

# The Daily

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## Statistics Canada

Thursday, June 11, 2009

Released at 8:30 a.m. Eastern time

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### Releases

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<b>Industrial capacity utilization rates, first quarter 2009</b>	2
Canadian industries continued to reduce their rate of capacity utilization in the first quarter of 2009, operating at 69.3% of production capacity, down 5.6 percentage points from the previous quarter.	
<b>Study: A National Accounts perspective on recent financial events, 2008</b>	5
In recent months, Canada has been affected by the fallout from the severe decline in international trade and commodity prices. However, its avoidance of excessive reliance on debt has stood both its financial institutions and overall economy in good stead.	
Study: Bioproducts industry, 2003 to 2006	7
Employer pension plans (trusteed pension funds), fourth quarter 2008	7
Financial information of universities and colleges, 2007/2008	8
Natural gas transportation and distribution, January to March 2009	8

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<b>New products</b>	9
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## Releases

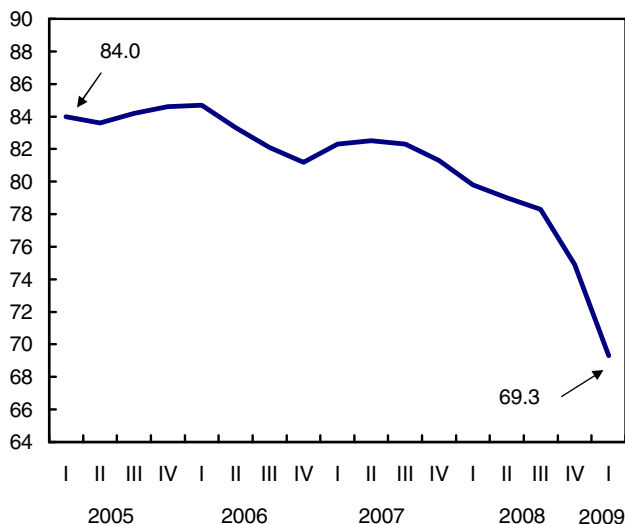
### Industrial capacity utilization rates

First quarter 2009

Canadian industries continued to reduce their rate of capacity utilization in the first quarter of 2009, operating at 69.3% of production capacity, down 5.6 percentage points from the previous quarter. It was the first time that industrial capacity use fell below the 70% level since the start of the data series in 1987.

#### Capacity utilization falls to lowest level on record

% (rate of capacity use)



In the first quarter, durable goods industries, especially the transportation equipment industry, the construction sector, and the mining sector (excluding oil and gas extraction), were the main contributors to the overall decline.

Weakened global and domestic demand for manufactured goods continued to drive down capacity utilization rates. Of the 21 major industries in the manufacturing group, 18 registered lower rates.

As it did in the fourth quarter of 2008, the transportation equipment industry led the first quarter decline in the manufacturing group. Capacity use in this industry fell from 58.3% in the fourth quarter to 42.5% in the first quarter of 2009.

In the non-manufacturing group, capacity use fell in all sectors, except for the oil and gas extraction sector.

#### Note to readers

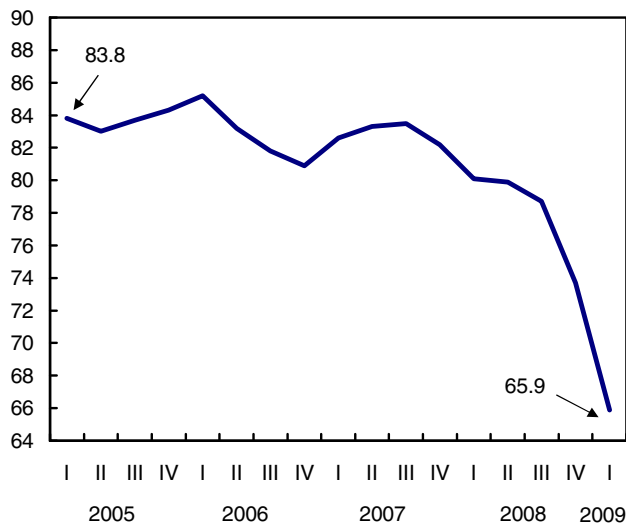
The industrial capacity utilization rate is the ratio of an industry's actual output to its estimated potential output.

For this release, rates have been revised back to the first quarter of 2006 to reflect the revised source data.

