



# The Daily

Statistics Canada

**Monday, September 17, 2007**

Released at 8:30 a.m. Eastern time

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Canadian investment in foreign securities continued to slow for the third consecutive month in July as residents acquired \$3.6 billion worth with nearly two-thirds in foreign stocks. Meanwhile, non-residents acquired \$1.5 billion worth of Canadian securities in July after divesting two months in a row.

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National net worth reached \$5.3 trillion by the end of the second quarter of 2007, or \$162,200 per capita. National net worth expanded by \$86 billion (+1.6%) in the second quarter, growing less than in any of the previous six quarters.

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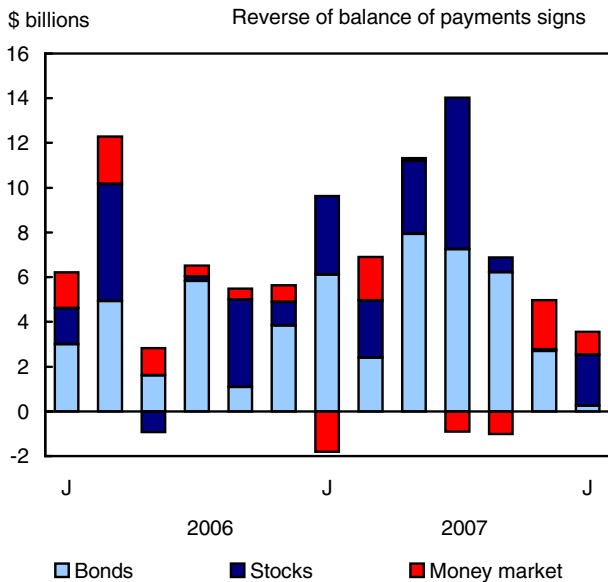
## Releases

### Canada's international transactions in securities

July 2007

Canadian investment in foreign securities continued to slow for the third consecutive month in July as residents acquired \$3.6 billion worth, down significantly from a near-record \$13.1 billion acquisition in April. Nearly two-thirds of July's investment was in foreign stocks while Canadian investment in long-term debt instruments was negligible in July after slowing down somewhat in June.

#### Canadian portfolio investment in foreign securities



Meanwhile, non-residents acquired \$1.5 billion worth of Canadian securities in July after two consecutive months of divestment totalling \$6.7 billion. July's investment was mostly in Canadian shares as non-residents withdrew sizable amounts of Canadian money market instruments from their portfolios.

#### Canadians sell US government bonds and buy non-US bonds

Canadian investment in foreign bonds slowed significantly in July to \$259 million after 19 months of uninterrupted robust acquisitions averaging \$4.2 billion per month.

#### Related market information

In July, the differential between Canadian and US short-term interest rates widened in favour of investment in the United States. Canadian rates increased by 15 basis points to 4.57% as US rates increased 21 basis points to 4.82%.

Meanwhile, long-term rates in both Canada and the US declined. Canadian long-term rates dropped 4 basis points to 4.58%, moving to parity with Canadian short-term rates. US rates fell 17 basis points to 4.92%. The differential between Canadian and US long-term interest rates decreased to 0.34% in July from 0.47% the month before.

Stock prices in both Canada and the US continued to decline in July. The Standard and Poor's / Toronto Stock Exchange composite index edged down 0.3%, closing the month at 13,868.6. Meanwhile, US stock prices, measured by the Standard and Poor's Composite Index, fell 3.2% to 1,455.3.

After five consecutive months of increase, the Canadian dollar fell 0.12 US cents in July, ending the month at 93.74 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.

July's investment focus remained on non-US bonds as residents added \$2.5 billion worth, the 24th month of straight purchases, while selling \$2.2 billion worth of US bonds. The divestment in US bonds concentrated on government bonds, mainly on bonds with remaining term to maturity of less than 5 years or over 20 years. Meanwhile, Canadians acquired \$556 million worth of US corporate bonds, slowing from five consecutive months of strong investment averaging \$2.3 billion per month.

On a currency basis, Canadians acquired \$2.1 billion of Canadian dollar-denominated foreign bonds, more than offsetting the divestment in foreign bonds denominated in other currencies. Maple bonds issued by non-US entities continued to attract Canadian investors in July.

