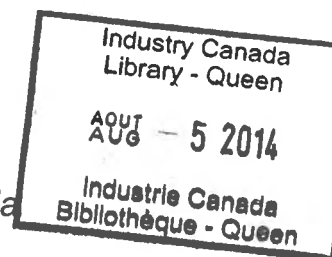




# IC Insights

Information and analysis from across Industry Canada  
Winter 2014



## Inside this issue...

Recent developments of interest to Industry Canada (page 2)

### Feature articles

- [Manitoba's Growing Aerospace Industry](#) (page 3) Carol Duma (SPS-RO)
- [Canada's Changing Retail Marketplace](#) (page 8) Gregg Whetton (SPS-OCA)
- [Big Data Strategies and Industry Canada](#) (page 11) Michael-John Almon (IS-ERPA)
- [The Global Competitiveness Report: How Canada Stacks Up and World-Wide Opinions](#) (page 14) Michael Scholz (SPS-SPB)

### Economist's Corner

- [Canada's Foreign Direct Investment Stocks and Flows: Recent Developments](#) (page 19) Amy Corbett (SPS-ERPA)  
Malick Souare (SPS-ERPA)  
Edward Doyle (IRS-IRD)

[Databoard](#) (page 24)

[Hot Chart](#) (page 25)

Editorial team

*Pierre Therrien (SPS-ERPA)  
Amy Corbett (SPS-ERPA)  
Keltie Chapman (SPS-ERPA)*

Is there an issue or an analysis that you would like to see in a future issue of *Insights*?  
If so, please share your suggestions with the planning team by emailing [amy.corbett@ic.gc.ca](mailto:amy.corbett@ic.gc.ca)

## Recent Developments of Interest to IC

### Canada declines in international math standings

- Canada placed 13<sup>th</sup> overall in mathematics, down three spots from 2009 and six spots from 2006 in the 2012 results from the [OECD's Programme for International Student Assessment \(PISA\)](#). The OECD survey, conducted every three years, measures how 15-year olds in 65 countries fare in maths, reading and science.
- In maths, Canada ranked behind many Asian economies, including Shanghai-China, Singapore, Chinese Taipei, Hong Kong-China, Korea and Japan, as well as European countries such as Switzerland, Belgium, Netherlands, Germany and Poland.
- Canada's reading and science rankings also declined—to 9<sup>th</sup> and 12<sup>th</sup>, respectively. However, Canada still ranks above the OECD average on all three subjects, whereas the United States, in comparison, ranks below OECD average in all three subjects.
- See the Hot Chart (page 25) which illustrates countries' scores in 2003, if they performed above or below OECD average and if performance in 2009 improved or deteriorated.

### Canadian adults ranked below OECD-average in numeracy (mathematical skills)

- The OECD also recently released a [global report](#) on adult skills based on results of its Programme for the International Assessment of Adult Competencies (PIAAC), which surveys 166,000 people in 24 countries.
- Canada scored below average in numeracy, was average in literacy and above average in computer skills.
- Overall, Canada ranked 14<sup>th</sup> out of 21 countries.

### Canada sinks in Forbes ranking of best countries for business

- Canada's ranking in the [2013 Forbes "best countries for business"](#) fell to eighth, below the fifth place ranking from 2012 and first place ranking from 2011
- The magazine uses 11 measures to grade 145 countries on its annual list.
- Canada ranked 6<sup>th</sup> on trade freedom, 77<sup>th</sup> on monetary freedom, 9<sup>th</sup> on property rights, 21<sup>st</sup> on each of innovation and technology, 2<sup>nd</sup> on red tape, 4<sup>th</sup> on investor protection, 9<sup>th</sup> on corruption, 1<sup>st</sup> on personal freedom, 8<sup>th</sup> on tax burden and 58<sup>th</sup> on market performance.
- Outranking Canada this year (from 1<sup>st</sup> to 7<sup>th</sup>) were Ireland, New Zealand, Hong Kong, Denmark, Sweden, Finland and Singapore.

### Canada ties for 9<sup>th</sup> place as least corrupt country in the world

- Transparency International, a non-governmental organization that serves as a watchdog for corporate and political corruption, published its [Corruption Perceptions Index](#) for 2013.
- The 10 least corrupt countries in the world are: 1. Denmark, New Zealand, 3. Finland, Sweden, 5. Norway, Singapore, 7. Switzerland, 8. Netherlands, 9. Australia, Canada.
- The 10 most corrupt countries are: 1. Somalia, 1. North Korea, 1. Afghanistan, 4. Sudan, 5. South Sudan, 6. Libya, 7. Iraq, 8 Uzbekistan, 8. Turkmenistan, 8. Syria.
- The world's largest economy (the US) was 19<sup>th</sup>.

### Canada ranked 2<sup>nd</sup> in [Bloomberg's 2014 Best Countries for Business](#) Rankings

- Bloomberg ranked 156 countries on six qualifications that centered on factors relating to their overall business, commerce and trade climate.
- Canada jumped from sixth to second, largely due to the receptivity of its consumers.
- Hong Kong maintained a first place ranking, and USA slid from second to third place.

## Manitoba's Growing Aerospace Industry

### Highlights

- Manitoba's aerospace industry is Canada's third largest aerospace hub, after Montreal and Toronto, with annual revenues of over \$1.6 billion and more than 5,300 workers.
- It is comprised of 40-plus aerospace-related businesses, including anchor companies Boeing Canada Operations, Ltd. (Boeing Winnipeg), Magellan Aerospace Corporation – Winnipeg, and StandardAero.
- Manitoba's aerospace industry supports high-skilled jobs and research and development and contributes to the economies of Canada and Manitoba.

