



The Daily

Statistics Canada

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MAJOR RELEASES

- **Monthly Survey of Manufacturing, August 2003** 2
The lights dimmed on manufacturers in August. Shipments fell 4.5% to \$40.9 billion, the lowest level since December 2001. The aftermath of the electrical blackout in mid-August, which cloaked much of Ontario in darkness, was one of several factors contributing to the decline.

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MAJOR RELEASES

Monthly Survey of Manufacturing

August 2003

The lights dimmed on manufacturers in August. Shipments fell 4.5% to \$40.9 billion, the lowest level since December 2001. The aftermath of the electrical blackout in mid-August, which cloaked much of Ontario in darkness, was one of several factors contributing to the decline.

Power blackout hits hard in Ontario

Shipments in Ontario plunged 7.8% (-\$1.8 billion) to \$21.2 billion in August. The decrease was notably due to the electrical blackout of August 14 and its lingering impact. In the week that followed, Ontarians were requested to conserve power because of low energy supplies. Large decreases in shipments were reported by several industries, including motor vehicles, chemical products and food manufacturing.

Shipments by province and territory

	July 2003	August 2003	July to August 2003
	seasonally adjusted		
	\$ millions		% change
Newfoundland and Labrador	213	200	-6.1
Prince Edward Island	110	97	-11.8
Nova Scotia	723	716	-1.0
New Brunswick	1,019	1,094	7.4
Quebec	9,959	9,699	-2.6
Ontario	23,029	21,238	-7.8
Manitoba	969	971	0.2
Saskatchewan	616	601	-2.6
Alberta	3,482	3,513	0.9
British Columbia	2,748	2,793	1.6
Yukon, Northwest Territories and Nunavut	5	6	28.5

Ontario led the six provinces reporting lower shipments in August. Excluding the significant influence of Ontario from the Canada total, manufacturing shipments decreased 0.8%. Quebec manufacturers posted a 2.6% drop (-\$260.0 million) in August, the first since May. The transportation equipment and primary metals industries contributed to the decrease.

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 hit by many extenuating factors in 2003

The Ontario blackout aside, manufacturers continued to cope with the effects of several short-range but significant shocks in recent months. The Canadian dollar began its ascent at the start of the year. Although the dollar has abated somewhat since the spring, it remains high and continues to jeopardize the profit margins of many Canadian manufacturers reliant on the export market.

In August, Canadian beef remained stalled at the border, as the international ban on exports of beef products continued. The ban was first imposed in late May following the discovery of a single case of bovine spongiform encephalopathy (BSE) in Alberta. In early September, the first shipments of some low-risk cuts of boneless beef crossed the border, as the United States agreed to a partial lifting of the ban.

In addition to these obstacles, market uncertainty remains in the motor vehicle industry. Manufacturers

continue to partly gauge production and inventory levels through incentive-induced retail sales. Meanwhile, aerospace manufacturers continue to endure a very depressed global marketplace for new aircraft.

Factory jobs decline in 2003

On the job front, manufacturing employment edged down 15,000 in September, bringing jobs losses so far in 2003 to 77,000 (-3.3%), according to the latest report of the Labour Force Survey. This contrasts with 2002, when manufacturing was the engine of job growth.

Majority of manufacturers report lower shipments

In August, 15 of 21 manufacturing industries, accounting for 68% of total shipments, reported decreases. Manufacturers of both durable and non-durable goods posted declines. Shipments of big-ticket durable goods fell 7.1% to \$22.8 billion, the sixth decrease thus far in 2003. Non-durable goods shipments fell back 1.1%, wiping out July's 0.5% gain.

Motor vehicle manufacturing plummets

Motor vehicle manufacturers suffered a major setback in August. Shipments plummeted 23.1% to \$4.4 billion, following a healthy gain in July (+10.5%). Meanwhile, year-to-date shipments are down 4.7% from the same period of 2002.

August marked the largest monthly shipment decline in motor vehicles, in terms of percent change, since October 1996's 29.7% decrease, the result of a three-week strike at General Motors. In June and July of 1998, another GM strike in the United States contributed to a two-month decline in shipments of 31%.

