

The Daily

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Releases

Industrial product and raw materials price indexes, May 2011	2
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Electric power statistics, April 2011	6
Coal and coke statistics, April 2011	6

New products and studies	7
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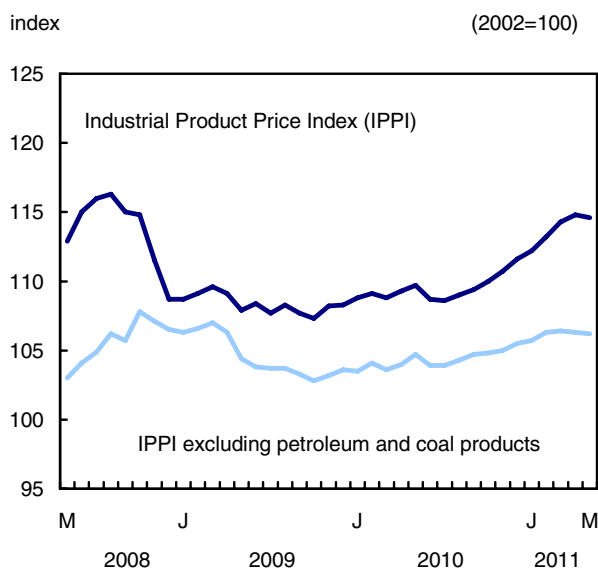
Releases

Industrial product and raw materials price indexes

May 2011

In May, the Industrial Product Price Index (IPPI) edged down 0.2% while the Raw Materials Price Index (RMPI) fell 5.2% compared with April. The major contributors to the declines were metals in the case of the IPPI and petroleum for the RMPI.

Prices for industrial goods decrease slightly



The decrease in the IPPI ended nine consecutive monthly gains. The contraction of the IPPI in May was largely a result of lower prices for primary metal products (-2.8%). Petroleum and coal products (-0.9%) as well as lumber and other wood products (-1.6%) contributed more modestly to the IPPI decline.

Prices for primary metal products fell in May, mainly as a result of a decrease in precious metals, led by precious metal basic manufactured shapes (-26.1%) and silver and platinum products (-7.5%). Silver prices lost much of the gains made in April, contributing to the decline in the prices of precious metals in May. In contrast, the price of gold continued to rise, as demand remained high because of continued sustained demand for this metal.

Note to readers

All data in this release are seasonally unadjusted and usually subject to revision for a period of six months (for example, when the July index is released, the index for the previous January becomes final).

The **Industrial Product Price Index (IPPI)** reflects the prices that producers in Canada receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the Consumer Price Index, the IPPI excludes indirect taxes and all the costs that occur between the time a good leaves the plant and the time the final user takes possession of it, including transportation, wholesale and retail costs.

Canadian producers export many goods. They often indicate their prices in foreign currencies, especially in US dollars, which are then converted into Canadian dollars. In particular, this is the case for motor vehicles, pulp, paper and wood products. Therefore, a rise or fall in the value of the Canadian dollar against its US counterpart affects the IPPI. But the conversion into Canadian dollars only reflects how respondents provide their prices. Moreover, this is not a measure that takes into account the full effect of exchange rates, since that is a more difficult analytical task.

The conversion of prices received in US dollars is based on the average monthly exchange rate (noon spot rate) established by the Bank of Canada, and it is available on CANSIM in table 176-0064 (series v37426). Monthly and annual variations in the exchange rate, as described in the text, are calculated according to the indirect quotation of the exchange rate (for example, CAN\$1 = US\$X).

The **Raw Materials Price Index (RMPI)** reflects the prices paid by Canadian manufacturers for key raw materials. Many of those prices are set on the world market. However, as few prices are denominated in foreign currencies, their conversion into Canadian dollars has only a minor effect on the calculation of the RMPI.

All metals were down, with the exception of aluminum. World demand for industrial metals declined, while inventories grew.

