



The Daily

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Non-residents investors reduced their holdings of portfolio Canadian shares by a record \$23.4 billion in October, having sold shares to foreign direct investors for a considerable amount. Meanwhile, with the Canadian dollar near its record high, residents looked abroad for investment opportunities in October, buying \$4.8 billion worth of foreign securities.

New motor vehicle sales, October 2007 5

Sales of new motor vehicles declined again in October, although not as sharply as in September. Seasonally adjusted data from the New Motor Vehicle Sales Survey show that 137,501 new vehicles were sold in October. This is 1.4% fewer vehicles than were sold in September.

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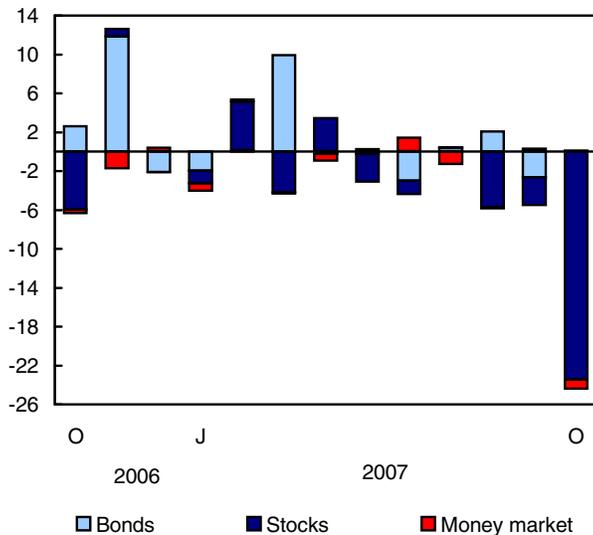
October 2007

Non-residents investors reduced their holdings of Canadian securities by a record \$24.3 billion in October, driven by significant foreign takeover activity and the resulting withdrawal of Canadian portfolio shares from stock markets.

Meanwhile, with the Canadian dollar near its record high, residents looked abroad for investment opportunities in October, buying \$4.8 billion worth of foreign securities, equally split between bonds and stocks.

Foreign portfolio investment in Canadian securities

\$ billions



Record disposition of Canadian stocks due to foreign takeover activity

Non-resident investors reduced their holdings of portfolio Canadian shares by a record \$23.4 billion in October, driven by foreign acquisitions. This reduction was marginally moderated as foreign investors added \$1.3 billion worth of Canadian equities to their portfolios in October. This reflected the purchase of

Related market information

In October, Canadian short term **interest rates** decreased basis point to 3.96% and US rates inched up to 3.90%. Still favouring investment in Canada, the differential between the two countries fell marginally to 0.06% from 0.08% in September.

Meanwhile, the long term interest rate differential between Canada and the United States fell to 0.17% as Canadian rates fell 10 basis points to 4.31% and US rates dropped 15 basis points to 4.48%.

Canadian **stock prices** took a 3.7% leap in October with the Standard and Poor's / Toronto Stock Exchange Composite Index ending the month at a record 14,625.0. Meanwhile, US stock prices continued to rise with the Standard and Poor's Composite Index finishing at a record 1,549.4, a monthly gain of 1.5%.

In October, the **Canadian dollar** appreciated another 5.33 US cents, pushing the exchange rate at October month end to 105.83 US cents, the highest month end level since July 1950. The dollar has experienced a sharp 25% appreciation against its US counterpart since the beginning of 2007, one of the strongest performers among the world's actively traded currencies.

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.

shares in natural resource companies but the sale of shares in the banking industry.

Foreign takeover activity of Canadian firms has been up strongly since 2006, resulting in large amounts of foreign portfolio holdings of Canadian shares being sold to direct investors. The high level of takeover activity also likely had an impact on share prices when the acquisitions were announced but not yet completed. The Canadian stock market recorded a gain of nearly 20% between October 2006 and October 2007.

Non-residents favour Canadian corporate bonds

Overall foreign purchases of Canadian bonds were nominal in October (\$88 million) as investment in corporate bonds offset the reduction in government bonds.

Fuelled by new issues, foreign investment in bonds issued by federal government enterprises and private corporations reached \$1.5 billion and \$1.6 billion, respectively. New issues of corporate bonds were all US dollar-denominated with attractive yields.

