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Releases

Industrial capacity utilization rates

Fourth quarter 2005

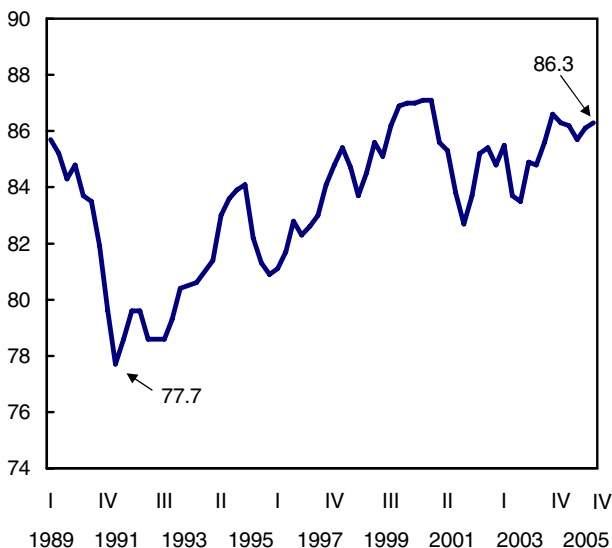
Industrial capacity utilization increased only marginally during the last three months of 2005, despite strong exports and personal expenditures. Higher international demand provided a significant boost to the durable goods-producing industries, while imports met most of the rise in domestic demand.

Industries finished the year operating at 86.3% of their capacity, compared with 86.1% in the third quarter. This slight gain left the rate 1.3 percentage points below the peak of 87.6% reached in the first quarter of 1988.

The industrial capacity utilization rate is the ratio of an industry's actual output to its estimated potential output. Rates have been revised back to the first quarter of 2003 to reflect the revised source data.

Capacity use edges up

% (rate of capacity use)



Foreign demand for durable goods, especially automotive vehicles, contributed greatly to the rise in capacity utilization in the manufacturing sector. Nonetheless, manufacturers do not appear to be planning significant additions to their production capacity in 2006.

A survey of private and public investment intentions for 2006 showed that manufacturers were planning only a moderate 3.4% increase in investment this

year. Virtually all of it will be concentrated in plant construction, leaving investment in machinery and equipment at 2005 levels. The January 2006 Business Conditions Survey found that manufacturers were not expecting to increase production in the first three months of the year.

The oil and gas extraction and construction sectors also helped boost the rate in the fourth quarter, even though part of the increased production in these sectors was absorbed by the increase in production capacity.

Oil and gas companies took advantage of the high oil and natural gas prices, posting large increases in their profits in 2005. Employment remained high in the construction sector, and investments rose by 6.0% in 2005.

The forestry and logging, mining and electric power sectors slowed the rise in the rate from October to December as a result of lower use of their production capacity.

On an annual basis, the average capacity utilization rate for 2005 was 86.1%, slightly up from the 85.8% annual average for 2004. Inflation remained relatively stable despite consistently high rates over the past two years. The Consumer Price Index (excluding the eight volatile components identified by the Bank of Canada) rose 1.7% between January 2005 and January 2006.

Durable goods stimulate the manufacturing sector

Manufacturers used 84.7% of their production capacity in the fourth quarter, up from 84.1% in the previous quarter. Most durable goods-producing industries reported rising rates, while non-durable goods-producing industries generally posted decreases.

The transportation equipment, machinery, plastic and rubber products and fabricated metal products, manufacturing industries were particularly instrumental in raising the rate in the manufacturing sector. However, the wood products, chemical and food manufacturing industries reduced their capacity utilization in the fourth quarter.

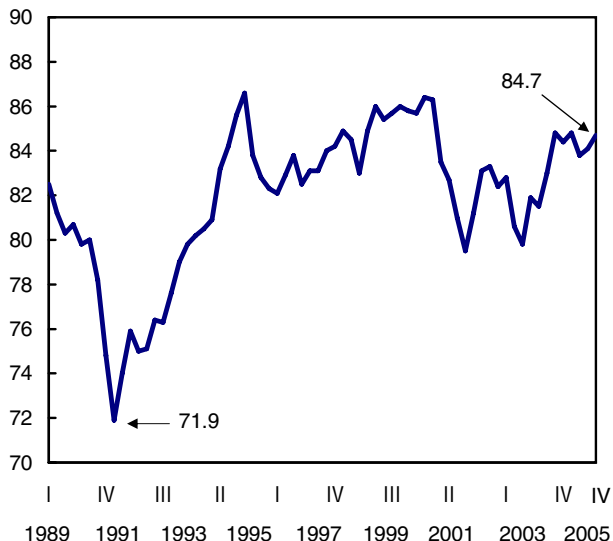
In the transportation equipment industry, capacity use rose from 88.3% to 90.7%. Automobile manufacturers, who increased production by 5.3% to meet growing demand in the United States, were instrumental in the industry's strong performance.

