

# The 



Tuesday, June 27, 1995
For release at 8:30 a.m.


- Industrial product price index, May 1995

The 12-month change in industrial prices dropped to $+8.4 \%$ in May, the third decline in four months. Compared with April, the overall level of industrial prices remained unchanged.

- Raw materials price index, May 1995

The 12-month change in raw material prices fell to almost $+9 \%$ in May atter being above $+13 \%$ for the previous six months. Raw material prices moved down in May ( $-1.1 \%$ ) with some exceptions. Wood prices, the main exception, continued to rise because of the ongoing demand for pulp and paper.

## OTHER RELEASES

$\begin{array}{ll}\text { Consulting engineering services price indexes, } 1994 & 7\end{array}$
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## Industrial product price index

May 1995(preliminary)

The 12 -month change in industrial prices dropped to $+8.4 \%$ in May, the third decline in four months. Compared with April, the overall level of industrial prices remained unchanged. A drop in the value of the U.S. dollar hit export prices. This drop, combined with price declines for lumber and industrial non-ferrous primary metal products, offset price increases for newsprint and gasoline.


## Drop in U.S. dollar hits industrial price level

The depreciation of the U.S. dollar ( $-1 \%$ between April 15 and May 15) meant that manufacturers selling goods priced in U.S. dollars received fewer Canadian dollars for their products. This accounted for most of the $0.7 \%$ decline in the price level of autos, trucks and other transport equipment. It also affected exporters of lumber, pulp, paper, and non-ferrous primary metal products. The movement in the U.S. dollar reduced May's change in industrial prices from $+0.2 \%$ (excluding the exchange rate effect) to zero.

Lumber, sawmill, and other wood product prices fell a further $1.8 \%$ in May. Inventory levels outweighed the effect of any increase in residential construction as interest rates moved down in Canada and the United States. The decline in lumber prices affected all softwoods and was felt across the country. The

## 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 between a good leaving a plant and a final user taking possession.

Canadian producers export many goods. They often quote prices in foreign currencies, particulanly 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 $1.0 \%$ change in the value of the Canadian dollar against the U.S. dollar has been estimated to change the IPPI by about 0.2\%.
exchange rate movement accounted for about a sixth of the decline in Canadian lumber prices.

The major industrial non-ferrous primary metal products all suffered declines in May: copper and copper alloy products, $-6.2 \%$; nickel products, -6.4\%; refined zinc, $-4.2 \%$; and aluminum products, $-0.9 \%$. Poor auto sales, low residential construction, sales from world metal inventories, and ore discoveries all contributed to these declines.

## Newsprint pushes prices up

The most significant source of upward pressure on industrial prices in the economy remained the paper and allied products sector. May's $8.1 \%$ jump in newsprint prices accounted for almost the entire increase in the price level of paper and paper products. Further price increases for newsprint, which will take effect in the coming months, have been announced by some producers. World demand for newsprint remains strong, and the industry is operating at full capacity. An important factor in this increase is rising incomes in Asia, which are encouraging demand for newsprint there.

Higher gasoline prices $(+3.8 \%)$, the other main factor supporting the industrial price level, occurred despite May's $2 \%$ decline in crude oil prices, which followed April's 5\% jump.

According to the U.S. producer price index, the May increase in newsprint prices was much lower in the United States than in Canada ( $+4.3 \%$ versus $+8.1 \%$ ), whereas the increase in gasoline prices was noticeably higher ( $+7.3 \%$ versus $+3.8 \%$ ).

## Consumer goods prices rise at factory gate

In May, the 12 -month change in the prices received by manufacturers of consumer goods rose to almost $+3.5 \%$. It had been about $+3 \%$ since January. The 12 -month change in goods prices paid by consumers continued increasing, jumping from $+2.5 \%$ in April to $+3 \%$ in May. During the first quarter, the operating profits of retailers jumped by over $50 \%$, as the gap between the 12 -month change in prices at the consumer and manufacturer level narrowed. Only about half of what the consumer pays goes to manufacturers; the remainder is divided between retailers, wholesalers, indirect taxes, and transporters.

## Outlook

It is likely that industrial prices will remain weak or decline. In the short term, the indicators suggest that
the best the United States and other G7 nations can hope for is slow growth, with contraction being a real possibility. Canadian consumers remain beset by debt and doubt, while manufacturers are ceasing to pass along previous price increases for their inputs, such as primary metal products.

## Available on CANSIM: matrices 2000-2008.

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

For further information, contact the Information and Current Analysis Unit (613-951-3350 or fax: 613-951-2848), Prices Division.

