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Releases

Releases

Monthly Survey of Manufacturing

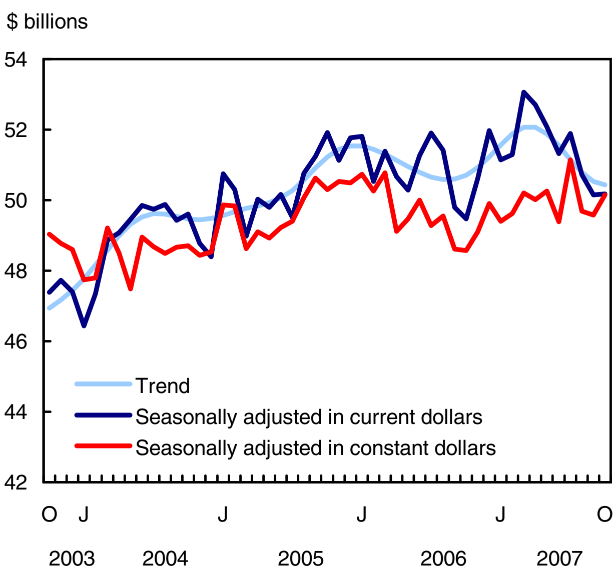
October 2007

Manufacturing sales edged up 0.1% in October, basically holding steady after decreasing in five of the six previous months. Sales of manufactured goods increased $38 million, reaching $50.2 billion from $50.1 billion in September.

Using constant dollars, which take price fluctuations into account, the volume of sales increased 1.1% to $50.1 billion in October. The Industrial Product Price Index, which is a major component in calculating the constant dollar value, dropped 1.1% in October. Despite difficulties for manufacturers presented by the strengthening exchange rate, constant dollar sales were 3.2% higher than in October 2006.

On an industry-by-industry basis, 12 of 21 manufacturing industries increased in October, representing slightly less than half of total manufacturing sales.

Manufacturing sales hold their ground in October



Sales of non-durable goods gained 0.2% in October. This was the first increase for non-durable goods in the past five months. Durable good sales remained unchanged in October at $27.3 billion after increasing slightly in September.

Note to readers

Preliminary estimates are provided for the current reference month. Estimates, based on late responses, are revised for the three prior months.

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 sales assuming that the orders are not cancelled.*

New orders *are those received whether sold in the current month or not. They are measured as the sum of sales 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 sold. 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 sales because portions of large contracts can be subcontracted out to manufacturers in other countries. Also, some orders may be cancelled.

Unfilled factory orders decreased 1.7% in October after a similar-sized decrease in September. New orders were virtually unchanged (-0.1%) in October, after losing ground during the previous two months.

October sales level out

Manufacturers reported a fairly even split on gains and losses during the month of October.

On a positive note, aerospace product and parts manufacturers reported an 8.4% jump in production during the month. This was the third consecutive monthly increase. The industry has shown significant strength in 2007, with production up 8.4% over the first 10 months of 2007 compared with the same period in 2006.

Miscellaneous manufacturers also fared well in October, with sales improving by 6.1%. Most of the strength during the month came from sporting goods manufacturers and jewellery and silverware manufacturers.

Petroleum and coal product manufacturers gained 2.0% in October, as production returned to normal levels at several plants following longer-than-anticipated shutdowns in September.

Manufacturing sales were pulled in the opposite direction, mainly by a 2.3% decrease in the transportation equipment industry. Sales by motor vehicle manufacturers were the key factor in this drop, decreasing by 5.8% in October.

Although sales by motor vehicle manufacturers decreased in October, year-to-date sales remained 1.2% higher than in the first 10 months of 2006. Motor vehicle parts sales were down 1.4% compared with September. Excluding motor vehicle and parts manufacturers, total manufacturing sales increased by 0.9% in October.

Provinces report mixed results in October

The picture across the country for sales of manufactured goods was mixed in October. Sales decreased sharply in Newfoundland and Labrador and Manitoba. In contrast, New Brunswick, British Columbia and Quebec experienced solid gains.

Manitoba experienced the largest decline in sales, falling 6.7% to $1.3 billion. Despite the decrease, year-to-date sales in Manitoba are still 9.6% above the same period in 2006.

Declines in sales were also prominent for Newfoundland and Labrador. The total value of sales tumbled 20.1% to $327 million, on the heels of a 14.0% drop in September. Lower sales in non-durable goods were the main cause of weakness in the province for both months.

On a positive note, sales in New Brunswick rose 7.1% to $1.4 billion, mostly reversing the sharp 11.4% fall in September.

Sales also advanced in British Columbia, rising 1.9% to $3.6 billion. Paper manufacturers benefited from a return to work within the wood industry as it improved their ability to procure raw materials, a by-product of the wood industry. Paper product sales rose $32 million (+7.2%) in October as a result.

