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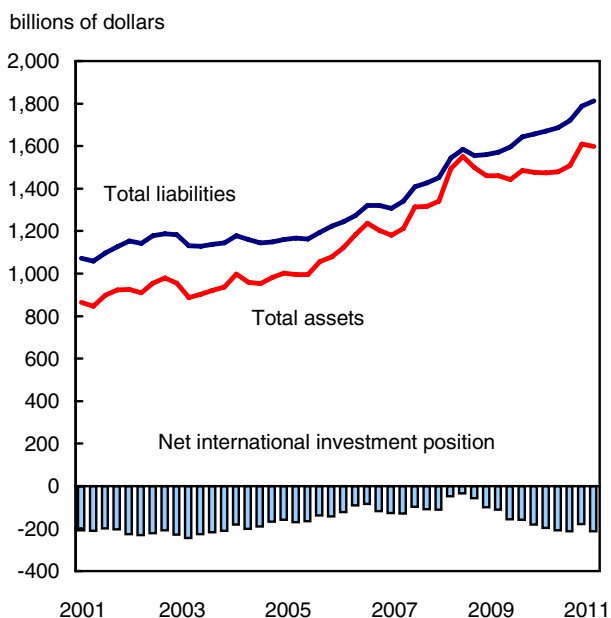
Fourth quarter 2011

Canada's net foreign debt was up \$34.7 billion to \$213.1 billion at the end of the fourth quarter, resulting largely from the impact of the appreciation of the Canadian dollar against most major foreign currencies and from continued foreign investment into the economy.

During the quarter, the Canadian dollar gained 3.1% against the US dollar, 3.4% against the British pound, 2.9% against the Japanese yen and 6.4% against the euro.

Canada's international assets declined \$10.5 billion to \$1,598.7 billion. As these assets are denominated in foreign currencies, the appreciation of the Canadian dollar resulted in a \$42.1 billion downward revaluation. This more than offset outward Canadian transactions in the quarter.

Canada's international investment position



Canada's international liabilities were up \$24.3 billion to \$1,811.9 billion. Ongoing investment by non-residents, amounting to \$51.2 billion in the fourth quarter, accounted for the increase in international

Note to readers

The historical revision to the international investment position (IIP) is scheduled to be released in October 2012. At that point, market valuation will be used as the main measure of the IIP accounts as opposed to the book value presentation currently in use as the main measure. For more information, please see *Valuation of assets and liabilities*.

Definition

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.

liabilities. Most of this investment was in the form of purchases of Canadian securities. However, this increase in international liabilities was moderated by the appreciation of the Canadian currency, which resulted in a \$21.4 billion downward revaluation of that portion of Canadian debt denominated in foreign currencies.

Net foreign debt with the United States up again

Canada's net debt position with the United States increased \$29.2 billion to \$354.6 billion in the fourth quarter. This net debt position has been on an upward trend since the end of 2008. Canada had a net asset position of \$141.5 billion with all other countries in the fourth quarter, down \$5.6 billion from the previous quarter.

Net direct investment asset position edges down

The value of Canadian direct investment abroad was down \$7.8 billion. Although additional investment added \$13.1 billion to the direct investment position,

the appreciation of the dollar had a downward impact of \$20.3 billion on the overall position. On the liability side, the value of foreign direct investment in Canada increased by \$1.2 billion. As a result, the net direct investment asset position edged down to \$75.3 billion.

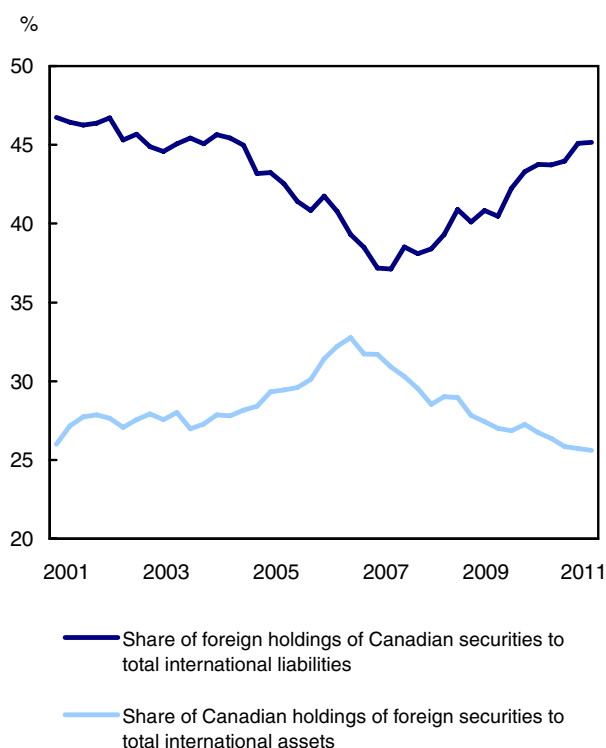
Net portfolio investment liability expands further

