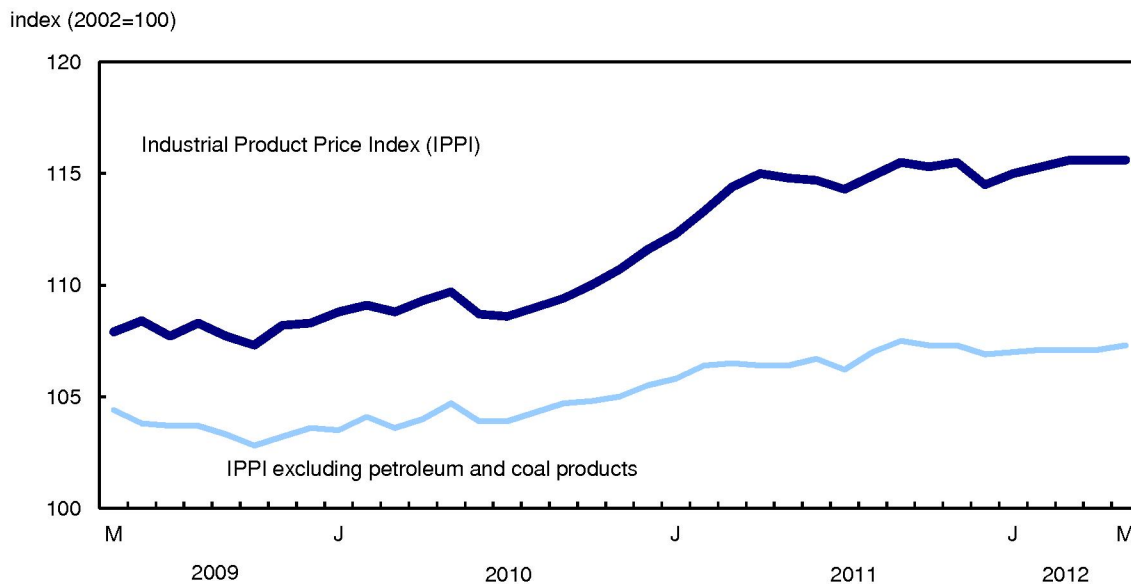


# Industrial product and raw materials price indexes, May 2012

Released at 8:30 a.m. Eastern time in *The Daily*, Friday, June 29, 2012

In May, the Industrial Product Price Index (IPPI) was unchanged from April. Price increases for motor vehicles and other transportation equipment (+1.0%) and lumber and other wood products (+1.7%) were offset mainly by a 2.1% decline in petroleum and coal products. The Raw Materials Price Index (RMPI) fell 1.0%, largely because of lower prices for crude oil.

**Chart 1**  
**Prices for industrial goods are unchanged**



## Industrial Product Price Index, monthly change

Of the 21 major commodity groups, 11 were up, 6 were down, and 4 were unchanged.

Motor vehicles and other transportation equipment (+1.0%) and lumber and other wood products (+1.7%) were among the product groups that experienced growth. More modest advances were observed in pulp and paper products (+0.7%) and machinery and equipment (+0.5%).

The motor vehicles and other transportation equipment group was pushed upward by an increase in prices for motor vehicles (+1.6%), which rose for the first time in six months. The decline in the value of the Canadian dollar against the US dollar was partly responsible for the May increase in motor vehicle prices.

Softwood lumber (+3.9%) was the leading factor in the increase in lumber and other wood products. These prices rose in conjunction with the demand for building permits for houses and apartment buildings in the United States, which reached its highest level in May in over three years.



Some Canadian producers who export their products are generally paid on the basis of prices set in US dollars. Consequently, the 1.7% depreciation of the Canadian dollar in relation to the US dollar in May had the effect of increasing the corresponding prices in Canadian dollars. Without the impact of the exchange rate, the IPPI would have fallen 0.4% instead of being unchanged.

Conversely, the decline in petroleum and coal products was mainly attributable to a 3.6% decrease in gasoline prices, which were down for the first time since the beginning of the year.

Among the other product groups that declined were primary metals (-1.3%), which posted a third consecutive decrease. The largest contributor to the decline was other non-ferrous metal products (-3.7%), particularly precious metal basic manufactured shapes (-11.9%). Also down were nickel products (-3.3%), aluminum products (-0.6%) and copper and copper alloy products (-0.6%).

