



The Daily

Statistics Canada

Monday, September 11, 2006

Released at 8:30 a.m. Eastern time

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Releases

Industrial capacity utilization rates

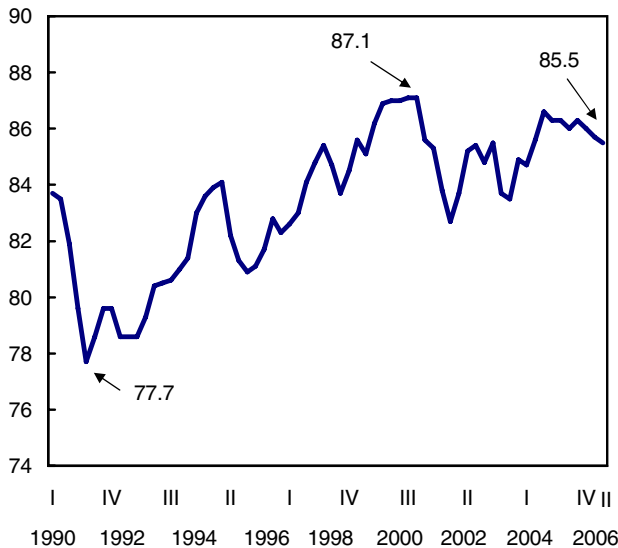
Second quarter 2006

Industrial capacity utilization fell slightly for the third straight quarter between April and June, due to lower foreign demand and a slowdown in the housing market.

Industries operated at 85.5% of their capacity in the second quarter, compared to 85.7% in the previous quarter. This slight dip puts the current rate 2.1 percentage points below the high of 87.6% reached in the first quarter of 1988.

Slight drop in industrial capacity utilization

%(rate of capacity use)



The industrial capacity utilization rate is the ratio of an industry's actual output to its estimated potential output. For this release, rates have been revised back to the first quarter of 2004 to reflect the revised source data.

A drop in exports and a slowdown in residential construction were largely responsible for the decline in capacity utilization in the manufacturing sector. Most export-based industries and industries associated with the housing market reduced their capacity utilization in the second quarter.

However, due to the level of new orders and the decline in stocks of finished products, manufacturers remain optimistic in their forecasts for the third quarter, according to the July 2006 Business Conditions Survey.

Capacity utilization remained high in the second quarter without creating inflationary pressures. The Consumer Price Index, excluding the eight volatile components identified by the Bank of Canada, rose 1.5% between July 2005 and July 2006.

The decline in the industrial capacity utilization rate can be attributed to lower capacity use in 12 of the 21 industry groups in the manufacturing sector and in the oil and gas extraction sector. The rate remained steady in the construction sector, and rose in the forestry and logging, electrical power and mining sectors.

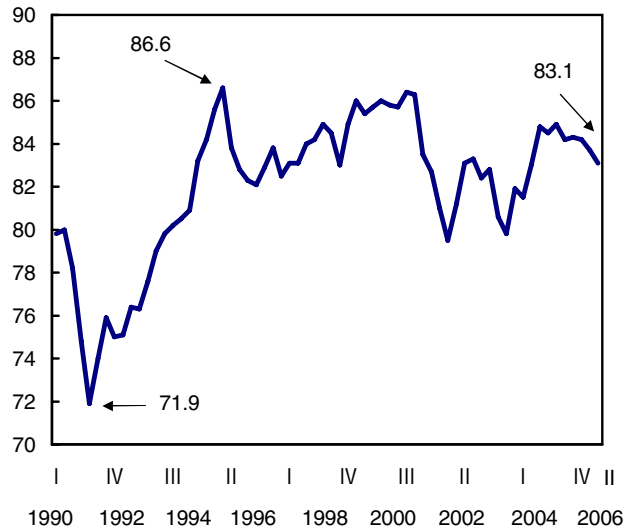
Decline in the manufacturing sector for third straight quarter

Manufacturers cut back their production capacity for a third straight quarter, allowing the rate to fall from 83.7% to 83.1%. This is the lowest rate since the second quarter of 2004 when it reached 83.0%.

