

The Daily

Statistics Canada

Monday, March 17, 2014

Released at 8:30 a.m. Eastern time

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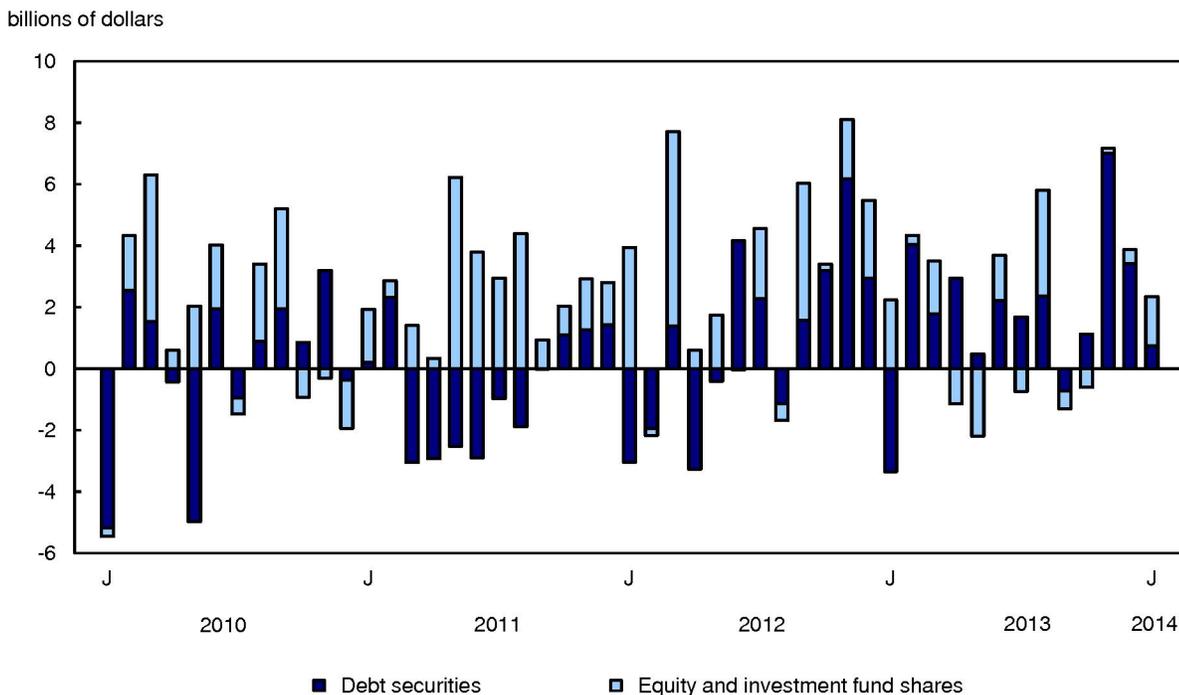
Canada's international transactions in securities, January 2014

Canadian investors added \$2.3 billion of foreign securities to their holdings in January, a fourth straight month of such investment. At the same time, foreign investors acquired \$1.1 billion of Canadian securities, led by equities. As a result, cross-border transactions in securities generated a net outflow of funds for a second consecutive month.

Canadian investors add US bonds and equities to their holdings

Canadians continued to invest in foreign securities in January but at a slower pace compared with the previous two months, adding \$2.3 billion worth to their holdings. Acquisitions in the month focused on US bonds and equities, but this activity was moderated by a reduction in Canadian holdings of US money market instruments.

Chart 1
Canadian investment in foreign securities



Canadian investment in foreign bonds totalled \$1.5 billion and was again led by US government bonds. These acquisitions were partly offset by a \$0.8 billion divestment in US Treasury bills, the largest since December 2012. US short- and long-term interest rates both declined in January.

