



# The Daily

## Statistics Canada

Wednesday, September 15, 2004

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### MAJOR RELEASES

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- **Monthly Survey of Manufacturing, July 2004**

Led primarily by price increases in key industries such as petroleum, chemicals, wood and primary metals, manufacturers maintained momentum through July. Shipments continued to climb, to a record high of \$50.2 billion, up 0.5% from June. Increasing new and unfilled orders and a buildup of inventories rounded out the month.

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  - **Canada's international investment position, second quarter 2004**

Driven by the increase in Canadian direct investment abroad, Canada's net liability to foreign residents declined \$10.5 billion to \$175.9 billion at the end of June.

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Particleboard, oriented strandboard and fibreboard, July 2004 10

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#### ***E-STAT*: The ultimate interactive learning resource**

The 2004 edition of *E-STAT*, Statistics Canada's interactive learning tool, contains a new thematic mapping tool as part of a host of new improvements for the education community.

Clicking on *Search map 2001* on the *E-STAT* sidebar allows students, teachers and educators to access demographic material such as occupations or languages right down to their own street level.

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The 13th edition of *E-STAT* (10F0174XIE, free) is now available online. For more information visit the *E-STAT* Web site (<http://estat.statcan.ca>). The *E-STAT* team can also be reached directly (1-800-465-1222; [e-stat@statcan.ca](mailto:e-stat@statcan.ca)).



## MAJOR RELEASES

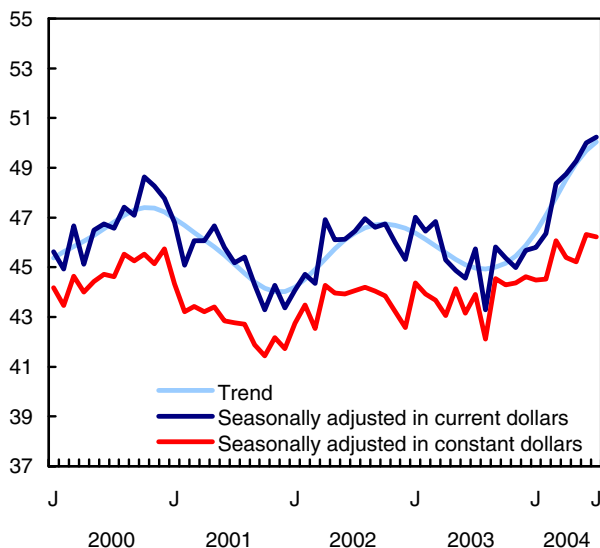
### Monthly Survey of Manufacturing

July 2004

Led primarily by price increases in key industries such as petroleum, chemicals, wood and primary metals, manufacturers maintained momentum through July. Shipments continued to climb, to a record high of \$50.2 billion, up 0.5% from June. The gap between shipments measured in real and constant dollars has widened since March 2004. Increasing new and unfilled orders and a buildup of inventories rounded out the month.

#### Shipments rise for eighth consecutive month

\$ billions



#### Manufacturers maintain momentum

The Canadian manufacturing sector is maintaining a relatively steady pace. July marked the eighth consecutive increase in shipments, the longest string of gains since the late 1990s. Although manufacturing shipments have increased by 11.7% over the last eight months, the pace has slowed in recent months. Shipments edged up 0.5% in July—the smallest gain since January.

The momentum in the manufacturing sector has pushed capacity utilization to its highest level in four years, reaching 86.6% in the second quarter of 2004. July's increase in shipments was in 12 of 21 industries,

#### Note to readers

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

**Durable goods industries** include wood products, non-metallic mineral products, primary metals, fabricated metal products, machinery, computer and electronic products, electrical equipment, appliances 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 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.

accounting for a healthy 80.7% of total shipments. Non-durable goods shipments increased 1.2% while durable goods manufacturing declined 0.1% to \$28.5 billion in July. Foreign and domestic demand for natural resource based products (wood, petroleum and primary metals) also contributed to shipment gains.

