



# The Daily

Statistics Canada

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## Releases

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<p>Canadians bought \$2.6 billion worth of foreign securities in September, bringing the total purchases of the first three quarters to a record \$61.6 billion. Meanwhile, foreign investors reversed the heavy investment trend since January 2006, reducing their holdings of Canadian securities by \$3.1 billion in September.</p>	
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## Releases

### Canada's international transactions in securities

September 2006

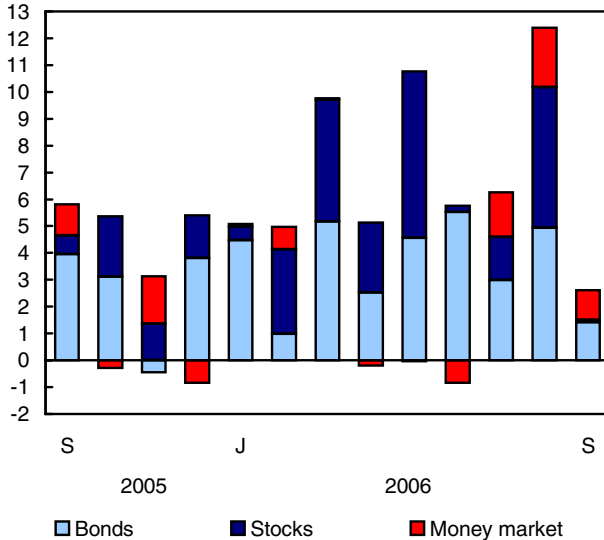
Canadians bought \$2.6 billion worth of foreign securities in September, almost entirely foreign debt instruments. Although this was a significant slow down from a near-record \$12.4 billion purchase in August, total purchases of foreign securities for the first nine months of this year have hit a record \$61.6 billion, just short of the annual high of \$63.9 billion posted in 2000.

Meanwhile, foreign investors reduced their holdings of Canadian securities by \$3.1 billion in September, mostly equities. This was a reversal of the heavy investment since January 2006.

#### Canadian portfolio investment in foreign securities

\$ billions

Reverse of balance of payments signs



#### Record purchase of non-US bonds

Canadian purchases of foreign bonds remained robust in September, totalling \$1.4 billion. Following a record purchase of \$12.6 billion in the second quarter, the third quarter posted a strong \$9.3 billion purchase as well.

A \$3.1 billion record purchase of non-US bonds over the month more than offset a \$1.7 billion sell-off of US bonds, mainly US government treasuries. The first three

#### Related market information

In September, Canadian short-term **interest rates** edged up by 2 basis points to 4.15% while US rates dropped by 15 basis points to 4.81%. With rates still favouring investment in the United States, the resulting differential narrowed to 66 basis points.

Both Canadian and US long-term rates declined, by 14 and 16 basis points respectively in September. With Canadian rates at 3.98% and US rates at 4.60%, the resulting differential decreased to 0.62% in favour of investment in the United States, down from 0.64% in August.

Canadian **stock prices** dropped 2.6% in September with the S&P/TSX Composite index ending the month at 11,761.3. Meanwhile, US stock prices increased for the fourth straight month with the Standard and Poor's Composite Index finishing at 1,335.9, a gain of 2.5% from August.

The **Canadian dollar** rose marginally in September by 0.17 US cents ending the month at 89.59 US cents.

#### Definitions

The data series on international security transactions cover portfolio transactions in stocks, bonds and money market instruments for both Canadian and foreign issues.

**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.

quarters saw Canadians buy \$18.0 billion of non-US bonds. This has more than doubled the \$8.4 billion record annual amount bought in 2005.

#### Record quarter for foreign money market paper

Canadians invested \$1.1 billion in foreign money market paper in September. This was the third consecutive month of strong purchases for these instruments leading to a record third quarter investment of \$5.0 billion. September's acquisitions were almost equally split between US paper and other foreign paper.

#### Big drop in purchases of foreign stocks

Canadians held back on further investments in foreign shares in September. Purchases plunged from \$5.2 billion in August to \$98 million in September. Nevertheless, Canadian acquisitions of foreign shares

have been strong this year, totalling \$24.2 billion over the first three quarters.

### European investors sell outstanding Canadian shares

Non-residents sold off \$2.7 billion worth of Canadian shares in September, after net purchases totalling \$1.7 billion over the two previous months. September's divestment was entirely in outstanding Canadian stocks. Shares of Canadian mining, oil and gas firms topped the sell-off list.

Investors from European Union countries and the United States sold off \$4.0 billion and \$732 million worth of Canadian shares respectively. Meanwhile, these amounts were partially offset by a surge in purchases by investors from other overseas countries, totalling \$2.0 billion.

