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MAJOR RELEASES

OTHER RELEASES

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Canadian Economic Observer
July 2004

The July issue of Statistics Canada's flagship publication for economic statistics, *Canadian Economic Observer*, analyses current economic conditions and summarizes the major economic events that occurred in June. A separate statistical summary contains a wide range of tables and graphs on the principal economic indicators for Canada, the provinces and the major industrial nations.

The *Historical Statistical Supplement* and its Internet edition are now available. The *Historical Statistical Supplement* contains annual historical data for all series reported monthly in *Canadian Economic Observer*.

The July 2004 issue of *Canadian Economic Observer*, Vol. 17, no. 7 (11-010-XIB, $19/$182; 11-010-XPB, $25/$243) is now available. The *Canadian Economic Observer: Historical Statistical Supplement 2003/04*, Vol. 18 (11-210-XIB, $23; 11-210-XPB, $28) is also available. See *How to order products*. Visit the *Canadian Economic Observer*'s page online. From the *Canadian Statistics* page, choose *Economic conditions*, and on that page see the banner ad for *Canadian Economic Observer*. For more information, contact Francine Roy (613-951-3627), Current Economic Analysis Group.

OTHER RELEASES – concluded

NEW PRODUCTS

MAJOR RELEASES

Study: Competition and productivity growth

1973 to 1997

A main source of productivity growth in most manufacturing industries is the competitive process that shifts market share towards plants that are more productive, a new research report shows.

During the past three decades, the competitive process that shifts market share from one producer to another accounted for more than half of overall growth in labour productivity in the manufacturing sector.

The study examined industrial competition and productivity growth in Canadian manufacturing between 1973 and 1997.

Higher productivity, as measured by production per hour worked, occurs when output increases faster than hours worked. In general, productivity growth helps improve prosperity and standards of living.

The paper found that the reallocation of market share has a considerable impact on growth of productivity, whether it comes from the entry and exit of firms, or gains and losses in existing firms.

For example, between 1988 and 1997, the reallocation of output across plants contributed positively to productivity growth in all 22 manufacturing industries studied. Reallocation was responsible for more than one-half of productivity growth in 13 of these 22 industries.

Dynamic competitive markets provide the foundation for economic prosperity. Productivity growth comes not so much from productivity growth in long-established incumbents, but from their replacement by new more dynamic competitors who gain market share. Renewal is key to productivity growth.

The report also found that the pace of market-share reallocation increased in the 1990s. This occurred as the Canadian manufacturing sector was restructured in response to the changes brought about by the Free Trade Agreement with the United States and the North American Free Trade Agreement.

Two main sources of productivity growth

There are two main sources of aggregate productivity growth: growth that occurs within plants and growth that occurs because of the reallocation of outputs across individual plants from the less to the more productive.

The reallocation of outputs and restructuring takes several forms. At the margin, some firms enter and displace firms that are less productive, many of which exit the market. Within the population of incumbent firms, market share is shifted from those who are less to those who are more productive.

There is large-scale and ongoing reallocation of outputs across individual producers. On average, 37% of market share in an industry was transferred from plants that either contracted or closed, to new plants or plants that expanded between 1988 and 1997.

The continuing plants that increased market share acquired an additional 16 percentage points in market share over the period. The plants that entered captured 21 percentage points. The continuing plants that lost market share lost a total of 21 percentage points, while the plants that closed relinquished 16.

The pace of market-share turnover increased in the 1990s. Shifts in market share averaged 3.61 percentage points a year between 1979 and 1988, and 4.11 percentage points a year between 1988 and 1997.

The competitive process that shifts market share among plants from the less productive to the more productive is an important source of aggregate productivity growth. Between 1988 and 1997, 53% of aggregate productivity growth was the result of the reallocation of outputs towards more productive plants. Between 1979 and 1988, reallocation contributed 55%.

The reallocation effect that came from continuing plants was more important than the impact arising from the displacement of plants that closed by new plants. Competition among incumbents contributed most to the reallocation effect.

