



Infomat

A Weekly Review

Friday, August 23, 2002

INSIDE

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◆ Ten-month high in inflation

Prices for the goods and services included in the Consumer Price Index rose 2.1% in July from July 2001. This 12-month increase was the largest since September 2001, and significantly higher than the 1.3% observed in June.

◆ Wholesale trade holds steady

Wholesale sales remained stable in June, edging up 0.1% to \$34.5 billion. Despite this pause, growth remained strong in the second quarter, following a vigorous first-quarter increase.

◆ Manufacturers' shipments strong despite decline in wood industry

Manufacturers' shipments edged down 0.1% to \$43.2 billion in June. This decline can be mostly attributed to the wood industry, which was affected by the re-instatement of U.S. softwood lumber duties. Despite the slight drop in June, the manufacturing sector maintained a high level of activity.

Softwood duties hammer merchandise exports

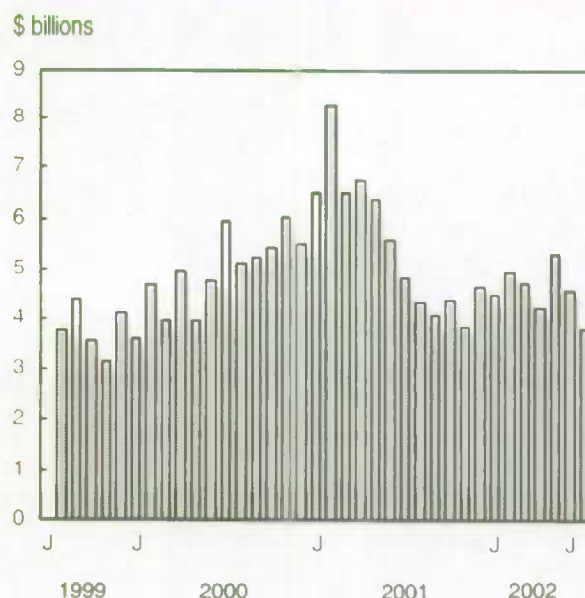
Exports of forestry products plummeted, as lumber exports posted their largest monthly decline ever, down to levels recorded almost 10 years ago. This decrease more than offset export gains in other sectors.

Overall, exports dipped 0.5% to \$33.6 billion with levels falling for the United States and Japan. Exports to all other principal trading areas increased.

Duties imposed by the United States in excess of 27%, which took effect on May 23, resulted in the scaling back of production in Canada's main softwood producing provinces — British Columbia, Alberta, Ontario and Quebec. As the supply of duty-free softwood in U.S. yards became nearly depleted in June,

(continued on page 2)

Trade balance



Softwood duties hammer... (continued from page 1)

traders were reluctant to replenish their inventories of spruce, pine and fir softwood with large orders from Canada.

As a result, lumber exports plummeted 40.0% to \$651.3 million. Despite a strong U.S. housing market, the price for Canadian softwood lumber declined. The \$434.4-million drop in lumber exports was the largest monthly decline ever in this commodity and brought exports to their lowest level since November 1992.

The automotive products sector fell 1.6% to \$8.1 billion as car sales in the United States eased. Exports to top non-U.S. destinations — Mexico, Japan, Finland and Saudi Arabia — all fell as well. Car exports declined 3.9%. Exports of motor vehicle parts to supply auto assembly plants rose a slight 0.8%. Trucks and other motor vehicle exports rose 1.1%, with an increase in the export of school buses.

In the machinery and equipment sector, exports increased 1.5% to \$7.8 billion. Aircraft and other transportation equipment exports bounced back with a 12.3% increase to \$1.9 billion. Aircraft, engines and parts exports jumped 14.5% to \$1.4 billion, following the resolution of a month-long labour dispute.

Industrial and agricultural machinery equipment exports rose 2.5% to \$1.6 billion. Nuclear reactor fuel elements and injection moulding equipment to the Far East and gas turbine parts to the European Union contributed to a 2.9% increase of industrial machinery to \$1.5 billion.

