

The Daily

Statistics Canada

Monday, December 12, 2011

Released at 8:30 a.m. Eastern time

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Canada's international investment position

Third quarter 2011

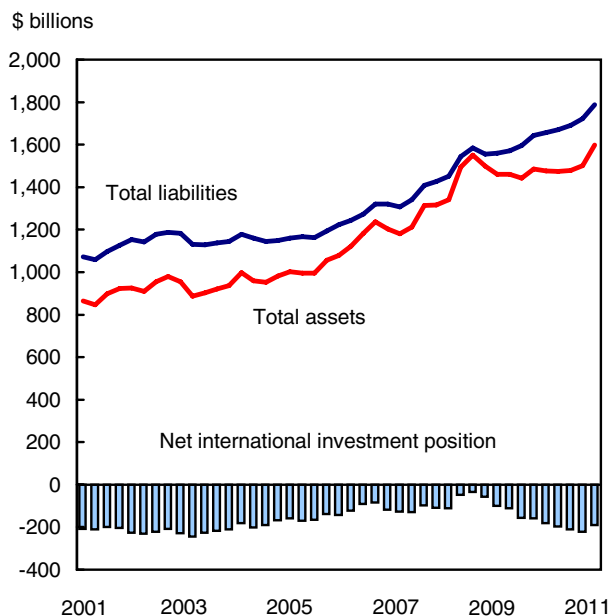
Canada's net foreign debt was down \$31.8 billion to \$189.5 billion at the end of the third quarter, led by the depreciation of the Canadian dollar against most major foreign currencies.

During the quarter, the Canadian dollar lost 8.0% against the US dollar, 5.3% against the British pound, 11.7% against the Japanese yen and 0.4% against the Euro.

Canada's international assets rose by \$97.6 billion to \$1,598.9 billion. As these assets are denominated in foreign currencies, the depreciation of the Canadian dollar resulted in an \$81.7 billion upward revaluation. Canadian direct investment abroad in the third quarter largely accounted for the balance of the increase in international assets.

Canada's international liabilities rose by \$65.7 billion to \$1,788.5 billion. The depreciation of the Canadian currency led to a \$47.3 billion upward revaluation of foreign debt, for that portion denominated in foreign currencies. Ongoing foreign investment in Canadian securities accounted for the balance of the increase in international liabilities.

Canada's international investment position



Note to readers

The international investment position presents the value and composition of Canada's assets and liabilities to the rest of the world. Canada's net international investment position is the difference between these foreign assets and liabilities. The excess of international liabilities over assets can be referred to as Canada's net foreign debt; the excess of international assets over liabilities can be referred to as Canada's net foreign assets. 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

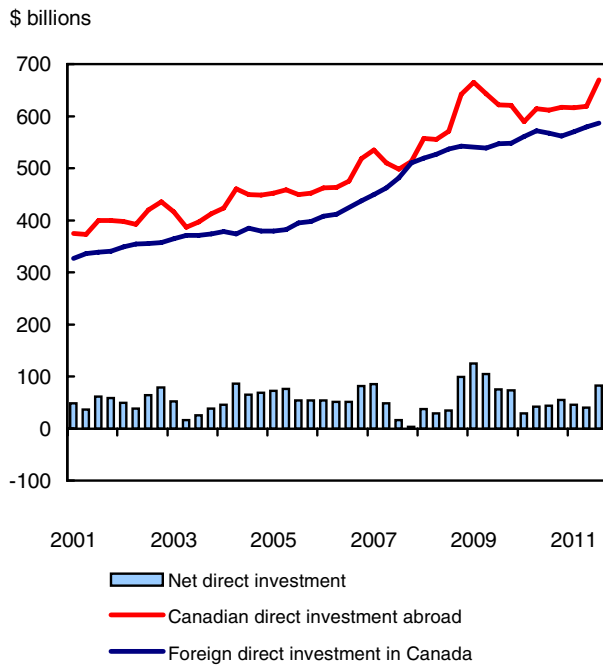
The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of Canada's international liabilities are 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 Canadian dollar is depreciating.

Canada's net debt position with the United States increased by \$10.0 billion to \$328.0 billion in the third quarter. This net debt position has been on an upward trend since the end of 2008. However, Canada's net asset position with all other countries increased \$41.8 billion during the third quarter to \$138.5 billion.

