



# The Daily

Statistics Canada

**Monday, December 4, 2006**

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## Releases

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<b>Survey of Suppliers of Business Financing, 2005</b>	2
The debt load held by Canadian businesses increased for the second year in a row in 2005. Larger businesses, those with loan authorizations of more than \$5 million, accounted for most of the increase.	
Study: Retail gift cards, 2003 to 2005	4
Study: Impact of competition on company efficiency, 2000 and 2001	4
Scheduled air passenger origin and destination: Canada-United States, 2004	5
Steel primary forms, weekly data, week ending November 25, 2006	5
Electric power generating stations, 2005	5

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<b>New products</b>	7
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## Releases

### Survey of Suppliers of Business Financing

2005

The debt load held by Canadian businesses increased for the second year in a row in 2005. Larger businesses, those with loan authorizations of more than \$5 million, accounted for most of the increase.

Commercial suppliers of financing, including banks, finance companies and insurance companies, reported that their Canadian business clients owed them an estimated \$411.5 billion, a 10.7% increase from 2004.

The number of business loans also increased by 78,000 to 1.97 million, up 4.1% from 2004.

The debt was mainly in the form of loans, mortgages and lines of credit. Historically low interest rates, rising commodity prices and increased capital investment have spurred business financing requirements.

Over two-thirds of the annual increase in outstanding debt was attributed to businesses with loan authorizations of more than \$5 million. Their debt load rose 14.3% in 2005 or by about \$27 billion. Overall, these businesses accounted for just over one-half of the total outstanding debt.

In terms of number of loans, these businesses with the largest authorizations levels increased their number of loans by 9.5%.

In contrast, the number of loans among businesses with authorizations of less than \$1 million, generally small and medium sized enterprises, increased only 4.3%. Overall, the debt outstanding for these small and medium enterprises was \$100.8 billion in 2005.

#### Banks dominate debt financing, but market share slipping

Domestic banks continued to be the major supplier of debt financing to businesses. In 2005, their outstanding debt financing to Canadian businesses amounted to \$210 billion, up 7.1%, or nearly \$14 billion, from 2004.

Domestic banks accounted for just over one-half (51%) of the Canadian business borrowing market, down slightly from 53% in 2004. The market share of banks has steadily declined since the survey began in 2000.

Finance companies (including government business enterprises) reported the largest percentage increase

#### Note to readers

Statistics Canada conducts the Survey of Suppliers of Business Financing in partnership with Industry Canada and the Department of Finance as part of a larger program of research into financing for small and medium-sized enterprises.

Since most suppliers of financing do not track the employment size of their business clients, they were asked to group their clients by authorization size, by the maximum amount they were allowed to borrow. Authorization size is used in this survey as a proxy for business size for lack of employment size indicators.

The survey was based on a census of enterprises in selected finance and leasing industries, including government business enterprises, with assets of \$5 million or more. Excluded from the survey were government programs, private not-for-profit organizations and foreign and informal suppliers such as business "angels" and family members.

in debt financing provided to Canadian businesses (22.6%). Their market share increased to 14% of the business borrowing market.

#### Suppliers of business financing

	2000	2001	2002	2003 <sup>r</sup>	2004 <sup>r</sup>	2005
	market share in %					
Domestic banks	57	56	55	53	53	51
Other banks	12	11	11	11	12	12
Credit unions and caisses populaires	7	8	9	10	10	10
Finance companies	10	11	12	12	13	14
Portfolio managers, venture capital companies and financial funds	2	3	3	2	2	2
Insurance companies	12	11	11	11	10	10

<sup>r</sup> revised

#### Business debt up in all provinces and territories

Businesses in all of the provinces and territories increased the amount of their debt outstanding in 2005.

The rates of growth ranged from 1.7% among those in Newfoundland and Labrador to 17.0% in Nunavut and 16.7% in Saskatchewan.

Over half of the provinces and territories recorded rates of growth in outstanding debt of 10% or greater.

Businesses in Ontario had \$163.8 billion in outstanding debt, an 8.9% increase from 2004. Ontario businesses accounted for about 40% of the total business debt outstanding.