#### Quebec and Western provinces leading the way

Quebec, British Columbia, Alberta and Saskatchewan led the way, reporting solid gains in shipments in July. Shipments in Quebec continued to surge ahead, gaining ground for the seventh time in eight months. Petroleum and wood product manufacturing contributed to a \$159 million (+1.4%) increase in shipments to \$11.8 billion. Shipments are hovering just below the peak levels of late 2000.

Shipments in Alberta also continued to rise, increasing for the 11th time in 12 months. July's shipments rose by \$57 million (+1.3%) to \$4.5 billion, on the strength of the chemical products and primary metals industries. Year-to-date shipments in Alberta are 10.6% above the same period in 2003.

British Columbia also posted a positive move in July, rebounding from a slight decline in June. Machinery

and wood products contributed to a \$44 million (+1.2%) increase in shipments to \$3.6 billion. The gain added to strength built up in British Columbia this year, marking the sixth increase in shipments in seven months.

Shipments in Saskatchewan increased for the third month in a row, up a strong \$24 million (+3.1%) to \$815 million. Shipments also increased in Nova Scotia (+0.6%) and New Brunswick (+1.1%) in July.

Manufacturing declined \$37 million (-3.5%) in Manitoba. Following five months of growth in Ontario, declines in transportation equipment, fabricated metals and beverages and tobacco products contributed to a \$19 million (-0.1%) decrease in shipments. Shipments also declined by \$13 million (-5.0%) in Newfoundland and Labrador and \$2 million (-1.7%) in Prince Edward Island.

### Manufacturing shipments, provinces and territories

	June 2004 <sup>r</sup>	July 2004 <sup>p</sup>	June to July 2004
seasonally adjusted			
	\$ millions		% change
<b>Canada</b>	<b>50,010</b>	<b>50,241</b>	<b>0.5</b>
Newfoundland and Labrador	269	255	-5.0
Prince Edward Island	111	109	-1.7
Nova Scotia	769	774	0.6
New Brunswick	1,236	1,249	1.1
Quebec	11,663	11,822	1.4
Ontario	26,155	26,138	-0.1
Manitoba	1,051	1,014	-3.5
Saskatchewan	791	815	3.1
Alberta	4,408	4,466	1.3
British Columbia	3,551	3,595	1.2
Yukon	1	1	19.5
Northwest Territories including Nunavut	4	4	-6.4

<sup>r</sup> Revised data.

<sup>p</sup> Preliminary data.

### Non-durable goods manufacturing surging ahead

Shipments of non-durable goods continued to climb in July, increasing a solid 1.2%. Non-durable goods were up 7.6% in the first seven months of the year compared with the same period in 2003.

Manufacturers of chemical products reported a 2.6% jump in shipments to \$3.9 billion. July's increase marked the sixth consecutive rise in shipments. Food manufacturing increased \$82 million to \$5.9 billion in July, led by the fruit and vegetable preservation industry. Rounding out solid gains in non-durable goods manufacturing, petroleum products increased by \$67 million (+1.7%).

Also contributing to higher shipments in July were railroad rolling stock and wood products. Railroad rolling stock shipments increased by \$80 million (+46.2%), as manufacturers stepped up production to meet rising demand for rail cars. Shipments of wood products have risen sharply this year, soaring 20.4% higher than the same period in 2003. Following a slight decline in June, wood shipments continued to climb—increasing \$71 million in July. Ongoing demand for wood products remains strong. The value of residential building permits issued in Canada was up 18.3% in the first seven months of the year compared with 2003. The US housing market remains hot and rebuilding efforts from recent hurricanes in Florida have just begun.

### Inventories continue to build

Manufacturers continued to stock up in July. Inventories rose 0.6% to \$60.8 billion, the seventh consecutive increase and the highest level of inventories since May 2003. Robust global demand has resulted in the rebound in manufacturing inventories. The trend has been positive throughout 2004.

