



The Daily

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Releases

Monthly Survey of Manufacturing, August 2005

2

In August, escalating oil prices coupled with a rebound in the production of motor vehicles and parts contributed to a strong 3.3% gain in the value of manufacturers' shipments to \$51.9 billion.

New motor vehicle sales, August 2005

7

Incentives could not prevent new vehicle sales from plunging 7.9% in August, partly reversing two months of strong increases.

Dairy statistics, August 2005

10

Small area retail trade estimates, 2003

10

Natural gas transportation and distribution, April 2005

10

Steel wire and specified wire products, August 2005

10

New products

11

Release dates: October 17 to 21, 2005

12



Releases

Monthly Survey of Manufacturing

August 2005

In August, escalating oil prices coupled with a rebound in the production of motor vehicles and parts contributed to a strong 3.3% gain in the value of manufacturers' shipments to \$51.9 billion. In addition, a stream of new orders in August may bode well for manufacturers' prospects in the coming months.

Auto manufacturers accelerate production

The volatile motor vehicle industry, which comprised approximately 12% of total shipments in August, once again topped the manufacturing sector in terms of shipment activity. Motor vehicle manufacturers posted stronger-than-normal gains in shipments of 10.5% to \$6.1 billion in August.

Several automobile manufacturers were in full production of the 2006 models to stock showrooms in the fall. In addition, August's rebound in motor vehicle manufacturing followed a notably weak July when assembly lines were slowed due to seasonal shutdowns for employees' vacations and product changeovers, along with extended production slowdowns at some plants for inventory control measures.

Petroleum shipments soar to new heights

Strong demand and a 6.5% jump in the price of petroleum and coal products pushed shipments above the \$5 billion mark for the first time.

Unplanned refinery closures and the threat of tropical storms in the southern United States set in motion the recent surge in the price of crude oil in August. By month's end, the price of crude oil surpassed US \$70 per barrel, the highest on record, as Hurricane Katrina battered the US Gulf Coast. Petroleum shipments have risen almost 30% in value since the close of 2004.

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 plastics 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.

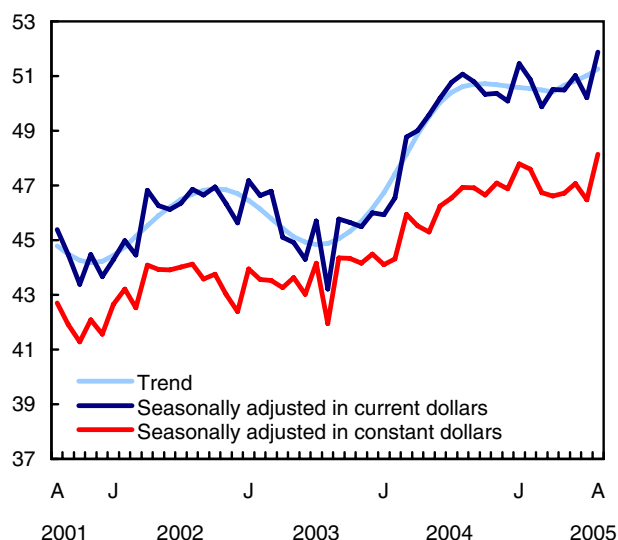
A decline in the production of aerospace products and parts in August (-29.1%) slightly offset the overall rise in shipments. Despite the drop, healthy foreign demand has been fuelling a recovery in the aerospace industry in 2005.

Most industries post higher shipments

Although August's gain in shipments was concentrated in the price-influenced petroleum industry and the volatile transportation equipment sector, the spurt of activity on the factory floor was wide ranging. Increases were reported in 16 of 21 manufacturing industries, accounting for almost 90% of total shipments.

Big boost in manufacturing shipments in August

\$ billions



Excluding the motor vehicle, parts and petroleum industries, shipments remained up a healthy 1.1%. Both the durable goods (+2.7%) and nondurable goods (+4.2%) sectors fuelled August's gain in manufacturing.

The marked increase in manufacturing activity in August contributed to an improvement in the trend for shipments. Although higher industrial prices were a factor in the rise of shipments in August, a share of the increase was volume based as shipments jumped 3.6% to \$48.1 billion at 1997 prices.