### Outstanding business debt, by province and territory

	2004 <sup>r</sup>	2005	2004 to 2005
	\$ millions		% change
Newfoundland and Labrador	2,873.4	2,920.9	1.7
Prince Edward Island	1,581.9	1,722.4	8.9
Nova Scotia	8,531.5	9,758.3	14.4
New Brunswick	6,022.1	6,592.3	9.5
Quebec	72,943.3	80,242.9	10.0
Ontario	150,382.1	163,757.5	8.9
Manitoba	13,409.9	14,556.7	8.6
Saskatchewan	12,598.9	14,700.7	16.7
Alberta	53,302.2	61,271.0	15.0
British Columbia	49,194.9	55,076.7	12.0
Yukon	243.9	273.1	12.0
Northwest Territories	426.1	453.2	6.4
Nunavut	139.8	163.5	17.0
<b>Total: Canada</b>	<b>371,650.1</b>	<b>411,489.2</b>	<b>10.7</b>

<sup>r</sup> revised

### Debt in manufacturing sector increases for the first time in five years

Business debt varied widely across industries in 2005.

The manufacturing sector and the real estate, rental and leasing sector each accounted for about 13% of total outstanding debt in 2005, the highest proportion. Businesses in agriculture accounted for 11% of all debt.

Manufacturers increased their borrowing by 17.2% to \$53.5 billion. This follows four years of reductions in their outstanding debt. The debt load of Canadian manufacturers may have been affected by various factors. These include the strong Canadian dollar that trimmed revenues from exports, as well as high fuel costs, intense foreign competition, inconsistent consumer demand and manufacturers' decisions to increase capital investments.

Debt among businesses in the real estate, rental and leasing sector increased 14.0% to just under \$52.1 billion.

Agricultural industries had outstanding debt of \$46.5 billion in 2005, up 6.3% from a year earlier.

### Outstanding business debt, by industry

	2004 <sup>r</sup>	2005	2004 to 2005
	\$ millions		% change
Agriculture	43,727.0	46,469.6	6.3
All other primary industries	24,848.6	25,531.4	2.7
Utilities	8,149.9	8,397.0	3.0
Construction	25,034.9	28,419.8	13.5
Manufacturing	45,669.1	53,503.8	17.2
Wholesale trade	14,367.3	16,800.8	16.9
Retail trade	34,427.2	38,810.2	12.7
Transportation and warehousing	16,186.1	18,340.1	13.3
Information and culture	6,722.4	7,582.9	12.8
Finance and insurance	34,401.6	32,941.6	-4.2
Real estate, rental and leasing	45,685.3	52,098.6	14.0
Professional, scientific and technical	10,914.2	12,495.1	14.5
Education and health	12,641.5	14,227.4	12.5
Entertainment and accommodation	16,164.0	17,702.0	9.5
All other industries and unknown	32,711.0	38,169.0	16.7
<b>Total, all industries</b>	<b>371,650.1</b>	<b>411,489.2</b>	<b>10.7</b>
Knowledge-based industries	22,032.5	22,406.5	1.7

<sup>r</sup> revised

### Leasing growth led by finance companies

Total lease amounts outstanding in 2005 increased 23.6% to \$28.7 billion. The gain was mainly reported by finance companies, who reported outstanding leases of \$17.9 billion, an increase of 25.7%. Finance companies accounted for 62% of total leases in 2005.

Visit our website for the summary data tables. You can also go to Industry Canada's website for the complete set of tables (<http://sme-fdi.ic.gc.ca>).

### Definitions, data sources and methods: survey number 2514.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Tracy Hart (613-951-4826; [tracy.hart@statcan.ca](mailto:tracy.hart@statcan.ca)), Industrial Organization and Finance Division. ■

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## Study: Retail gift cards

2003 to 2005

During last year's Christmas holiday season, 8 out of every 10 of Canada's largest retailers offered gift cards for their customers, a huge increase from only two years before, according to a new study.

During the 2003 Christmas holiday season, 53% of large retailers had made the cards available. Just two years later, this proportion had ballooned to 82%.

The study, published in the *Analysis in Brief* series, examined the growing popularity of the cards in a wide range of large retailers.