Three industries in particular contributed to the rate's decline in the manufacturing sector: wood products, plastic and rubber products, and non-metallic mineral products manufacturing. The rate remained steady in the transportation equipment manufacturing industry and rose in the chemical products manufacturing group.

The drop in exports slows down the manufacturing sector

%(rate of capacity use)



In the wood products manufacturing industry, the rate fell from 85.5% to 81.1%. This was the sharpest drop since the second quarter of 2003 when it fell 6.0 points. The decline in foreign demand for wood products resulted in reductions in production in all main components of this industry in the second quarter.

Capacity utilization among manufacturers of plastic and rubber products fell 3.0 percentage points to 84.0%. A slight increase in production of rubber products was not enough to offset a 3.7% drop in output of plastic products.

The rate among manufacturers of non-metallic mineral products fell 4.7 points to 88.8%, almost cancelling out the gain posted in the first quarter. Manufacturers of cement and concrete products contributed significantly to this industry group's slowdown in production with their 4.9% decline in output.

Despite lower foreign demand for automobile products, the rate remained at 87.9% in the transportation equipment manufacturing industry. A 0.1% rise in production was offset by a slight increase in capacity. Strong results posted by aerospace products manufacturers accounted for the small increase in production in this industry.

On the other hand, manufacturers of chemical products increased their capacity use, bringing the rate to 80.8%, compared to 78.4% in the first three months of the year. This situation was due mainly to manufacturers of resins and synthetic rubber, who increased their production by 10.6%.

Strong increase in the forestry and logging sector

In the forestry and logging sector, capacity use climbed 6.6 percentage points to 95.4%. Production in this sector rose 8.2% in the second quarter.

After declining for two straight quarters, production by the electrical power sector rose 0.8% in the second quarter. As a result, capacity use climbed from 85.8% to 86.3%.

Higher extraction of metallic metals and non-metallic minerals succeeded in offsetting a 9.4% drop in extraction of coal, thus the mining sector output rose slightly. As a result, the rate rose from 89.0% in the first quarter to 89.2% in the second quarter.

In the construction sector, the rate remained steady at 90.9% in the second quarter, as increased production was offset by increased production capacity. Residential construction, which benefited from mild weather in the first quarter, edged down between April and June.

Only the oil and gas extraction sector posted a lower rate in the second quarter. Capacity use settled at 83.8%, down from 84.3% in the previous quarter. Production fell 1.3% in this sector.

Available on CANSIM: table 028-0002.

Definitions, data sources and methods: survey number 2821.

Data on industrial capacity utilization rates for the third quarter of 2006 will be released on December 13.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Mychèle Gagnon (613-951-0994) or Michel Labonté (613-951-9690), Investment and Capital Stock Division.

□

Industrial capacity utilization rates

	Second quarter 2005 ^r	First quarter 2006 ^r	Second quarter 2006	Second quarter 2005 to second quarter 2006	First to second quarter 2006
	percentage point change				
Total industrial	86.0	85.7	85.5	-0.5	-0.2
Forestry and logging	89.0	88.8	95.4	6.4	6.6
Mining and oil and gas extraction	87.5	86.2	86.0	-1.5	-0.2
Oil and gas extraction	82.8	84.3	83.8	1.0	-0.5
Mining	94.5	89.0	89.2	-5.3	0.2
Electric power generation, transmission and distribution	89.5	85.8	86.3	-3.2	0.5
Construction	89.0	90.9	90.9	1.9	0.0
Manufacturing	84.2	83.7	83.1	-1.1	-0.6
Food	81.2	80.5	79.7	-1.5	-0.8
Beverage and tobacco products	77.8	75.1	75.3	-2.5	0.2
Beverage	81.6	78.0	78.5	-3.1	0.5
Tobacco	66.7	64.4	62.3	-4.4	-2.1
Textile mills	81.4	75.0	67.0	-14.4	-8.0
Textile product mills	81.6	73.4	71.4	-10.2	-2.0
Clothing	72.6	74.3	78.6	6.0	4.3
Leather and allied products	68.0	73.9	75.4	7.4	1.5
Wood products	91.6	85.5	81.1	-10.5	-4.4
Paper	90.3	85.6	84.4	-5.9	-1.2
Printing and related support activities	73.9	74.6	74.8	0.9	0.2
Petroleum and coal products	92.6	89.0	86.9	-5.7	-2.1
Chemical	79.4	78.4	80.8	1.4	2.4
Plastics and rubber products	88.4	87.0	84.0	-4.4	-3.0
Plastic products	87.5	86.4	82.4	-5.1	-4.0
Rubber products	91.5	89.4	90.0	-1.5	0.6
Non-metallic mineral products	87.5	93.5	88.8	1.3	-4.7
Primary metal	90.7	93.3	93.3	2.6	0.0
Fabricated metal products	82.0	80.2	78.9	-3.1	-1.3
Machinery	84.9	90.9	90.6	5.7	-0.3
Computer and electronic products	85.5	85.8	85.5	0.0	-0.3
Electrical equipment, appliance and component	75.7	71.1	71.1	-4.6	0.0
Transportation equipment	85.9	87.9	87.9	2.0	0.0
Furniture and related products	82.5	74.8	74.7	-7.8	-0.1
Miscellaneous manufacturing	82.5	80.4	84.7	2.2	4.3