The IPPI excluding petroleum and coal products rose 0.2% in May.

### **12-month change in the Industrial Product Price Index**

Compared with the same month a year earlier, the IPPI was up 0.7% in May. This is a deviation from the trend of decelerating growth observed in recent months. Between September 2011 and April 2012, the year-over-year growth rate of the index fell from 5.6% to 0.5%.

The IPPI was pushed upward mainly by higher prices for motor vehicles and other transportation equipment (+3.0%), particularly motor vehicles (+4.0%).

More modest increases were seen in lumber and other wood products (+5.9%), particularly softwood lumber (+13.1%). Fruit, vegetables, feeds and other food products (+2.1%) and machinery and equipment (+3.2%) also contributed to the increase.

Compared with May 2011, the advance of the IPPI was moderated largely by primary metal products (-7.5%), which posted a seventh consecutive decline. There was also a decrease in petroleum and coal products (-0.9%), the first since 2009.

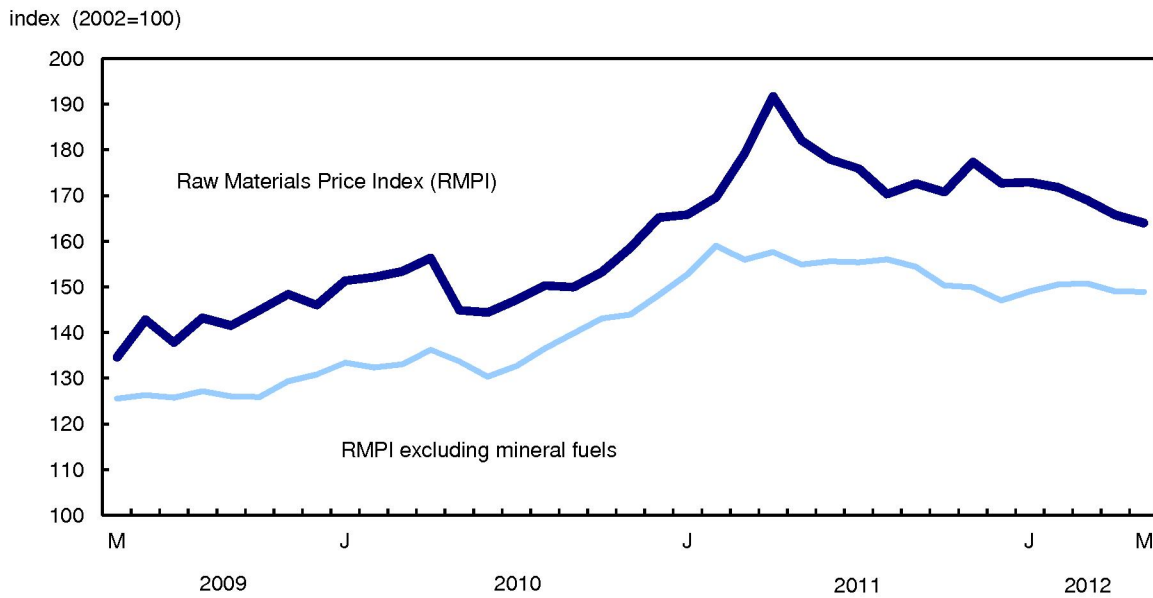
The 4.1% year-over-year decline in the value of the Canadian dollar against the US dollar contributed to the advance of the index. Without the impact of the exchange rate, the IPPI would have fallen 0.3% instead of increasing 0.7%.

The IPPI excluding petroleum and coal products was up 0.8% from May 2011.

### **Raw Materials Price Index, monthly change**

The RMPI posted its fourth straight decline in May, falling 1.0%. All major product groups except one were down. Previously, the index had experienced decreases of 1.6% in March and 2.0% in April.

**Chart 2**  
**Prices for raw materials continue to decline**



The RMPI's decline was mostly due to mineral fuels (-2.1%), particularly crude oil (-2.2%). More modest downward pressure was exerted on the index by vegetable products (-0.7%) and non-ferrous metals (-0.2%).

The main factors in the decrease in vegetable products were oilseeds (-1.4%), unrefined sugar (-9.7%) and natural rubber and allied gums (-3.6%). In the oilseeds group, soybeans (-4.8%) and canola (-1.5%) were down for the first time since the beginning of 2012.

