



informat

A Weekly Review

Thursday, March 28, 2002

INSIDE

◆ A second large gain in Composite Index

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◆ Retail sales increase steadily since October

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◆ Wholesale sales bolstered by automotive and housing markets

Strong sales in several sectors boosted wholesale sales 2.0% to \$33.3 billion in January. Sales advanced in eight of the 11 sectors, with automotive products jumping 7.6% and lumber and building materials rising 5.8%.

◆ Investors' appetite cools for foreign shares

Canadians divested \$1.3 billion worth of foreign bonds in January while acquiring a small amount of foreign stocks. The appetite of Canadian investors for foreign shares also cooled in January after a large investment of \$4.5 billion in December.

Electricity, tobacco and food prices step up inflation

Consumers paid 1.5% more in February for the goods and services in the Consumer Price Index (CPI) basket than they did a year earlier. Rising prices for food, tobacco products and electricity contributed to the increase.

Higher costs for restaurant meals, fresh vegetables and fresh fruit pushed food prices up 4.3%. Cigarette prices increased 24.6%, primarily due to tax hikes. A credit program offered to British Columbia residents in February 2001 explains two-thirds of the 16.2% increase in February's electricity index.

Lower gasoline (-15.4%) and fuel oil prices (-23.4%) had an important braking effect on the February index. These declines are explained in large part by the price of oil, which was down about \$12 per barrel from February 2001. Lower traveller accommodation prices, due largely to the economic slowdown, also helped curb the CPI increase.

February's index (116.9) was still below the peak of 117.5 reached in June 2001. This shows that consumer prices were, overall, lower in February than in June 2001.

Consumer Price Index, February 2002

% change, previous year, not seasonally adjusted

	All items	Food	Shelter	Transportation	Energy
Canada	1.5	4.3	2.1	-3.0	-5.8
Newfoundland and Labrador	-0.3	3.7	-2.2	-3.5	-11.2
Prince Edward Island	0.4	4.9	-2.8	-3.8	-13.4
Nova Scotia	0.8	3.7	-1.5	-3.9	-12.0
New Brunswick	1.1	4.5	-1.5	-3.8	-9.7
Quebec	1.6	5.2	0.1	-4.3	-10.8
Ontario	1.4	4.1	2.2	-2.8	-6.0
Manitoba	0.1	2.8	-1.8	-3.4	-14.6
Saskatchewan	1.6	3.0	4.3	-3.7	-2.5
Alberta	1.6	4.2	3.4	-3.3	-3.9
British Columbia	2.9	4.2	6.6	-1.2	14.1
Whitehorse	-0.7	2.5	-2.6	-4.1	-12.0
Yellowknife	1.8	5.0	0.8	-0.5	-8.6

(continued on page 2)



... Electricity, tobacco and food prices step up inflation

The CPI rose 0.6% in February from January, after advancing 0.3% in January. February's gain was due primarily to higher prices for women's clothing, travel tours, traveller accommodation, gasoline and fresh vegetables. Lower fresh fruit prices and mortgage interest costs mitigated these increases.

The index for women's clothing rose 4.6% in February as many items returned to regular price after specials in January. The price increases in this sector were especially strong in Quebec, Ontario and Alberta.

The price of travel tours jumped 10.9% in February from January. This monthly increase is of the same order of magnitude as those seen in February each year since 1998.

The price of traveller accommodation rose 5.3%. Quebec registered the strongest rise (+10.6%), as the Québec Winter Carnival was in full swing.

Consumers paid 1.4% more for gasoline in February than in January, compared with January's 2.5% rise. Price increases ranged from 0.1% in Prince Edward Island to 4.5% in Alberta.

Prices fell in Saskatchewan (-3.4%), New Brunswick (-1.2%) and Whitehorse (-2.2%).

The price of fresh vegetables continued to rise in February (+4.1%). Bad weather in the United States and in Mexico partly explains these increases. Fresh fruit prices decreased 4.3% in February. Greater availability and diversified supply sources helped push down certain prices.

