



Infommat

A Weekly Review

Friday, February 21, 2003

INSIDE

◆ Slowdown in growth of leading indicators

After a brief upturn in December, the growth of the composite leading indicator returned to 0.1% in January. Six of the 10 components fell, four more than in December and the most in over a year.

◆ Record year for new motor vehicle sales

Incentives did much to sustain the growth in the auto sector in 2002, as they had done in 2001. Further enhanced in December, they caused sales to rise 6.3% from November. This gain helped propel the number of new motor vehicles sold in 2002 to a new record high.

◆ Growth in wholesale sales rebounds in 2002

Wholesale sales were up 6.2% in 2002, compared with only 2.5% in 2001. Sales rose strongly despite signs of weakness in the US economy that persisted throughout the year. American wholesalers posted a gain of 1.5% in 2002.

◆ Canadian seniors increasingly relying on private pension income

Much of seniors' increased reliance on retirement programs was in the form of private pension income, largely from Registered Pension Plans and Registered Retirement Savings Plans (RRSPs). These accounted for 29% of their income in 1999, up from 18% in 1990.

Good year for manufacturers' shipments despite drop in December

Unprecedented demand for motor vehicles in North America, coupled with a generally strong domestic economy, contributed to the turnaround by Canadian manufacturers in 2002. Shipments rose 1.9% over the year to \$518.8 billion, following a 5.2% decline in 2001.

Notwithstanding the increase in shipments in 2002, the year ended on a less positive note as manufacturers cut back production levels in recent months due to a gradual build-up of inventories. Total inventories, which had been in decline earlier in 2002, ended the year up 1.4% from December 2001.

Unfilled orders have also been decelerating in the second half of the year. Orders were down 1.9% in December from the previous year.

Consumers played a large part in the resilience of the Canadian manufacturing sector in 2002. Following the downturn of 2001, stellar growth in employment, near-record lows in interest rates

(continued on page 2)

Manufacturers' shipments, December 2002 Seasonally adjusted

	\$ millions	% change, previous month
Canada	43,043	-0.9
Newfoundland and Labrador	196	-0.2
Prince Edward Island	113	2.2
Nova Scotia	739	-1.9
New Brunswick	1,181	15.8
Quebec	10,190	1.0
Ontario	22,511	-3.0
Manitoba	1,001	2.2
Saskatchewan	614	1.0
Alberta	3,609	0.5
British Columbia	2,884	0.5
Yukon, Northwest Territories and Nunavut	5	-10.5



Good year for... (continued from page 1)

and higher incomes contributed to strong demand for new homes and automobiles. As a result, 14 of 21 manufacturing industries, representing 84% of total shipments, reported increases in 2002.

Shipments of motor vehicles led all industries in 2002, rising 5.7% for the year. The strength of the motor vehicle industry also benefited the manufacturers of motor vehicle parts, where shipments expanded 10.2% for the year. Also up significantly in 2002 were shipments of primary metals (+8.6%) and wood products (+7.1%).

The year 2002 was not without losses. Shipments of the beleaguered computer and electronic products industry fell 16.4% in 2002, and shipments of aerospace products and parts decreased 15.1%, as new orders dried up.

Ontario, Canada's key manufacturing province, made strong gains in 2002 compared with 2001. Shipments recovered 3.4% following a 6.4% drop in 2001. In Quebec, lower shipments by the computer and aerospace industries were not enough to offset a 0.9% advance in manufacturing shipments for 2002.

An increase of 3.7% in New Brunswick led the Atlantic provinces in terms of annual shipments in 2002. Prince Edward Island (+9.6%), Nova Scotia (+1.3%) and Newfoundland and Labrador (+1.7%) were up as well.

Manufacturers in Alberta reported a 3.2% decrease in shipments in 2002. The continuing downfall of the high-tech sector, the

devastating drought, higher costs for electricity, and lower petroleum and coal product prices earlier in the year were factors in the decrease.

British Columbia's resource-based economy, hit hard in 2001, edged up slightly in 2002 as shipments increased 0.3%. Manitoba (+0.5%) and Saskatchewan (+1.4%) both reported increased shipments in 2002.

A sharp decline in the motor vehicle and parts industries was behind a 0.9% decrease in manufacturing shipments in December. Shipments fell to \$43.0 billion, a nine-month low. December's decline was highly concentrated in the transportation equipment sector. Excluding the motor vehicles and parts industries, manufacturing shipments advanced a solid 1.3%. Only nine of the 21 manufacturing industries representing 43% of total shipments reported decreases in December.