Quebec reported a rise in sales of 1.0% to $12.2 billion, largely because of a $109-million sales increase in transportation equipment manufacturing. Strength in the fabricated metal products and beverage and tobacco manufacturing industries also contributed to the rise in sales.

Manufacturing sales, provinces and territories

	September 2007[r]	October 2007[p]	September to October 2007
	Seasonally adjusted		
	$ millions		% change
Canada	**50,145**	**50,183**	**0.1**
Newfoundland and Labrador	409	327	-20.1
Prince Edward Island	125	124	-1.2
Nova Scotia	831	869	4.6
New Brunswick	1,305	1,399	7.1
Quebec	12,116	12,233	1.0
Ontario	23,994	23,927	-0.3
Manitoba	1,363	1,271	-6.7
Saskatchewan	916	915	-0.1
Alberta	5,557	5,522	-0.6
British Columbia	3,523	3,589	1.9
Yukon	2	3	4.8
Northwest Territories including Nunavut	3	4	40.6

r *revised*
p *preliminary*

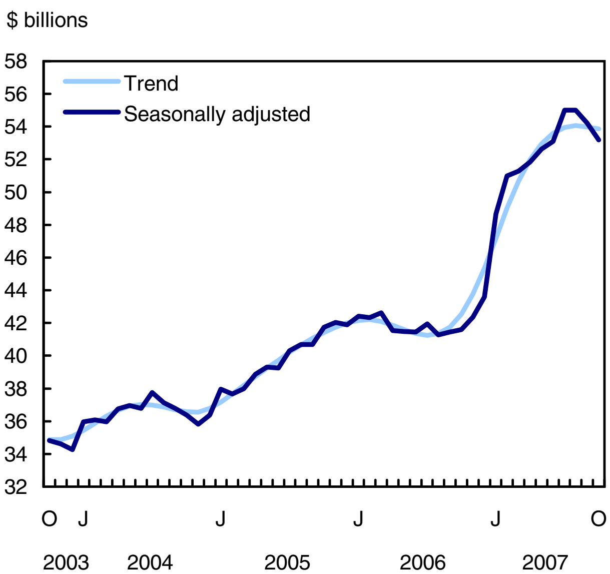
Unfilled orders losing their lustre

Manufacturers' backlog of orders decreased 1.7% to $53.2 billion in October, after a similar-sized decrease in September. This was the first time manufacturers reported a back-to-back decrease in unfilled orders since May and June of 2006. Unfilled orders are generally considered an indicator of future strength of manufacturing sales, assuming they aren't cancelled. Before the recent decreases, the trend for unfilled orders had been steadily improving since the summer of 2006.

Aerospace product and parts manufacturers reported the largest decrease in unfilled orders for the month, losing 2.5%, or $578 million. This industry typically accounts for about 42% of total unfilled orders in Canada.

The strengthening Canadian dollar played a major role in the monthly decrease of unfilled orders. Many Canadian aerospace product manufacturers report their orders and sales in US dollars. As a result, most of the decrease was due to a 4.9% jump in the value of the Canadian dollar over its US counterpart in October, rather than a decrease in the volume of unfilled orders.

Unfilled orders losing their lustre



New orders slow their slide

New orders slowed their descent markedly in October (-0.1%). New orders have been steadily decreasing since the start of 2007, losing ground in eight of the past nine months.

The transportation equipment industry reported a 5.8% drop in new orders in October, with decreases in most sectors. The $546 million decrease within the transportation industry was the second sizeable drop in the past three months.

New orders for computer and electronic product manufacturers were the largest offsetting movement in October. New orders rebounded 19.5% for the month, after slumping 23.7% in September.

Inventory levels down for third consecutive month

Manufacturers' total inventories contracted for a third consecutive month, down by 0.7% in October. The reported value of inventories dropped $449 million to $65.3 billion. The decrease in October was largely due to a 1.8% decrease in finished goods.

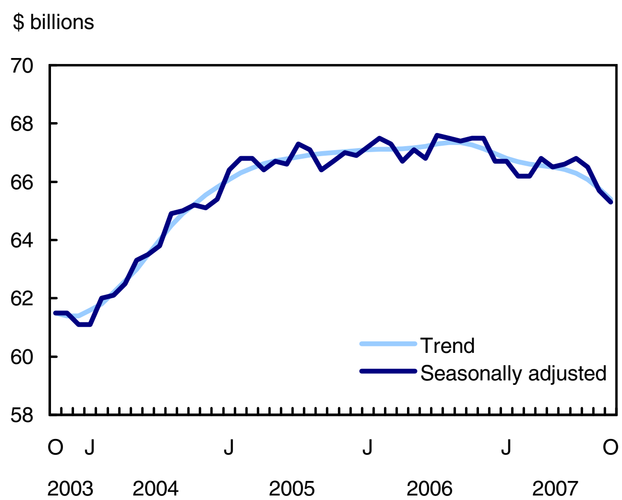
Inventory levels started to trend downwards more noticeably in recent months after peaking in July 2006. Prior to the autumn of 2006, inventory levels had increased from 2004 to the summer of 2006.

