

# The Daily

## Statistics Canada

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## Releases

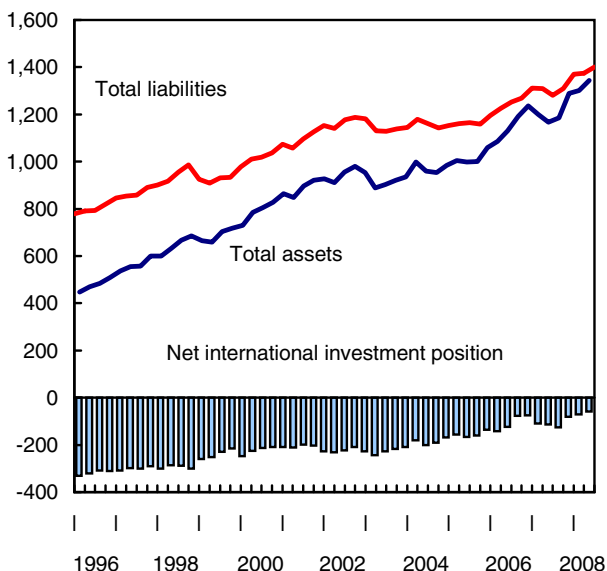
### Canada's international investment position

Third quarter 2008

Canada's net international indebtedness fell to \$58.4 billion at the end of the third quarter, as the value of Canada's foreign assets increased more than its liabilities. This result was largely attributable to higher Canadian direct investment abroad.

#### Canada's international investment position

billions of dollars



#### Net international indebtedness reaches new low

International assets rose for a fourth straight quarter to \$1,343.3 billion, while international liabilities were up for a fourth consecutive quarter to \$1,401.7 billion. Increases in international assets (+3.2%) outpaced those of international liabilities (+2.1%) in the third quarter. As a result, net foreign debt fell by \$13.1 billion to a 33-year low of \$58.4 billion in the third quarter. This represented 3.6% of Canada's gross domestic product, down from 4.4% in the previous quarter.

In addition to investment flows, exchange rate fluctuations led to increases of just over \$10.0 billion

#### Note to readers

The international investment position presents the value and composition of Canada's foreign assets and liabilities to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. Canada is a net debtor nation meaning that our international liabilities are greater than our assets. This excess of international liabilities over assets can be referred to as Canada's net international liabilities or Canada's net foreign debt.

The valuation of the assets and liabilities in the international investment position are measured at book value, unless otherwise stated. Book value represents the value of assets and liabilities recorded in the books of the enterprise in which the investment is made.

#### 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.

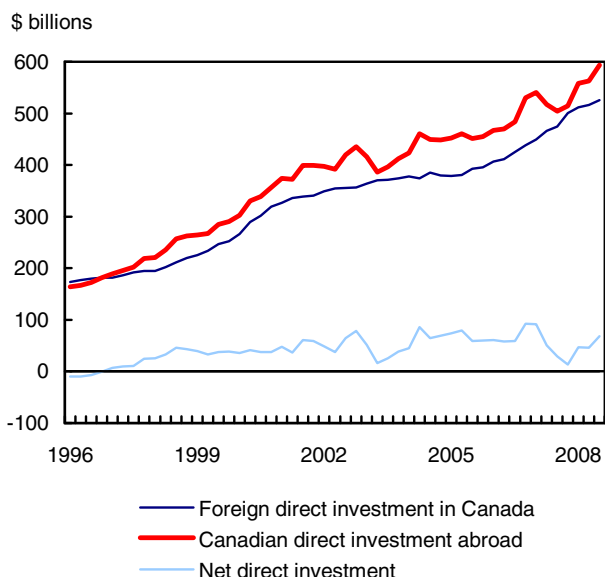
When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

in both foreign asset and liability values. Although the Canadian dollar depreciated against the US dollar and the Japanese yen during the quarter, this was partially offset by its appreciation against other major currencies. For the year, exchange rate movements have resulted in a \$59.7 billion increase in the value of total assets and a \$26.4 billion advance in the value of total liabilities.

