

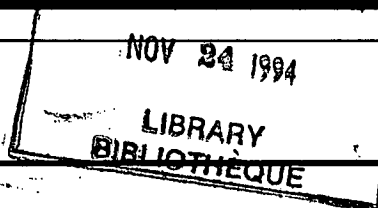


The Daily

Statistics Canada

Thursday, November 24, 1994

For release at 8:30 a.m.



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Operating profits of Canadian enterprises increased 11% in the third quarter, the third consecutive quarter of strong growth.

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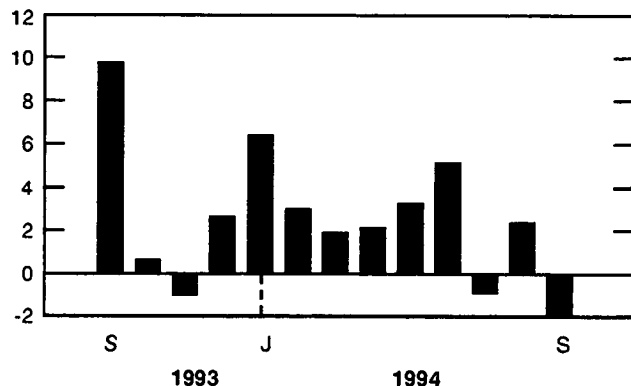
Canada's international transactions in securities

September 1994

Non-residents sold \$1.9 billion more Canadian securities than they bought in September. This contrasted with the string of sizeable foreign net investments earlier in the year. The foreign sell-off in September was concentrated in Canadian bonds and short-term paper as non-residents continued to be net buyers of Canadian stocks.

Foreign investment in Canadian securities*

\$ billions



* Includes bonds, stocks and money market paper.

Foreign redemptions of Canadian short-term paper continue

Redemptions of Canadian money market paper held by non-residents were the driving force behind September's \$1.7 billion net sell-off. This constituted their third consecutive monthly disinvestment in that market, which totalled near \$10 billion. It followed heavy accumulations by non-resident investors between September 1993 and June 1994. September's sell-off by non-residents was solely in Government of Canada paper and was led by U.S. investors. Gross trading activity (total sales and purchases) amounted to a record \$66 billion, up \$1 billion from August.

Related market information

Canadian and U.S. interest rates

During September, there was a virtual disappearance of the short-term differential favouring investment in Canada as falling Canadian rates met their rising U.S. counterparts. The short-term differential has fallen from over 200 basis points since June 1994. As for long-term rates, Canadian rates increased not as much as U.S. rates, so the differential in favour of Canada narrowed somewhat.

Stock prices

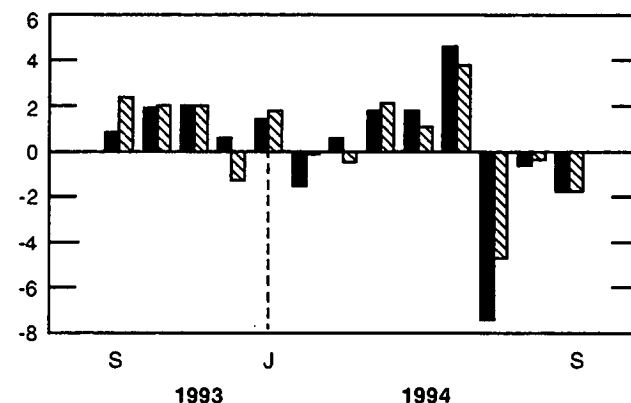
Canadian stock prices, as measured by the TSE 300 index, closed September virtually unchanged from August. U.S. stock prices, as measured by the Standard and Poor's 500 index, declined 2.7% in September.

Canadian dollar

The Canadian dollar closed September stronger against the U.S. dollar at US74.43 cents, up from US73.15 cents at the end of August.

Non-resident net transactions in Canadian money market paper

\$ billions



■ Canadian money market paper
▨ Of which Government of Canada treasury bills

Lower new Canadian bonds sales abroad and higher foreign selling of existing bonds

After borrowing a massive \$13.5 billion in international markets in the previous two months, Canadian borrowers reduced their financing from abroad to \$2.3 billion, among the lowest levels in over a year. These proceeds were just sufficient to meet the \$2.2 billion of foreign-held bonds that matured in September.

