Catalogue 11-002E (Français 11-002F) ISSN 0380-0547

Infomat

A Weekly Review

Friday, May 5, 1995

OVERVIEW

- **Economic growth stalls in February**

  Economic activity receded in February for the first time since July 1993 as GDP dropped 0.1%.

- **Manufacturers pessimistic about future**

  In April, manufacturers were considerably more pessimistic about future business conditions than in January. Concern with orders received and high inventory levels fuelled this pessimism.

- **Increases in raw material prices slow further**

  For the second straight month, the rise in raw material prices slowed in March.

- **Pulp and paper propel industrial prices**

  In March, rising pulp and paper prices were again responsible for much of the increase in industrial prices.

- **Weekly earnings rise after two months of little change**

  In February, employees' weekly earnings rose 0.2%, following two months of little change.

- **Recycling grows in popularity**

  Access to recycling programs – especially those relating to paper – is becoming more widespread in Canada. Composting has also risen in popularity among households.

Economic growth stalls in February

Economic activity receded in February for the first time since July 1993. Gross domestic product fell 0.1% after growing 0.1% in January. During the final three months of 1994, growth had averaged 0.4% per month.

The decline was fairly widespread as production fell in 9 of the 15 major industry groups. The most adversely affected sectors comprised manufacturing, mining, transportation and storage, retail trade, and services by real estate agents and security brokers. Gains in communications, wholesale trade, utilities, and construction moderated the overall decline.

As exports declined, manufacturers cut back on production (- 0.3%) for the first time since January 1994. Stocks of finished goods accumulated for a second consecutive month, and the growth in unfilled orders slowed considerably. Along with the labour dispute in rail transport, this augurs another poor month for manufacturers in March.

Within the manufacturing sector, motor vehicle production declined the most (-6.7%), but cutbacks in primary metals and in printing and publishing were also significant. Nevertheless, production did rise in 10 of 21 major groups, most notably in chemicals and electrical and electronic products.

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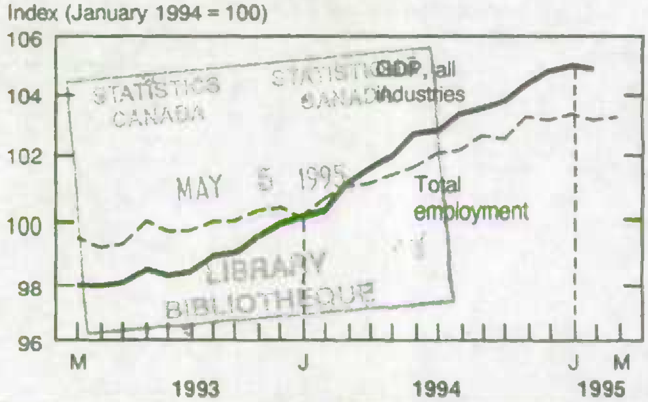
Gross domestic product and employment



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... Economic growth stalls in February

In the mining sector, output dropped 2.0%, offsetting an increase of similar magnitude in January. Drilling activity, and the production of crude oil, natural gas, and metal ores all fell. The price of non-ferrous metals tumbled, after increasing rapidly since late 1993. Transportation services – particularly rail, water and truck – also fell (-1.4%) as a result of the overall drop in exports. Railway carloadings of grain were particularly low.

Retail sales decreased 0.8%, the third decline in four months. Sales fell in 12 of 18 trade groups, with motor vehicle dealers recording the largest drop. Similarly, housing resales fell sharply for a third consecutive month and were well below their level of a year earlier.

Communications services and wholesale trade grew 2.0% and 0.8% respectively. Construction activity rose 0.8%, led again by advances in non-residential and engineering construction. However, residential construction edged up as well (0.2%), ending a long series of declines. Compared with a year earlier, dwelling starts were almost 12% lower.

For further information, order Gross domestic product by industry *(catalogue 15-001) or contact Industry Measures and Analysis Division at (613) 951-9145. (See also "Current trends" on page 7.)*

Note to readers

GDP of an industry is the value added by factors of production when those factors transform inputs purchased from other industries into outputs.

