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## MAJOR RELEASES

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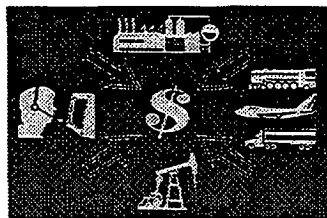
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In 1994, larger firms were substantially more profitable than medium and smaller enterprises. But average rates of profitability had not yet recovered fully from the recession.
- **Building permits, January 1996** 6  
A sharp rise in applications for residential permits led to a 7.1% increase in the total value of building permits issued by municipalities (\$1,912 million) in January.

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### Financial Performance Indicators For Canadian Business

VOLUME 1:  
MEDIUM AND LARGE FIRMS  
(Firms with revenues of \$5 million and more)  
1994 EDITION



11-001E

Canada

## Financial performance indicators for Canadian business

The publication contains 15 key financial performance indicators, for example, rates of return, profit margins and debt-to-equity ratios. It groups them into three themes: profitability, solvency and operating efficiency.

This authoritative reference is an important tool for accountants, management consultants, business advisors, financial analysts, investment advisors and commercial lenders. Volume 1 covers medium and large firms (revenues over \$5 million) for more than 140 non-financial industries (based on 1994 data). Volume 2 looks at medium and small firms (revenues under \$25 million) in more than 200 non-financial industries (based on 1992 data). The publication is available in print or on diskette (Lotus or Excel).

*Financial performance indicators for Canadian business* (61F0058-XPE) is now available. Volume 1 costs \$170 and Volume 2 \$190. They are available together for \$280, a savings of \$80. Single industry tables for small or large firms cost \$50 each, or \$65 together.

For further information on this release, contact Gail Sharland (613-951-9843), Industrial Organization and Financial Division.



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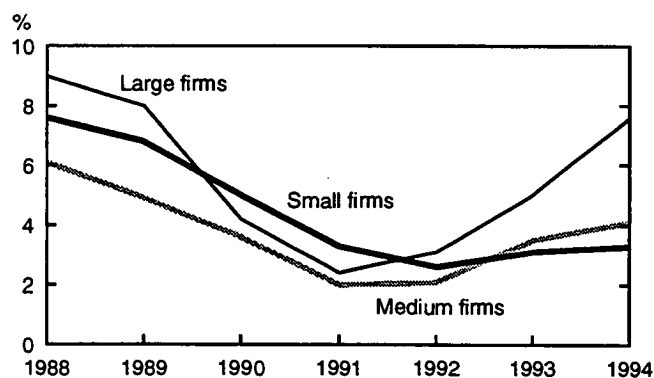
## MAJOR RELEASES

### Financial performance indicators for businesses

In 1994, larger firms were substantially more profitable than medium and smaller enterprises, in part because they benefited from Canada's export boom. But average rates of profitability had not yet recovered fully from the recession.

For large firms (revenues greater than \$75 million), the average rate of return on assets in 1994 was 7.6%. That compares with 4.1% for medium-sized firms (revenues between \$5 million and \$75 million) and just 3.3% for small firms (revenues less than \$5 million).

Return on assets, non-financial industries



Average rates of profitability have generally been on the rise since 1991, with the most substantial increases occurring in 1993 and 1994.

However, because the 1990-91 recession severely depressed corporate profitability, rates of return have yet to return to the peaks reached in 1988. At that time, rates of return for large firms averaged 9.0%, compared with 6.1% for medium-sized firms and 7.6% for small firms.

#### Large firms may realize substantial economies of scale

Larger firms may tend to have higher rates of profitability for several reasons. Most relate to the link between market competitiveness and corporate concentration.

#### Note to readers

This release is based on a new publication titled Financial performance indicators for Canadian business, which contains information on the financial performance and balance sheets of Canadian businesses.

The financial performance indicators were developed from corporate income tax records obtained from Revenue Canada covering 800,000 active, non-financial corporations. The information was augmented for recent periods by data from Statistics Canada's Quarterly Financial Statistics for Enterprises Survey.

The measurement used to rank industries from most to least profitable is the return on capital employed. It indicates the number of cents returned for every dollar of capital employed.

A second measure of profitability is the return on assets. It is used to compare the performance of groups of various sized firms. It measures how well management has employed the firm's assets to generate earnings.