#### Higher Canadian direct investment abroad bolsters net positions

Direct investment abroad by Canadian firms rose by \$30.6 billion to \$593.7 billion in the third quarter, on the largest outflows by Canadian companies in four years. The bulk of this investment was generated from the financial sector and represented an injection of funds into existing foreign subsidiaries. Foreign direct investment in Canada rose by \$9.0 billion to \$525.7 billion in the third quarter, with merger and acquisition activity in the energy sector accounting for most of this increase. With increases in outward direct investment dominating, Canada's net asset position on direct investment amounted to \$67.9 billion, the highest level since the first quarter of 2007.

## Direct investment position



## Portfolio divestment continues

Canadian investors continued to acquire foreign stocks while shedding foreign debt instruments, mainly in US bonds, following the pattern since the third quarter of 2007. Combined with relatively small exchange rate effects, foreign portfolio asset values fell by \$1.2 billion during the third quarter.

Non-residents reduced their positions in Canadian equity and debt instruments in the third quarter. However, exchange rate fluctuations more than offset the divestment, as US dollar and Japanese yen denominated bonds appreciated in value by approximately \$4.0 billion. The net effect on foreign holdings of Canadian securities was a slight \$1.2 billion increase.

## Cross-border deposit activity up

Other investment assets increased by \$12.0 billion, mostly arising from an increase in deposits abroad. Other investment liabilities increased by \$18.1 billion as foreigners resumed deposits in Canadian institutions. Approximately one-third of this increase was due to deposits in US dollars. Volatility in deposit assets and liabilities continues to be focused in inter-company activity in the financial industry.

## Value of Canadian equities drops more than foreign equities at market prices

Canada's overall net international investment position can also be calculated with portfolio investment assets and liabilities of tradable securities valued at market prices. By this measure, the drop in net foreign debt was more pronounced, as the value of Canadian stocks held by non-residents decreased by 19.4% compared with a decrease of 10.2% in the value of foreign stocks held by Canadians. A loss of this magnitude in Canadian equities held by non-residents has not been seen since the fourth quarter of 2000. As a result, net foreign debt decreased by \$31.2 billion to \$14.5 billion.

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

**Definitions, data sources and methods: survey number 1537.**

The third quarter 2008 issue of *Canada's International Investment Position* (67-202-XWE, free) will soon be available.

For more information, contact Client Services (613-951-1855; [infobalance@statcan.gc.ca](mailto:infobalance@statcan.gc.ca)). To enquire about the concepts, methods or data quality of this release, contact Christian Lajule (613-951-2062) or Komal Bobal (613-951-6645), Balance of Payments Division.

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## Canada's international investment position at period-end