Of the 53% contribution from the output reallocation between 1988 and 1997, 39 percentage points came from reallocation within continuing plants. The remaining 14 percentage points were came from entry and closure.

Note to readers

This release is based on a research paper entitled Industrial Competition, Shifts in Market Share and Productivity Growth*, which is now available. It investigates the extent to which productivity growth is the result of turnover of firms in industrial markets.*

Turnover refers to a process that shifts output from one firm to another as a result of the competitive process. It occurs because some firms gain market share, and others lose it. Some turnover is the result of the entry and exit of firms. Other turnover arises from gains and losses in existing manufacturing companies.

Data from the analysis came from a longitudinal file that was constructed from Statistics Canada's Annual Survey of Manufactures. The survey collected information on shipments, value added, inventories and employment for about 35,000 manufacturing plants in 1997.

Market share changes endemic to almost all industries

Market-share changes are endemic to almost all industries. In industries with a large number of producers such as clothing, furniture and fixtures and leather and allied products, about half of market share was transferred from plants that either contracted or closed to new plants, or plants that expanded between 1988 and 1997.

Shifts in market share were also substantial in two high-technology industries: electrical and electronic products, and industrial machinery. The intense competition in those two industries shifted nearly half of the market share across plants between 1988 and 1997.

The reallocation of output across plants made a positive, large contribution to productivity growth in all 22 industries of the manufacturing sector in the 1990s. Again, in those industries with a relatively large number of competitors, such as leather and allied, non-metallic mineral, clothing and textile products, almost all productivity growth came from market share reallocation.

In industries where economies of scale were more important and where there were fewer competitors, such as transportation equipment, refined petroleum, chemicals, primary metal and pulp and paper, within-plant productivity growth accounted for a larger proportion of total productivity growth. However, even in these industries, market-share turnover made an important contribution to overall productivity growth.

The competitive process that caused more productive plants to gain market share from the less productive ones was also an important driver of rapid productivity growth in the high-tech manufacturing sector during the 1990s, the report found.

The research paper *Industrial Competition, Shifts in Market Share and Productivity Growth*, no. 21 (11F0027MIE2004021, free) is now available online. From the *Our products and services* page, under *Browse our Internet publications*, choose *Free*, then *National accounts*.

Additional information on related papers that describe the importance of turnover and competition can be found at our economic analysis site (*http://www.statcan.ca/english/studies/eaupdate/dynamics.htm*).

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588) or Wulong Gu (613-951-0754), Micro-economic Analysis Division. ■

Study: Economic consequences of widowhood

1990 to 2001

The death of a spouse can be one of life's most traumatic situations, particularly for many older women who may have devoted most of their life to their husband and children. Aside from this, widowhood also has a negative economic side, according to a new study.

The study examined the impact of widowhood on income, as well as changes in the low-income rate and the sources of income among women 65 years of age and older between 1990 and 2001.

It found that widowhood has a direct impact on the standard of living for senior women. In this article, standard of living and family income refer to the total family income, before taxes, that is adjusted for family size and composition (in constant 2001 dollars).

Median family income declined continuously among senior women who became widowed, especially compared with women who remained married. (The median is the amount where one-half of the population is above, and the other half is below.)

The impact of widowhood was immediate. In the year before their husbands died, senior women had a median income of $24,400. One year after they were widowed, this amount had declined 1.6% to $24,000. Among other senior married women, median family income remained unchanged at $26,800.

Based on these median values, it might be assumed that widowhood brings only a small change in living standards. However, five years down the road, median family income had fallen for both widows and senior women who remained married. Among widows, median family income declined 9.8%, more than six times greater than the 1.5% decline among senior women who were not widowed.

The study also found that not only did the standard of living for these widows decline, but more of them also fell below the low-income threshold as a result of widowhood. And once these senior widows were in low income, it was very difficult for them to climb out.

In 2001, Canada had just over 1.2 million widowed men and women aged 65 and over, a 6.4% increase from 1996, according to census data.