The index for mortgage interest cost decreased 0.5%. Although prices for new houses rose in most cities, the effect of dropping interest rates more than offset these price increases. Note that only a portion of mortgages, new and renewed mortgages, are affected by the interest rates reported in the latest month. The rest of the mortgages used in the index's calculation are affected by prior months' interest rates.

*The February 2002 issue of **The Consumer Price Index** (Internet: 62-001-XIB, \$8/\$77; paper: 62-001-XPB, \$11/\$103) is now available. For more information, call Louise Chaîné (1-866-230-2248; 613-951-9606) or Joanne Moreau (613-951-7130), Prices Division. (See also "Current trends" on page 6.)*

A second large gain in Composite Index

The growth of the leading indicator remained brisk at 1.1% in February, after a revised 1.0% gain in January. These were the largest gains since early in 2000.

Seven of the 10 components rose and two fell, the same as in January, representing the same sources of strength and weakness. Household demand in Canada and the U.S. leading indicator continued to accelerate, but manufacturing lagged behind.

Household spending advanced further at the turn of the year, taking advantage of low interest rates and prices. Personal services continued to propel employment up strongly, as travellers from abroad returned. Spending on household and other durable goods such as autos posted the best gains in a year and a half.

The growth of the housing index slowed slightly, largely due to a drop in the multiple units component, which is volatile on a

month-to-month basis. Sales of existing homes changed little from January's record level, but still remained about one-quarter above where they stood in August.

Manufacturing continued to be the source of all the components that fell. Notably, the ratio of shipments to stocks dropped for a fifteenth consecutive month. New orders for durable goods also continued to drop, but the average work week was unchanged.

The U.S. leading indicator improved again, with a pattern of strengths and weaknesses similar to Canada's. Six of the 10 components were up; those related to household demand reinforced the gains that began earlier in financial markets.

*For more information on the economy, see the March 2002 issue of **Canadian economic observer** (paper: 11-010-XPB, \$23/\$227). For analytical information, contact Francine Roy (613-951-3627), Current Economic Analysis Group. (See also "Current trends" on page 6.)*

Retail sales increase steadily since October

Retail sales climbed 1.1% in January to \$25.3 billion, the fourth consecutive monthly increase. Retailers experienced sales advances of 1.4% in both December and November, following a 2.2% jump in October.

Sales rose by more than 1.0% in general merchandise stores, drug stores, stores in the automotive sector and those classified in other retail, which includes liquor stores.

Canadian and U.S. retail sales evolved differently after September 11; although, both countries reported similar declines in September (-1.7% in Canada and -1.8% in the United States). Subsequently, Americans increased their spending in retail stores by 7.6% in October.

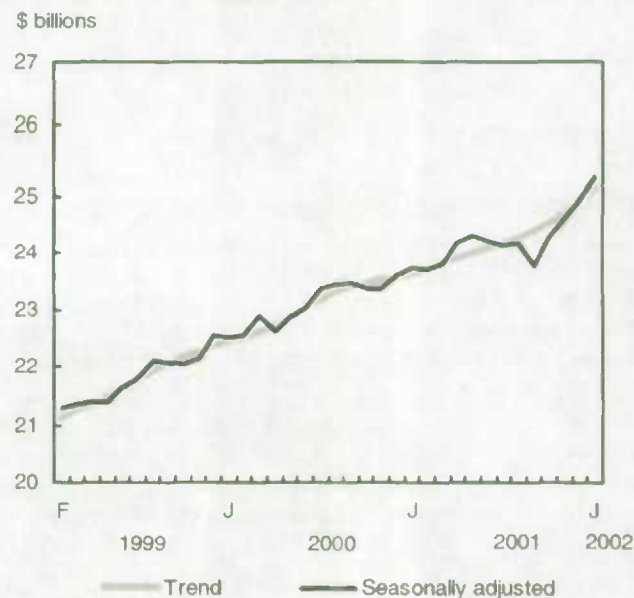
U.S. retail sales have been lacklustre since that period, falling 3.8% in November and then continuing to be essentially flat. U.S. sales rose only 2.7% from September to January, while Canadian retail sales climbed 6.3% during the same period.