^r revised



Study: Canada's crude petroleum industry

2005

Canada is both an exporter and an importer of crude oil. Canadian companies exported about 63% of our 2005 domestic production, the vast majority of which went to the United States, according to a new report.

Canada supplied almost 10% of American crude oil needs in 2005.

Domestic crude accounts for only about 45% of Canada's oil consumption. Imports represented the remaining 55%, mostly coming from either North Sea countries or the Middle East. Imported oil feeds refineries mostly in Eastern Canada.

The article "Boom times: Canada's crude petroleum industry", published today in the online *Analysis in Brief* series, examined trends in crude oil prices, the production and exports of Canada's crude petroleum industry, and Canada's imports of crude petroleum.

The outlook for domestic crude production is particularly strong, with estimated reserves for Canadian oil at slightly over 28 billion cubic meters, second only to Saudi Arabia.

As for markets, Canada will be looking abroad, mainly to the United States. A National Energy Board report published at the beginning of 2006 said the domestic market does not hold tremendous growth opportunities for producers.

For enterprises involved in gas and oil extraction, operating profits soared by 50% last year, going from close to \$21 billion in 2004 to over \$30 billion in 2005.

Consequently, income tax paid by these enterprises jumped as well. Gas and oil extraction enterprises paid \$7.5 billion in income taxes in 2005 compared with \$4.5 billion in 2004, a 65% increase.

Boom times in the oil patch

These are boom times in Canada's oil patch, particularly in Alberta, where the soil abounds in black gold.

Across Canada, crude oil flows in seven provinces, but the biggest player by far is Alberta. High oil prices, coupled with robust global demand for oil during the past several years, have fuelled a huge expansion of the province's oil sands industry.

Canada produced 136.4 million cubic metres of crude petroleum in 2005, about two-thirds of which came from Alberta. The massive oil sands resource accounted for 42.0% of the province's total production.

Saskatchewan was a distant second, contributing 17.8% of total Canadian crude production,

while Newfoundland and Labrador's offshore oil rigs accounted for 13.0%.

In 2005, as a result of a 30% surge in prices, Canadian oil exporters got \$30 billion for their products, up from \$25 billion the year before, even though there was a slight drop in the volume of crude oil exports.

First decline in crude production in six years

Canadian companies pumped out 136.4 million cubic metres of crude petroleum in Canada in 2005, down 2.3% from the year before. (One cubic metre is equivalent to 6.292 barrels.)

This was the first annual drop in the past six years. In general, this occurred mostly because of lower output from the conventional sector as well as unplanned interruptions in the non-conventional sector, and in particular because of a fire at a major oil sands processing facility in Alberta.

In Newfoundland and Labrador, production was also down, by 3.1%, the result of a maintenance slowdown at the Terra Nova oil field.

Alberta's oil supplies accounted for two-thirds (66.5%) of crude oil production in Canada. About a million barrels a day are coming out of the oil sands alone.