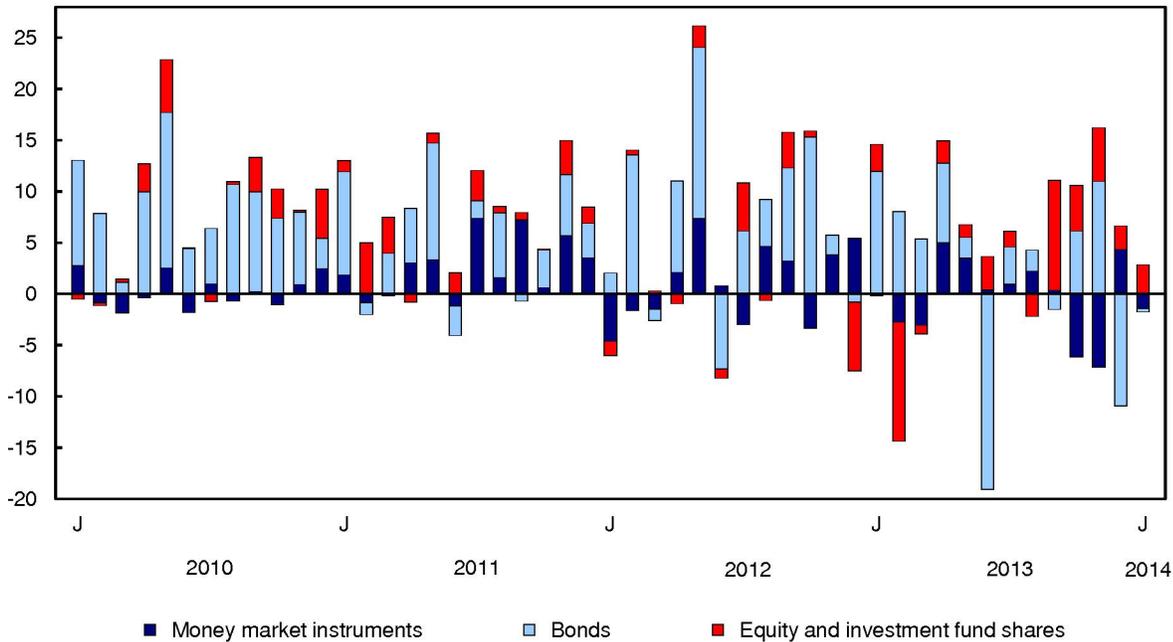
Canadian investors also acquired \$1.6 billion of foreign equities in January, all US shares. This marked the highest investment in US shares in a year. The US stock market was down by 3.6% in January, following four straight months of increases.

Foreign investors divest Canadian debt securities and acquire Canadian equities

Foreign investors reduced their holdings of Canadian debt securities by \$1.8 billion in January, mainly short-term debt instruments. This followed a \$6.6 billion divestment in December.

Chart 2 Foreign investment in Canadian securities

billions of dollars



Non-residents withdrew \$1.4 billion from the Canadian money market, led by federal and provincial government paper. This marked the fourth straight month of divestment in federal government paper. During this time, non-residents reduced their exposure to these instruments by \$10.2 billion, led by retirements. Foreign purchases of new Canadian private corporate paper moderated the overall divestment in the month.

Foreign holdings of Canadian bonds edged down by \$330 million in January. Cross-border activity in Canadian government bonds was subdued in January after a sizable divestment in December. Activity in January reflected a divestment in private corporate bonds, mainly retirements, largely offset by foreign purchases of new federal government business enterprises bonds. Canadian short- and long-term interest rates were both down in January, the latter declining by 36 basis points by month-end. The Canadian dollar depreciated further against the US dollar, down 4.2 US cents at the end of the month.

Foreign investment in Canadian equities was \$2.8 billion in January, a fifth straight month of acquisitions totalling \$25.5 billion. The Canadian equity market was up for a seventh consecutive month in January and reached its highest level since May 2011.

Note to readers

The data series on international transactions in securities cover portfolio transactions in equity and investment fund shares, bonds and money market instruments for both Canadian and foreign issues. This activity excludes transactions in equity and debt instruments between affiliated enterprises, classified as foreign direct investment in the international accounts.

Equity and investment fund shares include common and preferred equities as well as units/shares of investment funds.

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.

Government of Canada paper includes treasury bills and US-dollar Canada bills.

All values in this release are net transactions unless otherwise stated.

Table 1
Canada's international transactions in securities

| | November 2013 | December 2013 | January 2014 | 2012 ¹ | 2013 ¹ |
|--------------------------------------------------|---------------------|---------------|--------------|-------------------|-------------------|
| | millions of dollars | | | | |
| Foreign investment in Canadian securities | 9,081 | -4,283 | 1,086 | 83,205 | 42,799 |
| Debt securities | 3,854 | -6,592 | -1,750 | 82,237 | 23,903 |
| Money market instruments | -7,128 | 4,322 | -1,420 | 13,255 | -2,521 |
| Governments | -4,038 | 2,620 | -3,549 | 3,479 | -6,899 |
| Federal government | -1,179 | -2,146 | -1,739 | 457 | -10,016 |
| Other governments | -2,859 | 4,767 | -1,810 | 3,022 | 3,116 |
| Corporations | -3,089 | 1,702 | 2,129 | 9,776 | 4,379 |
| Government business enterprises | -1,373 | 269 | -79 | 369 | 272 |
| Private corporations | -1,716 | 1,432 | 2,207 | 9,407 | 4,107 |
| Bonds | 10,982 | -10,914 | -330 | 68,982 | 26,423 |
| Governments | 3,051 | -7,976 | 80 | 46,528 | -10,268 |
| Federal government | 2,535 | -6,554 | 134 | 32,884 | -7,161 |
| Other governments | 517 | -1,422 | -54 | 13,644 | -3,108 |
| Corporations | 7,930 | -2,938 | -410 | 22,454 | 36,692 |
| Government business enterprises | 4,010 | -1,311 | 2,319 | 2,790 | 4,636 |
| Private corporations | 3,921 | -1,627 | -2,728 | 19,664 | 32,056 |
| Equity and investment fund shares | 5,227 | 2,309 | 2,836 | 968 | 18,896 |
| Canadian investment in foreign securities | 7,171 | 3,876 | 2,338 | 35,141 | 27,519 |
| Debt securities | 7,016 | 3,417 | 751 | 11,933 | 23,008 |
| Money market instruments | -482 | 287 | -742 | -1,615 | 1,586 |
| Bonds | 7,498 | 3,130 | 1,494 | 13,548 | 21,421 |
| Equity and investment fund shares | 155 | 459 | 1,587 | 23,208 | 4,511 |

