



The Daily

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- **Canada's international transactions in securities, March 2002** 3
Foreign investors acquired \$3.7 billion of Canadian debt instruments in March while reducing their holdings of Canadian stocks by a similar amount.
- **Composite Index, April 2002** 6
The leading indicator registered a gain of 1.2% in April after a 1.3% increase in March, the best consecutive advances in nearly 20 years.

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Canadian economic observer May 2002

The May issue of Statistics Canada's flagship publication for economic statistics, *Canadian economic observer*, analyses current economic conditions, summarizes the major economic events that occurred in April and presents two feature articles — "Foreign affiliate trade statistics: How goods and services are delivered in international markets", and "Provincial GDP in 2001". A separate statistical summary contains a wide range of tables and graphs on the principal economic indicators for Canada, the provinces and the major industrial nations.

The May 2002 issue of *Canadian economic observer*, Vol. 15, no. 5 (11-010-XPB, \$23/\$227) is now available. Visit the *Canadian economic observer's* page on Statistics Canada's Web site (www.statcan.ca). From the *Canadian statistics* page, choose *Economic conditions*, and on that page see the banner ad for *Canadian economic observer*.

For more information, contact Francine Roy (613-951-3627; ceo@statcan.ca), Current Economic Analysis Group.



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NEW PRODUCTS

MAJOR RELEASES

Canada's international transactions in securities

March 2002

Foreign investors acquired \$3.7 billion of Canadian debt instruments in March while reducing their holdings of Canadian stocks by a similar amount.

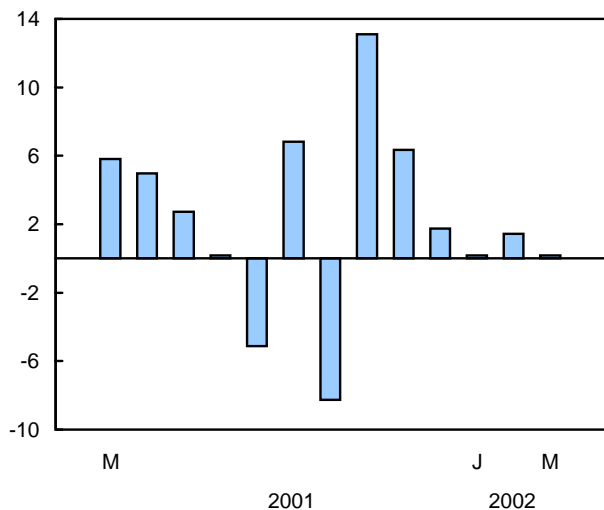
Meanwhile, Canadian investors added \$2.3 billion to their holdings of foreign stocks, mostly the result of the takeover of a Canadian company by a foreign company via a share exchange.

Foreign investors buy Canadian debt instruments but sell stocks

A resurgence of bond borrowing in foreign markets in March resulted in foreign investors, mainly Americans, increasing their holdings of Canadian bonds by \$2.4 billion. The increased investment went entirely to Canadian corporate bonds; there was negligible net activity in government bonds. As well, there was a lower than average level of retirements for a fourth consecutive month.

Foreign investment in Canadian securities¹

\$ billions



¹ Includes bonds, stocks and money market paper.

Foreign investors made their first significant investment in Canadian money market paper this year, adding \$1.2 billion to their holdings in March. The investment was made solely by European investors

Related market information

A 25 basis-point rise in Canadian short-term **interest rates** versus a much smaller rise in comparable US rates in March pushed up the differential to 51 basis points, further in favour of investing in Canada.

In March, a near half percentage point rise in both Canadian and US 10-year government bond rates caused the differential, which also favours investment in Canada, to decline marginally to 44 basis points.

Canadian **stock prices** (Standard and Poor's/TSX 300 composite index) closed 2.8% higher in March, following two months of negligible declines. In a similar pattern, American stock prices (Standard and Poor's Index) gained 3.7% in March erasing the declines recorded in January and February.

In March, the **Canadian dollar** closed almost a third of a cent higher against the US dollar (US 62.73 cents), about the same level as year-end 2001.

Definitions

The data series on international security transactions cover portfolio transactions in **stocks** and **bonds** (both Canadian and foreign issues) and Canadian **money market instruments (or paper)**.

Stocks include common and preferred equities, as well as warrants.

Debt securities include bonds and money market instruments.