#### Resident investors favour non-US money market instruments

Canadians continued to invest in foreign money market paper in July, buying \$1.0 billion worth after

acquiring \$2.2 billion in June. Investment in non-US paper amounted to \$1.3 billion, on par with the level of acquisition seen in June, and almost all in paper issued by non-financial firms.

Meanwhile, residents invested \$222 million worth in US treasury bills as interest rates on three-month t-bills continued to favour investment in the United States in July. They also disposed of \$521 million worth of US corporate paper, mainly paper issued by financial firms. On a currency basis, around 40% (\$417 million) of July's acquisition was Canadian dollar-denominated.

### Strong investment in US shares continues

Following two months of lacklustre investment totalling \$723 million, acquisitions of foreign stocks picked up speed in July with Canadians buying \$2.3 billion worth. Investment in US stocks remained robust for a second consecutive month at \$1.7 billion in the context of declining stock prices in the United States and increasing uncertainties related to certain debt markets. Meanwhile, Canadians acquired \$580 million worth of non-US stocks in July, after divesting \$2.2 billion worth in June.

### Small foreign investment in Canadian bonds

In July, non-residents invested \$345 million in Canadian bonds, switching from a sizable disposition of \$4.4 billion worth in June.

On a sector basis, July's foreign investment centred on Canadian corporate bonds and federal government enterprise bonds, totalling \$703 million and \$560 million respectively. Nevertheless, investment in both sectors declined significantly from June.

July saw non-residents acquire a nominal \$213 million worth of federal government bonds, swinging from a near-record disposition totalling \$5.5 billion in June. Investment was concentrated on bonds with remaining term to maturity of 5 to 10 years while non-residents sold a sizable amount of bonds maturing within 2 years or less.

On the other hand, non-residents continued to reduce their holdings of provincial government bonds, selling \$1.3 billion worth following June's disposition of \$2.4 billion worth.

On a currency basis, non-residents acquired \$801 million worth of Canadian dollar-denominated bonds, largely outstanding issues. Meanwhile, they disposed of \$451 million worth of Canadian

bonds denominated in US dollars mainly due to bond retirements.

### Non-residents switch to selling Canadian short-term instruments

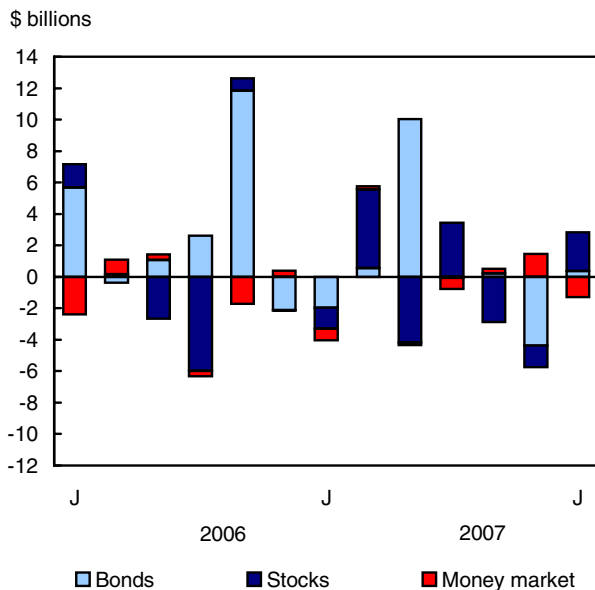
In July, non-residents reduced \$1.3 billion worth of Canadian money market instruments from their holdings, largely offsetting the \$1.5 billion invested in June. Over three-quarters of July's divestment was in federal government treasury bills (\$1.0 billion).

### Substantial foreign acquisition of outstanding Canadian shares

Foreign investors replenished their portfolios with Canadian shares in July, acquiring \$2.5 billion worth. Non-residents had previously divested \$2.9 billion and \$1.4 billion respectively in May and June, mainly due to sizable share retirements.