Larger firms may realize economies of scale, which might tend to deter small firms from entering a market. Larger firms may also have a greater capacity to do expensive research and development, leading to patents, copyrights and trademarks that provide a legal guarantee of restricted competitiveness.

A significant part of the post-recession recovery was driven by exports. Larger firms also tend to be more export-oriented.

Among smaller firms, profitability tends to be greater in industries where market conditions are less competitive. For example, local monopolies or quasi-monopolies may shelter some small firms from competition.

In other cases, small enterprises may be able to limit entry of new firms to their field of business through professional standards and associations, or through government licenses and quotas.

The smallest firms tend to rely on the domestic market, which was slower to recover in the post-recession period—this also contributed to the slower recovery in their rates of profitability.

#### Sawmills, glass makers most profitable industries

Among the nation's larger enterprises, sawmills and manufacturers of planing-mill products were the most profitable in 1994. For every dollar these firms spent on capital, they realized a median rate of return of about 25 cents. They were followed by drug and patent medicine retailers (about 17 cents) and wood product manufacturers (about 16 cents).

The least profitable of the larger firms included those that do interior and exterior structural work, and sporting goods manufacturers.

Among smaller firms, glass and glass product manufacturers were the most profitable in 1994. For every dollar spent on capital, they realized a median rate of return of about 25 cents. Close behind were offices of physicians, surgeons and dentists (20 cents) and plywood and other board manufacturers (just under 20 cents).

The least profitable small enterprises included telecommunications carriers and manufacturers of clothing for men and boys.

*Financial performance indicators for Canadian business* (61F0058-XPE) is now available. See "How to order publications".

For further information on this release, contact Gail Sharland (613-951-9843), Industrial Organization and Finance Division.

## Larger firm industry rankings based on median rate of return on capital employed<sup>1</sup>

Industries by rank	Median rate of return on capital employed
	%
<b>Top 10</b>	
Sawmill and planing mill products manufacturing	25.2
Drugs, patent medicines and toiletries retailing	16.8
Wood and wood products manufacturing, integrated operations	16.1
Computer equipment manufacturing and related services, integrated operations	15.8
Electronic products manufacturing	15.1
Tires and batteries, wholesaling and retailing	14.9
Real estate agents and brokers	14.7
Other food products, wholesaling	14.7
Other general services to business management	14.6
Books, magazines and newspapers, printing and publishing	14.4
<b>Bottom 10</b>	
Structural and related work, building exterior and interior work	-1.1
Sporting goods, toys and games, manufacturing and wholesaling	0.4
Household furniture, appliances and furnishings, retailing	1.9
Electrical and mechanical work	2.1
Petroleum refining and distributing	2.3
Aluminum and aluminum products, manufacturing and wholesaling	2.4
Computer programming, data input and systems services	2.6
Shoes retailing	2.8
Other scientific and technical services	3.3
Real estate developers, builders and operators, integrated operations	3.9

<sup>1</sup> Statistics for larger firms are for the year 1994. Return on capital employed is defined as  $100 \times (\text{net profit} + \text{interest expense}) / (\text{debt} + \text{equity capital})$ . For this analysis, the larger firms were classified into 149 industries. Within each of these industries, rates of return for each firm were calculated and ranked, and the median rate was determined. Industries, in turn, were ranked based on their median rates of return. This table shows the top 10 and bottom 10 industries within this ranking.

## Smaller firm industry rankings based on median rate of return on capital employed<sup>1</sup>

Industries by rank	Median rate of return on capital employed
	%
<b>Top 10</b>	
Glass and glass products manufacturing	24.6
Offices of physicians, surgeons and dentists	20.0
Veneer, plywood and wood boards, manufacturing	19.7
Postal and courier services	16.7
Offices of lawyers and notaries	16.7
Cable television services	16.1
Milk products processing, integrated operations	15.1
Water transport carriers	14.9
Post-secondary non-university education	14.5
Tobacco processing (including farming)	14.4
<b>Bottom 10</b>	
Telecommunications carriers	-6.1
Men's, youths' and boys' clothing manufacturing	-3.1
Special trade contracting	-1.4
Soft drink manufacturing, integrated operations	-1.3
Non-ferrous ore mining (except uranium)	-0.6
Real estate developers, builders and operators, integrated operations	-0.2
Steel wire and wire products, manufacturing	0.5
Feed processing and wholesaling	0.7
Other industrial and heavy engineering, general contracting	1.0
Pulp and paper manufacturing	1.1

