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Canadian Economic Observer

September 2005

The September 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 August and presents the feature article "Long-run cycles in business investment." 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 September issue of *Canadian Economic Observer*, Vol. 18, no. 9 (11-010-XIB, \$19/\$182) is now available. See *How to order products*.

Visit *Canadian Economic Observer's* page online. From the *Canadian Statistics* page, choose *National Accounts*, then click on the banner ad for *Canadian Economic Observer*.

For more information, contact Cyndi Bloskie (613-951-3634; ceo@statcan.ca), Current Economic Analysis Group.



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Releases

Canada's international investment position

Second quarter 2005

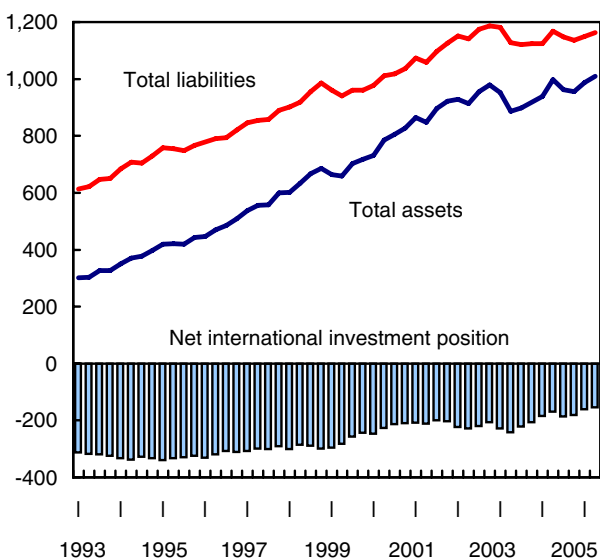
Canadians' net liabilities to non-residents fell to its lowest level in more than two decades during the second quarter, as the nation's assets abroad surpassed the \$1-trillion mark for the first time.

Canada's net external liabilities (the difference between its external assets and foreign liabilities) hit \$153.8 billion, down \$7.1 billion from the level at the end of the first quarter. These net external liabilities have tumbled by more than 15% from \$181.1 billion at the end of 2004.

The decline in net external liabilities was largely attributable to a 2.1% increase in the value of international assets, which hit \$1,009.1 billion. This was the first time Canada's assets abroad exceeded one trillion dollars.

Canada's international investment position

\$ billions



On the liability side, increases in foreign direct investment in Canada and in bank deposits led to a 1.2% rise in Canada's international liabilities to \$1,162.9 billion.

As a result, net external liabilities at the end of June represented 11.4% of Canada's gross domestic product, down from 12.1% at the end of March. This ratio has

New series on foreign money market instruments

The portfolio investment in foreign securities (Canada's assets) has been expanded to include foreign money market instruments. The new series begins in the first quarter of 2002. These instruments were previously included with assets under "Other investment" where they remain for periods prior to the first quarter of 2002.

Additional estimates at market value

As of the first quarter of 2005, total portfolio investment (equities, bonds and money market instruments) are available at market value. These additional series are part of a multi-year initiative to improve the balance sheet information for all sectors of the economy. The following analysis focuses on the book value series however, and this practice will continue until a full set of market value estimates becomes available.

Market value estimates of foreign direct investment series will be available in June 2006. Methods to best measure market value for foreign direct investment are under review at the international level. Recommendations from direct investment experts, which will be available later this year, will serve as a guide to define Canada's methodology.

Currency valuation

The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of our international liabilities are in foreign currencies.

When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

steadily decreased since the 20.1% observed only two years ago.

During the second quarter, the Canadian dollar lost ground against the US dollar but made gains against the other major currencies.

Assets: Big jumps in Canadian direct investment abroad and in holdings of foreign bonds

Canadian direct investment abroad reached \$462.0 billion at the end of June, up \$9.4 billion from the end of March. This increase came mostly from long term capital injections and reinvested earnings in existing subsidiaries abroad.

Canadian direct investment in the United States rose to \$213.3 billion, representing more than 46% of total Canadian direct investment abroad.

Canadian holdings of foreign bonds surged almost 8% to \$67.8 billion, the highest value on record. Canadians bought \$4.8 billion worth of foreign bonds

during the second quarter, an active quarter for this type of instrument. Almost all the increase was directed to US bonds.

Canadian holdings of foreign bonds have more than doubled since the beginning of the century, an indication that Canadian investors are taking more and more interest in foreign bonds, mostly American.

