Industrial product and raw materials price indexes, August 2020

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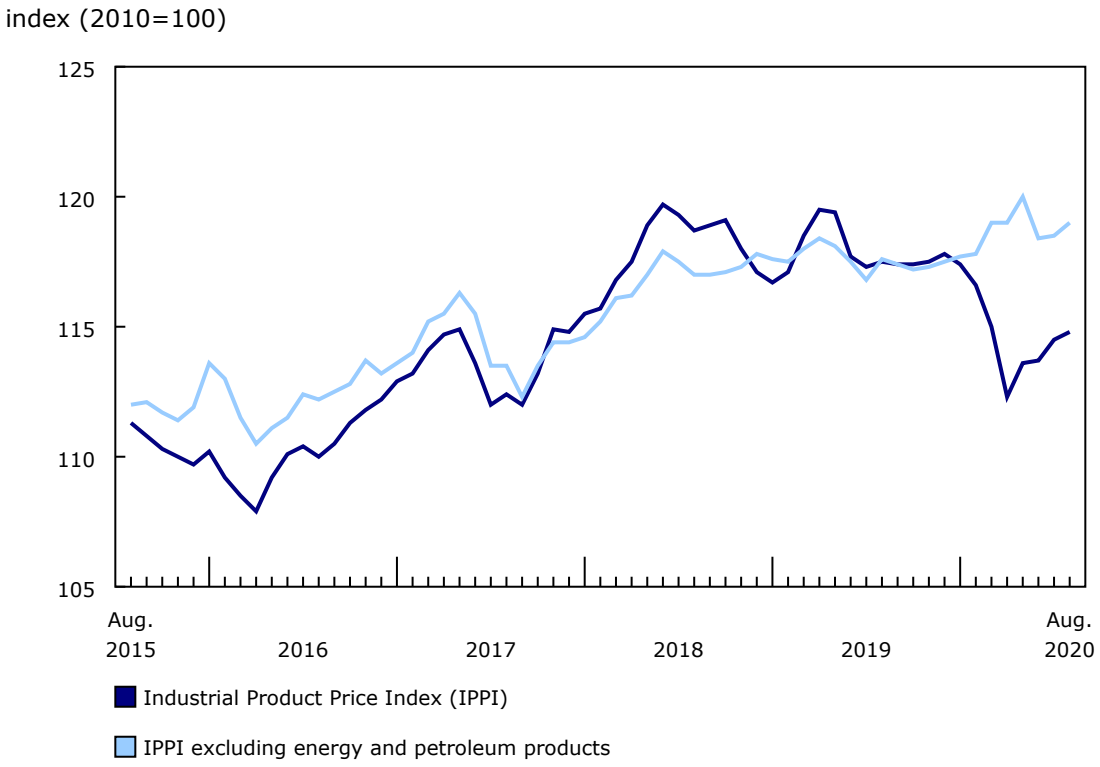
Prices for products manufactured in Canada, as measured by the Industrial Product Price Index (IPPI), increased 0.3% in August, led by higher prices for primary non-ferrous metal products. Prices of raw materials purchased by manufacturers operating in Canada, as measured by the Raw Materials Price Index (RMPI), rose 3.2%, principally due to higher prices for metal ores, concentrates and scrap.