The most notable drop occurred in the mining sector, where utilization fell by 14.8 percentage points from the fourth quarter to 55.3%, the lowest rate ever posted by this sector.

#### Manufacturing slowdown continues

% (rate of capacity use)



#### Manufacturing: Largest quarterly decline ever in capacity use

Manufacturers lowered their use of production capacity in the first quarter to 65.9%, down 7.8 percentage points from the fourth quarter of 2008. This was the largest quarterly decline on record for the entire manufacturing sector.

Durable goods industries recorded significant decreases in the use of capacity. Transportation equipment, primary metals, fabricated metal product, machinery, and wood product manufacturing industries accounted for most of the decline in capacity use.

Capacity utilization in the transportation equipment industry fell 15.8 percentage points from the fourth quarter and 35.0 percentage points from the first quarter of 2008, as manufacturers of motor vehicles and associated parts sharply cut back their production to levels approaching the second quarter of 1994. Numerous plants reported extended closures and slowdowns in January in reaction to lower demand in Canada and the United States.

In the primary metal manufacturing industry, capacity utilization decreased by 10.1 percentage points to 74.9%. This reflected a large decline in production of iron and steel mills and ferro-alloy manufacturing, and in foundries.

The utilization rate in the fabricated metal product manufacturing industry declined from 77.2% in the fourth quarter of 2008 to 70.5% in the first quarter of 2009. The major contributor was lower production in architectural and structural metals manufacturing.

Capacity use in the machinery manufacturing industry fell 6.4 percentage points to 75.6%. The drop was due largely to declining output in construction machinery, mining machinery and metalworking machinery manufacturing, in line with the reduced needs of the using industries.

The wood product manufacturing industry operated at 60.6% capacity in the first quarter, down from 70.2% in the previous quarter. Reduced production in sawmills and wood preservation, partly a reflection of lower levels of construction activity, contributed to the lower rate.

On the other hand, capacity use rates increased in food manufacturing, beverage and tobacco product manufacturing, and petroleum and coal product manufacturing industries. Capacity use in the food manufacturing industry rose from 80.3% in the fourth quarter of 2008 to 81.3% in the first quarter of 2009. The gain was attributable mostly to an increase in output of fruit and vegetable preserving and specialty food manufacturing.

### **Non-manufacturing: Capacity use on the rise in oil and gas extraction**

The capacity utilization rate in the oil and gas extraction sector rose 1.7 percentage points in the first quarter to 78.6%. This reversed a decline in the previous quarter as production of both crude petroleum and natural gas advanced.

In the mining sector, excluding oil and gas extraction, capacity use fell sharply to 55.3% from 70.1% in the previous quarter. This was the result of large declines in output of potash, copper, nickel and iron ore mining, combined with a sharp drop in support activities for mining, and oil and gas extraction.

The construction sector operated at 71.8% of its capacity, a 3.5 percentage point drop from the previous quarter. Lower activities in residential building construction and engineering and repair work were behind the decrease.

Capacity use in the electric power generation, transmission and distribution sector slipped to 80.8%, the fifth consecutive quarterly decline. The rate in the forestry and logging sector fell 2.3 percentage points to 72.6%.

**Available on CANSIM: table 028-0002.**

**Definitions, data sources and methods: survey number 2821.**

Data on industrial capacity utilization rates for the second quarter of 2009 will be released on September 14.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Xiang Zhou (613-951-0457; [xiang.zhou@statcan.gc.ca](mailto:xiang.zhou@statcan.gc.ca)), Investment and Capital Stock Division.

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## Industrial capacity utilization rates