On a more negative note, finished-product inventories edged up 0.1%, the fifth consecutive rise. Unfilled orders and new orders were also down in December, contributing to a weak fourth quarter.

*The December 2002 issue of the **Monthly Survey of Manufacturing** (Internet: 31-001-X1B, \$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 Russell Kowaluk (613-951-0600; kowarus@statcan.ca), Manufacturing, Construction and Energy Division. (See also "Current trends" on page 6.)*

Slowdown in growth of leading indicators

After a brief upturn in December, the growth of the composite leading indicator returned to 0.1% in January. Six of the 10 components fell, four more than in December and the most in over a year.

In 2002, growth this slow largely reflected hefty losses in the stock market. The slowdown in January reflects renewed drops in the stock market but also a drop in housing and slower business demand.

The recent 3-month rally of the Toronto stock market came to an end in January, repeating the slumps that began the new year in each of the previous two years. Real estate and consumer stocks lost ground as household spending slowed at the start of the new year.

Business demand weakened for both manufactured goods and services. The drop in services was concentrated in the West, where non-residential building permits also eased from their peak in the middle of last year. New orders fell in response to widespread weakness in export demand. Still, the average workweek remained close to its post-World War II peak, a sign of optimism among manufacturers.

At the same time, the climate for exports was boosted by the first gain in the US leading indicator since June 2002, erasing the gap between it and the Canadian index for the first time in nearly two years.

*For more information on the economy, the January 2003 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 6.)*

Record year for new motor vehicle sales

Incentives did much to sustain the growth in the auto sector in 2002, as they had done in 2001. Further enhanced in December, they caused sales to rise 6.3% from November. This gain helped propel the number of new motor vehicles sold in 2002 to a new record high.

In 2002, dealers sold 1,733,318 new motor vehicles, up 8.5% from 2001. This is the second largest annual advance in the past six years, after the one observed in 1997 (+18.2%).

The availability of the different incentive programs can, at least in part, explain consumers' buying spree of new vehicles in 2002. These incentives, first introduced in force in the fall of 2001, subsequently multiplied and became the norm. North American manufacturers were the most aggressive in offering incentives.

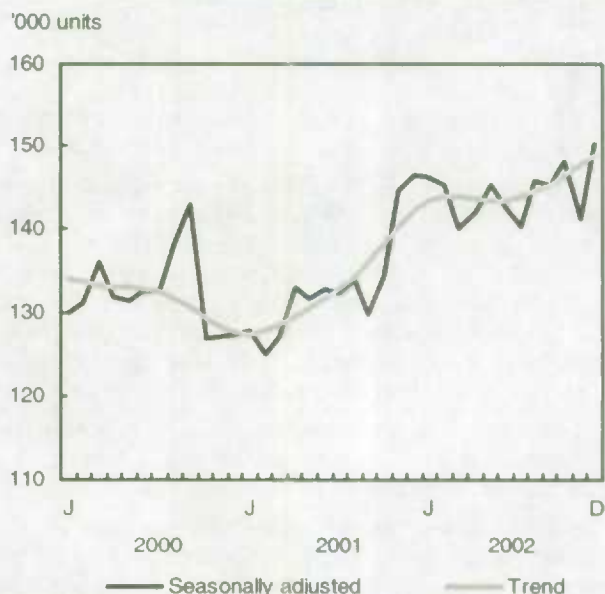
In 2002, 798,613 new trucks were sold, up 9.5% from 2001, when a 1.2% decline was observed. For the same one-year period, the number of overseas-built trucks sold increased 22.6%, whereas the increase for North American-built trucks was 7.9%.

A total of 934,705 passenger cars were sold in 2002, up 7.6% from 2001, when a gain of 2.3% was recorded. The increase in sales of new passenger cars was mainly due to overseas-built cars. Sales of these cars advanced 13.9%, whereas sales of North American-built cars increased 5.1% during the same period.

New motor vehicle sales advanced in all provinces in 2002 compared with 2001. Manitoba (+13.9%) and the region formed by British Columbia and the territories (+13.1%) registered the strongest advances. Vehicle sales in these regions were strong in 2002, both for trucks and passenger cars. Nova Scotia (+9.6%), Alberta (+9.0%) and Quebec (+9.0%) also recorded increases above the national average.