Exports of energy products declined slightly to \$4.1 billion. With inventory and price levels stabilized by increased American imports from Russia and Algeria, crude petroleum fell 6.9% to \$1.4 billion.

Industrial goods and materials, the third largest export sector, rose 3.9% to \$5.9 billion, a result of increases in metals and alloys, chemicals, plastics and fertilizers.

Agricultural and fishing products increased 1.9% to \$2.5 billion, mainly on the strength of food, feed, beverage and tobacco product exports. When drought conditions and the prohibitive cost of feed in the Prairies forced the premature slaughter of livestock, meat and meat preparations exports rose 1.7% to \$392.1 million.

Merchandise imports rose 2.1% to \$29.8 billion. The biggest increase in imports was for merchandise from the European Union, which advanced 16.4% to \$3.4 billion.

The merchandise trade surplus has fallen \$1.5 billion in the past two months. The trade balance at the end of the first six months of 2002 stood at \$27.6 billion, a drop of over \$10.6 billion from the same period in 2001.

Canadian international merchandise trade (Internet: 65-001-XIB, \$14/\$141; paper: 65-001-XPB, \$19/\$188) will be available soon. For more information, contact Daryl Keen (613-951-1810), International Trade Division. (See also "Current trends" on page 5.)

Stock market moderates increase in Composite Index

The leading indicator rose 0.2% in July, its 12th straight advance. The rise would have matched June's 0.5% had the stock market not tumbled again. Manufacturing continued to lead the advance, as five components increased, three declined, and two were unchanged.

New orders for durable goods rose strongly for the fourth month in a row. Rising demand was met by drawing on inventories causing the ratio of shipments to inventories of finished goods to record the two strongest consecutive advances since the end of 1998.

These good results, combined with manufacturers' optimism in July's Business Conditions Survey, are encouraging for the outlook for production. Manufacturers continued to meet their labour requirements by increasing employment in July, and average weekly hours worked remained close to a 30-year high.

Housing starts continued to exceed an annual rate of 200,000 units for the fifth month this year, thanks to renewed growth in central Canada. A drop in sales of existing homes, together with shortages in some market sectors, led to a continued gradual fall in the housing index from the 25-year high recorded in May.

Strong sales of new homes continued to stimulate spending on furniture and appliances. The interruption in rebate programs in the automobile sector, prior to their reintroduction during the summer, led to a levelling-off in sales of other durable goods.

Over the last two months, the Toronto stock market has been one of the main sources of weakness in the Canadian index, losing almost 15% of its value. Stock markets in the United States also had a negative effect on their leading indicator, which posted the smallest increase (+0.1%) among the components that were up.

The August 2002 issue of Canadian economic observer (paper: 11-010-XPB, \$23/\$227) is now available. For more information, contact Francine Roy (613-951-3627), Current Economic Analysis Group. (See also "Current trends" on page 5.)

Ten-month high in inflation

Prices for the goods and services included in the Consumer Price Index (CPI) rose 2.1% in July from July 2001. This 12-month increase was the largest since September 2001 and significantly higher than the 1.3% observed in June.

Although lower energy prices played a large part in dampening the 12-month increase in the all-items index in both June and July, the slowdown effect was far less important in July. The CPI excluding energy climbed 2.8% from July 2001, a change only slightly higher than that measured in June (+2.6%).

Consumer Price Index, July 2002
% change, previous year, not seasonally adjusted

	All Items	Food	Shelter	Transportation	Energy
Canada	2.1	1.9	-0.4	3.8	-3.1
Newfoundland and Labrador	2.3	1.6	-0.2	7.6	-2.9
Prince Edward Island	2.5	3.7	-1.1	3.0	-7.7
Nova Scotia	3.5	4.0	-0.1	6.6	-0.7
New Brunswick	3.9	3.5	0.5	7.8	2.6
Quebec	2.3	1.2	1.1	2.7	1.5
Ontario	2.1	2.6	-0.3	3.2	-4.9
Manitoba	1.3	0.8	-1.3	2.3	-2.4
Saskatchewan	2.6	1.2	0.5	2.1	0.3
Alberta	2.1	1.6	-4.7	7.4	-13.5
British Columbia	1.9	1.5	-0.2	4.1	0.2
Whitehorse	0.8	-0.1	-1.6	2.3	-4.4
Yellowknife	3.2	1.5	3.4	2.6	2.7

Cigarette prices, which jumped 42.0% from July 2001, exerted the strongest upward pressure on the all-items CPI. The rise can largely be attributed to increases in provincial and federal taxes in recent months. In addition to cigarettes, gasoline and electricity, automotive vehicle insurance premiums and food purchased from restaurants also exerted upward pressure on the CPI.