Sales in the general merchandise sector improved dramatically in December (+1.7%) and January (+2.2%) after remaining essentially flat for most of 2001. These gains were fuelled by higher department store sales in both months.

Retail sales, January 2002
Seasonally adjusted

	\$ millions	% change, previous month	% change, previous year
Canada	25,251	1.1	6.4
Newfoundland and Labrador	431	5.0	12.9
Prince Edward Island	111	2.5	5.4
Nova Scotia	765	1.7	5.4
New Brunswick	618	1.9	3.7
Quebec	5,647	-1.2	4.9
Ontario	9,632	1.9	5.7
Manitoba	872	3.0	8.2
Saskatchewan	736	1.4	6.3
Alberta	3,066	2.6	9.6
British Columbia	3,279	0.0	7.0
Yukon	37	7.8	35.3
Northwest Territories	40	8.2	15.8
Nunavut	17	0.2	5.8

Retail sales



Drug stores posted healthy sales in January (+2.1%), following a hefty 7.2% annual increase in 2001. This continued the strong sales observed since the spring of 2000. Conversely, consumers spent 0.6% less in clothing stores, after having increased spending in the previous three months.

Sales in the automotive sector advanced 1.8% in January, the fourth straight month of growth. Within this sector, higher gasoline prices led to a 4.9% sales gain by service stations.

Motor and recreational vehicle sales increased 1.1% in January, the fourth consecutive monthly gain. After the 3.1% decline in September, sales by these dealers jumped 14.8% over the following four months.

Only Quebec (-1.2%) and British Columbia (0.0%) recorded weaker sales, ending three consecutive months of robust gains. All other provinces posted strong gains in January, ranging from 1.4% in Saskatchewan to 5.0% in Newfoundland and Labrador.

The January 2002 issue of *Retail trade* (Internet: 63-005-X1B, \$16/\$155) is now available. To order data, or for general information, contact Client Services (1 877 421-3067; 613-951-3549; retailinfo@statcan.ca). For analytical information, contact Paul Gratton (613-951-3541; paul.gratton@statcan.ca), Distributive Trades Division.

Wholesale sales bolstered by automotive and housing markets

Strong sales in eight of the 11 sectors boosted January's wholesale sales 2.0% to \$33.3 billion.

Wholesalers of automotive products reported robust January sales (+7.6%) of vehicles and automotive parts. Consumer demand for new cars has been healthy over the past few months.

Wholesalers of lumber and building materials increased their sales 5.8% in January, the third monthly rise in four months. During that period, sales rose 11.3%. A strong construction industry, aided by a strong housing market, record low interest rates, and a mild winter in eastern Canada, contributed to this increase.

Healthy sales were also reported in computers and electronics (+2.1%), the "other products" category (+1.9%), and beverages, drugs and tobacco (+1.8%). The "other products" category includes wholesalers of seeds and seed processing, industrial and household chemicals, and stationery and office supplies.

Farm machinery (-9.4%), apparel and dry goods (-7.7%), and industrial machinery (-1.2%) all fell in January, after healthy December sales.

Wholesalers in Saskatchewan (-6.1%), Nova Scotia (-1.2%), Alberta (-1.1%), and Quebec (-0.4%) observed lower sales in the month.

Wholesalers in Saskatchewan and Alberta were affected by lower sales of farm machinery and other products. Saskatchewan's wholesale sales have been generally falling since the spring of 2001, when hot and dry conditions plagued farmers on the Prairies. In contrast, Alberta sales have been generally climbing for several years.

Wholesale trade, January 2002

Seasonally adjusted

	\$ millions	% change, previous month	% change, previous year
Canada	33,281	2.0	3.0
Newfoundland and Labrador	209	1.1	-9.1
Prince Edward Island	57	3.8	10.5
Nova Scotia	590	-1.2	3.4
New Brunswick	405	0.8	6.9
Quebec	6,748	-0.4	0.1
Ontario	16,475	4.1	3.0
Manitoba	1,067	1.4	10.9
Saskatchewan	1,036	-6.1	6.2
Alberta	3,414	-1.1	7.1
British Columbia	3,251	3.4	2.2
Yukon	10	2.9	-8.1
Northwest Territories	18	0.5	8.9
Nunavut	2	-0.6	-40.7

Wholesalers continued to sell some of their inventories, contributing to the lowest wholesale inventory-to-sale ratio since 1981. The ratio is a measure of how long it would take to deplete inventories at the current pace of sales. Inventory levels fell 0.8% to \$42.3 billion, the third consecutive monthly decline and the ninth decline since January 2001.

