



# The Daily

Statistics Canada

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In October, manufacturers paid significantly less for their raw materials. Overall prices dropped 2.7%, mainly due to crude oil, wood and metals. This marked the fourth successive month of declining raw material prices.

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## MAJOR RELEASES

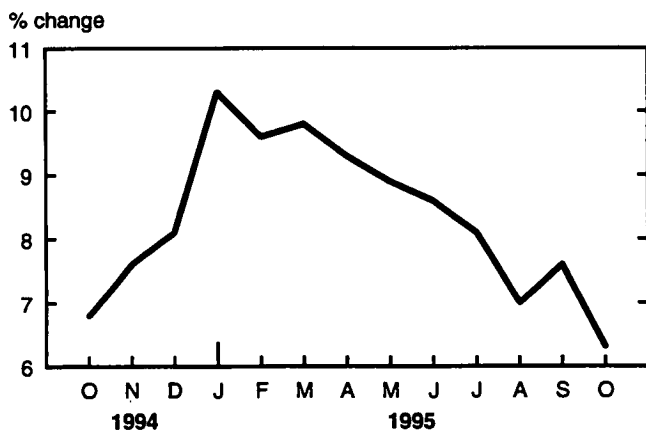
### Industrial product price index

October 1995 (preliminary)

Industrial prices were 6.3% higher in October than a year earlier. But, after September's divergence from the trend, the 12-month change in industrial prices resumed its downward movement. Prices were 0.5% lower than in September. Exchange rate movements were central to both the 12-month and the monthly changes.

The 12-month change in industrial prices has been tending downward since January, when it peaked at +10.3%. Exchange rate movements in 1994 and 1995 were responsible for most of the spike in September. Declines in the 12-month price changes of primary non-ferrous metal products, pulp and paper, and chemicals also contributed to October's drop.

The 12-month change in manufacturers' prices resumed its downward trend in October



Between mid-September and mid-October, the value of the Canadian dollar rose 2.2%. This rise meant that manufacturers selling goods priced in U.S. dollars received fewer Canadian dollars for their products. Exporters of motor vehicles, lumber, pulp, paper, and non-ferrous metal products were most affected. If the effect of the Canadian dollar's rise was excluded, the monthly change in industrial prices would have been about -0.1% instead of -0.5%.

#### Note to readers

The industrial product price index (IPPI) reflects the prices producers receive as goods leave their plants. It does not reflect what consumers pay. Unlike the consumer price index, the IPPI excludes indirect taxes and all costs (including the transportation, wholesale, and retail costs) occurring from the time a good leaves a plant until a final user takes possession.

Canadian producers export many goods. They often quote their prices in foreign currencies, particularly for motor vehicles, pulp, paper, and wood products. A rise or fall in the value of the Canadian dollar against the U.S. dollar therefore affects the IPPI. A 1% change in the value of the Canadian dollar against the U.S. dollar has been estimated to change the IPPI by about 0.2%.

### Non-ferrous metal products, lumber and fuels pushed prices down

The most significant sources of downward pressure on industrial prices in October came from non-ferrous metal products (-5.4%), softwood lumber (-4.7%), and gasoline and fuel oil (-2.9%).

The decline in non-ferrous metal products included aluminum products (-5.9%), copper and copper alloy products (-3.2%) and nickel products (-5.3%). Important contributors to these declines were speculative sales of aluminum and copper by commodity and investment funds. The Canadian dollar's rise also contributed to the decline in prices for aluminum and nickel products. Despite these declines, overall prices for primary metal products in Canada were 5% higher in October 1995 than a year earlier. In the United States, where the mix of metals is somewhat different, overall prices for primary metal products were 6.4% higher.

Price declines were general for softwood lumber. In the United States, housing starts declined in both August and September. In Canada, the value of building permits in September dropped 21.4% for non-residential construction and 6.8% for residential construction. In addition, Canada Mortgage and Housing Corporation reported new home starts, down 10.9% from September, were at their second lowest level since the 1982 recession. The higher Canadian dollar also contributed to the overall decline in softwood lumber prices. In October, while Canadian softwood prices were 11.7% lower than last year, U.S. prices were down 5.7%.

Gasoline and fuel oil prices fell 2.9% in October. This occurred as crude oil prices fell 5.1% and North American gasoline stocks rose.