Largest increase in net direct investment asset position since fourth quarter 2008

The value of Canadian direct investment abroad was up by \$50.2 billion, mainly on the revaluation effect of the depreciation of the Canadian dollar on these foreign assets. Foreign direct investment in Canada, which is denominated in Canadian currency, rose by \$7.2 billion. As a result, the net direct investment asset position rose by \$43.0 billion to \$82.9 billion at the end of the third quarter, marking the largest increase since the fourth quarter of 2008.

Net direct investment position



Non-resident holdings of Canadian securities up again

Canada's net debt position on securities widened further in the third quarter. Canadian holdings of foreign securities increased \$23.8 billion in the third quarter, largely on equities and led by the foreign currency revaluations. Regarding the value of non-resident portfolio investment in Canada, it was up \$49.6 billion, just above the increase registered in the second quarter of 2010.

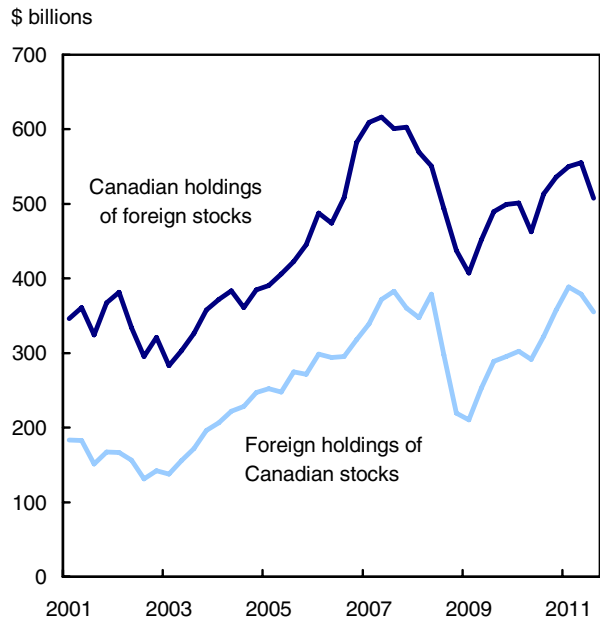
Increases in the third quarter of 2011 were equally split between investment inflows and revaluations of foreign currency-denominated Canadian debt instruments. Non-resident investment in Canadian securities focused on Canadian money market instruments during the quarter.

Decline in foreign equity markets leads to increase in net foreign indebtedness

Canada's overall net international investment position can also be calculated with tradable securities

valued at market prices. By this measure, Canada's net foreign debt increased \$20.7 billion to \$233.6 billion at the end of the third quarter. This largely reflected losses on equity, with foreign stock markets weakening by more than their Canadian counterpart in the quarter. Canadian holdings of foreign equities were down \$48.0 billion to \$507.5 billion, despite the upward foreign currency revaluation effect. This compares with a \$24.0 billion decline in non-residents holdings of Canadian equities.

Portfolio investment in stocks at market value



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

Definitions, data sources and methods: survey numbers, including related surveys, 1534 and 1537.

The third quarter 2011 issue of *Canada's International Investment Position* (67-202-X, free) will be available soon.

For more information, contact Client Services (613-951-1855; infobalance@statcan.gc.ca). To enquire about the methods, concepts or data quality of this release, contact Christian Lajule (613-951-2062) or Marie-Josée Lamontagne (613-951-5179), Balance of Payments Division.

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Canada's international investment position at period end