1. Cumulative transactions.

Note(s): In this table, a positive value denotes an increase in investment and a negative value denotes a decrease in investment. Transactions are recorded on a net basis. Figures may not add up to totals as a result of rounding.

Available in CANSIM: tables 376-0131 to 376-0138.

Definitions, data sources and methods: survey number 1535.

Data on Canada's international transactions in securities for February will be released on April 16.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca).

To enquire about the concepts, methods or data quality of this release, contact Lauren Dong (613-951-3282; lauren.dong@statcan.gc.ca), International Accounts and Statistics Division.

Study: Global value chains and the productivity of Canadian manufacturing firms, 2002 to 2006

Becoming part of a global value chain (GVC) enhances the productivity of firms, often as a result of technological improvements.

GVCs are associated with the development of a finer division of labour and specialization across nations. Increasingly, Canadian manufacturers are being vertically integrated into GVCs—importing intermediate inputs to produce goods that are later exported. GVC status is defined as engaging in both importing and exporting.

A new research paper, "Global Value Chains and the Productivity of Canadian Manufacturing Firms," examines whether the integration of Canadian manufacturing firms into a GVC improves their productivity. It focuses on the extent to which productivity growth differs between those that are part of a GVC and those that are not. It analyzes plant-level data from the Canadian manufacturing sector between 2002 and 2006.

Certain firms self-select to join GVCs. The 28% of Canadian manufacturing firms that participated in GVCs during the 2002 to 2006 period were more productive and larger and paid higher wages than others before they became GVC firms. GVC starters also became more productive after joining GVCs, and this better performance cumulated over time. In contrast, GVC stoppers suffered a loss in productivity in both the short- and long-run.

While GVCs were more prevalent in high technology, research and development and capital goods industries, the benefits of GVC participation extended across many industries.

The magnitude and timing of the effects of GVC status vary by the method used to become a GVC.

While Canada's trade with low-wage countries has been increasing, high-wage countries remain the major source of imported intermediates and the major destination for exports. Productivity growth was higher for GVC firms that imported intermediates from and exported products to these high-wage countries. This is consistent with the hypothesis that both exports and imports provide a channel of technology diffusion, as trade with high-wage countries contributes to technological and managerial sophistication. Along with the finding that productivity gains for new GVCs are the greatest in the technology sector, this bolsters the inference that a major source of benefit of a GVC comes from technology transfer.

Firms that ceased being GVCs by terminating imports from low-wage countries suffered the greatest loss in productivity. This suggests that a separate benefit of GVC status can be found in cost-savings. However, this is primarily restricted to entities that trade with those countries where potential cost savings are the highest because of large differences in wage levels.

Note to readers

Data for this study came from the Annual Survey of Manufactures and Logging as well as the Importer Register and Exporter Register developed at Statistics Canada.

The research paper "Global Value Chains and the Productivity of Canadian Manufacturing Firms," part of the *Economic Analysis Research Paper Series* (11F0027M), is now available from the *Browse by key resource* module of our website under *Publications*.

Similar studies are available in the [Update on Economic Analysis](#) module of our website.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca).

To enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588), or Beiling Yan (613-951-1234), Economic Analysis Division.

Cement, January 2014

Data on cement are now available for January.

Available in 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 us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).

Exports of grains by final destination, January 2014

Data on exports of grains by final destination are now available for January.

Available in CANSIM: table 001-0015.

Definitions, data sources and methods: survey number 3403.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).

Supply and disposition of refined petroleum products, December 2013

Data on the supply and disposition of refined petroleum products are now available for December.

Available in CANSIM: tables 134-0001 to 134-0004.

Definitions, data sources and methods: survey number 2150.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).

Agriculture value added account, 2011 and 2012

Data for the agriculture value added account are now available for 2011 and 2012.

Note to readers

Data from 2005 to 2010 have been revised.

Available in CANSIM: table 002-0004.

Definitions, data sources and methods: survey number 5030.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).

New products and studies

New products

Quarterly Financial Statistics for Enterprises, Fourth Quarter 2013, Vol. 24, no. 4
Catalogue number 61-008-X (HTML | PDF)

New studies

Economic Analysis (EA) Research Paper Series: "Global Value Chains and the Productivity of Canadian Manufacturing Firms", No. 90
Catalogue number 11F0027M2014090 (HTML | PDF)



Statistics Canada's official release bulletin

Catalogue 11-001-X.

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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