

Quarterly financial statistics for enterprises, third quarter 2016

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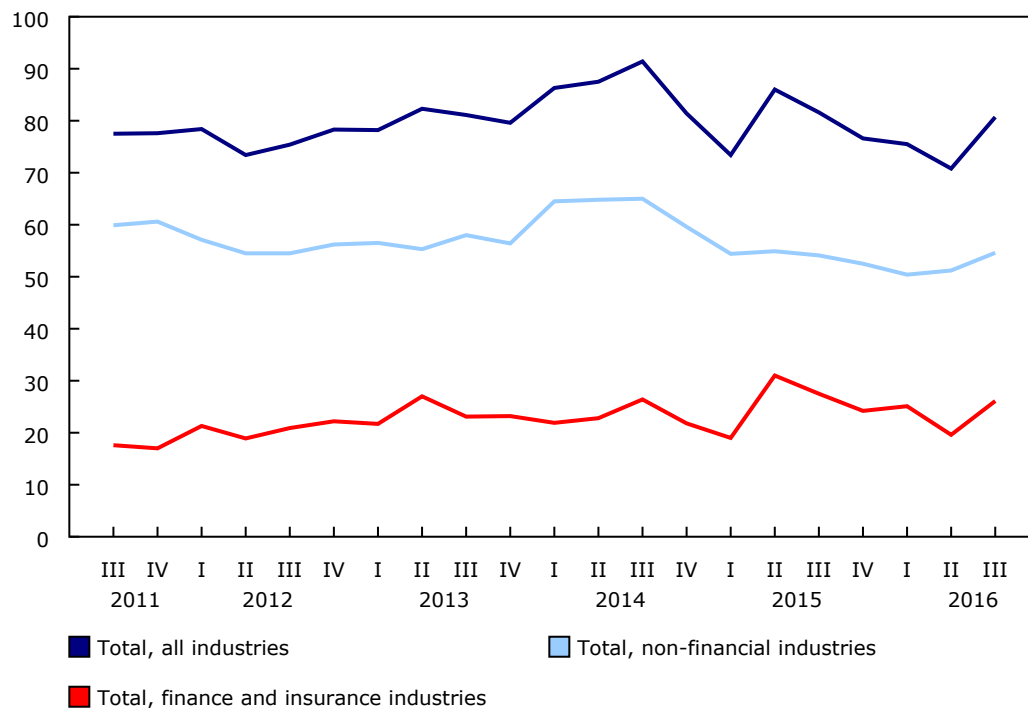
Overall operating profits

Canadian corporations earned \$80.7 billion in operating profits in the third quarter, up 14.0% from the previous quarter. The increase was led by a \$6.5 billion gain in profits in finance and insurance industries.

On a year-over-year basis, overall operating profits for Canadian corporations were down 1.1% compared with the third quarter of 2015.

Chart 1 Quarterly operating profits

billions of dollars



Source(s): CANSIM table [187-0002](#).

Non-financial industries

In the non-financial industries, third quarter operating profits rose 6.6% to \$54.6 billion on a \$9.7 billion increase in operating revenues. Overall, profits were up in 11 of 17 non-financial industries.

Profits up in manufacturing, wholesale trade and information and cultural industries

Operating profits were up 27.1% to \$12.7 billion in manufacturing. Operating profits rose in 9 of 13 manufacturing industries. Most of that growth came from petroleum and coal products manufacturing.



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Petroleum and coal products manufacturing posted an operating profit of \$1.2 billion in the third quarter, following an operating loss of \$0.8 billion in the second quarter.