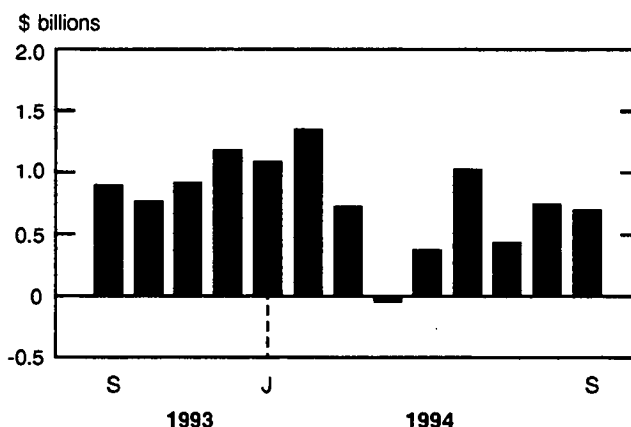
Foreign investors sold off \$1.1 billion of existing bonds, mainly federal issues, bringing their net selling to more than \$9 billion for the first nine months of 1994. This is a major turnaround from foreign net buying of nearly \$7 billion over the same period in 1993. Gross trading with all non-residents (sales plus purchases) was down over 10% to \$65 billion.

In total, foreigners reduced their holdings of Canadian bonds by \$0.9 billion in September. Investors from the United States and the United Kingdom led the net selling, which was offset by some net purchases from Japan and Asia.

Foreign demand for Canadian stocks continues at a healthy pace

Foreigners' demand for Canadian stocks showed no signs of letting up in September. They purchased a further \$0.7 billion more than they sold in September, which brought to over \$6 billion their net investment for the year. The net buying continued to come from the United States for a third consecutive month. This contrasts with the first six months of 1994, when overseas investors accounted for one-third of net buying. While the price of Canadian stocks remained flat as measured by the TSE 300 index, gross trading (sales and purchases) with non-residents rose 25% to \$8.6 billion in September. Similar back-to-back increases in August and September brought the September volume close to the record \$8.9 billion set earlier in 1994.

Foreign investment in Canadian stocks



Canadian investors sell foreign bonds but keep acquiring foreign stocks

Canadian investors sold a net \$0.2 billion of foreign securities in September. This net disinvestment was entirely accounted for by a net sale of \$0.9 billion of foreign bonds. As in the previous two years, Canadian investors continued to invest in foreign stocks and in September acquired a further \$0.7 billion, mainly in overseas stocks. This brought to \$6.1 billion their total net investment in foreign stocks so far this year.

Available on CANSIM: matrix 2330.

The September 1994 issue of *Canada's international transactions in securities* (67-002, \$17/\$170) will be available in December. See "How to order publications".

For further information on this release, contact Don Granger (613-951-1864), Balance of Payments Division. □

Canada's international transactions in securities

	June 1994	July 1994	August 1994	September 1994	January to September 1994	January to September 1993
\$ millions						
Foreign investment in Canadian securities						
Total	5,135	-898	2,383	-1,923	21,312	46,487
Bonds (net)	-395	6,081	2,306	-871	16,346	32,442
Outstanding bonds	-1,917	-1,660	-329	-1,059	-9,267	6,883
New Issues	3,791	8,751	4,752	2,344	42,807	44,033
Retirements	-2,269	-1,010	-2,117	-2,156	-17,194	-18,474
Money market paper (net)	4,549	-7,389	-638	-1,721	-1,163	4,863
Government of Canada	3,735	-4,748	-344	-1,794	1,290	8,285
Other money market paper	814	-2,641	-294	73	-2,454	-3,424
Stocks (net)	981	410	715	669	6,131	9,182
Outstanding stocks (net)	532	305	685	616	5,032	8,038
New issues (net)	449	105	30	53	1,098	1,144
Canadian investment in foreign securities						
Total	-285	-247	-1,092	225	-8,402	-6,026
Bonds (net)	11	-233	-565	876	-820	-1,599
Stocks (net)	-297	-14	-527	-651	-7,583	-4,427

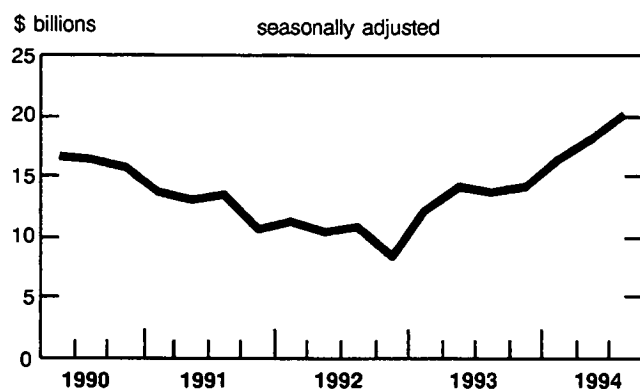
Note: Net is the "sales to" less the "purchases from" non-residents. A minus sign indicates an outflow of money from Canada. ■

