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MAJOR RELEASES

NEW PRODUCTS

MAJOR RELEASES

Wholesale trade

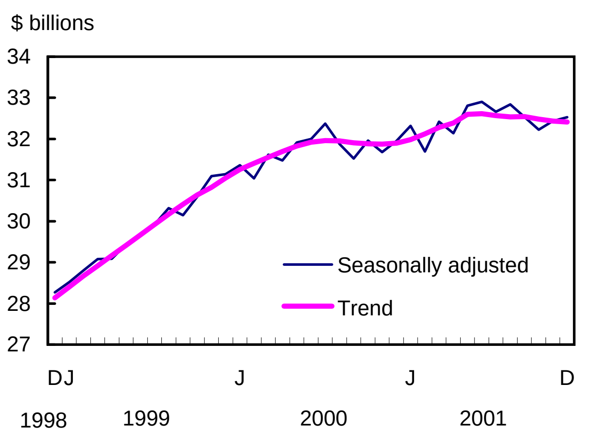
December 2001 and annual 2001

Growth eased in 2001, but wholesalers ended the year with a second consecutive monthly increase. In December, wholesale sales rose 0.3% to $32.5 billion. Strong wholesale sales were reported in 7 of the 11 wholesale sectors. Sales rose 2.3% in 2001, compared with 6.4% in 2000.

Despite the rise in December, wholesale trade has been hurt by recent economic weakness around the world and particularly in the United States. Wholesalers, tied strongly to export markets, have been further affected by border and trade concerns between Canada and the United States during the latter half of 2001. Canadian exports and imports generally declined in 2001. Manufacturing shipments fell 1.8% in December.

Wholesale sales have generally weakened since late spring. Earlier in 2001, sales rose, after holding steady during the latter half of 2000.

Wholesale sales weak throughout most of 2001



Holding back December's advance were lower wholesale sales in metals and hardware (-2.7%), automotive products (-2.6%), and lumber and building materials (-1.3%). These three sectors account for approximately 30% of total wholesale trade.

Wholesalers in the other products category also retreated 0.4%, following their strong performance in November. The other products category includes toys and novelties, sporting goods, jewellery and video and sound recordings.

> ***Note to readers***
>
> *Estimates from the Monthly Wholesale Trade Survey are classified according to the 1980 Standard Industrial Classification.*
>
> *At the end of every calendar year, seasonally adjusted figures are revised to equal the sum of the unadjusted estimates. Revisions for 2001 will be released in March. In order to present sectoral and provincial analyses, all annual comparisons in this release use the sum of unadjusted estimates. As usual, the rest of the analysis is based on seasonally adjusted estimates.*
>
> *Wholesale trade estimates for January will be released March 20.*

In contrast, important contributors to the overall advance in December were beverage, drugs and tobacco (+3.1%), industrial machinery (+1.7%), and food products (+1.4%). Wholesalers of computers and electronics posted their second consecutive monthly increase (+0.9%).

Inventories decline for a sixth time in seven months

Inventory levels continued to fall in December (-0.9% to $42.9 billion). This was the sixth decline in seven months. Eight of the 11 wholesale sectors reported lower inventory levels. Inventories have been declining since the start of 2001, after generally rising since early 1999.

The inventory-to-sales ratio fell from 1.33 in November to 1.32 in December. The ratio is again at its lowest level in recent times.

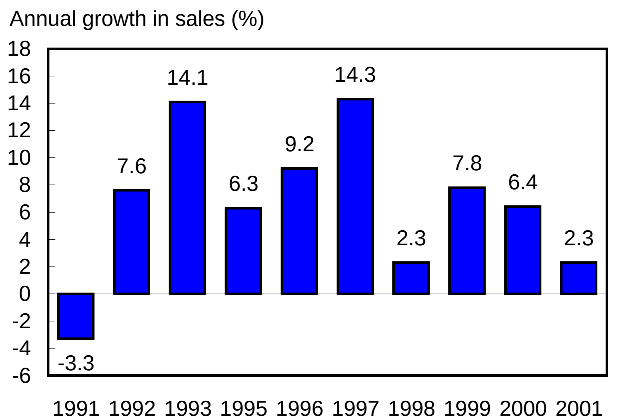
Slower growth in 2001

Wholesale sales rose 2.3% to $389.5 billion in 2001. However, the growth was slower than that of previous years. Wholesale trade grew 7.8% in 1999 and 6.4% in 2000.