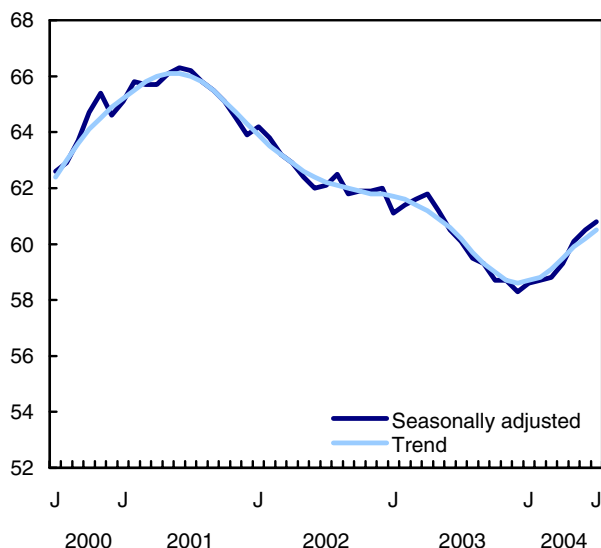
July's inventories were boosted by continuing buildup in raw materials. Inventories of raw materials rose 1.6% to \$26.8 billion, a positive sign of future production.

Goods-in-process inventories grew slightly in July, edging up 0.4% to \$13.5 billion. Meanwhile, finished-products inventories declined 0.6% to \$20.5 billion following three months of growth.

The main contributors to higher inventories include the fabricated metals (+4.2%), primary metals (+1.6%), chemical products (+1.2%) and electrical equipment and appliance (+3.0%) industries.

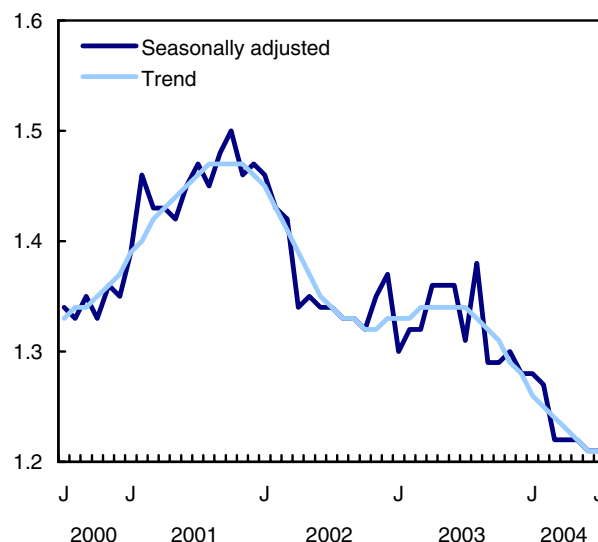
### Raw materials driving gains in total inventories

\$ billions



### Inventory-to-shipment ratio holds at record low

Ratio



### Inventory-to-shipment ratio holds at record low

Even though manufacturers have been rebuilding their inventories, shipment activity has continued to grow at an equal pace resulting in record low levels for the inventory-to-shipment ratio. In July, the ratio held constant at 1.21. This is the lowest level of the ratio since the start of the current series in 1992.

Canada's ratio is in line with that of the United States where the ongoing expansion in manufacturing contributed to the ratio holding, for the fourth consecutive month, at 1.23 in July.

The finished-products inventory-to-shipment ratio also held constant at 0.41, maintaining the lowest level for the ratio since mid-2000. The ratio is a key measure of the time, in months, that would be required in order to exhaust inventories if shipments were to remain at their current level.

### Manufacturers secure more new orders

Manufacturers continued to secure more new orders, as widespread increases resulted in a strong 1.4% increase to \$50.9 billion in July. Orders were up an impressive 15.0% since November's recent low of \$44.2 billion.

