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The Daily

Statistics Canada

Thursday, January 12, 2006
Released at 8:30 a.m. Eastern time

Releases

New products

Releases

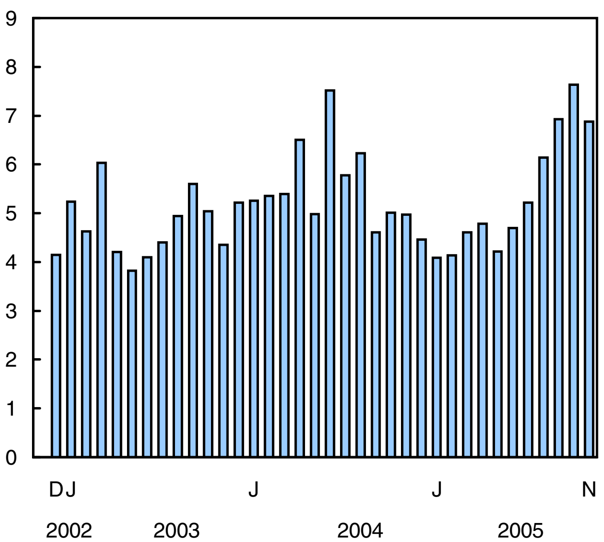
Canadian international merchandise trade

November 2005

Canada's merchandise exports fell for the first time in nine months in November as record energy prices cooled off. However, if energy products were excluded, exports would have risen slightly, boosted by increased shipments of automobiles and metal ores.

Trade balance

$ billions



Exports slipped 2.0% to $39.7 billion from the record high revised level of $40.5 billion in October.

Again, exports of natural gas were the key factor, declining 18.5% to $3.7 billion, which followed four consecutive monthly increases. Natural gas prices and volumes each retreated 10.0%. Much of these declines can be attributed to American natural gas production coming back online in the wake of back-to-back hurricanes in the Gulf Coast.

Canada's merchandise imports, which stood at a record high $32.9 billion in October, remained relatively stable in November, edging down 0.1% to $32.8 billion.

As a result, Canada's trade surplus with the world slipped to $6.9 billion. At the same time, the trade surplus in energy products fell from its all-time high of $6.5 billion in October to $5.3 billion as energy exports declined and imports rose.

Note to readers

Merchandise trade is one component of the current account of Canada's balance of payments, which also includes trade in services.

Revisions

In general, merchandise trade data are revised on an ongoing basis for each month of the current year. Customs basis data are revised for the previous data year each quarter.

Factors influencing revisions include late receipt of import and export documentation, incorrect information on customs forms, replacement of estimates with actual figures, changes in classification of merchandise based on more current information, and changes to seasonal adjustment factors.

Revised data are available in the appropriate CANSIM tables.

Exports to the United States fell back 1.6% from October's record high of $33.3 billion. Imports were down 0.1%. Canada's trade surplus with the United States fell from $11.5 billion in October to $11.0 billion in November.

The deficit with countries other than the United States widened for the third consecutive month, from $3.2 billion in August to a record high $4.1 billion in November.

Exports to countries other than the United States have been strong in 2005, hitting a record high in August of $7.5 billion. However, they have declined in each successive month. Imports from these countries surged in September and have since held steady at a record high $11.1 billion.

Exports: Automotive and metal ore exports post gains

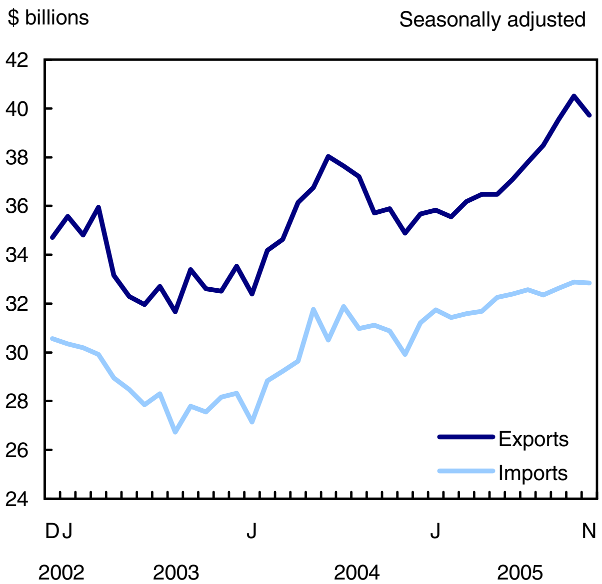
Though energy exports ensured a decline in overall exports in November, gains were recorded in Canada's automotive exports and metal ore exports.