	Fourth quarter 2005	Fourth quarter 2006	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008
	\$ billions					
<b>Assets</b>						
Canadian direct investment abroad	455.2	530.0	514.5	558.2	563.1	593.7
Portfolio investment abroad						
Foreign bonds	82.4	124.4	136.7	144.5	142.3	139.4
Foreign bonds at market value	88.9	134.0	154.5	169.4	164.5	166.6
Foreign stocks	197.2	227.9	210.1	227.4	226.9	229.0
Foreign stocks at market value	445.7	583.6	557.0	525.6	508.7	457.0
Foreign money market	13.1	20.0	7.5	7.6	7.1	6.6
Foreign money market at market value	13.1	20.1	7.5	7.7	7.1	6.6
Other investments						
Loans	46.1	72.4	76.1	85.5	87.0	82.2
Deposits	120.8	131.4	156.9	176.8	183.7	200.7
Official International Reserves	38.0	41.0	40.6	43.6	45.0	45.5
Official international reserves at market value	38.4	40.9	40.7	44.2	44.7	45.7
Other assets	47.0	45.0	42.0	46.3	46.8	46.2
Total assets						
At book value	999.8	1,191.9	1,184.4	1,289.8	1,301.9	1,343.3
With portfolio investment at market value	1,255.2	1,557.3	1,549.2	1,613.5	1,605.7	1,598.7
<b>Liabilities</b>						
Foreign direct investment in Canada	395.2	437.8	500.9	511.6	516.7	525.7
Portfolio investment						
Canadian bonds	384.2	408.1	382.1	404.9	422.1	423.4
Canadian bonds at market value	410.9	432.3	397.4	428.1	433.4	434.4
Canadian stocks	93.5	97.0	82.7	84.0	86.1	83.6
Canadian stocks at market value	273.3	345.0	327.8	320.1	352.5	284.0
Canadian money market	20.8	24.5	22.0	18.8	21.4	23.6
Canadian money market at market value	20.9	24.7	22.2	18.9	21.5	23.7
Other investment						
Loans	42.7	52.6	53.0	55.5	49.4	51.8
Deposits	201.0	226.8	243.5	269.2	251.8	267.5
Other liabilities	21.8	22.5	25.3	25.8	26.0	25.9
Total liabilities						
At book value	1,159.2	1,269.2	1,309.4	1,369.8	1,373.5	1,401.7
With portfolio investment at market value	1,365.9	1,541.6	1,570.1	1,629.2	1,651.3	1,613.2
<b>Net international investment position</b>						
At book value	-159.5	-77.3	-125.0	-80.0	-71.6	-58.4
With portfolio investment at market value	-110.7	15.6	-20.8	-15.7	-45.7	-14.5



## Labour productivity, hourly compensation and unit labour cost

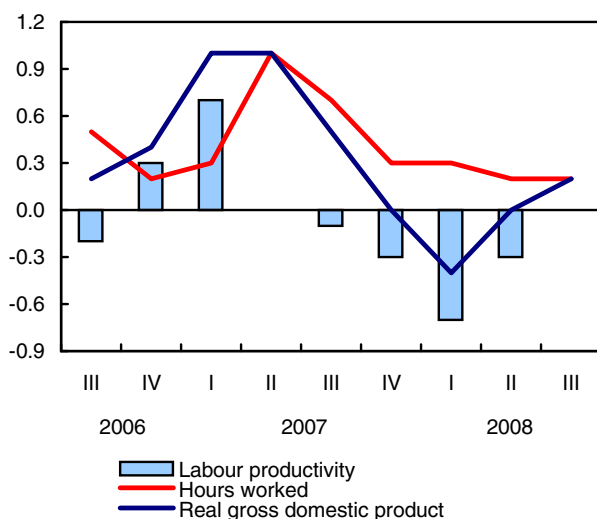
Third quarter 2008

The labour productivity of Canadian businesses remained unchanged in the third quarter, extending the weakness that began in the second quarter of 2007.

In the third quarter, the gross domestic product (GDP) of Canadian businesses and the hours worked related to this production increased in tandem, at a rate of 0.2%. The increase in the number of hours worked in Canadian businesses was similar to that of the first two quarters of the year. In the first three quarters of 2008, hours worked grew at less than half the pace recorded in the first three quarters of 2007.

### No productivity gains for Canadian businesses in the third quarter

quarterly % change



Labour productivity in the goods producing industries grew by 0.3% in the third quarter, after five consecutive quarterly declines. Increased productivity in manufacturing and in mining, oil and gas extraction industries more than offset decreased productivity in construction. Against a backdrop of declining employment, the manufacturing sector saw a second consecutive increase in its productivity.

Productivity in the services sector remained flat in the third quarter. Marked increases in retail

#### Note to readers

This release contains a brief analysis of detailed data on labour productivity growth and other related variables. A more thorough analysis, including additional charts and tables, is available in the Canadian Economic Accounts Quarterly Review.

The term "productivity" herein refers to labour productivity. For the purposes of this analysis, labour productivity, gross domestic product (GDP) and unit labour cost cover the business sector only.

Calculations of the productivity growth rate and its related variables in the text and tables of this release are based on index numbers rounded to three decimal places. On CANSIM, these calculations would be based on index numbers that are rounded to one decimal place.

**Labour productivity** is a measure of real GDP per hour worked. Productivity gains occur when the production of goods and services grows faster than the volume of work dedicated to their production.