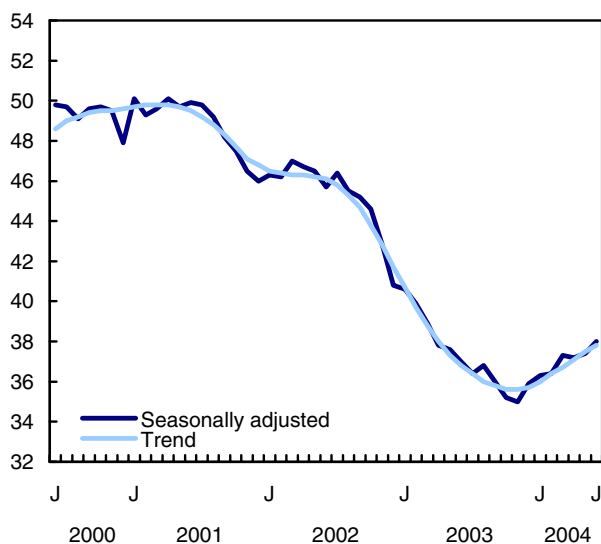
Increases were primarily among durable good industries. Aerospace led all industries with a surge in new orders of 50.0% in July. Machinery (+5.5%) and fabricated metals (+3.3%) also increased orders in July.

### Manufacturers see unfilled orders accumulate

Unfilled orders increased 1.7% to \$38 billion in July and have been steadily accumulating since the start of the year. Canadian manufacturers continue to benefit from an improved global economy as unfilled orders are now 8.6% above levels at the close of 2003. Strong increases reported by the machinery (+3.2%), fabricated metals (+3.4%) and aerospace (+0.7%) industries contributed to the growth in the backlog of orders. A decline reported by the computer and electronic products (-2.6%) and motor vehicle parts (-1.8%) industries partially offset the widespread growth in orders.

### Unfilled orders continue to accumulate

\$ billions



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

**Definitions, data sources and methods:** survey number 2101.

The July 2004 issue of the *Monthly Survey of Manufacturing* (31-001-XIE, \$17/\$158) will soon be available.

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

The Annual Survey of Manufactures (ASM) released estimates for the reference year 2002 and revisions for 2000 and 2001 on June 16, 2004. In the future, the *Monthly Survey of Manufacturing* will re-benchmark to the ASM data for reference years 2000 and 2001 and benchmark to 2002.

Data from the August 2004 *Monthly Survey of Manufacturing* will be released on October 15.

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](mailto:manufact@statcan.ca)). To enquire about the concepts, methods or data quality of the release, contact Daniela Ravindra (613-951-3514, [Daniela.Ravindra@Statcan.ca](mailto:Daniela.Ravindra@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	
July 2003	45,735	2.6	60,129	-0.6	37,020	-1.5	45,179	1.9	1.31
August 2003	43,290	-5.3	59,541	-1.0	36,433	-1.6	42,702	-5.5	1.38
September 2003	45,818	5.8	59,307	-0.4	36,838	1.1	46,223	8.2	1.29
October 2003	45,373	-1.0	58,748	-0.9	35,984	-2.3	44,519	-3.7	1.29
November 2003	44,993	-0.8	58,708	-0.1	35,204	-2.2	44,213	-0.7	1.30
December 2003	45,678	1.5	58,301	-0.7	35,020	-0.5	45,493	2.9	1.28
January 2004	45,801	0.3	58,572	0.5	35,931	2.6	46,712	2.7	1.28
February 2004	46,355	1.2	58,671	0.2	36,346	1.2	46,770	0.1	1.27
March 2004	48,366	4.3	58,838	0.3	36,362	0.0	48,381	3.4	1.22
April 2004	48,749	0.8	59,304	0.8	37,279	2.5	49,667	2.7	1.22
May 2004	49,269	1.1	60,120	1.4	37,250	-0.1	49,240	-0.9	1.22
June 2004	50,010	1.5	60,468	0.6	37,405	0.4	50,165	1.9	1.21
July 2004	50,241	0.5	60,816	0.6	38,026	1.7	50,861	1.4	1.21