Energy exports as a whole fell 11.1% to $8.4 billion as a decrease in petroleum and coal products accompanied the drop in natural gas. In contrast, crude petroleum gained ground in November, increasing 7.1% to a new high of $2.9 billion.

Despite the drop, the value of energy exports was still the highest among all export sectors in November.

Two other sectors (automobile and machinery) both registered increases to $8.0 billion. For the automotive sector, it was the highest level since $8.1 billion recorded in June 2004. Though reports of restructuring have led to headlines questioning the strength of the Canadian auto industry, automotive exports have been robust in past months, recording their seventh successive increase in November.

Exports and imports



Passenger auto exports, which led this climb, jumped 5.9%. Auto sales in the United States have also been robust in recent months, with many of the models that are in high demand being produced in Ontario.

Metal ore exports jumped 19.5%, with shipments of iron ore, copper ore, and nickel ore leading the way. As well, exports of primary iron and steel posted gains, reaching a record high of $67.5 million.

British Columbia's exports from January to November 2005 have surpassed the total 2004 value for the province, with rising metal ore exports being a contributing factor. The main reason for British Columbia's growth in 2005 has been soaring energy prices. Other energy-exporting provinces, such as New Brunswick, Saskatchewan and Alberta, have also surpassed their 2004 totals.

For the first time in eight months, exports of live animals failed to register a gain, dropping 11.0% to $191.1 million. Live cattle exports had been pushing up live animal exports since the lifting of the US ban on cattle under the age of 30 months in July, but shipments fell back slightly in November.

Japan announced in December that it will re-open its border to Canadian beef following a two-year ban. In 2002, the year before the ban was imposed, the Canadian beef industry exported $52.7 million worth of beef to Japan, an average of $4.4 million a month.

Japan was at that time the third largest destination for Canadian beef, next to the United States and Mexico. In 2002, total beef exports were slightly more than $2.0 billion.

Imports: Energy products and consumer goods on the rise

Rising imports of energy products and consumer goods were offset by widespread declines in automotive products and industrial goods and materials.

Energy products experienced the largest gain in November as imports jumped 5.1% to a record high $3.1 billion. Petroleum and coal products, specifically fuel for aircraft, were the driving force behind the increase, rising to a historic high of $828.9 million.

Imports of other consumer goods increased to a record high of $4.3 billion in November. Import levels for other consumer goods, which include products such as consumer electronics, sports equipment and toys, printed matter, and apparel and footwear, have been very strong throughout 2005, with monthly values all above $4.0 billion for the first year ever.

Prices for these goods have been falling, particularly as a result of the appreciating dollar. Constant dollar imports of consumer goods have jumped from $41.0 billion in 2002 to $44.6 billion in 2003 to $48.4 billion in 2004. With one month left in 2005, constant dollar imports are standing at $47.7 billion.

Imports of machinery and equipment edged down in November to $9.4 billion. However, these imports during 2005 climbed from $8.8 billion in January to $9.4 billion in June and have hovered between $9.3 billion and $9.5 billion in the months following.

Imports of motor vehicle parts dropped 4.5%. Imports in two sub-groups fell for the second month in a row, with declines of 4.1% for passenger autos and chassis and 2.3% for trucks and other motor vehicles.

Available on CANSIM: tables 228-0001 to 228-0003 and 228-0033 to 228-0046.

Definitions, data sources and methods: survey numbers, including related surveys, 2201, 2202 and 2203.

The November 2005 issue of *Canadian International Merchandise Trade*, Vol. 59, no. 11 (65-001-XIB, $15/$151) is now available. See *How to order products*. The publication includes tables on a balance of payments basis (by commodity and principal trading area) and on a customs basis (by commodity and country). Current account data (which incorporate merchandise trade statistics, service transactions, investment income and transfers) are available quarterly in *Canada's Balance of International Payments* (67-001-XIE, $32/$100).

Merchandise trade data are available in PDF format on the morning of release.

For more information on products and services, contact Anne Couillard, (1-800-294-5583; 613-951-6867). To enquire about the concepts, methods or data quality of this release, contact Diana Wyman (613-951-3116), International Trade Division.