Chart 1
Prices for industrial products increase



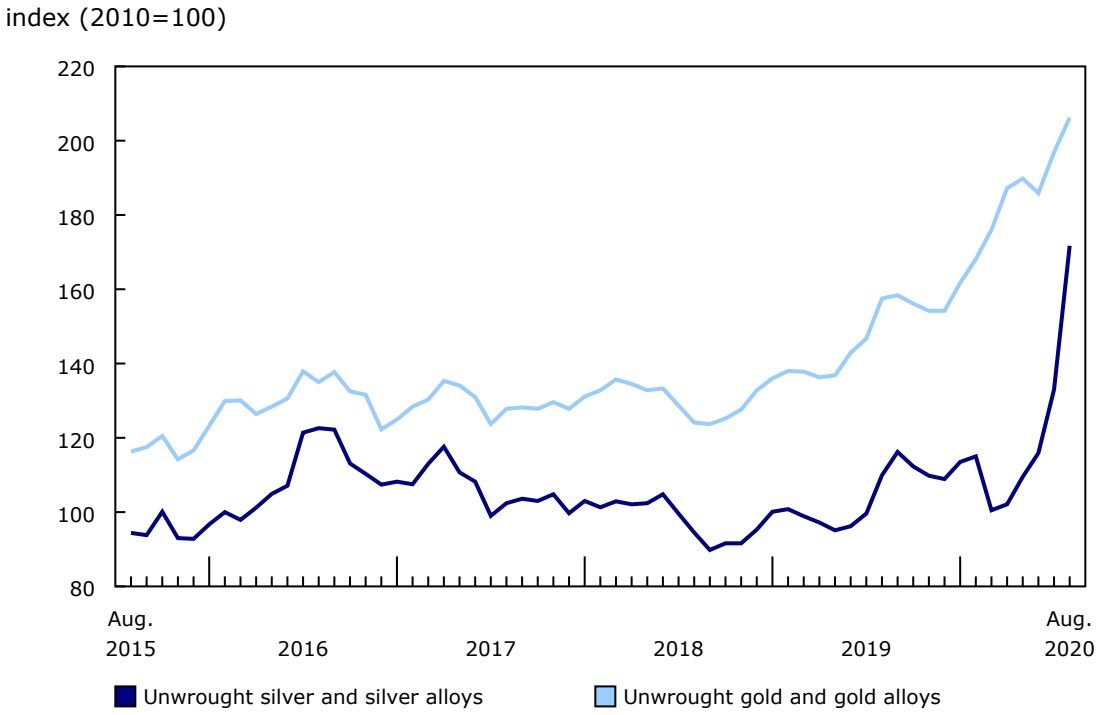
Source(s): Table 18-10-0029-01.

Industrial Product Price Index

The IPPI (+0.3%) posted a fourth consecutive monthly increase in August. Excluding energy and petroleum products, the IPPI rose 0.4%. Of the 21 major product groups, 7 were up, 13 were down, and 1 was unchanged.

Primary non-ferrous metal products (+6.3%), which have been rising since April 2020, were the primary reason for the increase in the IPPI. This increase is primarily due to continued rising prices for unwrought precious metals and precious metal alloys (+12.1%), especially unwrought silver and silver alloys (+29.1%). This is the biggest monthly increase for silver since the beginning of this series in 2010. Prices for unwrought gold and gold alloys (+4.7%) also rose when compared with July. The high level of uncertainty caused by the COVID-19 pandemic, combined with low interest rates and depreciation of the US dollar, were the main factors in investors flocking to purchase gold and silver, which are considered safe haven investments in crises.

Chart 2
Silver and gold prices increase



Source(s): Table 18-10-0030-01.

Prices for chemicals and chemical products (+1.0%) and for lumber and other wood products (+2.3%) also contributed to the IPPI's gain in August, but to a lesser extent. Petrochemicals (+6.1%), led principally by higher prices for crude oil in the past few months, were the primary source of the gain in chemicals and chemical products. The lumber and other wood products group was driven upward mostly by higher prices for softwood lumber (+29.1%), the highest increase ever observed for this series. This gain is mainly the result of high demand for lumber in construction and renovation, combined with lower production capacity caused by the COVID-19 pandemic.

Prices for motorized and recreational vehicles (-0.8%) and for energy and petroleum products (-1.0%) were the biggest factors in moderating the growth of the IPPI. The downturn in motorized and recreational vehicles was mostly due to lower prices for motor vehicle engines and parts (-1.3%), aircraft (-2.0%), as well as aircraft engines, aircraft parts and other aerospace equipment (-2.1%). Many of the product prices surveyed in this group are reported in US dollars, and were driven downward by the appreciation in the Canadian dollar relative to the US dollar. The decline in energy and petroleum products was mainly due to lower prices for refined petroleum products, including light fuel oils (-3.1%), motor gasoline (-0.9%) and diesel fuel (-2.2%).

Year over year, the IPPI fell 2.3%, continuing a downward trend that began in February 2020. This decline was due in large part to a drop in prices for energy and petroleum products (-24.6%). Higher prices for primary non-ferrous metal products (+15.8%) were primarily responsible for partially offsetting this decrease.