The January 2002 issue of *Wholesale trade* (Internet: 63-008-XIB, \$14/\$140) is now available. For data or general information, contact the Client Services Unit (1-877-421-3067; 613-951-3549; wholesaleinfo@statcan.ca). For analytical information, contact Alexander Hays (613-951-3552; haysale@statcan.ca), Distributive Trades Division.

Investors' appetite cools for foreign shares

Canadians divested \$1.3 billion worth of foreign bonds in January while acquiring a small amount of foreign stocks. This followed a major Canadian investment of \$6.0 billion in foreign securities in December.

The \$1.3-billion divestiture was exclusively directed to U.S. treasuries, as Canadian investors acquired a small amount of U.S. corporate bonds.

The appetite of Canadian investors for foreign shares also cooled in January after a large December investment of \$4.5 billion. The addition of \$0.4 billion to their holdings in

January went entirely to overseas equities. It was a slow start to what is usually one of the stronger three-month periods due to Canadian pension fund activity.

Unlike recent months, when the acquisition of new foreign treasury shares — issued as part of foreign acquisitions of Canadian companies — contributed to increases in holdings of foreign equities, no such activity occurred in January.

Foreign investors increased their holdings of Canadian bonds by \$0.3 billion in January, as a \$2.8-billion increase in foreign holdings of corporate debt outweighed a \$2.5-billion decrease in foreign holdings of government bonds. Increased foreign holdings of corporate bonds resulted mainly from the primary market, where new issues continued to outpace retirements.

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... Investors' appetite cools for foreign shares

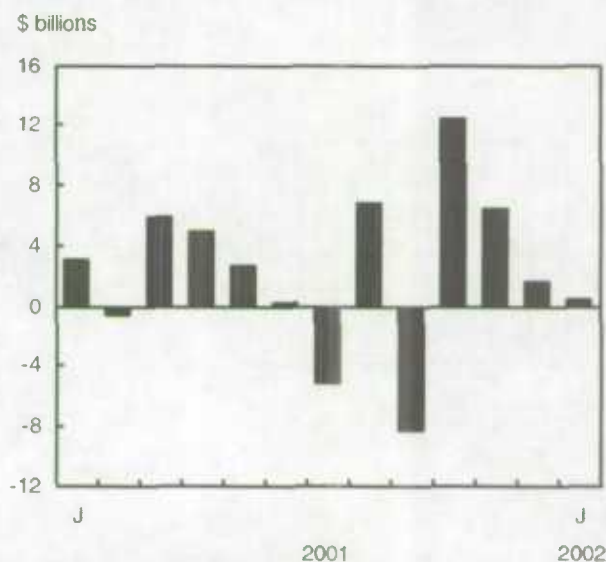
The government sector was just the opposite; foreigners reduced their holdings as a result of both net retirements and selling of secondary market bonds. By region, continued buying of Canadian bonds by U.S. investors was more than sufficient to replace some selling by Japanese and European investors.

For a second straight month, foreign investors were buyers of Canadian money market paper, with a small \$0.3 billion investment in January. Non-residents sold some of their holdings of federal treasury bills, but more than offset this with purchases of other Canadian government and corporate paper.

The decrease in foreign investment in Canadian stocks was a negligible \$0.1 billion in January, as foreign investors sold small amounts of secondary market shares for a third consecutive month.

The January 2002 issue of *Canada's international transactions in securities* (Internet: 67-002-XIB, \$14/\$132; paper: 67-002-XPB, \$18/\$176) will be available soon. For more information, contact Donald Granger (613-951-1864), Balance of Payments Division.