## Manufacturing industries except motor vehicle, parts and accessories

	Shipments		Inventories		Unfilled orders		New orders	
	seasonally adjusted							
	\$ millions	% change	\$ millions	% change	\$ millions	% change	\$ millions	% change
July 2003	36,823	1.5	56,984	-0.6	35,446	-1.5	36,285	0.7
August 2003	35,982	-2.3	56,508	-0.8	34,819	-1.8	35,356	-2.6
September 2003	37,482	4.2	56,143	-0.6	35,213	1.1	37,876	7.1
October 2003	37,087	-1.1	55,638	-0.9	34,303	-2.6	36,177	-4.5
November 2003	37,013	-0.2	55,615	-0.0	33,474	-2.4	36,183	0.0
December 2003	37,445	1.2	55,234	-0.7	33,255	-0.7	37,226	2.9
January 2004	37,579	0.4	55,507	0.5	34,130	2.6	38,454	3.3
February 2004	38,228	1.7	55,457	-0.1	34,487	1.0	38,585	0.3
March 2004	39,665	3.8	55,473	0.0	34,387	-0.3	39,564	2.5
April 2004	39,922	0.6	55,799	0.6	35,196	2.4	40,731	2.9
May 2004	40,370	1.1	56,675	1.6	35,148	-0.1	40,322	-1.0
June 2004	41,055	1.7	57,063	0.7	35,326	0.5	41,233	2.3
July 2004	41,292	0.6	57,356	0.5	35,907	1.6	41,873	1.6

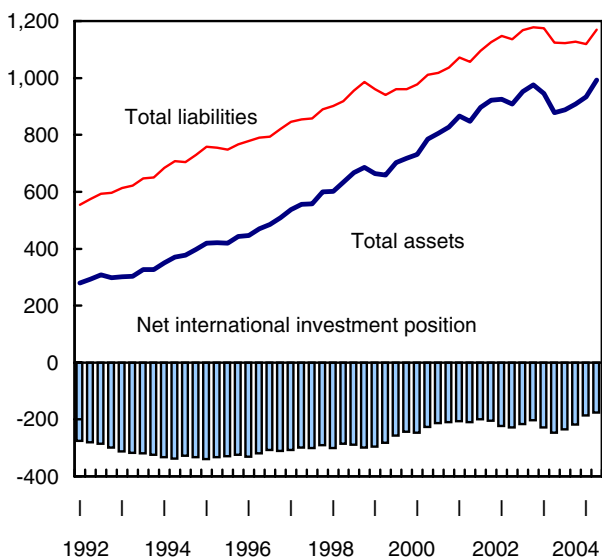
## Canada's international investment position

Second quarter 2004

Driven by the increase in Canadian direct investment abroad, Canada's net liability to foreign residents fell to its lowest level in about 20 years during the second quarter of 2004.

Canada's international investment position

\$ billions



Canada's net external liabilities (the difference between its external assets and foreign liabilities) declined \$10.5 billion to \$175.9 billion at the end of June. As a result, net external liabilities at the end of June represented 13.7% of Canada's gross domestic product, down a full point from 14.8% at the end of March. This ratio has steadily decreased since the peak of 44.3% observed in 1994.

The value of international assets rose by 6.4% from the first quarter to \$993.1 billion. Canadian direct investment abroad, which increased \$36.3 billion, was the major contributor to this advance.

On the liability side, important increases in foreign holdings of Canadian stocks and in bank deposits led to the 4.4% gain in Canada's international liabilities, which reached \$1,169.0 billion at the end of June.

During the second quarter, the Canadian dollar lost ground against the US dollar and other major currencies, except the Japanese yen.

### Note to readers

#### Additional estimates at market value

As of the first quarter 2004, additional series measuring portfolio investment at market value have been incorporated into the release. Canadian and foreign shares as well as bonds are available at market value. These additional series are part of a multi-year initiative to improve the balance sheet information for all sectors of the economy. The following analysis focuses on the book value series until a full set of market value estimates become available.

#### Currency valuation

The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of our international liabilities are in foreign currencies.