Aerospace products and parts led the inventory decreases, reporting a drop of 4.8% to $4.4 billion. This was the second month of decreased inventories as manufacturers within the industry have reported three months of rising production.

The other industry reporting a sizeable decline in inventories was petroleum and coal product manufacturers. Inventories decreased 2.6% to $3.6 billion for the fifth drop in last six months.

Food products manufacturers were one of the few industries reporting a sizeable build-up of inventories. Levels rose 2.1% to $5.5 billion for the fifth gain in the past seven months.

Inventory levels down for third consecutive month



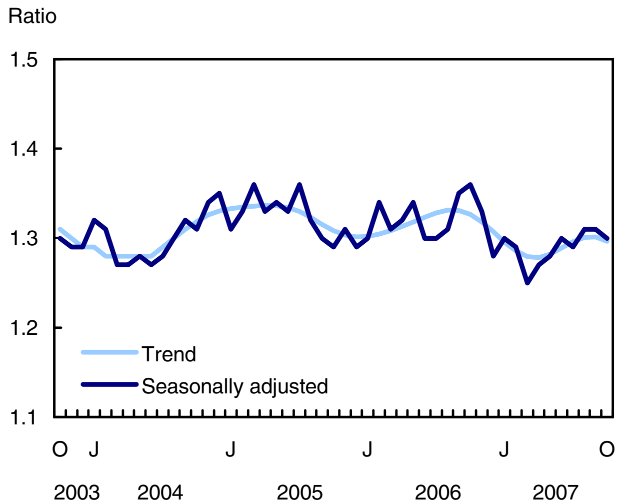
Inventory-to-sales ratio decreases slightly

The inventory-to-sales ratio decreased slightly to 1.30, after reaching 1.31 in August and September. The inventory-to-sales ratio has been trending upwards over the past six months since dipping to a 12-year low of 1.25 in March.

The inventory-to-sales ratio is a measure of the time, in months, that would be required to exhaust inventories if sales were to remain at their current level. Over the past five years, the inventory-to-shipment ratio has ranged between 1.25 and 1.38. The current ratio levels are close to the five-year average of 1.32.

The finished-product inventory-to-sales ratio also decreased in October, returning to 0.44 after a brief sojourn at 0.45 in September.

Inventory-to-sales ratio down a notch



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

Definitions, data sources and methods: survey number 2101.

Data from the November Monthly Survey of Manufacturing will be released on January 18, 2008.

For general information or to order data, contact the dissemination officer (toll-free 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 Elton Cryderman (613-951-4317, *elton.cryderman@statcan.ca*), Manufacturing, Construction and Energy Division.

Sales, inventories and orders in all manufacturing industries

	Sales		Inventories		Unfilled orders		New orders		Inventory-to-sales ratio
	Seasonally adjusted								
	$ millions	% change	$ millions	% change	$ millions	% change	$ millions	% change	
October 2006	49,465	-0.7	67,489	0.1	41,590	0.4	49,616	-0.7	1.36
November 2006	50,611	2.3	67,466	0.0	42,356	1.8	51,378	3.6	1.33
December 2006	51,969	2.7	66,714	-1.1	43,586	2.9	53,199	3.5	1.28
January 2007	51,142	-1.6	66,672	-0.1	48,660	11.6	56,215	5.7	1.30
February 2007	51,290	0.3	66,172	-0.7	50,987	4.8	53,617	-4.6	1.29
March 2007	53,059	3.5	66,154	0.0	51,287	0.6	53,359	-0.5	1.25
April 2007	52,703	-0.7	66,781	0.9	51,848	1.1	53,264	-0.2	1.27
May 2007	52,087	-1.2	66,533	-0.4	52,628	1.5	52,868	-0.7	1.28
June 2007	51,326	-1.5	66,570	0.1	53,135	1.0	51,869	-1.9	1.30
July 2007	51,886	1.1	66,789	0.3	55,007	3.5	53,758	3.6	1.29
August 2007	50,722	-2.2	66,524	-0.4	54,971	-0.1	50,686	-5.7	1.31
September 2007	50,145	-1.1	65,719	-1.2	54,155	-1.5	49,328	-2.7	1.31
October 2007	50,183	0.1	65,271	-0.7	53,226	-1.7	49,254	-0.1	1.30