Merchandise trade

	October 2005[r]	November 2005	October to November 2005	November 2004 to November 2005	January to November 2004	January to November 2005	January–November 2004 to January–November 2005
	seasonally adjusted, $ current						
	$ millions		% change		$ millions		% change
Principal trading partners							
Exports							
United States	33,281	32,762	-1.6	14.7	321,576	336,834	4.7
Japan	916	875	-4.5	6.8	9,162	9,496	3.6
European Union	2,354	2,255	-4.2	6.6	24,711	26,224	6.1
Other OECD countries[1]	1,434	1,257	-12.3	4.3	13,097	13,881	6.0
All other countries	2,530	2,569	1.5	17.1	24,918	27,265	9.4
Total	**40,516**	**39,718**	**-2.0**	**13.9**	**393,466**	**413,700**	**5.1**
Imports							
United States	21,784	21,768	-0.1	10.0	228,682	237,210	3.7
Japan	945	867	-8.3	-5.1	9,180	10,032	9.3
European Union	3,414	3,292	-3.6	5.8	33,503	35,258	5.2
Other OECD countries[1]	1,963	2,048	4.3	7.2	20,366	22,161	8.8
All other countries	4,780	4,862	1.7	16.0	40,136	49,709	23.9
Total	**32,886**	**32,838**	**-0.1**	**9.8**	**331,866**	**354,369**	**6.8**
Balance							
United States	11,497	10,994	...	...	92,894	99,624	...
Japan	-29	8	...	...	-18	-536	...
European Union	-1,060	-1,037	...	...	-8,792	-9,034	...
Other OECD countries[1]	-529	-791	...	...	-7,269	-8,280	...
All other countries	-2,250	-2,293	...	...	-15,218	-22,444	...
Total	**7,630**	**6,880**	**...**	**...**	**61,600**	**59,331**	**...**
Principal commodity groupings							
Exports							
Agricultural and fishing products	2,632	2,691	2.2	9.3	28,347	27,722	-2.2
Energy products	9,420	8,376	-11.1	44.0	62,128	78,161	25.8
Forestry products	3,067	2,996	-2.3	-2.0	36,192	33,457	-7.6
Industrial goods and materials	6,968	7,089	1.7	9.5	70,959	77,248	8.9
Machinery and equipment	7,919	7,963	0.6	8.4	84,009	87,006	3.6
Automotive products	7,835	7,980	1.9	12.8	82,955	80,903	-2.5
Other consumer goods	1,433	1,427	-0.4	3.0	15,862	15,905	0.3
Special transactions trade[2]	728	721	-1.0	11.4	7,279	7,541	3.6
Other balance of payments adjustments	513	474	-7.6	-23.5	5,734	5,758	0.4
Imports							
Agricultural and fishing products	1,877	1,882	0.3	6.7	19,624	20,241	3.1
Energy products	2,930	3,081	5.2	29.7	22,264	30,427	36.7
Forestry products	251	252	0.4	-8.0	2,897	2,886	-0.4
Industrial goods and materials	6,537	6,455	-1.3	4.0	67,068	71,843	7.1
Machinery and equipment	9,498	9,444	-0.6	12.9	95,152	101,169	6.3
Automotive products	6,702	6,438	-3.9	6.0	70,615	71,795	1.7
Other consumer goods	4,126	4,260	3.2	6.9	43,573	45,467	4.3
Special transactions trade[2]	363	445	22.6	30.5	4,588	4,229	-7.8
Other blance of payments adjustments	602	582	-3.3	9.2	6,081	6,311	3.8

r *Revised.*
1. *Includes Australia, Canada, Iceland, Mexico, New Zealand, Norway, South Korea, Switzerland and Turkey.*
2. *These are mainly low valued transactions, value of repairs to equipment, and goods returned to country of origin.*
... *Figures not appropriate or not applicable.*

■

Study: Multipliers and outsourcing: How industries interact with each other and affect GDP

One of the basic tools of economic analysis, multipliers show the linkages between a change in output in one industry and its ripple effect on others. While multipliers are often acknowledged, their intricacies are frequently overlooked. This paper looks at different types of multipliers and their strengths and weaknesses.

Revenue multipliers measure how industries use each other's output. Industries with more linkages to other sectors will have higher multipliers. However, this does not mean that they are more important to economic growth. One of the most common mistakes in analysis is to use revenue multipliers as proof of the importance of an industry to the overall economy. Multipliers are a guide to which industries outsource the most to others, not which are the most valuable or productive.

Most goods-producing industries have large revenue multipliers, reflecting their high degree of interdependence with other industries, notably with each other and services such as transportation and finance. For example, manufactured goods are usually made of several standardised parts, which lends itself to outsourcing. As well, these firms have led the way in contracting out services they need, ranging from advertising to building maintenance and even payroll systems.

