Catalogue 11-001-XIE (Français 11-001-XIF) ISSN 1205-9137

The Daily

Statistics Canada

Tuesday, November 17, 2009
Released at 8:30 a.m. Eastern time

Releases

Releases

Study: Indebtedness and liquidity of non-financial corporations
2009

The indebtedness and liquidity position of non-financial corporations remained at historically favourable levels at the end of the second quarter of 2009, despite the economic downturn which started in 2008.

On the whole, non-financial corporations in Canada entered the economic downturn in mid-2008 with one of their lowest debt loads in the past four decades, and with an improved liquidity position. By mid-2009, their financial position was more or less unchanged, remaining at historic favourable levels.

Corporations' financial position improve until mid-2008

The debt-to-equity ratio among non-financial corporations declined almost steadily from its last peak of 0.92 in 1992 to 0.54 in mid-2008. The pace of the decline accelerated in 2003 when corporations started recording strong growth in profits and increased retained earnings. Net issuances of share capital, another component of a company's equity, also helped to keep corporation indebtedness at historical low levels after 2005.

Corporations also improved their liquidity position since 1998. That is, they held more cash relative to outstanding credit market debt and total assets compared with previous years. At the end of the second quarter of 2008, corporations held $373.4 billion in cash or $514 for each $1,000 in credit market debt.

The decline in non-financial corporations' debt-to-equity ratio was widespread between 2003 and mid-2008, as 10 of 11 non-financial industries entered the downturn with less leveraged balance sheets. Among the largest industries, the energy, wholesale and retail industries posted notable declines in leverage during this period. In addition, these sectors retained more cash and increased their liquidity position.

There were some exceptions, though, most notably non-energy manufacturers, driven by motor vehicle and parts manufacturers. Leverage ratios for motor vehicle and parts manufacturers tripled to 0.31 between the first quarter of 2003 and the second quarter of 2008.

Note to readers

This release is based on a new study "Indebtedness and liquidity of non-financial corporations" published today in the Analysis in Brief *series. Data are from the national balance sheet accounts (NBSA) and from the quarterly financial statistics (QFS) for enterprises program. The NBSA provides a consistent time series for all private non-financial corporations since 1961. The QFS is a survey that compiles balance sheet and income statements for various industry aggregations from 1988 onward, and covers all corporations in Canada except those that are government-controlled or not-for-profit.*

A corporation's leverage or indebtedness level is typically measured by using the debt-to-equity ratio. A high ratio generally means a company has been aggressive in using debt rather than equity to finance its growth. Liquidity position is measured as cash holdings relative to the amount of credit debt or total assets. Higher liquidity levels mean corporations are better suited to meet their short term obligations and to implement investment strategies.

Economic downturn puts a halt on improving financial position

The combination of low indebtedness and high liquidity for non-financial corporations left them better suited to face challenges arising from the economic downturn and tight financial markets starting in mid-2008. Liquidity was especially important in light of evidence that corporations were having trouble accessing credit. However, the economic slowdown put a halt on this declining indebtedness and increasing liquidity trend.

Since mid-2008, corporations' net profits declined and equity markets deteriorated, slowing the growth of corporate equity. At the same time, corporations' debt load remained more or less stable as credit availability tightened and demand slackened. As a result, the debt-to-equity ratio remained almost constant, varying between 0.54 in mid-2008 to 0.55 in mid-2009. However, this was still at historically low levels.

By the end of the second quarter of 2009, the liquidity position of non-financial corporations stood at $509 per $1,000 of credit market debt, down very slightly from $514 a year earlier. This was just shy of their 2007 levels, which were the highest since 1961 when these data were first collected.

From mid-2008 to mid-2009, while corporate revenue declined and credit markets faltered, indebtedness continued to decline for 7 of the 10 industries that had previously improved their balance sheets. However, these declines were offset by increases in 3 other industries. Energy, wholesale and retail still managed to increase their liquidity position during this one-year period. Overall, 7 industries improved their liquidity position during that time.

Leverage for motor vehicle and parts manufacturers further increased to 0.48 between mid-2008 to mid-2009. Liquidity became an issue for the automotive industry during this period as the cash ratio fell in all quarters in 2008. The ratio rebounded slightly to 0.13 in the first quarter of 2009 before restructuring in the industry helped boost liquidity to 0.20 in the second quarter of 2009.

Definitions, data sources and methods: survey numbers, including related surveys, 1806 and 2501.

The analytical paper "Indebtedness and liquidity of non-financial corporations" is now available as part of *Analysis in Brief* (11-621-M2009082, free), from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Boran Plong (613-951-2649; *boran.plong@statcan.gc.ca*), Industrial Organisation and Finance Division. ■

Non-residential Building Construction Price Index

Third quarter 2009

The composite price index for non-residential building construction decreased 1.5% in the third quarter compared with the previous quarter. As was the case in the second quarter, the decline in the third quarter was mostly the result of heightened competitive conditions due to a weaker non-residential building construction market, most notably in Western Canada.

Among the seven census metropolitan areas (CMAs) surveyed, Vancouver (-4.4%) recorded the largest quarterly decrease while Montréal (+0.7%) had the only increase.

Year-over-year, the composite price index for non-residential building construction was down 10.0%. Of the CMAs surveyed, Vancouver (-19.4%) recorded the largest decrease while Montréal (+2.0%) had the only advance.

Note: In the fourth quarter of 2008, the five building models used in the calculation of non-residential building construction price indexes were replaced with updated models. Also, the base year was changed to 2002=100.