Quarterly financial statistics for enterprises

Third quarter 1994 (seasonally adjusted)

Operating profits of Canadian enterprises have strengthened considerably over the past year. This trend continued into the third quarter of 1994. Improvement in 17 of the 30 industries increased third quarter profits by over 11% to \$20.2 billion, the highest level since 1989. Profits have recovered to over 90% of the pre-recession peak.

Operating profits



Profit recovery is concentrated in non-financial industries

Non-financial industries (excluding banks and other financial institutions) accounted for virtually all of the overall rise in profits in the third quarter. Fourteen of the 22 non-financial industries experienced growth in profits, resulting in a 14% increase to \$16.7 billion. Profits in this sector have expanded by more than 10% for four consecutive quarters. The largest profit gains were in wood and paper, petroleum and natural gas, and chemicals and textiles.

Wood and paper: the profit recovery in the wood and paper industry accelerated in the third quarter, as operating profits advanced to \$1.7 billion from \$1.2 billion in the second quarter and from \$0.8 billion in the first quarter of 1994. Throughout 1993, quarterly profits averaged \$0.4 billion. The pulp and paper sector again dominated the increase in profits as producers enjoyed the benefits of stronger demand

and rising prices. The wood sector continued to benefit from strong prices, but higher mortgage rates have curtailed demand from the homebuilding market.

Petroleum and natural gas: operating profits in the petroleum and natural gas industry increased for a fourth consecutive quarter. Third quarter profits rose to \$2.8 billion from \$2.5 billion in the second quarter. Profits of the integrated oil producers expanded in the third quarter, due to higher prices and cost-cutting programs. Natural gas producers enjoyed strong domestic and foreign demand for their products.

Chemicals and textiles: operating profits rose to \$1.4 billion in the third quarter from \$1.2 billion in the second quarter and from \$0.7 billion in the first quarter of 1994. The improvement was concentrated in the chemicals sector, where increased demand has boosted chemicals prices considerably.

Transportation services: operating profits in the transportation services industry rose to \$0.8 billion in the third quarter from \$0.6 billion in the second quarter. Air carriers, which registered the strongest profit gains in the quarter, attributed the improved profitability to an increased volume of air travel and to leaner operations.

Financial industries' profits remain unchanged

The financial industries as a whole experienced no change in operating profits in the third quarter. The largest industry gain was by the chartered banks, but this was offset by slides in the profits of property and casualty insurers, credit unions, and consumer and business financing intermediaries.

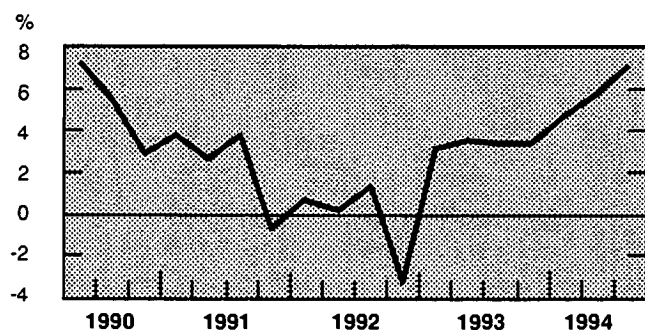
Chartered banks (booked-in-Canada) and other deposit-accepting intermediaries: operating profits improved for a second consecutive quarter, rising to \$1.2 billion. Higher net interest income accounted for the profit increase in the third quarter of 1994. Throughout 1993, chartered banks' profits ranged from a low of \$0.1 billion in the fourth quarter to a high of \$1.2 billion in the second quarter.

Financial ratios (all industries)

Return on equity is at its highest since 1990

The return on equity measures the after-tax profits returned to the shareholders. As corporate profits have expanded in the past year, this indicator has risen to 7.04%, its highest level since 1990. In the first and second quarters of 1994 this ratio measured 4.70% and 5.63% respectively. In 1993 it remained fairly flat at an average of 3.35%.

Return on equity



second quarter and from 5.11% in the first quarter of 1994. This profitability indicator has more than doubled since hitting a low of 2.84% in the fourth quarter of 1992. Although much improved, the recent profit margin remains well below the 7.7% attained in 1988 before the recession.