The group formed by Newfoundland and Labrador (+4.6%) registered the smallest increase in 2002.

New motor vehicle sales



Drawn by attractive incentive programs offered by manufacturers in December, consumers purchased 150,302 new motor vehicles, up 8,969 units from November. Most of this growth came from robust passenger car sales, which advanced 10.6%.

The December 2002 issue of *New motor vehicle sales* (Internet: 63-007-XIB, \$13/\$124) is now available. For general information, contact Client Services (1-877-421-3067; 613-951-3549; retailinfo@statcan.ca). For analytical information, contact Clérance Kimanyi (613-951-6363; clerance.kimanyi@statcan.ca), Distributive Trades Division.

Innovation analysis bulletin

The *Innovation analysis bulletin* focusses on trends in science, technology and the information society. The bulletin includes updates on government science and technology activities, industrial research and development, intellectual property commercialization, advanced technologies and innovation, biotechnology, connectedness, telecommunications and broadcasting, and electronic commerce.

The current issue contains articles on financing innovation, wireless technologies, research and development in the service sector, high-speed Internet use, electronic commerce, biotechnology innovator firms, and biotechnology revenues.

The February 2003 issue of *Innovation analysis bulletin* (88-003-XIE, free) is now available on Statistics Canada's website. For more information, contact Rad Joseph (613-951-6830) or Claire Racine-Lebel (613-951-6309), Science, Innovation and Electronic Information Division.

Growth in wholesale sales rebounds in 2002

Wholesale sales were up 6.2% in 2002, compared with only 2.5% in 2001. Sales rose strongly despite signs of weakness in the US economy that persisted throughout the year. American wholesalers posted a gain of 1.5% in 2002.

Despite a 2.0% drop in December, the automotive sector saw a spectacular rebound in 2002 as a whole, with sales climbing 15.2%. This sharp increase is in contrast with 2001, when sales fell 0.7%. Various manufacturers' incentives and lower interest rates helped boost motor vehicle sales to a record high in 2002, with 1.7 million vehicles sold in Canada. The strength of the economy may have encouraged many consumers to go ahead with a motor vehicle purchase or lease.

Wholesale sales of household goods showed a strong upward trend throughout 2002, up a substantial 13.9% from 2001. This strong increase ended four years of weaker growth.

Wholesale sales of lumber and building materials also posted hefty gains (+14.7%) in 2002. This industry has generally posted robust growth since the last quarter of 2001, owing to the strong performance of the residential construction market.

Sales of industrial machinery, equipment and supplies were down 3.2% from 2001. In addition, wholesale sales of computers and software declined for the third year in a row (-0.9%).

Only two provinces and one territory experienced growth above the Canadian average in 2002. The Northwest Territories benefited the most from the growth in wholesale sales (+35.2%). The development of mining largely explains this growth.

Ontario (+7.6%) and British Columbia (+8.0%) also posted sales growth rates above the national average. The automotive sector and the lumber and building materials sector contributed to the good performance of these two provinces.

Wholesale sales by province and territory

	2001	2002	2001 to 2002
	\$ millions		% change
Canada	394,168	418,753	6.2
Newfoundland and Labrador	2,555	2,650	3.7
Prince Edward Island	656	661	0.7
Nova Scotia	6,996	7,288	4.2
New Brunswick	5,418	5,243	-3.2
Quebec	79,988	84,879	6.1
Ontario	195,767	210,560	7.6
Manitoba	11,636	12,321	5.9
Saskatchewan	12,521	12,390	-1.0
Alberta	41,234	42,353	2.7
British Columbia	37,056	40,006	8.0
Yukon	124	117	-5.3
Northwest Territories	193	261	35.2
Nunavut	24	23	-4.7

Quebec wholesalers saw their sales rise 6.1%, a rate slightly below the national average. Lumber and building materials, as well as food products accounted for much of the increase recorded in this province.

Wholesalers posted a seventh consecutive monthly increase in their sales in December. Wholesale sales reached \$36.1 billion, up 0.3% from November. The lumber and building materials industry recorded the greatest gain in terms of value, with sales up 3.2%. The increase was offset in part by declines in the automobile sector and computers and software.