In 2001, the wholesale sales growth rate faded to 1998 levels (+2.3%), the last year when major economic events had a profound effect on wholesale trade. The slow growth of 1998 was attributed to the Asian economic crisis and a major strike that affected the automotive industry. The years 1998 and 2001 saw the two lowest growth rates since 1991, when wholesale sales declined 3.3%.

Wholesalers suffered in 2001 from the weakening of the American economy, which was exacerbated by the events of September 11. Major declines occurred in the computer and electronics sector and the most recent softwood lumber trade dispute between Canada and the United States began. As these events unfolded, wholesalers saw their sales weaken. After sales growth of 1.5% in the second quarter of 2001, wholesalers reported only 0.2% growth during the third quarter. Wholesale sales dropped 0.8% in the fourth quarter.

Wholesale's annual growth rate on par with that of 1998



Taking the brunt in 2001

The wholesale sectors hardest hit in 2001 were computers and electronics (-7.1%), metals and hardware (-3.5%), and automotive products (-1.2%).

In 2001, wholesalers of computers and electronics reported sales declines for the second consecutive year. This drop may be attributed not only to the current problems that afflict the sector, but also to a general retreat in sales following the massive pre-Y2K buildup in 1999. As well, computer prices fell during this period. Following the climb that peaked in mid-1999, wholesale sales generally declined until the start of 2000. After Y2K passed, sales started to generally rise again throughout 2000, but not at the pace observed leading up to that event. In 2001, the wholesaling of computers and electronics was in a relative free fall, the result of softening demand in the personal computer market.

Still in for the fight

Although they grew in 2001, wholesale sales weakened substantially in industrial and other machinery (+2.1% compared with +12.2% in 2000) and other products (+4.0%, compared with +11.8% in 2000). Wholesalers of lumber and building materials saw their sales grow 1.2%, compared with 1.1% in 2000.

Annual variations in wholesale sales

	1999 to 2000	2000 to 2001
	% change	
All trade groups	**6.4**	**2.3**
Food products	5.9	8.0
Beverage, drug and tobacco products	9.3	12.6
Apparel and dry goods	-1.4	7.8
Household goods	4.8	2.1
Motor vehicles, parts and accessories	6.2	-1.2
Metals, hardware, plumbing and heating equipment and supplies	4.4	-3.5
Lumber and building materials	0.6	1.2
Farm machinery, equipment and supplies	-2.0	8.4
Industrial and other machinery, equipment and supplies	12.3	2.1
Computers, packaged software and other electronic machinery	-0.5	-7.1
Other products	11.8	4.0

The bright spots

Wholesalers of beverages, drugs and tobacco saw their sales continue to grow in 2001, up 12.6% over 2000. This was the third straight year in which wholesalers in this sector reported rising sales. Strong sales by suppliers of drugs and pharmaceuticals contributed to this run of increasing growth.

Wholesale sales of food products grew 8.0% in 2001, compared with 5.8% in 2000. Food wholesalers have reported generally rising sales for the last several years.

Wholesalers of both apparel and farm equipment shook off their negative growth in 2000 to rise 7.8% and 8.4%, respectively, in 2001. Despite the general rise in 2001, wholesalers of apparel have seen their sales decline since the summer. Discounting the end of 2000, when sales stumbled for a couple of months, the current decline at the end of 2001 follows a period of generally strong sales from mid-2000. Farm equipment wholesalers have seen sales generally climb since the start of 2001. Prior to this, sales were falling since mid-2000.

Wholesale sales fall in British Columbia, Newfoundland and Labrador

Wholesalers in two provinces posted lower sales in 2001: Newfoundland and Labrador (-3.4%), and British Columbia (-1.8%). Wholesalers in Newfoundland and Labrador suffered from the slowdown in oil and gas exploration and development. In British Columbia, events and consequences of the softwood lumber dispute between Canada and the United States hampered wholesale sales.

Wholesale sales in Ontario rose a modest 0.7% in 2001, compared with 6.7% in 2000. All other provinces reported strong wholesale sales in 2001 except Ontario, Newfoundland and Labrador, and British Columbia.

Available on CANSIM: tables 081-0001 and 081-0002.

The December 2001 issue of *Wholesale trade* (63-008-XIB, $14/$140) will be available shortly. See *How to order products*.