When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

### Canadian direct investment abroad jumps

The largest takeover by a Canadian enterprise of a foreign company in history drove Canadian direct investment abroad to its highest value on record. Canadian direct investment assets abroad reached \$447.4 billion at the end of June, up 8.8% or \$36.3 billion from the end of March.

While total acquisitions by Canadian firms of foreign companies accounted for most of this increase, the impact of the depreciation of the Canadian dollar added another \$3.0 billion to the position. The increase was largely directed to the United States, while Canadian investors increased their asset position with all other countries by \$5.4 billion to \$247.0 billion.

Canadian direct investment in the United States rose \$30.9 billion to \$200.3 billion and now represents almost 45% of total Canadian direct investment abroad. At the end of March, this ratio was just over 41%.

### Canadian portfolio investment abroad also increases

After a 6.7% increase in the first quarter, Canadian holdings of foreign bonds rose by 7.8% to a record high value of \$51.4 billion in the second quarter.

Canadian holding of foreign stocks reached \$193.1 billion at the end of June, a modest increase of \$2.2 billion compared with the end of March.

Since the beginning of the year, Canadian residents have increased their position in foreign bonds by \$6.7 billion. At the same time, their holding of foreign

stocks have increased by \$4.3 billion. Uncertainty toward some foreign stock markets could explain the preference for bonds.

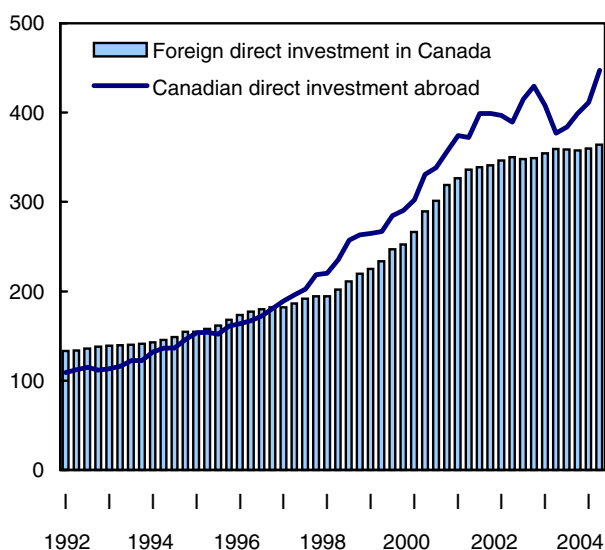
### Foreign direct investment in Canada up

Foreign direct investment in Canada increased \$4.6 billion to \$364.2 billion. Foreign direct investors increased their foreign direct investment position in Canada—mostly with reinvested earnings as net acquisitions were negative during the second quarter.

The net direct investment position (the excess of Canadian direct investment abroad over foreign direct investment in Canada) increased \$31.7 billion and now stands at a record \$83.2 billion. A year ago, the net direct investment position was at \$17.3 billion.

### Foreign direct investment position

\$ billions



### Substantial increase in foreign holdings of Canadian stocks

Foreign holdings of Canadian stocks jumped \$18.5 billion to \$104.7 billion at the end of the second quarter. This substantial increase came largely from new issues of Treasury shares related to the acquisition of an American firm.

Foreign holdings of Canadian bonds from all sources reached \$412.6 billion at the end of June, up \$6.0 billion from the end of March.

Foreign holdings of Canadian money market paper increased by more than 10% to \$20.6 billion. The position of short-term paper issued by the federal government (including federal government enterprises) increased \$2.1 billion to \$15 billion.

**Available on CANSIM: tables 376-0042, 376-0055 to 376-0057 and 376-0059.**

**Definitions, data sources and methods: survey number 1537.**

The second quarter 2004 issue of *Canada's International Investment Position* (67-202-XIE, \$23/\$51) will soon be available.

For general information, contact Client Services (613-951-1855; [infobalance@statcan.ca](mailto:infobalance@statcan.ca)). To enquire about the methods, concepts or data quality of this release, contact Éric Simard (613-951-7244) or Christian Lajule (613-951-2062), Balance of Payments Division.