Canadian holdings of foreign stocks remained largely unchanged at \$185.6 billion at the end of June, as net acquisitions of foreign stocks in the second quarter were offset by exchange rate related valuation declines.

Canadian holdings of US stocks rose \$3.7 billion to \$99.6 billion at the end of June. During that time, the S&P 500 gained about 1%.

Canada's international reserves fell to \$41.8 billion, a \$1.3-billion decline from the previous quarter. At the same time, the deposit assets of Canadians increased \$6.5 billion to a record \$128.9 billion.

Liabilities: Record high foreign direct investment in Canada

Foreign direct investment in Canada, which represents about one-third of total liabilities, went up \$5.2 billion to a record \$376.7 billion. Foreign direct investors increased their investment position in Canada mainly through acquisitions and reinvested earnings in existing subsidiaries.

Foreign direct investment from the United States rose to \$244.3 billion, which accounted for nearly two-thirds of total foreign direct investment in Canada.

For a third consecutive quarter, foreign holdings of Canadian securities (bonds, shares and money market instruments) increased slightly during the second quarter. They totalled \$535.8 billion, up \$1.5 billion.

There was little variation in each type of security individually. Foreign holdings of Canadian bonds reached \$406.6 billion, up \$1.4 billion from the end of March. Foreign holdings of Canadian money market paper increased \$1.1 billion to \$19.7 billion.

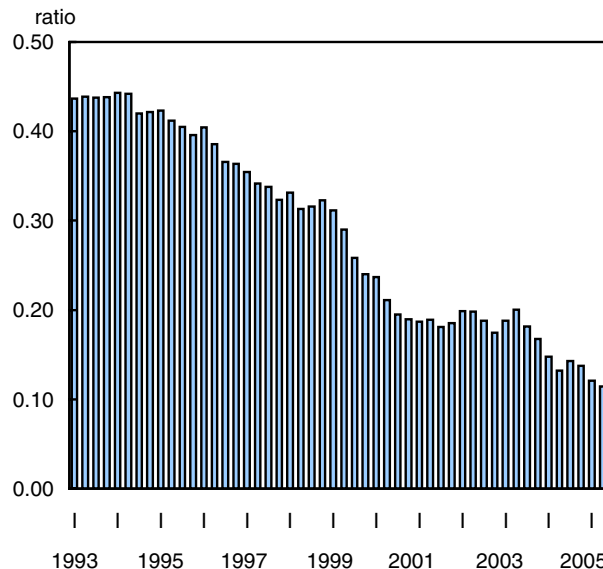
Foreign investors sold Canadian shares during the second quarter. At the end of June, they held \$109.5 billion worth of shares, down \$1.0 billion.

While the position of Canadian shares held abroad declined, the S&P/TSX composite index, which

represents the performance of the Canadian stock market, gained over 3% during that time.

Finally, Canadian deposit liabilities to non-residents increased \$6.0 billion to \$181.2 billion.

Canada's net international liability to gross domestic product



The second quarter issue of *Canada's International Investment Position* (67-202-XIE, \$23/\$51) will be available soon.

Available on CANSIM: tables 376-0055 to 376-0057 and 376-0059.

Definitions, data sources and methods: survey number 1537.

For general information, contact Client Services (613-951-1855; infobalance@statcan.ca). To enquire about the methods, concepts or data quality of this release, contact Christian Lajule (613-951-2062) or Éric Simard (613-951-7244), Balance of Payments Division.

