

The Daily

Statistics Canada

Thursday, August 14, 2008

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Higher oil prices have raised gasoline bills for consumers, but also vaulted energy to Canada's leading export in 2008.

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Study: Over a barrel? Canada and the rising cost of energy

August 2008

Higher oil prices have sharply raised the cost of filling up at the pump for drivers. However, driving and commuting habits have been slow to change since 2002, partly because the squeeze of higher gasoline bills on household budgets has been partly offset by lower prices for other goods such as autos as well as by higher incomes. Meanwhile, higher prices have lifted energy to Canada's leading export so far in 2008.

The combination of higher prices and increased gasoline consumption has raised the portion of income consumers allocate to gasoline to 3.8% in the first quarter of 2008, from 2.9% in 2002.

The increase in spending on gasoline since 2002 was offset by the drop in the share of income devoted to purchasing autos, from 6.2% to 5.3%. The drop for autos entirely reflects lower prices, as Canadians increased vehicle purchases over the last six years.

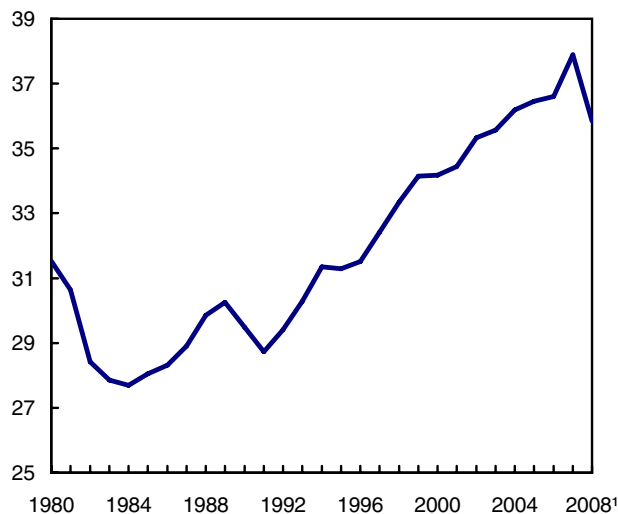
Meanwhile, the overall share of energy in consumer budgets has been steady at 6.7% over the past three years, reflecting lower electricity rates. As well, natural gas prices have risen only 32% by June 2008 compared with 2002, versus a 123% hike in the cost of oil for home heating. A mild winter and cool summer in 2008 has also provided some relief to overall household energy outlays. Energy consumption as a share of disposable income had risen from 5.8% in 2002 to 6.7% in 2005 before levelling off.

Despite the steady escalation of gasoline prices since 2002, Canadian drivers have so far not cut back their consumption. Overall, the retail sales volume of gasoline rose 7.2% from 2002 through 2007. Gasoline consumption rose in every year, with the exception of a 0.4% dip in 2006 when hurricane damage disrupted supplies and briefly sent prices to record levels.

The largest annual increase in gasoline consumption was in 2007, despite the cumulative impact of years of rising prices. Retail sales of gasoline rose 3.9% last year, largely reflecting a 1.9% increase in kilometres driven by all vehicles as well as lower fuel efficiency. A dip in monthly gasoline sales early in 2008 appears partly to reflect poor driving conditions, due to several snow storms, and demand in the first five months of the year remained 0.5% ahead of the same period last year.

Retail gasoline sales

millions of cubic metres



1. Year to April annualized.

In the past, drivers in Canada have shown they can sharply curtail consumption in the face of higher prices. The volume of gasoline purchased by consumers fell 12.1% between 1980 and 1984, when prices rose 65%. Consumption also fell 5.1% from 1989 to 1991 when prices increased 12%. Of course, a major difference in both periods was that real incomes were being squeezed by recessions. Since 2002, real incomes have risen steadily.

The rise in gasoline consumption since 2002 reflects both the longer distances vehicles are being driven and the increasing number of vehicles on the road.

Canadians drove their vehicles 332 billion kilometres last year, up 5.2% from 2002, and the number of vehicles on the road rose 9.4% since 2002. New motor vehicle sales in the first five months of 2008 continued on a record pace.

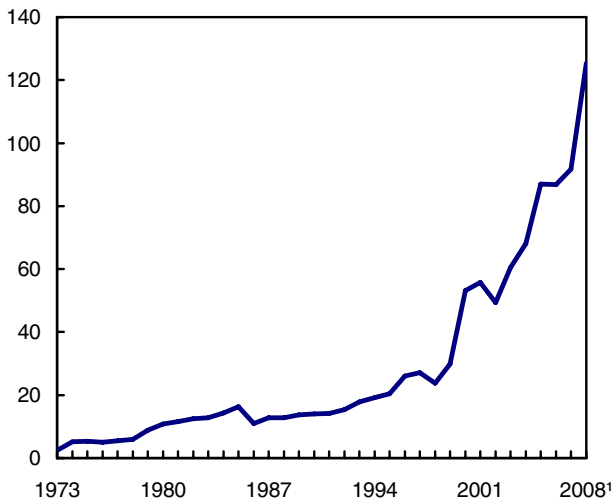
Moreover, the share of trucks in new vehicle sales rose from 2002 to 2007. The share of trucks retreated steadily in 2008, which may reflect the first move by drivers to boost fuel efficiency in response to higher prices. Given the 20.3 million vehicles already on the road, at the current rate of 1.7 million new motor vehicle sales a year it will take time to significantly change overall fuel efficiency of the fleet of vehicles being driven.