Monthly GDP by industry is valued at 1986 prices. All estimates are seasonally adjusted at annual rates.

Manufacturers pessimistic about future

In the April Business conditions survey, manufacturers were considerably more pessimistic about business prospects than in the previous quarter. Interest rates, declines in housing starts in both the United States and Canada, and high prices for raw materials may have influenced this outlook. Other contributing factors include weakening car and retail sales, and a loss of momentum in exports and manufacturing shipments.

The balance of opinion regarding production prospects was lower than both January and year-earlier levels, mainly because of a 25-point drop in the proportion of manufacturers that expected production to be "higher" over the next three months.

Business conditions survey
April 1995

	1994			1995	
	April	July	October	January	April
Balance of opinion * on:					
Production	17	29	24	20	-10
New Orders	27	32	33	21	5
Unfilled Orders	15	22	15	6	3
Inventories	-11	-3	-4	-10	-15
Employment	-1	2	6	3	1

* *The balance is the difference between the proportion of positive responses, such as higher volumes of production, and negative responses, such as lower volumes of production.*

Note to readers

The Business conditions survey is conducted in January, April, July, and October. Results are based on replies from about 5,000 manufacturers and are weighted by a manufacturer's shipments or employment. Consequently, larger manufacturers have a correspondingly larger impact on the results than do smaller manufacturers. Data have been revised back to 1992. Except for the data on production difficulties, all data are seasonally adjusted.

April's balance of opinion concerning orders received fell 16 points from January to 5, mainly because fewer manufacturers reported increases in orders received. This was the second consecutive double-digit drop in the overall balance, following increases in five consecutive quarters. The backlog of unfilled orders fell for the third consecutive quarter. Both groups were below their year-earlier balances.

The percentage of manufacturers who reported that product inventories were "too high" increased for the second quarter in a row, from 15% in January to 20% in April. This is up from 16% a year earlier.

Despite producers' increased pessimism, employment expectations were only slightly lower, perhaps because production can be decreased by reducing overtime rather than employment.

As has been the case since April 1994, 84% of manufacturers claimed no production difficulties in April 1995. Concern about raw material shortages

(continued on page 3)

... Manufacturers pessimistic about future

continued at near-record levels, up one point from January to 7%. For several months, manufacturers have been trying to absorb high raw material prices, but have reached the point where they will have to pass on increased costs. While shortage of skilled labour remained unchanged from January, shortage of working capital doubled. Shortage of working capital remains a problem for small manufacturers, with 11% identifying it as a production difficulty.

For further information, contact Industry Division at (613) 951-3507.

Increases in raw material prices slow further

For the second straight month, the rise in raw material prices slowed in March. It dropped from a 4.1% increase in January to 0.8% in February to 0.5% in March. Higher prices for wood and crude oil were partially offset by lower prices for cattle, hogs, and wheat. Compared with March 1994, prices were up 16.5%.

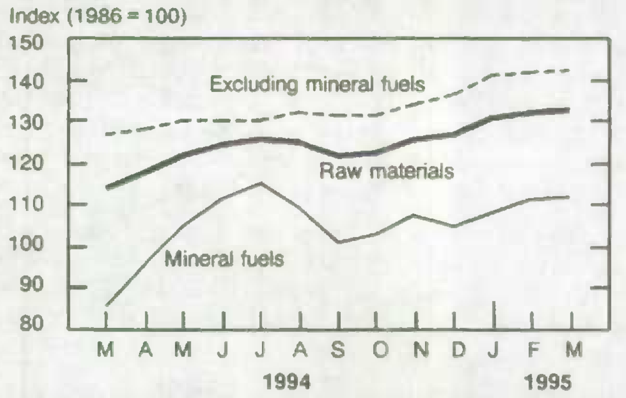
Prices for logs and pulpwood have remained strong. They increased 1% and 4% respectively from the month before, and 12% and over 20% from a year ago. In British Columbia, the log shortage has caused sawmills and pulpmills to import logs from other provinces, the Yukon, northern U.S. states, and Alaska. Strong worldwide demand for paper and paper products, combined with a shortage of capacity, has driven up wood prices over the past 12 months.

