



The Daily

Statistics Canada

Monday, August 30, 2004

Released at 8:30 a.m. Eastern time

MAJOR RELEASES

- **Canada's Balance of International Payments, second quarter 2004** 3
Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased by \$2.2 billion in the second quarter of 2004 to reach \$10.4 billion, its second highest level ever. The capital and financial account (not seasonally adjusted) showed funds flowing out of Canada to the rest of the world for a fifth straight quarter.
- **Industrial product and raw materials price indexes, July 2004** 9
Manufacturers' prices fell for the second month in a row, down 0.4% in July compared with a 0.5% drop in June. On a 12-month basis, prices rose 5.0%, down from the 6.8% increase registered in June. Prices of raw materials increased 0.9% from June and were 17.7% higher than July 2003.

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Canadian Agriculture at a Glance: Teachers' kit

The *Canadian Agriculture at a Glance* teacher's kit (96-328-MWE, free) continues to grow. Six more teaching activities have been added to the list of classroom activities inspired by this new publication just in time for the new academic year. With these six new activities, the kit now contains 14 lessons.

These classroom activities give high school students the opportunity to learn about agriculture in Canada using *Canadian Agriculture at a Glance* (96-325-XPB, \$49), which was released on June 9, 2004. This 340-page book contains 40 fascinating, easy-to-read analytical articles, complete with full-colour photos, graphs and other illustrations, making agriculture more accessible to everyone.

The kit is of use to teachers of a wide variety of subjects including geography, mathematics, science and family studies. Each activity is multi-disciplinary and recognizes the range of learning styles within the classroom.

Where appropriate, lessons become available during the season relevant to the article. Among the six new lessons, for example, is the activity "What's in your grocery cart?", which concerns vegetables Canadians are buying today. It arrives at a time when local produce is overflowing in markets and grocery stores. Additional lessons will become available in October 2004, January and March 2005.

For more information, contact Gaye Ward (613-951-3172; fax: 951-1680; gaye.ward@statcan.ca), Census of Agriculture.



OTHER RELEASES

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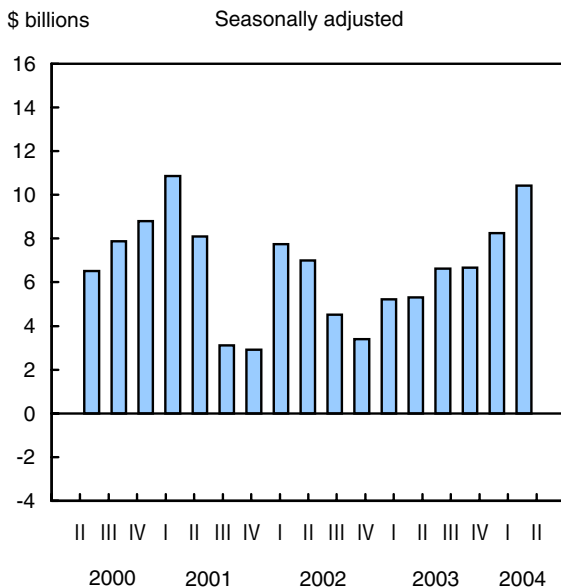
MAJOR RELEASES

Canada's Balance of International Payments

Second quarter 2004

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased by \$2.2 billion in the second quarter of 2004 to reach \$10.4 billion, its second highest level ever. A surging surplus for goods trade more than offset weakness in other current account transactions.

Current account balance



The capital and financial account (not seasonally adjusted) showed funds flowing out of Canada to the rest of the world for a fifth straight quarter. Canada's direct investment assets abroad went up by a record amount, spurred by the largest ever Canadian takeover of a foreign company. On the other side of the ledger, this same acquisition which involved an exchange of shares, helped push Canadian portfolio liabilities up by the largest amount in ten quarters.

During the quarter, the Canadian dollar declined against the US dollar for a second straight quarter, closing just under US 75 cents. The Canadian dollar also lost ground against other major foreign currencies except the yen.

Note to readers

Exports of goods for the second quarter have been revised downward by about \$1.3 billion from the values published on August 13, 2004, as part of the monthly international merchandise trade data. New information on the export volume and price for natural gas and revision to the adjustment for exchange rate shifts were the principal contributors. These revisions will be reflected in the monthly merchandise trade series with the next release on September 10, 2004.

The **balance of payments** covers all economic transactions between Canadian residents and non-residents. It includes the current account and the capital and financial account.

The **current account** covers transactions on goods, services, investment income and current transfers. Transactions in exports and interest income are examples of receipts, while imports and interest expense are payments. The balance from these transactions determines if Canada's current account is in **surplus** or **deficit**.

The **capital and financial account** is mainly comprised of transactions in financial instruments. Financial assets and liabilities with non-residents are presented under three functional classes: direct investment, portfolio investment and other investment. These investments belong either to Canadian residents (Canadian assets) or to foreign residents (Canadian liabilities). Transactions resulting in a capital inflow are presented as positive values while capital outflows from Canada are shown as negative values.

A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the **statistical discrepancy** is the net unobserved inflow or outflow needed to balance the accounts.

Current account

Goods surplus continues to rise

The surplus on trade in goods increased to \$20.0 billion in the second quarter, up \$3.6 billion from the first quarter. This was the second highest surplus on goods, only surpassed by the \$22.2 billion surplus recorded during the first quarter of 2001.