Manufacturing industries except motor vehicle, parts and accessories

	Sales		Inventories		Unfilled orders		New orders	
	Seasonally adjusted							
	$ millions	% change	$ millions	% change	$ millions	% change	$ millions	% change
October 2006	42,511	0.0	64,202	0.2	40,124	1.4	43,067	0.2
November 2006	42,833	0.8	64,221	0.0	41,114	2.5	43,822	1.8
December 2006	43,389	1.3	63,613	-0.9	42,465	3.3	44,740	2.1
January 2007	43,462	0.2	63,565	-0.1	47,528	11.9	48,526	8.5
February 2007	43,471	0.0	63,160	-0.6	49,933	5.1	45,876	-5.5
March 2007	44,529	2.4	63,169	0.0	50,335	0.8	44,931	-2.1
April 2007	45,033	1.1	63,785	1.0	50,835	1.0	45,533	1.3
May 2007	44,658	-0.8	63,574	-0.3	51,579	1.5	45,402	-0.3
June 2007	44,421	-0.5	63,567	0.0	52,093	1.0	44,972	-0.9
July 2007	43,887	-1.2	63,766	0.3	53,962	3.6	45,756	1.7
August 2007	43,817	-0.2	63,480	-0.4	54,028	0.1	43,883	-4.1
September 2007	42,480	-3.1	62,789	-1.1	53,289	-1.4	41,741	-4.9
October 2007	42,862	0.9	62,365	-0.7	52,385	-1.7	41,958	0.5

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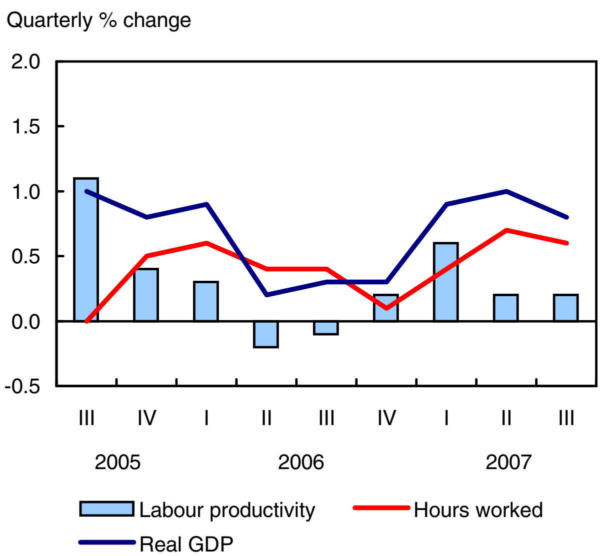
Labour productivity, hourly compensation and unit labour cost

Third quarter 2007

The labour productivity of Canadian businesses rose 0.2% in the third quarter, the same growth rate as that recorded in the previous quarter. This pace remains below that of the first three months of 2007, which saw growth of 0.6%.

Productivity growth in Canada's business sector remains weak



Meanwhile, productivity growth in the United States climbed sharply to 1.6% in the third quarter, due mainly to a substantial growth in production.

In the third quarter, the services sector was solely responsible for the overall rise in productivity of Canadian businesses, while productivity in the goods sector fell. In particular, productivity in manufacturing declined for the first time since the third quarter of 2006.

The modest productivity performance in the third quarter, combined with the strength of the Canadian dollar, again drove up the unit cost of Canadian labour expressed in US dollars, although to a lesser degree than in the second quarter. This continued to have a negative impact on the competitiveness of Canadian businesses compared with their US counterparts.

Note to readers

This release contains a brief analysis of detailed data on labour productivity growth and other related variables. A more thorough analysis, including additional charts and tables, is available in the Canadian Economic Accounts Quarterly Review.

The term "productivity" herein refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

For more information about the productivity program, see the National Economic Accounts *module accessible from the home page of our website. You can also order a copy of a technical note on the quarterly estimates of productivity by contacting Client Services (*productivity.measures@statcan.ca*).*

Revisions

This release incorporates revised estimates of labour productivity and associated variables based on revisions to source data. The Survey of Employment, Payrolls and Hours (SEPH) published revised employment estimates from 2001 on March 30, 2007. Revisions to gross domestic product by industry from 2002 to 2006 were released on October 31, 2007. New annual benchmarks for hours worked were released on November 27, 2007. As a result of these revisions, estimates have been revised back to the first quarter of 2007 at the aggregate level and to the first quarter of 1997 at the industry level.

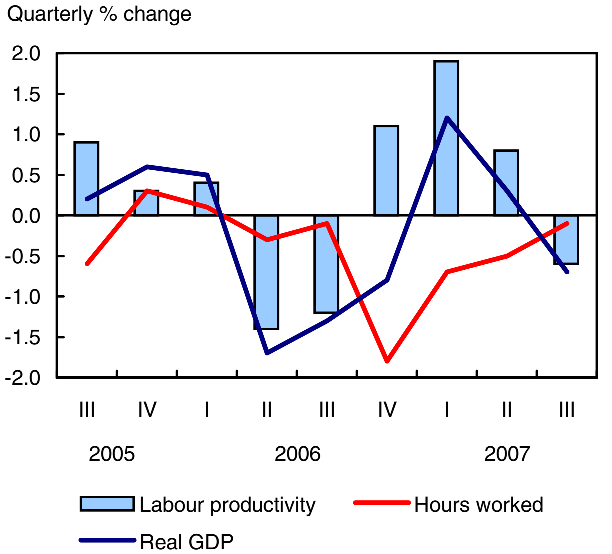
In addition, indexes of labour productivity and the related variables have been converted from reference year 1997 to reference year 2002. This change affects data from the first quarter 1981 to the present. Adoption of the new 2002 reference year does not alter productivity growth rates since it represents a scaling of indices based on 1997.