Prices for petroleum and coal products fell 0.9% in May, following increases of 8.2% in March and 4.2% in April. The decline in May was partly a result of lower than expected growth forecasts for the United States.

The IPPI decline in May was moderated by higher prices for chemical products (+2.1%) and motor vehicles and other transport equipment (+0.7%). The increase in chemical products was entirely attributable to organic chemicals (+8.9%), while the advance in motor vehicle prices resulted largely from the 1.0% depreciation in the Canadian dollar against the American dollar.

Some Canadian producers who export their products to the United States are generally paid on the basis of prices set in US dollars. Consequently, the

weakening of the Canadian dollar in relation to the US dollar had the effect of increasing the corresponding prices in Canadian dollars. Without the impact of the exchange rate, the IPPI would have fallen 0.4% instead of 0.2%.

In May, excluding petroleum and coal prices, the IPPI would have edged down 0.1% for the second consecutive month.

12-month change in the IPPI: Increase in May weaker than the previous month

The IPPI rose 4.5% in May compared with the same month a year earlier, after advancing 5.1% in March and 5.0% in April. Of the 21 major commodity aggregations, 15 were up and 6 declined.

Compared with May 2010, the IPPI advance was driven mainly by higher prices for petroleum and coal products (+31.2%) and primary metal products (+11.7%).

Year over year, petroleum and coal products remained on an upward trend, posting gains since November 2009.

The largest contributors to the increase in primary metal products were precious metals, particularly silver and platinum (+79.4%), as well as precious metal basic manufactured shapes (+49.0%). Copper and aluminum products contributed more modestly to the increase, advancing 22.5% and 10.1% respectively.

Chemical products (+6.8%) and fruits, vegetables and feeds (+6.6%) made smaller contributions to the IPPI advance in May.

In May, the 7.4% year-over-year increase in the value of the Canadian dollar relative to the US dollar slowed the IPPI advance. Without the impact of the exchange rate, the IPPI would have risen 6.1% instead of 4.5%.

Prices for motor vehicles and other transport equipment, which are particularly sensitive to the exchange rate, fell 3.7% in May compared with the same month a year earlier, continuing the downward movement that started in October 2009.

Excluding petroleum and coal prices, the year-over-year IPPI would have increased 1.4% in May, slower than the growth rates observed from January to April, which ranged from 2.1% and 2.7%. On a year-over-year basis, the IPPI has been rising since May 2010.

Raw Materials Price Index: First decline after seven consecutive monthly increases

The Raw Materials Price Index (RMPI) fell 5.2% in May, following advances of 5.8% in March and 6.9% in April. The decrease in May ended a series of seven consecutive monthly gains.

The RMPI decline in May was led mainly by mineral fuels (-8.4%). Crude oil fell 8.9%, following substantial increases of 16.2% in March and 14.1% in April. Crude oil prices fell in May as a result of high inventory levels in the United States, the general state of the world economy, and weaker seasonal demand by refineries. At this time of year, refineries suspend production for maintenance.

All major commodity groups declined in May except non-metallic minerals, which registered no change. Apart from mineral fuels, the largest contributors to the RMPI's decrease were non-ferrous metals (-2.3%), vegetable products (-2.6%) and animals and animal products (-1.2%).

The decline in non-ferrous metals in May was primarily attributable to lower prices for zinc concentrates (-6.0%) and copper and copper alloys scrap (-4.0%). Metal prices were affected by weaker demand from Asia and an increase in inventories and supply.