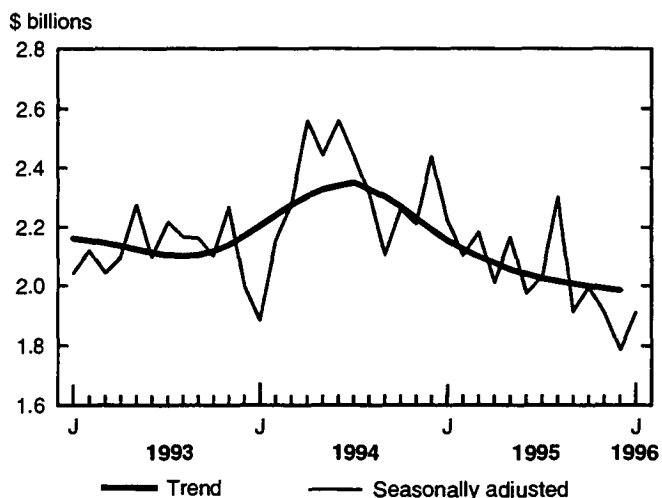
<sup>1</sup> Statistics for smaller firms (annual revenue between \$50,000 and \$5 million) are for the year 1992. Return on capital employed is defined as  $100 \times (\text{net profit} + \text{interest expense}) / (\text{debt} + \text{equity capital})$ . For this analysis, the smaller firms were classified into 211 industries. Within each of these industries, rates of return for each firm were calculated and ranked, and the median rate was determined. Industries, in turn, were ranked based on their median rates of return. This table shows the top 10 and bottom 10 industries within this ranking.

## Building permits

January 1996

A sharp rise in applications for residential permits led to a 7.1% increase in the total value of building permits issued by municipalities (\$1,912 million) in January.

### Value of building permits rose 7.1% in January



The residential sector rebounded to \$1,101 million in January, up 9.0% over December. However, January's marked improvement was 14.2% lower than in the same period last year, reflecting continued consumer pessimism about the state of the economy. The Conference Board of Canada's latest survey, released in February, showed that consumer confidence dropped in the fourth quarter to its lowest level since the 1991 recession.

The value of non-residential construction, which dropped 10.6% in December, rose 4.6% in January (to \$811 million) because of a remarkable increase in the sector's industrial components. Despite January's advance, the value of non-residential construction was 14.0% lower than in January 1995, and remained 46.9% below 1989's (the peak year) monthly average of \$1,526 million.

### New housing jumped 9.0%

Construction intentions for single-family dwellings, which soared 12.0% to \$835 million compared with December 1995, accounted for most of the gain posted by the residential sector in January. The strengthening in the single-family component represented good news for the beleaguered housing sector. However, the

#### Note to readers

Unless otherwise stated, this release presents seasonally adjusted data, which ease comparisons by removing the effects of seasonal variations.

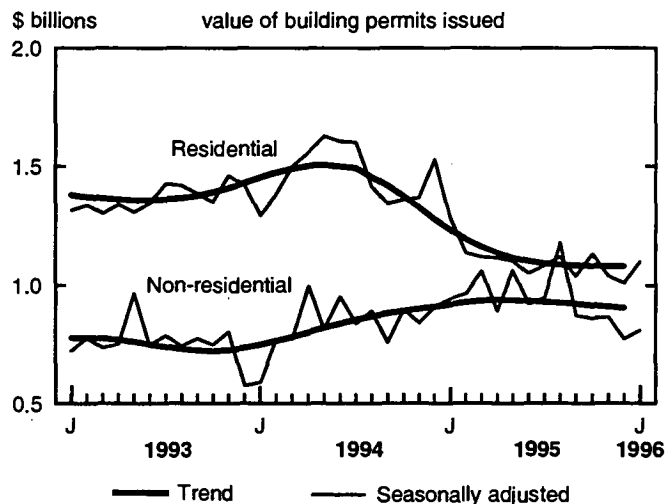
The monthly Building and Demolitions Permits Survey covers 2,400 municipalities representing 93% of the population. It provides an early indication of building activity. The communities representing the other 7% of the population are very small, and their levels of building activity have little impact on the total.