Foreign investment in Canadian securities¹



¹ Includes bonds, stocks and money market paper.

New from Statistics Canada



Canadian economic observer March 2002

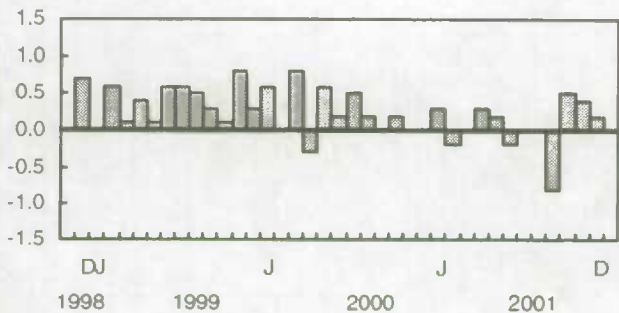
The March issue of *Canadian economic observer* analyses current economic conditions, summarizes the major economic events that occurred in February and presents a feature article on the output of information and communications technologies. A separate statistical summary contains a wide range of tables and graphs on the principal economic indicators for Canada, the provinces and the major industrial nations.

The March 2002 issue of *Canadian economic observer* (paper: 11-010-XPB, \$23/\$227) is now available. For more information, contact Francine Roy (613-951-3627; ceo@statcan.ca), Current Economic Analysis Group.

Current Trends

Gross domestic product

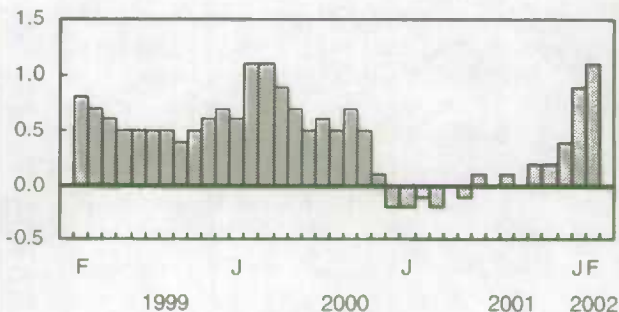
% change, previous month



Total economic activity advanced 0.2% in December, after rising 0.4% in November.

Composite index

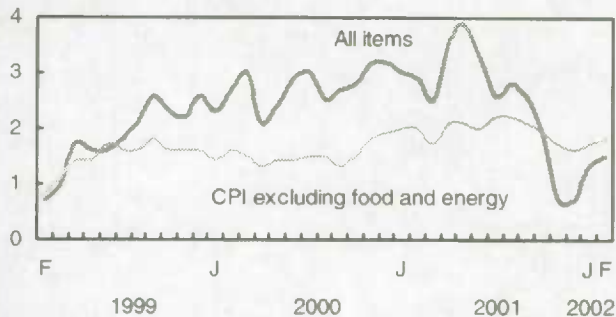
% change, previous month



The leading indicator gained 1.1% in February. Household demand continued to accelerate, while manufacturing lagged.

Consumer price index

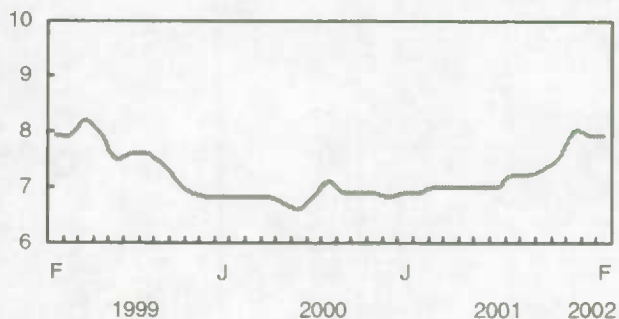
% change, previous year



Consumer prices for goods and services were 1.5% higher in February than they were a year earlier. Excluding food and energy, prices rose 1.8%.