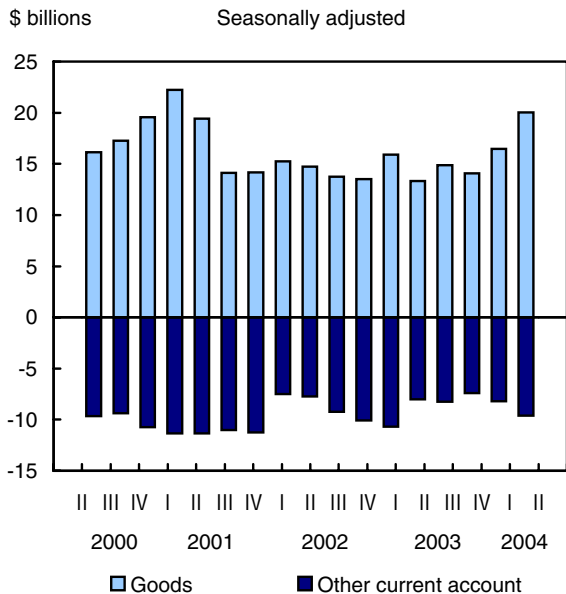
Exports were up \$10.2 billion to \$111.4 billion. Automotive products, industrial goods, and energy products increased by roughly \$2 billion each while exports of machinery and equipment and forestry products were also significantly higher.

Again, price increases affected the value of trade in energy products but were even more important for the exports of forestry products, where two thirds of the \$1.4 billion increase came from higher prices.

Imports rose by \$6.6 billion to \$91.4 billion. As with exports, the values of all the major categories of imported goods increased during the second quarter,

with machinery and equipment and industrial goods showing the largest gains.

Goods and other current account balances



Higher profits earned on foreign direct investment in Canada

The deficit on investment income expanded by \$1.5 billion to \$6.8 billion as profits earned by foreign direct investors in Canada rose by \$1.3 billion in the second quarter. Receipts of investment income remained unchanged as higher interest income offset lower returns on equity.

The largest increases in profits earned on foreign direct investments came from the food, beverage, and tobacco industries and the transportation equipment sector.

Services deficit remains stable

In the second quarter, the deficit on trade in services shrank by \$0.1 billion to \$2.9 billion. A smaller travel deficit was offset by a higher deficit for commercial services.

The travel deficit improved by \$0.3 billion in the second quarter as spending by foreign visitors to Canada rose during the quarter. For the first time in a year, the number of travellers coming from countries

other than United States was comparable with pre-SARS levels.

Financial account

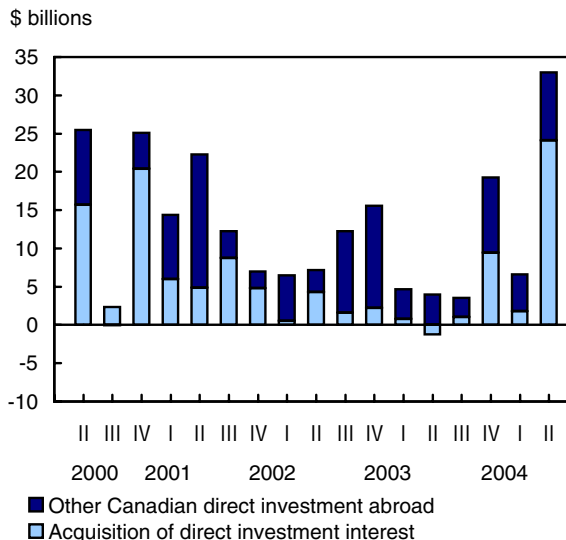
Direct investment abroad jumps by record amount

After a moderate \$6.6 billion investment in the first quarter, Canadian direct investors pumped a record \$33 billion into foreign economies in the second quarter. Much of it came from acquisitions that included the largest Canadian takeover of a foreign company in history. Two-thirds of the direct investment abroad went to the finance and insurance industry with significant investments in the energy and metallic minerals industry and the wood and paper industry. About 85% of the investment went to the US economy.

Canadian investment in foreign securities again mainly in bonds

The \$3.8 billion investment in foreign securities in the second quarter was an increase of 60% from the first quarter. While most Canadian investment went to foreign bonds, residents added to their holdings of foreign equities after a one quarter hiatus.

Canadian direct investment abroad¹



¹ Reverse of Balance of Payments signs.

Of the \$3.0 billion worth of foreign bonds bought by Canadians, nearly three-quarters were US treasuries. This was a switch from the previous two quarters when

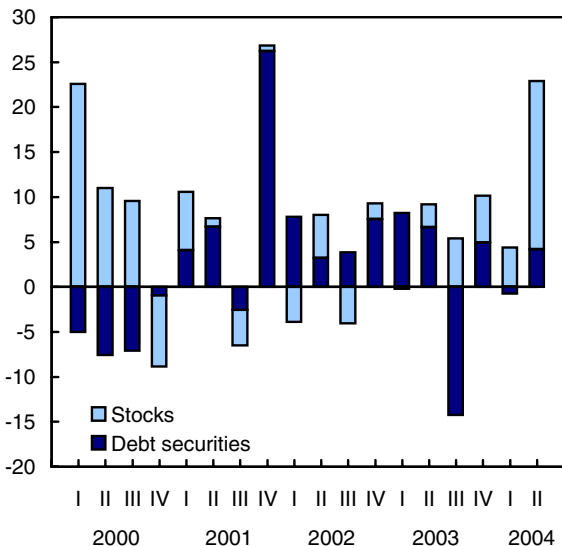
the preference was for overseas and US corporate bonds over US treasuries. Like the first quarter, Canadian investors bought US shares but sold overseas shares with the net result a modest \$739 million investment in foreign equities.

Foreign direct investment in Canada stays low

The \$3.3 billion of foreign direct investment in Canada was driven by reinvested earnings as acquisitions were negative for the second time in three quarters. Negative acquisitions result when Canadians on balance repatriate companies from foreign investors. Virtually all the quarter's investment came from US and European investors. On an industry basis, the investment was spread with the machinery and transportation sector leading the way.

Foreign portfolio investment in Canada

\$ billions



Equities lead higher foreign investment in Canadian securities

The large \$22.9 billion foreign portfolio investment in Canadian securities was four-fifths due to equities, specifically new treasury shares issued as part of Canadian acquisitions of foreign firms. Non-residents bought bonds similar to their purchases of the first quarter and acquired the largest value of money market instruments in six quarters.