This group covers Canada's largest food, clothing, home furnishings, electronics, sporting goods, and general merchandise retailers (including department stores). Together these retailers represent about 35% of total annual retail sales, after excluding recreational and motor vehicle dealers.

The biggest increase in the proportion of stores offering gift cards occurred in the trade groups that were slowest to introduce them. These consisted of clothing stores, which include shoes and accessories, supermarkets and other stores, such as pharmacies and book stores.

Among six trade groups examined, the proportion of clothing stores offering gift cards showed the biggest gain. In 2003, 36% of clothing stores were offering the cards; by 2005, this had more than doubled to 79%.

The proportion of supermarkets also jumped from 57% in 2003 to 70% in 2005.

However, clothing stores and supermarkets were still far behind the home electronics and appliances stores, all of which offered gift cards in 2005. The vast majority of general merchandise stores also offered them.

There is yet no estimate of the value of annual sales conducted through gift cards. However, the study found that the retailers with the largest sales tended to offer gift cards sooner.

Stores that introduced the gift cards in 2003 had sales that averaged \$11.8 million per store in 2005. This was more than twice the average of \$5.0 million among the group that had not offered gift cards at that time.

Even within a trade group, size had an impact. For example, in the clothing industry, stores that had introduced gift cards in 2003 had average annual sales in 2005 of \$2.0 million each. In contrast, sales among stores not yet offering gift cards in 2005 averaged only \$1.0 million each.

The study also provides a first glance at results for the entire surveyed retail industry, not just the largest retailers. It found that 55% of total sales in December 2005 came from stores offering gift cards.

Certain types of retailers, such as general merchandisers, were more likely to offer gift cards. General merchandise stores that had gift cards accounted for 94% of retail sales within that particular retail sector in December last year.

At the other end of the spectrum, gift cards were largely absent from used and recreational vehicle dealers and new car dealers. Stores that offered gift cards accounted for only about 4% of their sales.

The study used data from two special supplements to the Monthly Retail Trade Survey. This survey produces data on sales and the number of retail locations by province and territory from a sample of about 10,000 groups of retail establishments, representing about 215,000 stores.

### Definitions, data sources and methods: survey numbers, including related surveys, 2406 and 5027.

The analytical article "Gift cards: The gift of choice" is now available online as part of the *Analysis in Brief* (11-621-MWE2006051, free) series from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Monica Weise (613-951-3803), Distributive Trades Division. ■

## Study: Impact of competition on company efficiency

2000 and 2001

Companies that operate in more competitive environments place more emphasis on quality improvement than those operating in less competitive environments, according to a new study.

Moreover, larger firms place more importance on quality improvements than smaller ones do.

The study used data from the Workplace and Employee Survey conducted in 2001 to examine whether competition faced by 4,732 companies affected a firm's behaviour in certain areas.

These areas included strategies pursued to improve product quality, cost reductions, and the types of contracts and incentives offered to employees to improve their effort.

The study found that competition increased the importance firms placed on quality improvements and cost reductions, the presence of incentive contracts, and the number of unpaid overtime hours that employees work.

In addition, the effects of competition on these three variables were generally larger for firms with more

employees and/or more hierarchical structures, where agency costs, that is, the cost of doing business, were more likely to be a bigger issue.

These effects took place in sequence. In other words, competition increased the importance firms place on quality improvements. This, in turn, was positively associated with greater reliance on incentive-based contracts. Finally, such contracts led to greater effort on the part of employees.

Economists have long held that competition improves the efficiency of a company. When companies make major changes, they often work under the assumptions that competition both reduces agency costs, and allows them to induce more effort and greater efficiency from their managers.

Until now, any micro-level evidence to support these assumptions has largely been anecdotal. This study put the value of competition to the test using firm-level data, and found that product market competition can have a direct and definite effect on managerial incentives.

**Definitions, data sources and methods: survey number 2615.**

The research paper "Product market competition and agency costs" is now available as part of the *Analytical Studies Branch Research Paper Series* (11F0019MIE2006287, free) from the *Publications* module of our website.

