



The Daily

Statistics Canada

Thursday, February 22, 2007

Released at 8:30 a.m. Eastern time

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Canadian corporations earned record high operating profits of \$231.7 billion in 2006, led by solid growth in the wholesale, retail, construction and banking industries. In the fourth quarter, profit growth continued with a 1.5% increase, following a 3.5% gain in the third quarter.	
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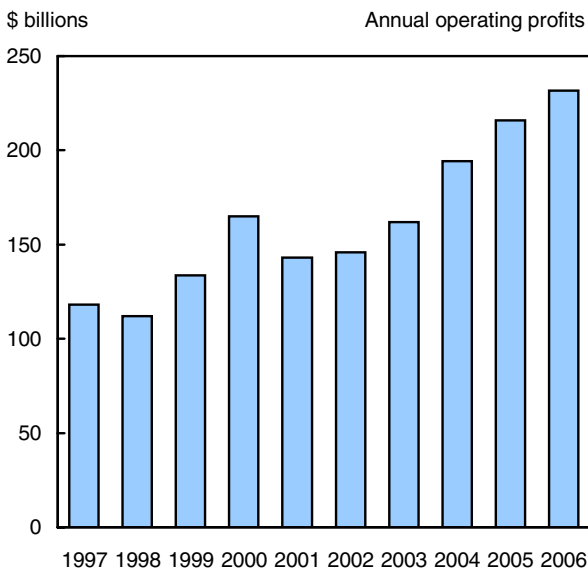
Releases

Quarterly financial statistics for enterprises

2006 and fourth quarter 2006 (preliminary)

Canadian corporations earned record high operating profits of \$231.7 billion in 2006, led by solid growth in the wholesale, retail and construction industries. Depository credit intermediaries (mainly chartered banks) also turned in a sizeable profit gain for the year, while manufacturing profits were little changed.

Another record year for profits



Overall, operating profits increased 7.3% in 2006, down from double-digit growth in the previous two years.

In the fourth quarter, profit growth continued with a 1.5% increase, following a 3.5% gain in the third quarter. Despite the more modest increase, fourth quarter operating profits of \$59.7 billion were at record high levels. Profits had previously shown a slight decline over the first two quarters of 2006.

Fourth quarter oil and gas profits weakened, as crude oil prices fell back from their early summer peak. In the manufacturing sector, higher profits of motor vehicle and parts manufacturers were offset by price-led declines in the petroleum refining industry.

In the financial sector, the depository credit intermediaries were the biggest winners for the fourth

Note to readers

These quarterly financial statistics are based upon a sample survey and represent the activities of all corporations in Canada, except those that are government controlled or not-for-profit. An enterprise can be a single corporation or a family of corporations under common ownership and control for which consolidated financial statements are produced.

Operating profits represent the pre-tax profits earned from normal business activities, excluding interest expense on borrowing and valuation adjustments. For non-financial industries, operating profits exclude interest and dividend revenue and capital gains/losses. For financial industries, interest and dividend revenue, capital gains/losses and interest paid on deposits are included in the calculation of operating profits.

After-tax profits represent the bottom-line profits earned by corporations.

quarter, while insurance companies reported little overall change in profits.

Profitable year for retailers and wholesalers

Strong consumer spending propelled operating profits in the retail sector to a record high \$14.3 billion, up 20.2% over 2005. Sales jumped 4.5% for the year, as upbeat employment levels, historically low interest rates and high consumer confidence continued to stimulate activity in retail showrooms.

Clothing and general merchandise stores earned \$3.9 billion in 2006, up from \$2.5 billion in 2005. Furniture, home furnishings and appliance stores earned \$1.3 billion, a 41.1% improvement over 2005 profits.

Wholesalers' profits of \$16.6 billion were up 15.1% over 2005. The largest gains were seen in wholesalers of motor vehicles (+39.5%), building materials (+25.4%) and machinery and equipment (+22.9%).