Crude oil prices edged up almost 1% from February, after increasing moderately since January 1995. Compared with a year ago, crude oil prices were up more than 35%. March's price hike was due mostly to supply problems in the North Sea and Venezuela.

Animal and animal product prices declined slightly more than 1% from February. Lower prices for cattle (-4%) and hogs (-6%) more than offset the slightly higher prices for industrial unprocessed milk. Compared with a year ago, cattle prices have declined 5% and hog prices have dropped 12%, mostly as a result of a strong supply of animals. In addition, high levels of meat storage in the United States have also dampened export prices.

Vegetable product prices grew 1.5% compared with February. Higher prices for coffee, canola, barley, and rubber offset lower wheat prices.

Raw material prices



Note to readers

The raw materials price index (RMPI) reflects the prices paid by Canadian manufacturers for key raw materials. Many of these are set in the world market. Also, unlike the industrial product price index, the RMPI includes goods that are not produced in Canada.

Expectations of good wheat crops in the United States contributed to the lower Canadian wheat price.

Precious metal prices increased, while ferrous material prices declined.

For further information, order Industry price indexes *(catalogue 62-011) or contact Prices Division at (613) 951-3350.*

Pulp and paper propel industrial prices

Rising pulp and paper prices – both domestic and export – were responsible for over half the 0.6% rise in industrial prices between February and March. Other significant contributors to the increase were exported motor vehicles, chemicals, and printing. The weakening Canadian dollar accounted for a further 30% of the increase. Compared with a year earlier, industrial prices were up 9.3%.

With plants operating at or near full capacity, strong demand caused newsprint prices to soar 8.3% and pulp prices to jump 6.0%. As world demand increases, both Asia and the European Union provide growing markets for Canadian pulp and paper products. Recent currency movements have made Canadian producers even more competitive in these export markets. In contrast to pulp and paper, the prices for sawmill and other wood edged down as residential construction remained relatively weak in both the United States and Canada.

Declines in aluminum and nickel pulled down the level of primary metal prices (-1.4%). On the other hand, chemical prices were up 1.0% with ethylene and ammonia accounting for much of the rise.

The 12-month increase in Canadian industrial prices remains the highest among the G7 nations. It is about 7.5 percentage points above that in the United States and a little under six percentage points higher than in Germany and the United Kingdom.

For further information, order Industry price indexes *(catalogue 62-011) or contact Prices Division at (613) 951-3350.*

Industrial product prices

Note to readers

The industrial product price index (IPPI) reflects the prices producers receive as goods leave their plants. It is not indicative of what consumers pay. Unlike the consumer price index, the IPPI excludes indirect taxes and all costs (including transportation, wholesale, and retail costs) that occur between when a good leaves a plant and when a final user takes possession.

Since Canadian export producers often quote prices in foreign currencies, exchange rate movements affect the IPPI. A 1.0% change in the value of the Canadian dollar against the U.S. dollar changes the IPPI by about 0.2%.

Weekly earnings rise after two months of little change

In February, employees' weekly earnings rose 0.2% to $572.01, following two months of little change. February's increase brought the year-over-year earnings growth to 1.8%. Employees working for mines, quarries and oil wells; finance, insurance and real estate companies; and construction companies received higher earnings.

Employees paid by the hour received on average $14.20 per hour, the second consecutive monthly decline, which brought the hourly earnings below their November 1994 level. Hourly earnings now stand 0.8% higher than a year ago. These employees worked more hours than in January, averaging 30.9 hours per week.