Manufacturing sector: production drops as hours worked also decline

In the manufacturing sector, productivity decreased by 0.6% in the third quarter. This was the first decline after three straight quarters of growth.

Hours worked in manufacturing decreased 0.1% in the third quarter, the sixth straight quarter of decline, reflecting continued adjustment in this sector. Meanwhile, production in manufacturing declined 0.7% in the third quarter after two straight quarterly increases.

Productivity in manufacturing declined for the first time in one year



Manufacturing output continued to be hampered by the sharp appreciation of the Canadian dollar. Manufacturers had to cope with a 4.9% appreciation of the Canadian dollar against its US counterpart in the third quarter, following a 6.3% appreciation in the second quarter.

Productivity growth remains moderate in Canada while accelerating sharply in the United States

While the gross domestic product (GDP) in Canada rose slightly less in the third quarter than in the second, the growth in GDP in the United States accelerated sharply in the third quarter.

After posting the same rate in the second quarter in both countries (+1.0%), GDP in the United States rose at a pace almost twice that of Canada. In the third quarter, GDP growth in Canadian businesses was up 0.8% compared with a strong gain of 1.4% in the United States.

In the United States, productivity climbed sharply to 1.6% in the third quarter, a clear improvement over the 0.9% increase in the second quarter, which followed almost no improvement (+0.1%) in the first three months of the year. This is the best performance since the third quarter of 2003 (+2.3%).

The gap in productivity growth between Canada and the United States also stems from differences in labour market performance.

Hours worked devoted to production in Canadian businesses grew 0.6% in the third quarter, slightly less than the 0.7% rise recorded in the previous quarter. Full-time work was the main component in the increase in hours worked in the third quarter.

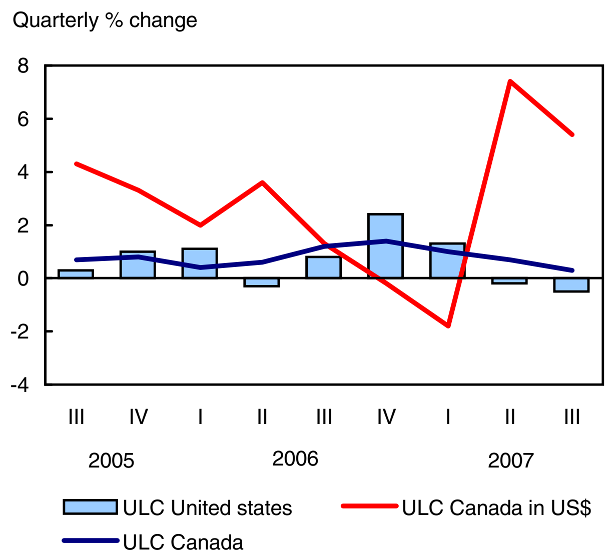
By comparison, hours worked in American companies edged down 0.2% in the third quarter after increasing by 0.2% in the second quarter. This is the first decline after 16 straight quarters of either increases or stability. The pace of growth in hours worked has been slowing gradually since the third quarter of 2006.

Unit labour cost continues to slow

Labour cost per unit of production, a measure of inflationary pressures from wages, slowed in Canadian businesses in the third quarter, rising only 0.3% compared with the 0.7% posted in the previous quarter. This has been gradually slowing down since the fourth quarter of 2006.

This situation reflects a slowdown in the growth in hourly compensation from the second quarter, given the small gains in productivity posted in the last two quarters. In the previous four quarters, hourly compensation in Canada had experienced quarterly increases of 0.9% or higher.

Canadian unit labour costs (ULC) in US$ decelerate slightly



For US businesses, labour cost per unit of production fell 0.5% in the third quarter after posting a small decrease of 0.2% in the previous quarter. In these past two quarters, the increase in hourly compensation was less than that of productivity, thereby creating a second straight quarterly reduction in unit labour cost in the United States.

In light of the strong rise in the Canadian dollar in the third quarter, the growth in Canada's unit labour cost expressed in US dollars was up 5.4% in the quarter, following a sharp increase of 7.4% in the second quarter.

Available on CANSIM: tables 383-0008 and 383-0012.

Definitions, data sources and methods: survey number 5042.

A more comprehensive analysis, including additional charts and tables, can be found in the third quarter 2007 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 6, no. 3 (13-010-XWE, free), now available from the *Publications* module of our website.

Fourth quarter 2007 data for Labour productivity, hourly compensation and unit labour cost will be released on March 14, 2008.

