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Releases

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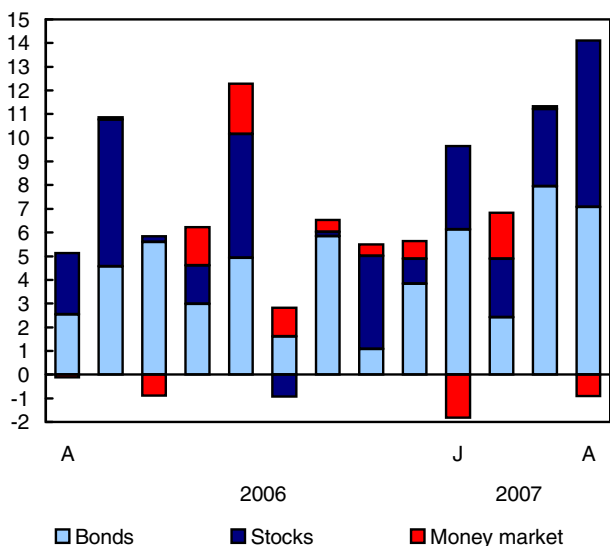
April 2007

Canadians acquired a near-record \$13.2 billion worth of foreign securities in April, equally split between bonds and stocks. Investment over the first four months of 2007 has amounted to \$39.2 billion, nearly half of the record \$78.7 billion invested in 2006.

Canadian portfolio investment in foreign securities

\$ billions

Reverse of balance of payments signs



Meanwhile, non-residents invested \$1.5 billion in Canadian securities. April's investment was all in Canadian shares as non-residents reduced their holdings of Canadian debt instruments.

Near-record investment in foreign bonds

Canadian residents acquired a near-record \$7.1 billion worth of foreign bonds in April, adding to a record \$16.5 billion invested in the first quarter. Over half of April's acquisition (\$3.8 billion) was in US government bonds. Another one-third (\$2.3 billion) went to buy non-US bonds, half with a term-to-maturity of five years or less.

Related market information

In April, Canadian short-term **interest rates** remained unchanged at 4.16% while US rates dropped 7 basis points to 4.87%, narrowing the differential to 0.71%, in favour of investment in the United States.

Canadian long-term interest rates climbed 5 basis points to 4.15% while US rates increased 4 basis points to 4.66%. As a result, the differential between the two countries remained little changed at 0.51%.

Canadian **stock prices** increased for the seventh consecutive month with the Standard and Poor's/Toronto Stock Exchange Composite Index rising 1.9% and ending April at 13,416.7. Meanwhile, US stock prices rose substantially in April as the Standard and Poor's Composite Index rose 4.3% to 1,482.4, its largest increase since December 2003.

The **Canadian dollar** surged in April, rising 3.47 US cents by the month's end and closing at 90.08 US cents. It was the third largest monthly increase on record.

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.

April saw Canadian residents buy \$2.6 billion worth of maple bonds, with nearly 85% (\$2.2 billion) issued by non-US entities. Maple bonds are Canadian dollar-denominated bonds issued by foreign entities.

Canadians sell US government treasury bills

Canadians sold \$929 million worth of foreign money market paper in April. Residents had bought foreign money market instruments in 9 of the past 12 months, totalling \$8.9 billion.

On a sector basis, over 80% of April's divestment (\$758 million) was in US government treasury bills, adding to the \$593-million divestment in March. In terms of currency, three quarters of April's disposition (\$704 million) was in Canadian dollar-denominated foreign paper, mainly due to instruments maturing during the month. The Canadian dollar surpassed the

US 90-cent mark in April and posted the third highest monthly appreciation relative to the US dollar on record.

Highest level of investment in foreign shares since January 2001

Following heavy investment totalling \$9.2 billion during the first quarter, Canadians acquired another \$7.0 billion worth of foreign shares in April, the highest level of investment since January 2001. Most of the investment (\$6.1 billion) was in non-US shares.

Foreign investors withdraw Canadian bonds from their portfolios

After a near-record acquisition of \$8.9 billion in March, non-residents removed \$1.2 billion worth of Canadian bonds from their portfolios in April.

On a sector basis, April's divestment was concentrated in the federal government sector as non-residents sold \$2.4 billion worth. Meanwhile, they continued to invest in federal government enterprise bonds, buying \$1.6 billion worth, adding to the \$1.1 billion invested in March.