Industrial product price indexes
(1986=100)


[^0]
## Raw materials price index

May 1995 (preliminary)
The 12 -month change in raw material prices fell to almost $+9 \%$ in May after being above $+13 \%$ for the previous six months. Raw material prices moved down in May ( $-1.1 \%$ ) with some exceptions. Wood prices, the main exception, continued to rise because of the ongoing demand for pulp and paper.


## Wood prices up again

The only major group to show an increase in May was wood. Wood prices, led by ongoing demand for pulp and paper, increased more than $1 \%$. Compared with 12 months earlier, wood prices were up almost $17 \%$. Wood price increases do not appear to be running out of steam. Even though lumber prices declined almost $2 \%$ in May, paper price increases (up almost $40 \%$ compared with 12 months earlier) have provided the strength for higher wood prices.

Canadian mills have recently been running at almost full capacity. Any weakness in the North American market can be shifted overseas, where the spot market price for newsprint is significantly higher than the domestic price. Therefore, even if there is some economic slowdown in the United States and Canada, wood prices will apparently be strong in the near future.

## Metal prices weaken further

Non-ferrous metal prices weakened again in May. Since January, metal prices have fallen almost $11 \%$. As

## Note to readers

The raw materials price index (RMPI) reflects the prices paid by 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.
well, the 12 -month change in metal prices has tumbled from a high of $+55 \%$ last November to a low of $+21 \%$ this May.

Copper led the decline in metal prices. Copper prices, which had almost doubled over the 14 -month period to January 1995, dropped close to $13 \%$ from January to May. The slowing economy and the perception that high copper prices cannot be maintained pushed prices down.

Aluminum material prices, which more than doubled over the 14 -month period to January 1995, drifted down 15\% from January to May. Even though prices have fallen, aluminum supply in the West has been reported as still running behind demand. In Canada, some of the currently idle primary smelting capacity may be re-started shortly.

Nickel prices were up more than $135 \%$ from October 1993 to January 1995. Since January, however, nickel prices have declined $22 \%$. Nickel inventories have been reported at a 12 -week level, with demand remaining relatively strong for stainless steel in Western Europe, Japan and Southeast Asia. The recent discovery of nickel, copper and cobalt at Voisey Bay, Labrador may have contributed to the recent weakening in nickel prices.

Gold prices fell almost 3\% in May. A stronger U.S. dollar and expectations of lower interest rates led commodity funds away from precious metals to bonds and other paper assets. Silver stocks were at their lowest in six years in May, and silver prices increased almost $1 \%$. Demand by jewelers and silverware makers compensated somewhat for the decline in silver use for photographic film (because of new film that does not use silver).

Lead, zinc and platinum prices all declined in May. The slowing economy, in particular the sluggish automobile sector, contributed to the weakening of these metal prices.

## Crude oil prices fall

Crude oil prices fell 2\% in May after increasing nearly every month since December 1994. Prices were up $11 \%$ from 12 months earlier. Higher gasoline inventories in May somewhat reduced the upward pressure on higher crude oil prices.

## Cattle prices down, hog prices up

Cattle prices fell again in May (-5\%) after having declined almost 13\% since February. Higher hog prices in May ( $+6 \%$ ) somewhat offset the overall drop in hog prices since February ( $-8 \%$ ). The weak cattle prices have been attributed to an excess supply of available animals and to the amount of beef in cold storage. Hog prices strengthened partiy because fewer animals than usual were brought to market. This has caused meat packers to pay higher prices for the remaining animals.

## Weather conditions affect crop prices

Vegetable product prices declined almost $1 \%$ in May as higher grain prices ( $+6 \%$ ) were more than offset by lower prices for oilseeds (-6\%), unrefined sugar (-10\%), rubber and coffee.

Wheat, barley and oats prices rose due to poor planting and growing conditions in both Canada and the United States.

Oilseed prices were down almost 6\%. Lower canola prices were partly offset by higher soybean prices. Canola prices have dropped $21 \%$ from 12 months earlier. This decline can be attributed to lower demand from Canadian and Japanese oilseed crushers. Soybean prices were up in May due to poor planting conditions and due to speculation that China might make a large purchase of soybean oil.

## Available on CANSIM: matrix 2009.

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

For further information on this release, contact the Information and Current Analysis Unit (613-951-3350, fax: 613-951-2848), Prices Division.

## Raw materials price index

(1986=100)


1 Rounded figures.

- Preliminary figures.