Robust activity lifts construction profits in 2006

Operating profits in the construction industry jumped to \$9.7 billion in 2006 from \$6.9 billion the previous year. Thriving demand for residential and non-residential space in Western Canada lifted the value of building permits to new highs.

Housing starts, as measured by the Canada Mortgage and Housing Corporation, fluctuated throughout the year but showed an annual increase. Engineering and repair construction activity remained strong.

High commodity prices bolster oil and gas and metal mining profits

Oil and gas extraction companies' profits exceeded \$31 billion for the first time ever in 2006, up 2.3% over 2005 levels. Crude oil prices peaked in the summer of 2006, but retreated in the latter portion of the year due to high inventories and softening demand. Nonetheless, average crude prices for 2006 were well ahead of 2005, spearheading the gain in annual profits. Natural gas prices were strong early in the year, but fell back considerably as the year wore on.

Mining companies also enjoyed a banner year in 2006, as operating profits jumped 12.0% to \$4.7 billion. Strong demand from China and other export markets kept inventories low, propelling non-ferrous metal prices to record highs during the year.

Manufacturing profits little changed in 2006

Operating profits of manufacturers showed little growth in 2006, edging up to \$42.3 billion from \$42.0 billion in the previous year. Returns on export sales were hampered by the strong Canadian dollar, which peaked around 90 US cents in the spring of 2006, compared to an average of 82.5 US cents in 2005. However, 2006 results may point to a bottoming out of the manufacturing sector, following a 7.0% slide in 2005.

Demand for Canadian goods from the US market was sluggish. The survey of Canadian international merchandise trade recently reported that total exports to the United States registered their first annual decline in three years. However, exports to other countries rose considerably.

Overall manufacturing shipments for 2006 slipped 0.6%, as measured by the Monthly Survey of Manufacturing.

Manufacturers of computers and electronic products were a bright spot, as profits of \$2.7 billion reflected a 64.1% increase over 2005 levels. Operating profits have steadily grown since losses were registered in 2002. This industry includes manufacturers of communications equipment and audio and video equipment, which have been in high demand over the past few years.

Primary metal manufacturers reaped the benefit of strong commodity prices and earned \$4.3 billion in 2006, a 13.9% gain over 2005 profits.

On the down side, wood and paper companies lost ground in 2006, as profits were trimmed by lower prices, a softer US housing market, high fuel costs and the strong Canadian dollar. Operating profits declined 16.0% to \$3.3 billion. Paper producers continued to struggle with shrinking North American newsprint markets.

During the final quarter of 2006, the Canadian and United States governments implemented a new agreement to govern the flow of Canadian softwood lumber to the United States. Under this agreement, Canadian lumber companies are receiving refunds of about 80% of the softwood lumber duties previously deposited. In the wood and paper industry, any refunds reported in the fourth quarter are excluded from the calculation of these operating profits, but are included in the sizeable increase seen in after-tax profits.

Motor vehicles and parts manufacturers saw profits slide 14.8% to \$1.5 billion in 2006. Exports, which comprise the bulk of Canadian automotive production, were on a downward trend throughout the year, despite some strength in the latter months. Domestic unit sales of new motor vehicles were up 2.2% for the year. Profits were dampened by high marketing and restructuring costs and the effect of the strong Canadian dollar on export returns.