Canadians have only slightly altered their driving habits since 2002, and this is reflected in their use of mass transit. Demand for urban transit has barely kept pace with population growth since 2002. From 2002 to the first quarter of 2008, gross domestic product in urban transit systems has risen 10.1%, versus an 8.1% gain in the adult population. Some of the slow increase in demand for urban transit reflects faster population growth in rural areas.

Given the country's vast reserves of energy, Canadians think of themselves as self-sufficient in energy. However, Canadian imports of energy products totalled \$40 billion last year and are tracking close to \$50 billion in the first five months of 2008. Canada imports 19.8% of the energy it uses. It is more efficient for Canada's energy trade to flow North/South than East/West. As a result, eastern supplies often come from imports, notably for coal and crude oil.

Energy exports

\$ billions



1. Year to May annualized.

Despite these imports, Canada has a massive surplus overall in external trade in energy products. In the first five months of 2008, this surplus was \$76 billion at annual rates, as exports were nearly one-third ahead of their level a year earlier.

Higher energy prices have fundamentally altered the portrait of Canada's exports. As recently as 2004, energy was Canada's fourth largest export, behind machinery and equipment, autos and industrial goods. After rising to third place in the last two years ahead of autos, so far in 2008 energy is Canada's largest export earner. Energy exports nearly doubled from \$49 billion in 2002 to \$92 billion in 2007 and in the first five months of 2008 are running at an annual rate of \$125 billion.

Canada exported 38.3% of all the energy it produced in 2007. Around 60% of all the crude oil, natural gas and coal produced in this country is exported.

As a result of higher prices and output, energy as a share of total exports has jumped from 7% in 1971 to 12% in 2002 and 26.2% so far in 2008. Crude oil dominates Canada's exports of energy products, contributing almost half so far this year.

Definitions, data sources and methods: survey numbers, including related surveys, 1401, 2198, 2202, 2203 and 2301.

The article, "Over a barrel? Canada and the rising cost of energy," is included in the August 2008 Internet edition of the *Canadian Economic Observer*, Vol. 21, no. 8 (11-010-XWB, free), now available from the *Publications* module of our website. The monthly paper version of the *Canadian Economic Observer*, Vol. 21, no. 8 (11-010-XPB, \$25/\$243), will be available on August 21.

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.gc.ca), Current Economic Analysis Division. ■

Spending on research and development in the higher education sector

2006/2007

Spending on research and development in the higher education sector amounted to \$9.6 billion (current dollars) in the fiscal year 2006/2007.

The higher education sector includes affiliated research hospitals, experimental stations and clinics. Social sciences and humanities accounted for 20% of the total, health sciences 39%, and other natural sciences the remaining 41%.

Higher education institutions themselves were the largest contributors, funding \$4.4 billion or 46% of the total. The second largest contributor was the federal government, funding \$2.5 billion, or 26% of the total.

Research and development expenditures in the higher education sector by funding sector

2006/2007

	Social sciences and humanities	Health sciences	Other natural sciences and engineering	Total
millions of current dollars				
Funding sector				
Federal government	401.2	938.7	1,147.6	2,487.5
Provincial governments	198.5	297.8	496.4	992.7
Business enterprises	32.8	341.5	433.9	808.2
Higher education	1,132.2	1,669.6	1,632.4	4,434.2
Private non-profit organisations	144.5	485.6	145.5	775.7
Foreign	0.0	50.3	75.4	125.7
Total	1,909.3	3,783.6	3,931.3	9,624.1

Note: Figures may not add up to totals due to rounding.

Definitions, data sources and methods: survey number 5109.

The service bulletin *Science Statistics*, Vol. 32, no. 4 (88-001-XWE, free), is now available from the *Publications* module of our website.

For more information, or to enquire about concepts, methods or data quality of this release, contact Michael Lynch (613-951-2201; michael.lynch@statcan.gc.ca) or Louise Earl (613-951-2880; louise.earl@statcan.gc.ca), Science, Innovation and Electronic Information Division. ■

New products

Canadian Economic Observer, August 2008, Vol. 21, no. 8
Catalogue number 11-010-XWB
(free).

Aircraft Movement Statistics: Airports Without Air Traffic Control Towers (TP 141), February 2008, Vol. 3, no. 2
Catalogue number 51-008-XWE
(free).

Science Statistics, Vol. 32, no. 4
Catalogue number 88-001-XWE
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Matter of Fact: "How satisfied are immigrants with their personal safety?"
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The Daily

Statistics Canada

Thursday, May 29, 2008
Released at 9:30 a.m. Eastern time

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Canada's balance of international payments, first quarter 2008 2
The current account surplus with the rest of the world (on a seasonally adjusted basis) increased sharply to \$5.5 billion in the first quarter of 2008, led by higher prices for several export commodities combined with a lower import deficit. In the financial account, foreign investment flows into Canada slowed significantly from the expansion-driven pace of the previous quarter, while Canadian direct investment abroad continued to strengthen.

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2006 Census profiles

With the inclusion of the income and earnings release components, the complete cumulative profile is now available for census divisions, census subdivisions, dissemination areas, forward sortation areas, designated places, urban areas, and census metropolitan areas and census agglomerations with census subdivisions. To obtain these profiles in electronic format (links vary for different geography levels), contact Statistics Canada's National Contact Centre.

Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

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