**Dollar partially masked price increases for motor vehicles and paper**

In October, an initial estimate is made of the price changes for new motor vehicle models. Domestic prices for automobiles made in Canada showed a 3.6% increase, while export prices of automobiles showed only a 0.7% rise. Much of the difference was due to the increased value of the Canadian dollar.

In the pulp and paper industry, pulp prices rose 3.7% while newsprint declined 0.8%. However, excluding the rise in the Canadian dollar, pulp prices increased 5% while newsprint increased 0.3%.

**Perspective**

Canadian industrial prices are being affected by weaknesses in the domestic economy, namely

a low level of construction and relatively weak auto sales. However, conditions in the United States may provide some support. In the United States, industrial production during the August-to-October period was higher than earlier in the year, and the unemployment rate improved in October.

**Available on CANSIM: matrices 2000-2008.**

The October 1995 issue of *Industry price indexes* (62-011, \$21/\$210) will be available at the end of December. See "How to order publications".

For further information on this release, contact the Client Services Unit (613-951-3350, fax: 613-951-2848), Prices Division.

**Industrial product price indexes**  
(1986=100)

	Relative importance	Oct. 1994	Sept. 1995 <sup>r</sup>	Oct. 1995 <sup>p</sup>	Oct. 1994 to Oct. 1995	Sept. 1995 to Oct. 1995
					% change	
<b>Industrial product price index (IPPI)</b>	<b>100.0</b>	<b>121.3</b>	<b>129.6</b>	<b>129.0</b>	<b>6.3</b>	<b>-0.5</b>
IPPI excluding petroleum and coal products	93.6	123.4	132.0	131.5	6.6	-0.4
<b>Intermediate goods<sup>1</sup></b>	<b>60.4</b>	<b>122.4</b>	<b>133.9</b>	<b>132.9</b>	<b>8.6</b>	<b>-0.7</b>
First-stage intermediate goods <sup>2</sup>	13.4	129.0	147.3	146.3	13.4	-0.7
Second-stage intermediate goods <sup>3</sup>	47.0	120.6	130.1	129.1	7.0	-0.8
<b>Finished goods<sup>4</sup></b>	<b>39.6</b>	<b>119.6</b>	<b>123.0</b>	<b>123.0</b>	<b>2.8</b>	<b>0.0</b>
Finished foods and feeds	9.9	121.8	124.2	123.8	1.6	-0.3
Capital equipment	10.4	121.5	124.7	125.1	3.0	0.3
All other finished goods	19.3	117.6	121.5	121.4	3.2	-0.1
<b>Aggregation by commodities</b>						
Meat, fish and dairy products	7.4	117.6	121.7	120.6	2.6	-0.9
Fruit, vegetable, feed, miscellaneous food products	6.3	122.9	125.4	126.0	2.5	0.5
Beverages	2.0	126.1	128.2	128.0	1.5	-0.2
Tobacco and tobacco products	0.7	164.2	172.3	172.3	4.9	0.0
Rubber, leather, plastic fabric products	3.1	122.0	128.1	127.7	4.7	-0.3
Textile products	2.2	113.3	118.6	118.6	4.7	0.0
Knitted products and clothing	2.3	116.3	118.7	118.7	2.1	0.0
Lumber, sawmill, other wood products	4.9	156.4	158.0	154.4	-1.3	-2.3
Furniture and fixtures	1.7	122.5	125.3	125.3	2.3	0.0
Paper and paper products	8.1	124.3	168.3	169.2	36.1	0.5
Printing and publishing	2.7	145.6	177.2	176.6	21.3	-0.3
Primary metal products	7.7	125.0	134.6	131.3	5.0	-2.5
Metal fabricated products	4.9	121.1	128.6	128.5	6.1	-0.1
Machinery and equipment	4.2	123.5	126.8	126.6	2.5	-0.2
Autos, trucks, other transportation equipment	17.6	116.1	119.3	119.7	3.1	0.3
Electrical and communications products	5.1	115.5	117.8	117.5	1.7	-0.3
Non-metallic mineral products	2.6	116.9	123.7	123.7	5.8	0.0
Petroleum and coal products <sup>5</sup>	6.4	92.0	94.6	92.4	0.4	-2.3
Chemicals and chemical products	7.2	128.1	132.9	132.3	3.3	-0.5
Miscellaneous manufactured products	2.5	119.4	123.5	123.2	3.2	-0.2
Miscellaneous non-manufactured commodities	0.4	89.8	98.6	95.8	6.7	-2.8

<sup>1</sup> Intermediate goods are goods used principally to produce other goods.