## OTHER RELEASES

## Consulting engineering services price indexes

1994 (preliminary)
Prices of consulting engineering services sold in Canada and abroad increased 1.1\% between 1993 and 1994. This increase reflected the recovery of domestic demand for engineering services since the last recession. Domestic prices rose $1.2 \%$, compared with a $0.6 \%$ decrease in the prices charged to foreign clients. Higher prices for services in building, other industrial, and environmental fields of specialization led the rise in the domestic index.

Prices of consulting engineering services have risen annually since 1989, but at a decreasing rate between 1989 and 1993. The annual increase in the domestic prices of these services shrank steadily from a high of $3.6 \%$ between 1989 and 1990 to a low of $0.9 \%$ between 1992 and 1993. Recession and fiscal restraint led to the deferral of capital construction expenditures, reducing the amount of new work available to consulting engineering firms in Canada.

A turnaround in demand for consulting engineering services contributed to a $1.2 \%$ increase in their domestic market price over the 1993-to-1994 period. This was the first time since 1989 that the prices for these services accelerated. Rising prices for engineering services in the building ( $+2.7 \%$ ), other industrial ( $+2.9 \%$ ), and other environmental services ( $+3.6 \%$ ) fields were largely responsible for the upward movement of the domestic price index. Prices for consulting engineering services on power generation and transmission projects declined $0.6 \%$.

Detailed indexes are available by field of specialization for foreign, domestic and regional markets, as well as for the wage and net multiplier components of the consulting engineering price indexes.

## Available on CANSIM: matrices 2047-2049.

Consulting engineering services price indexes will be published in the May 1995 issue of Industry price indexes ( $62-011, \$ 21 / \$ 210$ ), which will be available at the end of July. See "How to order publications".

For further information on this release, contact Jennifer Winters (613-951-3373, fax: 613-951-2848), Prices Division.

Consulting engineering services price indexes (1992=100)

|  | $1993^{r}$ | $1994^{\mathrm{p}}$ | 1993 to |
| :--- | ---: | ---: | ---: |
|  |  |  | 1994 |
|  |  |  | $\%$ change |
|  |  |  |  |
|  |  |  |  |
| Total engineering, all markets | 101.2 | 102.3 | 1.1 |
| Engineering in Canada, total | 100.9 | 102.2 | 1.2 |
| Buildings | 100.6 | 103.3 | 2.7 |
| Transportation | 101.7 | 102.8 | 1.1 |
| Municipal services | 101.4 | 101.1 | -0.3 |
| Other environmental services | 102.1 | 105.8 | 3.6 |
| Industrial services | 100.3 | 101.2 | 0.9 |
| Mining, metallurgy and primary |  |  |  |
| $\quad$ metals | 103.5 | 103.3 | -0.2 |
| Pulp and paper | 94.0 | 96.3 | 2.4 |
| Oil, petroleum and natural gas | 101.6 | 101.4 | -0.2 |
| Power generation and transmis- |  |  |  |
| $\quad$ sion | 100.6 | 100.0 | -0.6 |
| Other industrial services | 100.4 | 103.3 | 2.9 |
| Other engineering services | 101.5 | 103.0 | 1.5 |
| Foreign engineering, total | 104.1 | 103.4 | -0.6 |

p Preliminary figures.
r Revised figures.

## Annual survey of manufactures 1993

The manufacturing sector, after three years of depressed activity, staged a strong recovery in 1993 as shipment values returned to pre-recession levels. Total shipments of manufactured goods increased a strong $8.3 \%$ to $\$ 309.7$ billion in 1993, from $\$ 286.0$ billion in 1992. The 1993 total narrowly surpassed the previous record of $\$ 308.8$ billion set in 1989 (all figures expressed in current dollars).

The strength in 1993 was evenly distributed among the four leading industrial provinces: shipments rose $8.6 \%$ in Ontario, $7.9 \%$ in Quebec, $8.9 \%$ in British Columbia and $8.9 \%$ in Alberta. Tracing the overall increase of $\$ 23.6$ billion in shipments to the major industry groups, almost half the growth was contributed by the transportation equipment group. Shipments of transportation equipment increased $\$ 11.3$ billion or $21.5 \%$, almost all attributable to the auto industry. The other major contributor was the wood products group. Shipments of wood products increased $\$ 4.0$ billion or $26.7 \%$, three-quarters of which was attributable to the sawmill and planing mill industry.

Value added (which represents production value less the cost of material inputs and energy) from manufacturing activity rose $7.3 \%$ in 1993, compared with a $3.0 \%$ rise in 1992 and an $8.6 \%$ decrease in 1991.