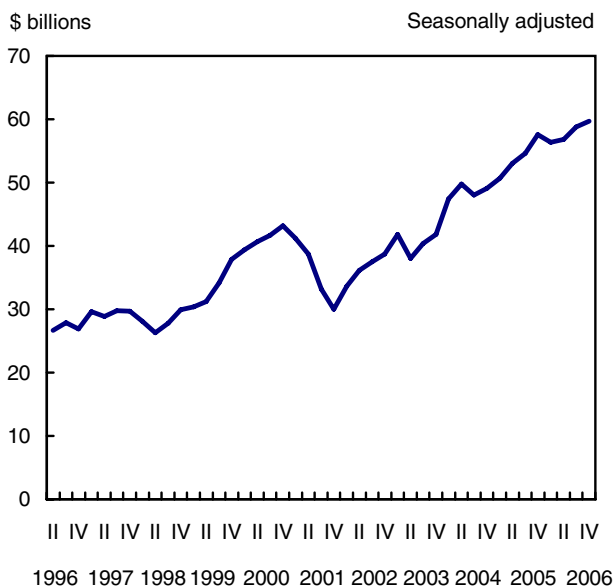
Financial industries

In the financial sector, the depository credit intermediaries led the way with profits rising 14.3% to \$26.4 billion in 2006. Profits were boosted by higher net interest income stemming from growth in mortgage and non-mortgage loans such as credit cards and consumer and corporate loans. Profits also benefited from trading gains derived from equity markets, higher volumes in treasury and investment banking as well as wealth management.

Insurance carriers earned \$13.9 billion of operating profits in 2006, up 8.2% over 2005 levels. Both life insurers (+5.9%) and property and casualty insurers (+11.3%) contributed to the profit gains.

Non-depository credit intermediaries' profits rose 9.5% to \$7.5 billion.

Quarterly profits reach new high



Quarterly growth slows but profits still at record levels

In the fourth quarter, all-industry operating profits increased 1.5% to a record \$59.7 billion, following a 3.5% increase in the third quarter. Profits have risen in all but 3 of the past 20 quarters, posting record highs along the way.

In the non-financial sector, gains in 14 of the 17 industries lifted profits by 1.3% to \$43.3 billion. The financial sector profits increased 2.2% to \$16.4 billion.

The biggest fourth quarter profit swing was in the oil and gas industry, as operating profits declined to \$7.2 billion from \$8.0 billion in the third quarter. Crude oil prices fell back from the lofty highs of the summer and export demand eased. Natural gas export prices bottomed in October at less than half of the record high prices reaped in the fourth quarter of 2005.

Manufacturing profits edged up 0.9% to \$11.0 billion. A price-led decline in petroleum and coal profits was largely offset by higher profits by motor vehicles and parts producers. While domestic and export demand for motor vehicles showed resilience in the fourth quarter, most of the profit increase was due to unusually large restructuring and marketing charges booked in the third quarter.

Wholesalers earned \$4.3 billion in fourth quarter profits, up 5.2% from the third quarter. Retailers kept pace as their profits advanced 5.7% to a record high \$3.8 billion.

Profits in the transportation and warehousing industry grew by 5.8% to \$2.9 billion in the fourth quarter, matching the record highs posted in the final quarter of 2005. Airlines benefited from strong passenger load factors, as travelers eagerly took to the skies. In addition, transportation carriers were helped by lower fuel costs in the fourth quarter.

In the financial sector, the depository credit intermediaries earned \$7.2 billion, up from \$6.9 billion in the third quarter. Higher revenues were driven by gains in personal and commercial banking as well as efficiencies from some broad restructuring.

Insurance carriers showed little overall change in operating profits for the quarter. Life insurers reported a 2.3% increase in fourth quarter profits to \$1.3 billion. Property and casualty insurers' profits slipped 1.3% to \$1.8 billion.

Profitability ratios

The operating profit margin increased for a fifth consecutive year in 2006, rising to 8.2% from 8.0% in 2005. However, a sizeable gain in total equity trimmed the 2006 return on average shareholders' equity to 11.2% from 11.5% in 2005. Nonetheless, it remained well above the recent low return of 5.7% earned in 2002.

In the fourth quarter, the operating profit margin edged up to 8.4% from 8.3% in the third quarter. The return on shareholders' equity fell to 10.8% in the fourth quarter from 11.0% in the previous quarter.

Available on CANSIM: tables 187-0001 and 187-0002.

Definitions, data sources and methods: survey number 2501.

The fourth quarter 2006 issue of the *Quarterly Financial Statistics for Enterprises* (61-008-XWE, free) will soon be available.

Financial statistics for enterprises for the first quarter of 2007 will be released on May 24.