□

Canada's international investment position at period-end

| | Fourth quarter 2002 | Fourth quarter 2003 | Fourth quarter 2004 | First quarter 2005 | Second quarter 2005 |
|--|---------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
| | \$ billions | | | | |
| Assets | | | | | |
| Canadian direct investment abroad | 433.4 | 403.4 | 445.1 | 452.6 | 462.0 |
| Portfolio investment abroad | | | | | |
| Foreign bonds | 43.9 | 45.1 | 57.5 | 62.9 | 67.8 |
| Foreign bonds at market value | 46.1 | 48.3 | 61.9 | 67.5 | 74.6 |
| Foreign stocks | 215.5 | 194.9 | 186.7 | 185.7 | 185.6 |
| Foreign stocks at market value | 319.4 | 352.3 | 368.9 | 367.3 | 375.7 |
| Foreign money market | 9.1 | 11.0 | 11.1 | 11.0 | 12.2 |
| Foreign money market at market value | 9.1 | 11.0 | 11.1 | 11.0 | 12.2 |
| Other investment | | | | | |
| Loans | 71.7 | 58.4 | 56.0 | 59.3 | 57.8 |
| Allowances | -11.9 | -11.6 | -10.9 | -10.8 | -10.9 |
| Deposits | 102.7 | 109.9 | 112.5 | 122.4 | 128.9 |
| Official international reserves | 56.2 | 45.7 | 40.3 | 43.1 | 41.8 |
| Other assets | 58.8 | 61.4 | 57.2 | 61.5 | 63.9 |
| Total assets | | | | | |
| at book value | 979.4 | 918.2 | 955.4 | 987.8 | 1,009.1 |
| with portfolio investment at market value | 1,085.5 | 1,078.8 | 1,142.2 | 1,173.9 | 1,206.0 |
| Liabilities | | | | | |
| Foreign direct investment in Canada | 354.1 | 354.5 | 365.7 | 371.5 | 376.7 |
| Portfolio investment | | | | | |
| Canadian bonds | 450.0 | 405.7 | 405.1 | 405.2 | 406.6 |
| Canadian bonds at market value | 483.2 | 436.2 | 437.7 | 437.2 | 447.8 |
| Canadian stocks | 80.7 | 83.3 | 108.6 | 110.5 | 109.5 |
| Canadian stocks at market value | 132.3 | 181.6 | 242.3 | 256.7 | 262.0 |
| Canadian money market | 25.2 | 21.4 | 19.6 | 18.6 | 19.7 |
| Canadian money market at market value | 25.2 | 21.5 | 19.7 | 18.7 | 19.8 |
| Other investment | | | | | |
| Loans | 59.0 | 54.5 | 39.7 | 45.5 | 47.0 |
| Deposits | 195.0 | 183.1 | 176.0 | 175.2 | 181.2 |
| Other liabilities | 22.3 | 21.9 | 21.9 | 22.2 | 22.2 |
| Total liabilities | | | | | |
| at book value | 1,186.3 | 1,124.4 | 1,136.6 | 1,148.8 | 1,162.9 |
| with portfolio investment at market value | 1,271.1 | 1,253.3 | 1,303.0 | 1,327.0 | 1,356.7 |
| Net international investment position | | | | | |
| at book value | -206.9 | -206.2 | -181.1 | -160.9 | -153.8 |
| with portfolio investment at market value | -185.6 | -174.5 | -160.8 | -153.1 | -150.7 |

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New motor vehicle sales

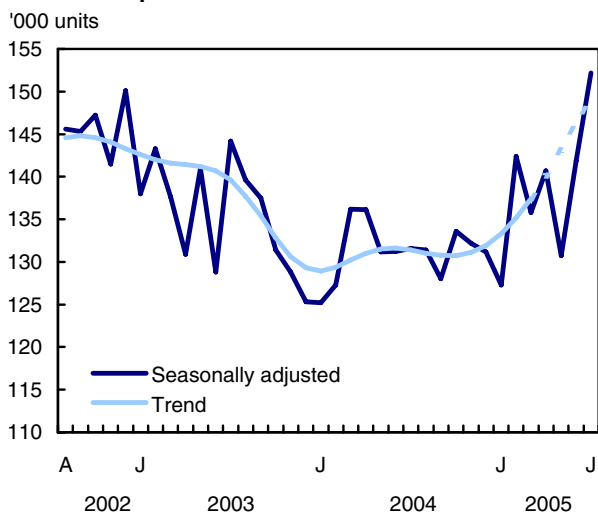
July 2005

Incentives propelled demand for new trucks (including minivans, sport-utility vehicles, light and heavy trucks, vans and buses) and boosted overall sales of new motor vehicles by 7.3% in July, following an 8.5% increase in June. Overall, consumers purchased a record high 152,229 new motor vehicles in July.

According to the Consumer Price Index, the financial incentives offered to the general public (notably the discount packages usually reserved for employees) resulted in a sizable 1.7% decline in the price paid for new vehicles in July.

Despite strong monthly fluctuations, new motor vehicle sales have charted an upward movement since the start of 2005. In 2004, new motor vehicle sales remained relatively stable, after a string of increases at the start of the year.

Record number of new motor vehicles sold over a one month period



The last few points could be subject to revisions when more data are added. This is indicated by the dashed line.

Based on preliminary figures from the auto industry, the number of new motor vehicles sold in August declined approximately 6%, with the decrease attributable to truck sales.