Bonds have an original term to maturity of more than one year.

Money market instruments have an original term to maturity of one year or less. **Government of Canada paper** includes treasury bills and US-dollar Canada bills. **Other money market instruments** includes treasury bills and other paper issued by other Canadian governments or their enterprises, bankers' acceptances, bearer demand notes of banks, commercial paper and other short-term paper.

and was spread over paper of all issuing sectors with the exception of provincial paper. A 25 basis-point rise in Canadian short-term rates versus a much smaller rise in comparable US rates pushed up the differential to 51 basis points in March, further in favour of investing in Canada.

Foreign holdings of Canadian stocks dropped by \$3.5 billion in March, the largest decline in over a year. Foreign investors sold a significant \$2.6 billion of existing shares back to Canadians. Also contributing to the decline was the acquisition of a Canadian company whose shares, including those held by foreign portfolio investors, were exchanged for shares of the foreign acquiring company. In spite of this, Canadian stock prices (Standard and Poor's/TSX 300 composite index) closed 2.8% higher in March, following two months of small declines.

Canadian investors add to their holdings of foreign stocks

Canadians added a further \$2.3 billion to their holdings of foreign stocks in March. The takeover of a Canadian company mentioned earlier accounted for nearly two-thirds of the increase in stocks, as Canadian shareholders received shares in the foreign company. Residents also added a further \$0.9 billion to their holdings of existing foreign shares in the secondary market, 70% of which were in overseas shares.

After making a record investment in foreign bonds in February, Canadian holdings of foreign bonds remained virtually unchanged in March.

Available on CANSIM: tables 376-0018 to 376-0029 and 376-0042.

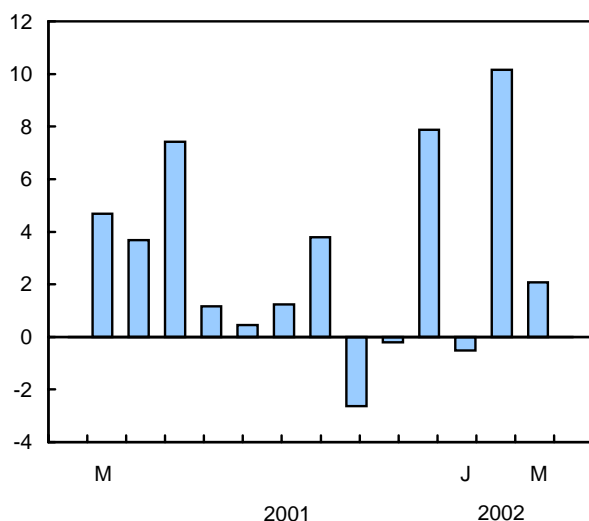
The March 2002 issue of *Canada's international transactions in securities* (67-002-XIB, \$14/\$132; 67-002-XPB, \$18/\$176) will be available in June. See *How to order products*.

For more information or to enquire about the concepts, methods or data quality of this release, please contact Donald Granger (613-951-1864), Balance of Payments Division. ☐

Canadian investment in foreign securities¹

\$ billions

Reverse of balance of payments signs



¹ Includes bonds and stocks.

Canada's international transactions in securities

	December 2001	January 2002	February 2002	March 2002	January to March 2001	January to March 2002
	\$ millions					
Foreign investment in Canadian securities	1,760	167	1,428	176	8,354	1,771
Bonds (net)	-1,984	-69	1,276	2,439	6,843	3,646
Outstanding	-1,540	-1,463	2,317	124	3,181	978
New issues	3,522	2,370	1,575	3,731	15,081	7,676
Retirements	-2,694	-1,599	-2,602	-1,705	-11,410	-5,905
Change in interest payable ¹	-1,272	622	-15	289	-9	897
Money market paper (net)	2,323	343	-282	1,244	-4,896	1,305
Government of Canada	1,202	-457	-162	450	-1,281	-169
Other	1,121	801	-120	794	-3,614	1,475
Stocks (net)	1,420	-108	435	-3,507	6,406	-3,180
Outstanding	-253	-123	646	-2,617	2,558	-2,094
Other transactions	1,673	15	-211	-890	3,848	-1,086
Canadian investment in foreign securities	-7,882	507	-10,159	-2,077	-14,937	-11,729
Bonds (net)	-3,236	1,186	-3,919	210	-1,039	-2,523
Stocks (net)	-4,646	-678	-6,240	-2,288	-13,898	-9,206

¹ Interest accrued less interest paid.