Ontario bounces back in August

Ontario led the seven provinces and the territories which reported higher shipments in August. Following a weak July, Ontario's motor vehicle, petroleum and primary metals industries contributed to a \$1.4 billion (+5.7%) advance in shipments to \$27 billion, the highest level so far in 2005.

British Columbia and Alberta also posted robust increases. Resource-based industries boosted British Columbia's manufacturing sector by \$202 million (+5.9%) to \$3.6 billion. Big gains in the manufacturing of chemicals and petroleum products sent Alberta's shipments upwards by \$150 million (+3.2%) to \$4.9 billion.

Declines in Quebec and Manitoba partly offset some of the overall strength in August. A drop in aerospace manufacturing in Quebec pulled down total shipments by \$277 million (-2.3%) to \$11.9 billion, while Manitoba's

manufacturers posted a \$65 million (-5.8%) decline in shipments to \$1.1 billion. Both provinces had reported robust production in July.

Manufacturing shipments by province and territories

	July 2005 ^r	August 2005 ^p	July to August 2005
Seasonally adjusted			
	\$ millions		% change
Canada	50,206	51,872	3.3
Newfoundland and Labrador	250	246	-1.6
Prince Edward Island	119	124	3.8
Nova Scotia	792	866	9.4
New Brunswick	1,246	1,344	7.9
Quebec	12,188	11,911	-2.3
Ontario	25,519	26,963	5.7
Manitoba	1,118	1,053	-5.8
Saskatchewan	847	882	4.1
Alberta	4,713	4,863	3.2
British Columbia	3,411	3,613	5.9
Yukon	1	1	6.5
Northwest Territories including Nunavut	3	7	124.7

^r Revised data.

^p Preliminary data.

Manufacturers' orders books continue to grow

Widespread increases also contributed to a 3.4% surge in new orders to \$52.7 billion in August. New orders, which are up almost 6.0% since August 2004, have now advanced in three of the last four months.

New orders for motor vehicles and parts, computer products and primary metals were up sharply, counterbalancing fewer contracts received by railroad rolling stock and aerospace manufacturing.

Planes, trains and computers boost unfilled orders

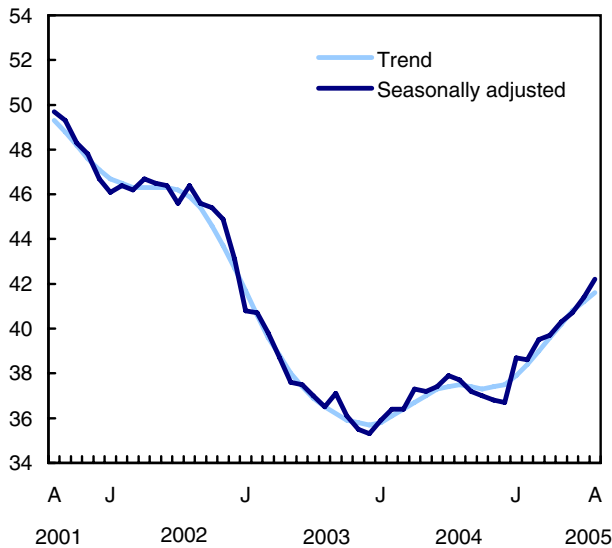
Unfilled orders rose another 1.9% to \$42.2 billion in August, the sixth successive increase. The backlog of unfilled orders has increased 15% in value in the first eight months of 2005 compared to the close of 2004.

This recent momentum confirms manufacturers' comments in the July 2005 Business Conditions Survey, where manufacturers pointed out that they were less concerned with their levels of unfilled orders going into the third quarter.

The aerospace (+2.0%), railroad rolling stock (+4.3%) and computer (+3.5%) industries were the big movers in terms of higher unfilled orders in August. Each of these industries is coming back from several years of weak demand, plant slowdowns and layoffs.