Conversely, services tend to have low revenue multipliers, reflecting either a simpler production process with fewer linkages to other industries or a less standardised product. More health care and education, for example, triggers less additional demand for transportation and distribution than most goods do.

Manufacturing and finance are the first or second largest input into almost all other industries. Only 3 out of 22 industries do not have manufacturing and finance ranked first or second.

Professional and technical services are needed nearly as ubiquitously as manufacturing and finance. They are consistently among the third or fourth largest input, with the exception of the primary sector. This reflects the contracting out of simple business services such as tax preparation, human resources administration and especially information technology.

Of the 22 industries, 15 increased their use of inputs from other industries between 1986 and 2002, most by a significant amount. The widespread increase in multiplier values over the last 16 years is a measure of how industries are specializing in their core competency while farming out the provision of parts or services to other firms. This process is commonly called outsourcing.

Whether outsourcing to other firms in Canada, or offshoring to firms around the globe, the motivation is the same — to boost efficiency and lower costs. Two of the four industries where outsourcing fell were education and the non-profit sector, which are relatively insulated from the market forces pushing for more efficiency.

Output multipliers measure the real contribution of an industry to total gross domestic product (GDP). The results can be dramatically different. These multiplier values are considerably smaller than revenue multipliers, because they net out intermediate inputs and capture production done in the firm. For example, manufacturing has one of the highest revenue multipliers, reflecting how it has outsourced its production to other industries. But its output multiplier for creating GDP in Canada ranks last among the major industry groups.

The GDP multipliers are lower because they take account of a number of all intermediate inputs included in the revenue multipliers. A major drawback of revenue multipliers is that while they correctly capture how an industry raising its output needs more inputs from a wide range of industries, they do not net out the purchases these industries subsequently make from each other.

These intermediate inputs inflate the revenue multipliers by duplicating inputs from one industry that are ultimately purchased from another. For example, higher auto output triggers more steel purchases which leads to increased demand for iron; without netting out these intermediate purchases, the value of the iron ore would be counted three times in the making of a vehicle.

Second, output multipliers reflect the impact of higher output within each industry, and not just the ripple effect on other industries. This adjusts for the problem that revenue multipliers are higher for industries with standardized production processes, which lend themselves to lots of linkages with other sectors (like manufacturing), and lower for industries that supply most of their inputs from within (such as mining and utilities).

The ranking of the 22 industries for revenue and output multipliers is substantially different, almost standing the results on their head. The seven industries with the largest revenue multipliers all tumble to the lower half for output multipliers. The largest drop is for agriculture, which plummets 20 places from first to twenty-first. Manufacturing slides from fifth to last place. Construction, forestry, and accommodation and food all post double-digit declines.

Conversely, a number of services industries move to the forefront for output multipliers. Finance and education jump from among the lowest revenue multipliers to the two largest output multipliers. Retail and wholesale trade and government follow close behind, compared with their mid-rank status for revenue multipliers. Administration and health care also rise nearly 10 places.

Utilities stands out among goods-producing industries, as its output multiplier ranked ninth versus its having the lowest revenue multiplier. Mining moved up slightly. While most services improved their standing, there were some exceptions. As noted earlier, accommodation and food fell 12 places. Recreation, information and transportation moved down about half a dozen spots.

The study "Multipliers and outsourcing: How industries interact with each other and affect GDP" is now available for free online. The study is also included in the January 2006 Internet edition of *Canadian Economic Observer*, Volume 19, no. 1 (11-010-XIB, $19/$182), which is now available. The monthly paper version of *Canadian Economic Observer*, Volume 19, no. 1 (11-010-XPB, $25/$243) will be available on Thursday, January 19.

For more information about the *Canadian Economic Observer*, go to the *Canadian Statistics* page of our Web site, choose *National Accounts*, then click on the banner ad for *Canadian Economic Observer*.

For more information, contact Philip Cross (613-951-9162; *ceo@statcan.ca*), Current Economic Analysis Group. ■

Study: How technology and global conditions affect the Canadian travel industry
2003

The increased popularity of the Internet has had a major impact on the travel industry over a relatively short period of time, according to a new study that examines the Internet's impact on Canada's travel arrangement and travel accommodation industries.

Travel suppliers went online at first to provide information. Now, major on-line travel sites are much more likely to offer Internet-savvy consumers booking options that can go beyond simple transactions, such as point-to-point air and hotel reservations.

In fact, travel packages are accounting for an increased share of online business. Travel arrangement services continue to be one of the most frequently ordered items over the Internet, eclipsed in popularity only by reading materials.