### Second small decline for Canadian bonds

For a second consecutive month, foreign investors decreased their holdings of Canadian bonds. The \$664 million reduction in foreign holdings of these bonds in September was smaller than the \$981 million divestiture in August.

On a sector basis, foreign holdings of Government of Canada bonds fell \$3.3 billion, largely due to retirements. Meanwhile, foreign investors acquired \$3.2 billion of new issues of federal enterprise bonds. In addition, non-residents sold \$729 million worth of Canadian corporate bonds.

On a regional basis, \$1.3 billion worth of Canadian bonds were sold back by European investors. This was partially offset as Asian and American investors bought Canadian bonds. Currency-wise, new bonds sold abroad contributed to an increase of \$618 million in holdings of bonds denominated in foreign currencies, mainly US-dollar. Retirements lead the overall reduction of \$1.3 billion in holdings of bonds denominated in Canadian dollars.

### Purchases of Canadian money market paper slow

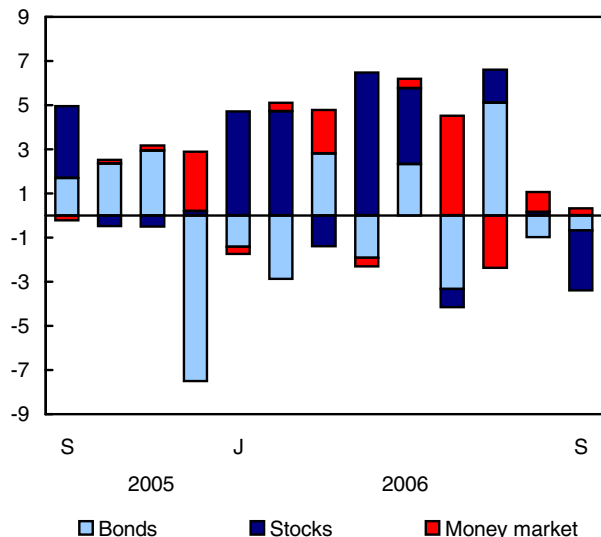
In September, non-residents acquired \$334 million worth of Canadian money market paper, a slow down from the \$915 million purchased the month before.

With the \$181 million purchase of federal treasury bills offsetting a sell-off of provincial government paper,

foreign acquisitions over the month were concentrated in Canadian commercial paper. Geographically, American and British investors were responsible for the buying as other non-residents sold some of their holdings.

### Foreign portfolio investment in Canadian securities

\$ billions



Available on CANSIM: tables 376-0018 to 376-0029, 376-0042, 376-0058 and 376-0063.

Definitions, data sources and methods: survey number 1535.

The September 2006 issue of *Canada's International Transactions in Securities* (67-002-XIE, free) will soon be available.

Data on Canada's international transactions in securities for October will be released on December 18.

For general information or to order data, contact Client Services (613-951-1855; [infobalance@statcan.ca](mailto:infobalance@statcan.ca).) To enquire about the concepts, methods or data quality of this release, contact Yiling Zhang (613-951-1864), Balance of Payments Division.

□

**Canada's international transactions in securities**

	June 2006	July 2006	August 2006	September 2006	January to September 2005	January to September 2006
\$ millions						
<b>Foreign investment in Canadian securities</b>	<b>359</b>	<b>4,215</b>	<b>83</b>	<b>-3,077</b>	<b>8,391</b>	<b>20,477</b>
<b>Bonds (net)</b>	-3,336	5,109	-981	-664	1,029	-957
Outstanding	-1,345	884	-1,240	-324	1,306	1,332
New issues	3,886	5,373	1,472	3,363	26,129	25,512
Retirements	-4,704	-1,432	-2,001	-3,421	-27,362	-28,600
Change in interest payable <sup>1</sup>	-1,174	284	787	-282	956	798
<b>Money market paper (net)</b>	4,531	-2,400	915	334	-2,583	5,412
Government of Canada	3,419	-1,362	656	181	-49	4,085
Other	1,112	-1,038	259	153	-2,534	1,327
<b>Stocks (net)</b>	-835	1,506	149	-2,746	9,945	16,022
Outstanding	-1,097	1,558	370	-2,940	6,605	17,448
Other transactions	262	-52	-221	194	3,340	-1,426
<b>Canadian investment in foreign securities</b>	<b>-4,902</b>	<b>-6,262</b>	<b>-12,401</b>	<b>-2,612</b>	<b>-39,355</b>	<b>-61,620</b>
Bonds (net)	-5,524	-2,989	-4,939	-1,406	-21,119	-32,550
Stocks (net)	-242	-1,609	-5,231	-98	-16,761	-24,191
Money market paper (net)	864	-1,664	-2,231	-1,108	-1,476	-4,878

1. Interest accrued less interest paid.

**Note:** A minus sign indicates an outflow of money from Canada, that is, a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.