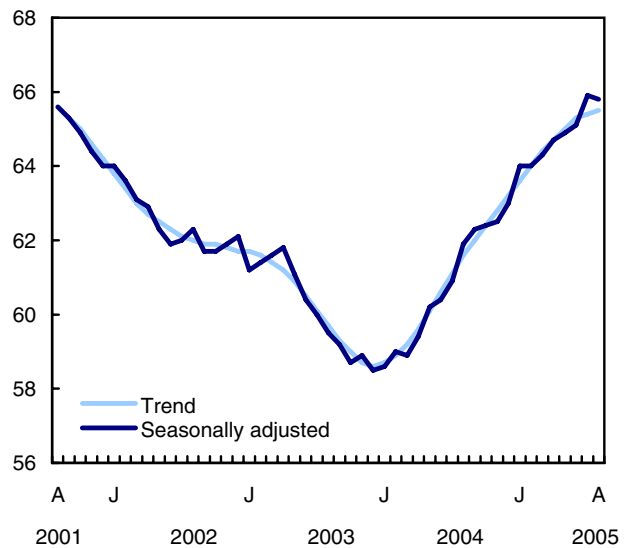
Unfilled orders continue to buildup

\$ billions



Inventories stable

\$ billions



Inventories unchanged

Inventories stood at \$65.8 billion in August, unchanged from July. Manufactures' inventories had been on an upward trend since the start of 2004, and now stand at the highest level in just over four years.

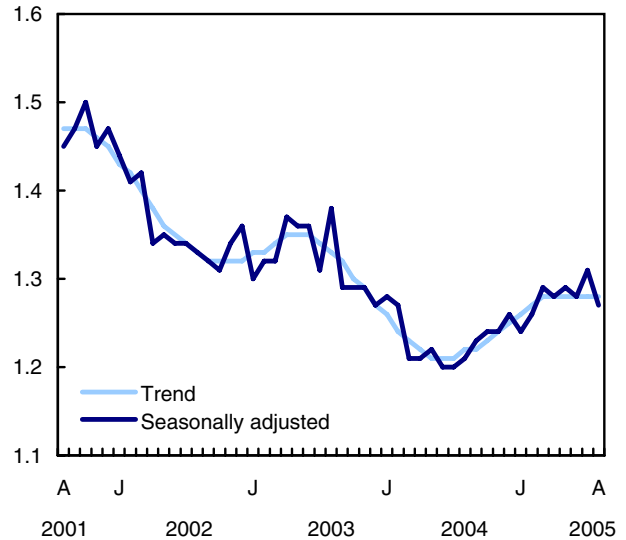
Primary metals (-3.7%) and aerospace products and parts (-1.8%) posted lower inventories in August, which were counterbalanced by a sizable gain in wood products (+4.4%).

Inventory-to-shipment ratio falls back

Strong shipment activity in August pulled down the inventory-to-shipment to 1.27 from July's spike of 1.31. Weak shipments coupled with rising inventories pushed up the ratio to a two-year high in July.

Strength in shipments pull back the inventory-to-shipments ratio

Ratio



Manufacturers' challenges abound as they continue to wrestle with the strengthened value of the Canadian dollar, soaring input costs and intense competition from abroad. As a result, the inventory-to-shipment ratio has been gradually climbing over the last year. One year ago, the ratio stood at 1.21, just shy of the recent low of 1.20 in June and July 2004.

The inventory-to-shipment 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.

Revisions

With the July 2005 release, all data have been rebenchmarked to the revised 2001 Annual Survey of Manufactures. Estimates of shipments, inventories and orders have been revised back to January 2000. Although the historical month-to-month movements

were preserved, there were minor adjustments made to the levels of the Monthly Survey of Manufacturing.

Available on CANSIM: tables 304-0014, 304-0015 and 377-0008.

Definitions, data sources and methods: survey number 2101.

