-951-9497; manufact@statcan.ca) Manufacturing, Construction and Energy Division. ■

Steel primary forms

September 2002

Steel primary forms production for September totalled 1 289 294 metric tonnes, up 0.4% from 1 284 085 tonnes in September 2001.

Year-to-date production at the end of September reached 12 121 292 tonnes, up 6.7% from 11 354 980 tonnes in the same period of 2001.

Available on CANSIM: table 303-0010.

The September 2002 issue of *Primary iron and steel*, Vol. 57, no 9 (41-001-XIB, \$5/\$47) is now available. See *How to order products*.

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NEW PRODUCTS

Primary iron and steel, September 2002, Vol. 57, no. 9
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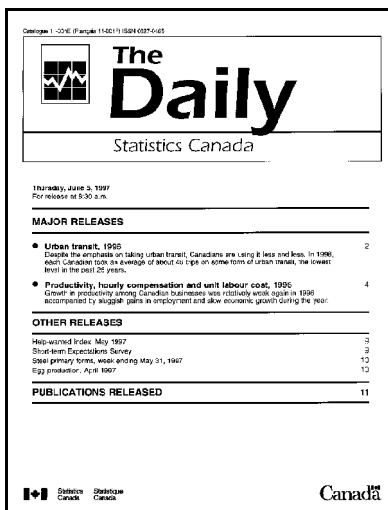
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