For more information or to order data, contact Louise Noel (toll-free 1-888-811-6235; 613-951-2604; louise.noel@statcan.ca), Client Services. To enquire about the concepts, methods, or data quality of this release, contact Bill Potter (613-951-2662; bill.potter@statcan.ca), Danielle Lafontaine-Sorgo (613-951-2634; danielle.lafontaine-sorgo@statcan.ca), or Richard Dornan (613-951-2650; dornan@statcan.ca), Industrial Organization and Finance Division.

□

Quarterly financial statistics for enterprises

	Fourth quarter 2005 ^r	Third quarter 2006 ^r	Fourth quarter 2006 ^p	Third quarter to fourth quarter 2006	2005 ^r	2006 ^p	2005 to 2006
Seasonally adjusted							
	\$ billions		% change		\$ billions		% change
All Industries							
Operating revenue	693.9	711.8	708.6	-0.5	2,691.0	2,816.1	4.6
Operating profit	57.6	58.8	59.7	1.5	215.9	231.7	7.3
After-tax profit	37.3	36.5	36.6	0.2	139.7	146.9	5.2
Non-financial							
Operating revenue	630.3	643.2	639.1	-0.6	2,441.2	2,547.1	4.3
Operating profit	42.5	42.8	43.3	1.3	158.0	168.4	6.6
After-tax profit	27.7	27.1	26.7	-1.3	103.2	108.0	4.7
Financial							
Operating revenue	63.6	68.6	69.5	1.3	249.8	269.0	7.7
Operating profit	15.1	16.0	16.4	2.2	57.9	63.3	9.3
After-tax profit	9.6	9.4	9.9	4.7	36.5	38.9	6.4

^r revised

^p preliminary



Railway carloadings

December 2006 and annual 2006

Business edged down for Canadian railways last year in the wake of lower shipments in key sectors of the economy, especially wood and paper, and automobiles.

Railway carriers loaded 287.0 million metric tonnes of goods in 2006, down 0.5% from the record high of 288.5 million tonnes in 2005.

The decline occurred despite a strong two-way flow of goods to and from Asian nations. Demand has been high from Asian countries for Canada's primary goods. In turn, China and its Asian neighbours have been emerging as suppliers of manufactured goods to the North American market.

As a result, Canadian railways loaded more than 3.2 million rail cars and more than 1.8 million containers in 2006.

Loadings directly related to the wood and paper industry fell by more than 6.5% in 2006, representing a total reduction of about 45,000 carloads. However, they still accounted for about 20% of all rail loadings across Canada.

As well, loadings of commodities related to the automotive manufacturing sector showed signs of weakness. Parts and accessories for motor vehicles appeared most affected. Compared to 2005, loadings of these commodities fell from 35,360 carloads to 27,850, a 21.2% drop.

Other major commodities such as coal and potash also fell in 2006. Loadings of coal were down by 8.2%. Loadings of potash, phosphate rock and fertilizer, which are all strongly interrelated, generated 201,700 carloads last year. However, this was 36,000 fewer carloads than in 2005, a 15.1% decline.

On the brighter side, the rail industry had a strong year in freight related to the agricultural and food sector. Thanks to strong loadings of wheat, and the highest ever loadings of colza and oil seeds, carloadings in 2006 were the second highest since 1999.

Loadings of goods moved in multimodal containers also played an important part in last year's results. Canadian rail carriers reported loading about 3.1 million twenty-foot equivalent units (TEUs) in 2006, an increase of 162,000 from 2005. This growth is expected to continue as more and more goods, even those traditionally moved in bulk, are often seen shipped in containers.

Furthermore, 2006 saw a record high for traffic received from the United States. Goods received from the United States exceeded 28.6 million metric tonnes, up 1.4 million tonnes from 2005. This was twice the gain between 2004 and 2005.

Finally, traffic received from Canadian connections, which could be described as an indicator of the level of interaction between railways, dropped by an unprecedented 7.7 million metric tonnes. This was, in part, a reflection of the fewer number of carriers operating Canada's railways.