### Background

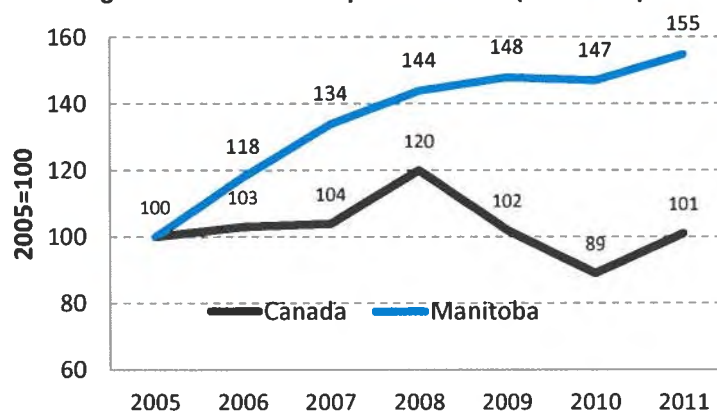
Manitoba has a rich history in aviation and aerospace. Some early highlights include<sup>1</sup>:

- 1909, Sir Hugh John MacDonal established the Aero Club of Canada in Winnipeg to support aeronautics and encourage Canadian inventors;
- 1910, the first powered biplane flight in Manitoba was recorded;
- 1930, a former sheet metal and roofing company was established as MacDonal Brothers Aircraft Ltd., which in 1954 was purchased by Bristol Aerospace Ltd. and subsequently sold by Rolls Royce to Magellan Aerospace Corporation.

Since then, Manitoba's aerospace industry has grown to employ 5,300 workers in design and manufacturing activities and generated more than \$1.6 billion in

revenues in 2011. Manufacturing, repair and overhaul activities comprise approximately 80% of aerospace industry revenues in Manitoba while the remaining 20% is taken up by training and services. In 2012, Manitoba's aerospace parts manufacturing industry had sales of over \$1 billion, after recording increases of 16% in 2012 and 9% in 2011. While national sales growth was flat from 2005 to 2011, sales of aerospace parts by Manitoba companies increased by 55% (Figure 1).

Figure 1: Sales of Aerospace Products (2005=100)



Source: Economic Development Winnipeg; Statistics Canada's Survey of Manufacturers

<sup>1</sup> See [http://www.manitoba-aerospace.mb.ca/assets/pdfs/maa\\_insert\\_wfp.pdf](http://www.manitoba-aerospace.mb.ca/assets/pdfs/maa_insert_wfp.pdf) for a more complete history.

The continued growth of Manitoba's aerospace industry cluster supports collaborative partnerships to further research and development for innovative processes and products and to increase employment in high-skilled jobs through post-secondary and other training initiatives. "Canada's aerospace and defence industries make important contributions to our economy, support high-skilled jobs across the country, and are leading investors in research and development,"<sup>2</sup> stated Minister Moore at the September 2013 launch of Industry Canada's Technology Demonstration Program (TDP).

#### **Partnerships with schools: key to continued success**

Collaborative partnerships between Manitoba's aerospace cluster and universities and colleges are key, as they help to develop skills required by the industry to operate and facilitate research in areas such as aerospace engineering, aerospace manufacturing and aircraft maintenance engineering.

Collaborations include:

- Instatement of Engineer-in-Residence in Aero-Engine Testing at the University of Manitoba which is supported financially by the Province of Manitoba, WestCaRD, EnviroTREC and StandardAero;
- Centre for Aerospace Technology & Training at Red River College (RRC);
- Centre for Non-Destructive Inspection Technologies at RRC;
- Stevenson Aviation and Aerospace Training Centre at RRC; and

- Specialized courses, delivered in partnership with the Manitoba aerospace industry at RRC.

#### **Leading organizations**

Manitoba's aerospace cluster is anchored by three main companies: Boeing Canada Operations Ltd. (Boeing Winnipeg), Magellan Aerospace Corporation – Winnipeg (MAW-Winnipeg), and StandardAero. The Composites Innovation Centre Manitoba Inc. (CIC) is also a key partner in the cluster.

##### *Boeing Winnipeg*

Boeing Winnipeg has the largest composites manufacturing facility in Canada and is expanding by 150,000 square feet. They have a skilled and stable workforce of 1,600 employees.

The company mainly manufactures fairings. They also manufacture the acoustic inner barrel for the engine inlet on the 737 Max and produce composite parts for the 787 Dreamliner.

##### *MAW - Winnipeg*

MAW - Winnipeg, formerly Bristol Aerospace, is the largest of Magellan Aerospace Corporation's group of companies with 1,000 employees. MAW focuses on the design, engineering and manufacture of aeroengine and aerostructure components and assemblies. The company operates Canada's only large-scale composite propellant manufacturing and testing facility, just north of Winnipeg.

<sup>2</sup> Government of Canada (2013).

MAW has constructed a new \$120 million, 140,000-square foot advanced Composite Manufacturing Centre to accommodate the production of the majority of the components used in the horizontal tails of the F-35, in addition to its existing 700,000 square foot facility. In 2008, the Government of Canada committed \$43.4 million to the new facility through Industry Canada's Strategic Aerospace and Defence Initiative.

#### *StandardAero*

Founded in 1911 in Winnipeg, StandardAero now has a global network of 12 facilities of which the Winnipeg operation is the largest, with 1,400 employees. StandardAero specializes in engine manufacturing, repair and overhaul (MRO) activities and nose-to-tail services. As a designated distributor and overhaul facility for Pratt and Whitney Canada engines, StandardAero competes globally for military contracts.