On a month-to-month basis, the CPI rose 0.5% in July from June, following increases of 0.2% in May and 0.3% in June. The rise in July can largely be explained by increases in cigarette taxes and by higher prices for gasoline, electricity, air transportation and traveller accommodation. Downward pressure was primarily caused by a drop in prices for the purchase of new automotive vehicles and natural gas.

The 3.2% rise in the electricity index for Canada can be attributed almost entirely to the 9.2% increase in prices in Ontario. This increase reflects the price changes on the free market, while contract prices remained fixed. The rising demand in July, resulting from heat waves, led to an increase in market prices.

The cost of air transportation climbed 8.4% from June to July, reflecting in large part the peak season for travellers.

As a result of lower wholesale prices, natural gas prices dropped 5.7% from June to July. The major portion of this decline can be accounted for by decreases of 7.2% in Ontario and 17.4% in Alberta.

The July 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, contact Louise Chainé (1-866-230-2248; 613-951-9606; infounit@statcan.ca), Prices Division. (See also "Current trends" on page 5.)

Wholesale trade holds steady

Wholesale sales remained stable in June (+0.1%), as wholesalers sold \$34.5 billion worth of goods and services.

Despite this pause, growth remained strong in the second quarter (+2.1%), following a vigorous first-quarter increase (+2.9%). This was the first time since the second half of 1999 that two consecutive quarters recorded growth surpassing 2.0%.

Six of the 11 sectors posted an increase in June. Some sectors, largely dependent on the performance of the construction and renovation markets showed substantial increases.

Sales of motor vehicles and automotive parts dropped 2.1% in June. Even so, sales remained 3.5% higher than they were in June 2001.

Sales of industrial products rose 1.0% in June. Strong sales in professional machinery, equipment and supplies accounted for most of the growth in June.

The performance of the construction sector continued to stimulate wholesale sales in lumber and building materials. The drop in lumber exports was more than offset by an increase in wholesale sales of products destined for final domestic consumption.

Wholesale trade, June 2002
Seasonally adjusted

	\$ millions	% change, previous month	% change, previous year
Canada	34,501	0.1	3.7
Newfoundland and Labrador	228	4.5	9.9
Prince Edward Island	54	2.7	-9.0
Nova Scotia	596	-0.9	3.4
New Brunswick	449	2.0	-2.7
Quebec	7,134	1.2	7.3
Ontario	17,149	-1.0	3.1
Manitoba	1,042	3.4	8.1
Saskatchewan	1,041	4.2	-4.1
Alberta	3,472	0.6	-0.3
British Columbia	3,303	-0.3	5.1
Yukon	10	-3.0	-3.8
Northwest Territories	22	32.9	40.3
Nunavut	2	22.1	48.1

The June 2002 issue of *Wholesale trade* (Internet: 63-008-XIB, \$14/\$140) is now available. For more information, contact Jean Lebreux (613-951-4907; jean.lebreux@statcan.ca), Distributive Trades Division.

Manufacturers' shipments strong despite decline in wood industry

Manufacturers' shipments edged down 0.1% to \$43.2 billion in June. This decline can be mostly attributed to the wood industry, which was affected by the re-instatement of U.S. softwood lumber duties.

Despite the slight drop in June, the manufacturing sector maintained a high level of activity, continuing the upward trend that began at the end of 2001. In the first six months of 2002, shipments rose 3.0% compared with the last six months of 2001. Also, employment in manufacturing has increased by 128,000 since the start of 2002, accounting for more than one-third of overall employment growth.