Raw Materials Price Index

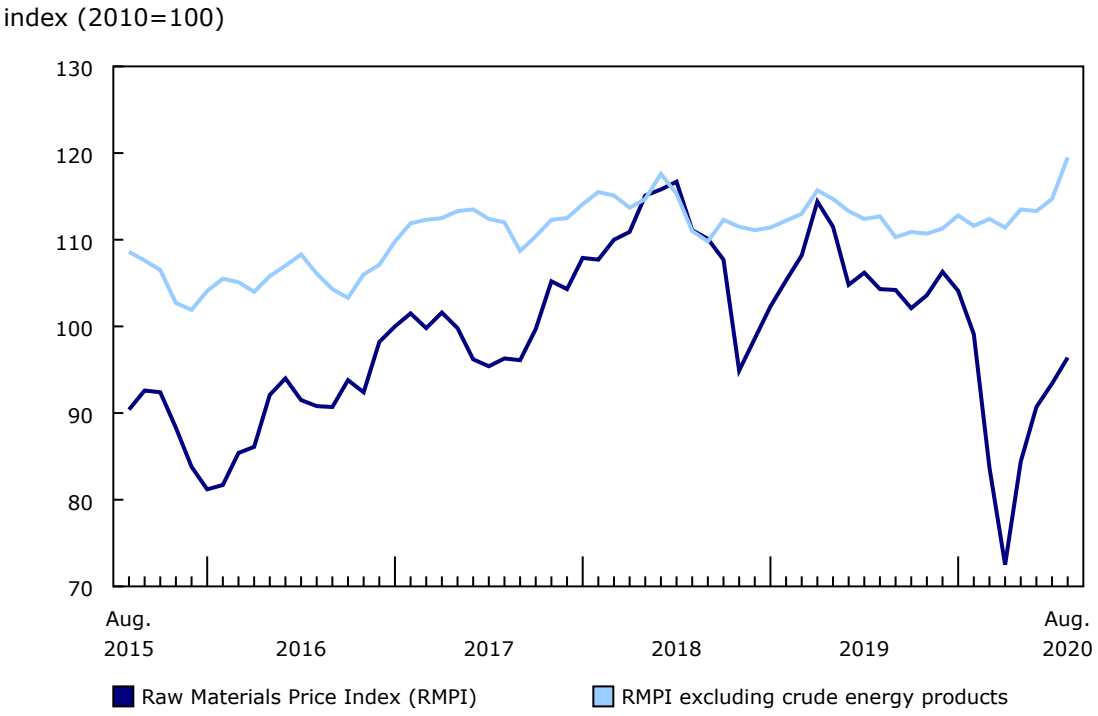
The RMPI rose 3.2% in August, after posting a 3.0% increase in July. Excluding crude energy products, the RMPI was up 4.2%. Of the six major product groups, five were up and one was down.

In August, the gain in the RMPI was led by higher prices for metal ores, concentrates and scrap (+9.3%), particularly precious metal ores and concentrates (+21.7%), which saw their largest monthly increase since the series began in 2010.

Prices for crude energy products (+1.4%) and animals and animal products (+1.2%) were also up from July. Conventional crude oil (+1.4%) was the main driver of growth in crude energy products, while prices for hogs (+5.6%) and, to a lesser extent, cattle and calves (+1.0%) were primarily responsible for the increase in animals and animal products.

Year over year, the RMPI fell 7.6%, mostly due to a drop in prices for crude energy products (-24.9%). This decline was partially offset, mainly by higher prices for metal ores, concentrates and scrap (+18.9%).

Chart 3
Prices for raw materials increase



Source(s): Table 18-10-0034-01.

Note to readers

The Industrial Product Price Index (IPPI) and the Raw Materials Price Index (RMPI) are available at the Canada level only. Selected commodity groups within the IPPI are also available by region.

With each release, data for the previous six months may have been revised. The indexes are not seasonally adjusted.

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

Canadian producers export many goods. They often indicate their prices in foreign currencies, especially in US dollars, and these prices are then converted into Canadian dollars. In particular, this is the case for motor vehicles, pulp and paper products, and wood products. Therefore, fluctuations in the value of the Canadian dollar against its US counterpart affect the IPPI. However, the conversion to Canadian dollars reflects only how respondents provide their prices. This is not a measure that takes into account the full effect of exchange rates.

The conversion of prices received in US dollars is based on the average monthly exchange rate established by the Bank of Canada and available in table 33-10-0163-01 (series v111666275). Monthly and annual variations in the exchange rate, as described in the release, are calculated according to the indirect quotation of the exchange rate (for example, CAN$1 = US$X).

*The **Raw Materials Price Index** 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.*

Upcoming changes: Basket update and methodology changes

Changes will be coming to the IPPI and RMPI in the fall of 2020. The indexes will be converted from 2010 = 100 to January 2020 = 100 and also updated to use a weighting pattern based on the 2016 production values of Canadian manufacturers.

At the same time, the IPPI and RMPI will be modernized with the adoption of a weighted geometric (Jevons) formula and incorporation of parental imputation as the default imputation methodology for missing price quotes.

Commencing with the release of the new basket in the fall, the IPPI and RMPI will be released using the North American Product Classification System (NAPCS) Canada 2017 version 2.0 and the North American Industry Classification System (NAICS) Canada 2017 version 3.0. Product indexes will be published at the class (five-digit) level. The current vectors will be terminated, and new tables based on the updated classification systems will appear in the Statistics Canada tables.