The Winnipeg facility specializes in both military and commercial aircraft propulsion systems. On the military side, StandardAero's core business is its MRO work for Canada, the US and other international governments on the Rolls Royce family of T56/501D engines. StandardAero is the only North American-certified MRO provider for Rolls-Royce's AE2100 engine, and "the only facility in the world capable of repairing and testing the entire propulsion system"<sup>3</sup> for the AE2100.

In 2009, StandardAero signed a 12-year, \$850 million contract with WestJet to maintain the airline's fleet engines. The contract required a \$13 million, 27,000

square-foot expansion to the Winnipeg facility.

#### *The Composites Innovation Centre Manitoba Inc. (CIC)*

The CIC, Canada's largest not-for-profit composites research facility, works collaboratively with industry, government agencies, and educational establishments on projects to develop new technologies for using advanced composite materials.

Boeing Winnipeg and MAW are among the CIC's major clients. Boeing Winnipeg, in partnership with the CIC and working with major contributors, developed low cost fairings and landing gear doors for Boeing aircraft. MAW partners with the CIC in developing and commercializing technologies, and was involved in the research and development of new processes to manufacture composite components for the F-35 aircraft.

In 2010, the CIC was instrumental in creating the Canadian Composites Manufacturing R&D Inc., a consortium of eleven industry members, including the Boeing Company and MAW. The consortium's purpose is "to develop and demonstrate advanced composite manufacturing technologies in Canada."<sup>4</sup>

#### **Industry associations: supporting Manitoba's continuing aerospace development**

In working with its members, The Manitoba Aerospace Association (MAA) initiates and supports projects to develop Manitoba's aerospace industry. Its sister organization, the Manitoba

<sup>3</sup> StandardAero website.

<sup>4</sup> Canadian Composites Manufacturing R&D Inc. website.

Aerospace Human Resources Council (MAHRC), works with firms and partners to develop a comprehensive education and training infrastructure in Manitoba.

The MAA is currently heading a Technology Roadmap project aimed at helping these Manitoban companies strategize and plan effectively to remain competitive. A report on the project is anticipated in early 2014.

The MAHRC implemented the Competitive Edge Supplier Development (CESD) Program. The program assists companies in assessing and analyzing their businesses on eleven benchmark criteria. These categories (which include leadership, innovation and collaboration) are deemed essential to be effective suppliers to Original Equipment Manufacturers and Tier 1 companies. The exacting standards and tight regulatory requirements of the aerospace industry necessitates that suppliers have the meticulous capabilities to deliver products and services of specified quality on time. Companies participating in the CESD Program also receive mentorship and training to advance their capabilities and performance as world class manufacturers and suppliers.

### **GLACIER**

The collaborative nature of the Manitoba aerospace industry has facilitated the establishment of important partnerships that promote research and development capabilities, widen the industry cluster in Manitoba and provide training opportunities for skilled workers. One of the many notable partnerships is the Global Aerospace Centre for Icing and

Environmental Research Inc. (GLACIER), located in Thompson. GLACIER is a limited joint venture between Rolls Royce and Pratt & Whitney, and is supported by Western Economic Diversification (WD), the Province of Manitoba, and the National Research Council Canada. It is the largest, most advanced cold weather testing and research facility in the world.

### **Future opportunities**

The Manitoba aerospace industry is now Canada's third largest aerospace hub, after Montreal and Toronto, and there are still opportunities to grow. "The opportunities are great but the competition is fierce. By collaborating across industry, academia, research organizations and governments we can provide the winning combination of innovation, quality and business conditions that will create success for us for a long time to come,"<sup>5</sup> stated Kevin Bartelson, General Manager Boeing Canada Winnipeg and President, MAA.

One of these future opportunities may be a partnership with Bombardier, who expressed interest in Winnipeg's "Big Three" (and other smaller companies) on an October 2013 scouting mission—such a partnership would stimulate further growth in Manitoba's growing aerospace industry. Industry Canada's new TDP was perceived as providing a framework for Bombardier's trip.

Analysis conducted by WD indicates that "from a growth perspective, it will be crucial for policymakers to attract major operations of [...] US and Canadian aerospace companies to Western Canada. The presence of a

<sup>5</sup> Winnipeg Free Press (2013).

wider industry cluster is absolutely crucial to the growth of this industry.”<sup>6</sup>

The Aerospace Industries Association of Canada projects a 5% increase per year in global air traffic for the next 20 years that will require 34,000 new aircraft. The Manitoba aerospace industry’s competitive strengths and collaborative power place it in a position to capture opportunities from global growth in air traffic.

Widening the Manitoba aerospace industry cluster will help increase its competitiveness and capabilities. Future growth of Manitoba’s aerospace industry will provide more opportunities for highly-skilled employment in the industry and increased innovation through R&D investments.

### Sources

Government of Canada, *Harper Government Launches Key Aerospace and Defence Program* <http://news.gc.ca/web/article-en.do?nid=769039>

Western Economic Diversification Canada, *Global Competitiveness Snapshot: Aerospace*. [www.wd.gc.ca/eng/12819.asp](http://www.wd.gc.ca/eng/12819.asp)

Province of Manitoba, *Industry Sectors - Aerospace*. [www.gov.mb.ca/ctt/profiles/aerospace/](http://www.gov.mb.ca/ctt/profiles/aerospace/)

Province of Manitoba (2013), *Economic Review and Outlook*. [www.gov.mb.ca/finance/budget13/papers/economy.pdf](http://www.gov.mb.ca/finance/budget13/papers/economy.pdf)

Canadian Composites Manufacturing R&D Inc., *About CCMRD*. [www.ccmrd.ca/](http://www.ccmrd.ca/)