	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008	Fourth quarter 2009	Fourth quarter 2010	First quarter 2011	Second quarter 2011	Third quarter 2011
	\$ billions							
Assets								
Canadian direct investment abroad	518.8	513.1	642.0	621.2	616.7	616.3	619.1	669.4
Portfolio investment abroad								
Foreign bonds	124.0	150.3	145.0	135.0	128.8	125.9	120.6	125.6
Foreign bonds at market value	133.7	153.5	142.4	141.3	138.5	134.1	128.0	142.2
Foreign stocks	227.4	226.4	277.8	261.2	258.8	256.9	263.0	281.5
Foreign stocks at market value	582.2	603.2	437.3	499.0	535.7	550.0	555.5	507.5
Foreign money market	20.0	7.5	3.5	4.6	6.7	6.8	6.0	6.2
Foreign money market at market value	20.1	7.5	3.5	4.6	6.7	6.8	6.0	6.2
Other investments								
Loans	72.8	77.8	93.5	103.5	109.6	110.2	115.9	119.7
Deposits	132.2	157.9	226.8	225.0	225.8	233.7	246.7	262.5
Official international reserves	41.0	40.6	51.4	56.0	55.2	57.7	58.6	63.2
Official international reserves at market value	40.9	40.7	53.4	57.1	56.8	58.8	60.3	66.8
Other assets	45.5	38.2	54.7	54.6	73.1	71.5	71.5	70.8
Total assets								
At book value	1,181.7	1,211.9	1,494.6	1,461.1	1,474.6	1,479.2	1,501.4	1,598.9
With portfolio investment at market value	1,546.2	1,592.0	1,653.6	1,706.4	1,762.9	1,781.5	1,803.0	1,845.1
Liabilities								
Foreign direct investment in Canada	437.2	510.1	542.7	547.6	561.6	570.4	579.2	586.4
Portfolio investment								
Canadian bonds	410.0	384.7	458.9	497.8	575.1	579.5	591.9	622.2
Canadian bonds at market value	432.5	399.7	473.1	528.0	613.3	614.5	631.3	684.8
Canadian stocks	96.7	92.1	98.8	110.9	120.2	124.5	125.5	127.7
Canadian stocks at market value	317.9	360.0	219.7	295.3	357.9	388.7	379.2	355.1
Canadian money market	24.5	22.0	34.9	32.9	35.6	36.1	41.2	58.4
Canadian money market at market value	24.7	22.2	35.0	32.9	35.6	36.2	41.3	58.6
Other investment								
Loans	55.7	61.8	81.7	67.8	78.6	70.9	70.9	69.8
Deposits	226.8	243.5	301.6	282.4	268.4	276.0	281.5	290.8
Other liabilities	21.7	27.4	24.3	32.1	31.3	32.6	32.4	33.1
Total liabilities								
At book value	1,272.6	1,341.7	1,542.9	1,571.6	1,670.9	1,690.0	1,722.7	1,788.5
With portfolio investment at market value	1,516.5	1,624.8	1,678.1	1,786.3	1,946.7	1,989.3	2,015.9	2,078.7
Net international investment position								
At book value	-90.9	-129.8	-48.3	-110.4	-196.2	-210.9	-221.3	-189.5
With portfolio investment at market value	29.7	-32.9	-24.5	-79.8	-183.9	-207.8	-212.9	-233.6



Study: Excess capacity and productivity growth in Canadian manufacturing

1990 to 2006

Growth in labour productivity in the Canadian manufacturing sector slowed substantially in the years after 2000. At least half of this slowdown was because of restructuring resulting from an increase in excess plant capacity during this period.

Much of the remainder of the overall slowdown was attributable to the general decline in the production efficiency of manufacturing plants.

Between 1990 and 2000, labour productivity in the manufacturing sector increased at an annual average rate of 3.6%. However, between 2000 and 2010, the average annual growth rate slowed to 0.9%.

Excess capacity in the Canadian manufacturing sector developed during the decade following 2000. During this period, capacity utilization declined in 16 of the 20 manufacturing industries.

In 1999, overall capacity utilization in manufacturing averaged 86%. By 2003, it had declined to 81%, and by 2006, it had returned to 83%. In the electrical products industry alone, capacity utilization fell from 92% in 2000 to 73% in 2003, returning to 80% by 2006.

In the post-2000 period, the manufacturing sector contracted at an annual average rate of 0.3%, compared with an annual average increase of 3.4% between 1990 and 1999.

Emergence of excess capacity

Some of the excess capacity that developed in the years following 2000 reflected the general economic slowdown in North America early in the decade and the appreciation of the Canadian dollar.

Those changes in the economic environment resulted in large declines in manufacturing exports during this period.

The emergence of excess capacity in several industries after 2000 was also related to major long-term structural adjustments. For example, the electronic-product manufacturing sector went through readjustment after the collapse of the dot-com bubble in the early 2000s.

Moreover, pulp and paper manufacturing contracted as newspapers in the United States faced increasing competition from the Internet.

Non-durable goods industries such as textiles, leather and clothing also faced increasing global

Note to readers

This research paper examines how changes in the economic environment post-2000 contributed to slower productivity growth in the Canadian manufacturing sector. It investigates how this slowdown in productivity growth was associated with the restructuring that occurred in manufacturing as a result of the increase in excess capacity.

The plant-level data used in this study come from Statistics Canada's Annual Survey of Manufactures, a longitudinal database that covers the entire Canadian manufacturing sector using both survey and administrative data, and permits plants to be tracked over time (from 1990 to 2006).

competition from imports from emerging economies that resulted in falling output volumes in these industries.

Impact hardest on exporters

Differences in the impact of excess capacity across sectors indicate that this impact was particularly severe for firms and industries that served export markets.

This supports the interpretation that this development stemmed from changes in the trade environment, as exporters, on average, had large declines in labour productivity in the post-2000 period.