Machinery manufacturers increased their capacity utilization by 4.9 points to 89.2%. This was the highest rate posted by this industry since the fourth quarter of 1997, when it reached 90.2%. Machinery

exports increased significantly from October to December 2005 and production rose by 5.5%.

The pace of capacity use increases in manufacturing

% (rate of capacity use)



Production of plastic and rubber products rose 4.0% in the fourth quarter, as all of the main components of this group increased their production, except for tire manufacturers. As a result, this industry's rate hit 91.1%, up from 87.3% in the previous quarter.

After two consecutive quarterly declines, capacity utilization rose in the fabricated metal products manufacturing industry, from 78.5% to 80.9%. A key contributor was the 3.1-percentage-point hike in architectural and structural metals manufacturing.

Wood products manufacturers reported a 2.8-percentage-point drop in capacity utilization to 84.8%. This fourth consecutive quarterly decline set the average annual rate at 89.3% for 2005, down from the 2004 annual average of 92.1%. The decline in output in most key components in this industry, especially sawmills, was central to the fourth-quarter decline in the rate.

Chemical products manufacturers operated at 79.9% of their capacity in the fourth quarter,

down from 81.4% the previous quarter. A 3.8% cut in pharmaceutical and medicine production played a key role in the decline.

Food manufacturers used less of their production capacity in the fourth quarter, when their rate fell to 79.8% from 80.8%. A decline in production among the main components in this group was at the root of the 0.4% drop in production in this industry.

Mixed performance in remaining sectors

In the forestry and logging sector, capacity utilization plummeted by 13.6 points to 80.9%. Production in this sector fell by 12.4% in the fourth quarter.

In the mining sector, the rate fell from 98.3% to 93.7%, completely cancelling any gains posted in the third quarter. The 11.0% drop in production in metal ore mines contributed significantly to the decline in mining production.

The demand for electricity fell due to the mild weather between October and December, and electric power generation dropped by 0.9% in the fourth quarter. As a result, capacity use in this sector fell from 89.2% to 88.0%.

In the oil and gas extraction sector, the rate rose by 1.7 percentage points to 84.5%. The drop in natural gas production failed to offset higher crude oil production, resulting in a 3.0% increase in production in the sector.

In the construction sector, where production grew by 2.2%, capacity use settled at 88.9%, up from 88.3% the previous quarter.

Available on CANSIM: table 028-0002.

Definitions, data sources and methods: survey number 2821.

Data on industrial capacity utilization rates for the first quarter of 2006 will be released on June 12.

For more information or to enquire about the concepts, methods or data quality of this release, contact Mychèle Gagnon (613-951-0994) or Richard Landry (613-951-2579), Investment and Capital Stock Division.

□

Industrial capacity utilization rates

	Third quarter 2005 ^r	Fourth quarter 2005	Third to fourth quarter 2005	2004 ^r	2005	2004 to 2005
	Annual average					
	percentage point change			percentage point change		
Total industrial	86.1	86.3	0.2	85.8	86.1	0.3
Forestry and logging	94.5	80.9	-13.6	92.9	88.2	-4.7
Mining and oil and gas extraction	89.0	88.2	-0.8	90.4	87.8	-2.6
Oil and gas extraction	82.8	84.5	1.7	87.2	83.3	-3.9
Mining	98.3	93.7	-4.6	95.2	94.6	-0.6
Electric power generation, transmission and distribution	89.2	88.0	-1.2	85.3	88.7	3.4
Construction	88.3	88.9	0.6	90.0	88.7	-1.3
Manufacturing	84.1	84.7	0.6	83.4	84.4	1.0
Food	80.8	79.8	-1.0	79.1	80.7	1.6
Beverage and tobacco products	78.1	76.5	-1.6	75.8	76.9	1.1
Beverage	82.2	81.3	-0.9	79.3	80.9	1.6
Tobacco	65.8	62.1	-3.7	65.4	64.9	-0.5
Textile mills	79.2	77.0	-2.2	76.6	78.7	2.1
Textile product mills	79.9	78.1	-1.8	80.9	80.2	-0.7
Clothing	76.3	77.4	1.1	79.5	75.3	-4.2
Leather and allied products	66.7	66.5	-0.2	72.0	68.5	-3.5
Wood products	87.6	84.8	-2.8	92.1	89.3	-2.8
Paper	89.8	89.9	0.1	91.1	90.1	-1.0
Printing and related support activities	77.2	76.3	-0.9	74.4	75.2	0.8
Petroleum and coal products	90.8	89.6	-1.2	93.9	91.9	-2.0
Chemical	81.4	79.9	-1.5	81.5	80.5	-1.0
Plastics and rubber products	87.3	91.1	3.8	89.9	88.6	-1.3
Plastic products	86.3	91.0	4.7	90.1	88.0	-2.1
Rubber products	90.8	91.5	0.7	89.2	90.7	1.5
Non-metallic mineral products	84.9	88.8	3.9	84.2	87.4	3.2
Primary metal	92.3	93.8	1.5	91.8	91.1	-0.7
Fabricated metal products	78.5	80.9	2.4	79.8	81.2	1.4
Machinery	84.3	89.2	4.9	80.8	85.6	4.8
Computer and electronic products	86.1	85.2	-0.9	80.8	85.5	4.7
Electrical equipment, appliance and component	74.0	74.3	0.3	77.3	75.3	-2.0
Transportation equipment	88.3	90.7	2.4	85.0	87.9	2.9
Furniture and related products	80.4	79.6	-0.8	79.3	81.2	1.9
Miscellaneous manufacturing	83.2	77.2	-6.0	81.2	82.1	0.9