Non-ferrous metals were pushed down largely by precious metals (-3.1%), especially silver and platinum (-5.9%). Other contributors to the decrease in this commodity group were nickel concentrates (-3.2%) and copper concentrates (-0.4%). The decline in nickel prices was attributable in part to weaker demand for steel.

The only product group to post an advance in May was wood (+2.1%), mostly because of higher prices for logs and bolts (+2.5%).

The RMPI excluding mineral fuels edged down 0.1%.

### 12-month change in the Raw Materials Price Index

Compared with the same month a year earlier, the RMPI was down 9.9%, its third consecutive decrease. However, the decline was smaller than in April, when the index fell 13.6%.

The index was pulled downward primarily by mineral fuels (-15.9%), specifically crude oil (-16.1%). Also contributing to the decline were non-ferrous metals (-10.0%), particularly copper concentrates (-12.8%) and nickel concentrates (-28.7%).

The only commodity group to post an increase relative to the same month last year was animal and animal products (+2.1%). Higher prices for slaughter cattle (+9.1%) and slaughter calves (+7.3%) were the main factors in the advance.

Year over year, the RMPI excluding mineral fuels was down 3.9%.

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### Note to readers

All data in this release are seasonally unadjusted and usually subject to revision for a period of six months (for example, when the July index is released, the index for the previous January becomes final).

The **Industrial Product Price Index (IPPI)** reflects the prices that producers in Canada receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the Consumer Price Index, the IPPI excludes indirect taxes and all the costs that occur between the time a good leaves the plant and the time the final user takes possession of it, including transportation, wholesale and retail costs.

Canadian producers export many goods. They often indicate their prices in foreign currencies, especially in US dollars, which are then converted into Canadian dollars. In particular, this is the case for motor vehicles, pulp, paper and wood products. Therefore, a rise or fall in the value of the Canadian dollar against its US counterpart affects the IPPI. But the conversion into Canadian dollars only reflects how respondents provide their prices. Moreover, this is not a measure that takes into account the full effect of exchange rates, since that is a more difficult analytical task.

The conversion of prices received in US dollars is based on the average monthly exchange rate (noon spot rate) established by the Bank of Canada and is available on CANSIM in table 176-0064 (series v37426). Monthly and annual variations in the exchange rate, as described in the text, are calculated according to the indirect quotation of the exchange rate (for example, CAN\$1 = US\$X).

The **Raw Materials Price Index (RMPI)** reflects the prices paid by Canadian manufacturers for key raw materials. Many of those prices are set on the world market. However, as few prices are denominated in foreign currencies, their conversion into Canadian dollars has only a minor effect on the calculation of the RMPI.