Available on CANSIM: matrices 3914-3971 and 3974-3981.

The third quarter 1994 issue of *Quarterly financial statistics for enterprises* (61-008, \$25/\$100) will be available in December. See "How to order publications".

For further information on this release, contact Gail Campbell or Bill Potter for non-financial industries data (613-951-9843), and George Mitchell or Joe Wilkinson for financial industries data (613-951-9853), Industrial Organization and Finance Division.

Profit margin strengthens

The third-quarter profit margin (operating profits to operating revenue) rose to 5.96% from 5.48% in the

Selected financial statistics

	Third quarter 1993	Second quarter 1994	Third quarter 1994	Second quarter 1994 to Third quarter 1994
seasonally adjusted				
	\$ billions			% change
Income statement				
Operating revenue	301.5	330.7	338.5	2.4
Operating profit	13.6	18.1	20.2	11.4
Net profit	3.9	6.5	8.3	26.2
	Third quarter 1993	Second quarter 1994	Third quarter 1994	
Financial ratios				
Profit margin (%)	4.50	5.48	5.96	
Return on equity (%)	3.35	5.63	7.04	
Debt to equity (ratio)	1.210	1.208	1.203	

OTHER RELEASES

Cigarette shipments and production

October 1994

Data on cigarette shipments and production are now available for October 1994. The information pertains to Canadian manufacturers' production and to their shipments to wholesalers and distributors in Canada and in foreign countries.

Results from the survey on smoking in Canada (cycle 2, summer 1994) were made available in yesterday's issue of *The Daily*. Further information on that survey, which measures changes in Canadians' smoking patterns, can be obtained from Lecily Hunter (613-951-0597), Special Surveys Division.

As for the cigarette shipments and production survey, the distribution of manufacturers' shipments between Canadian and export markets underwent a drastic change during 1992 and 1993. After tax changes were announced by the federal government and some provincial governments in February 1994, the markets reverted to patterns observed until 1991. Since the markets have apparently stabilized, the cigarette shipments and production survey will no longer be a major release in *The Daily*. Instead, its usual format resumes today.

Canadian tobacco products firms produced 5.00 billion cigarettes in October 1994, a 27.9% increase from 3.91 billion in October 1993. Shipments in October totalled 4.08 billion cigarettes, an 8.0% increase from 3.78 billion in October 1993.

Since the tax changes in February, 89.7% of total shipments have gone to the domestic market. This is close to the proportion during the comparable February to October 1991 period (86.5%). In 1993 domestic shipments during the same period only accounted for 62.6% of total shipments.

Available on CANSIM: matrix 46.

The October 1994 issue of *Production and disposition of tobacco products* (32-022, \$6/\$60) will be available shortly. See "How to order publications".

For further information on this release, contact Peter Zylstra (613-951-3511), Industry Division. ■

Steel primary forms

Week ending November 19, 1994 (preliminary)

Steel primary forms production for the week ending November 19, 1994 totalled 271 185 tonnes, down 3.4% from the week-earlier 280 604 tonnes and down 5.3% from the year-earlier 286 329 tonnes.

The cumulative total at the end of the week was 12 205 605 tonnes, a 3.8% decrease from 12 691 921 tonnes for the same period in 1993.

For further information on this release, contact Greg Milsom (613-951-9827), Industry Division. ■

Railway carloadings

Nine-day period ending September 30, 1994

The number of railway cars loaded in Canada during the nine-day period increased 4.9% from the year-earlier period; revenue-freight loaded increased 12.8% to 6.2 million tonnes.

Piggyback traffic tonnage, which is included in total carload traffic, increased 6.8% during the same period.

Tonnage of revenue-freight loaded as of September 30, 1994 increased 8.1% from the previous year.

Cumulative data for 1993 and 1994 have been revised.

For further information on this release, contact Angus MacLean (613-951-2528, fax: 613-951-0579), Surface Transport Unit, Transportation Division. ■

Production, shipments and stocks of sawmills east of the Rockies

September 1994

Lumber production in sawmills east of the Rockies increased 8.2% to 2 542 171 cubic metres in September 1994, from 2 348 858 cubic metres in September 1993.

Stocks on hand at the end of September 1994 totalled 2 906 897 cubic metres, up 9.1% from 2 663 875 cubic metres in September 1993.