Despite expansion in oil production in Newfoundland and Labrador, Saskatchewan's overall oil production still exceeds that of the Atlantic province. Since 2000, crude oil production in Saskatchewan has held steady at roughly 25 million cubic metres a year. In 2005, it accounted for 17.8% of total Canadian production.

The Hibernia oil fields, located 386 kilometres off the southeast coast of Newfoundland and Labrador, produced 3.8 million cubic metres of oil in 1997, the first full year of operation.

At that time, the province accounted for only 3.2% of Canada's total crude production. With the addition of the Terra Nova offshore project in 2003, and the White Rose offshore oil platform, which was launched late in 2005, Newfoundland and Labrador now contributes nearly 20 million cubic metres of crude oil a year. This is 13.0% of total Canadian crude production.

Rounding out Canadian production in 2005 were Ontario, Manitoba, British Columbia and the Northwest Territories which produced a combined 3.8 million cubic metres, or 2.8% of total production.

Biggest breakthrough: mining the oil sands

The financial and technological feasibility of mining the oil sands of northern Alberta has been the biggest breakthrough in crude petroleum production in Canada because oil sands production is relatively expensive.

In 2003, the Alberta Energy and Utilities Board estimated the economically viable reserves in Canada

at less than 795 million cubic metres. As the outlook remains firm for sustained high oil prices, estimates of crude reserves in Alberta have skyrocketed.

According to this board, at the beginning of 2006, Alberta's remaining established oil reserves amounted to 28 billion cubic metres, or the equivalent of 174 billion barrels. This places Canada second in the world after Saudi Arabia's 42 billion cubic metres.

Definitions, data sources and methods: survey number 2201.

The analytical article "Boom times: Canada's crude petroleum industry" (11-621-MIE2006047, free) is now available online in the *Analysis in Brief* series.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Miles Rowat (613-951-1852), International Trade Division. ■

Commercial Software Price Index

July 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 for July was 68.4 (2001=100), up 0.3% from June.

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 (toll-free 1-866-230-2248; 613-951-9606; infounit@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Neil Killips (613-951-5722; neil.killips@statcan.ca), Prices Division. ■

Cement

July 2006

Data on cement are now available for July.

Available on CANSIM: tables 303-0060 and 303-0061.

Definitions, data sources and methods: survey number 2140.

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), Manufacturing, Construction and Energy Division. ■

Farm product prices

July 2006

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

The Manitoba non-board wheat price in July was \$116.30 per tonne, up 2% from one month earlier and up 34% from July 2005 when the price was \$86.63.

The July feeder cattle price in Ontario was \$104.27 per hundredweight, down 1% from one month earlier but up 9% from the July 2005 price of \$95.39.

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

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. ■

Steel primary forms, weekly data

Week ending September 2, 2006 (preliminary)

Steel primary forms production for the week ending September 2 totalled 290 475 metric tonnes, down 2.6% from 298 113 tonnes a week earlier and up 2.2% from 284 314 tonnes in the same week of 2005.

The year-to-date total as of September 2 was 10 610 656 tonnes, up 2.2% from 10 382 721 tonnes in the same period of 2005.

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), Manufacturing, Construction and Energy Division. ■

New products

Analysis in Brief: "Boom times: Canada's crude petroleum industry", no. 47
Catalogue number 11-621-MIE2006047
 (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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The Daily
 Statistics Canada

Thursday, June 5, 1997
 For release at 9:30 a.m.

MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using 8 less automobiles, in 1996, than Canadians took, on average, in 1980. In 1996, on some forms 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 was relatively weak again in 1995, accompanied by sluggish gains in employment and slow economic growth (GDP) in 1995.

OTHER RELEASES

- **Help-wanted index: May 1997** 3
- **Short-term Expectations Survey** 3
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production: April 1997** 12

PUBLICATIONS RELEASED 11

Statistics Canada / Statistique Canada

Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

Published each working day by the Communications Division, Statistics Canada, 10-G, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

To access *The Daily* on the Internet, visit our site at <http://www.statcan.ca>. To receive *The Daily* each morning by e-mail, send an e-mail message to listproc@statcan.ca. Leave the subject line blank. In the body of the message, type "subscribe daily firstname lastname".

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