

Industrial Product Price Index: Flash estimates, March 2020

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Currently there is considerable uncertainty about the impact of the novel coronavirus (also known as COVID-19) on the Canadian economy. In order to provide Canadians with timely information on some of these impacts, Statistics Canada is releasing flash estimates for the Industrial Product Price Index (IPPI) for March 2020. These values represent an early glimpse into the current economic situation in Canada, and will be revised on April 30. These estimates are based on information that is available to date, not the full set of data that will be used to estimate the IPPI being released on April 30, and should be used with caution.

The flash estimate for March shows that prices received by manufacturers in Canada decreased by 0.4% in March, continuing the trend seen in January and February, largely due to a 10.7% decrease in prices for energy and petroleum products (chart 1). The decrease in energy prices in March 2020 is similar in magnitude to the largest month-over-month drop during the 2014 crash in oil prices, when prices for energy and petroleum products decreased by 11.5% in December 2014. Overall prices have decreased by 1.0% since January 2020, when the decline began, stemming largely from a 14.9% drop in energy prices (chart 2).

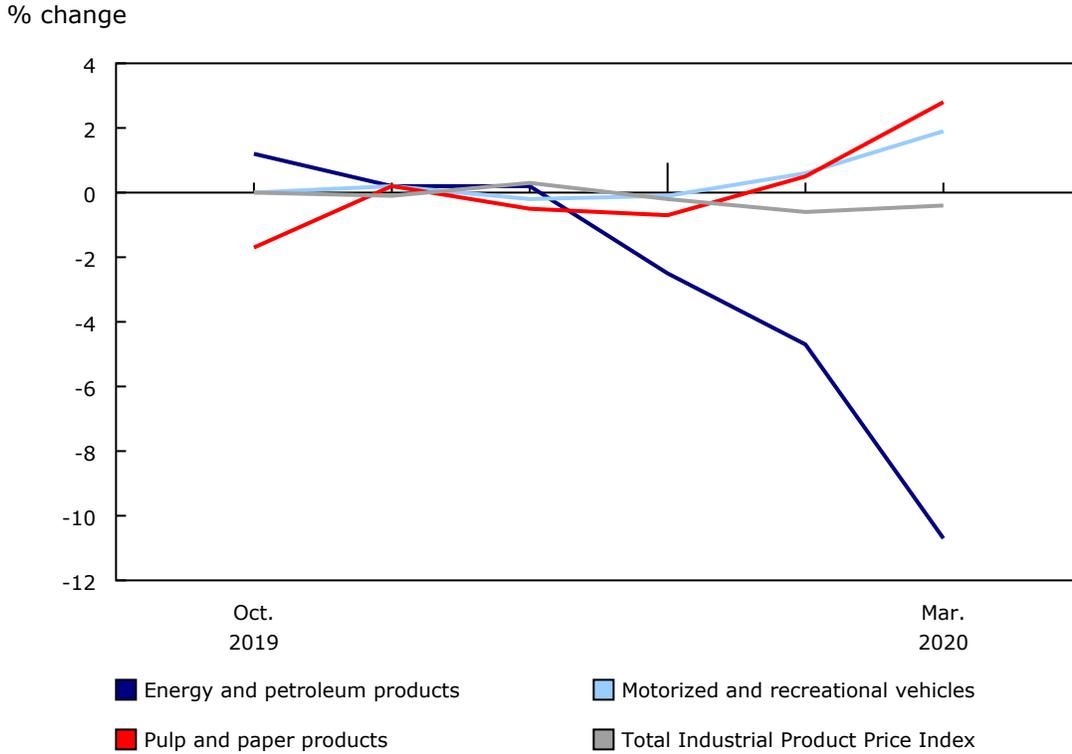
Prices for pulp and paper products (+2.8%) and motorized and recreational vehicles (+1.9%) increased in March, partially offsetting the drop in energy prices. These increases were largely due to a weakening of the Canadian dollar. From February to March, the Canadian dollar depreciated 5.0% relative to the US dollar. If the exchange rate had remained constant, the IPPI would have declined 1.6%.

The drop in energy and petroleum prices can be partly attributed to a decrease in demand from containment efforts for COVID-19, although recent tensions between Russia and the Organization of the Petroleum Exporting Countries have also resulted in a large decline in the price of crude oil. Preliminary estimates from the International Energy Agency (IEA) show a year-over-year decrease in global demand of 2.5 million barrels per day in the first quarter of 2020—a reduction of roughly 2.5% in global oil demand—with the expectation that demand for oil will decrease in 2020 for the first time since 2009 (IEA, 2020).

Outside of the energy sector, COVID-19 has broader implications for economic growth in Canada and around the world. For instance, the Federal Reserve Bank of New York recently produced a weekly economic index that suggests a reduction in economic activity in the United States similar to that observed during the 2008 financial crisis (Lewis et al., 2020). The decrease in the IPPI in March 2020, however, is much smaller than during the 2008 recession. In the fourth quarter of 2008, at the beginning of the recession, the IPPI saw its largest month-over-month decrease to date of 2.9% in November, with a corresponding drop in energy prices of 19.7%.