Note: A minus (-) sign indicates an outflow of money from Canada, i.e., a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.



Composite Index

April 2002

The leading indicator registered a gain of 1.2% in April after a 1.3% increase in March, the best consecutive advances in nearly 20 years. Nine of the ten components rose, one more than last month, while one component was unchanged. The sources of strength began to shift from final demand to manufacturing.

The housing index continued to grow in April (+0.8%), on top of the explosive growth it has posted in recent months. Sales of existing homes turned up after having fallen in the previous two months. Housing starts posted their lowest level of the year, as recent gains made due to warm weather may have been borrowed against building in the spring. A favourable underlying trend remains supported by vacancy rates, which fell to their lowest level in the past decade in April. Elsewhere, the trend of sales of durable goods remains strong.

The improvement of household and export demand at the turn of the year was felt by manufacturing, which turned up noticeably. The growth in shipments partly came from inventories, leading to the first increase in their ratio in 19 months. New orders for durable goods registered a second straight increase. However, manufacturers were not driven to increase their labour input, as the workweek was unchanged after rising in March.

The US leading indicator continued to grow steadily, up 0.5% in March, buoyed by financial markets. The money supply and the stock market rose, while in Canada these indicators slowed markedly. Meanwhile, although manufacturing growth picked up in Canada, it fell in the United States.

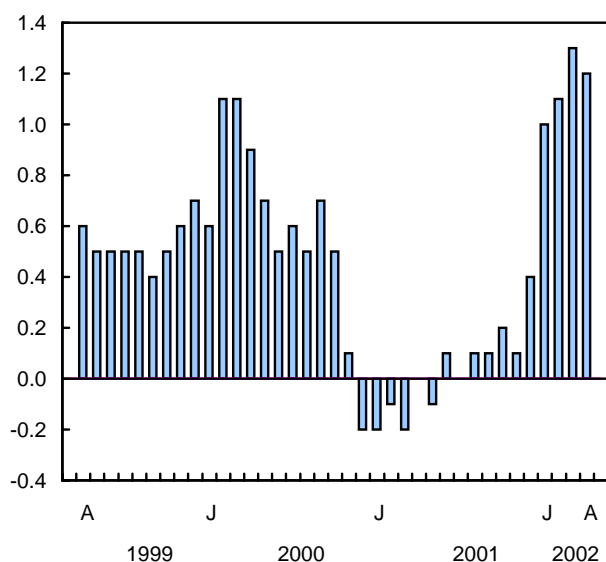
Available on CANSIM: table 377-0003.

For more information on the economy, the May 2002 issue of *Canadian economic observer* (11-010-XPB, \$23/\$227) is now available. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Francine Roy (613-951-3627), Current Economic Analysis Group. □

Composite Index

Smoothed % change



Composite Index

	November 2001	December 2001	January 2002	February 2002	March 2002	April 2002	Last month of data available % change
Composite leading indicator (1992=100)	166.8	167.4	169.0	170.9	173.1	175.2	1.2
Housing index (1992=100) ¹	112.4	115.9	121.8	126.8	130.2	131.2	0.8
Business and personal services employment ('000)	2,482	2,489	2,503	2,518	2,531	2,537	0.2
TSE 300 stock price index (1975=1,000)	7,248	7,248	7,297	7,457	7,650	7,697	0.6
Money supply, M1 (\$ millions, 1992) ²	100,671	102,837	105,099	106,661	107,268	107,563	0.3
U.S. composite leading indicator (1992=100) ³	107.7	107.9	108.2	108.7	109.3	109.9	0.5
Manufacturing							
Average workweek (hours)	39.0	38.9	38.9	38.9	39.0	39.0	0.0
New orders, durables (\$ millions, 1992) ⁴	21,100	20,500	20,274	20,074	20,084	20,315	1.2
Shipments/inventories of finished goods ⁴	1.67	1.65	1.65	1.64	1.64	1.67	0.03 ⁵
Retail trade							
Furniture and appliance sales (\$ millions, 1992) ⁴	1,629	1,639	1,651	1,674	1,702	1,730	1.7
Other durable goods sales (\$ millions, 1992) ⁴	7,149	7,156	7,230	7,343	7,493	7,686	2.6
Unsmoothed composite	167.5	170.2	174.8	175.7	177.3	178.1	0.5

¹ Composite Index of housing starts (units) and house sales (multiple listing service).