**Unit labour cost** is defined as the cost of workers' wages and benefits per unit of real GDP, and is, therefore, a measure of upward or downward pressure on prices from wages.

#### Revisions

This release incorporates several revisions to the source data, such as revisions to the GDP by industry released in September 2008, revisions to the Survey of Employment, Payrolls and Hours data, released in March 2008, as well as the new labour statistics annual benchmarks with the National Accounts published on December 8, 2008. Based on these revisions, labour productivity and related variables were revised back to the first quarter of 2004 at the aggregate level and the first quarter of 2002 at the industry level.

trade and administrative and remediation services were counterbalanced by significant declines in accommodation and food services and in finance, insurance and real estate.

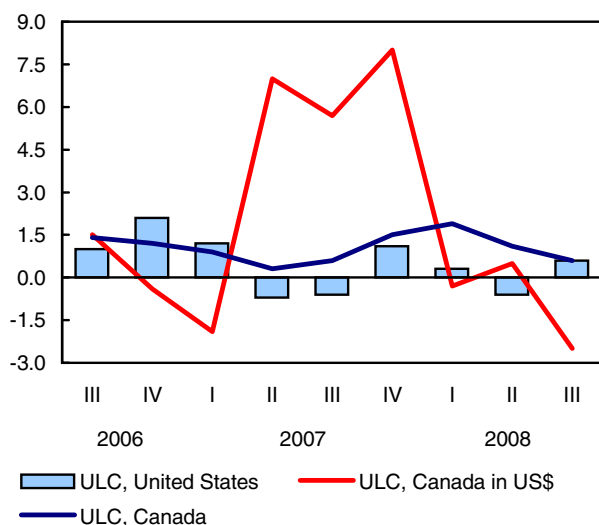
In the United States, productivity grew 0.4% in the third quarter, down from the rates observed in the first two quarters of 2008. Production by American businesses registered its steepest decline in seven years, with hours worked declining for a fifth consecutive quarter.

### Canadian business competitiveness gains ground in the third quarter

The growth rate of labour costs per unit of production, a barometer of long term inflationary pressure, decelerated to 0.6% for Canadian businesses in the third quarter, roughly half the rate registered in the previous quarter (+1.1%). This was the weakest growth rate since the third quarter of 2007.

# Canadian unit labour costs (ULC) in US dollars declines sharply

quarterly % change



With no change in productivity in the third quarter, the growth of unit labour costs was almost entirely a result of the growth of hourly compensation, which decelerated to 0.6%.

The value of the Canadian dollar declined 3.1% in relation to its US counterpart in the third quarter, helping

Canadian unit labour costs measured in US dollars fall substantially during the quarter.

For their part, American businesses saw their unit labour costs rise 0.6% in the third quarter, after falling 0.6% in the second quarter.

**Available on CANSIM: tables 383-0008 and 383-0012.**

**Definitions, data sources and methods: survey number 5042.**

A more comprehensive analysis, including additional charts and tables, can be found in the third quarter 2008 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 7, no. 3 (13-010-XWE, free), which is now available from the *Publications* module of our website.

Fourth quarter data of 2008 for labour productivity, hourly compensation and unit labour cost will be released on March 17, 2009.

To order data, contact Client Services ([productivity.measures@statcan.gc.ca](mailto:productivity.measures@statcan.gc.ca)). For more information, or to enquire about the concepts, methods or data quality of this release, contact Jean-Pierre Maynard (613-951-3654; fax: 613-951-3618; [jean-pierre.maynard@statcan.gc.ca](mailto:jean-pierre.maynard@statcan.gc.ca)), Income and Expenditure Accounts Division.