In 2003, production activity in the motor vehicle industry has been volatile. The August 14 blackout, which encompassed much of the manufacturing belt of southern Ontario, resulted in numerous plant closures and production slowdowns. Additionally, some assembly plants were already operating at a reduced capacity for inventory-control measures and for re-tooling purposes, as new models will be launched shortly. Meanwhile, the retail side of the auto sector remains laden with incentives, as manufacturers try to entice consumers to their product.

Other industries report sharp decreases in August

Excluding the motor vehicle and parts industries, shipments fell a sizable 1.6% in August. The chemical products industry reported shipments of \$3.1 billion, down 5.3% from July. The electricity blackout reduced

shipment levels at many Ontario-based plants. In addition, some manufacturers had already curtailed production as a result of high input costs of recent months.

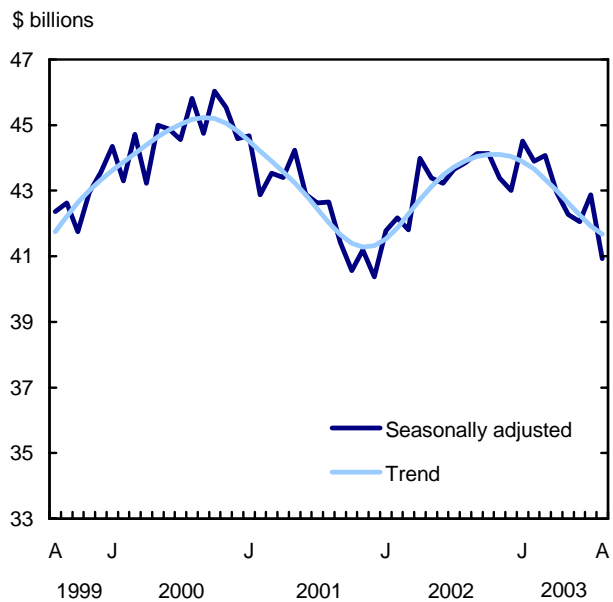
The primary metals and aerospace products and parts industries also reported sharp declines in August. Shipments of primary metals fell 4.8% to \$2.6 billion, a 19-month low. Meanwhile, production in the beleaguered aerospace industry decreased 9.6% to \$924 million, the lowest level since March.

Rising industrial prices slightly offset the overall decline in shipments

Higher shipments of wood products and petroleum and coal products partly offset the overall decrease in August. The increases were less related to production volumes, and more to rising industrial prices for these industries. Shipments of wood products rose 3.6% to \$2.4 billion, the highest level in 2003. A sharp upturn in prices since June, the result of continuing strong demand in the North American housing market, and supply concerns due to the forest fire situation in British Columbia have contributed to a significant rise in the value of shipments in recent months.

Shipments of petroleum and coal products rose 2.5% to \$2.9 billion in August, entirely the result of a 5.2% jump in petroleum prices. Shipments are at the highest level since April.

Shipments slump to a 20-month low



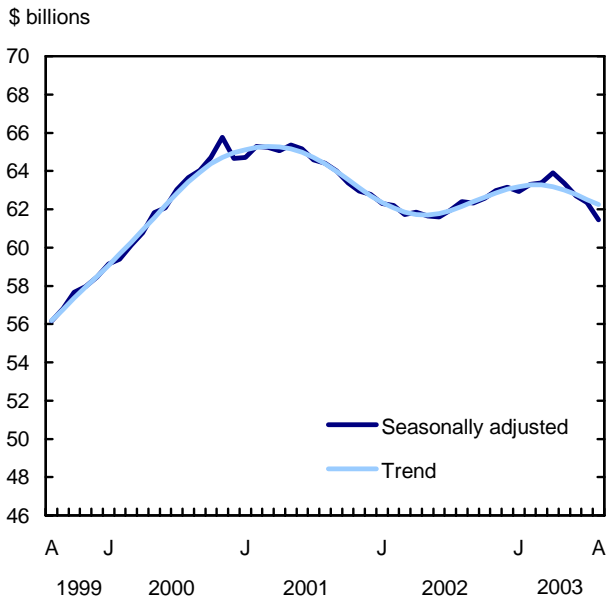
Manufacturers continue to reduce inventories