More trucks than cars sold

Truck sales surged 11.3% in July whereas car sales increased by only 3.6%. As a result, truck sales topped car sales for the first time in over seven years by capturing 50.4% of the overall new motor vehicle sales.

Note to readers

All data in this release are seasonally adjusted.

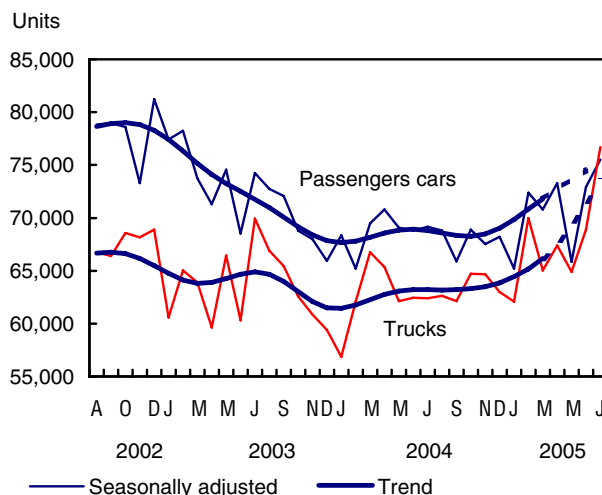
Passenger cars include those used for personal and commercial purposes, such as taxis or rental cars. **Trucks** include minivans, sport-utility vehicles, light and heavy trucks, vans and buses.

North American-built new motor vehicles include vehicles manufactured or assembled in Canada, the United States or Mexico. All other new motor vehicles are considered to have been manufactured overseas.

For reasons of confidentiality, data for Yukon, the Northwest Territories and Nunavut are included with those for British Columbia.

The New Motor Vehicle Sales Survey is compiled on the basis of figures obtained from motor vehicle manufacturers and importers. These results may vary from those obtained directly from auto dealers, due to possible differences in record keeping.

Trucks overtake cars



The incentives offered by some automakers, notably employee discount packages made available to the general public, led consumers to buy more trucks. Given the higher average price of trucks, these offers could have given consumers an opportunity to access this category of vehicles. Also, these generous incentives were offered by automakers who account for most of the market for trucks. In all, 76,694 new trucks were sold, the highest monthly figure since December 1997.

The 3.6% rise in passenger car sales to 75,534 units was mainly attributable to overseas-built cars. Their sales climbed 8.8% in July compared to 1.1% for North American-built cars. Overseas-built cars accounted for one-third of all passenger cars sold in Canada.

Since the start of 2005, sales of both cars and trucks have maintained an upward trend despite major fluctuations. At the start of 2004, sales registered sizable gains, then remained relatively stable, in contrast with the steep declines in the second half of 2003.

Sales up in all provinces

The number of new motor vehicles sold advanced in all provinces in July, with gains ranging from 0.8% in Quebec to 16.7% in Manitoba. This was a second consecutive increase for every province except Newfoundland and Labrador, where sales were almost unchanged in June.

Ontario (+10.2%) accounted for more than half of the national increase, followed by Alberta (+11.5%), which reported one-fifth of the increase.

Quebec, where sales advanced the least in July (+0.8%), is also the province with the smallest proportion of trucks in the motor vehicle population. For the last

five years, trucks have on average accounted for 35.3% of all new vehicles sold in Quebec, whereas the national average was 46.6%. This could, at least in part, explain the modest gain registered in the province in July.

Available on CANSIM: tables 079-0001 and 079-0002.

Definitions, data sources and methods: survey number 2402.

The July issue of *New Motor Vehicle Sales* (63-007-XIE, \$14/\$133) will be available soon.

Data on new motor vehicle sales for August will be released on October 14.

For general information or to order data, contact Client Services (1-877-421-3067; 613-951-3549; retailinfo@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Cl rance Kimanyi (613-951-6363), Distributive Trades Division.