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# Business sector: Labour productivity and related variables for Canada and the United States

	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008
% change from previous quarter, seasonally adjusted									
<b>Canada</b>									
Labour productivity	-0.2	0.3	0.7	0.0	-0.1	-0.3	-0.7	-0.3	0.0
Real gross domestic product	0.2	0.4	1.0	1.0	0.5	0.0	-0.4	0.0	0.2
Hours worked	0.5	0.2	0.3	1.0	0.7	0.3	0.3	0.2	0.2
Hourly compensation	1.2	1.5	1.6	0.2	0.4	1.3	1.2	0.8	0.6
Unit labour cost	1.4	1.2	0.9	0.3	0.6	1.5	1.9	1.1	0.6
Exchange rate <sup>1</sup>	-0.1	1.6	2.8	-6.3	-4.9	-6.0	2.3	0.6	3.1
Unit labour cost in US dollars	1.5	-0.4	-1.9	7.0	5.7	8.0	-0.3	0.5	-2.5
<b>United States<sup>2</sup></b>									
Labour productivity	-0.5	0.0	0.0	1.2	1.5	0.0	0.6	0.9	0.4
Real gross domestic product	0.1	0.4	-0.2	1.4	1.3	-0.2	0.2	0.7	-0.4
Hours worked	0.6	0.4	-0.2	0.2	-0.2	-0.2	-0.4	-0.2	-0.8
Hourly compensation	0.5	2.2	1.2	0.5	0.9	1.1	0.9	0.3	1.0
Unit labour cost	1.0	2.1	1.2	-0.7	-0.6	1.1	0.3	-0.6	0.6
	2003	2004	2005	2006	2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008	Third quarter 2008
% change from the previous year					% change from same quarter of previous year, seasonally adjusted				
<b>Canada</b>									
Labour productivity	0.2	0.2	2.2	1.4	0.7	0.3	-1.1	-1.4	-1.3
Real gross domestic product	1.5	3.2	2.9	3.1	2.6	2.6	1.1	0.1	-0.3
Hours worked	1.3	3.0	0.8	1.6	1.9	2.3	2.3	1.5	1.0
Hourly compensation	2.6	3.3	4.8	5.0	4.3	3.6	3.2	3.8	3.9
Unit labour cost	2.4	3.1	2.5	3.6	3.6	3.3	4.4	5.2	5.2
Exchange rate <sup>1</sup>	-10.8	-7.1	-6.9	-6.4	-5.3	-13.8	-14.3	-8.0	-0.3
Unit labour cost in US dollars	15.1	10.9	10.0	10.6	9.9	19.9	21.8	14.3	5.5
<b>United States<sup>2</sup></b>									
Labour productivity	3.8	2.9	1.8	0.9	1.5	2.8	3.4	3.0	1.9
Real gross domestic product	3.1	4.2	3.5	3.0	2.0	2.4	2.8	2.0	0.2
Hours worked	-0.7	1.3	1.6	2.1	0.5	-0.3	-0.6	-1.0	-1.6
Hourly compensation	4.1	3.8	4.0	3.8	4.2	3.7	3.4	3.2	3.3
Unit labour cost	0.2	0.8	2.1	2.9	2.6	0.9	0.0	0.2	1.4

1. The exchange rate corresponds to the US dollar value expressed in Canadian dollars.

2. US data are from Bureau of Labor Statistics, Productivity and costs: Third quarter 2008 published in NEWS, December 3.

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## Spending on research and development

2008 intentions

Total intended spending on research and development (R&D) is anticipated to reach \$29.1 billion (in current dollars) in 2008, virtually unchanged from 2007.

Spending intentions indicate that Canada's business enterprise sector will continue to be the largest R&D performer with spending anticipated to reach \$16.3 billion, followed by the higher education sector at \$9.8 billion.

In terms of R&D funding, business enterprises are expected to provide almost half of the total funding. The federal government continues to be the second largest funding sector, accounting for approximately one-fifth of total R&D funding and basically unchanged from the previous year.

Provincial distribution of R&D spending is available up to 2006.