(continued on page 5)

Weekly and hourly earnings

... Weekly earnings rise after two months of little change

Average weekly earnings, February 1995
Seasonally adjusted

Province/Territory	Industrial aggregate ($)	% change, previous month	% change, previous year
Canada	572.01	0.2	1.8
Newfoundland	540.48	-0.3	1.4
Prince Edward Island	447.22	-0.1	-3.4
Nova Scotia	482.17	-2.7	-3.3
New Brunswick	512.48	-1.2	0.7
Quebec	544.51	0.3	1.1
Ontario	609.09	-0.1	2.0
Manitoba	499.11	1.2	0.9
Saskatchewan	493.51	0.3	3.4
Alberta	557.64	0.8	1.3
British Columbia	589.32	1.2	3.4
Yukon	681.16	-1.4	-0.8
Northwest Territories	714.54	1.9	2.4

Employment-wise, businesses in all industries employed 10.6 million people in February, a drop of 50,000 from the preceding month. Businesses reduced employment during the first two months of 1995, eliminating most of the gains registered in December 1994 and halting the trend of the previous year, during which employment expanded by 386,000. Accommodation, food and beverage establishments, construction companies, and retail stores were the largest contributors to February's decline.

For further information, order Employment, earnings and hours *(catalogue 72-002) or contact Labour Division at (613) 951-4090.*

Recycling grows in popularity

Access to recycling programs – especially those relating to paper – is becoming more widespread in Canada. In 1994, seven of ten households had access to curbside recycling or recycling depots for paper, compared with just over half in 1991. Paper makes up the largest component of residential waste.

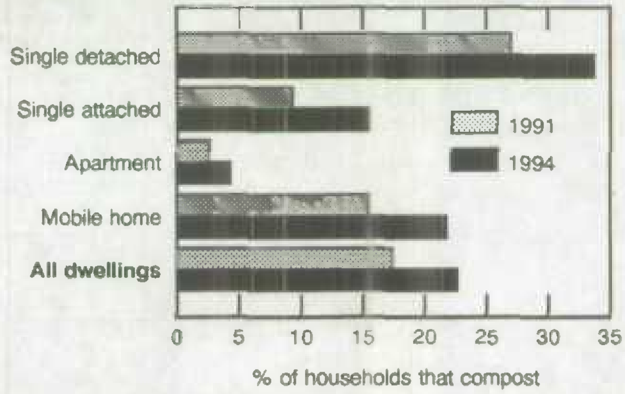
Among households with access to paper recycling, 77.1% of apartment dwellers recycled, compared with 85.5% of householders in single detached dwellings. Nationally, use of paper recycling fell slightly between 1991 (85.8%) and 1994 (83.1%). In large urban areas over the same period, this rate fell from 89.4% to 85.2%. In contrast, the usage rate of special programs for hazardous waste has increased from 51.7% of households with access in 1991 to 57.1% in 1994.

Access to and usage of paper recycling programs for households

	Access (%)		Usage (%)	
	1994	1991	1994	1991
Canada	**69.6**	**52.6**	**83.1**	**85.8**
Newfoundland	19.7	11.3	44.4	55.0
Prince Edward Island	20.8	10.6	70.0	--
Nova Scotia	50.3	36.8	72.5	70.0
New Brunswick	46.7	17.5	58.8	65.9
Quebec	57.2	33.8	74.0	76.5
Ontario	83.5	72.1	92.9	94.5
Manitoba	61.0	40.4	48.3	50.3
Saskatchewan	69.3	37.6	73.2	69.6
Alberta	71.2	51.1	75.8	77.1
British Columbia	74.5	64.2	88.2	87.3

-- *Amount to small to be expressed.*

Composting by type of dwelling



The accessibility of recycling programs for glass bottles, metal cans, and plastics grew as well, as did special disposal programs for hazardous household waste. For example, access to glass recycling programs increased from 49.9% of households in 1991 to 67.4% in 1994.

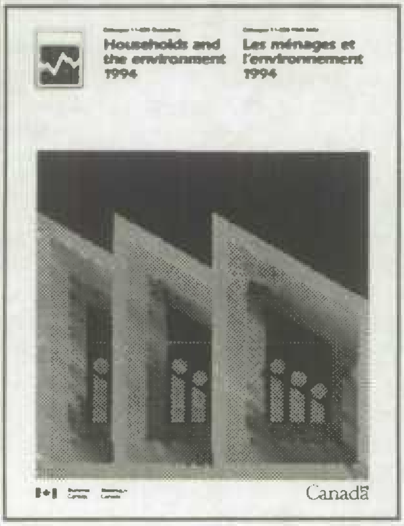
Composting has also become a common activity for many households. In 1994, 22.7% of households used a compost heap, container or composting service, compared with 17.4% in 1991. The highest usage rates were among households in single detached dwellings, since they are most likely to have a yard, lawn or garden. One third (33.8%) of households in these single-family homes composted, up from 26.9% in 1991.

