



The Daily

Statistics Canada

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Following a red-hot August (+3.1%), manufacturers curtailed production in September as shipments edged down 0.5% to \$51.6 billion. A hefty decline in motor vehicle manufacturing was partly offset by increases in the aerospace and chemicals products industries.

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Releases

Monthly Survey of Manufacturing

September 2005

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Excluding the motor vehicle and parts industries, total manufacturing shipments increased at a reasonably healthy pace of 0.6%.

Although manufacturing activity tapered off in September, the decrease was not widespread; only 10 of 21 industries accounting for just over half of the total value of shipments (53%), posted decreases. At 1997 prices, shipments fell 0.6% to \$47.7 billion, which followed August's volume based surge in production (+3.0%).

Manufacturers hit the brakes on shipments of cars and trucks

The ever-volatile transportation equipment sector was the main contributor to the plunge in shipments in September. Extensive declines in motor vehicle manufacturing resulted in an 8.2% drop in shipments to \$5.7 billion. This followed a strong August (+12.3%) when some manufacturers returned from summer shutdowns and began to boost production of the 2006 models.

Seasonal shutdowns and extended production slowdowns at some plants have contributed to the recent volatility of the motor vehicle industry. In Canada and the United States, incentive programs by various car makers, which saved consumers thousands of dollars, pulled forward sales into the summer which likely would have occurred in the fall. Vehicle sales estimates for September and October were off sharply in both countries.

In addition, the soaring cost of gasoline coupled with the recent rise in interest rates, could put a further damper on the short-term prospects of the motor vehicle industry.

Temporary delays impact production of railroad rolling stock

Also posting notable declines in September were the railroad rolling stock and computer 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 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. Also, some orders may be cancelled.

Production of railroad rolling stock fell 39.5% to \$223 million, due to temporary operational problems at some plants. The industry has received a wave of new orders for commuter rail cars in recent months, which is expected to translate into future production.

Following a strong start to the year, computer manufacturing fell back another 5.7% to \$1.8 billion in September, the third decline in the last five months. Despite the recent setbacks, 2005 shipments remained above levels of the last couple of years.

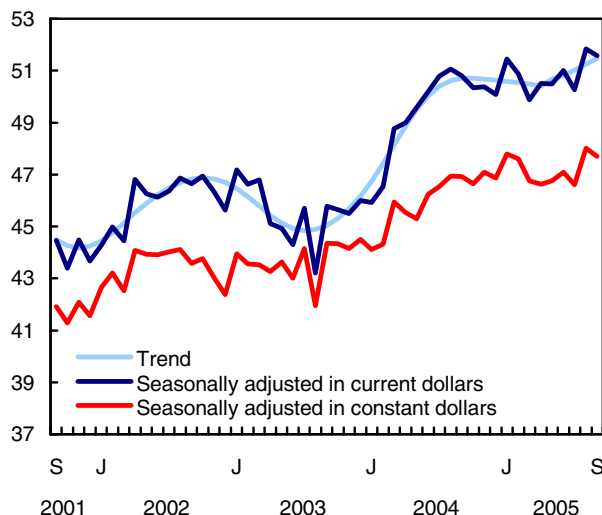
Aerospace products bounce back

Production of aerospace products and parts surged 21.7% to \$1.1 billion, making up for August's 30.1% drop, and partly counterbalancing the overall decline in shipments in September. Pent-up, global demand for new aircraft contributed to the recent uptake in production of aerospace products in 2005.

An earlier-than-normal boost in demand for chemical fertilizers contributed to September's 3.3% gain in shipments of chemical products to \$4.1 billion.

Slowing production of cars and trucks pulls down total shipments

\$ billions



Another lacklustre month for Ontario's manufacturers

Sluggish production of transportation equipment pulled down shipments in Ontario by \$590 million (-2.2%) to \$26.4 billion, the second decrease in three months. Manufacturing activity also slowed in Newfoundland and Labrador for the third consecutive month as shipments fell by \$21 million (-8.7%) to \$219 million in September.

Wide-ranging gains contributed to Quebec's rebound in September as shipments rose by \$188 million (+1.6%) to \$12.1 billion. Aerospace production and record high petroleum shipments contributed to the rise.

Alberta's two largest manufacturing industries, petroleum and chemical products, led all industries in September. Manufacturers posted a \$77 million (+1.6%) increase in shipments to \$5.0 billion, following a 3.1% jump last month.

Finished product inventories plunge

Finished product inventories dropped 2.1% to \$21.6 billion in September, following a 0.2% decrease in August. Finished products had been on a steady rise since early 2004, although the trend has slowed in recent months. September's decrease was concentrated in the aerospace and primary metals industries.