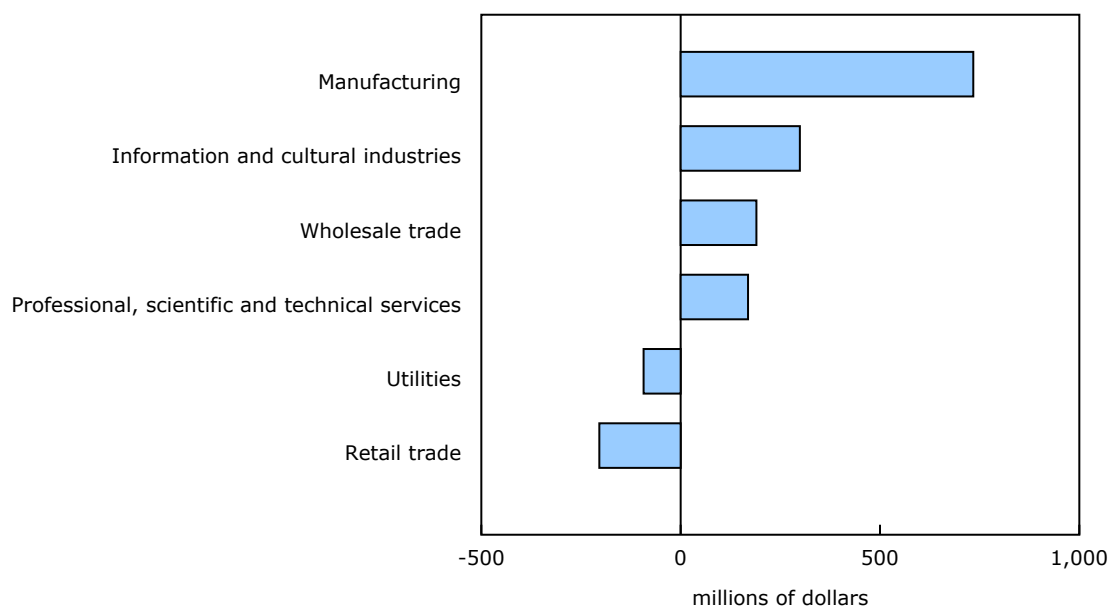
According to data from the Crude oil and natural gas supply and disposition release in the *Daily*, Canadian oil and gas production was down in the second quarter due to the Fort McMurray fires in May. As a result, refineries were receiving less oil from domestic production, which affected their operations. With the resumption of production in Fort McMurray, operating profits in petroleum and coal products manufacturing rebounded in the third quarter.

Excluding petroleum and coal products manufacturing, operating profits rose 6.8% to \$11.5 billion, with the largest increase in food and soft drink manufacturing.

Operating profits in wholesale trade rose 3.4% to \$5.8 billion, with most of the growth in food, beverage, tobacco and farm product wholesalers and, to a lesser extent, machinery and equipment wholesalers.

Information and cultural industries reported that operating profits were up 7.1% to \$4.5 billion in the third quarter.

Chart 2
Change in operating profits in major non-financial industries



Note(s): Manufacturing does not include petroleum and coal products manufacturing.

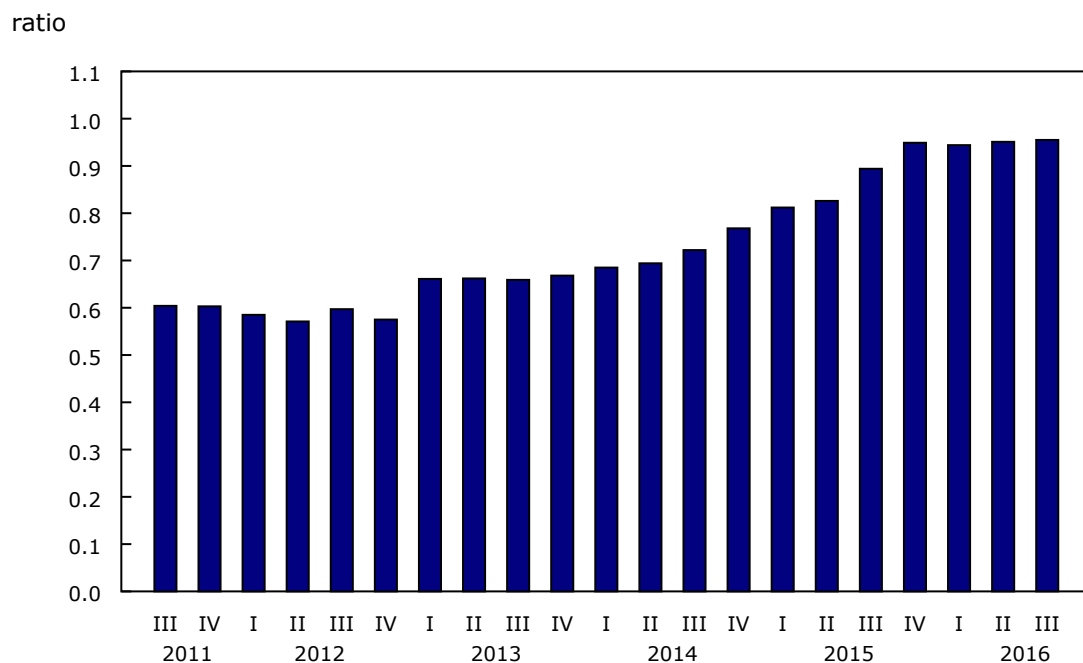
Source(s): Quarterly survey of financial statements [2501](#).