Senior widows outnumbered senior widowers four to one. In fact, widows accounted for 45% of all women aged 65 and over. With increased longevity, women will most likely live longer and live alone for considerable portions of their lives since women now live an average of 81.3 years, contrasted with 75.3 years for men. In addition, the pattern of population aging is projected to grow for these seniors, from 13% in 2003 to 18% in 2021 with women predominating.

Many senior women living in low income as a result of widowhood

Many senior women slipped into low income as a result of widowhood, as measured by Statistics Canada's Low Income Measure.

A woman in the low-income group in this analysis has an adjusted family income, before taxes, of less than 50% of the median adjusted total family income. The low-income rate is the proportion of senior women that are part of the low-income group.

Low-income rates were compared between two sets of senior women—those who were married and had became widows and those who were still married.

The low-income rate for senior women who lost their husbands in the following year was 3.6%. One year after widowhood, the low-income rate of these widows increased to 4.7%.

At the same time, the low-income rate among married women who did not become widows declined from 4.6% to only 3.3%.

In the years following widowhood, the low-income rate for widows increased from year-to-year while the low-income rate remained relatively stable for the still-married senior women.

Five years after their husbands' deaths had occurred, proportionally, there were more low-income widows relative to their still-married counterparts. The low-income rate of widows increased to 9.4%, twice the proportion of 4.8% among senior women who remained married.

Very difficult for senior widows to climb out of low income

Once these senior widows slipped into low income, it was very difficult for them to climb out. Five years after widowhood, about three-quarters of the widows who were below the low-income threshold one year after widowhood had not been able to get out.

Thus, the decline below the low-income threshold was temporary for only one-quarter of the widows who were part of the low-income group one year after widowhood.

While the low-income rate of widows has been increasing over the five years after widowhood, the average low-income gap has been decreasing. The low-income gap is the average amount of money required to bring senior women out of low income.

Many senior women were not part of the low-income group before widowhood. However, they were in low income afterwards. And, the average amount of money required to bring these widows above the low-income threshold has been decreasing. This means that less

money per woman would be required to get them above the low-income threshold.

The average low-income gap for senior women one year before widowhood was about $2,600, or 13% less than for those who did not become widows ($3,000).

One year after widowhood, the average amount of money required to bring widows out of the low-income group dropped to $1,600. This was 38% lower than the year before widowhood.

Five years later, the average amount of money required to bring widows above the low-income threshold was about $1,300, which is 46% lower than the year before widowhood.

At all income levels, income declined after widowhood

To obtain a breakdown of various income groups, senior widows were ranked by their income of the year before widowhood and divided into four equal groups, or quartiles, based on their income levels. Each group, therefore, represents 25%, or one-quarter, of the total number of senior widows.

The 25% of senior widows with the lowest incomes, or the first quartile, experienced a decline in median family income of 5.6% five years after widowhood. This was the smallest decline in median family income relative to the other quartiles five years after widowhood.

This may be because the majority of their income is probably not strongly attached to their husband's portion of the total family income. As a result, they may be more dependent on government support, protecting them from large declines in income after the death of their husband.

The one-quarter of senior women in the lower-mid income range (second quartile) experienced the largest drop, over 12%, in median family income five years after widowhood.

The 25% of senior women with the highest incomes were not immune. They also experienced a decrease in median family income five years after widowhood amounting to almost 8%.

Definitions, data sources and methods: survey number 4107.

The analytical article *Widowhood: Consequences on Income for Senior Women* (11-621-MIE2004015, free) is now available online in the *Analysis in Brief* series. From the *Our products and services* page, under *Browse our Internet publications*, choose *Free*, then *Trade*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Chris Li (613-951-5792), Income Statistics Division. ■

OTHER RELEASES

Current economic conditions

July 2004

The share of financial assets in the net worth of households rose for the first time since the stock market bubble burst in 2000, according to an assessment of current economic conditions in the July edition of *Canadian Economic Observer*.

This shift in the first quarter reflected the recovery of the stock market earlier this year. Households had been moving steadily away from financial assets during the last three years, mostly in favour of real estate.