The second quarter produced the second highest investment ever in Canadian equities, virtually all of it coming from new treasury shares issued in two acquisitions of American firms and some new issues sold in foreign markets. With Canadian stock prices down marginally in the quarter, foreign investment in outstanding shares was negligible after four quarters of buying totalling \$14.9 billion.

In the market for short-term instruments, the \$1.8 billion foreign investment was the largest since the fourth quarter of 2002. This investment went to government paper led by paper issued by federal enterprises. While Canadian short-term rates continued to be higher than their American counterparts, the differential has narrowed to three-quarters of a percentage point, its lowest level in just over two years.

Canadian bonds continued to attract foreign investment during the quarter as foreign investors bought \$2.3 billion worth. The investment was primarily in corporate bonds as foreign investors bought federal and federal enterprise bonds but sold an equivalent amount of provincial government and enterprise bonds. The investment originated in the United States and Asia as it did in the first quarter. On a currency basis, foreign investors acquired \$3.6 billion and \$1.5 billion respectively of Canadian-dollar and US-dollar denominated bonds but reduced holdings of debt denominated in other foreign currencies by \$2.8 billion, a pattern similar to the first quarter.

Other investment

In the other investment category, net transactions resulted in a capital inflow that offset a first quarter outflow of similar magnitude. Gross transactions reached high levels largely as a result of Canadian banks' activities with non-residents. The deposit liabilities of Canadian banks, which increased massively, led the other liabilities category, and more than offset the previous quarter's large reduction. Loan liabilities also increased due to loans under repurchase agreements.

On the asset side, deposit assets held abroad by Canadians increased markedly, primarily as Canadian banks increased their deposits in foreign currencies with their foreign affiliates. Other investment assets went up as well, particularly with an investment in foreign securities by Canadian banks. Finally, Canada's international reserves contracted for the seventh time in the last eight quarters. The small decline in the quarter reversed an increase of similar size in the first quarter.

Available on CANSIM: tables 376-0001 to 376-0017 and 376-0035.

Definitions, data sources and methods: survey numbers, including related surveys, 1533, 1534, 1535, 1536 and 1537.

The second quarter 2004 issue of *Canada's Balance of International Payments* (67-001-XIE, \$32/\$100) will soon be available.

The balance of international payments data for the third quarter 2004 will be released on November 29.

For general information, contact Client Services (613-951-1855; infobalance@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Arthur Ridgeway (613-951-8907), Balance of Payments Division. □