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## Canada's international investment position at period-end

	2001	2002	2003	First quarter 2004	Second quarter 2004
	\$ billions				
<b>Assets</b>					
Canadian direct investment abroad	398.9	429.6	399.1	411.1	447.4
Portfolio investment abroad					
Foreign bonds	38.6	43.0	44.7	47.7	51.4
Foreign bonds at market value	40.0	45.1	47.8	52.3	54.5
Foreign stocks	198.8	213.6	188.8	190.9	193.1
Foreign stocks at market value	363.6	316.3	342.0	348.4	355.9
Other investment					
Loans	68.6	71.9	59.3	66.1	70.6
Allowances	-11.9	-11.9	-11.6	-11.5	-11.6
Deposits	108.9	103.1	110.8	115.5	125.0
Official international reserves	53.3	56.2	45.7	46.1	46.3
Other assets	66.4	69.6	72.2	67.3	71.0
Total assets					
at book value	921.7	975.0	909.0	933.3	993.1
with portfolio investment at market value	1,087.8	1,079.9	1,065.3	1,095.3	1,159.0
<b>Liabilities</b>					
Foreign direct investment in Canada	341.0	348.9	357.5	359.6	364.2
Portfolio investment					
Canadian bonds	426.9	448.1	405.3	406.6	412.6
Canadian bonds at market value	446.1	481.2	436.6	447.8	435.2
Canadian stocks	78.1	79.6	84.7	86.2	104.7
Canadian stocks at market value	164.4	130.1	175.6	176.0	193.9
Canadian money market	21.5	25.2	21.4	18.7	20.6
Other investment					
Loans	55.1	58.2	53.6	51.8	53.5
Deposits	181.1	195.0	183.1	174.6	191.4
Other liabilities	21.7	22.2	21.2	22.1	22.2
Total liabilities					
at book value	1,125.3	1,177.3	1,126.9	1,119.7	1,169.0
with portfolio investment at market value	1,230.8	1,260.9	1,249.1	1,250.6	1,280.9
<b>Net international investment position</b>					
at book value	-203.7	-202.3	-218.0	-186.4	-175.9
with portfolio investment at market value	-143.0	-181.0	-183.9	-155.3	-121.9

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## OTHER RELEASES

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### **Particleboard, oriented strandboard and fibreboard**

July 2004

Data on particleboard, oriented strandboard and fibreboard are now available for July.

**Available on CANSIM: table 303-0002.**

**Definitions, data sources and methods: survey number 2141.**

The July 2004 issue of *Particleboard, oriented strandboard and fibreboard*, Vol. 40, no. 7 (36-003-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](mailto:manufact@statcan.ca)), Manufacturing, Construction and Energy Division. ■

## NEW PRODUCTS

**E-STAT, 2004**  
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(free).

**Particleboard, Oriented Strandboard and Fibreboard, July 2004, Vol. 40, no. 7**  
**Catalogue number 36-003-XIB** (\$6/\$51).

**Household Expenditures Research Papers Series: Survey of Household Spending 2002: Data Quality Indicators, 2002, no. 1**  
**Catalogue number 62F0026MIE2004001**  
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**New Motor Vehicle Sales, July 2004, Vol. 76, no. 7**  
**Catalogue number 63-007-XIE** (\$14/\$133).

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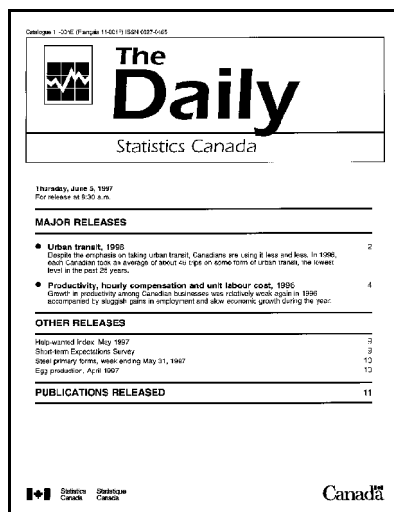
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