Financial assets now comprise about 54% of household net worth, with equities leading the way.

Non-financial assets—largely real estate and consumer goods—currently represent 46% of household net worth. This share had risen steadily over the last three years as a result of rising house values.

During the past three years, with the boom in housing, the value of houses has risen 24%, much faster than growth rate of 17% in mortgage debt.

As a result, in the first quarter of 2004, about 46% of homeowner equity was in real estate, up from 42% in 2000.

This contrasts with the situation south of the border, where mortgage debt has grown faster (over 40%) than the value of housing. There, homeowner equity in real estate fell to a record low of 54% and down from nearly 58% in 2000.

This edition of *Canadian Economic Observer* also provides a snapshot of regional economies across Canada for April. Overall, natural resources challenged housing as the fastest growing sector, driven by rising commodity prices. The boom in the resource sector continued to give a boost to Western Canada, especially high-paying jobs in the goods-producing sector.

The West posted another increase in retail sales in April, contrary to the downturn in the rest of the country. Existing home sales also surpassed the national trend by a large margin.

However, manufacturing retreated slightly after shipments in the first quarter rose at their fastest pace in years, led by metals and petroleum. Manufacturing shipments in Alberta fell for the first time since August 2003 because of metals, plastics and food, while paper dropped in British Columbia.The losses in British Columbia partly reflected a strike that paralyzed rail transport for most of April.

Manufacturing in central Canada continued to recover, while household spending was mixed. In Ontario, the auto sector hit its highest level since before the blackout in August 2003. Autos also drove the growth of exports, while metals and wood held onto their increases made in March. Retail sales in April lost some of the ground gained in the first quarter.

Retail sales in Quebec also slipped after a 2.9% jump in March. Building permits in April and May dipped after a strong first quarter, although housing starts remained near the 15-year high posted in March. Quebec has replaced the West as the motor of growth in lumber and metals.

Definitions, data sources and methods: survey numbers, including related surveys, 1901 and 3701.

The July 2004 issue of *Canadian Economic Observer*, Vol. 17, no. 7 (11-010-XIB, $19/$182; 11-010-XPB, $25/$243) is now available. See *How to order products*.

Visit *Canadian Economic Observer*'s page on our website. From the *Canadian Statistics* page, choose *Economic conditions*, and on that page see the banner ad for *Canadian Economic Observer*.

For more information, contact Francine Roy (613-951-3627; *ceo@statcan.ca*), Current Economic Analysis Group. ■

Monthly Railway Carloadings

May 2004

In May, railways in Canada loaded a total of 24.4 million metric tonnes of freight, a decrease of 0.5% compared with April.

Non-intermodal freight totalled 22.0 million tonnes, compared with 22.1 million tonnes in April. Approximately 280 thousand carloads were required to carry the freight.

May was characterized by increases in wheat loadings, as well as increased loadings of sand gravel, crush stones and other metallic ore and concentrates. These increases were offset by reductions in other cereal grains and potash loadings. In all cases, variations in May appeared consistent with variations of previous years.

The intermodal portion, that is, containers and trailers hauled on flat cars, showed almost no increase over April. Intermodal loadings totalled 2.4 million tonnes in May, and accounted for 8.8% of the total tonnage carried.

Freight arriving from the United States, either destined for or passing through Canada, also totalled 2.4 million tonnes, a 7.2% increase over April mainly from loadings of iron ore, as well as chemical products and preparation, which had been low in previous months.

When compared with May of last year, non-intermodal tonnage showed a 13.5% increase, intermodal traffic decreased 1.0% and traffic received from the United States fell 6.9%.

The cumulative total for non-intermodal loadings for the first five months of 2004 grew 10.7% compared with the same period last year. Tonnage grew from 94.0 million tonnes in 2003 to reach 104.0 million tonnes in 2004. Intermodal loadings totalled 11.0 million tonnes, up 2.6%, while traffic received from the United States was down 11.9% over the same period for a total of 11.4 million tonnes.

Available on CANSIM: table 404-0002.

Definitions, data sources and methods: survey number 2732.