Holdings of Canadian securities by non-residents increased \$12.4 billion to \$818.5 billion at the end of 2011. This reflected sustained investment flows, moderated by the downward impact of the appreciation of the Canadian dollar on foreign currency-denominated instruments. On the other hand, the stocks of foreign securities held by Canadian investors edged down to \$409.5 billion. As a result, Canada's net liability position on securities expanded further in the quarter.

These developments reflect changes in the underlying investment trends since 2007, combined with the general appreciation of the Canadian dollar over the same period. Since the beginning of 2007, Canadian investors' holdings of foreign bonds have decreased 11.8%, while holdings of foreign money market instruments have declined 76.3%.

Since the financial crisis, Canadian holdings of foreign securities have decreased as a percentage of total international assets. However, on the liability side, foreign investment in Canadian securities has increased over the last four years as a percentage of total international liability.

Share of investment in securities



Gains in foreign equity markets moderate 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 rose \$10.0 billion to \$233.1 billion at the end of the fourth quarter. This largely reflected stronger increases on foreign stock markets than on Canadian ones, which translated into gains on Canadian holdings of foreign equities. Canadian holdings of foreign shares were up \$28.8 billion, compared with a \$15.1 billion increase in non-resident holdings of Canadian equities.

Available without charge in CANSIM: tables 376-0055 to 376-0057 and 376-0059.

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

The fourth 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.

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	Fourth quarter 2011
billions of dollars									
Assets									
Canadian direct investment abroad	518.8	513.1	642.0	621.2	616.7	616.8	619.9	671.8	664.1
Portfolio investment abroad									
Foreign bonds	124.0	150.3	145.0	135.0	128.8	125.9	120.6	125.9	127.1
Foreign bonds at market value	133.7	153.5	142.4	141.3	138.5	134.1	128.0	142.5	143.0
Foreign stocks	227.4	226.4	277.8	261.2	258.8	256.9	263.0	281.9	277.6
Foreign stocks at market value	582.2	603.2	437.3	499.0	535.7	549.9	555.7	507.3	536.0
Foreign money market	20.0	7.5	3.5	4.6	6.7	6.8	6.0	6.1	4.8
Foreign money market at market value	20.1	7.5	3.5	4.6	6.7	6.8	6.0	6.1	4.8
Other investments									
Loans	72.8	77.8	93.5	103.5	109.6	110.2	115.9	122.2	123.4
Deposits	132.2	157.9	226.8	225.0	225.8	232.3	252.5	267.2	263.4
Official international reserves	41.0	40.6	51.4	56.0	55.2	57.7	58.6	63.2	63.9
Official international reserves at market value	40.9	40.7	53.4	57.1	56.8	58.8	60.3	66.8	66.9
Other assets	45.5	38.2	54.7	54.6	73.1	71.6	71.4	70.8	74.4
Total assets									
At book value	1,181.7	1,211.9	1,494.6	1,461.1	1,474.6	1,478.2	1,507.8	1,609.2	1,598.7
With portfolio investment at market value	1,546.2	1,592.0	1,653.6	1,706.4	1,762.9	1,780.5	1,809.6	1,854.8	1,876.1
Liabilities									
Foreign direct investment in Canada	437.2	510.1	542.7	547.6	561.6	570.6	579.3	587.6	588.7
Portfolio investment									
Canadian bonds	410.0	384.7	458.9	497.8	575.1	577.2	589.7	619.8	620.1
Canadian bonds at market value	432.5	399.7	473.1	528.0	613.3	612.4	629.1	682.5	677.5
Canadian stocks	96.7	92.1	98.8	110.9	120.2	124.5	125.5	127.8	130.5
Canadian stocks at market value	317.9	360.0	219.7	295.3	357.9	388.7	379.2	355.3	370.4
Canadian money market	24.5	22.0	34.9	32.9	35.6	36.1	41.2	58.4	67.8
Canadian money market at market value	24.7	22.2	35.0	32.9	35.6	36.2	41.3	58.6	68.0
Other investment									
Loans	55.7	61.8	81.7	67.8	78.6	70.2	70.3	69.9	74.5
Deposits	226.8	243.5	301.6	282.4	268.4	276.0	281.5	291.3	297.6
Other liabilities	21.7	27.4	24.3	32.1	31.3	32.6	32.4	32.9	32.5
Total liabilities									
At book value	1,272.6	1,341.7	1,542.9	1,571.6	1,670.9	1,687.2	1,720.0	1,787.6	1,811.9
With portfolio investment at market value	1,516.5	1,624.8	1,678.1	1,786.3	1,946.7	1,986.8	2,013.2	2,078.0	2,109.3
Net international investment position									
At book value	-90.9	-129.8	-48.3	-110.4	-196.2	-209.0	-212.2	-178.4	-213.1
With portfolio investment at market value	29.7	-32.9	-24.5	-79.8	-183.9	-206.3	-203.6	-223.2	-233.1