Losses persist in oil and gas

The oil and gas extraction industry reported an operating loss of \$3.8 billion in the third quarter, down from the \$4.1 billion loss in the second quarter. This was the seventh consecutive quarterly operating loss for the oil and gas extraction industry. Each of the quarterly losses in 2016 were larger than those in 2015.

Leverage, as measured by debt to equity, has been increasing in the oil and gas industry since mid-2013. Levels of debt rose steadily during the three-year period ending in 2015. Equity also rose, although at a slower pace, during 2013 and 2014. That was not the case in 2015 as equity fell to pre-2013 levels as the price of a barrel of oil dropped dramatically. Leverage in the industry has levelled off since the fourth quarter of 2015 as oil prices started to rise.

Chart 3
Debt-to-equity ratio in the oil and gas extraction industry



Source(s): CANSIM table [187-0002](#).

Operating profits down in retail trade

In retail trade, operating profits were down 4.4% to \$4.4 billion in the quarter, as revenues edged down 0.2%. The decline was widespread. Clothing, department and other general merchandise stores led the decrease, down 5.7% to \$1.3 billion.

Table 1
Quarterly financial statistics for enterprises, non-financial industries – Seasonally adjusted

	Third quarter 2015	Fourth quarter 2015	First quarter 2016 ^r	Second quarter 2016 ^r	Third quarter 2016 ^p
billions of dollars					
Non-financial industries					
Operating revenue	845.9	848.3	835.5	842.5	852.2
Operating profit	54.1	52.5	50.4	51.2	54.6
Net profit	13.3	28.0	44.7	36.1	44.0
%					
Operating profit margin	6.4	6.2	6.0	6.1	6.4
ratio					
Debt to equity	1.037	1.042	1.036	1.031	1.031

^r revised

^p preliminary

Note(s):

Figures may not add up to totals because of rounding.

The debt-to-equity ratio is not seasonally adjusted.

Source(s): CANSIM table [187-0002](#).

Financial industries

Operating profits up sharply in the financial industries

Overall operating profits in the financial industries grew 33.3%, from \$19.6 billion in the second quarter to \$26.1 billion in the third quarter of this year.

Contributing to the quarter-over-quarter rise in operating profits was insurance carriers and related activities (+\$3.9 billion) and depository credit intermediation (+\$1.9 billion).