In August, manufacturers sliced another 1.4% from inventories, the fourth consecutive decline. Inventories were \$61.5 billion, the lowest level in more than three years. August's decrease, which was concentrated in finished-products, was largely attributable to manufacturers drawing down their finished-product inventories to meet product demand. As a result of the blackout, many manufacturers curtailed production activity during the month.

Manufacturers reduced finished-product inventories by 2.4% to \$19.1 billion in August, the lowest level in one year, and the fourth decrease in a row. Meanwhile, raw material (-0.6%) and goods-in-process (-1.6%) inventories were also scaled down during the month.

The primary contributors to the lower inventories in August were the aerospace products and parts (-2.8%), wood products (-3.3%) and motor vehicles (-7.0%) industries.

Manufacturers continue to reduce inventories



August's slide in shipments drives up the inventory-to-shipment ratio

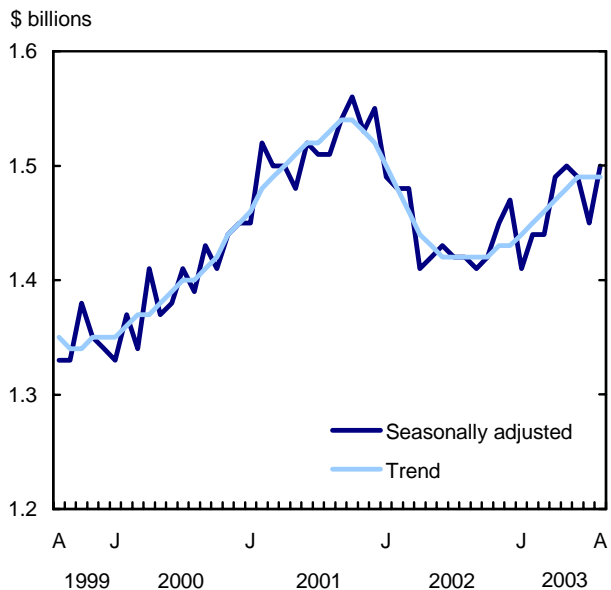
The inventory-to-shipment ratio jumped to 1.50 in August from July's recent low (1.45). The steep drop in manufacturing shipments was responsible for the sizable gain in the ratio. August's level matches that of last May, and is the highest since December 2001 (1.55), a time of stubbornly high inventories relative to weak demand.

The inventory-to-shipment ratio has been inching upwards over the last year. In August 2002, the ratio stood at 1.42.

The finished-product inventory-to-shipment ratio edged up in August to 0.47 from July's 0.46. August's significant decline in finished-product inventories was outpaced by the 4.5% drop in shipments, contributing to the rise in the ratio. The ratio has been on an upward trend since mid-2002.

The finished-product inventory-to-shipment ratio is a measure of the time that would be required in order to exhaust finished-products if shipments were to remain at their current level.

Big jump in the inventory-to-shipment ratio



Reduced levels of unfilled orders persist

Cancelled orders contributed to an already weakened state for unfilled orders. In August, manufacturers' backlog of unfilled orders fell 1.5% to \$38.4 billion, the lowest level since October 1997. Unfilled orders are often considered a key determinant of future shipments.