Cash, Martin (2013), *Local firms seek Competitive Edge in aerospace industry*. *Winnipeg Free Press* [www.winnipegfreepress.com/business/a-journey-to-excellence-206551011.html](http://www.winnipegfreepress.com/business/a-journey-to-excellence-206551011.html)

Economic Development Winnipeg (2013), *Winnipeg Aerospace – Growing Higher / Skilled Workforce*. [www.economicdevelopmentwinnipeg.com/uploads/files/00784\\_EDW\\_Aerospace\\_Sector\\_Profile\(1\).pdf](http://www.economicdevelopmentwinnipeg.com/uploads/files/00784_EDW_Aerospace_Sector_Profile(1).pdf)

StandardAero, *Canadian Defence Review, Industry Profile - StandAero*. [www.standardaero.com/campaigns/images/govt-newsletter/SA\\_Profile.pdf](http://www.standardaero.com/campaigns/images/govt-newsletter/SA_Profile.pdf)

StandardAero, *Rolls-Royce - AE2100*. [www.standardaero.com/Engines/RollsRoyce/AE2100.aspx](http://www.standardaero.com/Engines/RollsRoyce/AE2100.aspx)

Statistics Canada (2013), *Survey of Manufacturers*

Supplement to the Winnipeg Free Press (2013), *Manitoba Aerospace Week*. <http://publications.winnipegfreepress.com/i/169581/4>

Supplement to the Winnipeg Free Press (2010), *Manitoba Aerospace Week*. [www.manitoba-aerospace.mb.ca/assets/pdfs/maa\\_insert\\_wfp.pdf](http://www.manitoba-aerospace.mb.ca/assets/pdfs/maa_insert_wfp.pdf)

Wikipedia, *Bristol Aerospace*, Wikimedia Foundation Inc. [http://en.wikipedia.org/wiki/Bristol\\_Aerospace](http://en.wikipedia.org/wiki/Bristol_Aerospace)

For further information about this document contact the author at the following e-mail address or telephone number:

Carol Duma  
Policy, Analysis and Intelligence Winnipeg  
[Carol.Duma@ic.gc.ca](mailto:Carol.Duma@ic.gc.ca)  
+1 (204) 983-6871

## Canada's Changing Retail Marketplace\*

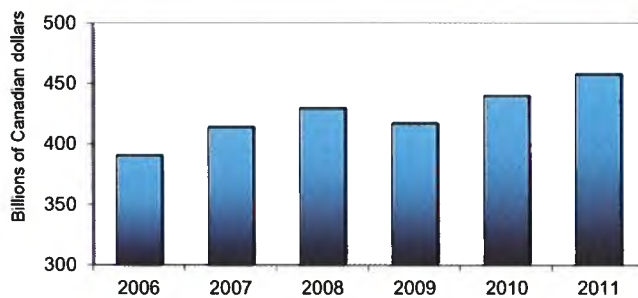
### Highlights

- The retail marketplace and retailers have been adapting and evolving in response to the economic environment, technological advancement and the shifting nature of consumer behaviour.
- The result is a highly competitive Canadian retail marketplace with a strong foreign presence and new retail strategies and products.

### Introduction

The retail sector plays a vital role in keeping Canada's economy healthy. As reported in the Consumer Trends Update on [Canada's Changing Retail Market](#), the sector had \$457.4 billion in retail sales in 2011 (Figure 1) and employed approximately 12 per cent of the Canadian workforce.

Figure 1: Annual Retail Sales in Canada (2006-11)



### A Changing Retail Landscape

The Canadian retail marketplace is evolving and changing in reaction to internal and external forces. Some types of retail outlets, such as "power centres" (a group of three or more big box stores arranged around a central parking pad with ancillary commercial activities), have become more prevalent, while others, such as strip malls, have become less relevant. Retailers are also expanding beyond their traditional

distribution channels to deliver goods and/or services.

The shopping mall has been a staple retail outlet of the Canadian retail landscape for many years. Compared to US malls, malls in Canada occupy 39 per cent less space per capita but attract higher sales per square foot. As of 2011, Canadian malls generate nearly US\$600 in retail sales per square foot per year, compared with US\$400 in the US.

At the same time, Canada continues to experience widespread development of big box stores. Between 2006 and 2010, the number of "power centres", increased from 451 to 487. The development of these power centres has been clustered and varies considerably from region to region. In 2010, Ontario had the most power centres in Canada (211), almost triple the number of centres found in Quebec (74), Alberta (73) and British Columbia (70)<sup>7</sup>. This may be due to several factors, including restricted land availability and associated development costs, land-use planning issues, the existing retail infrastructure and cultural-competitive concerns of US and other international retailers with regard to entering French-speaking regions or smaller markets across Canada.

\*This article is a summary of Industry Canada (2013) [Canada's Changing Retail Market](#)

<sup>7</sup> Hernandez, Erguden and Svindall, 2011

### A growing use of electronic commerce

Although brick and mortar stores still account for about 95 per cent of all non-automotive retail sales, electronic commerce continues to gain a foothold in Canada. In 2010, Canadians purchased \$15.3 billion in goods and services using the Internet, up from \$12.8 billion in 2007 and \$7.9 billion in 2005.

Despite this growth, Canadian retailers have stated that they suffer from a lack of access to capital to fund technological developments, in addition to high investment costs of technological upgrades and concerns with security and consumer protection.

### Major Players

Foreign retailers continue to increase their presence in the Canadian marketplace, which has an impact on retail competition and the Canadian economy (see **Box 1**). In 2011, 66 of the top 124 leading retail organizations in Canada were foreign owned and operated. These organizations accounted for about 40 per cent of total leading retail corporations' sales in Canada (\$85 billion of total retail sales). **Table 1**

### Box 1: Increased competition in the retail marketplace impacts the economy

A Bank of Canada assessment suggests that Canada's recent low inflation is partly due to intense competition in the retail sector.