The value of planned construction activities shown in this release excludes engineering projects (waterworks, sewers, culverts, etc.) and land.

The annual rate is a monthly figure that has been seasonally adjusted and multiplied by 12 to reflect annual levels.

sector still remained nearly 39% below the 1989 (peak year) monthly average of \$1,809 million. Multi-family dwelling permits also rose in January, but to a lesser extent (+0.4% to \$265 million).

### Value of new housing permits jumped 9.0% in January



The low levels of activity in housing are mirrored in Canada Mortgage and Housing Corporation's latest survey, which reported a 31.6% drop in housing starts in January 1996 compared with a year earlier.

A sharp rise in Quebec's residential sector (+20.8%)—caused by a surge in the value of single-family and multi-family dwellings—was the largest contributor to the total increase in the sector in January. In British Columbia, the sector posted a brisk 11.9% gain over December, due entirely to its multi-

family component. In Ontario, an increase of 3.3% was due to a notable improvement in its single-family component, which climbed 35.4% to \$372 million, a level last seen in December 1994.

#### **Buoyant intentions for industrial construction**

The value of industrial permits skyrocketed in January to \$223 million, soaring 51.6% compared with the preceding month. This exceptional performance was due to large construction projects (new plants and warehouses) in the manufacturing sector.

Decreases were reported in the commercial (-3.0%) and institutional (-14.4%) components. For the institutional component, this sixth consecutive monthly decline was consistent with spending cuts announced by all levels of government.

The non-residential sector as a whole, which has generally been on the rise over the last two years, has shown signs of slowing since May 1995. This pattern seems likely to continue, given the lower levels of private and public investment planned for 1996.

Propelled by industrial projects, the value of non-residential permits issued in January in Ontario increased 35.8% to \$404 million; industrial permits reached \$156 million, a level not seen since July 1990. Also notable was a monthly gain in non-residential construction intentions (+34.7%) in Alberta, where the industrial component surged 255.9%.

**Available on CANSIM: matrices 80 (levels 3-7, 16-22 and 24-32), 129, 137, 443, 987, 989-992, 994-995 and 4073.**

The January 1996 issue of *Building permits* (64-001-XPB, \$24/\$240) will be released on March 12. See "How to order publications".

The February estimates will be released on April 3.

For further information on this release, contact Joanne Bureau (613-951-9689). For analytical information, contact Nathalie Léveillé (613-951-2025), Current Investment Indicators Section, Investment and Capital Stock Division. □

# Value of building permits

Region and type of construction	Dec. 1995	Jan. 1996	Dec. 1995 to Jan. 1996	Jan. 1995 to Jan. 1996
seasonally adjusted				
	\$ millions		% change	
<b>Canada</b>	<b>1,785</b>	<b>1,912</b>	<b>7.1</b>	<b>-14.1</b>
Residential	1,010	1,101	9.0	-14.2
Non-residential	775	811	4.6	-14.0
Newfoundland	11	13	15.4	-17.4
Residential	9	9	0.7	-21.7
Non-residential	2	4	78.6	-4.7
Prince Edward Island	5	4	-19.9	-60.2
Residential	4	4	-6.9	-23.7
Non-residential	1	0	-82.3	-97.0
Nova Scotia	39	42	7.1	-30.9
Residential	30	30	0.4	-31.6
Non-residential	9	11	30.4	-28.9
New Brunswick	30	36	18.3	-7.3
Residential	20	19	-4.1	24.5
Non-residential	10	17	61.3	-28.3
Quebec	355	311	-12.5	-27.6
Residential	137	166	20.8	-30.7
Non-residential	218	145	-33.5	-23.7
Ontario	740	861	16.4	-6.0
Residential	442	457	3.3	-3.7
Non-residential	298	404	35.8	-8.5
Manitoba	40	46	16.2	11.9
Residential	15	19	29.6	-21.0
Non-residential	25	27	8.2	60.2
Saskatchewan	20	29	46.6	51.1
Residential	14	13	-4.7	-2.0
Non-residential	6	16	163.0	171.9
Alberta	162	201	23.9	-13.4
Residential	98	114	16.7	-15.2
Non-residential	64	87	34.7	-10.9
British Columbia	379	366	-3.4	-20.5
Residential	237	266	11.9	-16.3
Non-residential	141	100	-29.1	-29.9
Yukon	3	2	-29.8	-1.8
Residential	2	2	1.9	-5.6
Non-residential	1	0	-79.0	40.6
Northwest Territories	2	1	-10.8	20.7
Residential	2	1	-11.8	31.0
Non-residential	0	0	12.9	-48.4