Balance of payments

| | Second quarter 2003 | Third quarter 2003 | Fourth quarter 2003 | First quarter 2004 | Second quarter 2004 | 2002 | 2003 |
|---|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|----------------|----------------|
| | not seasonally adjusted | | | | | | |
| | \$ millions | | | | | | |
| Current account | | | | | | | |
| Receipts | | | | | | | |
| Goods and services | 115,187 | 112,766 | 112,425 | 115,675 | 130,165 | 477,694 | 459,974 |
| Goods | 100,587 | 95,292 | 98,493 | 101,718 | 114,569 | 413,795 | 400,010 |
| Services | 14,600 | 17,475 | 13,932 | 13,957 | 15,596 | 63,899 | 59,964 |
| Investment income | 8,172 | 8,354 | 9,122 | 8,710 | 8,710 | 31,185 | 32,700 |
| Direct investment | 4,140 | 4,348 | 5,239 | 4,800 | 4,677 | 13,624 | 16,455 |
| Portfolio investment | 2,359 | 2,353 | 2,243 | 2,196 | 2,289 | 9,628 | 9,321 |
| Other investment | 1,673 | 1,654 | 1,640 | 1,714 | 1,745 | 7,934 | 6,923 |
| Current transfers | 1,490 | 1,490 | 1,820 | 2,008 | 1,621 | 6,957 | 6,714 |
| Current account receipts | 124,849 | 122,611 | 123,367 | 126,391 | 140,496 | 515,836 | 499,388 |
| Payments | | | | | | | |
| Goods and services | 106,404 | 98,449 | 101,037 | 103,315 | 113,975 | 427,382 | 412,688 |
| Goods | 89,126 | 80,420 | 83,643 | 84,548 | 95,659 | 356,581 | 341,833 |
| Services | 17,278 | 18,029 | 17,393 | 18,768 | 18,316 | 70,801 | 70,855 |
| Investment income | 13,424 | 13,483 | 13,387 | 14,600 | 15,372 | 59,839 | 56,443 |
| Direct investment | 4,696 | 4,896 | 4,774 | 5,860 | 6,927 | 20,670 | 20,884 |
| Portfolio investment | 7,188 | 7,129 | 6,893 | 6,803 | 6,886 | 30,466 | 28,755 |
| Other investment | 1,541 | 1,458 | 1,719 | 1,938 | 1,558 | 8,702 | 6,804 |
| Current transfers | 1,321 | 1,475 | 1,520 | 2,163 | 1,406 | 5,951 | 6,440 |
| Current account payments | 121,149 | 113,407 | 115,943 | 120,078 | 130,753 | 493,171 | 475,570 |
| Balances | | | | | | | |
| Goods and services | 8,783 | 14,318 | 11,388 | 12,360 | 16,190 | 50,312 | 47,287 |
| Goods | 11,461 | 14,872 | 14,850 | 17,171 | 18,910 | 57,214 | 58,177 |
| Services | -2,678 | -554 | -3,462 | -4,811 | -2,720 | -6,903 | -10,891 |
| Investment income | -5,252 | -5,129 | -4,265 | -5,891 | -6,661 | -28,653 | -23,743 |
| Direct investment | -556 | -548 | 464 | -1,060 | -2,251 | -7,046 | -4,429 |
| Portfolio investment | -4,829 | -4,777 | -4,650 | -4,607 | -4,597 | -20,838 | -19,433 |
| Other investment | 132 | 196 | -80 | -224 | 187 | -769 | 119 |
| Current Transfers | 169 | 14 | 301 | -155 | 215 | 1,006 | 274 |
| Current account balance | 3,700 | 9,204 | 7,424 | 6,313 | 9,744 | 22,664 | 23,818 |
| Capital and financial account^{1, 2} | | | | | | | |
| Capital account | 985 | 1,067 | 917 | 923 | 1,194 | 4,988 | 3,968 |
| Financial account | -13,012 | -6,456 | -8,775 | -6,886 | -4,097 | -17,837 | -24,694 |
| Canadian assets, net flows | | | | | | | |
| Canadian direct investment abroad | -2,743 | -3,510 | -19,258 | -6,636 | -33,000 | -41,472 | -30,191 |
| Portfolio investment | -3,204 | -2,812 | -5,154 | -2,336 | -3,765 | -25,087 | -12,519 |
| Foreign bonds | -2,664 | -5 | -1,901 | -2,612 | -3,026 | -6,229 | -8,071 |
| Foreign stocks | -540 | -2,807 | -3,253 | 277 | -739 | -18,858 | -4,449 |
| Other investment | 3,959 | 2,227 | -8,046 | 1,298 | -12,241 | -13,206 | -25,401 |
| Loans | 2,913 | 6,256 | 2,627 | -309 | -1,733 | -8,182 | 6,171 |
| Deposits | 3,066 | 292 | -9,205 | -1,469 | -7,105 | 5,731 | -23,234 |
| Official international reserves | 229 | 4 | 1,749 | -236 | 243 | 298 | 4,693 |
| Other assets | -2,249 | -4,325 | -3,217 | 3,312 | -3,645 | -11,053 | -13,030 |
| Total Canadian assets, net flows | -1,988 | -4,095 | -32,459 | -7,673 | -49,005 | -79,765 | -68,111 |
| Canadian liabilities, net flows | | | | | | | |
| Foreign direct investment in Canada | 5,679 | -863 | -827 | 4,951 | 3,283 | 33,026 | 9,222 |
| Portfolio investment | 9,204 | -8,820 | 10,130 | 3,668 | 22,892 | 20,935 | 18,469 |
| Canadian bonds | 6,161 | -12,240 | 3,947 | 2,040 | 2,329 | 18,684 | 7,000 |
| Canadian stocks | 2,575 | 5,394 | 5,227 | 4,401 | 18,723 | -1,531 | 12,931 |
| Canadian money market | 467 | -1,975 | 956 | -2,772 | 1,841 | 3,782 | -1,461 |
| Other investment | -25,907 | 7,323 | 14,380 | -7,832 | 18,733 | 7,967 | 15,726 |
| Loans | -3,480 | -264 | 4,472 | 1,763 | 4,079 | 1,400 | 1,741 |
| Deposits | -20,592 | 7,525 | 10,131 | -10,520 | 14,714 | 13,568 | 18,265 |
| Other liabilities | -1,835 | 61 | -223 | 925 | -60 | -7,001 | -4,280 |
| Total Canadian liabilities, net flows | -11,024 | -2,361 | 23,683 | 788 | 44,908 | 61,928 | 43,417 |
| Total capital and financial account, Net flows | -12,027 | -5,389 | -7,859 | -5,962 | -2,903 | -12,850 | -20,725 |
| Statistical discrepancy | 8,328 | -3,814 | 434 | -350 | -6,841 | -9,815 | -3,092 |

1. A minus sign (-) denotes an outflow of capital resulting from an increase in claims on non-residents or from decrease in liabilities to non-residents.
 2. Transactions are recorded on a net basis.