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

□

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 2004	51,068	0.6	61,892	1.7	37,667	-0.6	50,840	-0.8	1.21
September 2004	50,798	-0.5	62,299	0.7	37,243	-1.1	50,375	-0.9	1.23
October 2004	50,336	-0.9	62,447	0.2	37,042	-0.5	50,134	-0.5	1.24
November 2004	50,373	0.1	62,547	0.2	36,791	-0.7	50,122	0.0	1.24
December 2004	50,089	-0.6	62,990	0.7	36,694	-0.3	49,992	-0.3	1.26
January 2005	51,448	2.7	64,046	1.7	38,714	5.5	53,468	7.0	1.24
February 2005	50,877	-1.1	64,048	0.0	38,637	-0.2	50,799	-5.0	1.26
March 2005	49,879	-2.0	64,273	0.4	39,541	2.3	50,783	0.0	1.29
April 2005	50,506	1.3	64,663	0.6	39,656	0.3	50,621	-0.3	1.28
May 2005	50,488	0.0	64,914	0.4	40,256	1.5	51,088	0.9	1.29
June 2005	51,015	1.0	65,151	0.4	40,680	1.1	51,439	0.7	1.28
July 2005	50,206	-1.6	65,865	1.1	41,413	1.8	50,939	-1.0	1.31
August 2005	51,872	3.3	65,846	0.0	42,219	1.9	52,678	3.4	1.27

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 2004	41,913	0.3	57,857	1.6	35,643	-0.4	41,784	-1.0
September 2004	41,602	-0.7	58,328	0.8	35,324	-0.9	41,283	-1.2
October 2004	41,667	0.2	58,519	0.3	35,224	-0.3	41,568	0.7
November 2004	41,903	0.6	58,696	0.3	34,956	-0.8	41,634	0.2
December 2004	41,437	-1.1	59,082	0.7	34,770	-0.5	41,251	-0.9
January 2005	42,233	1.9	60,120	1.8	36,614	5.3	44,078	6.9
February 2005	42,085	-0.4	60,263	0.2	36,357	-0.7	41,828	-5.1
March 2005	41,891	-0.5	60,435	0.3	37,249	2.5	42,783	2.3
April 2005	42,228	0.8	60,748	0.5	37,406	0.4	42,385	-0.9
May 2005	42,241	0.0	61,066	0.5	38,027	1.7	42,862	1.1
June 2005	42,518	0.7	61,249	0.3	38,540	1.3	43,031	0.4
July 2005	42,029	-1.2	61,759	0.8	39,158	1.6	42,647	-0.9
August 2005	42,982	2.3	61,804	0.1	39,978	2.1	43,801	2.7



New motor vehicle sales

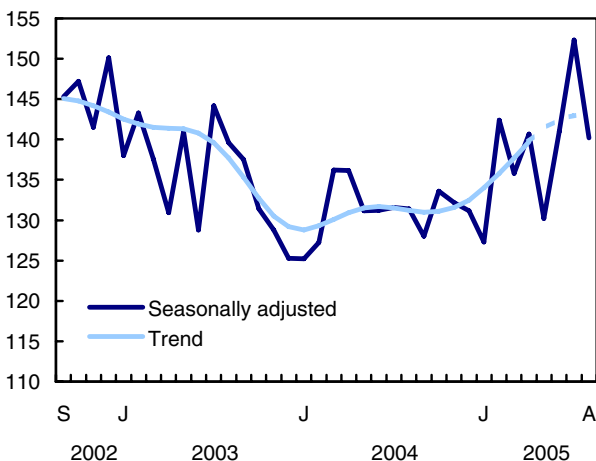
August 2005

Incentives could not prevent new vehicle sales from plunging 7.9%, partly reversing two months of strong increases. Dealers sold 140,243 new vehicles in August, down 12,106 units from July. Half the decline occurred in Ontario.

Over three-quarters of the decline in August was attributable to lower sales of trucks, which includes minivans, sport-utility vehicles, light and heavy trucks, vans and buses.

New motor vehicle sales down after two consecutive increases

'000 units



The last few points could be subject to revisions when more data are added. This is indicated by the dashed line.

The August decline occurred despite the continued wide availability of incentive programs, notably the discount packages usually reserved for employees. According to the Consumer Price Index, the purchase price of new vehicles edged up 0.8% in August, owing partly to a slight decrease in financial incentives and discounts offered by some dealers.

While registering strong monthly fluctuations, new motor vehicle sales have been maintaining an upward movement since the start of 2005, a trend that has strengthened in recent months. During 2004, new motor vehicle sales remained relatively stable after a string of increases at the start of the year.