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Factors in the growth of labour productivity in the provinces

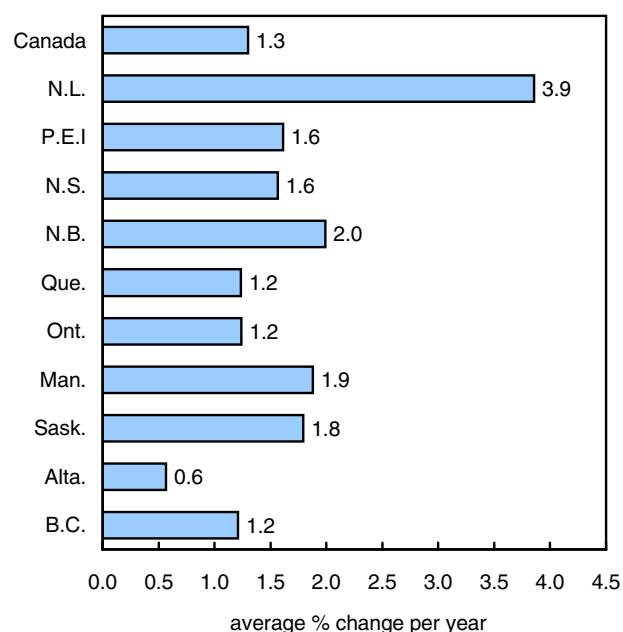
1997 to 2010

Investment in physical capital was the most important factor in the growth of labour productivity in almost every province during the 14-year period from 1997 to 2010.

Capital intensity, that is, investment in plant, machinery and equipment, was found to be a more important factor in most provinces than gains in the other two key determinants (human capital and multifactor productivity). Multifactor productivity refers to increases resulting from technological innovation and organizational changes in firms.

Gains in capital intensity were highest in Alberta and Saskatchewan between 1997 and 2010. This was due to investments in resource-related activities in these two economies.

Labour productivity growth in the business sector by province, 1997 to 2010



On the other hand, increases in multifactor productivity were responsible for the rapid growth in labour productivity in Newfoundland and Labrador during this period.

Between 1997 and 2010, labour productivity in Canada's business sector increased at an annual average rate of 1.3%. The largest growth occurred in

Note to readers

This is the first release of an analysis that breaks down the growth in labour productivity in the business sector into the three key determinants for each province.

This analysis uses a new experimental multifactor productivity database constructed at the provincial level. It was created using a methodology similar to the one used to construct multifactor productivity estimates at the national level. Information at the national level was released in The Daily on January 11, 2012, and on July 22, 2011.

This release covers the period from 1997 to 2010, the same period for which there are data in the new multifactor productivity database at the provincial level.

The three determinants of growth in labour productivity are the following:

Capital intensity, or changes in the amount of capital per hour worked;

Investment in human capital, or the amount of investment in the workforce leading to more highly educated or more skilled workers; and

Multifactor productivity: All factors other than investment in physical and human capital. These factors in general include technological change, organizational innovation, and economies of scale.

Labour productivity is a measure of real gross domestic product per hour worked. The growth in labour productivity is one of the factors influencing long-term economic growth and living standards.

Newfoundland and Labrador (+3.9%), while Alberta had the slowest growth (+0.6%).

Factors in labour productivity growth

Investment in physical capital was the most important factor for the growth in labour productivity in the business sector in every province except Newfoundland and Labrador between 1997 and 2010.

This was especially the case in two western provinces, Alberta and Saskatchewan. Capital intensity increased at an annual average rate of 2.7% in Saskatchewan and 2.6% in Alberta during this period.

However, in Alberta, labour productivity increased by 0.6% during this period, less than half the national average of 1.3%, despite the increase in capital intensity. This occurred because multifactor productivity declined at an annual average pace of 2.2% in Alberta. The decrease in multifactor productivity reflects the shift towards extraction of non-conventional resources, such as the oil sands, which have lower levels of productivity than conventional oil production.