While retirements of Canadian shares continued to be important (\$853 million), July's investment was fuelled by a \$3.3 billion acquisition of outstanding shares. These were largely equities of Canadian firms that announced takeovers involving foreign investors but that had not yet closed.

### Foreign portfolio investment in Canadian securities



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 July 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 August will be released on October 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 (613-951-2057), Balance of Payments Division

### Canada's international transactions in securities

	April 2007	May 2007	June 2007	July 2007	January to July 2006	January to July 2007
	\$ millions					
<b>Foreign investment in Canadian securities</b>	<b>2,647</b>	<b>-2,413</b>	<b>-4,330</b>	<b>1,502</b>	<b>27,789</b>	<b>4,775</b>
Bonds (net)	-65	221	-4,358	345	4,981	4,745
Outstanding	-743	-1,682	-2,871	417	6,536	106
New issues	1,567	6,682	6,951	1,976	20,815	29,279
Retirements	-1,337	-5,255	-7,098	-2,228	-22,645	-25,116
Change in interest payable <sup>1</sup>	448	476	-1,341	181	275	476
Money market paper (net)	-725	277	1,454	-1,315	4,189	-1,011
Government of Canada	-758	-818	1,358	-1,038	3,248	-2,741
Other	33	1,095	96	-277	941	1,730
Stocks (net)	3,437	-2,911	-1,426	2,472	18,619	1,041
Outstanding	4,755	-967	-485	3,325	20,018	9,012
Other transactions	-1,318	-1,944	-941	-853	-1,399	-7,971
<b>Canadian investment in foreign securities</b>	<b>-13,104</b>	<b>-5,849</b>	<b>-4,967</b>	<b>-3,562</b>	<b>-46,904</b>	<b>-53,497</b>
Bonds (net)	-7,255	-6,222	-2,704	-259	-26,291	-32,890
Stocks (net)	-6,778	-654	-69	-2,270	-18,870	-19,105
Money market paper (net)	929	1,027	-2,194	-1,032	-1,743	-1,502

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.



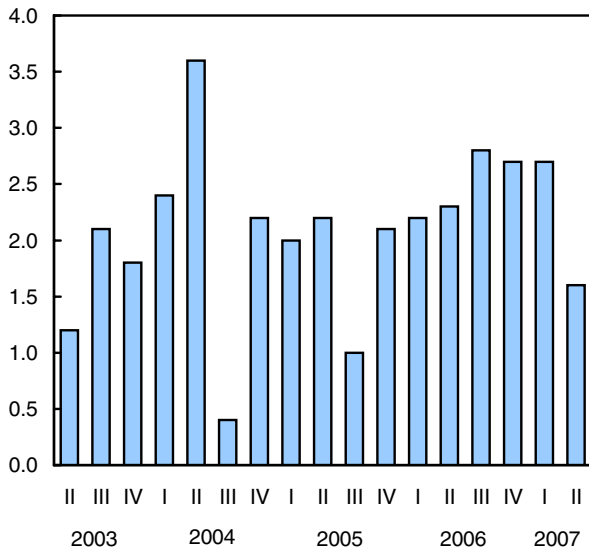
## National balance sheet accounts

Second quarter 2007

National net worth reached \$5.3 trillion by the end of the second quarter of 2007, or \$162,200 per capita. National net worth expanded by \$86 billion (+1.6%) in the second quarter, growing less than in any of the previous six quarters.

### Growth in national net worth slows

% change, not seasonally adjusted



National wealth (economy-wide non-financial assets) grew 2.3% in the second quarter, abetted by strong economic growth during the quarter. Residential real estate continued to be the major contributor to growth in national wealth, accounting for over half of the gain.

National saving led by governments and corporations contributed to the advance of national net worth in the second quarter. Strong stock markets and residential real estate prices also continued to support the increase in national net worth. However, this gain in the second quarter of 2007 was notably restrained by an increase in Canadians' net foreign indebtedness (with marketable securities on a market-value basis). The revaluation caused by a sharp appreciation of the Canadian dollar had a devaluing effect on foreign assets held by Canadians, contributing to Canadians' increased net indebtedness. Foreign acquisition of Canadian corporate assets was also a factor in increased Canadian liabilities to non-residents.