To order data, contact Client Services (*productivity.measures@statcan.ca*). For more information, or to enquire about the concepts, methods or data quality of this release, contact Jean-Pierre Maynard (613-951-3654; fax: 613-951-3618; *maynard@statcan.ca*), Income and Expenditure Accounts Division.

Business sector: Labour productivity and related variables for Canada and the United States

	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007
	% change from previous quarter, seasonally adjusted								
Canada									
Labour productivity	1.1	0.4	0.3	-0.2	-0.1	0.2	0.6	0.2	0.2
Real GDP	1.0	0.8	0.8	0.3	0.3	0.3	0.9	1.0	0.8
Hours worked	0.0	0.5	0.6	0.4	0.4	0.1	0.4	0.7	0.6
Hourly compensation	1.8	1.2	0.6	0.5	1.1	1.6	1.5	0.9	0.4
Unit labour cost	0.7	0.8	0.4	0.6	1.2	1.4	1.0	0.7	0.3
Exchange rate[1]	-3.3	-2.4	-1.5	-2.8	-0.1	1.6	2.8	-6.3	-4.9
Unit labour cost in US$	4.3	3.3	2.0	3.6	1.3	-0.2	-1.8	7.4	5.4
United States[2]									
Labour productivity	1.2	-0.3	0.7	0.1	-0.4	0.3	0.1	0.9	1.6
Real GDP	1.3	0.2	1.4	0.6	0.1	0.7	0.1	1.0	1.4
Hours worked	0.2	0.5	0.7	0.5	0.5	0.3	0.0	0.2	-0.2
Hourly compensation	1.5	0.7	1.7	-0.1	0.4	2.8	1.3	0.6	1.1
Unit labour cost	0.3	1.0	1.1	-0.3	0.8	2.4	1.3	-0.2	-0.5

	2002	2003	2004	2005	2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007
	% change from the previous year					% change from same quarter of previous year, seasonally adjusted			
Canada									
Labour productivity	1.4	0.2	0.0	2.5	1.1	0.2	0.5	0.9	1.2
Real GDP	2.9	1.5	3.2	3.2	2.7	1.6	1.7	2.4	3.0
Hours worked	1.5	1.3	3.2	0.7	1.5	1.4	1.2	1.6	1.9
Hourly compensation	1.6	2.6	2.4	5.2	4.2	3.9	4.8	5.3	4.5
Unit labour cost	0.2	2.4	2.4	2.7	3.1	3.7	4.3	4.4	3.4
Exchange rate	1.3	-10.8	-7.1	-6.9	-6.4	-2.9	1.5	-2.2	-6.9
Unit labour cost in US$	-1.2	15.1	10.2	10.3	9.9	6.8	2.8	6.6	10.9
United States[2]									
Labour productivity	4.1	3.8	2.9	2.0	1.0	0.7	0.2	0.8	2.9
Real GDP	1.5	3.1	4.2	3.6	3.1	2.8	1.5	1.9	3.2
Hours worked	-2.5	-0.7	1.3	1.6	2.1	2.1	1.3	1.1	0.3
Hourly compensation	3.5	4.1	3.7	4.0	3.9	4.8	4.4	5.2	5.9
Unit labour cost	-0.5	0.2	0.9	2.0	2.9	4.1	4.3	4.3	3.0

1. *The exchange rate corresponds to the US dollar value expressed in Canadian dollars.*
2. *US data are from Bureau of Labor Statistics, Productivity and Costs: Third quarter 2007, published in NEWS, December 5.*

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New Housing Price Index

October 2007

The rate of growth in new housing prices slowed again in October, the 14th straight month in which the pace of growth has either decelerated or held steady.

Contractors' selling prices increased 6.1% between October 2006 and October 2007, compared with a 6.2% year-over-year increase in September. October's rate of growth was only half of the pace of 12.1% in August 2006, the most recent high.

On a monthly basis, prices rose 0.1% between September and October, resulting in a New Housing Price Index of 155.7 (1997=100). This is the third month in a row in which the growth rate in new housing prices has decelerated. In July 2007, the rate of growth was 0.9%.

Saskatoon again led the country, with the largest year-over-year price increase of 47.9%. This is down from its all-time high gain of 53.6% in August 2007. On a monthly basis, new housing prices in Saskatoon rose 0.7% from September.

In Regina, new housing prices were up 29.5% over October 2006. However, on a monthly basis, prices remained unchanged.

In Calgary, prices were 6.2% higher than in October last year. But on a monthly basis, they declined 0.2% from September, the first decrease in the month-over-month series since December 2006. This drop comes as builders reduce pricing on some models to reflect current market conditions in the city.

In Edmonton, prices were 24.3% higher than in October 2006, a continued deceleration from the high in November 2006. Prices in Edmonton rose 0.3% from September to October, mainly the result of higher reported land values.

In Vancouver, prices rose 6.2% between October 2006 and October 2007, due to increased costs of labour and material. This compared with a 6.1% rise in September. On a monthly basis, prices in Vancouver rose 0.7% from September, the result of strong market conditions for sellers and increasing land values in the Lower Mainland area.