Factors behind this increase in competition include:

- Improved access to the US market for Canadian cross-border shoppers
- Entry of new US retailers and expansion of existing ones in Canada (i.e., Target)
- The addition of new stores with full grocery aisles (i.e., Walmart)

Check out this [article](#) for more information.

contains indicators on the top 10 non-automotive retailers in Canada.

The Canadian retail marketplace is considered an attractive market for expansion due to the strong Canadian dollar, high levels of retail sales per square foot and relatively favourable economic environment compared to other industrialized countries. The heavy American presence in Canada (95% of foreign-based retailers are US-based) may also be attributed to the close proximity of the two countries and

**Table 1: Top 10 non-automotive retailers in Canada (2010)**

Rank	Retailer	Revenue (\$million)	% of total retail sales	Employment	Activity	Nationality
1	Weston Group	31,705	10.61	37,163	Food	Canadian
2	Wal-Mart Stores Inc.	23,551	7.89	90,000	Department Store	American
3	Empire Company Ltd.	16,055	5.37	97,997	Food	Canadian
4	Costco Company Ltd.	13,867	4.65	21,764	Department Store	American
5	Metro Inc.	11,431	3.82	65,000	Food	Canadian
6	Shoppers Drug Mart Inc.	10,459	3.5	52,714	Pharmacy	Canadian
7	Canadian Tire Corp, Ltd.	8,437	2.83	73,199	Specialty	Canadian
8	Rona Inc.	6,800	2.28	30,221	Specialty	Canadian
9	Safeway Inc.	6,707	2.24	22,684	Specialty	American
10	The Home Depot Inc.	6,426	2.15	26,621	Specialty	American

Source: [Canada's Changing Retail Market](#)

shared popular culture.

### New Strategies

To adjust to increased competition from new and expanded entrants in Canada and growing e-commerce, retailers have had to adapt and evolve to remain competitive, resulting in a variety of pricing and product strategies.

One strategy is known as “cheap chic” fashion. Some fashion retailers have flourished by offering current, high-end fashion styles at cheaper and more attractive prices. Retailers such as Joe Fresh, H&M and Zara have established a successful formula that quickly brings styles from the fashion runway to the storefront at reduced prices.

Another strategy is to reduce packaging size. Some retailers have opted to do this to offset their potentially rising costs and maintain attractive prices for their consumers. Essentially, retailers sell a smaller amount of their product in a smaller package, but at a higher unit price than the larger-sized options. Research has shown that consumers are more sensitive to a price increase than a slight adjustment in packaging size.

Some consumers are also opting for private or store label products over branded label products to cut costs. Consumers may choose to shop at retailers that deliver higher value for money through these “no-name” or store label products.

### Conclusion

The retail marketplace in Canada is evolving and changing, influenced by the economic environment, technological advancement and, subsequently, shifting consumer behaviour. Retailers in Canada are expanding beyond their traditional physical distribution channels and adapting their retail operation strategies. At the same time, foreign retailers have increased their presence in Canada. The result: increased competition in the retail marketplace and more choices for consumers.

### Sources

Bank of Canada cites stores’ deep discounting for disinflation threat. (Dec. 4, 2013). *The Globe and Mail*

[www.theglobeandmail.com/disinflation-troubles-poloz-cites-retail-competition](http://www.theglobeandmail.com/disinflation-troubles-poloz-cites-retail-competition)

Hernandez, T., Erguden, T., and Svindal, M. (2011), *Power Retail Growth in Canada and the GTA: 2010*.

Industry Canada (2013), *Canada’s Changing Retail Marketplace*.

[www.ic.gc.ca/h\\_ra02092.html](http://www.ic.gc.ca/h_ra02092.html)

For further information about this document contact the author at the following e-mail address or telephone number:

Gregg Whetton  
Office of Consumer Affairs  
[Gregg.Whetton@ic.gc.ca](mailto:Gregg.Whetton@ic.gc.ca)  
+1 (613) 946-9374

# Big Data Strategies and Industry Canada

## Highlights

- The availability of “Big Data”—defined as data that require distributed computing capacity and new analytical tools to process and interpret—provides Industry Canada with key opportunities as an enabler and user of such data.
- However, there are also potential challenges: storage capacity, privacy concerns, skills, financial investments.

## Introduction

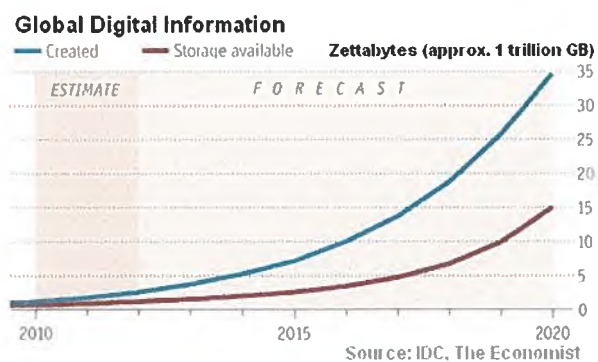
In the span of a decade, we have moved from a data-poor environment to an era of data abundance. According to the International Data Corporation, approximately 143 billion gigabytes (GB) of digital information were generated in 2005; this is expected to rise to 38.4 trillion GB by 2020 (Figure 1).<sup>8</sup> This data availability means new avenues for decision-making and business intelligence (“Big Data” analytics), as well as new privacy and confidentiality concerns.