Foreign divestment was concentrated in federal government bonds. Non-residents cut their holdings of Government of Canada bonds by \$2.1 billion, equally split between net retirements and sales of outstanding bonds. The sales were mainly in bonds with term-to-maturity of two years or less, while non-residents continued to acquire bonds with longer term-to-maturity (mainly two to five years).

With respect to trading in outstanding Canadian bonds, non-residents sold \$642 million worth, split equally between US and Canadian dollar-denominated bonds. This was a substantial shift from the \$5.6 billion acquisition over the previous two months (all Canadian dollar-denominated). Geographically, the United States led the pack, selling \$2.3 billion of outstanding bonds. The rapid appreciation of the Canadian dollar and the rally in North American stock markets may have drawn investors' attention away from outstanding Canadian bonds.

Foreign investors sell short-term Canadian debt

Non-residents removed \$968 million of Canadian money market instruments from their holdings in October. Foreign divestment was concentrated in short-term debt issued by federal government enterprises (\$1.1 billion). This is a shift after five consecutive months during which foreign investors purchased a total of \$1.5 billion of the instruments.

Meanwhile, non-residents removed \$271 million worth of federal government treasury bills from their holdings. On the other hand, they purchased \$446 million worth of Canadian provincial government paper, after four consecutive months of divestment totalling \$617 million.

Acquisitions of US equities remain strong as US stock prices continue to rise

Canadians placed a sizable \$2.7 billion into foreign equities in October, largely US shares. Echoing a bullish US equity market peaking in October, residents invested \$2.2 billion in US stocks. Investment in non-US shares made up the balance of the investment, after recording a small drop in September.

Acquisitions of foreign bonds driven by US government bonds

Canadians' appetite for foreign bonds resumed in October with net investments totalling \$2.3 billion.

October's acquisitions were fuelled mainly by investment in US government bonds (\$1.6 billion). Canadians also added \$707 million of foreign corporate bonds to their portfolios, with one-third in maple bonds. The last two years had seen a different investment pattern, with purchases of maple bonds driving the growth.

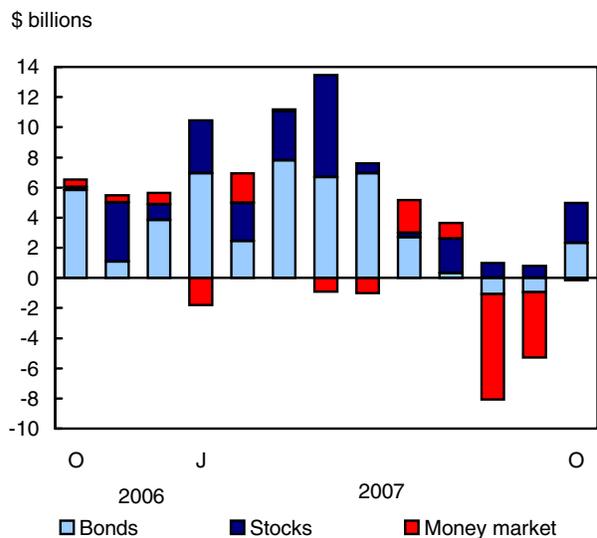
October's investment in US government bonds mainly involved instruments of shorter term-to-maturity, as Canadians sold longer term bonds. In October, the long term interest rate differential between Canada and US 10-year benchmark bonds narrowed. However, the yield spreads between 2-year benchmark bonds widened as investors favoured shorter-term US government bonds.

Small divestment in foreign money market instruments

October saw a marginal reduction of \$197 million worth of foreign money market instruments, as back-to-back record divestment over the previous two months accounted for more than half of Canadian holdings from the end of July.

Reductions of paper issued by European banks continued in October, while Canadian investment was channelled to short-term debt issued by financial corporations other than banks. On a currency basis, residents sold Canadian dollar denominated foreign paper while purchasing Euro-denominated foreign paper.

Canadian portfolio investment in foreign securities¹



1. Reverse of balance of payments signs.

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 October 2007 issue of *Canada's International Transactions in Securities* (67-002-XWE, free) will soon be available.

Data on *Canada's international transactions in securities* for November 2007 will be released on January 17, 2008.