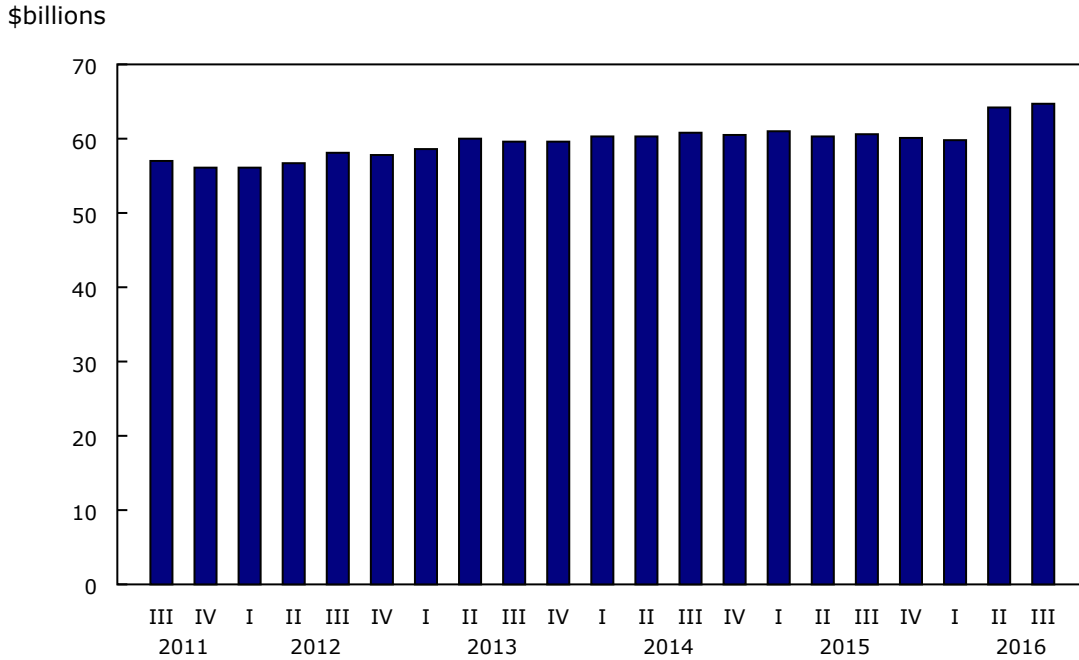
Operating profits for insurance carriers and related activities rose to \$1.8 billion in the third quarter, following a \$2.2 billion loss in the second quarter. The third quarter saw a decline in operating expenses for property and casualty insurers as claims incurred decreased by \$1.1 billion from the second quarter. Life, health and medical insurance carriers also saw a significant decline in their operating expenses, posting a \$3.0 billion decrease in fair value adjustments to actuarial liabilities.

Operating profits for depository credit intermediation rose from \$9.7 billion in the second quarter to \$11.6 billion. Operating revenues in banking and other depository credit intermediation were up \$2.3 billion. Revenues were generated from financial operations, commissions and fees and strong net interest income.

Claims liabilities are relatively unchanged

Between the first and second quarter, claims liabilities for property and casualty insurers increased by \$4.4 billion in the wake of the Fort McMurray fires. In the third quarter, these same claims were relatively unchanged from the second quarter, increasing by \$572 million to \$64.7 billion. The high volume of disaster claims, coupled with poor weather conditions in the region during the summer, have slowed rebuilding efforts. According to a report published in July by the Canada Mortgage and Housing Corporation, 1,900 structures in Fort McMurray were destroyed by the wildfires. The report suggests that construction momentum will not pick up until 2017 because of ongoing insurance assessments and further cleanup efforts.