This is a great opportunity for Industry Canada (IC) to be a key player as an enabler of greater Big Data usage in Canada and to leverage departmental, government and proprietary datasets in its operation.

### What is Big Data?

“Big Data” is data that requires distributed computing capacity and new analytical tools to process and interpret. It also possesses some combination of the following: large *volumes* of existing data; great *variety* in the types of data and their sources; and/or a high *velocity* of new data being constantly generated.

**Figure 1: Forecasts of the amount of Big Data and available storage**



There are three broad categories of Big Data:

- 1) *Real-time data*, generated through events (the use of credit cards, loyalty cards, etc.) and social media, e-mail and text messages, video monitoring, web analytics, GPS and a growing number of other sources.
- 2) *Scientific databases*, generated in research labs or in sensor monitoring (such as in health and applied sciences). For example, CERN, the nuclear research center, generates 35 petabytes ( $10^3$ ) of data a year taking pictures of particle collisions in its search for the [Higgs Boson](#) (the discovery of which was announced in July 2012).

<sup>8</sup> The Economist. 2012, May 19. “Crunching the Numbers”.  
<http://www.economist.com/node/21554743>

- 3) *Administrative datasets*, generated through multiple records over a period of time, such as with government tax records or program data.

The first two categories are key drivers of the expanding volume and unstructured nature of Big Data. Many of the near-term Big Data opportunities for government, however, are tied to the third category by leveraging and linking its existing large administrative datasets.

**The Big Deal with Big Data**

Pieces of Big Data may provide little information in their original, unstructured state. Big Data’s value is in discoveries stemming from analysis of these growing digital data sources, which require extensive computational power. While Big Data analytics are commonly associated with consumer targeting and analysis for marketing purposes, it could also inform business intelligence, improve programs and services and help evaluate the effectiveness of operations.

**Big Data in Science and Industry**

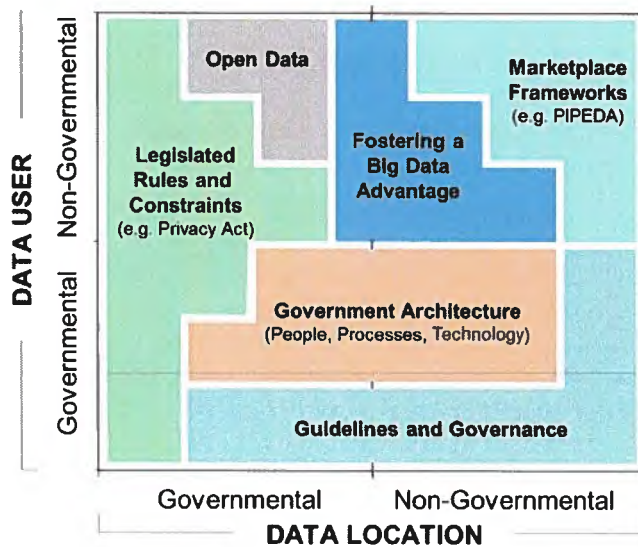
With respect to Big Data’s use outside government, IC potentially has two major roles: guiding Big Data’s marketplace frameworks and fostering a Big Data Advantage (Figure 2).

The Minister of Industry is responsible for the *Personal Information Protection and Electronic Documents Act* (PIPEDA)—which addresses the appropriate collection, use and disclosure of personal information.

This gives IC a role in shaping the framework that supports firms’ use of Big Data and addresses privacy and confidentiality concerns. Clear data ownership and usage rules, particularly related to the use of information beyond the original intent for collection, are likely to become ever more important.

Fostering the specific industries that conduct and enable Big Data analytics could benefit the economy. Such an industry would encompass important features: knowledge-intensive, forward-looking and high value added. Government support for the infrastructure underpinning Big Data usage in the private sector and in higher education will facilitate its broader application in business and research. This includes direct or indirect funding for the research and technologies that enable greater Big Data usage (such as supercomputing) and for the organizations that act as the backbone for wider co-ordination and management (such as Canada’s Advanced Research and Innovation Network) or by providing greater access to government data.

Figure 2: Issues by data user and data source



Source: Industry Canada calculations

### Leveraging Big Data at Industry Canada

The use of Big Data within the public service could create additional value in the development, implementation and evaluation of IC's policies, programs and services. Big Data and Big Data analytics can:

1. tailor the user experience to the needs and characteristics of clients and reduce the information burden through greater cross-program and cross-department informational sharing, which could dramatically improve the program and service delivery experience;
2. support micro-level research, industry micro-experiments to 'nudge' programs and services to more effective delivery methods and outcomes;
3. allow for a more thorough consultation process and for departments to engage in a greater degree of sentiment analysis on a wide variety of issues; and
4. improve the overall suite of policies, programs and services through more robust assessment and evaluation where program use is linked to broader economic and social outcomes.

### Moving Forward

The increased use of Big Data within government presents challenges of

### Box 1: Global Big Data Strategies

Other countries, notably Australia, are ahead of Canada in establishing clear guidelines to accommodate greater use of Big Data analytics in the public services.

Check out Australia's [public service big data strategy](#) for more information on what they're doing.

implementation and public perception. It will require infrastructure investment stemming from the need to rationalize and link disparate administrative datasets and the need to create greater digital storage in a secured environment, while also expanding access.

Privacy issues will likely be an important part of discussions on the increased use of Big Data, particularly if it is originally obtained from a private sector source, making the willingness of business and individuals to share information and their comfort level with its intended use an important consideration. Going forward, extensive consultation will likely be required to build broad public support for the excluded use of data for purposes other than for which it was collected.