The December 2002 issue of Wholesale trade (Internet: 63-008-X1B, \$14/\$140) is now available. For general information, contact Client Services (1-877-421-3067; 613-951-3549; wholesaleinfo@statcan.ca). For analytical information, contact Jean Lebreux (613-951-4907; jean.lebreux@statcan.ca), Distributive Trades Division.

Services indicators

Service industries accounted for 69% of Canada's total economic output, as well as 74% of its workforce, according to annualized results from the third quarter of 2002. Economic output in the services sector rose 0.8% in the third quarter, based on seasonally adjusted data, the same growth rate as in the second quarter.

In terms of real output, service industries added \$5.2 billion to the economy, at constant 1997 prices. This was more than twice the gain of \$2.4 billion made by the goods industries.

On a year-over-year basis, real output for service industries was 5.2% higher in the third quarter than in the third quarter of 2001. This rate of growth was twice the increase of 2.6% in the goods industries during the same period.

Employment in the services sector grew only 1.0% in the third quarter from the second, well below the growth rate of 5.5% for goods industries and 2.1% for the general economy (based on data which have not been seasonally adjusted).

The third quarter 2002 issue of Services indicators (Internet: 63-016-X1B, \$26/\$87; paper: 63-016-XPB, \$35/\$116) is now available. For more information, contact Gaston Levesque (613-951-9344; levegas@statcan.ca), Service Industries Division.

Canadian seniors increasingly relying on private pension income

Much of seniors' increased reliance on retirement programs was in the form of private pension income, largely from Registered Pension Plans and Registered Retirement Savings Plans (RRSPs). These accounted for 29% of their income in 1999, up from 18% in 1990.

Over half of seniors (55%) received private pension income in 1999, compared with 38% in 1990. The proportion of seniors receiving benefits from the Canada/Quebec Pension Plans also grew significantly in the 1990s. Just 72% of seniors collected such benefits in 1990, whereas close to 85% did in 1999.

The maturing of these plans and the increased labour force participation among women were factors in this growth. Since the mid-1990s, Canada/Quebec Pension Plan benefits have accounted for about 20% of seniors' total income, compared with 16% in 1990.

Investments remain the other significant source of income for seniors. Half the senior population received investment income in the mid-1990s, a sharp decline from nearly two-thirds in 1990. By 1999, this proportion rebounded to 60%. Investments have also become less important for seniors in terms of income share. Investments represented 13% in 1999, down from 23% in 1990. Falling interest rates throughout most of the 1990s help to explain this.

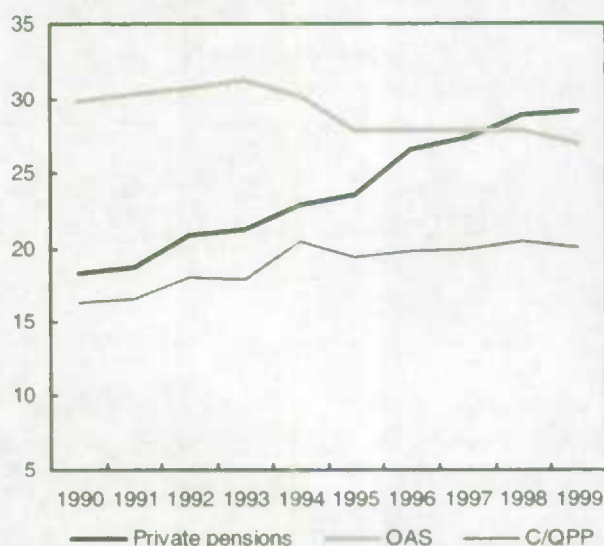
Old Age Security provides income to 98% of all seniors. However, seniors' income from Old Age Security and Guaranteed Income Supplement has been decreasing, from 30% of their total income in 1990 to 27% in 1999. This can be explained by the growing importance of private pensions and the Canada/Quebec Pension Plans.

The proportion of seniors receiving income from employment is low. Through the 1990s, the proportion reporting it did ratchet up from 9% to 13%. However, as a share of their total income, employment accounted for only 6% in 1999, compared with 7% in 1990.

Two-thirds (67%) of men had income from private pensions in 1999, well above the proportion of 46% among women. However, that gap was wider at the start of the decade, when the proportions were 54% among men and 27% among women.

Sources of income for seniors 65 and older

% of total income



Women, as a result, rely on Old Age Security and investment income much more than men do. In 1999, senior women derived 35% of their income from Old Age Security and 15% from investments. For men, the shares were considerably lower, at 20% and 11%, respectively. From 1990 to 2000, about 65% of the people receiving both Old Age Security and the Guaranteed Income Supplement were women, whereas 35% were men.