In Victoria, contractors' total selling price remained unchanged from September. The year-over-year change remained steady at 0.7%.

In Ontario, Windsor was again the only city in Canada recording year-over-year deflation. New housing prices for the city declined 2.6% from October 2006. They remained unchanged from September 2007.

Elsewhere in Ontario, year-over-year housing price increases remained mostly steady. Healthy home markets allowed builders to increase prices moderately in Toronto (+2.8%) and St. Catharines (+4.5%).

In Montreal, growth slowed to 4.2% year-over-year. Declines attributed to a competitive market were offset by increased costs.

In the Atlantic region, increases in labour and materials pushed prices up in St. John's (+6.7%). In New Brunswick, new housing prices rose 1.1% in the year to October 2007, and 0.3% between September and October, in the wake of favourable market conditions for contractors.

Available on CANSIM: table 327-0005.

Definitions, data sources and methods: survey number 2310.

The third quarter 2007 issue of *Capital Expenditure Price Statistics* (62-007-XWE, free) will be available in February 2008.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (613-951-9606, fax: 613-951-1539; *prices-prix@statcan.ca*). □

New Housing Price Indexes

	October 2007	October 2006 to October 2007	September to October 2007
	(1997=100)	% change	
Canada total	**155.7**	**6.1**	**0.1**
House only	**165.6**	**5.7**	**0.0**
Land only	**136.3**	**7.4**	**0.3**
St. John's	140.2	6.7	0.9
Halifax	140.2	7.3	0.0
Charlottetown	118.1	0.7	0.0
Saint John, Fredericton and Moncton	114.9	1.1	0.3
Québec	148.5	4.1	0.3
Montréal	155.7	4.2	0.0
Ottawa–Gatineau	162.3	1.0	0.0
Toronto and Oshawa	142.2	2.8	0.1
Hamilton	149.1	3.2	0.1
St. Catharines–Niagara	151.9	4.5	0.1
Kitchener	139.4	1.6	-0.2
London	139.0	2.5	-0.2
Windsor	102.6	-2.6	0.0
Greater Sudbury and Thunder Bay	107.8	5.2	0.5
Winnipeg	170.3	15.5	0.0
Regina	202.5	29.5	0.0
Saskatoon	213.9	47.9	0.7
Calgary	250.3	6.2	-0.2
Edmonton	249.2	24.3	0.3
Vancouver	123.2	6.2	0.7
Victoria	118.4	0.7	0.0

Note: *View the census subdivisions that comprise the metropolitan areas online.*

■

Study: Cross-border shopping and the loonie

2007

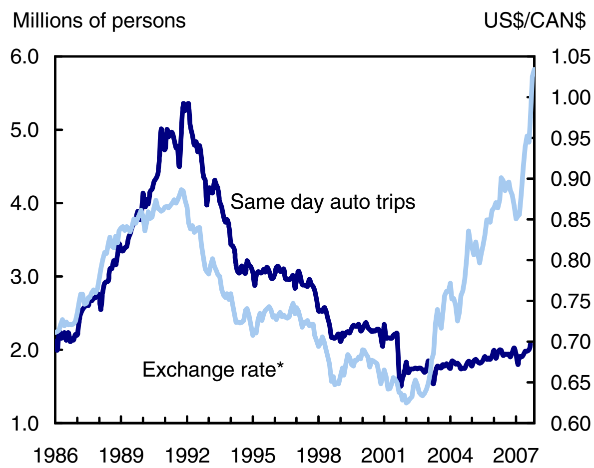
Whether measured by the number of same-day auto trips across the US border or the average amount spent on these trips or online shopping, the recent increases in cross-border shopping have been minimal relative to retail sales, according to a study released today in the *Canadian Economic Observer*.

Cross-border shopping volumes in 2007 pale by comparison with the phenomenon observed two decades ago.

A relatively small rise in the exchange rate in the late 1980s and early 1990s provoked a huge increase in same-day auto trips to the United States. By comparison, since 2002 the largest appreciation of the exchange rate ever has been accompanied by a relatively small rise in same-day auto trips.

The close relationship between the exchange rate and same-day auto trips from 1986 to 2001 weakened substantially as border security tightened following the September 11, 2001 terrorist attacks and has not been re-established since.

Cross-border shopping and the exchange rate, Canada to United States



* US dollars per Canadian dollar.

Often overlooked in the hype about Canadians flocking in droves to shop in the United States is that the Canadian dollar's record rise has had a significant impact on other travel flows. Cross-border shopping by Americans in Canada has tumbled almost 50%, or an average 11.3 million trips, since the loonie began its rise in 2003. This is far more than the 2.2 million increase in same-day auto trips to the United States by Canadians in the same period. Overnight visits to Canada by Americans have also fallen.