### Sources

Crunching the Numbers. (May 19, 2012). *The Economist* [www.economist.com/21554743](http://www.economist.com/21554743)

For further information about this document contact the author at the following e-mail address or telephone number:

Michael-John Almon, *Economic Research and Policy Analysis Branch*  
[Michael-John.Almon@ic.gc.ca](mailto:Michael-John.Almon@ic.gc.ca)  
+1 (613) 952-7836

# The Global Competitiveness Report: How Canada Stacks Up and World-Wide Opinions

- On September 4, 2013, the World Economic Forum (WEF) released its annual Global Competitiveness Report.
- For the second consecutive year Canada retained its ranking as the 14<sup>th</sup> most economically competitive nation among 148 countries.
- Canadian competitive advantages include highly efficient markets, well-functioning and transparent institutions and excellent infrastructure. A key area identified with room for improvement is the innovation ecosystem.

## Introduction

Since 2004, the World Economic Forum's (WEF) Global Competitiveness Report has ranked the competitiveness of countries as determined by its global competitiveness index (GCI).

The results of these rankings are written about around the world – but what is global competitiveness and how is it measured?

## What is the Global Competitiveness Index (GCI)?

The WEF defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country”. The GCI attempts to measure competitiveness by drawing together country-level data covering 12 pillars across three sub-indexes (see Figure 1). Data are derived from both the WEF's *Executive Opinion Survey* (administered every year to over 13,000 business leaders) and various international and national databases (like the World Bank, International Monetary Fund, and International Telecommunication Union).

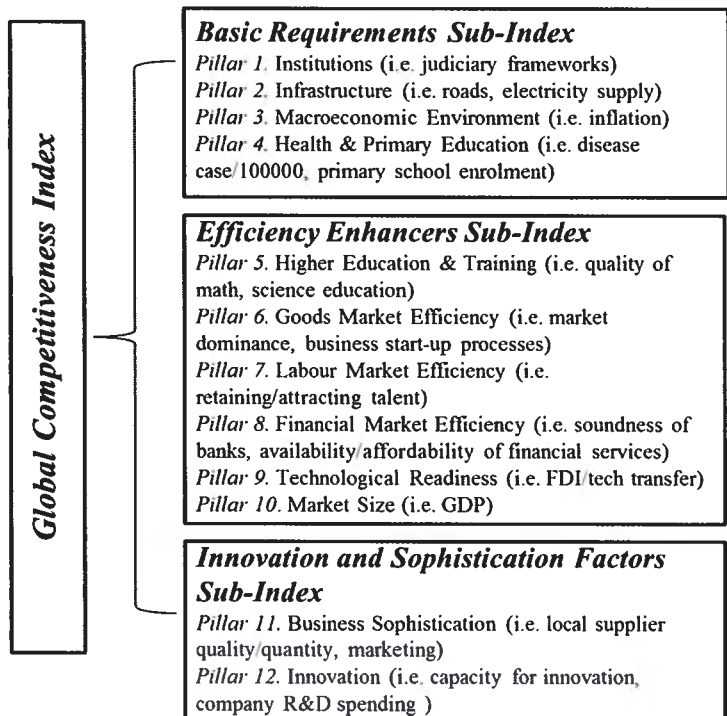
Indexes are weighted differently for each country and are based on a

specific country's stage of development. For example, as a developed economy, Canada's GCI index gives more weight on the value of its innovation-driven performance, while India, as a developing country, has a GCI index computed with more emphasis on factor-input driven performance.

## Country rankings

The 2013-14 GCI ranked Switzerland at the top for the fifth year running, while

Figure 1: Global Competitiveness Index sub-indexes and pillars



**Table 1: 2013-14 Global Competitiveness Index Rankings**

Country	Population (millions)	GDP per capita (current US\$)	2013 competitiveness rank (n=144)	2012 competitiveness rank (n=144)
Switzerland	8.0	73,033	1	1
Singapore	5.3	51,162	2	2
Finland	5.4	46,098	3	3
Germany	81.9	41,513	4	6
United States	313.9	49,922	5	7
Sweden	9.5	55,158	6	4
Hong Kong SAR	7.2	36,667	7	9
Netherlands	16.8	46,142	8	5
Japan	127.6	46,736	9	10
United Kingdom	63.2	38,589	10	8
Norway	5.0	99,462	11	15
Taiwan, China	23.2	20,328	12	13
Qatar	2.1	99,731	13	11
Canada	34.9	52,232	14	14
Denmark	5.6	56,202	15	12

Source: World Bank (2013); World Economic Forum (2012, 2013)

Singapore and Finland remained in second and third positions, respectively. Germany moved two places up to fourth, and the United States reversed a four-year downward trend, climbing to fifth place. Hong Kong Special Administrative Region came seventh, while Japan came ninth to close the gap on the most competitive economies, while Sweden (6th), the Netherlands (8th) and the United Kingdom (10th) fell.

For the second consecutive year Canada placed 14th overall in the GCI rankings. The country has not been a top 10 global performer since 2010, largely as a result of relatively weak competitive performance in the innovation and sophistication factors sub-index. This assessment is in line with findings of a series of consultative efforts by the Canadian government<sup>9</sup>.

<sup>9</sup> Compete to Win: Competition Policy Review (2008), Innovation and Business Strategy: Why Canada Falls Short (2009) Innovation Canada: A Call to Action (2011), and Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities (2013).

Table 2 highlights changes in Canada's relative performance according to each pillar in competitiveness.

### Canada's Strengths

The report found that Canada benefitted from strong rankings in the efficiency enhancers sub-index. Canada's labour market efficiency ranked seventh in the world, and was largely driven by an ability to attract talent, and the high level of women participating in the workforce. The sound nature of Canada's banking industry ranked number one in the world.