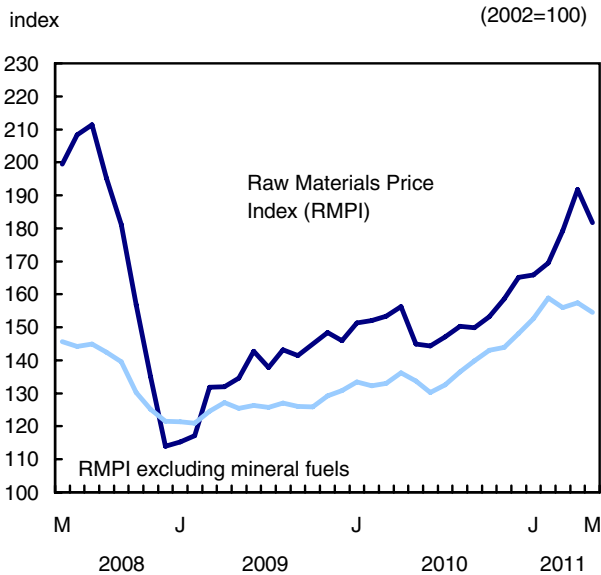
Lower prices for vegetable products was mainly a result of a decline in natural rubber and allied gums (-12.0%), with weaker Asian demand having a significant impact on the prices of these products.

Excluding mineral fuels, the RMPI would have declined 1.9% in May, following a 1.0% advance in April.

Compared with the same month a year earlier, the RMPI was up 25.4% in May, continuing the upward trend that began in November 2009. The main contributors to the RMPI year-over-year increase in May were mineral fuels (+37.0%), non-ferrous metals (+22.5%), vegetable products (+40.1%) and animals and animal products (+5.8%).

Year over year, if mineral fuels were excluded, the RMPI would have risen 15.6% in May, similar to the growth rate in April.

Raw materials prices decline



Available on CANSIM: tables 329-0056 to 329-0068 and 330-0007.

Table 329-0056: Industrial Product Price Index by major commodity aggregations.

Table 329-0057: Industrial Product Price Index by industry.

Table 329-0058: Industrial Product Price Index by stage of processing.

Tables 329-0059 to 329-0068: Industrial Product Price Index by commodity.

Table 330-0007: Raw Materials Price Index by commodity.

Definitions, data sources and methods: survey numbers, including related surveys, 2306 and 2318.

The May 2011 issue of *Industry Price Indexes* (62-011-X, free) will be available soon.

The industrial product and raw materials price indexes for June will be released on July 29.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free: 1-888-951-4550; fax: 1-855-314-8765; 613-951-3117; 613-951-4550; ppd-info-dpp@statcan.gc.ca), Producer Prices Division.

□

Industrial product price indexes

	Relative importance ¹	May 2010	April 2011 ^r	May 2011 ^p	April to May 2011	May 2010 to May 2011
	%	(2002=100)		% change		
Industrial Product Price Index (IPPI)	100.00	109.7	114.8	114.6	-0.2	4.5
IPPI excluding petroleum and coal products	93.70	104.7	106.3	106.2	-0.1	1.4
Aggregation by commodities						
Meat, fish and dairy products	6.08	105.2	109.5	108.7	-0.7	3.3
Fruit, vegetable, feeds and other food products	5.52	116.6	124.0	124.3	0.2	6.6
Beverages	1.52	119.2	120.1	120.7	0.5	1.3
Tobacco and tobacco products	0.56	162.7	169.0	169.0	0.0	3.9
Rubber, leather and plastic fabricated products	3.51	116.9	116.9	118.1	1.0	1.0
Textile products	1.37	101.1	102.1	102.1	0.0	1.0
Knitted products and clothing	1.33	100.3	100.7	100.7	0.0	0.4
Lumber and other wood products	6.04	93.5	88.4	87.0	-1.6	-7.0
Furniture and fixtures	2.19	116.5	116.6	116.6	0.0	0.1
Pulp and paper products	6.40	101.6	99.2	99.6	0.4	-2.0
Printing and publishing	1.84	103.7	103.2	103.4	0.2	-0.3
Primary metal products	6.99	139.9	160.7	156.2	-2.8	11.7
Fabricated metal products	4.45	122.6	123.8	123.5	-0.2	0.7
Machinery and equipment	4.41	103.4	102.2	102.3	0.1	-1.1
Motor vehicles and other transport equipment	24.34	78.8	75.4	75.9	0.7	-3.7
Electrical and communications products	5.02	94.6	92.0	92.1	0.1	-2.6
Non-metallic mineral products	2.07	117.0	117.3	117.3	0.0	0.3
Petroleum and coal products	6.30	183.8	243.4	241.2	-0.9	31.2
Chemicals and chemical products	7.19	129.8	135.8	138.6	2.1	6.8
Miscellaneous manufactured products	2.60	115.6	119.2	119.6	0.3	3.5
Miscellaneous non-manufactured products	0.30	237.8	292.1	287.1	-1.7	20.7
Intermediate goods²	62.15	117.0	124.1	123.7	-0.3	5.7
First-stage intermediate goods ³	7.56	137.1	149.9	150.5	0.4	9.8
Second-stage intermediate goods ⁴	54.60	114.2	120.6	120.0	-0.5	5.1
Finished goods⁵	37.85	97.7	99.6	99.8	0.2	2.1
Finished foods and feeds	7.12	114.1	117.0	116.9	-0.1	2.5
Capital equipment	12.19	87.7	85.1	85.5	0.5	-2.5
All other finished goods	18.54	97.9	102.4	102.6	0.2	4.8