The slowdown in labour productivity growth among exporters accounted for almost all of the slowdown in aggregate labour productivity growth in the manufacturing sector. The slowdown was more pronounced in foreign-controlled plants than in domestic-controlled plants, as foreign-controlled plants are more export-oriented.

In addition, the impact of excess capacity was observed more in durable goods industries, where its impact on productivity is greatest because of the nature of the production process.

Exporters have been exposed to substantial pressures to adjust as the Canada-US exchange rate increased dramatically over the period. Exporters saw a large decline in their capacity utilization and labour productivity growth after 2000.

The research paper "Export Growth, Capacity Utilization and Productivity Growth: Evidence from Canadian Manufacturing Plants," part of *The Economic Analysis Research Paper Series* (11F0027M2011075, free), is now available from the *Key resource* module of our website under *Publications*.

Similar studies from the Economic Analysis Division are available online (www.statcan.gc.ca/economicanalysis).

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588) or Wulong Gu (613-951-0754), Economic Analysis Division. ■

Accounting services price indexes 2010

Prices for accounting services across Canada increased by 2.2% between 2009 and 2010. Prices rose in all accounting service categories, ranging from gains of 1.6% for audit, review and related services to 4.2% for tax preparation services for individuals and unincorporated businesses. Other services, including bookkeeping, compilation and general accounting increased 2.3%, while tax preparation for corporate clients increased 1.8%.

Available on CANSIM: table 326-0014.

Definitions, data sources and methods: survey number 2334.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (toll-free 1-888-951-4550; 613-951-4550; fax: 1-855-314-8765 or 613-951-3117; ppd-info-dpp@statcan.gc.ca), Producer Prices Division. ■

Cement

October 2011

Data on cement are now available for October, as well as revised data for September.

Available on CANSIM: tables 303-0060 and 303-0061.

Definitions, data sources and methods: survey number 2140.

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

Periodical publishing 2010

The 2010 edition of *Service Bulletin: Periodical Publishing*, which contains industry highlights along

with financial data including revenues, expenses and operating profit margins, is now available.

Available on CANSIM: table 361-0010.

Definitions, data sources and methods: survey number 5091.

The publication *Service Bulletin: Periodical Publishing*, 2010 (87F0005X, free), is now available from the *Key resource* module of our website under *Publications*.

For more information, contact Client Services (toll-free 1-877-801-3282; 613-951-4612; servicesind@statcan.gc.ca). To enquire about the concepts, methods or data quality of this release, contact Sylvie Lafond (613-951-1727; sylvie.lafond@statcan.gc.ca), Service Industries Division. ■

Specialized design services 2010

The 2010 edition of *Service Bulletin: Specialized Design Services*, which contains industry highlights along with financial data including revenues, expenses and operating profit margins, is now available. The publication also includes product information, data by type of client and by geographic region.

Available on CANSIM: tables 360-0002, 360-0008 and 360-0009.

Definitions, data sources and methods: survey number 4719.

The publication *Service Bulletin: Specialized Design Services*, 2010 (63-251-X, free), is now available from the *Key resource* module of our website under *Publications*.

For more information, contact Client Services (toll-free 1-877-801-3282; 613-951-4612; servicesind@statcan.gc.ca). To enquire about the concepts, methods or data quality of this release, contact Georgie Zuger (613-951-2595; georgie.zuger@statcan.gc.ca), Service Industries Division. ■

New products and studies

Study: Economic Analysis (EA) Research Paper Series: "Export Growth, Capacity Utilization and Productivity Growth: Evidence from Canadian Manufacturing Plants", no. 75
Catalogue number 11F0027M2011075 (PDF, free; HTML, free)

Specialized Design Services, 2010
Catalogue number 63-251-X (PDF, free; HTML, free)

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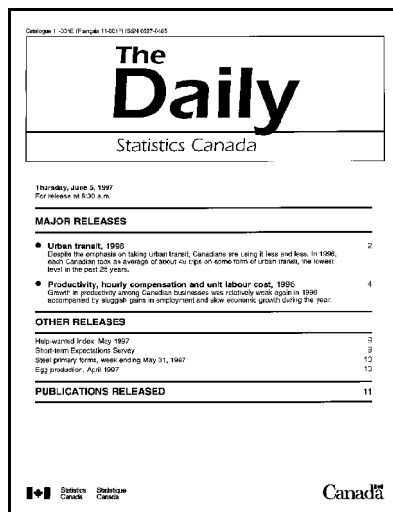
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Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

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

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