On a currency basis, April's foreign divestment was concentrated in Canadian dollar-denominated bonds (\$1.6 billion). Significantly subdued new bond issuance in the corporate sector, coupled with a sizable disposition of outstanding federal government bonds, contributed to April's decrease in foreign holdings of bonds denominated in Canadian dollars.

Regionally, American and European investors sold \$1.8 billion and \$697 million worth of Canadian bonds in April respectively, following respective acquisitions of \$5.6 billion and \$1.4 billion in March.

Investment in Canadian shares picks up speed

Non-residents replenished their holdings of Canadian shares, acquiring \$3.5 billion worth in April. They invested \$4.8 billion in outstanding shares, but this was partially offset by a \$1.3-billion share divestment due to foreign takeover of Canadian firms. Non-residents invested in a fairly diversified portfolio of Canadian equities in April.

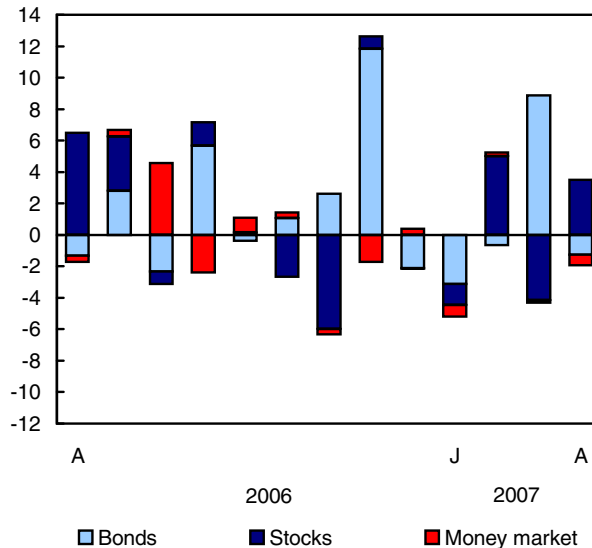
Divestment of federal treasury bills four months in a row

Non-residents disposed of Canadian money market paper for a second consecutive month,

selling \$725 million worth in April. The month's divestment was largely in federal government treasury bills (\$758 million) as retirements exceeded investment in outstanding issues. Non-residents have reduced their holdings of federal t-bills for four months in a row, totalling \$2.2 billion. Meanwhile, foreign investors added \$230 million worth of provincial and corporate paper to their portfolios.

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 April 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 May will be released on July 19.

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

	January 2007	February 2007	March 2007	April 2007	January to April 2006	January to April 2007
	\$ millions					
Foreign investment in Canadian securities	-5,221	4,596	4,527	1,543	14,944	5,445
Bonds (net)	-3,124	-641	8,865	-1,244	-1,153	3,857
Outstanding	-2,078	-890	4,445	-1,905	2,814	-429
New issues	700	1,940	9,462	1,565	9,788	13,668
Retirements	-2,362	-1,893	-4,944	-1,337	-14,602	-10,535
Change in interest payable ¹	616	202	-98	433	847	1,153
Money market paper (net)	-761	230	-171	-725	1,594	-1,427
Government of Canada	-880	-106	-499	-758	1,640	-2,243
Other	119	336	328	34	-46	816
Stocks (net)	-1,337	5,007	-4,167	3,512	14,503	3,015
Outstanding	-93	4,637	-2,161	4,830	16,835	7,213
Other transactions	-1,244	370	-2,006	-1,318	-2,332	-4,198
Canadian investment in foreign securities	-7,809	-6,830	-11,337	-13,174	-24,882	-39,150
Bonds (net)	-6,134	-2,416	-7,946	-7,075	-13,143	-23,571
Stocks (net)	-3,512	-2,467	-3,270	-7,027	-10,810	-16,277
Money market paper (net)	1,837	-1,947	-122	929	-929	697

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.



Study: Urban economies and productivity

1999

Canadian manufacturing plants located in urban areas are more productive when these urban areas have the right mix of labour and industries, according to a new study.

The study found that productivity depends on the economic environment in which firms operate, and that cities are one of the key aspects of this economic environment.

This study contributes to our understanding of industry clusters by testing the mechanisms by which individual plants benefit from locating in the same area as other firms in the same industry.

Using plant-level data from the 1999 Annual Survey of Manufactures, and controlling for a number of plant and firm characteristics, the study showed that the productivity performance of plants was positively influenced by three characteristics of urban areas.

First, plants were more productive when there was a close match between the worker skills they required and the skills available in the urban area in which they were located.