### Note to readers

The national balance sheet accounts are statements of the balance sheets of all of the various sectors of the economy. They consist of the non-financial assets owned in the various sectors of the economy and of financial claims outstanding. National wealth is the sum of non-financial assets (produced assets, land surrounding structures and agricultural land) in all sectors of the economy. National net worth is national wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of persons, corporations and governments.

National saving is the sum of saving of persons, corporations and governments. National saving and investment contribute to change in national net worth. The revaluation of assets and liabilities is also responsible for changes in national net worth. The causes of revaluation include changes in non-financial asset prices, equity prices, interest rates, exchange rates and loan allowances.

Quarterly series, both book and market value, are available from the first quarter of 1990; market value estimates have been available since June 2004. For more information on the market value estimates, consult the Balance sheet estimates at market value page of our website.

### Household net worth gains ease further

Growth in household net worth continued to slow, but still grew 1.9% in the second quarter. Non-financial assets advanced at twice the rate of financial assets, but the growth in liabilities (+2.8%) outpaced that of assets (+2.0%).

The value of financial assets grew at a reduced pace in the second quarter, in part due to the dampening effect of the sharply appreciating Canadian dollar on foreign currency-denominated investments held in mutual funds and pension plans. Nonetheless, pension assets and equities (including mutual fund units), as well as deposits, were the main contributors to growth in the financial asset holdings of the household sector during the quarter.

Residential real estate grew slightly faster than in the first quarter, providing the bulk of the increase in non-financial assets. This reflected its relative size among household assets, along with sustained strength in new housing construction and in re-sale activity in the second quarter.

Household debt, the sum of mortgage and consumer credit, accelerated sharply over the second quarter of 2007, outpacing growth in personal disposable income. The strong rise in household debt reflects robust spending on residential real estate and consumer goods during the quarter. This, combined with slackened growth in asset values, were factors

behind the rise in the household debt-to-net worth ratio to 17.7%.

### Non-financial corporate leverage falls

In the second quarter, corporations experienced conditions of sustained growth in net saving, steady business investment and appreciating stock prices. To meet their financing needs, private non-financial corporations turned away from credit market debt and towards share issuance, resulting in a decrease in corporate leverage and resuming the long-term downward trend in the debt-to-equity ratio.

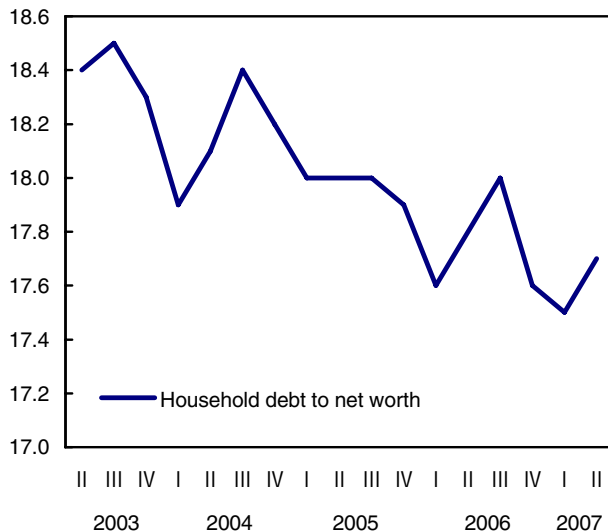
provincial government bonds also contributed to this public debt reduction. Net government debt as a percentage of gross domestic product (GDP) declined further, representing less than half of GDP, compared to almost 90% a decade ago.

### Asset growth of financial institutions slows

Financial institutions, which are traditional net lenders to other sectors of the economy, saw growth in their financial assets decelerate during the second quarter. Sectors primarily involved in investment activities (such as trustee pension plans and mutual funds) felt the impact of the appreciating Canadian dollar through the devaluation of their foreign investment portfolios. This revaluation effect was partially offset by the increased mortgage and consumer credit holdings of sectors primarily involved in lending activities, such as chartered banks.

### Household leverage rises

As a % of net worth, not seasonally adjusted



Available on CANSIM: tables 378-0003 to 378-0010.

Definitions, data sources and methods: survey number 1806.