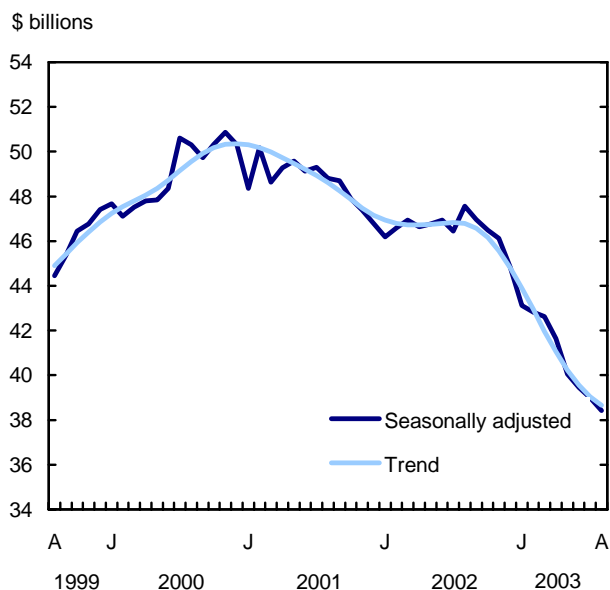
August's decline marked the twelfth straight decrease in unfilled orders. The longest string of consecutive declines was the 14 reported during the 1990-1991 recession.

The global slump in the aviation sector and the subsequent lack of new contracts continued to erode the level of unfilled orders overall. The aerospace products

and parts industry reported a 3.8% decrease in orders to \$11.3 billion in August, marking the twenty-third decline in a row for the beleaguered industry. Excluding the aerospace industry, unfilled orders remained down 0.5%.

Also reporting fewer orders on the books were machinery manufacturers. Unfilled orders fell 1.1% to \$6.0 billion, partly offsetting July's 1.6% gain. Orders for heavy machinery have been slowing since the recent peak of \$7.2 billion in March.

Unfilled orders near a six-year low



New orders lose ground

New orders decreased a sizable 4.9% to \$40.3 billion in August, wiping out gains of June (+1.9%) and July (+2.3%). New orders are at their lowest level since December 2001. Widespread decreases were reported in August, including in motor vehicle, machinery and primary metals manufacturing.

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

Definitions, data sources and methods: survey number 2101.

The August 2003 issue of the *Monthly Survey of Manufacturing* (31-001-XIE, \$17/\$158) 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*.

Data from the September 2003 Monthly Survey of Manufacturing will be released on November 14.

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.

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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			
August 2002	43,851	0.5	62,407	0.7	47,556	2.4	44,968	4.2	1.42		
September 2002	44,134	0.6	62,320	-0.1	46,963	-1.2	43,541	-3.2	1.41		
October 2002	44,132	0.0	62,580	0.4	46,491	-1.0	43,660	0.3	1.42		
November 2002	43,385	-1.7	62,989	0.7	46,127	-0.8	43,021	-1.5	1.45		
December 2002	42,998	-0.9	63,161	0.3	44,820	-2.8	41,690	-3.1	1.47		
January 2003	44,520	3.5	62,929	-0.4	43,123	-3.8	42,823	2.7	1.41		
February 2003	43,901	-1.4	63,307	0.6	42,807	-0.7	43,584	1.8	1.44		
March 2003	44,070	0.4	63,368	0.1	42,616	-0.4	43,879	0.7	1.44		
April 2003	42,953	-2.5	63,898	0.8	41,630	-2.3	41,967	-4.4	1.49		
May 2003	42,285	-1.6	63,358	-0.8	40,057	-3.8	40,711	-3.0	1.50		
June 2003	42,063	-0.5	62,702	-1.0	39,461	-1.5	41,468	1.9	1.49		
July 2003	42,874	1.9	62,349	-0.6	39,009	-1.1	42,422	2.3	1.45		
August 2003	40,928	-4.5	61,458	-1.4	38,423	-1.5	40,341	-4.9	1.50		