<sup>2</sup> First-stage intermediate goods are items used most frequently to produce other intermediate goods.

<sup>3</sup> Second-stage intermediate goods are items most commonly used to produce final goods.

<sup>4</sup> Finished goods are goods most commonly used for immediate consumption or for capital investment.

<sup>5</sup> This index is estimated for the current month.

<sup>r</sup> Revised figures.

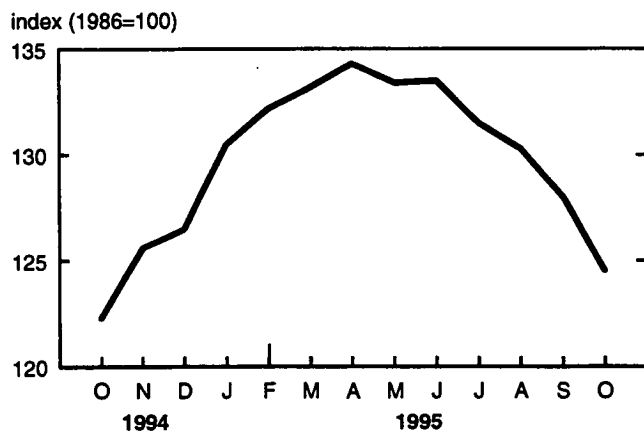
<sup>p</sup> Preliminary figures.

## Raw materials price index

October 1995 (preliminary)

In October, manufacturers paid significantly less for their raw materials. Overall prices dropped 2.7%, mainly due to crude oil, wood and metals. This marked the fourth successive month of declining raw material prices.

### Raw material prices dropped again in October



On an annual basis, raw material price changes have been declining since January 1995. In October, the 12-month change was only +1.8%, compared with +18.4% in January. If the present downward trend continues, November could bring a negative annual price change—the first since late 1993.

Excluding mineral fuels, raw material prices declined 2.0% in October, and the 12-month change fell to +3.1% from +5.5% in September.

### Crude oil prices fell to 1995 low

Crude oil prices fell 5.1% in October, down almost 15% since April and practically back to their October 1994 level. The fall in prices was due mainly to reduced demand from oil refineries and to increased supply from most of the producing areas, particularly the North Sea. As oil refineries enjoy increased sources of supply, inventories can be set at much lower levels. If all sources of supply follow through with increased production, and if Iraq returns to the world market, then further downward pressure will be put on oil prices.

### Note to readers

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

### Wood prices weakened further

Wood prices weakened by more than 15% between June and October. In October, the monthly and annual declines were both the same at 3%. The lumber industry faced lower construction activity in North America. Intense demand for pulpwood has recently slowed. As well, inventories for wood chips have reached comfortable levels, taking some pressure off pulpwood prices. Demand for newsprint remained strong, with potential price increases on the horizon. However, to economize operations, newspaper publishers have moved to narrower and lighter paper (for example, from 48.8 grams to 45 grams per square metre).

### Metal prices moved down

Overall metal prices declined 3% in October. Leading the way were copper (-3.1%), aluminum materials (-8.4%), and gold (-2.9%). Sales by commodity and investment funds have dampened metal prices recently. Copper prices have been affected by the weak housing and automotive industries. Aluminum materials appear to be subject to high inventories and weak order books, particularly in Japan. As well, the aluminum market is probably anticipating a gradual reactivating of smelter capacity shut by a pact (Memorandum of Understanding) that was made by aluminum-producing countries as they tried to regulate the world supply of aluminum.

Platinum prices fell almost 9% in October, leading gold and silver prices lower. The weakness in metal prices becomes even more pronounced with the declining prices for scrap metals—copper, aluminum, lead, and even iron and steel scrap. Most noticeably, copper and copper alloy scrap prices dropped in October (-8%). In the near future, metal prices may show only moderate strength as new supplies of metals come on the market.

