The Daily

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End of release

Study: Comparing Canadian and US price levels

Canada and the United States share one of the longest borders in the world, their economies are intertwined, and trade between them is extensive. Consequently, Canadian consumers have a widely held expectation that the prices they pay for many products should be roughly equal to US prices, after adjusting for the exchange rate.

Two studies released today examine comparative price levels between the two countries.

The study "Do Relative Canada/U.S. Prices Equate to the Exchange Rate?" analyses the extent to which relative differences in prices between the two countries have reflected the market exchange rate over the last 40 years. It is based on concepts and methods from the Purchasing Power Parity Program.

The second study, "New Evidence on Exchange-rate-adjusted Prices in Canada," examines the Canada–United States comparative price level. This is defined as the ratio of the final selling price in Canada to the final selling price in the United States, adjusted for differences in the exchange rate.

These studies show that prices in the two countries generally do not equate. Nor do relative prices in the two remain constant when there are large movements in the exchange rate.

In recent decades, there has been variation in relative prices paid by Canadian consumers. When the Canadian dollar depreciated relative to the US dollar in the 1990s and early 2000s, prices paid by Canadian consumers did not increase in step with the higher costs of imported products.

By the late 1990s, median relative prices paid for goods in Canada, adjusted for the exchange rate, fell to near or below the US price levels. Relative price levels in Canada then reversed course in ensuing years as the Canadian dollar strengthened. However, the relative prices paid for tradable products in Canada did not decline sufficiently to fully adjust for changes in the exchange rate.

Hence, in relation to prices in the United States, Canadians tend to pay relatively less when the Canadian dollar devalues, and relatively more when it appreciates.

The studies found that since 1970, movements in the market exchange rate and the purchasing power parity exchange rate have been similar but not identical.

In the short term, market exchange rates and purchasing power parity exchange rates can diverge considerably. The short-term responses of a market exchange rate mean that the purchasing power of the two nations will rarely equate.

Moreover, the purchasing power parity exchange rate is based on a large group of products and services. Therefore, during periods where the market exchange rate may, on average, equate purchasing power, the prices of the individual products and services or small groups of products and services need not be equal.

Note: Tabulations in these papers are derived from a database that comes from Statistics Canada's Purchasing Power Parity Program. This is used to produce price comparisons between Canada and the United States at an aggregate level. Results in these studies used detailed price information on commodity groups, a cross-section of goods and services for industries mainly in the private sector.

The articles "Do Relative Canada/U.S. Prices Equate to the Exchange Rate?" (11-626-X2012003, free) and "New Evidence on Exchange-rate-adjusted Prices in Canada" (11-626-X2012002, free) are now available in the publication *Economic Insights* from the *Key resource* module of our website under *Publications*.

Similar studies from the Economic Analysis Division are available online (www.statcan.gc.ca/economicanalysis).

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588) or Ryan Macdonald (613-951-5687), Economic Analysis Division.

Sawmills

October 2011

Lumber production by sawmills increased 4.1% from September to 4 828.8 thousand cubic meters in October. Compared with October 2010, lumber production increased 1.7%.

In October, sawmills shipped 4 768.3 thousand cubic meters of lumber, up 2.1% from September.

Available on CANSIM: table 303-0009.

Definitions, data sources and methods: survey number 2134.

The October 2011 issue of *Sawmills*, Vol. 65, no. 10 (35-003-X, free), is now available from the *Key resource* module of our website under *Publications*.

To order data, obtain 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.

Electric power statistics

October 2011

Data on electric power are now available for October.

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.

Pipeline transportation of crude oil and refined petroleum products

September and October 2011

Data on the net receipts of crude oil and equivalent hydrocarbons, liquefied petroleum gases and refined petroleum products, pipeline exports of crude oil and deliveries of crude oil by pipeline to Canadian refineries are now available for September.

Preliminary data on exports and closing inventories, held in Canada; tanks: crude oil and condensate are available for October upon request.

Available on CANSIM: tables 133-0001 to 133-0005.

Definitions, data sources and methods: survey numbers, including related surveys, 2148 and 2191.

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.

Government Finance Statistics

Third quarter 2011

Quarterly data for Government Finance Statistics (GFS), a system which presents fiscal statistics using the international standard GFS developed by the International Monetary Fund, are now available. This standard allows consistent aggregation and analysis across countries.

Quarterly GFS data are available on CANSIM for overall government in Canada and for four sectors from 1991 to the third quarter of 2011. These sectors are federal government, provincial/territorial governments, local governments, and Canada and Quebec Pension Plans.

Note: Currently, Government Finance Statistics (GFS) data are being derived by mapping Canada's System of National Accounts data to GFS concepts and conventions. Beginning in 2014, the GFS data will be derived directly from government financial information.

Available on CANSIM: table 385-0032.

Definitions, data sources and methods: survey number 5174.

Additional information can also be found in *Latest Developments in the Canadian Economic Accounts* (13-605-X, free), available from the *Key resource* module of our website under *Publications*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Claude Vaillancourt (613-951-1820; claude.vaillancourt@statcan.gc.ca), Public Sector Statistics Division.

New products and studies

Study: Economic Insights: "New Evidence on Exchange-rate-adjusted Prices in Canada", no. 2 Catalogue number 11-626-X2012002 (PDF, free; HTML, free)

Study: Economic Insights: "Do Relative Canada/U.S. Prices Equate to the Exchange Rate?", no. 3

Catalogue number 11-626-X2012003 (PDF, free; HTML, free)

Sawmills, October 2011, Vol. 65, no. 10 **Catalogue number 35-003-X** (PDF, free; HTML, free)

Canadian Export Classification, 2012 Catalogue number 65-209-X (PDF, free; HTML, free)

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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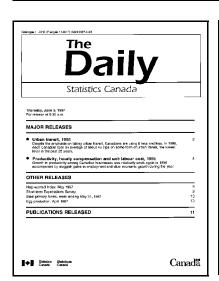
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