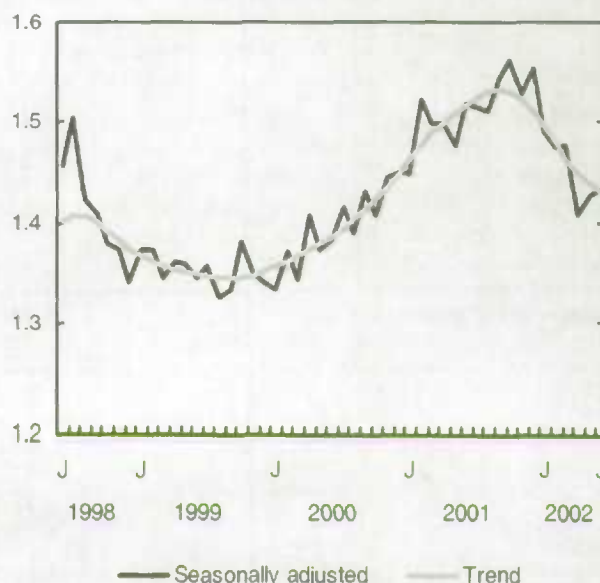
Manufacturers in the wood industry saw their shipments decline in June, after reaching relatively high levels of output in April and May. Shipments dropped 7.8% to \$2.3 billion in June, following the re-instatement of U.S. softwood lumber duties on May 21. Prices in the wood industry also fell in June (-3.5%). The petroleum and coal products and the computer and electronic products industries also posted declines.

These declines were partly offset by advances in the aerospace products and parts industry (+22.6%) and the motor vehicle industry (+1.1%). The latter has been holding steady after taking a breather in May, maintaining levels that are among the highest in the last 19 months.

After slipping 0.2% in May, inventories rose 0.3% in June to \$61.9 billion, their second increase in 13 months. Finished-product inventories, at \$19 billion, were at their lowest level in 23 months.

Inventories of aerospace products and parts rose 2.8% in June to \$7.9 billion, the highest level in 2002 and the first significant increase in nearly a year. Wood product inventories were also up, rising 1.6%. After companies boosted production of softwood

Inventory-to-shipment ratio



lumber to take advantage of the temporary expiration of U.S. duties, inventories started to rise following the decrease in shipments that accompanied the re-instatement of the duties.

With June's slight decline in shipments and the modest increase in inventories, the inventory-to-shipment ratio was unchanged in June at 1.43. Despite the advance in May, the inventory-to-shipment ratio is well below the level of 1.56 reached in October 2001, a nine-year high.

In June, the finished-product inventory-to-shipment ratio remained unchanged at 0.44 for a third straight month, its lowest level in 15 months. Both shipments and finished-product inventories declined in June, which explains why the ratio was stable this month.

Unfilled orders rose 0.8%, a fifth consecutive increase, reaching \$47.8 billion. Computer and electronic products (+7.1%) and metal products manufacturing (+1.2%) were the industries that contributed the most to this increase.

New orders rose a modest 0.2% in June to \$43.6 billion after dropping 1.6% in May. This rise occurred mainly in the aerospace products and parts, the metal products manufacturing and the computer and electronic products industries.

The June 2002 issue of the *Monthly Survey of Manufacturing* (Internet: 31-001-XIB, \$15/\$147) will be available soon. For general information, contact the dissemination officer (1-866-873-8789; 613-951-9497; manufact@statcan.ca). For analytical information, contact Daniela Ravindra (613-951-3514; daniela.ravindra@statcan.ca), Manufacturing, Construction and Energy Division. (See also "Current trends" on page 5.)