For further information, order Households and the environment, 1994 *(catalogue 11-526) or contact Household Surveys Division at (613) 951-4633.*

PUBLICATIONS RELEASED FROM APRIL 28 TO MAY 4, 1995

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.$)	United States	Other countries
				US$	
AGRICULTURE					
Field crop reporting series no. 2: March intentions of principal field crop areas, Canada	1995	22-002	15/85	18/102	21/119
BALANCE OF PAYMENTS					
Canada's international transactions in securities	February 1995	67-002	17/170	21/204	24/238
HOUSEHOLD SURVEYS					
Households and the environment	1994	11-526	27	33	38
INDUSTRY					
Coal and coke statistics	February 1995	45-002	11/110	14/132	16/154
Construction type plywood	February 1995	35-001	6/60	8/72	9/84
Corrugated boxes and wrappers	March 1995	36-004	6/60	8/72	9/84
Electric power statistics	February 1995	57-001	11/110	14/132	16/154
Gas utilities	January 1995	55-002	16/160	20/200	23/230
Metal mines	1993	26-223	28	34	40
Mineral wool including fibrous glass insulation	March 1995	44-004	6/60	8/72	9/84
Production, shipments and stocks on hand of sawmills in British Columbia	February 1995	35-003	8/80	10/96	12/112
Retail trade	February 1995	63-005	20/200	24/240	28/280
The sugar situation	March 1995	32-013	6/60	8/72	9/84
INTERNATIONAL TRADE					
Imports by commodity	February 1995	65-007	60/600	72/720	84/840
INVESTMENT AND CAPITAL STOCK					
Building permits	January 1995	64-001	24/240	29/288	34/336

NEW FROM STATISTICS CANADA



Households and the environment
1994

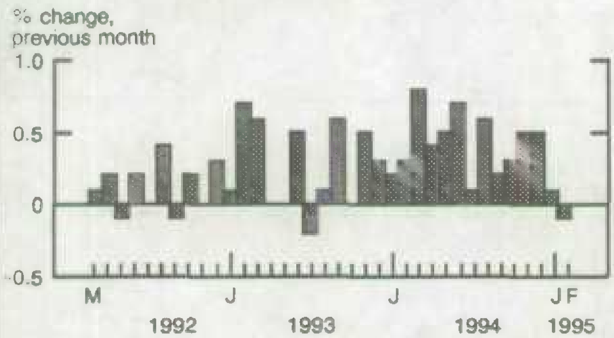
In May 1994, Statistics Canada conducted the Household environment survey to measure the extent to which households are using facilities and products that have, or are perceived to have, positive or negative effects on the environment. Data from this survey, and from the baseline 1991 survey, measure the progress made towards sound environmental practices at the household level.

The survey asked households questions on a wide range of environmental concerns: energy and water conservation measures; the use of products with a "high" environmental profile; the use and disposal of potentially hazardous materials; and accessibility and use of recycling programs.

Households and the Environment, 1994 *(catalogue 11-526, $27) is now available. For more information, contact the Income and Housing Surveys Section, Household Surveys Division at (613) 951-4643 or 951-4633.*