At the end of September 1994 year-to-date production totalled 20 891 346 cubic metres, up 9.1% from 19 145 058 cubic metres for the same period in 1993.

Available on CANSIM: matrices 53 (except series 1.2, 2.2 and 3.2) and 122 (series 2).

The September 1994 issue of *Production, shipments and stocks on hand of sawmills east of the Rockies* (35-002, \$11/\$110) will be available later.

For further on this release, contact Sandra Bohatyretz (613-951-3516), Industry Division. ■

Motor carriers of freight, for-hire carriers 1992

In 1992, 1,138 for-hire motor carriers (those earning between \$1 and \$5 million dollars annually) generated operating revenues of \$2.6 billion for an average net income per carrier of \$97,561. Their operating ratio was 0.96 in 1992.

Operating expenses totalled \$2.5 billion in 1992, of which salaries, wages and owner operator payments represent the largest cost (36% of all

expenses). These carriers employed 24,000 persons, 68% of whom were drivers. Of all employees, highway drivers received the highest average salary at \$32,000 (excluding benefits).

These results are based on the annual motor carriers of freight survey. Data on motor carriers will be published in the December 1994 issue of *Surface and marine transport service bulletin* (50-002, \$11/\$80).

For further information on this release, contact Gilles Paré (613-951-2517) Transportation Division. ■

PUBLICATIONS RELEASED

Monthly production of soft drinks, October 1994. Catalogue number 32-001

(Canada: \$3/\$30; United States: US\$4/US\$36;
other countries: US\$5/US\$42).

Production and disposition of tobacco products, October 1994.

Catalogue number 32-022

(Canada: \$6/\$60; United States: US\$8/US\$72;
other countries: US\$9/US\$84).

Corrugated boxes and wrappers, October 1994. Catalogue number 36-004

(Canada: \$6/\$60; United States: US\$8/US\$72;
other countries: US\$9/US\$84).

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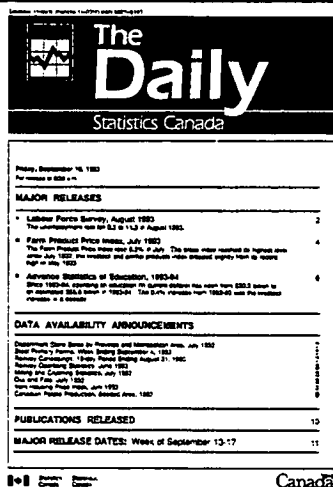
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Catalogue 11-001E. (Canada: \$175; United States: US\$210; other countries: US\$245.)

Published each working day by the Communications Division, Statistics Canada, 10-H, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

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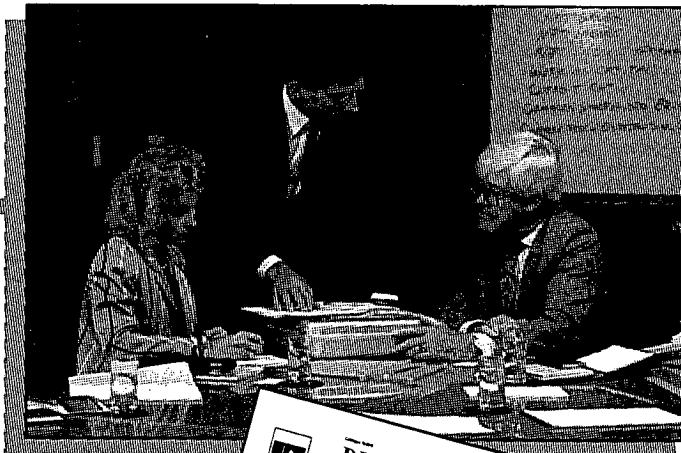
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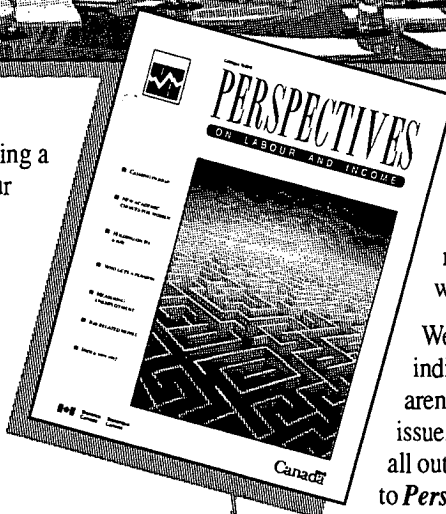
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