Based on preliminary figures from the auto industry, the number of new motor vehicles sold in September is estimated to have fallen a further 8%, with the drop again attributable to truck sales.

Note to readers

All data in this release are seasonally adjusted.

Passenger cars include those used for personal and commercial purposes, such as taxis or rental cars. **Trucks** include minivans, sport-utility vehicles, light and heavy trucks, vans and buses.

North American-built new motor vehicles include vehicles manufactured or assembled in Canada, the United States or Mexico. All other new motor vehicles are considered to have been manufactured overseas.

For reasons of confidentiality, data for Yukon, the Northwest Territories and Nunavut are included with those for British Columbia.

The New Motor Vehicle Sales Survey is compiled on the basis of figures obtained from motor vehicle manufacturers and importers. These results may vary from those obtained directly from auto dealers, due to possible differences in record keeping.

Truck sales take a beating

Even though sales of both categories of vehicles declined in August, consumers stayed away from trucks in particular, with truck sales falling at least three times more rapidly than passenger car sales.

The number of new trucks sold fell 12.1% in August to 67,279 vehicles. This decline wiped out the gain of the same magnitude registered in July.

Car sales declined 3.7%, following two months of increases. Much of the decline was attributable to sales of overseas-built cars, which accounted for 32.2% of all passenger cars. Their sales fell 8.1% compared to 1.5% for North American-built cars, which include the cars that foreign automakers produce in North America.

Since the start of 2005, sales of both cars and trucks have maintained an upward trend despite major fluctuations. At the start of 2004, these sales registered sizable gains. After that, they remained relatively stable, in contrast to the steep declines that were observed throughout 2003 for cars and in the second half of the same year for trucks.

Sales down in almost all provinces

In August, new motor vehicle sales declined in all provinces except the region formed by British Columbia and the territories (+1.0%) and in Prince Edward Island (+0.7%). In Ontario, the 10.2% drop accounted for 50% of the national decrease.

New motor vehicle sales in the region formed by British Columbia and the territories and in Prince Edward Island have been on an upward trend since the start of 2005. Previously, for the region formed by British Columbia and the territories, they generally remained

stable in 2004. In Prince Edward Island, they stabilized in the second half of this year, following gains in the first half.

Among the other provinces, the decreases ranged from 1.9% in Nova Scotia to 25.0% in Newfoundland and Labrador.

Available on CANSIM: tables 079-0001 and 079-0002.

Definitions, data sources and methods: survey number 2402.

The August issue of *New Motor Vehicle Sales* (63-007-XIE, \$14/\$133) will be available soon.

Data on new motor vehicle sales for September will be released on November 14.

For general information or to order data, contact Client Services (1-877-421-3067; 613-951-3549; retailinfo@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Clérance Kimanyi (613-951-6363), Distributive Trades Division.



New motor vehicle sales

	August 2004	July 2005 ^P	August 2005 ^P	August 2004 to August 2005	July to August 2005
seasonally adjusted					
	number of vehicles			% change	
New motor vehicles	131,396	152,349	140,243	6.7	-7.9
Passenger cars	68,786	75,805	72,964	6.1	-3.7
North American ¹	46,357	50,178	49,412	6.6	-1.5
Overseas	22,429	25,628	23,552	5.0	-8.1
Trucks, vans and buses	62,610	76,544	67,279	7.5	-12.1
New motor vehicles					
Newfoundland and Labrador	1,921	2,304	1,729	-10.0	-25.0
Prince Edward Island	386	443	446	15.5	0.7
Nova Scotia	3,785	4,225	4,146	9.5	-1.9
New Brunswick	2,953	3,367	3,016	2.1	-10.4
Quebec	33,312	36,011	33,750	1.3	-6.3
Ontario	50,163	58,814	52,798	5.3	-10.2
Manitoba	3,824	4,730	4,145	8.4	-12.4
Saskatchewan	3,363	4,136	3,463	3.0	-16.3
Alberta	16,309	21,556	19,825	21.6	-8.0
British Columbia ²	15,381	16,764	16,924	10.0	1.0
	August 2004	July 2005	August 2005 ^P	August 2004 to August 2005	
unadjusted					
	number of vehicles			% change	
New motor vehicles	136,187	158,796	146,862	7.8	
Passenger cars	73,943	80,412	79,017	6.9	
North American ¹	49,312	53,318	53,168	7.8	
Overseas	24,631	27,094	25,849	4.9	
Trucks, vans and buses	62,244	78,384	67,845	9.0	
New motor vehicles					
Newfoundland and Labrador	2,282	2,725	2,153	-5.7	
Prince Edward Island	429	569	504	17.5	
Nova Scotia	3,849	4,614	4,345	12.9	
New Brunswick	3,123	3,627	3,242	3.8	
Quebec	35,857	39,113	36,084	0.6	
Ontario	51,777	59,562	55,081	6.4	
Manitoba	4,146	5,012	4,685	13.0	
Saskatchewan	3,729	4,238	3,873	3.9	
Alberta	15,922	21,334	19,742	24.0	
British Columbia ²	15,073	18,002	17,153	13.8	