The Daily, August 30, 2004

Current account

| | Second quarter 2003 | Third quarter 2003 | Fourth quarter 2003 | First quarter 2004 | Second quarter 2004 | 2002 | 2003 |
|------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|----------------|----------------|
| | Seasonally adjusted | | | | | | |
| | \$ millions | | | | | | |
| Receipts | | | | | | | |
| Goods and services | 113,279 | 112,786 | 112,635 | 116,576 | 127,027 | 477,694 | 459,974 |
| Goods | 98,578 | 98,030 | 97,545 | 101,240 | 111,419 | 413,795 | 400,010 |
| Services | 14,700 | 14,757 | 15,090 | 15,336 | 15,608 | 63,899 | 59,964 |
| Travel | 3,443 | 3,552 | 3,732 | 3,876 | 4,112 | 16,747 | 14,746 |
| Transportation | 2,430 | 2,517 | 2,637 | 2,746 | 2,884 | 11,115 | 10,285 |
| Commercial services | 8,484 | 8,338 | 8,372 | 8,372 | 8,261 | 34,599 | 33,551 |
| Government services | 344 | 349 | 350 | 342 | 351 | 1,438 | 1,382 |
| Investment income | 8,233 | 8,362 | 9,068 | 8,749 | 8,758 | 31,185 | 32,700 |
| Direct investment | 4,229 | 4,398 | 5,131 | 4,817 | 4,757 | 13,624 | 16,455 |
| Interest | 171 | 185 | 175 | 129 | 145 | 471 | 748 |
| Profits | 4,058 | 4,213 | 4,956 | 4,687 | 4,612 | 13,153 | 15,707 |
| Portfolio investment | 2,312 | 2,327 | 2,315 | 2,212 | 2,242 | 9,628 | 9,321 |
| Interest | 432 | 463 | 480 | 469 | 546 | 1,775 | 1,814 |
| Dividends | 1,881 | 1,864 | 1,836 | 1,743 | 1,695 | 7,853 | 7,508 |
| Other investment | 1,692 | 1,637 | 1,622 | 1,720 | 1,760 | 7,934 | 6,923 |
| Current transfers | 1,650 | 1,651 | 1,706 | 1,790 | 1,809 | 6,957 | 6,714 |
| Private | 589 | 651 | 632 | 697 | 620 | 2,567 | 2,558 |
| Official | 1,061 | 1,000 | 1,073 | 1,094 | 1,189 | 4,390 | 4,156 |
| Total receipts | 123,163 | 122,799 | 123,409 | 127,115 | 137,594 | 515,836 | 499,388 |
| Payments | | | | | | | |
| Goods and services | 102,689 | 100,644 | 101,505 | 103,116 | 109,912 | 427,382 | 412,688 |
| Goods | 85,260 | 83,143 | 83,469 | 84,776 | 91,380 | 356,581 | 341,833 |
| Services: | 17,428 | 17,501 | 18,035 | 18,340 | 18,532 | 70,801 | 70,855 |
| Travel | 4,284 | 4,590 | 5,002 | 5,224 | 5,180 | 18,333 | 18,608 |
| Transportation | 3,450 | 3,603 | 3,592 | 3,731 | 3,852 | 14,122 | 14,225 |
| Commercial services | 9,470 | 9,082 | 9,213 | 9,158 | 9,271 | 37,464 | 37,119 |
| Government services | 224 | 226 | 228 | 228 | 229 | 883 | 903 |
| Investment income | 13,521 | 13,913 | 13,641 | 14,110 | 15,569 | 59,839 | 56,443 |
| Direct investment | 4,646 | 5,174 | 5,039 | 5,644 | 6,930 | 20,670 | 20,884 |
| Interest | 462 | 474 | 475 | 496 | 494 | 1,385 | 1,862 |
| Profits | 4,184 | 4,700 | 4,564 | 5,147 | 6,437 | 19,285 | 19,022 |
| Portfolio investment | 7,195 | 7,147 | 6,942 | 6,764 | 6,900 | 30,466 | 28,755 |
| Interest | 6,503 | 6,429 | 6,189 | 6,117 | 6,192 | 27,714 | 25,849 |
| Dividends | 692 | 718 | 753 | 647 | 709 | 2,753 | 2,905 |
| Other investment | 1,681 | 1,592 | 1,660 | 1,703 | 1,739 | 8,702 | 6,804 |
| Current transfers | 1,653 | 1,606 | 1,601 | 1,639 | 1,696 | 5,951 | 6,440 |
| Private | 906 | 902 | 925 | 945 | 974 | 3,382 | 3,607 |
| Official | 746 | 704 | 676 | 694 | 722 | 2,569 | 2,833 |
| Total payments | 117,863 | 116,163 | 116,747 | 118,866 | 127,178 | 493,171 | 475,570 |
| Balances | | | | | | | |
| Goods and services | 10,590 | 12,142 | 11,130 | 13,459 | 17,115 | 50,312 | 47,287 |
| Goods | 13,318 | 14,887 | 14,075 | 16,463 | 20,039 | 57,214 | 58,177 |
| Services | -2,728 | -2,744 | -2,945 | -3,004 | -2,924 | -6,903 | -10,891 |
| Travel | -842 | -1,038 | -1,271 | -1,347 | -1,068 | -1,586 | -3,862 |
| Transportation | -1,020 | -1,086 | -955 | -985 | -968 | -3,007 | -3,940 |
| Commercial services | -986 | -744 | -841 | -786 | -1,010 | -2,865 | -3,567 |
| Government services | 120 | 123 | 121 | 114 | 123 | 555 | 479 |
| Investment income | -5,288 | -5,551 | -4,572 | -5,361 | -6,811 | -28,653 | -23,743 |
| Direct investment: | -417 | -776 | 92 | -827 | -2,174 | -7,046 | -4,429 |
| Interest | -291 | -289 | -300 | -367 | -349 | -914 | -1,114 |
| Profits | -126 | -487 | 392 | -460 | -1,825 | -6,132 | -3,315 |
| Portfolio investment | -4,883 | -4,820 | -4,626 | -4,551 | -4,659 | -20,838 | -19,433 |
| Interest | -6,072 | -5,966 | -5,709 | -5,647 | -5,645 | -25,939 | -24,036 |
| Dividends | 1,189 | 1,146 | 1,083 | 1,096 | 987 | 5,100 | 4,602 |
| Other investment | 11 | 45 | -38 | 17 | 21 | -769 | 119 |
| Current transfers | -2 | 45 | 104 | 151 | 113 | 1,006 | 274 |
| Private | -317 | -251 | -293 | -248 | -354 | -815 | -1,049 |
| Official | 315 | 296 | 397 | 400 | 467 | 1,821 | 1,323 |
| Current account | 5,300 | 6,636 | 6,662 | 8,250 | 10,416 | 22,664 | 23,818 |

Industrial product and raw materials price indexes

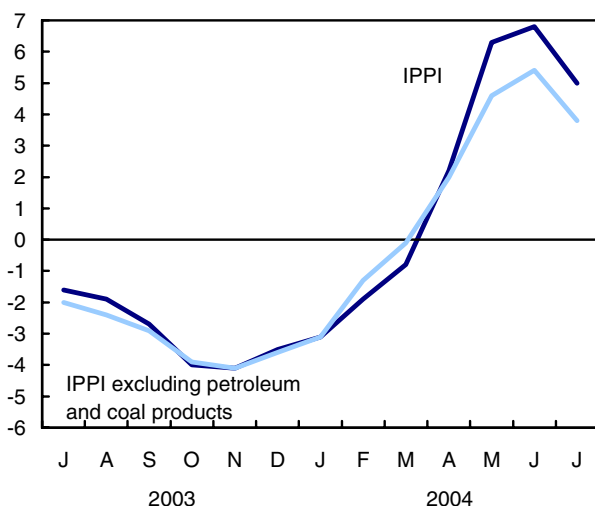
July 2004

Manufacturers' prices fell for the second month in a row, down 0.4% in July compared with a 0.5% drop in June. On a 12-month basis, prices rose 5.0%, down from the 6.8% increase registered in June.