^r revised

^p preliminary

1. The relative importance is based on the annual 2002 values of production.
2. Intermediate goods are goods used principally to produce other goods.
3. First-stage intermediate goods are items used most frequently to produce other intermediate goods.
4. Second-stage intermediate goods are items most commonly used to produce final goods.
5. Finished goods are goods most commonly used for immediate consumption or for capital investment.

Raw materials price indexes

	Relative importance ¹	May 2010	April 2011 ^r	May 2011 ^p	April to May 2011	May 2010 to May 2011
	%	(2002=100)		% change		
Raw Materials Price Index (RMPI)	100.00	144.9	191.7	181.7	-5.2	25.4
RMPI excluding mineral fuels	58.56	133.7	157.5	154.5	-1.9	15.6
Mineral fuels	41.44	161.0	240.7	220.6	-8.4	37.0
Vegetable products	9.89	109.8	157.9	153.8	-2.6	40.1
Animal and animal products	19.81	112.2	120.2	118.7	-1.2	5.8
Wood	11.82	88.9	92.8	91.7	-1.2	3.1
Ferrous materials	2.88	162.2	172.2	167.0	-3.0	3.0
Non-ferrous metals	11.32	227.7	285.5	279.0	-2.3	22.5
Non-metallic minerals	2.82	149.0	159.0	159.0	0.0	6.7

^r revised

^p preliminary

1. The relative importance is based on the annual 2002 values of intermediate inputs.

Electric power statistics

April 2011

Data on electric power are now available for April.

Available on CANSIM: tables 127-0002 and 127-0003.

Definitions, data sources and methods: survey number 2151.

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; energ@statcan.gc.ca), Manufacturing and Energy Division. ■

Coal and coke statistics

April 2011

Data on coal and coke are now available for April.

Available on CANSIM: tables 135-0001 and 135-0002.

Table 135-0001: Coke.

Table 135-0002: Coal.

Definitions, data sources and methods: survey numbers, including related surveys, 2003 and 2147.

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; energ@statcan.gc.ca), Manufacturing and Energy Division. ■

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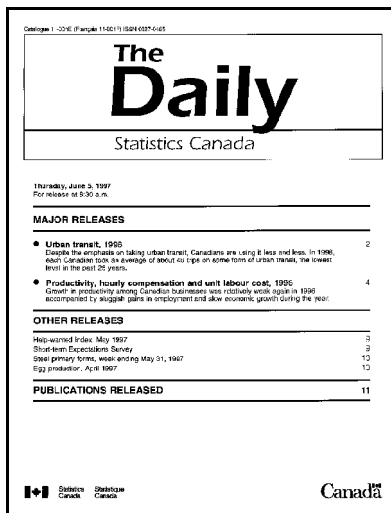
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