### Total research and development spending intentions, 2008

Sector ranking <sup>1</sup>	\$ millions	% of total spending
<b>Total: Performing sector</b>	<b>29,070</b>	<b>100</b>
Business enterprise	16,316	56.1
Higher education	9,837	33.8
Federal government	2,467	8.5
Provincial government and provincial research organizations	319	1.1
Private non-profit	132	0.5
<b>Total: Funding sector</b>	<b>29,070</b>	<b>100</b>
Business enterprise	14,386	49.5
Federal government	5,272	18.1
Higher education	4,532	15.6
Foreign	2,616	9.0
Provincial government and provincial research organizations	1,414	4.9
Private non-profit	850	2.9

1. Research and development funding and performing sectors are ranked from highest to lowest value.

Available on CANSIM: table 358-0001.

**Definitions, data sources and methods: survey numbers, including related surveys, 4201, 4204, 4208, 4209, 4210, 4212 and 5109.**

The publication *Gross Domestic Expenditures on Research and Development, in Canada and the Provinces* (88-221-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 Michael Lynch (613-951-2201; [michael.lynch@statcan.gc.ca](mailto:michael.lynch@statcan.gc.ca)) or Cindy Carter, (613-951-1856; [cindy.carter@statcan.gc.ca](mailto:cindy.carter@statcan.gc.ca)), Science, Innovation and Electronic Information Division. ■

## Scheduled air passenger origin and destination: Canada-United States 2007

Just over 17 million passengers travelled on scheduled air services between Canada and the United States, down 0.5% compared with 2006.

Transborder scheduled passenger traffic increased 15.0% from 2002 through 2007.

The distribution of transborder traffic by province varied slightly from province to province compared with 2006. Half of the provinces showed losses in traffic in 2007 and half showed gains in passengers travelling on scheduled passenger air services. Variations ranged from a 4.2% decline in Saskatchewan to a 77.6% increase for the Northwest Territories.

The majority of traffic went through Ontario (41.7%), down 2.2% compared with 2006.

The 2007 issue of the *Air Passenger Origin and Destination, Canada-United States Report* (51-205-XWE, free) will soon be available.

Available on CANSIM: tables 401-0039 and 401-0040.

**Definitions, data sources and methods: survey number 2703.**

For more information, or to enquire about the concepts, methods or data quality of this release, contact the Client Services (toll-free 1-866-500-8400; [transportationstatistics@statcan.gc.ca](mailto:transportationstatistics@statcan.gc.ca)), Transportation Division. ■

## Salary and salary scales of full-time teaching staff at Canadian universities 2007/2008 (supplementary)

Preliminary data on the salaries of full-time teaching staff at 50 Canadian universities for the 2007/2008 academic year were released in *The Daily* on April 9, 2008.

Information is now available on the salaries of full-time teaching staff at additional Canadian universities, along with information on the salary scales

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for selected institutions for the 2007/2008 academic year. The institutions that are included are all those that completed the survey by the beginning of December 2008.

The information is collected annually under the University and College Academic Staff System.

As more information becomes available, it will be released periodically. Once information for all institutions has been received, a final report will be issued. Also available are special requests from this data set.

**Definitions, data sources and methods: survey number 3101.**

For further information, to order data, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-800-307-3382; 613-951-7608; fax: 613-951-9040; [educationstats@statcan.gc.ca](mailto:educationstats@statcan.gc.ca)), Culture, Tourism and the Centre for Education Statistics. ■

**Postal code conversion file plus**

March 2008

The *Postal Code Conversion File Plus (PCCF+)*, Version 5C, with postal codes through March 2008, complements the *Postal Code Conversion File (PCCF)*. When the association between the postal code and census geography is not unique, the PCCF+ allows for a proportional allocation based on the population count.

**Definitions, data sources and methods: survey number 3901.**

The *Postal Code Conversion File Plus (PCCF+)*, Version 5C (82F0086XDB, free) is now available from the *Publications* module of our website.

The PCCF+ is only available to purchasers of the PCCF. Also, users require the SAS (Statistical Analysis System) program to run this application. For more information, or to enquire about the concepts, methods or data quality of this release, contact Russell Wilkins (613-951-5305; [russell.wilkins@statcan.gc.ca](mailto:russell.wilkins@statcan.gc.ca)), Health Information and Research Division. ■

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## New products

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