	First quarter 2008 <sup>r</sup>	Fourth quarter 2008 <sup>r</sup>	First quarter 2009	First quarter 2008 to first quarter 2009	Fourth quarter 2008 to first quarter 2009
	%			percentage point change	
<b>Total industrial</b>	<b>79.8</b>	<b>74.9</b>	<b>69.3</b>	<b>-10.5</b>	<b>-5.6</b>
Forestry and logging	77.6	74.9	72.6	-5.0	-2.3
Mining and oil and gas extraction	76.6	74.9	71.5	-5.1	-3.4
Oil and gas extraction	77.9	76.9	78.6	0.7	1.7
Mining	73.4	70.1	55.3	-18.1	-14.8
Electric power generation, transmission and distribution	88.1	82.7	80.8	-7.3	-1.9
Construction	79.0	75.3	71.8	-7.2	-3.5
Manufacturing	80.1	73.7	65.9	-14.2	-7.8
Food	80.8	80.3	81.3	0.5	1.0
Beverage and tobacco products	66.3	72.8	75.4	9.1	2.6
Beverage	66.2	74.0	76.0	9.8	2.0
Tobacco	67.1	65.3	71.6	4.5	6.3
Textile mills	65.1	66.1	60.5	-4.6	-5.6
Textile product mills	83.4	74.6	65.6	-17.8	-9.0
Clothing	69.8	71.7	69.6	-0.2	-2.1
Leather and allied products	73.6	80.6	79.8	6.2	-0.8
Wood products	72.2	70.2	60.6	-11.6	-9.6
Paper	85.5	80.2	75.9	-9.6	-4.3
Printing and related support activities	75.7	68.3	64.3	-11.4	-4.0
Petroleum and coal products	80.2	77.3	77.8	-2.4	0.5
Chemical	81.2	78.0	74.4	-6.8	-3.6
Plastics and rubber products	77.2	67.9	61.8	-15.4	-6.1
Plastic products	75.9	66.4	60.2	-15.7	-6.2
Rubber products	83.4	74.6	69.6	-13.8	-5.0
Non-metallic mineral products	81.0	78.0	65.6	-15.4	-12.4
Primary metal	90.8	85.0	74.9	-15.9	-10.1
Fabricated metal products	84.3	77.2	70.5	-13.8	-6.7
Machinery	84.0	82.0	75.6	-8.4	-6.4
Computer and electronic products	88.1	86.1	83.3	-4.8	-2.8
Electrical equipment, appliance and component	81.2	85.3	76.2	-5.0	-9.1
Transportation equipment	77.5	58.3	42.5	-35.0	-15.8
Furniture and related products	78.3	74.3	66.9	-11.4	-7.4
Miscellaneous manufacturing	76.3	78.3	76.2	-0.1	-2.1

<sup>r</sup> revised

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# Study: A National Accounts perspective on recent financial events

2008

In recent months, Canada has been affected by the fallout from the severe decline in international trade and commodity prices. However, its avoidance of excessive reliance on debt has stood both its financial institutions and overall economy in good stead.

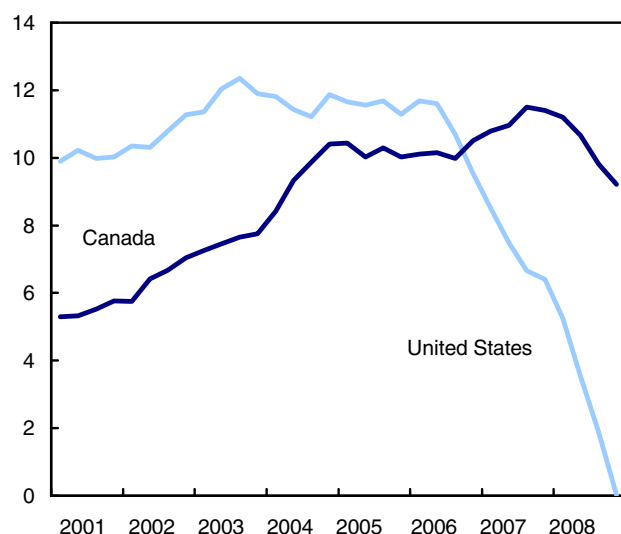
In the United States, the growing reliance on low cost debt after 2001 led to changes in investment and savings patterns that ultimately proved unsound for both their financial and economic systems. By contrast, Canada avoided many of these changes in behaviour.

The most visible feature of the global credit crisis in the autumn of 2008 was the drying-up of critical debt markets in the United States, notably for inter-bank lending and commercial paper. The commercial paper market in the United States shrank by 10% (or \$15 billion) in the fourth quarter of 2008. Household credit also contracted in the fourth quarter, partly due to an outright drop in lending by US-based commercial banks.

In Canada, the stability of the financial system ensured that credit continued to flow for most borrowers, although often at much higher prices. Despite the global credit crunch, total household borrowing grew by 12.1% between the third quarter of 2007 and the fourth quarter of 2008. Meanwhile, household borrowing in the United States stopped growing.