For data or general information, contact the Client Services Unit (1-877-421-3067; 613-951-3549; *wholesaleinfo@statcan.ca*). To enquire about concepts, methods or data quality of this release, contact Alexander Hays (613-951-3552; *haysale@statcan.ca*), Distributive Trades Division.

Wholesale merchants' sales and inventories

	December 2000	September 2001[r]	October 2001[r]	November 2001[r]	December 2001[p]	November to December 2001	December 2000 to December 2001
	Seasonally adjusted						
	$ millions					% change	
Sales, all trade groups	**31,951**	**32,533**	**32,222**	**32,436**	**32,530**	**0.3**	**1.8**
Food products	5,282	5,374	5,486	5,420	5,497	1.4	4.1
Beverage, drug and tobacco products	2,195	2,333	2,384	2,428	2,504	3.1	14.1
Apparel and dry goods	552	603	602	585	598	2.2	8.3
Household goods	866	844	856	858	881	2.8	1.7
Motor vehicles, parts and accessories	5,642	6,185	5,929	5,994	5,840	-2.6	3.5
Metals, hardware, plumbing and heating equipment and supplies	2,037	1,928	1,945	1,916	1,865	-2.7	-8.4
Lumber and building materials	2,307	2,378	2,447	2,490	2,458	-1.3	6.5
Farm machinery, equipment and supplies	583	645	672	674	727	7.9	24.7
Industrial and other machinery, equipment and supplies	4,942	5,001	4,967	4,906	4,991	1.7	1.0
Computers, packaged software and other electronic machinery	3,035	2,737	2,480	2,556	2,579	0.9	-15.0
Other products	4,510	4,505	4,455	4,610	4,591	-0.4	1.8
Sales by province and territory							
Newfoundland and Labrador	229	212	217	218	209	-4.0	-8.9
Prince Edward Island	51	53	54	56	56	0.2	8.5
Nova Scotia	586	602	590	601	606	0.8	3.4
New Brunswick	390	431	433	410	409	-0.3	4.7
Quebec	6,720	6,619	6,756	6,744	6,750	0.1	0.4
Ontario	15,838	16,094	15,608	15,813	15,741	-0.5	-0.6
Manitoba	940	1,018	976	1,031	1,055	2.3	12.2
Saskatchewan	923	1,027	979	994	1,083	8.9	17.3
Alberta	3,111	3,301	3,392	3,382	3,444	1.8	10.7
British Columbia	3,133	3,149	3,190	3,158	3,151	-0.2	0.6
Yukon	10	10	11	10	9	-8.1	-3.0
Northwest Territories	15	15	14	17	17	5.8	18.6
Nunavut	3	2	1	2	2	3.7	-34.0
Inventories, all trade groups	**43,977**	**42,906**	**43,371**	**43,281**	**42,889**	**-0.9**	**-2.5**
Food products	2,944	3,192	3,191	3,190	3,255	2.0	10.6
Beverage, drug and tobacco products	2,694	2,730	2,822	2,916	2,936	0.7	9.0
Apparel and dry goods	1,143	1,239	1,252	1,225	1,195	-2.4	4.6
Household goods	1,667	1,523	1,528	1,494	1,438	-3.8	-13.7
Motor vehicles, parts and accessories	6,803	6,350	6,545	6,489	6,270	-3.4	-7.8
Metals, hardware, plumbing and heating equipment and supplies	4,029	3,597	3,590	3,595	3,551	-1.2	-11.9
Lumber and building materials	4,108	4,095	4,107	4,084	4,065	-0.5	-1.1
Farm machinery, equipment and supplies	1,872	1,842	1,826	1,802	1,771	-1.8	-5.4
Industrial and other machinery, equipment and supplies	11,074	10,764	10,930	10,942	10,843	-0.9	-2.1
Computers, packaged software and other electronic machinery	2,179	1,945	1,924	1,904	1,886	-1.0	-13.4
Other products	5,465	5,630	5,657	5,639	5,678	0.7	3.9