From 1986 to the third quarter of 2001, same-day auto trips by Canadians to the United States moved closely with the exchange rate. Between 1986 and 1991, when the Canadian dollar rose 21%, Canadians flooded south of the border, with the number of same-day auto trips more than doubling. (Same-day trips are the commonly-used measure of cross-border shopping trips, although some of these trips reflect other purposes, such as commuting or visiting friends and relatives).

However, the close relationship between the exchange rate and cross-border shopping by Canadians changed after 2001.

The propensity of Canadians to make cross-border shopping trips has barely risen between 2002 and 2007. In the first nine months of 2007, there were an average of 1.9 million same-day auto trips per month, compared with 1.7 million in 2002 and the all-time high of 4.9 million in 1991. By contrast, the Canadian dollar jumped 44% between 2002 and October 2007.

Moreover, much of the recent monthly growth of same-day auto trips represents a rebound from a sharp decline last winter. When a cold snap hit in January and February 2007, just as the United States introduced new passport regulations, same-day auto trips plunged 11.1%. A slow recovery since then left them, in September, only 2.5% ahead of their level in December 2006, despite a 12% rise in the dollar over that period.

Canadians have not shifted markedly from cross-border auto trips to the United States to online shopping there. Shipments to Canada by public- and private-sector couriers, the dominant route to receive a product ordered online, show a steady increase since 1995 of $300 million a year on average. Rather than showing an exceptionally strong increase in 2007, growth has been below average.

Vehicle purchases in the United States are the best example of Canadians buying more from across the border as the loonie rose. The value of new and used car and truck imports by persons (not manufacturers or dealers) from the United States approached the $1-billion mark in 2007 (at annual rates), five times their 2002 value, as the number of these vehicles rose to an annual rate of 60,000 in the first nine months of 2007.

While this makes vehicles the fastest-growing segment of cross-border shopping, the dollar amount still represents less than 2% of the vehicles purchased by Canadians in the first nine months of 2007.

Regionally, Ontario was disproportionately affected by cross-border shopping. By itself, Ontario accounts for the largest share (79%) of the small increase in same-day auto trips by all Canadians since 2002. This partly reflects the short distance between major cities in Ontario and the United States.

However, the costs of trips across the border, which include gasoline consumption and waits at the border, appear to have dampened the enthusiasm of people crossing the border from Ontario to the United States.

Between 1986 and 1992, same-day auto trips across the border from Ontario to the United States soared 243% from an average of 874,000 trips a month to 2.1 million. From 2002 through the first nine months of 2007, such trips through Ontario have risen only 15.5%, from an average of 951,100 trips a month to 1.1 million.

The remainder of the small increase in cross-border shopping by Canadians since 2002 has gone mostly through New Brunswick.

There has been almost no change recently in same-day auto trips through Quebec and Western Canada. Cross-border shopping has never really been significant for the Prairie provinces, partly because their large cities are not close to the United States. Same-day auto trips across the border from British Columbia have edged up 14.5% since 2002, but remain only one-quarter of their peak level set in 1991.

Same-day auto trips from Quebec to the United States are not as significant as elsewhere, accounting for only 10% of such trips by Canadians. In 2007, 58,100 fewer Canadians returned from same-day auto trips to the United States through Quebec than in 2006.

The study, "Cross-border shopping and the loonie: Not what it used to be", is included in the December 2007 Internet edition of *Canadian Economic Observer*, Vol. 20, no. 12 (11-010-XWB, free), now available from the *Publications* module of our website. The monthly paper version of *Canadian Economic Observer*, Vol. 20, no. 12 (11-010-XPB, $25/$243) will be available on December 20.

For more information about the *Canadian Economic Observer*, click on our banner ad from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Philip Cross (613-951-9162; *ceo@statcan.ca*), Current Economic Analysis Division. ■

Dairy statistics
October 2007 (preliminary)

Dairy farmers sold 634 200 kilolitres of milk and cream to dairies in October, up 3.5 % from October 2006.

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

The fourth quarter 2007 issue of *Dairy Statistics*, Vol. 2, no. 4 (23-014-XWE, free) will be available in February 2008.

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

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Canadian Economic Accounts Quarterly Review, Third quarter 2007, Vol. 6, no. 3
Catalogue number 13-010-XWE
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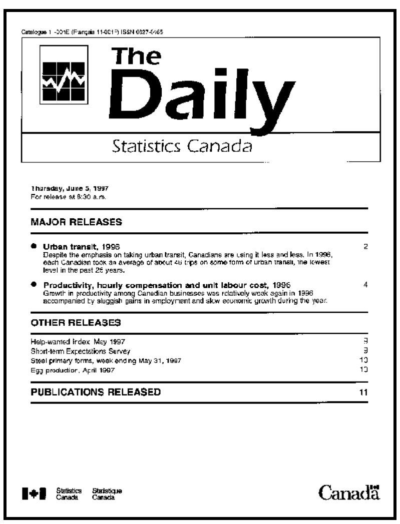
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The Daily

Statistics Canada

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

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- **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.

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