Related studies from the Business and Labour Market Analysis Division can be found at *Update on Analytical Studies* (11-015-XIE, free) on our website.

For further information or to enquire about the concepts, methods or data quality of this release, contact Jean-Etienne de Bettignies (604-822-8481; [bettignies@sauder.ubc.ca](mailto:bettignies@sauder.ubc.ca)) or René Morissette (613-951-3608), Business and Labour Market Analysis Division. ■

**Scheduled air passenger origin and destination: Canada-United States**  
2004 (preliminary)

Just over 15.5 million passengers travelled on scheduled services between Canada and the United States in 2004, up 7.8% compared to 2003 (14.4 million passengers). The markets have recovered from the effects of severe acute respiratory syndrome (SARS) and the war in Iraq, and have surpassed levels seen in 2000.

The publication *Air Passenger Origin and Destination, Canada-United States Report, 2004* (51-205-XIB, free) is now available from the *Publications* module of our website. Quarterly data will be released in the next issue of *Aviation: Service Bulletin* (51-004-XIB, free).

**Definitions, data sources and methods: survey number 2703.**

For more information, or to enquire about the concepts, methods or data quality of this release, contact Annette Loebach (613-951-0028; [aviationstatistics@statcan.ca](mailto:aviationstatistics@statcan.ca)), Transportation Division. ■

**Steel primary forms, weekly data**  
Week ending November 25, 2006 (preliminary)

Steel primary forms production for the week ending November 25 totalled 282 544 metric tonnes, up 18.6% from 238 300 tonnes a week earlier and down 8.6% from 309 135 tonnes in the same week of 2005.

The year-to-date total as of November 25 was 14 134 320 tonnes, up 2.1% from 13 849 724 tonnes in the same period of 2005.

**Note:** The release of the data for the week ending December 2, 2006, scheduled for publication in the December 8, 2006 edition of *The Daily*, will be the last for this survey, which is being discontinued.

Users will find the steel production data on a monthly and year-to-date basis in the monthly publication *Steel, Tubular Products and Steel Wire* (41-019-XWE, free) from the *Publications* module of our website. This publication presents the results of four monthly surveys that measure selected outputs of the Canadian steel manufacturing industry. These surveys cover steel primary forms, steel castings and pig iron; ingots and rolled steel products; steel pipe and tubing; and steel wire and specified wire products.

**Definitions, data sources and methods: survey number 2131.**

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

**Electric power generating stations**  
2005

Data on electric power generating stations are now available for 2005. 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).

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-886-873-8789;

613-951-9497; [energ@statcan.ca](mailto:energ@statcan.ca)).  
Construction and Energy Division.

Manufacturing, ■

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## New products

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**Analytical Studies Branch Research Paper Series:**  
**"Product market competition and agency costs",**  
no. 287  
**Catalogue number 11F0019MIE2006287**  
(free).

**Analysis in Brief: "Gift cards: The gift of choice",**  
no. 51  
**Catalogue number 11-621-MWE2006051**  
(free).

**Agriculture and Rural Working Paper Series: Impact of Characteristics of the Farmers and their Business on Profitability in the Canadian Hog Industry,** no. 80  
**Catalogue number 21-601-MIE2006080**  
(free).

**Air Passenger Origin and Destination, Canada-United States Report, 2004**  
**Catalogue number 51-205-XIB**  
(free).

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

Catalogue numbers with an -XWE, -XIB or an -XIE extension are Internet versions; those with -XMB or -XME are microfiche; -XPB or -XPE are paper versions; -XDB or -XDE are electronic versions on diskette; -XCB or -XCE are electronic versions on compact disc and -XBB or -XBE a database.

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**Authorized agents and bookstores also carry Statistics Canada's catalogued publications.**

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Statistics Canada

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Thursday, June 5, 1997  
For release at 8:30 a.m.

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**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 six trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4  
Growth in productivity among Canadian businesses and industry weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

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**OTHER RELEASES**

- Map-wanted index, May 1997 3
- Short-term Expectations Survey 8
- Steel primary forms, week ending May 31, 1997 12
- Egg production, Apr. 1997 13

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**PUBLICATIONS RELEASED** 11

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