## Total household borrowing

annual % change



## Note to readers

The article, "A National Accounts perspective on recent financial events," published today in Canadian Economic Observer, shows how a wide range of financial data from Statistics Canada's National Accounts can shed light on changes in financial markets and the economy over the previous 18 months.

The upheaval in financial markets over the past two years demonstrated the fundamental importance to the economy of well-performing and efficient financial systems. It should be noted that this article highlights only some of the broad array of financial data available from Canada's National Accounts.

Some of these data are familiar to users, notably gross domestic product and its sectoral accounts on incomes, spending and savings. Less well known is the broad array of data on balance sheets, financial flows and Canada's international investments.

## The setting

Events in financial markets in the past two years occurred against the backdrop of changes in financial behaviour over the previous decade or more. In Canada, the patterns of sectoral net lending or borrowing changed, notably as firms and governments ran large financial surpluses while households borrowed more.

Some of these trends reflected a shift in household behaviour to more investment in housing and financial assets (often debt-financed). Households and investors also increased foreign investments through their holdings of mutual funds and pension assets.

According to Statistics Canada's National Balance Sheet Accounts, household balance sheets changed markedly in the past decade. The debt of the personal sector increased from 68% of gross domestic product in 2000 to over 84% late in 2008.

Much of this rising debt was driven by spending on housing in response to low mortgage rates, reduced down payments and longer mortgage terms, and increased funds available to borrowers through securitization. In Canada, securitized mortgages rose from 5.0% of all mortgages in 1997 to 20.0% in early 2007 and 28.6% late in 2008.

While households in Canada increased their borrowing, governments and corporations were lowering their debt. Government debt liabilities relative to gross domestic product fell from a peak of 94.6% in the mid-1990s to 52.4% by mid-2008, led by the federal government.

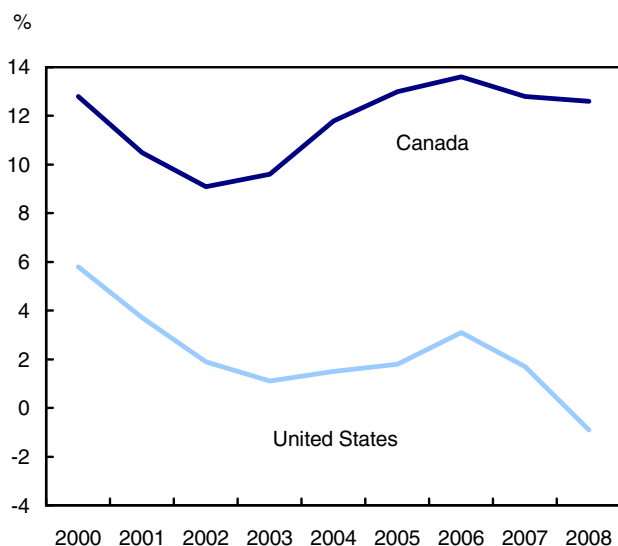
## Sectoral lending and borrowing differed in Canada and the United States

The trends in sectoral lending and borrowing in the United States were much different than in Canada. In the United States, non-residents were the only consistent source of net lending from 2003 to 2007. Governments in the United States were net borrowers throughout this period, while they were net lenders in Canada.

American firms alternated between small amounts of net lending and borrowing, while Canadian firms posted record high surpluses until late in 2008. And American households borrowed much more than in Canada. The lower reliance on debt of all sectors in Canada proved important when credit conditions tightened in some markets after August 2007.

The national saving rate highlights the differences in the overall financial behaviour in both countries after 2000. In Canada, the national saving rate rose to over 12% of national income, as increased saving by corporations and governments offset a slight decline for personal saving.

**National saving rate,<sup>1</sup> Canada and the United States**



1. National saving rates are a percent of gross national income.

In the United States, the national saving rate hovered between 1% and 2% starting in 2002, before turning negative in 2008: low personal saving rates (below 1% in recent years) were not offset by more saving by governments or firms. This left borrowing abroad as the main source of funds in the United States, consistent with record current account deficits.

## Decline in household spending

One of the puzzles of the steep economic slide late in 2008 is why household spending fell more sharply in Canada than in the United States. In particular, auto sales in Canada fell 18.8% between September and December, while existing home sales tumbled 30.0%. This compared with declines of 17.5% and 13.0%, respectively, in the United States late in 2008.