The Non-residential Building Construction Price Index provides an indication of the changes in new construction costs in six census metropolitan areas or CMAs (Halifax, Montréal, Toronto, Calgary, Edmonton and Vancouver) and the Ottawa part of the Ottawa–Gatineau CMA.

Three construction categories (industrial, commercial and institutional buildings) are represented by selected models (a light factory building, an office building, a warehouse, a shopping centre and a school). Besides the CMA and composite indexes, a further breakdown of the changes in costs is available by trade group (structural, architectural, mechanical and electrical) within the building types.

These price indexes are derived from surveys of general and special trade group contractors. They report data on various categories of costs (material, labour, equipment, taxes, overhead and profit) relevant to the detailed construction specifications included in the surveys.

Available on CANSIM: tables 327-0043 and 327-0044.

Definitions, data sources and methods: survey numbers, including related surveys, 2317 and 2330.

The third quarter 2009 issue of *Capital Expenditure Price Statistics* (62-007-X, free) will be available in January 2010.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Client Services (toll-free 1-866-230-2248; 613-951-9606; fax 613-951-3117; *prices-prix@statcan.gc.ca*), Producer Prices Division.

Non-residential building construction price indexes[1]

	Third quarter 2009	Third quarter 2008 to third quarter 2009	Second quarter to third quarter 2009
	(2002=100)	% change	
Composite	**140.3**	**-10.0**	**-1.5**
Halifax	135.6	-0.4	-0.4
Montréal	134.9	2.0	0.7
Ottawa–Gatineau, Ottawa part	139.6	-2.9	-0.4
Toronto	141.6	-5.1	-0.9
Calgary	161.2	-13.6	-1.5
Edmonton	150.8	-16.1	-0.4
Vancouver	132.6	-19.4	-4.4

1. *Go online to view the census subdivisions that comprise the census metropolitan areas.*

■

Steel wire and specified wire products

September 2009

Data on steel wire and specified wire products production are now available for September.

Available on CANSIM: table 303-0047.

Definitions, data sources and methods: survey number 2106.

The September 2009 issue of *Steel, Tubular Products and Steel Wire* (41-019-X, free) will soon be available.

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.gc.ca*), Manufacturing and Energy Division. ■

Steel pipe and tubing

September 2009

Data on the production and shipments of steel pipe and tubing are now available for September.

Available on CANSIM: table 303-0046.

Definitions, data sources and methods: survey number 2105.

The September 2009 issue of *Steel, Tubular Products and Steel Wire* (41-019-X, free) will soon be available.

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.gc.ca*), Manufacturing and Energy Division. ■

Labour data and capital data for multifactor productivity growth estimates

Labour data and capital data that are used by the Canadian Productivity Accounts (CPAs) to estimate labour input, capital input, and multifactor productivity growth in the industry productivity database are now available.

Labour data includes hours worked and labour compensation by sex, job category, age group, and educational attainment at a detailed industry level, according to the North American Industry Classification System (NAICS) for the period 1961 to 2007.

Capital data includes investment, capital stock and capital services of different types of physical assets at a detailed industry level, according to the NAICS for the period 1961 to 2005.

Labour input for multifactor productivity measures in the CPAs is estimated as a weighted sum of hours worked using labour compensation as weights across different categories of workers. The measure takes into account the effect of the compositional shifts of hours worked towards more educated and more experienced workers on labour input.

Capital input is estimated as the weighted sum of capital stock using the user cost of capital as weights across different types of assets. Capital input measure reflects the services that flow from the stock of capital.

Available on CANSIM: tables 383-0024 and 383-0025.

Definitions, data sources and methods: survey number 1402.

A description of the method used to derive labour data and capital data can be found in "User guide for Statistics Canada’s annual multifactor productivity program," as part of *The Canadian Productivity Review* (15-206-X2007014, free) series, and in *The Latest Developments in the Canadian Economic Accounts: Industry Productivity Database*, Vol. 7, no. 5 (13-605-X, free), from the *Analytical studies* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Wulong Gu (613-951-0754), Micro-economic Analysis Division. ■

New products

Analysis in Brief: "Indebtedness and liquidity of non-financial corporations", 1961 to 2009, no. 82
Catalogue number 11-621-M2009082 (PDF, free; HTML, free)

Child and Spousal Support: Maintenance Enforcement Survey Statistics, 2008/2009
Catalogue number 85-228-X (PDF, free; HTML, 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.

How to order products

To order by phone, please refer to:

- The title
- The catalogue number
- The volume number
- The issue number
- Your credit card number.

From Canada and the United States, call:	**1-800-267-6677**
From other countries, call:	**1-613-951-2800**
To fax your order, call:	**1-877-287-4369**
For address changes or account inquiries, call:	**1-877-591-6963**

To order by mail, write to: Statistics Canada, Finance, 6th floor, R.H. Coats Bldg., Ottawa, K1A 0T6.
Include a cheque or money order payable to **Receiver General of Canada/Publications**. Canadian customers add 5% GST and applicable PST.

To order by Internet, write to: *infostats@statcan.gc.ca* or download an electronic version by accessing Statistics Canada's website *(www.statcan.gc.ca)*. From the *Our products and services* page, under *Browse our Internet publications*, choose *For sale*.

Authorized agents and bookstores also carry Statistics Canada's catalogued publications.

Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

Published each working day by the Communications and library Services Division, Statistics Canada, 10G, R.H. Coats Building, 100 Tunney's Pasture Driveway, Ottawa, Ontario K1A 0T6.

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