From a monthly perspective, lower prices for motor vehicles and other transport equipment (-1.8 %) contributed to more than half of the monthly decrease. This was mainly the result of the effect of the exchange rate. Lumber and other wood products fell by 2.0% as demand weakened for particleboard and softwood plywood.

Petroleum product prices continue to influence the IPPI

12-month % change



Lower prices for pulp and paper products (-0.8 %), petroleum and coal products (-0.6%), electrical and communication products (-0.9 %), machinery and equipment (-0.6%) as well as fruit, vegetable and feed products (-0.3 %) also contributed to the monthly decrease.

Prices for primary metal products rose 2.4% as a result of strong demand and lower inventories. Higher prices for nickel products (+15.2 %), iron and steel products (+1.6%) and copper products (+4.7%) were responsible for most of this increase.

Price increases were also observed for metal fabricated products (+0.7 %), chemical products (+0.3%) and meat, fish and dairy products (+0.4%).

Note to readers

Effective with the January 2004 release, the monthly average exchange rate as determined by the Bank of Canada is used to convert prices received in currencies other than the Canadian dollar. Previously, the exchange rate conversion of such prices was carried out using the rate for the 15th of the month. The decision to switch to the monthly rate reflects the fact that the Industrial Product Price Index and Raw Material Price Index are intended to measure the change in the average monthly price for these goods. The monthly average exchange rate is a better estimator of the actual exchange rates used in transactions than a point in time exchange rate. The estimated impact of this change is small at the total level. The 12-month change is 0.3% less than it would have been had the monthly average exchange rate been used to calculate the July 2003 index.

The **Industrial Product Price Index (IPPI)** reflects the prices that producers in Canada receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the Consumer Price Index, the IPPI excludes indirect taxes and all the costs that occur between the time a good leaves the plant and the time the final user takes possession of it, including the transportation, wholesale, and retail costs.

Canadian producers export many goods. They often quote their prices in foreign currencies, particularly for motor vehicles, pulp, paper, and wood products. Therefore, a rise or fall in the value of the Canadian dollar against its US counterpart affects the IPPI.

The **Raw Materials Price Index (RMPI)** reflects the prices paid by Canadian manufacturers for key raw materials. Many of these prices are set in a world market. Unlike the IPPI, the RMPI includes goods not produced in Canada.

Compared with July 2003, the Industrial Product Price Index (IPPI) rose 5.0%. The petroleum and coal products group continued to have a strong influence on the 12-month change with an increase of 24.1%. If petroleum and coal product prices had been excluded, the IPPI would have increased 3.8% on a 12-month basis.

Prices for primary metal products were up 23.6%, with iron and steel products (+24.5%) and nickel products (+60.8%) being the major contributors to this annual rise. Lumber and other wood products increased 15.3% from a year ago, with softwood lumber prices remaining high at 29.3%.

Higher prices for metal fabricated products (+10.3 %), meat, fish and dairy products (+5.2%), pulp and paper products (+4.2%), chemical products (+2.8%) as well as fruit, vegetable and feed products (+ 3.1%) also contributed to the 12-month increase in the IPPI.

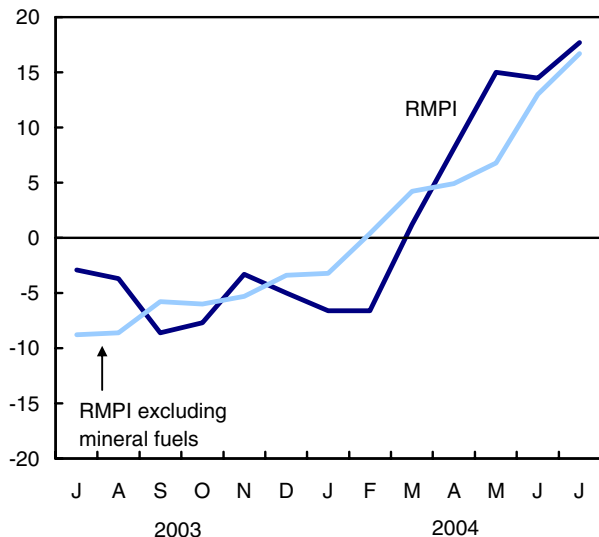
Raw material prices remain strong

On a monthly basis, raw materials prices were up 0.9% in July, following a drop of 1.2% in June. Mineral fuels were mostly responsible for the July gain,

with an increase of 1.9%. Crude oil prices rose 3.5% as a result of supply uncertainties and increased demand.

Crude oil prices had less influence on the RMPI

12-month % change



Ferrous materials were up 10.9% as a result of higher prices for iron and steel scrap (+18.0%). Higher prices were also observed for non-ferrous metals (+2.9%) as prices for lead, copper and nickel concentrates continue to rise.

Vegetable products decreased by 5.4% as prices for soybeans (-13.9%), canola (-5.8%) and grains (-5.5%) fell as a result of stronger crop forecasts and weaker demand. Prices for animals and animal products were down 0.8% from June—mainly the result of lower prices for hogs for slaughter (-3.9%).

Manufacturers paid 17.7% more for their raw materials compared with one year ago, the strongest growth in 17 months. Mineral fuels were up 18.8% from a year ago with crude oil prices rising 24.3%. If mineral fuels had been excluded, the Raw Materials Price Index (RMPI) would have increased 16.7%.

Animals and animal products increased by 16.5% from a year ago with cattle and calves for slaughter increasing by a record 74.5% and hogs for slaughter by 24.4%. Cattle and calves for slaughter prices, however, remained 32.6% lower compared with May 2003, when the only case of BSE or mad cow disease was discovered.

Prices for non-ferrous metals rose 33.5% from July 2003 to July 2004, mainly because of higher prices for lead, copper, zinc, nickel, gold and silver. Ferrous materials prices rose 40.4% compared with July 2003, with iron and steel scrap prices posting its strongest increase ever (+65.4%).