Manufacturing industries except motor vehicle, parts and accessories

	Shipments		Inventories		Unfilled orders		New orders	
	seasonally adjusted							
	\$ millions	% change	\$ millions	% change	\$ millions	% change	\$ millions	% change
August 2002	35,261	1.2	58,914	0.9	45,663	2.1	36,218	5.5
September 2002	35,787	1.5	58,808	-0.2	44,932	-1.6	35,056	-3.2
October 2002	35,834	0.1	59,130	0.5	44,532	-0.9	35,434	1.1
November 2002	35,260	-1.6	59,403	0.5	44,195	-0.8	34,923	-1.4
December 2002	35,740	1.4	59,410	0.0	42,967	-2.8	34,511	-1.2
January 2003	36,284	1.5	59,376	-0.1	41,307	-3.9	34,624	0.3
February 2003	35,825	-1.3	59,728	0.6	41,027	-0.7	35,546	2.7
March 2003	35,735	-0.3	59,873	0.2	40,886	-0.3	35,593	0.1
April 2003	34,914	-2.3	60,409	0.9	39,950	-2.3	33,979	-4.5
May 2003	34,350	1.6	59,963	-0.7	38,451	-3.8	32,850	-3.3
June 2003	34,287	-0.2	59,395	-0.9	37,855	-1.5	33,692	2.6
July 2003	34,578	0.8	59,114	-0.5	37,409	-1.2	34,132	1.3
August 2003	34,020	-1.6	58,390	-1.2	36,811	-1.6	33,422	-2.1



OTHER RELEASES

Adult education and training

1998

Two new research papers about the 1998 Adult Education and Training Survey (AETS) are now available.

The 1998 AETS was conducted with the financial support of Human Resources Development Canada. This survey collected information on Canadians who participated in education and training activities in 1997.

The first paper uses data from the 1998 AETS to estimate the impact of participating in adult education and training on the employment and earnings of individuals. The paper summarizes improvements that would make the survey a better tool for this type of study.

Drawing on findings from the first paper, the second research paper examines the AETS's usefulness for studying participation in education and training and assessing its impact. It discusses detailed modifications to improve the survey in that regard.

Definitions, data sources and methods: survey number 3879.

The labour market impacts of adult education and training in Canada (81-595-MIE2003008, free) and *Issues in the design of Canada's adult education and training survey* (81-595-MIE2003009, free) are now available on Statistics Canada's website. From the *Our products and services* page, under *Browse our Internet publications*, choose *Free*, then *Education*. These papers are also available from Human Resources Development Canada on the Applied Research Branch's website (www.hrdc-drhc.gc.ca/arb).

For more information on this release, contact Media Relations (819-994-5559), Human Resources Development Canada. For more information on AETS, or to enquire about the concepts, methods or data quality of this release, contact Client Services (1-800-307-3382; 613-951-7608; fax: 613-951-9040; educationstats@statcan.ca), Culture, Tourism and the Centre for Education Statistics. ■

Dairy statistics

July 2003 (preliminary)

Dairy farmers sold over 628 000 kilolitres of milk and cream to dairies in August, up 5% from August 2002.

Definitions, data sources and methods: survey numbers, including related surveys, 3430, 3431 and 3432.

The third quarter 2003 issue of *The dairy review* (23-001-XIB, \$29/\$96) will be available in November. See *How to order products*.

For more information, contact Anna Michalowska (1-800-465-1991; 613-951-2442; fax: 613-951-3868), Agriculture Division. ■

Steel pipe and tubing

August 2003

Data on production and shipments of steel pipe and tubing are now available for August.

Available on CANSIM: table 303-0003.

Definitions, data sources and methods: survey number 2105.

The August 2003 issue *Production and shipments of steel pipe and tubing*, Vol. 27, no. 8 (41-011-XIB, \$6/\$51) 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. ■

NEW PRODUCTS

Production and shipments of steel pipe and tubing,
August 2003, Vol. 27, no. 8
Catalogue number 41-011-XIB (\$6/\$51).

New motor vehicle sales, August 2003, Vol. 75, no. 8
Catalogue number 63-007-XIB (\$14/\$133).

Education, skills and learning research papers:
The labour market impacts of adult education and
training in Canada, 1998, no. 8
Catalogue number 81-595-MIE2003008
(free).

Education, skills and learning research papers:
Issues in the design of Canada's Adult Education
and Training Survey, 1998, no. 9
Catalogue number 81-595-MIE2003009
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MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about six trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses was noticeably weak during 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

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