For general information or to order data, contact Client Services (613-951-1855; infobalance@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Yiling Zhang (613-951-2057), Balance of Payments Division

Canada's international transactions in securities

| | July 2007 | August 2007 | September 2007 | October 2007 | January to October 2006 | January to October 2007 |
|--|---------------|----------------|-------------------|-----------------|----------------------------------|----------------------------------|
| \$ millions | | | | | | |
| Foreign investment in Canadian securities | -848 | -3,815 | -5,211 | -24,318 | 23,463 | -30,632 |
| Bonds (net) | 373 | 2,052 | -2,614 | 88 | 8,290 | 4,585 |
| Outstanding | 459 | 1,335 | 4,226 | -642 | 8,541 | 5,362 |
| New issues | 1,976 | 787 | 4,715 | 3,803 | 29,104 | 38,702 |
| Retirements | -2,228 | -948 | -11,238 | -3,496 | -30,524 | -40,950 |
| Change in interest payable ¹ | 166 | 878 | -317 | 422 | 1,169 | 1,471 |
| Money market paper (net) | -1,316 | -148 | 303 | -968 | 5,087 | -1,825 |
| Government of Canada | -1,038 | 912 | -572 | -271 | 3,687 | -2,672 |
| Other | -278 | -1,060 | 875 | -697 | 1,400 | 847 |
| Stocks (net) | 95 | -5,719 | -2,900 | -23,438 | 10,086 | -33,393 |
| Outstanding | 3,238 | -3,127 | -2,379 | 1,263 | 20,720 | 4,682 |
| Other transactions | -3,144 | -2,592 | -521 | -24,701 | -10,634 | -38,075 |
| Canadian investment in foreign securities | -3,649 | 7,125 | 4,509 | -4,776 | -67,577 | -47,806 |
| Bonds (net) | -317 | 1,065 | 940 | -2,301 | -38,672 | -34,136 |
| Stocks (net) | -2,300 | -986 | -790 | -2,671 | -23,341 | -23,770 |
| Money market paper (net) | -1,032 | 7,046 | 4,359 | 197 | -5,564 | 10,100 |

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.



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

Definitions, data sources and methods: survey number 2402.

The October 2007 issue of *New Motor Vehicle Sales* (63-007-XWE, free) will be available soon.

Data on new motor vehicle sales for November 2007 will be released on January 14, 2008.

For general information or to order data, contact Client Services (toll-free 1-877-421-3067; 613-951-3549; retailinfo@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Joseph Dunlavy (613-951-0193), Distributive Trades Division.

New motor vehicle sales

| | October 2006 | September 2007 ^r | October 2007 ^p | October 2006 to October 2007 | September to October 2007 |
|-------------------------------|--------------------|--------------------------------|------------------------------|--|------------------------------------|
| Seasonally adjusted | | | | | |
| | number of vehicles | | | % change | |
| New motor vehicles | 136,386 | 139,410 | 137,501 | 0.8 | -1.4 |
| Passenger cars | 68,231 | 72,205 | 68,653 | 0.6 | -4.9 |
| North American ¹ | 43,336 | 46,275 | 44,660 | 3.1 | -3.5 |
| Overseas | 24,895 | 25,930 | 23,993 | -3.6 | -7.5 |
| Trucks, vans and buses | 68,155 | 67,205 | 68,848 | 1.0 | 2.4 |
| New motor vehicles | | | | | |
| Newfoundland and Labrador | 1,996 | 2,269 | 2,252 | 12.8 | -0.7 |
| Prince Edward Island | 394 | 425 | 480 | 21.8 | 12.9 |
| Nova Scotia | 3,855 | 4,161 | 4,146 | 7.5 | -0.4 |
| New Brunswick | 2,982 | 3,089 | 3,240 | 8.7 | 4.9 |
| Quebec | 33,388 | 35,210 | 34,002 | 1.8 | -3.4 |
| Ontario | 48,980 | 49,337 | 48,637 | -0.7 | -1.4 |
| Manitoba | 3,984 | 3,938 | 3,951 | -0.8 | 0.3 |
| Saskatchewan | 3,309 | 3,707 | 3,874 | 17.1 | 4.5 |
| Alberta | 21,156 | 20,513 | 20,716 | -2.1 | 1.0 |
| British Columbia ² | 16,341 | 16,761 | 16,204 | -0.8 | -3.3 |
| | October 2006 | September 2007 ^r | October 2007 ^p | October 2006 to October 2007 | |
| Unadjusted | | | | | |
| | number of vehicles | | | % change | |
| New motor vehicles | 123,076 | 134,516 | 124,046 | 0.8 | |
| Passenger cars | 62,448 | 70,783 | 61,799 | -1.0 | |
| North American ¹ | 38,841 | 45,441 | 39,280 | 1.1 | |
| Overseas | 23,607 | 25,342 | 22,519 | -4.6 | |
| Trucks, vans and buses | 60,628 | 63,733 | 62,247 | 2.7 | |
| New motor vehicles | | | | | |
| Newfoundland and Labrador | 1,611 | 2,162 | 1,888 | 17.2 | |
| Prince Edward Island | 331 | 383 | 421 | 27.2 | |
| Nova Scotia | 3,096 | 3,853 | 3,397 | 9.7 | |
| New Brunswick | 2,471 | 2,845 | 2,748 | 11.2 | |
| Quebec | 29,445 | 33,565 | 30,308 | 2.9 | |
| Ontario | 45,662 | 48,348 | 44,749 | -2.0 | |
| Manitoba | 3,561 | 4,125 | 3,711 | 4.2 | |
| Saskatchewan | 3,060 | 3,609 | 3,615 | 18.1 | |
| Alberta | 19,600 | 19,624 | 19,193 | -2.1 | |
| British Columbia ² | 14,239 | 16,002 | 14,016 | -1.6 | |