Unemployment rate

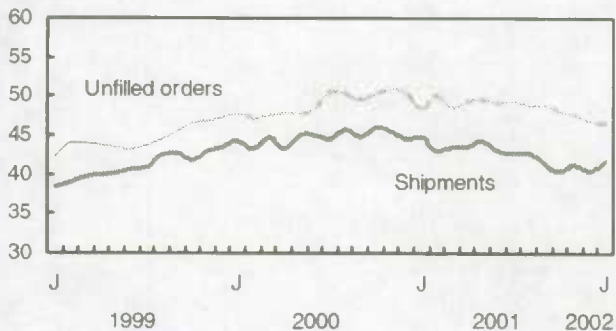
%



In February, the unemployment rate remained unchanged at 7.9%.

Manufacturing

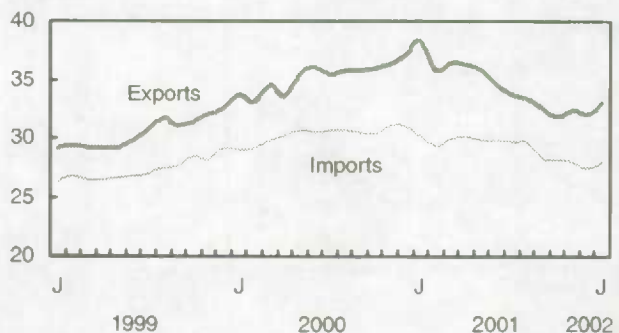
\$ billions



Manufacturers' shipments surged 3.1% in January to \$41.7 billion. The backlog of unfilled orders declined 0.8% to \$46.4 billion.

Merchandise trade

\$ billions



In January, the value of merchandise exports rose 3.1% to \$33.0 billion. Imports climbed 1.6% to \$27.9 billion.

Note: All series are seasonally adjusted except the Consumer Price Index.

Latest statistics

	Period	Level	Change, previous period	Change, previous year
GENERAL				
Gross domestic product (\$ billions, 1997) ¹	December	943.1	0.2%	0.7%
Composite Index (1992=100)	February	170.9	1.1%	2.6%
Operating profits of enterprises (\$ billions)	Q4 2001	33.8	-5.6%	-29.9%
Capacity utilization rate (%) ²	Q4 2001	80.3	-1.2†	-4.8†
DOMESTIC DEMAND				
Retail trade (\$ billions)	January	25.3	1.1%	6.4%
New motor vehicle sales (thousands of units)	January	146.3	0.0%	11.6%
Wholesale trade (\$ billions)	January	33.3	2.0%	3.0%
LABOUR				
Employment (millions)	February	15.2	0.0%	0.9%
Unemployment rate (%)	February	7.9	0.0†	1.0†
Participation rate (%)	February	66.4	0.0†	0.4†
Average weekly earnings (\$)	December	671.43	0.10%	1.92%
Help-wanted Index (1996=100)	February	124	-0.8%	-26.6%
Regular Employment Insurance beneficiaries (in thousands)	January*	559.2	0.4%	15.1%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	January	33.0	3.1%	-13.9%
Merchandise imports (\$ billions)	January	27.9	1.6%	-7.3%
Merchandise trade balance (all figures in \$ billions)	January	5.1	0.6	-3.1
MANUFACTURING				
Shipments (\$ billions)	January	41.7	3.1%	-6.7%
New orders (\$ billions)	January	41.3	3.9%	-3.3%
Unfilled orders (\$ billions)	January	46.4	-0.8%	-4.0%
Inventory/shipments ratio	January	1.49	-0.05	0.04
PRICES				
Consumer Price Index (1992=100)	February	116.9	0.6%	1.5%
Industrial Product Price Index (1997=100)	January	106.2	0.9%	-1.2%
Raw Materials Price Index (1997=100)	January	103.2	2.6%	-13.0%
New Housing Price Index (1992=100)	January*	107.6	0.3%	2.9%

Note: All series are seasonally adjusted with the exception of the price indexes.

* new this week

† percentage point

¹ 1997 replaces 1992 as the base year used in determining prices for gross domestic product by industry. Also, valuation has been changed from factor cost to basic prices.

² Calculation of the rates of capacity use is now based on the 1997 North American Industrial Classification System (NAICS), which has replaced the 1980 Standard Industrial Classification.

Infomat

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