In 1999, 40% of the labour force put money into an RRSP, up from 32% at the start of the decade. In contrast, just one-third of the labour force contributed to a Registered Pension Plan in 1999, compared with 37% in 1991.

The publication *Canada's retirement income programs: A statistical overview, 1990-2000* (Internet: 74-507-XIE, \$41) is now available. For more information, contact Client Services (1-888-297-7355; 613-951-7355; income@statcan.ca), Income Statistics Division.

Education quarterly review

The February 2003 issue of *Education quarterly review*, Statistics Canada's flagship publication for education statistics, contains three articles.

The first, titled "Unions and training: A study based on the Adult Education and Training Survey," explores the effects of unions on the incidence of job-related training and the role unions play in influencing who pays for job-related training.

"Understanding the rural-urban reading gap" uses data from the 2000 Programme for International Student Assessment to examine differences in reading performance between students in rural and urban schools in each province.

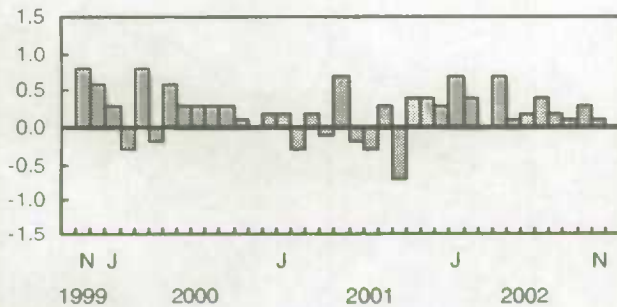
"Relative earnings of British Columbia university graduates" examines the distribution of annual earnings of university graduates in that province from the classes of 1974 through 1996.

The February 2003 issue of *Education quarterly review*, (Internet: 81-003-XIE, \$16/\$51) is now available. For more information, contact Client Services (1-800-307-3382; 613-951-7608; educationstats@statcan.ca), Centre for Education Statistics.

Current trends

Gross domestic product

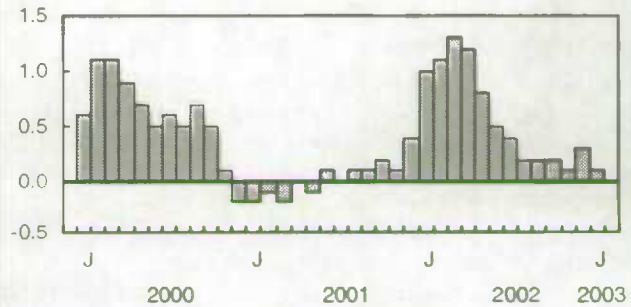
% change, previous month



Total economic activity edged up 0.1% in November, following a 0.3% gain in October.

Composite Index

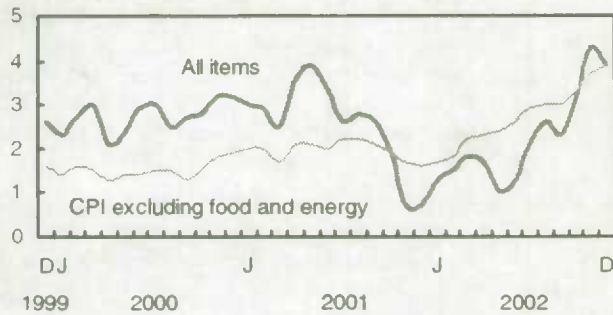
% change, previous month



The leading indicator grew 0.1% in January after rising 0.3% in December.

Consumer Price Index

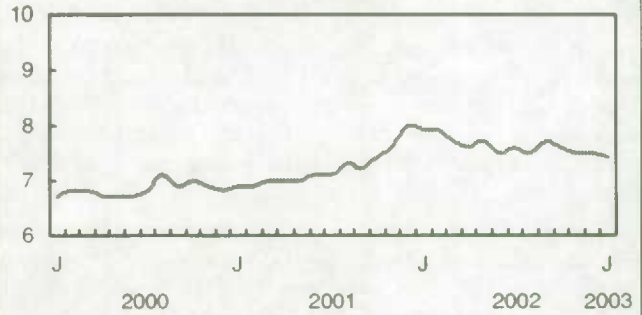
% change, previous year



Consumer prices for goods and services were 3.9% higher in December than they were a year earlier. Excluding food and energy, prices also rose 3.9%.