In Newfoundland and Labrador, the rapid growth in labour productivity during this period reflected growth in multifactor productivity, which increased at an annual average pace of 2.9%. This occurred because of the shift towards activities in oil production with relatively high productivity.

Investment in human capital, which leads to a more skilled and educated workforce, made a significant contribution to the growth in labour productivity in every province except British Columbia.

In British Columbia, the shift in labour composition toward more skilled workers had half the contribution to growth in labour productivity found in other provinces.

Contribution of services sector an important factor

The services-producing sector accounted for most of the growth in labour productivity in every province between 1997 and 2010 except Newfoundland and Labrador and Quebec.

In these two provinces, the goods sector was the more important source of labour productivity, reflecting the mining and oil and gas extraction sector in Newfoundland and Labrador and manufacturing in Quebec.

Between 1997 and 2010, the contribution of the services sector to aggregate labour productivity growth ranged from a high of 1.4% per year on average in New Brunswick to a low of 0.6% a year in Quebec.

The contribution of the goods sector to aggregate labour productivity growth varied much more among provinces. It was highest in Newfoundland and Labrador, at 4.5% per year on average, and lowest in Alberta, where it declined by 0.8% a year.

Available without charge in CANSIM: table 383-0026.

Definitions, data sources and methods: survey number 1402.

A description of the method used to derive productivity measures can be found in the "User Guide for Statistics Canada's Annual Multifactor Productivity Program," as part of *The Canadian Productivity Review* (15-206-X2007014, free) series, available from the *Analysts and researchers* module of our website.

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

The factors in the growth of labour productivity in the provinces, 1997 to 2010

	Labour productivity ¹	Multifactor productivity	Capital intensity	Investment in human capital
	average % change per year			
Canada	1.3	0.0	1.0	0.3
Newfoundland and Labrador	3.9	2.9	0.7	0.2
Prince Edward Island	1.6	0.0	1.3	0.3
Nova Scotia	1.6	0.7	0.7	0.2
New Brunswick	2.0	0.4	1.3	0.2
Quebec	1.2	0.2	0.8	0.2
Ontario	1.2	0.2	0.7	0.3
Manitoba	1.9	0.5	1.1	0.3
Saskatchewan	1.8	-1.2	2.7	0.3
Alberta	0.6	-2.2	2.6	0.3
British Columbia	1.2	-0.2	1.3	0.1

1. The growth in labour productivity is the sum of the contributions arising from increases in capital intensity and investment in human capital and from the growth in multifactor productivity.



Film and video distribution

2010

Data on the film and video distribution industry are now available for 2010.

The 2010 edition of *Service bulletin: Film and Video Distribution*, which contains industry highlights along with financial data including revenues, expenses, and operating profit margins, is now available.

Available without charge in CANSIM: tables 361-0014 and 361-0026.

Definitions, data sources and methods: survey number 2414.

The publication *Service bulletin: Film and Video Distribution*, 2010 (87F0010X, free), is now available from the *Key resource* module of our website under *Publications*.

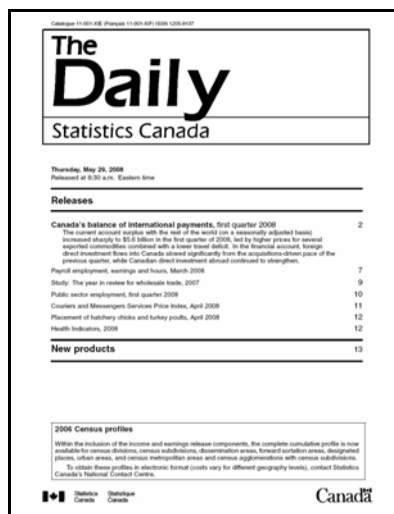
For more information, contact Client Services (toll-free 1-877-801-3282; 613-951-4612; servicesind@statcan.gc.ca). To enquire about the concepts, methods or data quality of this release, contact Lawrence Arbenser (613-951-3003; lawrence.arbenser@statcan.gc.ca), Service Industries Division. ■

New products and studies

Film and Video Distribution, 2010

Catalogue number 87F0010X (PDF, free; HTML, free)

Catalogue numbers with an -XWE, -XIB or an -XIE extension are Internet versions; those with -XMB or -XME are microfiche; -XPB or -XPE are paper versions; -XDB or -XDE are electronic versions on diskette; -XCB or -XCE are electronic versions on compact disc; -XVB or -XVE are electronic versions on DVD and -XBB or -XBE a database.



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