² Deflated by the Consumer Price Index for all items.

³ The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for the month immediately preceding.

⁴ The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for two preceding months.

⁵ Difference from previous month.



OTHER RELEASES

Deliveries of major grains

April 2002

Data on April grain deliveries are now available.

Available on CANSIM: table 001-0001.

The April 2002 issue of *Cereals and oilseeds review* (22-007-XIB, \$11/\$112; 22-007-XPB, \$15/\$149), will be available in July. See *How to order products*.

For further information, or to enquire about the concepts, methods or data quality of this release, contact Susan Anderson (613-951-3859; sue.anderson@statcan.ca) Grain Marketing Unit, Agriculture Division. ■

The trend to smaller producers in manufacturing: A Canada/U.S. comparison

The trend to smaller producers in manufacturing: A Canada/U.S. comparison, released today, analyzes the importance of small producers in the Canadian manufacturing sector over the last quarter of a century. It examines whether there has been a radical shift in the ability of small firms to compete with large producers that is leading to the decline of large businesses and the growth of smaller businesses.

During the 1970s and 1980s, small Canadian manufacturing plants increased their share of employment, according to the study. But the 1990s saw an end to this trend. The employment share of smaller plants in the manufacturing sector has been relatively stable in the 1990s.

The study found that small Canadian plants increased their share of output, during the 1970s and 1980s, but did so only weakly. And during the 1990s, their share of output in small manufacturing plants began to fall. Together, the evidence on both employment and output suggests that the era of increasing importance of small producers, at least in manufacturing, came to an end in the early 1990s.

The relative labour productivity of small Canadian plants fell during the 1970s and 1980s as their share

of output increased at a slower rate than did their employment share. In the 1990s, their relative labour productivity continued to fall. Small plants continued to fall behind large plants either because they were less capital intensive or because they were less efficient. Small plants may have increased their share of employment, but this growth dragged down the growth rate of aggregate labour productivity in the manufacturing sector as a whole.

The study examined whether there is a difference between the importance of small plants in the manufacturing sectors of Canada and the United States. It found that Canada has a larger proportion of employment in small plants than does the United States. But the trend to a higher employment share in smaller plants over the last quarter century has been similar in the two countries.

The study also examined whether there has been a similar trend in the declining relative productivity of smaller manufacturing plants in the two countries. If the relative productivity of Canadian small plants fell more than that of the smaller plants in the United States, this phenomenon might explain the growing gap in Canada/US labour productivity.

According to the paper, both countries have experienced a decline in the productivity of small plants relative to large plants and the magnitude of the decline is about the same in each. The similarities in this area suggest that it is commonalities in the technological environment that are driving the changing relative productivity of small and large plants, rather than country-specific factors, such as unionization or differences in trade intensities.

The research paper *The trend to smaller producers in manufacturing: A Canada/U.S. comparison*, (11F0027MIE) no. 3, is now available on Statistics Canada's Web site (www.statcan.ca). Select *products and services*, choose *research papers* (free), then *national accounts*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588), Micro-economic Analysis Division. ■

NEW PRODUCTS

**The trend to smaller producers in manufacturing:
A Canada/U.S. comparison**
Catalogue number 11F0027MIE2002003
(free).

Canadian economic observer, May 2002, Vol. 15,
no. 5
Catalogue number 11-010-XPB (\$23/\$227).

Radio and television broadcasting, 2000
Catalogue number 56-204-XIE (\$32).

Wholesale trade, March 2002, Vol. 65, no. 3
Catalogue number 63-008-XIB (\$14/\$140).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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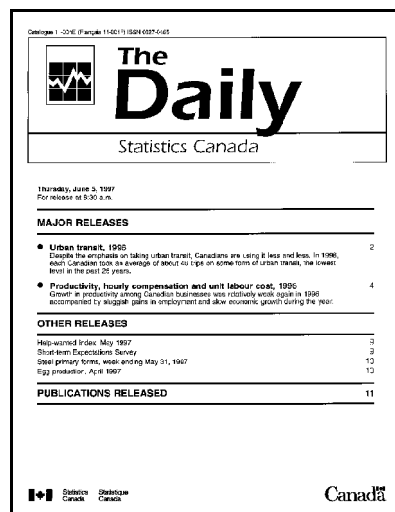
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