Chart 4
Property and casualty insurance carriers — claims liabilities



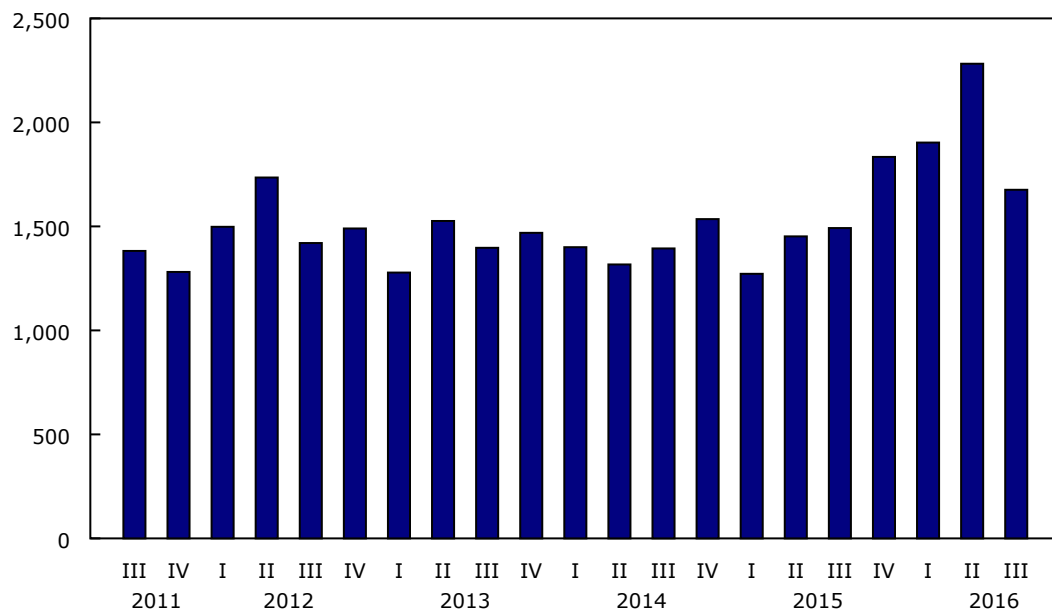
Source(s): Quarterly Survey of Financial Statements (2501).

Decrease in loan loss provisions in the financial sector

The third quarter saw a levelling off of the debt-to-equity ratio in the oil and gas extraction industry. In light of strengthening oil market conditions and gains in the oil and gas extraction industry, financial institutions (mainly banks) have decreased their loan loss provisions by \$606 million or 27.0% from the previous quarter to \$1.7 billion. This decrease marked a return to a comparable level of \$1.5 billion in provisions observed in the same period in 2015.

Chart 5
Financial industries, provision for loan losses

millions of dollars



Source(s): Quarterly Survey of Financial Statements (2501).

Table 2
Quarterly financial statistics for enterprises, finance and insurance industries – Seasonally adjusted

	Third quarter 2015	Fourth quarter 2015	First quarter 2016 ^r	Second quarter 2016 ^r	Third quarter 2016 ^p
	billions of dollars				
Finance and insurance industries					
Operating revenue	90.6	93.2	96.4	96.7	98.9
Operating profit	27.5	24.2	25.1	19.6	26.1
Net profit	19.2	19.7	18.8	17.0	20.5
	%				
Operating profit margin	30.3	25.9	26.0	20.2	26.4
	ratio				
Debt to equity	0.824	0.802	0.793	0.788	0.787

^r revised

^p preliminary

Note(s):

Figures may not add up to totals because of rounding.

The debt-to-equity ratio is not seasonally adjusted.

Source(s): CANSIM table 187-0002.

Note to readers

Data on quarterly profits in this release are seasonally adjusted and expressed in current dollars. Financial data for the first and second quarters have been revised.

For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

Quarterly financial statistics for enterprises are based on a sample survey and represent the activities of all corporations in Canada, except those that are government-controlled or not-for-profit. An enterprise can be a single corporation or a family of corporations under common ownership and/or control, for which consolidated financial statements are produced.

Profits referred to in this analysis are operating profits earned from normal business activities. For non-financial industries, operating profits exclude interest and dividend revenue and capital gains/losses. For financial industries, these are included, along with interest paid on deposits.

In this release, all profits are operating profits unless otherwise stated. Operating profits differ from net profits, which represent the after-tax profits earned by corporations.

Real-time CANSIM tables

Real-time CANSIM tables 187-8001 and 187-8002 will be updated on December 8. For more information, consult the document, [Real-time CANSIM tables](#).

Next release

Financial statistics for enterprises for the fourth quarter of 2016 will be released on February 23, 2017.

Available in CANSIM: tables [187-0001](#) and [187-0002](#).

Definitions, data sources and methods: survey number [2501](#).

Aggregate balance sheet and income statement data for Canadian corporations are now available in CANSIM at the national level for 22 industry groupings.

The publication *Quarterly Financial Statistics for Enterprises* ([61-008-X](#)) is no longer released. Data from the Quarterly Survey of Financial Statements are available in CANSIM.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).