Manufacturers' shipments, June 2002

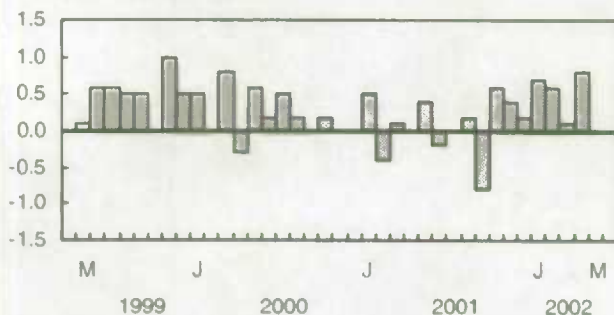
Seasonally adjusted

	\$ millions	% change, previous month
Canada	43,215	-0.1
Newfoundland and Labrador	207	14.3
Prince Edward Island	108	0.8
Nova Scotia	716	6.9
New Brunswick	1,026	-2.2
Quebec	10,343	0.1
Ontario	23,110	0.0
Manitoba	929	-2.0
Saskatchewan	608	4.2
Alberta	3,383	0.1
British Columbia	2,781	-3.6
Yukon, Northwest Territories and Nunavut	3	-45.4

Current trends

Gross domestic product

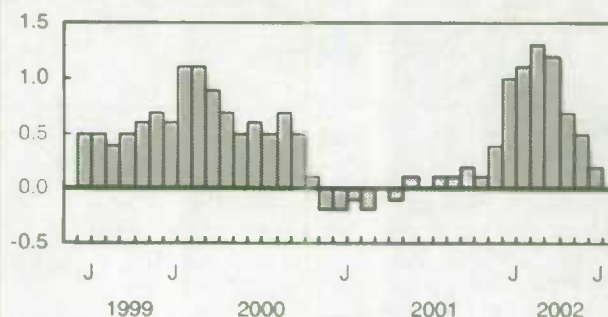
% change, previous month



Total economic activity was unchanged in May, after rising 0.8% in April.

Composite Index

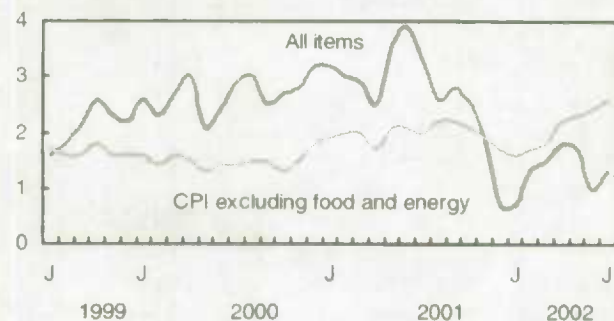
% change, previous month



The leading indicator gained 0.2% in July. The rise would have matched June's had the stock market not tumbled again.

Consumer Price Index

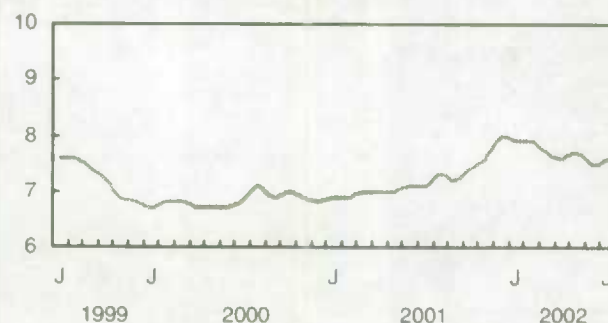
% change, previous year



Consumer prices for goods and services were 2.1% higher in July than they were a year earlier. Excluding food and energy, prices rose 2.9%.

Unemployment rate

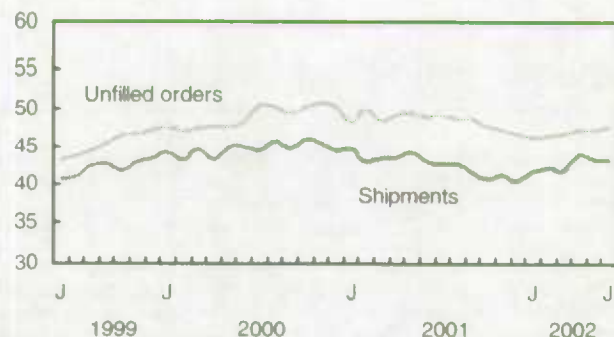
%



In July, the unemployment rate rose 0.1 percentage points to 7.6%.