□

New motor vehicle sales

| | July 2004 | June 2005 ^r | July 2005 ^p | July 2004 to July 2005 | June to July 2005 |
|-------------------------------|--------------------|---------------------------|---------------------------|------------------------------------|----------------------------|
| seasonally adjusted | | | | | |
| | number of vehicles | | | % change | |
| New motor vehicles | 131,584 | 141,846 | 152,229 | 15.7 | 7.3 |
| Passenger cars | 69,166 | 72,943 | 75,534 | 9.2 | 3.6 |
| North American ¹ | 46,246 | 49,494 | 50,017 | 8.2 | 1.1 |
| Overseas | 22,920 | 23,449 | 25,518 | 11.3 | 8.8 |
| Trucks, vans and buses | 62,418 | 68,903 | 76,694 | 22.9 | 11.3 |
| New motor vehicles | | | | | |
| Newfoundland and Labrador | 1,866 | 2,094 | 2,273 | 21.8 | 8.5 |
| Prince Edward Island | 388 | 424 | 437 | 12.6 | 3.1 |
| Nova Scotia | 3,762 | 3,881 | 4,183 | 11.2 | 7.8 |
| New Brunswick | 2,923 | 2,898 | 3,355 | 14.8 | 15.8 |
| Quebec | 34,007 | 36,070 | 36,372 | 7.0 | 0.8 |
| Ontario | 50,012 | 53,249 | 58,666 | 17.3 | 10.2 |
| Manitoba | 3,711 | 4,041 | 4,717 | 27.1 | 16.7 |
| Saskatchewan | 3,260 | 3,604 | 4,098 | 25.7 | 13.7 |
| Alberta | 16,169 | 19,285 | 21,498 | 33.0 | 11.5 |
| British Columbia ² | 15,486 | 16,300 | 16,631 | 7.4 | 2.0 |
| | July 2004 | June 2005 ^r | July 2005 ^p | July 2004 to July 2005 | |
| Unadjusted | | | | | |
| | number of vehicles | | | % change | |
| New motor vehicles | 136,563 | 166,024 | 158,796 | 16.3 | |
| Passenger cars | 72,570 | 85,599 | 80,412 | 10.8 | |
| North American ¹ | 47,867 | 57,953 | 53,318 | 11.4 | |
| Overseas | 24,703 | 27,646 | 27,094 | 9.7 | |
| Trucks, vans and buses | 63,993 | 80,425 | 78,384 | 22.5 | |
| New motor vehicles | | | | | |
| Newfoundland and Labrador | 2,236 | 2,865 | 2,725 | 21.9 | |
| Prince Edward Island | 485 | 553 | 569 | 17.3 | |
| Nova Scotia | 3,955 | 4,916 | 4,614 | 16.7 | |
| New Brunswick | 3,038 | 3,682 | 3,627 | 19.4 | |
| Quebec | 37,250 | 43,267 | 39,113 | 5.0 | |
| Ontario | 50,826 | 62,037 | 59,562 | 17.2 | |
| Manitoba | 3,875 | 4,552 | 5,012 | 29.3 | |
| Saskatchewan | 3,279 | 3,784 | 4,238 | 29.2 | |
| Alberta | 15,373 | 21,327 | 21,334 | 38.8 | |
| British Columbia ² | 16,246 | 19,041 | 18,002 | 10.8 | |

^r Revised

^p Preliminary figures.

1. Manufactured or assembled in Canada, the United States or Mexico.

2. Includes Yukon, the Northwest Territories and Nunavut.

Refined petroleum products

July 2005 (preliminary)

Data on the production inventories and domestic sales of refined petroleum products are now available for July. Other selected data about these products are also available.

Definitions, data sources and methods: survey number 2150.

For more information or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (613-951-9497 or toll free 1-866-873-8789; energy@statcan.ca), Manufacturing, Construction and Energy Division. ■

Steel pipe and tubing

July 2005

Data on the production and shipments of steel pipe and tubing are now available for July.

Available on CANSIM: table 303-0046.

Definitions, data sources and methods: survey number 2105.

The July issue of *Steel, Tubular Products and Steel Wire* (41-019-XIE, \$6/\$51) will soon be available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (1-866-873-8789; 613-951-9497; manufact@statcan.ca) Manufacturing, Construction and Energy Division. ■

Industrial chemicals and synthetic resins

July 2005

Data on industrial chemicals and synthetic resins are now available for July.

Available on CANSIM: table 303-0014.

Definitions, data sources and methods: survey number 2183.

The July issue of *Industrial Chemicals and Synthetic Resins*, Vol. 48, no. 7 (46-002-XIE, \$6/\$51) 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 the dissemination officer (1-866-873-8789; 613-951-9497; manufact@statcan.ca), Manufacturing, Construction and Energy Division. ■

New products

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Industrial Chemicals and Synthetic Resins,
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Imports by Commodity, July 2005, Vol. 62, no. 7
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
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