The faster decline in Canada was surprising in view of the sharper losses of jobs and wealth and the more severe disruption of credit markets in the United States.

Early in 2009, automobile and home sales recovered faster in Canada than in the United States. Unit auto sales in March rose 8.8% from December in Canada, while existing home sales in April were 32% above their January low. In the United States, both auto and home sales in April were only 2% above their lows.

This suggests that shaky consumer confidence played a large role in the drop in household spending in Canada late in 2008, along with difficulties accessing credit. Both were being repaired quickly in the spring of 2009.

## Definitions, data sources and methods: survey numbers, including related surveys, 1804, 1806 and 1901.

The study "A National Accounts perspective on recent financial events" is included in the June 2009 Internet edition of *Canadian Economic Observer*, Vol. 22, no. 6 (11-010-X, free), now available from the *Publications* module of our website. The paper version (11-010-X, \$25/\$243) will be available on June 18.

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](mailto:ceo@statcan.gc.ca)), Current Economic Analysis Division. ■

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## Study: Bioproducts industry 2003 to 2006

Between 2003 and 2006, the number of Canadian bioproduct firms increased slightly from 232 to 239, but bioproduct revenues and the number of people employed in these activities declined.

In 2006, 3,974 people were employed with responsibilities for bioproducts, down almost half (49%) from 2003. In 2006, 40 firms reported 50 or more employees, down from 76 firms in 2003.

Total bioproduct revenues declined from \$3.1 billion in 2003 to \$1.8 billion in 2006 (current dollars). Spending on bioproducts research and development also fell from \$96 million to \$81 million.

Bioproduct firms develop or produce bioproducts using biomass or other renewable or sustainable feedstocks/materials. Bioproducts are products other than food, feed and medicines developed from biological or renewable material that can come from agricultural, forestry, marine and industrial/municipal sources. The most familiar bioproduct is ethanol made from corn or wheat. However, bioproducts include a wide array of products such as biochemicals, biopesticides, bioplastics and fibreboard.

In 2006, just over half (51%) of the firms reported becoming involved in bioproducts as a result of internal activities, while 23% had bioproduct interests arising from collaborations, mergers or acquisitions.

Agricultural biomass (renewable plant or animal material) was the most commonly used input for Canadian bioproduct firms. Firms reported that on average 45% of their biomass in 2006 came from agricultural sources, more than double the next most prevalent source, forestry biomass, at 22%.

The biggest benefit cited for bioproducts in 2006 was addressing environmental issues. Also cited was the benefit of bioproducts in reducing production costs.

The highest-rated barriers in developing or producing bioproducts in 2006 were the higher prices and transportation costs of biomass and difficulties entering the commercial marketplace.

Bioproduct firms raised funds totalling \$219 million in 2006, primarily for research and development, production/manufacturing capability, and marketing/commercialization. Contributions mainly originated from private placements, government grants and Canadian venture capital.

In addition, 48% of firms applied for benefits for bioproduct-related activities under the Scientific Research and Experimental Development tax program between 2002 and 2006. Applications amounted to just over \$33 million in 2006.

**Note:** Statistics Canada has conducted two surveys to date which produce a profile of firms engaged in the development or production of bioproducts in Canada. This study is a comparative analysis based on data from the Bioproducts Development Survey (2003) and the Bioproducts Development and Production Survey (2006). Firms selected from Statistics Canada's Business Register had revenues in excess of \$250,000. Firms drawn from lists provided by external sources had a minimum of \$100,000 in research and development expenditures and at least five employees. Excluded from the survey were not-for-profit organizations, universities, government laboratories, hospitals, and firms that provide only services, such as contract research organizations or consulting firms.

The article "The Canadian bioproducts industry, 2003 and 2006" is now available in the June 2009 online edition of *VISTA on the Agri-food Industry and the Farm Community* (21-004-X, 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 Verna Mitura (613-951-8718, [verna.mitura@statcan.gc.ca](mailto:verna.mitura@statcan.gc.ca)), Agriculture Division. ■

## Employer pension plans (trusteed pension funds)

Fourth quarter 2008

The market value of retirement savings held in employer-sponsored pension funds declined by \$58.1 billion, or 6.7%, during the fourth quarter of 2008 to \$810.9 billion. This was attributable mainly to a fall in the market value of stocks and equity funds.

The drop followed a decrease of \$82.7 billion in the third quarter, which was the largest quarterly decline in a decade.