Products

Statistics Canada has launched the producer price indexes portal as part of a suite of portals for prices and price indexes. This webpage provides Canadians with a single point of access to a variety of statistics and measures related to producer prices.

The video "Producer Price Indexes" is available on the Statistics Canada Training Institute webpage. It provides an introduction to Statistics Canada's producer price indexes—what they are, how they are made and what they are used for.

Real-time table

Real-time table 18-10-0248-01 will be updated on October 13.

Next release

The industrial product and raw materials price indexes for September will be released on October 30.

Table 1
Industrial Product Price Index – Not seasonally adjusted

	Relative importance[1]	August 2019	July 2020[r]	August 2020[p]	July to August 2020	August 2019 to August 2020
	%	(2010=100)			% change	
Industrial Product Price Index (IPPI)	**100.00**	**117.5**	**114.5**	**114.8**	**0.3**	**-2.3**
IPPI excluding energy and petroleum products	**86.40**	**117.6**	**118.5**	**119.0**	**0.4**	**1.2**
Aggregation by commodities						
Meat, fish, and dairy products	7.21	132.1	130.1	130.2	0.1	-1.4
Fruit, vegetables, feed and other food products	7.53	115.4	116.8	117.0	0.2	1.4
Beverages (except juices)	1.92	110.4	110.4	110.3	-0.1	-0.1
Tobacco products	0.25	179.7	189.2	189.0	-0.1	5.2
Textile and leather products	0.57	111.5	113.6	113.2	-0.4	1.5
Clothing, footwear and accessories	0.51	109.4	110.3	110.1	-0.2	0.6
Chemicals and chemical products	8.46	107.6	104.8	105.9	1.0	-1.6
Plastic and rubber products	2.79	117.1	115.8	115.9	0.1	-1.0
Lumber and other wood products	2.27	123.9	127.2	130.1	2.3	5.0
Pulp and paper products	4.09	123.4	119.8	118.3	-1.3	-4.1
Energy and petroleum products	13.60	116.9	89.1	88.2	-1.0	-24.6
Primary ferrous metal products	3.32	112.5	110.3	108.6	-1.5	-3.5
Primary non-ferrous metal products	8.03	114.3	124.6	132.4	6.3	15.8
Fabricated metal products and construction materials	3.17	124.2	124.0	123.4	-0.5	-0.6
Motorized and recreational vehicles	17.23	119.1	120.0	119.0	-0.8	-0.1
Machinery and equipment	5.73	113.9	115.1	114.5	-0.5	0.5
Electrical, electronic, audiovisual and telecommunication products	4.69	111.6	112.0	110.8	-1.1	-0.7
Furniture and fixtures	1.49	115.3	116.0	115.9	-0.1	0.5
Cement, glass, and other non-metallic mineral products	2.34	115.5	116.1	116.1	0.0	0.5
Packaging materials and containers	2.38	124.4	123.0	122.6	-0.3	-1.4
Miscellaneous products	2.41	118.9	123.9	126.3	1.9	6.2

r revised
p preliminary
1. The relative importance is based on the annual 2010 values of production.
Source(s): Table **18-10-0029-01**.

Table 2
Raw Materials Price Index – Not seasonally adjusted

	Relative importance[1]	August 2019	July 2020[r]	August 2020[p]	July to August 2020	August 2019 to August 2020
	%	(2010=100)			% change	
Raw Materials Price Index (RMPI)	**100.00**	**104.3**	**93.4**	**96.4**	**3.2**	**-7.6**
RMPI excluding crude energy products	**51.83**	**112.7**	**114.7**	**119.5**	**4.2**	**6.0**
Crude energy products	48.17	95.1	70.4	71.4	1.4	-24.9
Crop products	8.68	123.7	127.8	127.4	-0.3	3.0
Animals and animal products	15.51	126.5	118.7	120.1	1.2	-5.1
Non-metallic minerals	1.85	113.5	115.2	115.4	0.2	1.7
Logs, pulpwood, natural rubber and other forestry products	2.84	121.6	115.9	117.1	1.0	-3.7
Metal ores, concentrates and scrap	22.96	98.2	106.9	116.8	9.3	18.9

r revised
p preliminary
1. The relative importance is based on the annual 2010 values of raw material inputs into production.
Source(s): Table **18-10-0034-01**.

Available tables: 18-10-0029-01 to 18-10-0032-01 and 18-10-0034-01.

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**).