Secondly, they were more productive when they were located in cities that specialized in upstream (input-supplying) industries.

Finally, plants were more productive when there was a larger number of nearby plants in the same industry, providing more opportunity for the spillover of knowledge across plants.

Among these three characteristics of urban areas, the right mix of labour is the most important contributor to labour productivity.

Location of industry an important determinant of labour productivity

The geographic location of industry is an important determinant of labour productivity, the study found.

The geographic clustering of plants both stimulates, and is stimulated by, the concentration of upstream suppliers, pools of skilled labour and the exchange of knowledge.

Plants are more productive when there is a close match between the worker skills they require and the skills available in the urban area in which they are located.

The co-location of firms is often associated with the development of relatively large pools of labour possessing the skills that are needed by firms within the geographic cluster. Firms that do not have access to these pools of specialized labour may have to substitute

workers with less appropriate skills, potentially reducing their productivity.

Plants are more productive when they are located in cities that are specialized in upstream (input-supplying) industries. The geographical clustering of businesses stimulates the development of upstream industries that provide specialized inputs, such as machinery and equipment, that can help boost the productivity of a downstream sector.

Finally, plants are more productive when there is a larger number of nearby plants in the same industry, providing more opportunity for the spillover of knowledge across plants. The close proximity of firms enhances the flow of knowledge and consequently has a positive impact on productivity.

These mechanisms explain why firms choose to form clusters, and why productivity is higher in firms that locate within these clusters than in those that locate outside them.

How urban economies affect productivity in specific sectors

In addition to looking at the impact of agglomeration economies on productivity across the entire plant population, the study also examined how these economies affected the productivity of plants in specific sectors.

These sectors are defined by the factors that influence competition: access to natural resources, labour costs, scale economies, product differentiation, and the application of scientific knowledge.

The study showed that the reliance of individual businesses on place-based economies varied across sectors. Labour mix, buyer-supplier networks or knowledge spillovers were not universally important across all sectors. Yet regardless of which agglomerative forces were important, they had a significant effect on productivity in most sectors.

Hence, the geographic concentration of industry has a positive influence on performance across a broad spectrum of sectors comprising business establishments that rely on very different strategies to maintain their competitive advantage.

These findings help explain why plants in the same industry tend to cluster in particular locations. They also help explain how the concentration of economic activity in cities favours economic growth that is underpinned by gains in productivity.

The study "Urban Economies and Productivity" as part of the publication *Economic Analysis Research Paper Series* (11F0027MIE2007045, free), is now available from the *Publications* module of our website.

More studies related to economic geography and productivity are available online (www.statcan.ca/english/studies/economic.htm).

For more information, or to enquire about the concepts, methods or data quality of this release,

contact Mark Brown (613-951-7292) or John Baldwin (613-951-8588), Micro-economic Analysis Division. ■

Industrial chemicals and synthetic resins

April 2007

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

Available on CANSIM: table 303-0014.

Definitions, data sources and methods: survey number 2183.

The April 2007 issue of *Industrial Chemicals and Synthetic Resins*, Vol. 50, no. 4 (46-002-XWE, 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 the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; manufact@statcan.ca), Manufacturing, Construction and Energy Division. ■

Monthly Survey of Large Retailers

April 2007

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

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 online.

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 Abdulelah Mohammed (613-951-7719), Distributive Trades Division. ■

Steel wire and specified wire products

April 2007

Data on in the production of steel wire and specified wire products are now available for April.

Available on CANSIM: table 303-0047.

Definitions, data sources and methods: survey number 2106.

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

Steel pipe and tubing

April 2007

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

Available on CANSIM: table 303-0046.

Definitions, data sources and methods: survey number 2105.

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

Primary iron and steel

April 2007

Data on primary iron and steel for April 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 April 2007 issue of *Steel, Tubular Products and Steel Wire* (41-019-XWE, 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) Manufacturing, Construction and Energy Division. ■

New products

Economic Analysis Research Paper Series : "Urban Economies and Productivity", no. 45
Catalogue number 11F0027MIE2007045
 (free).

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

Industrial Chemicals and Synthetic Resins,
 April 2007, Vol. 50, no. 4
Catalogue number 46-002-XWE
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New Motor Vehicle Sales, April 2007, Vol. 79, no. 4
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Discusses the dependence on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took 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
Current # productivity among Canadian businesses has steadily risen since 1990, accompanied by sluggish gains in employment and slow economic growth during the year.
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