The May 2004 issue of *Monthly Railway Carloadings*, Vol. 81, no. 5 (52-001-XIE, $9 / $83) 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 Jean-Robert Larocque (1-866-500-8400; fax: 1-613-951-0009; *TransportationStatistics@statcan.ca*), Transportation Division. ■

Aircraft Movement Statistics

June 2004 (preliminary)

In June, the 42 Canadian airports with NAV CANADA air-traffic control towers reported 410,935 take-offs and landings, a decrease of 1.7% compared with June 2003 (418,059). This decline represents the fourth consecutive decrease in year-over-year comparisons of monthly movements. In total, 25 airports showed year-over-year decreases in aircraft movements for June 2004 compared with June 2003. Seven airports showed decreases greater than 20% this month compared with 10 airports in May.

Itinerant movements (flights from one airport to another) increased by 1.5 % (up 4,326 movements) in June 2004 compared with June 2003. This increase in monthly year-over-year percentage changes follows a decrease in May. Local movements (flights that remain in the vicinity of the airport) declined by 8.8% (down 11,450 movements) in June 2004, the fourth consecutive month of decline.

The top 10 airports in terms of volumes of itinerant movements in June showed year-over-year variations ranging from 13.1% (4,018 movements) at Toronto–LB Pearson Intl to -6.5% (-757 movements) at Ottawa–Macdonald-Cartier Intl. Six of the top 10 airports recorded increases in itinerant movements compared with 4 airports in May 2004.

The top 10 airports in terms of local movements showed year-over-year variations ranging from 53.8% (3,767 movements) at Toronto–Buttonville Municipal to -19.7% (-2,252 movements) at Boundary Bay. Four of the top 10 airports recorded decreases in local movements compared with 7 airports in May 2004.

The June issue of *Aircraft Movement Statistics*, Vol. 3, no. 6 (51F0001PIE, TP1496, free) is now available online. From the *Our products and services* page, choose *Free publications*, then *Transport and warehousing*.

Preliminary statistics for the 56 Canadian airports with NAV CANADA flight service stations are also available for June.

Definitions, data sources and methods: survey number 2715.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Kathie Davidson (613-951-0141; fax: 613-951-0010; *aviationstatistics@statcan.ca*), Transportation Division. ■

Construction Type Plywood

May 2004

Data on construction type plywood for May are now available.

Available on CANSIM: table 303-0005.

Definitions, data sources and methods: survey number 2138.

The May 2004 issue of *Construction Type Plywood*, Vol. 52, no. 5 (35-001-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

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Catalogue number 11-210-XPB ($28).

Analysis in Brief: Widowhood: Consequences on Income for Senior Women, 1990 to 2001, no. 15
Catalogue number 11-621-MIE2004015
(free).

Construction Type Plywood, May 2004, Vol. 52, no. 5
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Aircraft Movements Statistics, June 2004, Vol. 3, no. 6
Catalogue number 51F0001PIE
(free).

Monthly Railway Carloadings, May 2004, Vol. 81, no. 5
Catalogue number 52-001-XIE ($9/$83).

Wholesale Trade, May 2004, Vol. 67, no. 5
Catalogue number 63-008-XIE ($15/$150).

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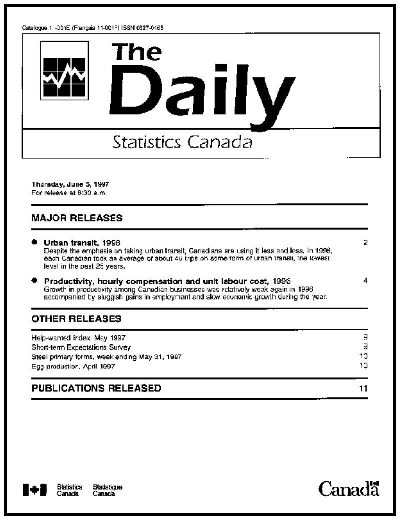
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MAJOR RELEASES

- **Urban transit, 1996** 2
  Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 46 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4
  Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

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