Manufacturing

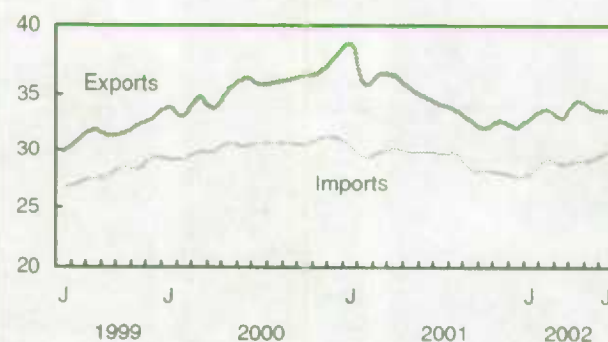
\$ billions



Manufacturers' shipments edged down 0.1% in June to \$43.2 billion. The backlog of unfilled orders rose 0.8% to \$47.8 billion.

Merchandise trade

\$ billions



In June, the value of merchandise exports declined 0.5% to \$33.6 billion. Imports rose 2.1% to \$29.8 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	May	966.7	0.0%	2.6%
Composite Index (1992=100)	July*	177.6	0.2%	6.9%
Operating profits of enterprises (\$ billions)	Q1 2002	34.7	9.0%	-16.3%
Capacity utilization rate (%) ²	Q1 2002	81.7	1.3†	-2.3†
DOMESTIC DEMAND				
Retail trade (\$ billions)	June*	25.6	1.8%	6.2%
New motor vehicle sales (thousands of units)	June	142.7	-2.0%	7.6%
Wholesale trade (\$ billions)	June*	34.5	0.1%	3.7%
LABOUR				
Employment (millions)	July	15.4	0.1%	2.3%
Unemployment rate (%)	July	7.6	0.1†	0.5†
Participation rate (%)	July	66.8	0.0†	0.9†
Average weekly earnings (\$)	May	677.03	0.30%	2.38%
Help-wanted Index (1996=100)	July	128.3	0.5%	-13.9%
Regular Employment Insurance beneficiaries (in thousands)	May	554.2	4.2%	9.9%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	June*	33.6	-0.5%	-2.9%
Merchandise imports (\$ billions)	June*	29.8	2.1%	0.1%
Merchandise trade balance (all figures in \$ billions)	June*	3.8	-0.8	-1.0
MANUFACTURING				
Shipments (\$ billions)	June*	43.2	-0.1%	0.8%
New orders (\$ billions)	June*	43.6	0.2%	2.8%
Unfilled orders (\$ billions)	June*	47.8	0.8%	-2.7%
Inventory/shipments ratio	June*	1.43	0.00	-0.09
PRICES				
Consumer Price Index (1992=100)	July*	119.6	0.5%	2.1%
Industrial Product Price Index (1997=100)	June	106.7	-0.2%	-1.2%
Raw Materials Price Index (1997=100)	June	111.6	-1.8%	-4.0%
New Housing Price Index (1992=100)	June	110.3	0.2%	4.1%

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.

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CULTURE, TOURISM AND THE CENTRE FOR EDUCATION STATISTICS International travel, advance information	June 2002	66-001-PIE	6/55
DISTRIBUTIVE TRADES New motor vehicle sales	June 2002	63-007-XIB	13/124
Wholesale trade	June 2002	63-008-XIB	14/140
ENVIRONMENT STATISTICS PROGRAM Environment Industry Survey: Business sector	2000	16F0008-XIE	free
INTERNATIONAL TRADE Imports by commodity	June 2002	65-007-XMB	37/361
Imports by commodity	June 2002	65-007-XPB	78/773
MANUFACTURING, CONSTRUCTION AND ENERGY Refined petroleum products	April 2002	43-004-XIB	16/155
Steel wire and specified wire products	June 2002	41-006-XIB	5/47
PRICES The Consumer Price Index	July 2002	62-001-XIB	8/77
The Consumer Price Index	July 2002	62-001-XPB	11/103
SCIENCE, INNOVATION AND ELECTRONIC INFORMATION Telecommunications in Canada	1999	56-203-XIE	32
TRANSPORTATION Aviation: service bulletin, Vol. 34, no. 2		51-004-XIB	8/82

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