^r Revised.



Survey of Suppliers of Business Financing

2004

Canadian businesses increased the total debt they owed to the major commercial suppliers of financing for the first time in four years in 2004, and larger borrowers were mostly responsible for the gain.

As of December 31, 2004, these suppliers, including banks, finance companies and insurance companies, reported that their business clients owed them \$371.4 billion, up 3.3% from 2003. This debt was mainly in the form of loans, mortgages and lines of credit.

Larger businesses (those with loan authorizations of more than \$5 million) were responsible for the vast majority of the increase. This reflected a year of substantial economic growth characterized by both an increase in the value of the Canadian dollar and rising export volume.

In addition, historically low interest rates, rising commodity prices and increased capital investment may have spurred business financing requirements.

These larger businesses had a total debt load of \$190.5 billion, up 6.0% from the previous year. They accounted for just over one-half of total national outstanding debt.

Smaller borrowers, those with loan authorizations of less than \$1 million, maintained a relatively stable debt load. Their outstanding debt amounted to \$99.0 million, a marginal 0.6% decline.

For lenders, loss rates fell across most authorization sizes, with the lowest loss rates reported for firms with the largest authorization sizes.

Domestic banks maintain market share

Domestic banks, the major supplier of debt financing to all Canadian businesses, increased their outstanding credit to Canadian businesses by \$5.5 billion in 2004, the first dollar value increase reported since 2000.

Domestic banks held \$196.0 billion in total debt in 2004, accounting for a share of just over one-half (52.8%) of the business borrowing market. This proportion was unchanged from 2003, halting three years of declines in the market share held by the banks.

Just over three-quarters (77.5%) of the banks' loan portfolio was outstanding to companies that were authorized to borrow \$1 million or more.

Both finance companies and credit unions saw gains in their market share. Finance companies experienced a slight shift in their loan portfolio away from smaller borrowers towards businesses with loan authorizations of more than \$1 million.

Conversely, insurance companies, which deal almost exclusively with the largest of borrowers,

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, that is, by the maximum amount they were allowed to borrow. Note that 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, informal suppliers such as business "angels" and family members, and foreign suppliers.

Domestic banks include the six large domestic banks and several smaller ones as defined by the Office of the Superintendent of Financial Institutions.

Other banks include foreign banks, trust companies and all other deposit-accepting institutions except **credit unions and caisses populaires**, which appear in their own category.

Finance companies include non-deposit accepting enterprises that provide financing to businesses, often for the purchase of goods and services. Debt financing is commonly provided; however, companies that purchase accounts receivable or provide both debt and lease financing are also included here. Examples include the acceptance companies of vehicle and equipment manufacturers, factoring companies and many government business enterprises. Enterprises providing only lease financing are usually classified as leasing companies.

Portfolio managers, venture capital companies and financial funds include enterprises typically engaged in managing or investing pools of assets. Examples include mutual fund companies, investment advisors, venture capital companies, labour-sponsored venture capital funds, mutual funds and segregated funds.

Insurance companies include life, health, and property and casualty insurers and re-insurers.

Leasing companies include enterprises providing lease financing, usually for vehicles or equipment.

lost market share, as credit outstanding retreated to 2002 levels from a high of \$41.0 billion in 2003.

Portfolio managers also lost ground after holding 2.7% of the market for three consecutive years. They reported \$7.3 billion in outstanding debt in 2004.

Leasing growth led by finance companies

Total lease amounts outstanding rose slightly to \$22.1 billion, an increase attributed to a rise in the leasing activity of finance companies.