^r Revised data.

^P Preliminary figures.

1. Manufactured or assembled in Canada, the United States or Mexico.

2. Includes Yukon, the Northwest Territories and Nunavut.



Dairy statistics

August 2005 (preliminary)

Dairy farmers sold 633 000 kilolitres of milk and cream to dairies in August, down 1.0% from August 2004. Fluid milk sales stood at 247 000 kilolitres, and industrial milk sales at 386 000 kilolitres. Industrial milk is used to manufacture butter, cheese, yogurt, ice cream, milk powders and concentrates.

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

The third quarter issue of *The Dairy Review* (23-001-XIB, \$29/\$96) will be available in November.

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

Small area retail trade estimates

2003

Small area retail trade estimates for sales and number of stores are now available for 2003.

Small area data are tabulated by Canada Post geographic areas. For urban delivery areas, the estimates are available at the forward sortation area level (the first three digits of the postal code). For rural areas, estimates are available at the six-digit postal code level.

Estimates within these geographic areas are based on the North American Industry Classification System. Data are available to the five-digit level of industrial detail, subject to confidentiality.

Definitions, data sources and methods: survey number 2447.

For more information, or to enquire about the concepts, methods or data quality of this release, contact

Client Services (1-877-421-3067; 613-951-3549; retailinfo@statcan.ca), Distributive Trades Division. ■

Natural gas transportation and distribution

April 2005

Data on natural gas transportation and distribution for April are now available.

Available on CANSIM: tables 129-0001 to 129-0004.

Definitions, data sources and methods: survey number 2149.

For more information, or to order data, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (1-866-873-8789; 613-951-9497; energ@statcan.ca), Manufacturing, Construction and Energy Division. ■

Steel wire and specified wire products

August 2005

Data on steel wire and specified wire products production are now available for August.

Available on CANSIM: table 303-0047.

Definitions, data sources and methods: survey number 2106.

The August issue of *Steel, Tubular Products and Steel Wire*, (41-019-XIE, \$6/\$51) will soon be available.

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

There are no new products today.

How to order products

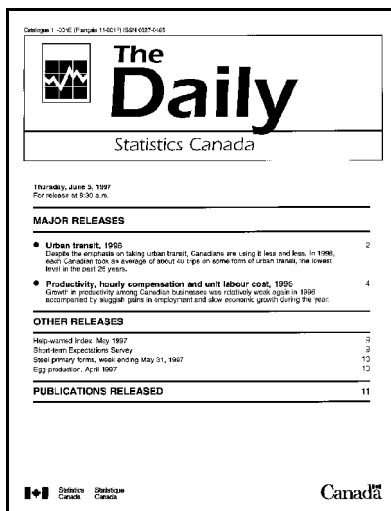
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Release dates: October 17 to 21, 2005

(Release dates are subject to change.)

Release date	Title	Reference period
17	Retail trade by province	1996 to 2004
18	Canada's international transactions in securities	August 2005
18	Leading indicators	September 2005
19	Wholesale trade	August 2005
19	Financing of small- and medium-sized enterprises	2004
19	Travel between Canada and other countries	August 2005
21	Retail trade	August 2005