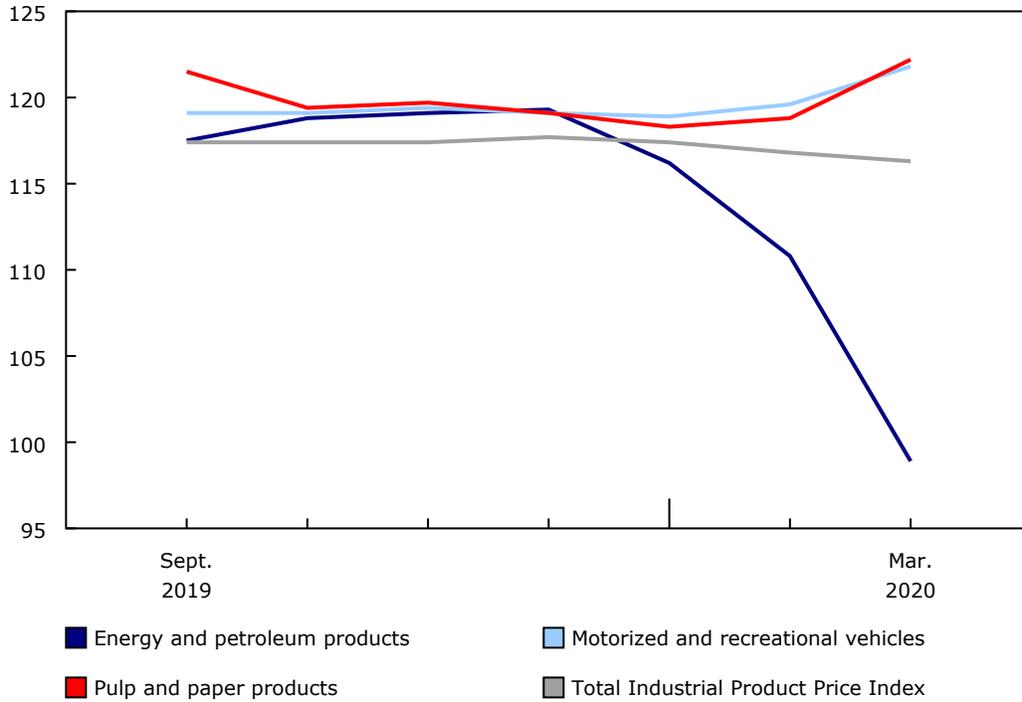
Chart 1
Industrial Product Price Index, monthly percentage change



Note(s): March 2020 data are flash estimates, use with caution.
Source(s): Industrial Product Price Index (2318).

Chart 2
Industrial Product Price Index

index (2010=100)



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Source(s): Industrial Product Price Index (2318).

Table 1
Industrial Product Price Index – Not seasonally adjusted

	Relative Importance ¹ %	January 2020 (2010=100)	February 2020 (2010=100)	March 2020 ² (2010=100)	February to March 2020 ² % change	March 2019 to March 2020 ² % change
Industrial Product Price Index (IPI)	100.0	117.4	116.8	116.3	-0.4	-1.9
IPPI excluding energy and petroleum products	86.4	117.6	117.7	119.0	1.1	0.8
Meat, fish, and dairy products	7.21	131.2	129.4	130.4	0.8	3.3
Fruit, vegetables, feed and other food products	7.53	116.7	116.5	117.5	0.9	1.8
Beverages (except juices)	1.92	110.1	110.1	110.2	0.1	0.5
Tobacco products	0.25	187.6	187.8	188.3	0.3	5.3
Textile and leather products	0.57	113.1	112.9	113.6	0.6	1.9
Clothing, footwear and accessories	0.51	110.2	110.2	110.7	0.5	1.0
Chemicals and chemical products	8.46	109.9	109.2	109.9	0.6	-1.3
Plastic and rubber products	2.79	115.5	115.6	117.2	1.4	-0.1
Lumber and other wood products	2.27	122.7	123.8	126.1	1.9	1.2
Pulp and paper products	4.09	118.3	118.8	122.2	2.9	-4.7
Energy and petroleum products	13.6	116.2	110.8	98.9	-10.7	-18.7
Primary ferrous metal products	3.32	109.8	110.1	111.5	1.3	-4.0
Primary non-ferrous metal products	8.03	117.2	117.5	117.3	-0.2	1.5
Fabricated metal products and construction materials	3.17	123.8	123.7	125.2	1.2	0.4
Motorized and recreational vehicles	17.23	118.9	119.6	121.8	1.8	2.2
Machinery and equipment	5.73	113.9	114.2	115.4	1.1	1.0
Electrical, electronic, audiovisual and telecommunication products	4.69	110.6	111.5	113.7	2.0	1.6
Furniture and fixtures	1.49	115.4	116.5	116.0	-0.4	1.8
Cement, glass, and other non-metallic mineral products	2.34	115.9	115.9	116.3	0.3	0.1
Packaging materials and containers	2.38	123.8	123.8	124.3	0.4	-0.7
Miscellaneous products	2.41	119.6	120.3	121.2	0.7	3.9

1. The relative importance is based on the annual 2010 values of production.

2. March 2020 data are flash estimates, use with caution.

Source(s): Industrial Product Price Index (2318).

References

International Energy Agency. (2020). Oil Market Report - March 2020. IEA, Paris. Retrieved from <https://www.iea.org/reports/oil-market-report-march-2020>.

Lewis, D., Mertens, K. and Stock, J. (March 30, 2020). Monitoring Real Activity in Real Time: The Weekly Economic Index. Federal Reserve Bank of New York Liberty Street Economics. Retrieved from <https://libertystreeteconomics.newyorkfed.org/2020/03/monitoring-real-activity-in-real-time-the-weekly-economic-index.html>.

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

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).