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



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## OTHER RELEASES

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### Short-term expectations survey

Every month for five years, Statistics Canada has canvassed a group of economic analysts (on average 17) for one-month-ahead forecasts of key economic indicators. Participants in this survey forecast the year-over-year changes in the consumer price index, the unemployment rate, and merchandise exports and imports. They also forecast the monthly change in gross domestic product at constant prices.

An evaluation of the accuracy of the mean forecasts in the March 1993 issue of *Canadian economic observer* showed them to be superior to mean naive forecasts, and suggested that the quality of the mean forecasts improve over time.

- The mean forecast for February's consumer price index is a year-over-year change of +1.5%. Opinions range from a minimum change of +1.2% to a maximum of +1.7%. The mean forecast for January (+1.6%) matched the outcome.
- The forecasters estimate that February's unemployment rate will be 9.6% (minimum 9.5%, maximum 9.8%). January's mean forecast (9.5%) slightly underestimated the outcome (9.6%). The mean forecast for the labour force participation rate is 64.8%. Forecasts range from a minimum of 64.1% to a maximum of 65.0%. The mean forecast for January (64.6%) somewhat underestimated the outcome (64.9%).
- The mean forecast of exports in January is \$21.5 billion. Opinions range from a minimum of \$21.0 billion to a maximum of \$21.8 billion. The forecast

for December (\$21.0 billion) underestimated the outcome (\$21.8 billion). The mean forecast of imports for January is \$18.8 billion. Forecasts range from a minimum of \$18.5 billion to a maximum of \$19.5 billion. Last month's forecast (\$18.8 billion) slightly overestimated the outcome (\$18.7 billion).

- The mean forecast for real GDP in January is a 0.1% increase. Opinions range widely, from a minimum of -0.3% to a maximum of +0.2%. The forecast for December (0.0%) slightly overestimated the outcome (-0.1%).

The next release will be on April 2.

For a set of tables, or for further information on this release, contact Diane Lachapelle (613-951-0568). ■

### Building permits, annual summary 1995

The total value of building permits issued in 1995 was \$24.6 billion, an 11.0% drop from \$27.6 billion in 1994.

**Available on CANSIM: matrices 80 (levels 3-7, 16-22 and 24-32), 129, 137, 443, 987, 989-992, 994-995 and 4073.**

The 1995 issue of *Building permits, annual summary* (64-203-XPB, \$60) will be available in April.

For further information on the release, contact Joanne Bureau (613-951-9689), Investment and Capital Stock Division. ■



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## PUBLICATIONS RELEASED

**Private and public investment in Canada, intentions 1996, microfiche version**

**Catalogue number 61-205-XMB**

(Canada: \$35; United States: US\$42; other countries: US\$49).

**Private and public investment in Canada, intentions 1996, paper version**

**Catalogue number 61-205-XPB**

(Canada: \$45; United States: US\$54; other countries: US\$63).

**Canadian international merchandise trade, December 1995**

**Catalogue number 65-001-XPB**

(Canada: \$19/\$182; United States: US\$22/US\$219; other countries: US\$26/US\$255).

The paper used in this publication meets the minimum requirements of American National Standard for Information Sciences - Permanence of Paper for Printed Library Materials, ANSI Z39.48 - 1984.



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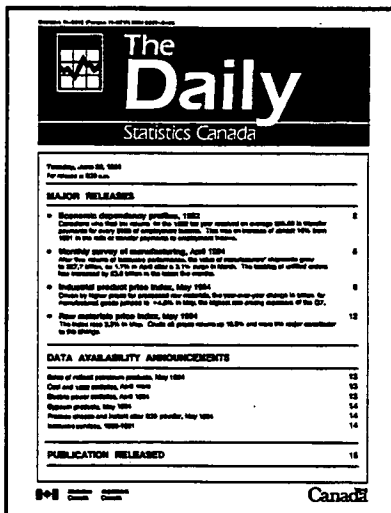
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