**Table 1**  
**Industrial Product Price Index – Not seasonally adjusted**

	Relative importance <sup>1</sup>	May 2011	April 2012 <sup>r</sup>	May 2012 <sup>p</sup>	April to May 2012	May 2011 to May 2012
	%	(2002=100)			% change	
<b>Industrial Product Price Index (IPPI)</b>	<b>100.00</b>	<b>114.8</b>	<b>115.6</b>	<b>115.6</b>	<b>0.0</b>	<b>0.7</b>
<b>IPPI excluding petroleum and coal products</b>	<b>93.70</b>	<b>106.4</b>	<b>107.1</b>	<b>107.3</b>	<b>0.2</b>	<b>0.8</b>
<b>Aggregation by commodities</b>						
Meat, fish and dairy products	6.08	108.7	109.4	109.6	0.2	0.8
Fruit, vegetable, feeds and other food products	5.52	124.8	127.5	127.4	-0.1	2.1
Beverages	1.52	120.7	123.6	123.4	-0.2	2.2
Tobacco and tobacco products	0.56	173.0	177.2	177.2	0.0	2.4
Rubber, leather and plastic fabricated products	3.51	118.1	120.8	120.8	0.0	2.3
Textile products	1.37	102.9	103.0	103.1	0.1	0.2
Knitted products and clothing	1.33	101.6	102.8	102.7	-0.1	1.1
Lumber and other wood products	6.04	87.1	90.7	92.2	1.7	5.9
Furniture and fixtures	2.19	116.4	118.0	118.0	0.0	1.4
Pulp and paper products	6.40	99.7	99.1	99.8	0.7	0.1
Printing and publishing	1.84	103.4	104.9	105.4	0.5	1.9
Primary metal products	6.99	155.7	145.9	144.0	-1.3	-7.5
Fabricated metal products	4.45	124.3	124.9	125.1	0.2	0.6
Machinery and equipment	4.41	102.8	105.6	106.1	0.5	3.2
Motor vehicles and other transport equipment	24.34	75.9	77.4	78.2	1.0	3.0
Electrical and communications products	5.02	92.4	92.7	93.1	0.4	0.8
Non-metallic mineral products	2.07	117.6	118.6	118.7	0.1	0.9
Petroleum and coal products	6.30	241.2	244.3	239.1	-2.1	-0.9
Chemicals and chemical products	7.19	139.1	140.2	140.2	0.0	0.8
Miscellaneous manufactured products	2.60	119.5	123.3	122.9	-0.3	2.8
Miscellaneous non-manufactured products	0.30	288.4	270.7	276.7	2.2	-4.1
<b>Intermediate goods<sup>2</sup></b>	<b>62.15</b>	<b>123.8</b>	<b>123.8</b>	<b>123.8</b>	<b>0.0</b>	<b>0.0</b>
First-stage intermediate goods <sup>3</sup>	7.56	150.6	139.3	139.1	-0.1	-7.6
Second-stage intermediate goods <sup>4</sup>	54.60	120.1	121.7	121.6	-0.1	1.2
<b>Finished goods<sup>5</sup></b>	<b>37.85</b>	<b>100.0</b>	<b>102.1</b>	<b>102.1</b>	<b>0.0</b>	<b>2.1</b>
Finished foods and feeds	7.12	117.2	119.6	119.6	0.0	2.0
Capital equipment	12.19	85.6	87.2	87.9	0.8	2.7
All other finished goods	18.54	102.9	105.2	104.7	-0.5	1.7

<sup>r</sup> revised

<sup>p</sup> preliminary

1. The relative importance is based on the annual 2002 values of production.

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.

**Table 2**  
**Raw Materials Price Index – Not seasonally adjusted**

	Relative importance <sup>1</sup>	May 2011	April 2012 <sup>r</sup>	May 2012 <sup>p</sup>	April to May 2012	May 2011 to May 2012
	%	(2002=100)			% change	
<b>Raw Materials Price Index (RMPI)</b>	<b>100.00</b>	<b>182.0</b>	<b>165.7</b>	<b>164.0</b>	<b>-1.0</b>	<b>-9.9</b>
<b>RMPI excluding mineral fuels</b>	<b>58.56</b>	<b>154.9</b>	<b>149.0</b>	<b>148.9</b>	<b>-0.1</b>	<b>-3.9</b>
Mineral fuels	41.44	220.6	189.5	185.6	-2.1	-15.9
Vegetable products	9.89	153.6	148.4	147.4	-0.7	-4.0
Animal and animal products	19.81	118.7	121.5	121.2	-0.2	2.1
Wood	11.82	93.8	91.5	93.4	2.1	-0.4
Ferrous materials	2.88	166.7	161.3	159.5	-1.1	-4.3
Non-ferrous metals	11.32	278.0	250.7	250.1	-0.2	-10.0
Non-metallic minerals	2.82	164.2	164.0	164.0	0.0	-0.1

<sup>r</sup> revised

<sup>p</sup> preliminary

1. The relative importance is based on the annual 2002 values of intermediate inputs.

**Available without charge in CANSIM: tables 329-0056 to 329-0068 and 330-0007.**

Table 329-0056: Industrial Product Price Index by major commodity aggregations.

Table 329-0057: Industrial Product Price Index by industry.

Table 329-0058: Industrial Product Price Index by stage of processing.

Tables 329-0059 to 329-0068: Industrial Product Price Index by commodity.

Table 330-0007: Raw Materials Price Index by commodity.

**Definitions, data sources and methods: survey numbers 2306 and 2318.**

The May 2012 issue of *Industry Price Indexes* (62-011-X, free) will soon be available.

The industrial product and raw materials price indexes for June will be released on July 31.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Statistics Canada's National Contact Centre (toll-free 1-800-263-1136; 613-951-8116; infostats@statcan.gc.ca) or the Media Hotline (613-951-4636; mediahotline@statcan.gc.ca).