### Grains and oilseed prices rose

In October, prices rose for grains (+4.5%) and oilseeds (+2.1%). Wheat (+6%) and soybeans (+5.5%) were the major contributors. As an indicator of higher

wheat prices, the Canadian Wheat Board's asking price climbed to \$230 per tonne in October, from \$191 a year earlier. Higher grain prices mostly reflected very strong demand for wheat, because of worldwide shortages, and the export tax on grains imposed by the European Union, in order to conserve their own supplies. Offsetting the higher prices for grains and oilseeds in the vegetable product category were lower prices for potatoes (-27%), raw tobacco, coffee and sugar.

Available on CANSIM: matrix 2009.

The October 1995 issue of *Industry price indexes* (62-011, \$21/\$210) will be available at the end of December. See "How to order publications."

For further information on this release, contact the Client Services Unit (613-951-3350, fax: 613-951-2848), Prices Division.

# Raw materials price index (1986=100)

	Relative importance	Oct. 1994	Sept. 1995 <sup>r</sup>	Oct. 1995 <sup>p</sup>	Oct. 1994 to Oct. 1995	Sept. 1995 to Oct. 1995
					% change	
Raw materials price index (RMPI)	100.0	122.3	128.0	124.5	1.8	-2.7
Mineral fuels	31.7	102.5	105.8	100.6	-1.9	-4.9
Vegetable products	10.3	116.7	128.7	127.2	9.0	-1.2
Animals and animal products	25.5	104.9	112.4	111.7	6.5	-0.6
Wood	13.1	205.0	204.9	199.0	-2.9	-2.9
Ferrous materials	3.6	119.4	124.0	120.9	1.3	-2.5
Non-ferrous metals	13.2	130.8	140.3	135.5	3.6	-3.4
Non-metallic minerals	2.6	101.5	106.6	106.6	5.0	0.0
RMPI excluding mineral fuels	68.3	131.5	138.4	135.6	3.1	-2.0

<sup>r</sup> Revised figures.

<sup>p</sup> Preliminary figures.

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## OTHER RELEASES

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### Railway carloadings

Seven-day period ending November 7, 1995

Carloadings of freight (excluding intermodal traffic) during the seven-day period ending November 7, 1995, decreased 6.3% to 4.8 million tonnes. The number of cars loaded decreased 7.7% from the same period of last year.

Intermodal traffic (piggyback) tonnage totalled 320 000 tonnes, a 13.6% decrease from the same period of last year. The year-to-date figures showed an increase of 6.9%.

Total traffic (carloadings of freight and intermodal traffic) decreased 6.8% during the period. This brought the year-to-date total to 217.2 million tonnes, a 2.0% increase from the previous year.

All year-to-date figures have been revised.

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

### Shipments of office furniture products

Third quarter 1995

For the quarter ended September 30, 1995, shipments of office furniture products totalled \$235.6 million, up 26.3% from \$186.5 million in the third quarter of 1994.

Data for the third quarter of 1995 on manufacturers' shipments of office furniture products are now available. Data by province of destination and export data are also available.

The third quarter issue of *Shipments of office furniture products* (35-006, \$10/\$32) will be available shortly. See "How to order publications."

For further information on this release, contact Keith Martin (613-951-3518), Industry Division. ■

### Department store sales and stocks

October 1995

Data for October 1995 on department store sales and inventories by merchandise department are now available.

Available on CANSIM: matrices 111-113.

The October 1995 issue of *Department store sales and stocks* (63-002, \$16/\$160) will be available in December. See "How to order publications".

For further information on this release, contact Leslie Kiss (613-951-3556), Retail Trade Section, Industry Division. ■



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*The Daily*, November 27, 1995

## PUBLICATIONS RELEASED

**Canadian international merchandise trade,**

September 1995

**Catalogue number 65-001**

(Canada: \$19/\$182; United States: US\$22/US\$219;

other countries: US\$26/US\$255).

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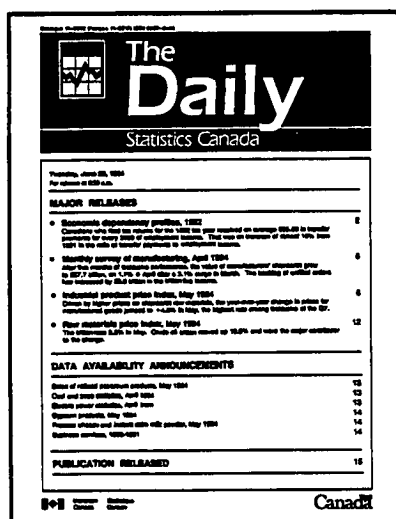
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