For 2006 as a whole, railways loaded 258.7 million metric tonnes of goods in the non-intermodal section, down 0.8% from 2005. The intermodal section totalled 28.3 million tonnes, up 3.0%.

On a monthly basis, railways loaded 22.7 million metric tonnes in December, down 7.9% from November, and a 3.8% decline from December 2005.

Loadings of non-intermodal goods dropped 7.8% from November to 20.5 million tonnes. Intermodal loadings followed suit, declining 8.6%. These drops are typical for December and January.

Freight coming from the United States, either destined or passing through Canada, showed little change from November, at 2.5 million tonnes.

Available on CANSIM: table 404-0002.

Definitions, data sources and methods: survey number 2732.

The December 2006 issue of *Monthly Railway Carloadings*, Vol. 83, no. 12 (52-001-XWE, free) is now available from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the Dissemination Unit (toll-free 1-866-500-8400; fax: 1-613-951-0009; transportationstatistics@statcan.ca), Transportation Division. ■

Deliveries of major grains

January 2007

Data on January major grain deliveries are now available.

Available on CANSIM: table 001-0001.

Definitions, data sources and methods: survey numbers, including related surveys, 3403, 3404 and 3443.

The January 2007 issue of *Cereals and Oilseeds Review* (22-007-XIB, free) will be available in March.

For general information, contact Client Services (toll-free 1-800-465-1991; agriculture@statcan.ca). To enquire about the concepts, methods or data quality of

this release, contact Susan Anderson (613-951-3859; sue.anderson@statcan.ca), Agriculture Division. ■

Crushing statistics

January 2007

Oilseed processors crushed 303,370 metric tonnes of canola in January. Oil production in January totalled 132,321 tonnes while meal production amounted to 177,723 tonnes.

Available on CANSIM: table 001-0005.

Definitions, data sources and methods: survey number 3404.

The January 2007 issue of *Cereals and Oilseeds Review* (22-007-XIB, free) will be available in March.

For general information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-800-465-1991; agriculture@statcan.ca), Agriculture Division. ■

Cereals and oilseeds review

December 2006

Data from the December 2006 issue of *Cereals and Oilseeds Review*, Vol. 29, no. 12 (22-007-XIB, free) are now available from the *Publications* module of our

website. This issue contains an overview of January's market conditions.

Definitions, data sources and methods: survey numbers, including related surveys, 3401, 3403, 3404, 3443, 3464 and 3476.

For further information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-800-465-1991; agriculture@statcan.ca), Agriculture Division. ■

Shipments of solid fuel burning heating products

Fourth quarter 2006

Data on shipments of solid fuel burning heating products are now available for the fourth quarter 2006.

Available on CANSIM: table 303-0063.

Definitions, data sources and methods: survey number 2189.

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

Canadian Economic Observer, February 2007,
Vol. 20, no. 2
Catalogue number 11-010-XPB (\$25/\$243).

Cereals and Oilseeds Review, December 2006,
Vol. 29, no. 12
Catalogue number 22-007-XIB
(free).

Monthly Railway Carloadings, December 2006,
Vol. 83, no. 12
Catalogue number 52-001-XWE
(free).

Retail Trade, December 2006, Vol. 78, no. 12
Catalogue number 63-005-XWE
(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; -XVB or -XVE are electronic versions on DVD and -XBB or -XBE a database.

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Thursday, June 5, 2007
For release at 9:30 a.m.

MAJOR RELEASES

- **Urban transit, 1990** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 50 trips on some form of urban transit, the lowest level in the last 25 years.
- **Productivity, hourly compensation and unit labour cost, 1990** 4
Growth in productivity among Canadian businesses was noticeably weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

- **Help-wanted Index, May 1997** 3
- **Short-term Expectations Survey** 3
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production, Apr. 1997** 12

PUBLICATIONS RELEASED 11

Statistics 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.

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