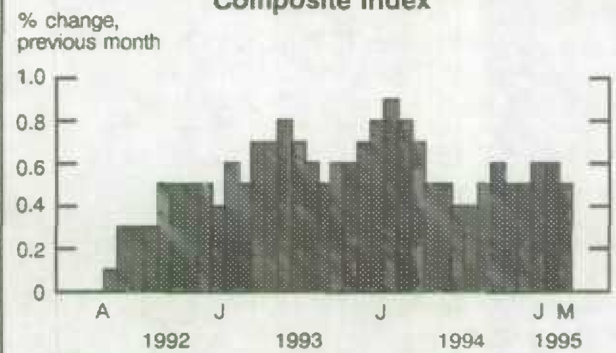
CURRENT TRENDS

Gross domestic product



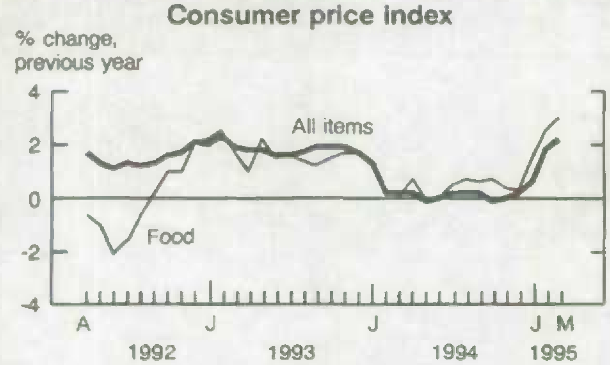
Real gross domestic product fell 0.1% in February as economic activity receded for the first time since July 1993.

Composite index



In March 1995, the composite index continued to grow moderately, up 0.5% from the month before.

Consumer price index



Consumers paid 2.2% more for goods and services in March 1995 than the year before. Food prices rose by 3.0%.

Unemployment rate

In March, the unemployment rate increased 0.1 percentage points to 9.7%.

Manufacturing

Manufacturers' shipments fell 1.3% in February to $32.6 billion. The level of unfilled orders grew by 0.6% to $34.1 billion.

Merchandise trade

The value of merchandise exports fell 4.4% in February, to $21.5 billion. Imports dropped 5.0% to $19.1 billion.

Note: *All series are seasonally adjusted except the consumer price index.*

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LATEST MONTHLY STATISTICS

	Period	Level	Change, previous period	Change, previous year
GENERAL				
Gross domestic product ($ billion, 1986)	February*	544.8	-0.1%	4.6%
Composite index (1981=100)	March	174.3	0.5%	6.6%
Operating profits of enterprises ($ billion)	3rd quarter	20.2	11.4%	48.5%
DOMESTIC DEMAND				
Retail trade ($ billion)	February	17.7	-0.5%	4.2%
New motor vehicle sales ('000 units)	February	101.2	-0.6%	-6.0%
LABOUR				
Employment (millions)	March	13.5	0.1%	2.3%
Unemployment rate (%)	March	9.7	0.1†	-0.9†
Participation rate (%)	March	65.1	0.0†	-0.1†
Labour income ($ billion)	January	34.8	-0.3%	4.2%
Average weekly earnings ($)	December	572.69	0.3%	2.5%
INTERNATIONAL TRADE				
Merchandise exports ($ billion)	February	21.5	-4.4%	36.7%
Merchandise imports ($ billion)	February	19.1	-5.0%	27.9%
Merchandise trade balance (all figures in $ billion)	February	2.4	0.0	1.7
MANUFACTURING				
Shipments ($ billion)	February	32.6	-1.3%	23.3%
New orders ($ billion)	February	32.8	-1.0%	21.6%
Unfilled orders ($ billion)	February	34.1	0.6%	12.5%
Inventory/ shipments ratio	February	1.27	0.04	-0.12
Capacity utilization (%)	4th quarter	84.8	0.9†	4.6†
PRICES				
Consumer price index (1986=100)	March	133.0	0.2%	2.2%
Industrial product price index (1986=100)	March	127.6	0.6%	9.3%
Raw materials price index (1986=100)	March	132.4	0.5%	16.5%
New housing price index (1986=100)	February	135.4	-0.3%	-0.4%

Note: *All series are seasonally adjusted with the exception of the price indexes.*
* *new this week*
† *percentage point*

I•N•F•O•M•A•T

A weekly review

Published by the Communications Division, Statistics Canada, 10-N, R.H. Coats Bldg., Ottawa, Ontario K1A 0T6.

Editor: Anna Kemeny (613) 951-1197
Head of Official Release: Jacques Lefebvre (613) 951-1088

Catalogue: 11-002E. Price: Canada: $3.00 per issue, $130.00 per year; United States: US$4.00 per issue, US$156.00 per year; Other Countries: US$4.00 per issue, US$182.00. Canadian customers please add 7% GST.

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