Employment continued the decline of recent years, however, despite the strength in production. The total number of persons employed by the manufacturing sector eased a further $1.6 \%$ to 1.65 million in 1993, the fourth successive decline since 1989. This brings the total decline in employment in the manufacturing sector since 1989 to $16.3 \%$, representing a loss of over 321,000 jobs. Total wages and salaries rose $1.3 \%$ to $\$ 59.0$ billion in 1993, but this total was still $2.0 \%$ below the record manufacturing payroll in 1989.

To take into account the impact of inflation, the 8.3\% growth in shipments in 1993 may be compared with price indexes such as the industrial product price index (IPPI), which covers a package of goods fairly close to (but not identical to) that produced by the manufacturing sector. The IPPI rose 3.3\% in 1993, indicating that the increase in the actual volume of goods shipped was somewhere in the $5 \%$ range. In the three years between 1989 and 1992, however, the IPPI showed an overall decline of $0.3 \%$; therefore, the fouryear increase from 1989 to 1993 came to only $3.0 \%$, or $0.75 \%$ per year.

## Available on CANSIM: matrix 5378.

Complete data will be published in Manufacturing industries of Canada: National and provincial areas, 1993 (31-203, \$66), which will be available later.

For further information on this release, contact Bob Traversy (613-951-9497), Industry Division.

Annual survey of manufactures 1993

|  | Value of <br> shipments <br> of goods of <br> own manu- <br> facture | Value <br> added, <br> manufactur- <br> ing activity | Number of <br> employees |
| :--- | ---: | ---: | ---: |
| \$ millions |  |  |  |
| Newfoundland | $1,324.1$ | 603.6 | 10,980 |
| Prince Edward Island | 510.8 | 182.3 | 3,450 |
| Nova Scotia | $5,268.9$ | $2,015.0$ | 35,220 |
| New Brunswick | $6,296.1$ | $1,992.6$ | 31,649 |
| Quebec | $74,675.4$ | $32,761.2$ | 450,807 |
| Ontario | $163,248.1$ | $63,357.5$ | 805,586 |
| Manitoba | $6,650.1$ | $2,956.5$ | 48,635 |
| Saskatchewan | $3,643.2$ | $1,349.8$ | 20,965 |
| Alberta | $20,951.2$ | $7,485.2$ | 91,266 |
| British Columbia | $27,060.1$ | $11,422.3$ | 148,484 |
| Yukon | 12.5 | 7.3 | 175 |
| Northwest Territories | 34.3 | 11.5 | 235 |
| Canada, 1993 | $\mathbf{3 0 9 , 6 7 4 . 9}$ | $124,144.8$ | $1,647,452$ |
| Canada, 1992 | $286,043.3$ | $115,718.0$ | $1,674,444$ |
| \% change | 8 | 8.3 | 7.3 |

Note: Components may not add to totals due to rounding.

## Air charter statistics Fourth Quarter 1994

Preliminary data for the fourth quarter of 1994 on the air charter business are now available.

The June 1995 issue of Aviation Service bulletin ( $51-004, \$ 10 / \$ 99$ ) will be available shortly. See "How to order publications".

For further information on this release, contact Francesca Thibeault (819-997-6173), Aviation Statistics Centre, Transportation Division.

## PUBLICATIONS RELEASED

Production and disposition of tobacco products, May 1995
Catalogue number 32-022
(Canada: $\$ 6 / \$ 60$; United States: US\$8/US\$72; other countries: US\$9/US\$84).

Corrugated boxes and wrappers, May 1995 Catalogue number 36-004
(Canada: $\$ 6 / \$ 60$; United States: US\$8/US\$72; other countries: US\$9/US\$84).

Exports, merchandise trade, 1995 microfiche version Catalogue number 65-2020MPB
(Canada: \$100; United States: US\$120; other countries: US\$140).

Exports, merchandise trade, 1994 paper version on request
Catalogue number 65-2020XPB
(Canada: \$250; United States: US\$300; other countries: US\$350).

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Or contact your nearest Statistics Canada Reference Centre listed in this publication.


[^0]:    1 Rounded figures.
    2 Intermediate goods are goods used principally to produce other goods.
    3 First-stage intermediate goods are items used most frequently to produce other intermediate goods.
    4 Second-stage intermediate goods are items most commonly used to produce final goods.
    5 Finished goods are goods most commonly used for immediate consumption or for capital investment.
    6 This index is estimated for the current month.
    , Revised figures.
    p Preliminary figures.