^r revised

^p preliminary

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

2. Includes Yukon, the Northwest Territories and Nunavut.

Note: Figures may not add up to totals due to rounding.

Aircraft movement statistics

November 2007 (preliminary)

The 42 Canadian airports with NAV CANADA air traffic control towers reported 388,559 aircraft take-offs and landings in November, up 13.0% compared with November 2006 (343,793 movements). This marked the 18th consecutive increase in year-over-year monthly comparisons. Year-over-year increases in aircraft movements were reported by 30 of these airports in November 2007. The variations ranged from 162.2% for Pitt Meadows, British Columbia to -46.2% for St-Jean, Quebec.

Available on CANSIM: table 401-0005.

Definitions, data sources and methods: survey number 2715.

The November 2007 issue of *Aircraft Movement Statistics, Monthly*, Vol. 6, no. 11 (51F0001PWE, free) is now available from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Aviation Statistics Centre (toll-free 1-866-500-8400; fax: 613-951-0010; aviationstatistics@statcan.ca), Transportation Division. ■

Monthly Survey of Large Retailers

October 2007

Data for the Monthly Survey of Large Retailers are now available for October.

Available on CANSIM: table 080-0009.

Definitions, data sources and methods: survey number 5027.

A data table is also available in the *Summary Tables* module of our website.

For general information or to order data, contact Client Services (toll-free 1-877-421-3067; 613-951-3549; retailinfo@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Abdul Mohammed (613-951-7719), Distributive Trades Division. ■

Steel wire and specified wire products

October 2007

Data on steel wire and specified wire products production are now available for October.

Available on CANSIM: table 303-0047.

Definitions, data sources and methods: survey number 2106.

The October 2007 issue of *Steel, Tubular Products and Steel Wire*, (41-019-XWE) 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), Manufacturing, Construction and Energy Division. ■

Refined petroleum products

October 2007 (preliminary)

Data on the production, inventories and domestic sales of refined petroleum products are now available for October. 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 (toll-free 1-866-873-8789; 613-951-9497; energy@statcan.ca), Manufacturing, Construction and Energy Division. ■

Primary iron and steel

October 2007

Data on primary iron and steel for October are now available.

Available on CANSIM: tables 303-0048 to 303-0051.

Definitions, data sources and methods: survey numbers, including related surveys, 2116 and 2184.

The October 2007 issue of *Steel, Tubular Products and Steel Wire* (41-019-XWE) 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) Manufacturing, Construction and Energy Division. ■

New products

Aircraft Movement Statistics, Monthly,
November 2007, Vol. 6, no. 11
Catalogue number 51F0001PWE
(free).

Canada's Balance of International Payments, Third
Quarter 2007, Vol. 55, no. 3
Catalogue number 67-001-XWE
(free).

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Thursday, June 5, 1997
For release at 9:30 a.m.

MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about six rides 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 and unit labour cost in 1996 accompanied by sluggish gains in employment and slow economic growth (GDP) in 1997.

OTHER RELEASES

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