Manufacturing shipments, provinces and territories

	August 2005 ^r	September 2005 ^p	August to September 2005
	seasonally adjusted		
	\$ millions		% change
Canada	51,839	51,571	-0.5
Newfoundland and Labrador	2,340	219	-8.7
Prince Edward Island	118	115	-2.1
Nova Scotia	865	850	-1.8
New Brunswick	1,335	1,388	4.0
Quebec	11,905	12,093	1.6
Ontario	26,951	26,361	-2.2
Manitoba	1,068	1,111	4.1
Saskatchewan	885	905	2.3
Alberta	4,911	4,988	1.6
British Columbia	3,554	3,535	-0.5
Yukon	1	1	-7.4
Northwest Territories including Nunavut	7	6	-16.7

^r Revised data.

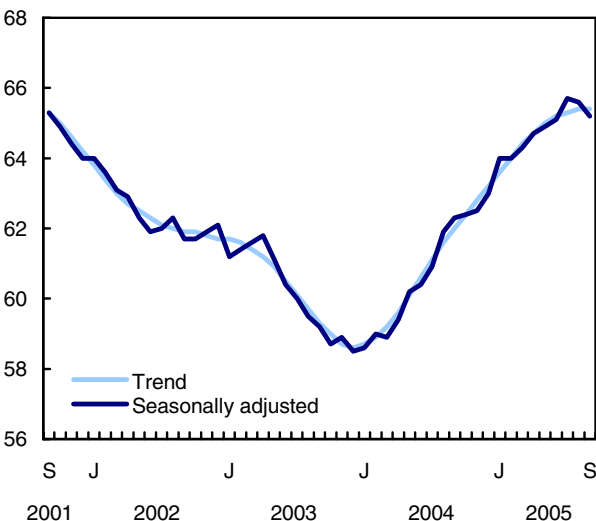
^p Preliminary data.

The aerospace industry also contributed to a 0.7% rise in goods-in-process inventories, partly offsetting the drop in finished products. Meanwhile, inventories of raw materials remained relatively constant at \$28.6 billion in September.

Overall, total inventories fell 0.5% to \$65.2 billion, the second consecutive monthly decline. Manufacturers' inventories have decreased only 3 times in the last 21 months.

Big decline in finished products pulls down total inventories

\$ billions



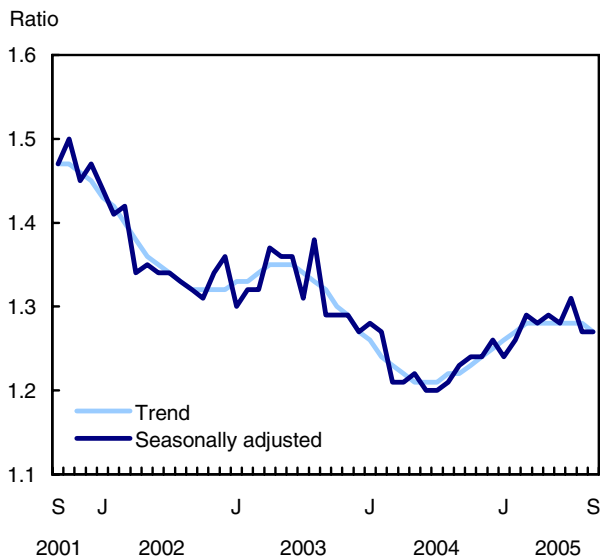
Ratio of inventories-to-shipments remains stable

In September, the inventory-to-shipment remained at 1.27 for the second straight month, below the recent high of 1.31 recorded last July. 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.

So far in 2005, the ratio's trend has been relatively stable following a gradual rise late last year. In 2004, the ratio bottomed-out at 1.20 as robust shipments boosted the manufacturing sector overall.

The impact of the strong Canadian dollar on manufacturers' export trade, coupled with rising input costs and aggressive foreign competition have been among the many challenges facing Canada's manufacturing sector.

The inventory-to-shipment ratio holds its own in September



Unfilled orders continue on an upward trend

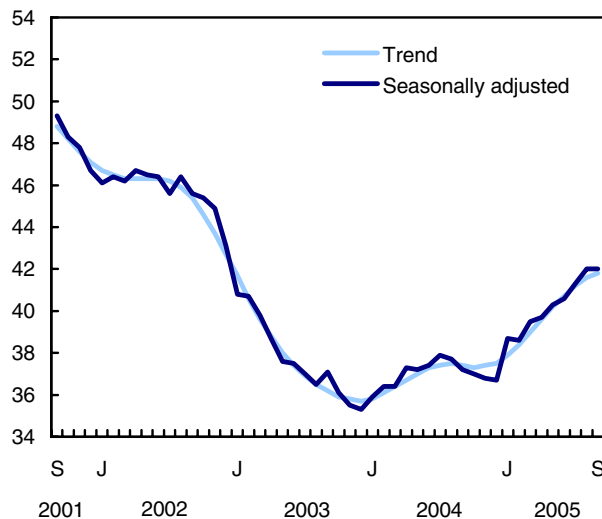
Manufacturers' backlog of unfilled orders edged 0.1% higher in September to \$42.0 billion, the seventh successive increase.