The fourth quarter level was well below the peak market value of \$954.6 billion reached at the end of 2007.

The market value of stocks and equity funds accounted for 31.5% of total pension fund assets at the end of the fourth quarter of 2008, down from 34.2% in the previous quarter.

The proportion of fund assets held in bonds increased to 38.0%, mainly as a result of larger declines in the value of stocks. Real estate investments accounted for 8.6%, mortgages, 1.8%, and short-term investments, 4.0%. The remaining assets, which include pooled foreign funds, accounted for 16.1%.

Expenditures of \$49.3 billion exceeded revenues of \$21.6 billion in the fourth quarter for a negative cash flow of \$27.7 billion. This was the third time in 2008 that pension funds experienced a negative cash flow.

The negative cash flow resulted from significant net losses on the sale of securities. Collectively, pension fund managers reported \$34.6 billion in fourth quarter losses.

Revenue from employer and employee contributions in the fourth quarter of 2008 amounted to \$9.8 billion. Benefits paid to retirees reached \$10.1 billion, up 3.4% from the previous quarter. Benefits exceeded pension contributions for a sixth quarter in a row.

About 5.9 million Canadian workers are members of employer pension plans. Of this group, 4.8 million workers are members of trustee plans. The remaining 1.1 million members with employer pension plans are managed principally by insurance company

contracts. Data in this release refer only to trustee plans and their pension funds.

**Available on CANSIM: tables 280-0002 to 280-0004.**

**Definitions, data sources and methods: survey number 2607.**

For more information about the current survey results and related products and services, or to enquire about the concepts, methods, or data quality of this release, contact Client Services (613-951-7355; 1-888-297-7355; fax: 613-951-3012; [income@statcan.gc.ca](mailto:income@statcan.gc.ca)), Income Statistics Division.

### Trustee pension funds, market value of assets by type

	Fourth quarter 2007	Fourth quarter 2007	Third quarter 2008 <sup>P</sup>	Third quarter 2008 <sup>P</sup>	Fourth quarter 2008 <sup>P</sup>	Fourth quarter 2008 <sup>P</sup>
	\$ millions	% of total assets	\$ millions	% of total assets	\$ millions	% of total assets
<b>Total assets</b>	<b>954,620</b>	<b>100.0</b>	<b>868,983</b>	<b>100.0</b>	<b>810,890</b>	<b>100.0</b>
Bonds	325,158	34.1	312,970	36.0	308,205	38.0
Stocks	349,469	36.6	297,053	34.2	255,247	31.5
Mortgages	14,237	1.5	15,119	1.7	14,755	1.8
Real estate	68,585	7.2	73,238	8.4	69,735	8.6
Short-term	35,946	3.8	29,070	3.3	32,184	4.0
Other assets	157,734	16.5	139,785	16.1	129,278	15.9
Assets, funds under \$10 million	3,491	0.4	1,748	0.2	1,487	0.2

<sup>P</sup> preliminary

### Financial information of universities and colleges 2007/2008

Final data for the 2007/2008 academic year coming from the Financial Information of Universities and Colleges Survey are now available.

**Note:** The survey provides financial information (income and expenditures) on all universities and degree-granting colleges in Canada.

**Definitions, data sources and methods: survey number 3121.**

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-800-307-3382 or 613-951-7608; fax: 613-951-4441; [educationstats@statcan.gc.ca](mailto:educationstats@statcan.gc.ca)), Tourism and the Centre for Education Statistics. ■

### Natural gas transportation and distribution January to March 2009

Data on natural gas transportation and distribution are now available for January to March.

**Available on CANSIM: tables 129-0001 to 129-0004.**

**Definitions, data sources and methods: survey number 2149.**

For more information, to order data, 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; [energ@statcan.gc.ca](mailto:energ@statcan.gc.ca)), Manufacturing and Energy Division. ■



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## New products

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**Canadian Economic Observer**, June 2009, Vol. 22, no. 6

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**Catalogue number 21-004-X** (PDF, free; HTML, free)

**Canadian International Merchandise Trade**, April 2009, Vol. 63, no. 4

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**Canada's Balance of International Payments**, First Quarter 2009, Vol. 57, no. 1

**Catalogue number 67-001-X** (PDF, free; HTML, free)

**Health Indicators**, 2009, no. 1

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