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## Current economic conditions

There are increasing signs that the recent slowdown in the economy is, at least temporarily, coming to an end. Both gross domestic product (GDP) and employment posted back-to-back monthly gains after several months of little change.

Commodity prices rebounded in October, with metals setting new highs while energy firmed. This helped the stock market rally for the third time in four months, offsetting most of its losses in the spring.

The upturn in commodity and stock market prices did not prevent the exchange rate from easing slightly, providing some relief to the beleaguered manufacturing industry.

Wholesale and retail trade led the upturn in output over the summer. Some of the gains posted by these sectors may reflect a delay of purchases until after the cut in the GST, which would explain part of the weakness in demand in the spring and the subsequent rebound after July 1. Other sectors, notably mining, also rebounded sharply over the summer.

The housing market in Canada remained at a plateau near its recent highs. This was in marked contrast with the United States, where a fourth straight drop in housing was the major reason behind the slowdown in GDP growth in the third quarter.

Shortages of skilled and unskilled labour persisted in Western Canada, according to the October Business Conditions Survey. However, the real shift was in the Atlantic provinces where nearly a quarter reported shortages of skilled labour and over 10% experienced a shortfall of unskilled labour. These were more than double the number a year earlier in the case of Prince Edward Island and Nova Scotia, and quadruple in Newfoundland and Labrador.

This shift reflects the outright drop in the population of the Atlantic provinces in the past year, as people moved to Western Canada. Moreover, labour force participation rates fell in three of the four Atlantic provinces (Newfoundland and Labrador was the exception).

House construction in Quebec also continued to slow. Together with a dip in non-residential building, this dampened shipments of capital goods. Wood and paper shipments also fell again in August, bringing their losses so far this year to 15% each. Still, the overall value of manufacturing shipments has risen almost 3% to date in 2006, driven by gains of over \$250 million in both primary metals and petroleum refining.

Higher prices and substantial investments in aluminum and gasoline refining have doubled the share of these two industries in Quebec manufacturing from 13% in 1999 to 26% in August 2006. This offset a decline of 11 points in the share of the forestry and clothing-related sectors.

**Definitions, data sources and methods: survey numbers, including related surveys, 1301, 1901, 2152, 2306, 2406 and 3701.**

The print version of the November 2006 issue of *Canadian Economic Observer*, Vol. 19, no. 11 (11-010-XPB, \$25/\$243) is now available. See *How to order products*. This issue summarizes the major economic events that occurred in October and presents an article entitled "The changing composition of the merchandise trade surplus".

For more information, or to enquire about the concepts, methods or data quality of this release, contact Philip Cross (613-951-9162; [ceo@statcan.ca](mailto:ceo@statcan.ca)), Current Economic Analysis Group. ■

## Machinery and equipment price indexes

Third quarter 2006

The Machinery and Equipment Price Index (MEPI) stood at 89.8 (1997=100) in the third quarter, down 0.2% from the previous quarter. The import component index declined 0.5%, while the domestic series registered no index movement. The total MEPI was down 3.9% compared to the third quarter of 2005. The import index fell 5.7% compared with the same quarter a year earlier, while the domestic index declined 0.8%.

Across industries, lower prices for machinery and equipment purchased by services industries contributed most to the decline in the MEPI in the third quarter. Lower indexes in these industries were observed, notably in finance, insurance and real estate and other services excluding public administration. Indexes for most goods producing industries increased slightly, but not by enough to offset declines in the service sector. Also, the change in the GST rate from 7% to 6% in July 2006 is reflected in the index calculations. The service sector was affected more by the tax change than the goods producing sector. This occurred because service industries recover less in GST rebates and consequently have a higher effective tax rate.

Among commodities, price decreases for automobiles, excluding passenger vans (-3.8%), trucks, road tractors and chassis (-3.1%) and computers and peripherals equipment such as terminals, printers and storage devices (-3.7%) influenced a lower total index.

The US dollar depreciated very slightly (-0.1%) against its Canadian counterpart in the third quarter of 2006, ending a run of four consecutive quarters of significant declines in value. The influence of the exchange rate on the import index was lessened as a result.

Available on CANSIM: tables 327-0041 and 327-0042.

Definitions, data sources and methods: survey number 2312.

The third quarter 2006 issue of *Capital Expenditure Price Statistics* (62-007-XIE, free) will be available in January.