Higher prices for wood products (+7.1%), vegetable products (+5.2 %) as well as non-metallic minerals (+3.2 %) also contributed to the 12-month increase in the RMPI.

The IPPI (1997=100) stood at 110.6 in July, down from its revised level of 111.0 in June. The RMPI (1997=100) was 128.8 in July, up from its revised level of 127.6 in June.

Impact of exchange rate

Between June and July, the value of the U.S. dollar fell 2.6% against the Canadian dollar. As a result, the total IPPI excluding the effect of the exchange rate would have risen 0.4%, compared with the 0.4% actual decline.

On a 12-month basis, the change in the IPPI excluding the effect of the exchange rate was 6.5% from July 2003 to July 2004, compared with the 5.0% actual increase.

Prices for intermediate goods rise on a 12-month basis

Prices for intermediate goods remained unchanged from June. Higher prices for primary metal products, metal fabricated products, chemical products, petroleum products as well as rubber, leather and plastic products were offset by lower prices for lumber products, motor vehicles, pulp and paper products, fruit, vegetable and feed products and electrical and communication products.

Producers of intermediate goods received 8.3% more for their goods in July 2004 than in July 2003. Higher prices for primary metal products; petroleum products; lumber products; pulp and paper products; metal fabricated products; meat, fish and dairy products; fruit, vegetable and feed products; and chemical products were mainly responsible for the annual increase.

These increases were partly offset by declining prices for motor vehicles; electrical and communication products; and tobacco products.

"Intermediate goods," sometimes referred to as "input goods," are goods that are generally bought

by manufacturers to be further used in the production process, that is, to make other goods.

Finished goods prices down in July but up slightly from a year ago

On a monthly basis, prices for finished goods were down 1.0% from June. Lower prices for motor vehicles; petroleum products; electrical and communication products; machinery and equipment; and lumber products were responsible for this monthly decline.

Higher prices for petroleum products; meat, fish and dairy products; fruit, vegetable and feed products; beverages; furniture and fixtures; tobacco products; chemical products; and lumber products pushed the 12-month prices up 0.5% from July 2003.

These increases were partly offset by declining prices for motor vehicles; electrical and communication products; pulp and paper products; and non-metallic mineral products.

"Finished goods" are those generally purchased for the purpose of either consumption or investment. Most of the products from the food and feed category

end up in the hands of consumers. Most capital goods are equipment and machinery generally bought by companies, government agencies, or governments. Much of the remainder is bought by consumers.

Available on CANSIM: tables 329-0038 to 329-0049 and 330-0006.

Definitions, data sources and methods: survey numbers, including related surveys, 2306 and 2318.

The July 2004 issue of *Industry Price Indexes* (62-011-XIE, \$19/\$175; 62-011-XPE, \$24/\$233) will soon be available. See *How to order products*.

The Industrial product and raw material price indexes for August will be released on September 29.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the Client Services Unit (613-951-9606; fax: 613-951-1539; infounit@statcan.ca) or Fred Barzyk (613-951-2493; fred.barzyk@statcan.ca), Prices Division.

□

Industrial product price indexes
(1997=100)

| | Relative importance | July 2003 | June 2004 ^r | July 2004 ^p | July 2003 to July 2004 | June 2004 to July 2004 |
|---|---------------------|--------------|------------------------|------------------------|------------------------|------------------------|
| | | | | | % change | |
| Industrial Product Price Index (IPPI) | 100.00 | 105.3 | 111.0 | 110.6 | 5.0 | -0.4 |
| IPPI excluding petroleum and coal products | 94.32 | 103.9 | 108.2 | 107.8 | 3.8 | -0.4 |
| Aggregation by commodities | | | | | | |
| Meat, fish and dairy products | 5.78 | 106.9 | 112.1 | 112.5 | 5.2 | 0.4 |
| Fruit, vegetables, feeds and other food products | 5.99 | 103.1 | 106.6 | 106.3 | 3.1 | -0.3 |
| Beverages | 1.57 | 117.5 | 120.7 | 120.7 | 2.7 | 0.0 |
| Tobacco and tobacco products | 0.63 | 166.9 | 169.9 | 169.7 | 1.7 | -0.1 |
| Rubber, leather and plastic fabricated products | 3.30 | 106.5 | 108.1 | 108.6 | 2.0 | 0.5 |
| Textile products | 1.58 | 99.1 | 99.1 | 99.0 | -0.1 | -0.1 |
| Knitted products and clothing | 1.51 | 103.8 | 104.2 | 104.2 | 0.4 | 0.0 |
| Lumber and other wood products | 6.30 | 89.4 | 105.2 | 103.1 | 15.3 | -2.0 |
| Furniture and fixtures | 1.59 | 109.4 | 111.5 | 111.5 | 1.9 | 0.0 |
| Pulp and paper products | 7.23 | 102.3 | 107.5 | 106.6 | 4.2 | -0.8 |
| Printing and publishing | 1.70 | 112.8 | 114.3 | 114.7 | 1.7 | 0.3 |
| Primary metal products | 7.80 | 94.1 | 113.6 | 116.3 | 23.6 | 2.4 |
| Metal fabricated products | 4.11 | 106.8 | 117.0 | 117.8 | 10.3 | 0.7 |
| Machinery and equipment | 5.48 | 105.7 | 106.3 | 105.7 | 0.0 | -0.6 |
| Motor vehicles and other transport equipment | 22.16 | 106.1 | 104.2 | 102.3 | -3.6 | -1.8 |
| Electrical and communications products | 5.77 | 95.9 | 95.9 | 95.0 | -0.9 | -0.9 |
| Non-metallic mineral products | 1.98 | 109.6 | 111.2 | 111.1 | 1.4 | -0.1 |
| Petroleum and coal products ¹ | 5.68 | 130.0 | 162.3 | 161.3 | 24.1 | -0.6 |
| Chemicals and chemical products | 7.07 | 110.2 | 113.0 | 113.3 | 2.8 | 0.3 |
| Miscellaneous manufactured products | 2.40 | 106.6 | 109.7 | 109.7 | 2.9 | 0.0 |
| Miscellaneous non-manufactured products | 0.38 | 94.2 | 124.6 | 126.7 | 34.5 | 1.7 |
| Intermediate goods² | 60.14 | 102.6 | 111.1 | 111.1 | 8.3 | 0.0 |
| First-stage intermediate goods ³ | 7.71 | 103.9 | 119.5 | 121.0 | 16.5 | 1.3 |
| Second-stage intermediate goods ⁴ | 52.43 | 102.4 | 109.8 | 109.6 | 7.0 | -0.2 |
| Finished goods⁵ | 39.86 | 109.3 | 110.9 | 109.8 | 0.5 | -1.0 |
| Finished foods and feeds | 8.50 | 109.7 | 112.9 | 113.0 | 3.0 | 0.1 |
| Capital equipment | 11.73 | 107.0 | 106.4 | 105.1 | -1.8 | -1.2 |
| All other finished goods | 19.63 | 110.5 | 112.8 | 111.2 | 0.6 | -1.4 |