In 2003, 22% of households that made online purchases reported making travel arrangements over the Internet, up from 18% the year before.

While few tour operators perceived that their growth was dampened by Internet reservations in 2003, nearly two-thirds of travel agencies felt that Internet reservations were detrimental to their business. As Internet-savvy travellers become more comfortable assembling their own travel packages online, they are increasingly bypassing travel agencies, especially those with no Internet presence.

In 2003, the share of tour operators who ran their own company Web site increased to 42%, up from 36% in the previous year. In comparison, the share of travel agencies with their own Web sites remained steady at 29%.

In 2003, the most common purpose of the company Web site was to advertise travel products and services. Of businesses with Web sites, 75% of travel agencies and 84% of tour operators used them for advertising purposes.

The article also suggests that between 2001 and 2003, the greater prevalence of Internet reservations dampened room prices and operating profits for traveller accommodations providers, particularly non-affiliated ones. This coincided with a sharp decline in the number of foreign tourists visiting Canada.

In fact, 2003 will be remembered as one of the worst years ever for tourism. The Iraq conflict, lingering fears from September 11th, and the unexpected outbreak of SARS had a dampening effect on travel worldwide.

Travel declined further in 2003, even after the largest drop in tourism in two decades in 2001. Asia and North America in particular contributed to the overall drop in world travel.

Definitions, data sources and methods: survey number 2418.

The article "Changing market trends: How technology and global conditions affect the Canadian travel industry" is now available online in January issue of *Services Industries Newsletter*, Vol. 2006, no. 1 (63-018-XWE, free).

For more information, contact Don Little (613-951-6739), Services Industries Division. ■

Export and import price indexes
November 2005

Current- and fixed-weighted export and import price indexes (1997=100) on a balance of payments basis are now available. Price indexes are listed from January 1997 to November 2005 for the five commodity sections and the major commodity groups (62 exports and 61 imports).

Current- and fixed-weighted US price indexes (1997=100) are also available on a customs basis. Price indexes are listed from January 1997 to November 2005. Included with the US commodity indexes are the 10 all-countries and US-only Standard International Trade Classification section indexes.

Indexes for the five commodity sections and the major commodity groups are also available now on a customs basis.

Available on CANSIM: tables 228-0001 to 228-0003 and 228-0033 to 228-0046.

Definitions, data sources and methods: survey numbers, including related surveys, 2201, 2202 and 2203.

The November 2005 issue of *Canadian International Merchandise Trade*, Vol. 59, no. 11 (65-001-XIB, $15/$151) 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 Anne Couillard (1-800-294-5583; 613-951-9647), International Trade Division. ■

Electric power generating stations

2004

Data on electric power generating stations are now available for 2004. The survey provides a list of generating stations in Canada and includes the name, ownership, year of installation, capacity (in kilowatts), type of fuel or water supply, and source (hydro, steam, internal combustion, combustion turbine, nuclear, wind and tidal).

Definitions, data sources and methods: survey number 2193.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (1-886-873-8789; 613-951-9497; *energ@statcan.ca*), Manufacturing, Construction and Energy Division. ■

New products

Canadian Economic Observer, January 2006, Vol. 19, no. 1
Catalogue number 11-010-XIB ($19/$182).

Service Industries Newsletter, Vol. 2006, no. 1
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Canadian International Merchandise Trade, November 2005, Vol. 59, no. 11
Catalogue number 65-001-XIB ($15/$151).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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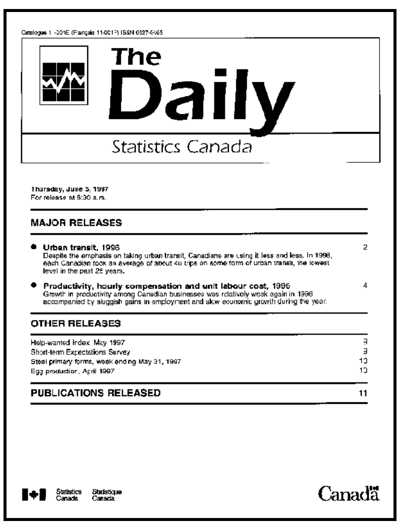
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The Daily

Statistics Canada

Thursday, June 5, 1997
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MAJOR RELEASES

- **Urban transit, 1996** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 45 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4
Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

Help-wanted Index, May 1997 9
Short-term Expectations Survey 9
Steel primary forms, week ending May 31, 1997 10
Egg production, April 1997 10

PUBLICATIONS RELEASED 11

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