For more information, or to enquire about the concepts, methods or data quality of this release, call Client Services Unit (613-951-9606 or toll-free 1-866-230-2248; fax: 613-951-1539; [prices-prix@statcan.ca](mailto:prices-prix@statcan.ca)) or Adrian Fisher (613-951-9612), Prices Division.

### Machinery and equipment price indexes (1997=100)

Industries	Relative importance	Third quarter 2006 <sup>P</sup>	Second to third quarter 2006	Third quarter 2005 to third quarter 2006
% change				
<b>Total Machinery and Equipment Price Index</b>	<b>100.00</b>	<b>89.8</b>	<b>-0.2</b>	<b>-3.9</b>
<b>Domestic</b>	<b>32.03</b>	<b>104.6</b>	<b>0.0</b>	<b>-0.8</b>
<b>Imported</b>	<b>67.97</b>	<b>82.8</b>	<b>-0.5</b>	<b>-5.7</b>
Crop and animal production	4.07	98.8	0.2	-4.3
Forestry and logging	0.27	99.7	0.2	-3.2
Fishing, hunting and trapping	0.08	106.1	1.1	0.3
Support activities for agriculture and forestry	0.10	96.9	0.0	-4.4
Mines, quarries and oil wells	4.26	101.4	0.5	-1.6
Utilities	3.55	93.7	1.3	-1.4
Construction	3.54	95.3	0.1	-3.4
All manufacturing	22.34	95.6	0.4	-2.9
Trade	8.38	88.0	-0.2	-3.7
Transportation (excluding pipeline transportation)	7.66	102.0	-0.2	-2.5
Pipeline transportation	1.18	101.0	0.7	-1.8
Warehousing and storage	0.26	101.9	0.7	-1.9
Finance, insurance and real estate	19.90	83.2	-1.9	-6.5
Private education services	0.12	76.9	-0.3	-5.5
Education services (excluding private), health care and social assistance	2.09	86.0	-0.3	-4.4
Other services (excluding public administration)	16.39	79.5	-0.4	-4.4
Public administration	5.81	83.1	-0.2	-4.0

<sup>P</sup> preliminary

### Construction Union Wage Rate Index October 2006

The Construction Union Wage Rate Index (including supplements) for Canada remained unchanged in October compared to the September level of 137.8 (1992=100). The composite index increased 1.9% compared with the October 2005 index (135.2).

Union wage rates are published for 16 trades in 20 metropolitan areas for both the basic rates and rates including selected supplementary payments. Indexes on a 1992=100 time base are calculated for the same metropolitan areas and are published for those where a majority of trades are covered by current collective agreements.

Available on CANSIM: tables 327-0003 and 327-0004.

Definitions, data sources and methods: survey number 2307.

The fourth quarter 2006 issue of *Capital Expenditure Price Statistics* (62-007-XIE, free) will be available in March 2007.

For more information, or to enquire about the concepts, methods, and data quality for this release, contact Client Services Unit (613-951-9606; fax: 613-951-1539; [prices-prix@statcan.ca](mailto:prices-prix@statcan.ca)), or Louise Chainé (613-951-3393), Prices Division.

## Steel pipe and tubing

September 2006

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

**Available on CANSIM: table 303-0046.**

**Definitions, data sources and methods: survey number 2105.**

The September 2006 issue of *Steel, Tubular Products and Steel Wire* (41-019-XIE, free) will soon be available.

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

## Changes in Employment Survey

January 1995 to September 1998

Microdata files for the Changes in Employment Survey are now available for five reference periods covering January 1995 to September 1998.

**Definitions, data sources and methods: survey number 4423.**

*Changes in Employment Survey* (72M0002XCB, \$1,500) is now available in CD-ROM format.

To obtain a copy, or for more information on related products and services, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-800-461-9050; 613-951-3321; fax: 613-951-4527; [ssd@statcan.ca](mailto:ssd@statcan.ca)), Special Surveys Division. ■

## New products

Canadian Economic Observer, Vol. 19, no. 11  
Catalogue number 11-010-XPB (\$25/\$243).

New Motor Vehicle Sales, September 2006, Vol. 78,  
no. 9  
Catalogue number 63-007-XIE  
(free).

Changes in Employment Survey, January 1995 to  
September 1998  
Catalogue number 72M0002XCB (\$1,500).

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

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**The Daily**  
Statistics Canada

Thursday, June 5, 1997  
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**MAJOR RELEASES**

- **Urban transit, 1995** 2  
Despite the emphasis on taking urban transit, Canadians are taking it less and less. In 1996, about 1.4 billion trips, an average of about 40 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4  
Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

**OTHER RELEASES**

- **High-waged Index, May 1997** 3
- **Short-term Expectations Survey** 8
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production, April 1997** 12

**PUBLICATIONS RELEASED** 11

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