^r Revised figures.

^p Preliminary figures.

1. This index is estimated for the current month.

2. Intermediate goods are goods used principally to produce other goods.

3. First-stage intermediate goods are items used most frequently to produce other intermediate goods.

4. Second-stage intermediate goods are items most commonly used to produce final goods.

5. Finished goods are goods most commonly used for immediate consumption or for capital investment.

Raw materials price indexes
(1997=100)

| | Relative importance | July 2003 | June 2004 ^r | July 2004 ^p | July 2003 to July 2004 | June 2004 to July 2004 |
|---|---------------------|--------------|------------------------|------------------------|------------------------|------------------------|
| | | | | | % change | |
| Raw Materials Price Index (RMPI) | 100.00 | 109.4 | 127.6 | 128.8 | 17.7 | 0.9 |
| Mineral fuels | 35.16 | 162.5 | 189.5 | 193.1 | 18.8 | 1.9 |
| Vegetable products | 10.28 | 87.1 | 96.8 | 91.6 | 5.2 | -5.4 |
| Animals and animal products | 20.30 | 86.8 | 101.9 | 101.1 | 16.5 | -0.8 |
| Wood | 15.60 | 78.0 | 84.0 | 83.5 | 7.1 | -0.6 |
| Ferrous materials | 3.36 | 93.2 | 117.9 | 130.7 | 40.2 | 10.9 |
| Non-ferrous metals | 12.93 | 80.1 | 103.9 | 106.9 | 33.5 | 2.9 |
| Non-metallic minerals | 2.38 | 116.5 | 120.0 | 120.2 | 3.2 | 0.2 |
| RMPI excluding mineral fuels | 64.84 | 84.9 | 99.0 | 99.1 | 16.7 | 0.1 |

^r Revised figures.

^p Preliminary figures.

OTHER RELEASES

Wage Survey of Seasonal Employees in the horticultural sector 2003

Data from the Wage Survey of Seasonal Employees in the horticultural sector are now available.

The purpose of this survey was to identify the prevailing wages paid to seasonal horticultural workers in labourer or manual occupations. Specifically, it focused on foreign and domestic workers hired as farm labourers or harvesters, and nursery or greenhouse labourers.

The survey included agricultural operations identified as horticultural in nature and having seasonal workers. The sample was allocated to the Atlantic region and six other provinces based on the number of horticultural operations in each of these geographic areas.

Hourly wages paid to nursery and greenhouse labourers ranged from \$7.30 in the Prairies to \$7.78 in Ontario for foreign workers, and from \$7.52 in the Atlantic region to \$9.57 in British Columbia for domestic workers.

The lowest hourly wage for foreign harvesting and farm labourers was \$7.09 in the Prairies, rising to a high of \$7.85 in Ontario. Wages for domestic harvesting and farm labourers ranged from \$7.96 in Saskatchewan to \$9.41 in British Columbia.

When wages for both occupations were combined, foreign workers earned between \$6.81 an hour in Manitoba and \$7.84 an hour in Ontario. Domestic labourers earned between \$7.63 an hour in Saskatchewan and \$9.44 an hour in British Columbia.

Note: This survey was conducted on behalf of Human Resources and Skills Development Canada. The results will be used to assist the federal government

in implementing the Seasonal Agricultural Worker Program by determining prevailing wage rates in the horticultural sector.

Definitions, data sources and methods: survey number 5062.

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Degan (613-951-3347; john.degan@statcan.ca), Small Business and Special Surveys Division. ■

Computer and peripherals price indexes

June 2004 (preliminary)

Prices for commercial computers, as measured by the Computer and Peripherals Price Indexes (CPPI), remained virtually unchanged from May.

Consumer computers, representing computer brands and models normally purchased by consumers and small businesses, were down 5.3%. Desktops fell by 6.1% and portables by 4.6%.

In the case of computer peripherals, monitor and printer prices remained unchanged. These indexes are available at the Canada level only.

Available on CANSIM: tables 331-0001 and 331-0002.

Definitions, data sources and methods: survey number 5032.

For more information on these indexes, contact Client Services (1-866-230-2248; 613-951-9606; infounit@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Fred Barzyk (613-951-2493; fred.barzyk@statcan.ca), Prices Division. ■

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| 8 | Stocks of Canadian Grain | As of July 31, 2004 |
| 9 | Industrial Capacity Utilization Rates | Second quarter 2004 |
| 9 | Trade in Culture Services | 1996-2002 |
| 9 | New Housing Price Index | July 2004 |
| 10 | Canadian International Merchandise Trade | July 2004 |
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