The steady rise in unfilled orders was in keeping with manufacturers' improved opinion concerning their level of orders going into the fourth quarter of 2005, according to the Business Conditions Survey for October. Orders, which have risen 14% since the close of 2004, now stand at the highest level since December 2002.

In September, widespread increases in unfilled orders were reported by the machinery (+3.2%) and railroad rolling stock (+3.1%) industries, which offset a 2.2% decline in the aerospace products and parts industry. Despite September's drop in the backlog of aerospace orders, demand in the industry has been strong in 2005 as unfilled orders stand 18% higher compared to September 2004.

Manufacturers continue to add to their backlog of unfilled orders

\$ billions



Fewer new orders received

New orders fell back 1.7% to \$51.6 billion in September, following August's 3.0% jump. The transportation equipment sector (-8.9%) was responsible for the decrease. Excluding this sector, which saw decreases in the motor vehicles and aerospace industry, new orders were up 0.2% in September.

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

Definitions, data sources and methods: survey number 2101.

All data are benchmarked to the 2001 Annual Survey of Manufactures.

Data from the October Monthly Survey of Manufacturing will be released on December 14.

For general information or to order data, contact the dissemination officer (1-866-873-8789; 613-951-9497; fax: 613-951-9499; manufact@statcan.ca). To enquire about the concepts, methods or data quality of the

release, contact Russell Kowaluk (613-951-0600, kowarus@statcan.ca), Manufacturing, Construction and Energy Division.

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	
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	51,004	1.0	65,061	0.2	40,609	0.9	51,357	0.5	1.28
July 2005	50,265	-1.4	65,677	0.9	41,305	1.7	50,962	-0.8	1.31
August 2005	51,839	3.1	65,589	-0.1	41,966	1.6	52,500	3.0	1.27
September 2005	51,571	-0.5	65,245	-0.5	41,992	0.1	51,597	-1.7	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
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	42,531	0.7	61,172	0.2	38,484	1.2	42,988	0.3
July 2005	42,121	-1.0	61,578	0.7	39,077	1.5	42,714	-0.6
August 2005	42,899	1.8	61,556	-0.0	39,758	1.7	43,580	2.0
September 2005	43,146	0.6	61,214	-0.6	39,787	0.1	43,174	-0.9

Dairy statistics

September 2005 (preliminary)

Consumers purchased 249 800 kilolitres of milk and cream in September, up 2.9% from September 2004. Sales of milk, at 226 300 kilolitres, increased 2.4% from year ago levels. Sales of cream stood at 23 500 kilolitres, up 8.4% from September 2004.

Available on CANSIM: tables 003-0007 to 003-0012, 003-0029, 003-0033 and 003-0034.

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

The third quarter 2005 issue of *The Dairy Review* (23-001-XIB, \$29/\$96) will be available soon.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Anna Michalowska (613-951-2442 or toll free 1-800-465-1991; fax: 613-951-3868), Agriculture Division. ■

Shipments of solid fuel burning heating products

Third quarter 2005

Data on shipments of solid fuel burning heating products are now available for the third quarter 2005.

Available on CANSIM: table 303-0063.

Definitions, data sources and methods: survey number 2189.

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. ■

Steel wire and specified wire products

September 2005

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

Available on CANSIM: table 303-0047.

Definitions, data sources and methods: survey number 2106.

The September 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

Agriculture and Rural Working Paper Series: Skills, Innovation and Growth: Key Issues for Rural and Territorial Development: A Survey of the Literature, 1980 to 2003, no. 76
Catalogue number 21-601-MIE2005076
(free).

New Motor Vehicle Sales, September 2005, Vol. 77, no. 9
Catalogue number 63-007-XIE (\$14/\$133).

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Thursday, June 3, 1997
For release at 9:30 a.m.



MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 40 trips on some form of urban transit, the lowest level in the last 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses was noticeably weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

- **Map-wormed index, May 1997** 3
Statcan's Equivalence Survey
- **Steel primary forms, year ending May 31, 1997** 12
F22 producer, April 1997

PUBLICATIONS RELEASED 11

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