The second quarter 2007 issue of *National Balance Sheet Accounts, Quarterly Estimates*, Vol. 5, no. 2 (13-214-XWE, free) is now available from the *Publications* module of our website.

The second quarter 2007 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 6, no. 2 (13-010-XWE, free), is now available online. From the *Publications* module of our website, under *Free Internet publications*, choose *National accounts*.

At 8:30 a.m. on release day, the complete national balance sheet accounts can be obtained on computer diskette. The diskettes (13-214-DBB, \$321/\$1284) can also be purchased at a lower cost seven business days after the official release date (13-214-XDB, \$65/\$257). To purchase any of these products, contact the client services officer (613-951-3810; [iead-info-dcrrd@statcan.ca](mailto:iead-info-dcrrd@statcan.ca)), Income and Expenditure Accounts Division.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the information officer (613-951-3640), Income and Expenditure Accounts Division.

### Total government debt further reduced

The surplus of all levels of government expanded in the second quarter, and with increases in financial assets coinciding with a reduction in liabilities, the total government net debt (total liabilities less total financial assets) fell for a 13th consecutive quarter. The decrease in total liabilities was led by a significant reduction in the short-term paper obligations of the federal government. The net retirement of Government of Canada and

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**National balance sheet accounts<sup>1</sup>**

	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	2005	2006
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	4,863	4,978	5,079	5,157	5,284	5,407	4,794	5,157
	1.4	2.4	2.0	1.5	2.5	2.3	6.9	7.6
Net foreign debt	-119	-126	-92	-38	-25	-62	-152	-38
	...	...	...	...	...	...	...	...
National net worth	4,744	4,852	4,987	5,119	5,260	5,346	4,642	5,119
	2.2	2.3	2.8	2.6	2.8	1.6	7.5	10.3
National net worth per capita (dollars)	145,900	148,700	152,400	156,200	160,100	162,200	143,000	156,200
	2.0	1.9	2.5	2.5	2.5	1.3	6.4	9.2

... not applicable

1. The first line is the series itself expressed in billions of dollars. The second line is the period-to-period percentage change.



## Steel wire and specified wire products

July 2007

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

**Available on CANSIM: table 303-0047.**

**Definitions, data sources and methods: survey number 2106.**

The July 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](mailto:manufact@statcan.ca)), Manufacturing, Construction and Energy Division. ■

## Steel pipe and tubing

July 2007

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 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](mailto:manufact@statcan.ca)), Manufacturing, Construction and Energy Division. ■



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## New products

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**Canadian Economic Accounts Quarterly Review**,  
Second quarter 2007, Vol. 6, no. 2  
**Catalogue number 13-010-XWE**  
(free).

**National Balance Sheet Accounts, Quarterly  
Estimates**, Second quarter 2007, Vol. 5, no. 2  
**Catalogue number 13-214-XWE**  
(free).

**National Balance Sheet Accounts, Quarterly  
Estimates**, Second quarter 2007, Vol. 5, no. 2  
**Catalogue number 13-214-DDB** (\$321/\$1284).

**National Balance Sheet Accounts, Quarterly  
Estimates**, Second quarter 2007, Vol. 5, no. 2  
**Catalogue number 13-214-XDB** (\$65/\$257).

**Whole Farm Database Reference Manual, 2007**  
**Catalogue number 21F0005GIE**  
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**Canada's International Investment Position**, Second  
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Document 1 - 2006: 07-0001-11-001-XIE-0001-0001-0001



Statistics Canada

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



**MAJOR RELEASES**

- **Urban transit, 1996** 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, 1996** 4  
Growth in productivity among Canadian businesses and industry work force in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

**OTHER RELEASES**

- Map-based Index, May 1997 3
- Short-term Expectations Survey 9
- Steel primary forms, week ending May 31, 1997 12
- Egg production, Apr 8, 1997 12

**PUBLICATIONS RELEASED** 11



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Catalogue 11-001-XIE.

Published each working day by the Communications and Library Services Division, Statistics Canada, 10G, R.H. Coats Building, 100 Tunney's Pasture Driveway, Ottawa, Ontario K1A 0T6.

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