[r] *Revised figures.*
[p] *Preliminary figures.*

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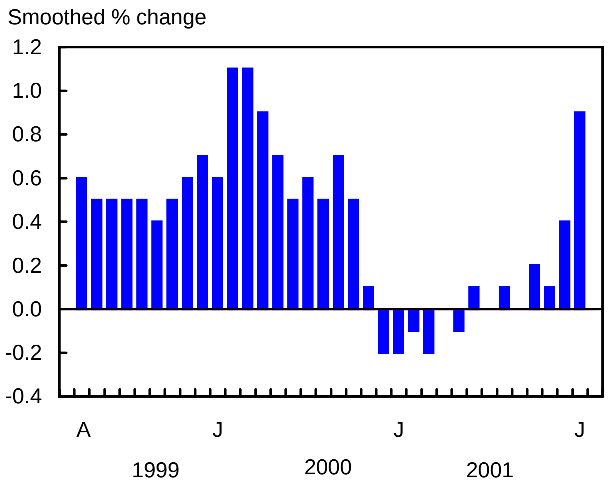
Composite Index

January 2002

The Composite Index continued to strengthen in January, rising 0.9% after advancing 0.4% in December. This was its fourth straight gain and the largest since April 2000. The growth also spread to 7 of the 10 components, 2 more than in December. All the components related to household spending contributed to January's gain — housing drove most of the growth late in 2001 — and in January the growth in the US leading indicator also picked up.

Composite Index



The housing index posted its largest increase in more than 10 years, soaring 5.0%. Housing starts received an additional boost from unseasonably warm weather, on top of low interest rates. Personal services also improved further in January. Employment in restaurants and accommodation has risen 60,000 since its September trough, as travellers from abroad increased in number even as more Canadians stayed home at a time when our dollar touched new lows. Rebates in the auto sector continued to boost sales of durable goods.

Those components that fell originated in manufacturing. New orders for durable goods continued their year-long downward trend. Demand for information technology did not snap out of its lethargy, and was less than half of its level of a year ago. The average work week posted a third straight decline.

The US leading indicator registered its largest gain in more than two years. Still, its growth was less than Canada's; only 4 of its 10 components increased. The two financial market components rose steadily. The other two improving components were housing permits and delivery times in manufacturing.

Available on CANSIM: table 377-0003.

For more information on the economy, the February 2002 issue of *Canadian economic observer* (11-010-XPB, $23/$227) will be available Thursday, February 21. See *How to order products*.

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

Composite Index

	August 2001	September 2001	October 2001	November 2001	December 2001	January 2002	Last month of data available
							% change
Composite leading indicator (1992=100)	**166.3**	**166.3**	**166.7**	**166.8**	**167.4**	**168.9**	**0.9**
Housing index (1992=100)[1]	109.4	109.3	111.2	112.1	115.6	121.4	5.0
Business and personal services employment ('000)	2,486	2,477	2,475	2,481	2,489	2,503	0.6
TSE 300 stock price index (1975=1,000)	7,787	7,565	7,310	7,248	7,248	7,297	0.7
Money supply, M1 ($ millions, 1992)[2]	96,970	97,344	99,075	101,260	103,729	106,150	2.3
US Composite Leading Indicator (1992=100)[3]	107.4	107.6	107.7	107.7	107.8	108.1	0.3
Manufacturing							
Average work week (hours)	39.0	39.1	39.1	39.0	38.9	38.8	-0.3
New orders, durables ($ millions, 1992)[4]	21,946	21,582	21,463	21,090	20,441	20,168	-1.3
Shipments/inventories of finished goods[4]	1.72	1.70	1.69	1.67	1.65	1.65	0.00[5]
Retail trade							
Furniture and appliance sales ($ millions, 1992)[4]	1,619	1,627	1,628	1,627	1,637	1,646	0.6
Other durable goods sales ($ millions, 1992)[4]	7,175	7,207	7,224	7,158	7,158	7,235	1.1
Unsmoothed composite	166.8	166.0	166.6	167.7	169.9	174.2	2.5

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 two preceding months.*
5 *Difference from previous month.*

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NEW PRODUCTS

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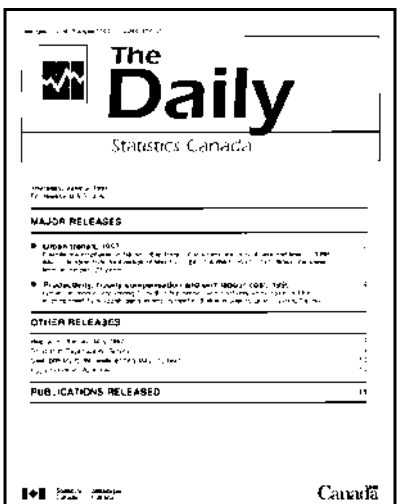
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