Finance companies dominated this activity with a market share of nearly two-thirds. They reported a 21.3% jump in lease amounts outstanding in 2004, most of it resulting from commercial vehicle leases. This is a service that domestic banks are not permitted to provide.

The *Bank Act* restricts domestic banks from engaging in any personal property leasing activity, such as the financial leasing of motor vehicles.

Domestic banks accounted for 14.1% of total amounts outstanding, down from 20.1% the year before.

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 Seth Nanayakkara (613-951-2617; seth.nanayakkara@statcan.ca) or Tracy Hart (613-951-4826; tracy.hart@statcan.ca), Industrial Organization and Finance Division.

Debt outstanding as of December 31

Authorization size	2001	2002	2003	2004	2001 to 2002	2002 to 2003	2003 to 2004	
	\$ billions				% change			
Less than \$1 million	94.8	97.2	99.6	99.0	2.5	2.5	-0.6	
\$1 million to \$4,999,999	74.6	74.1	80.2	81.8	-1.0	8.2	1.9	
\$5 million plus	192.3	190.2	179.7	190.5	-1.0	-5.5	6.0	
Total	361.7	361.5	359.5	371.3	-0.1	-0.5	3.3	

Debt outstanding as of December 31

	2001	2002	2003	2004
	% share			
Type of supplier				
Domestic banks	55.4	54.2	52.8	52.8
Finance companies	10.7	11.7	11.3	12.9
Other banks	11.4	11.6	11.7	12.0
Insurance companies	11.3	10.7	11.5	10.3
Credit unions and caisses populaires	8.2	8.9	9.7	9.9
Portfolio managers	2.7	2.7	2.7	2.0
Leasing companies	0.3	0.3	0.2	0.1
Total	100.0	100.0	100.0	100.0



Farm product prices

January 2006

Prices received by farmers in January for grains, oilseeds, specialty crops, potatoes, cattle, hogs, poultry, eggs and dairy products are now available.

The Manitoba canola price in January was \$268.12 per metric tonne, up 1% from one month earlier and up 3% from January 2005 when the price was \$261.48.

The January hog price in Quebec was \$57.78 per hundredweight, down 3% from one month earlier and down 25% from the January 2005 price of \$77.41.

Farm commodity prices are now available on CANSIM. Over 35 commodities are available by province, some series going back 20 years.

Available on CANSIM: table 002-0043.

Definitions, data sources and methods: survey number 3436.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Gail-Ann Breese (204-983-3445; fax: 204-983-7543; gail-ann.breese@statcan.ca), Agriculture Division. ■

Commercial Software Price Index

January 2006

The Commercial Software Price Index (CSPI) is a monthly series measuring the change in the purchase price of pre-packaged software typically bought by

businesses and governments. The CSPI (2001=100) for January was 70.1, unchanged from December.

This index is available at the Canada level only.

Available on CANSIM: table 331-0003.

Definitions, data sources and methods: survey number 5068.

For more information on these indexes, contact Client Services (1-866-230-2248; 613-951-9606; infounit@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Fred Barzyk (613-951-2493; fred.barzyk@statcan.ca), Prices Division. ■

Dairy statistics

January 2006 (preliminary)

Consumers purchased 258 200 kilolitres of milk and cream in January, down 1.8% from January 2005. Sales of milk dropped 2.2% from year ago levels while sales of cream increased 2.8%.

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

The first quarter 2006 issue of *The Dairy Review* (23-001-XIB, \$29/\$96) will be available in May.

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

New products

Quarterly Telecommunications Statistics, Third quarter 2005, Vol. 29, no. 3
Catalogue number 56-002-XIE (\$23/\$43).

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

Industry Price Indexes, January 2006, Vol. 32, no. 1
Catalogue number 62-011-XIE (\$19/\$175).

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.

Industry Price Indexes, January 2006, Vol. 32, no. 1
Catalogue number 62-011-XPE (\$24/\$233).

Women in Canada: A Gender-based Statistical Report, 2005
Catalogue number 89-503-XIE (\$37).

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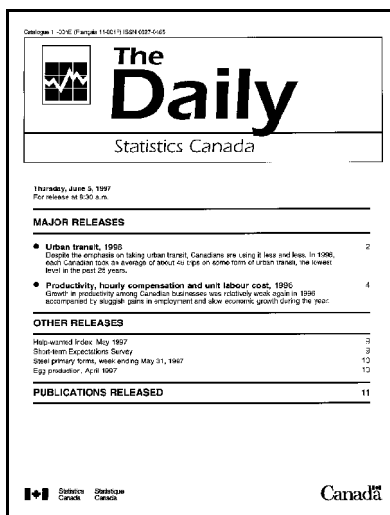
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