Unemployment rate

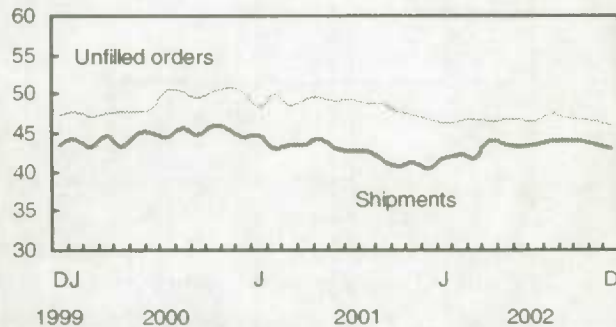
%



In January, the unemployment rate edged down 0.1 percentage points to 7.4%.

Manufacturing

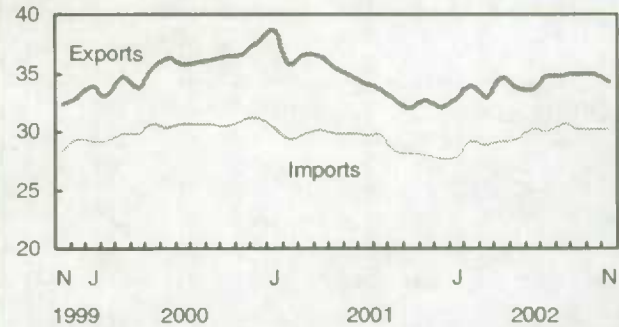
\$ billions



Manufacturers' shipments declined 0.9% in December to \$43.0 billion. The backlog of unfilled orders declined 1.1% to \$46.0 billion.

Merchandise trade

\$ billions



In November, the value of merchandise exports declined 2.2% to \$34.3 billion. Imports edged down 0.1% to \$30.2 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	November	984.4	0.1%	3.6%
Composite Index (1992=100)	January*	180.1	0.1%	6.6%
Operating profits of enterprises (\$ billions)	Q3 2002	40.3	2.6%	12.9%
Capacity utilization rate (%) ²	Q3 2002	83.3	0.8†	2.5†
DOMESTIC DEMAND				
Retail trade (\$ billions)	December*	25.9	0.2%	3.7%
New motor vehicle sales (thousands of units)	December	150.3	6.3%	2.7%
Wholesale trade (\$ billions)	December*	36.1	0.3%	9.1%
LABOUR				
Employment (millions)	January	15.6	0.0%	3.1%
Unemployment rate (%)	January	7.4	-0.1†	-0.5†
Participation rate (%)	January	67.3	-0.2†	0.8†
Average weekly earnings (\$)	November	684.76	0.31%	2.05%
Help-wanted Index (1996=100)	January	111.6	-1.7%	-11.3%
Regular Employment Insurance beneficiaries (in thousands)	November	550.5	-1.1%	-1.6%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	December*	34.5	-0.3%	7.8%
Merchandise imports (\$ billions)	December*	30.4	0.5%	10.5%
Merchandise trade balance (all figures in \$ billions)	December*	4.1	-0.3	-0.4
MANUFACTURING				
Shipments (\$ billions)	December*	43.0	-0.9%	6.6%
New orders (\$ billions)	December*	42.5	-1.6%	7.0%
Unfilled orders (\$ billions)	December*	46.0	-1.1%	-1.7%
Inventory/shipments ratio	December*	1.47	0.02	-0.08
PRICES				
Consumer Price Index (1992=100)	December	120.4	-0.3%	3.9%
Industrial Product Price Index (1997=100)	December	108.2	-0.4%	2.8%
Raw Materials Price Index (1997=100)	December	118.4	4.2%	17.6%
New Housing Price Index (1992=100)	December	112.8	0.3%	5.1%

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 Industry Classification System (NAICS), which has replaced the 1980 Standard Industrial Classification.

Infomat

A weekly review

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Education quarterly review, Vol. 9, no. 1		81-003-XIE	16/51
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Natural gas transportation and distribution	May 2002	55-002-XIB	13/125
Production and shipments of steel pipe and tubing	December 2002	41-011-XIB	5/47
Shipments of solid fuel burning heating products	Q4 2002	25-002-XIB	6/19
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