Canada did not perform as strongly in the basic requirements sub-index, but saw improvement in the protection of intellectual property, ranking 13<sup>th</sup> in 2013 (up from 17<sup>th</sup> in 2012). Further, Canada ranked first in the world for its low inflation and fifth with regard to country credit rating, despite a poorer overall ranking in the macroeconomic environment sub-index (50<sup>th</sup>), mainly brought down by poor rankings in government budget balance as a percentage of GDP (86<sup>th</sup>) and general



**Table 2: Canada's Global Competitiveness Index 2013-14 Strengths and Weaknesses**

GCI sub-indexes and pillars	2013 Competitiveness rank (n=148)	2012 Competitiveness rank (n=144)
<b>Canada's overall rank</b>	<b>14</b>	<b>14</b>
<b>Basic requirements (20%)</b>	<b>15</b>	<b>14</b>
Health and primary education	7	7
Infrastructure	12	13
Institutions	14	11
Macroeconomic environment	50	51
<b>Efficiency enhancers (50%)</b>	<b>6</b>	<b>6</b>
Labour market efficiency	7	4
Financial market development	12	11
Market size	13	13
Higher education and training	16	15
Goods market efficiency	17	13
Technological readiness	21	20
<b>Innovation and sophistication factors (30%)</b>	<b>25</b>	<b>21</b>
Innovation	21	22
Business sophistication	25	26

Source: World Economic Forum (2012, 2013)

government debt as a percentage of GDP (133<sup>rd</sup>).

### Canada's Weaknesses

The greatest competitive challenges facing Canada were innovation and business sophistication factors. This was a continued trend for Canada—2013 saw rankings for this sub-index fall from 21<sup>st</sup> to 25<sup>th</sup> in 2013, after having fallen from 15<sup>th</sup> to 21<sup>st</sup> in 2012. Over the past two years no other top-ranked country has dropped more than Canada in this sub-index category.

Regarding the innovation pillar, although Canada's stock of scientists and engineers ranked 9<sup>th</sup> globally, capacity for innovation, company spending on R&D and government procurement of advanced technology products still ranked poorly. Additionally, within the technological readiness pillar, the extent to which foreign direct investment brought new

technology into Canada was low relative to other countries, as Canada ranked 52<sup>nd</sup>.

Canada ranked low in the business sophistication pillar, reflecting the breadth of Canada's value chains (57<sup>th</sup> place), the nature of its competitive advantage (52<sup>nd</sup> place) and its control of international distribution (44<sup>th</sup>

place). The report found that Canadian businesses were involved in fewer steps in the value chain process than businesses in many other economies.

### Media Reactions around the World

The WEF Global Competitiveness report draws media attention internationally (Box 1). Most media reaction in Canada highlighted Canada's decline in the rankings relative to comparably developed economies. The Conference Board of Canada, a contributor to the Global Competitiveness Report, noted that "Canada could boost its competitiveness by focusing on innovation – encouraging more spending on research and development, supporting governments' use of Canadian advanced technology, and boosting collaboration between universities and industry on R&D."<sup>10</sup>

<sup>10</sup> Grant, "When it comes to competitiveness."

**Box 1: Headlines around the world**

"India slips to lowest ever rank on global competitiveness"

—*India's Financial Express*

"U.S. global competitiveness rising once again

" — *BusinessWeek*

"Malaysia is the 24<sup>th</sup> most competitive nation"

— *Malaysia's New Strait Times*

"PH eyes top 3<sup>rd</sup> in global competitiveness ranking"

—*Philippine Daily Inquirer*

Other countries celebrated favourable GCI movement. *CNNMoney* in the US suggested that "growing confidence in the United States' financial system has helped to reverse a four year slide in the leader board,"<sup>11</sup> securing the country's position as the world's fifth most competitive country. However, the article cited a lack of trust in politicians and the "perception that the US government spends its resources relatively wastefully are limiting overall competitiveness."<sup>12</sup>

The *Deutsch Welle* in Germany focused on Germany's performance relative to many other industrialized nations driven by the country's "innovative clout."<sup>13</sup> The paper touched on the report's stance that for the country to move even higher, "it must alter its relatively inflexible labour market and weed out overregulation."<sup>14</sup>

In Finland, the *Yle Uutiset* highlighted the country's strengths in well-functioning institutions, innovation, and health and education services. The paper

also reported that Finnish business leaders describe how they "have recently espoused a more negative view of Finland's economic competitiveness, encouraging moderate wage increases or even pay freezes in order to improve Finnish competitiveness and boost export industries"<sup>15</sup>.

*The Diplomat* (Asia) highlighted the ability of Asian countries "to maximize the value of limited natural resources,"<sup>16</sup> and mentioned Singapore, Hong Kong and Japan placing among the top 10 world leaders in the GCI. In spite of this strong showing, there was disappointment in the weak performance of some of the region's emerging economies, like India.

### Policy Implications and Conclusions

As the report indicates, Canada has strong economic fundamentals to build upon. This includes a sound banking system and one of the most efficient, educated labour forces in the world. However, as the report says, "Canada's competitiveness would be further enhanced by improvements to its innovation ecosystem such as increased company-level spending on R&D and government procurement of advanced research products."<sup>17</sup>

Closing the gap between Canada and other advanced economies relies on improving business productivity and innovation. This requires a policy environment conducive to firms making a greater investment in innovation, advanced technologies, new business models and new markets so that

<sup>11</sup> Harrison, "U.S. reverses slide."

<sup>12</sup> Harrison, "U.S. reverses slide."

<sup>13</sup> *Deutsch Welle*, "Germany moves up."

<sup>14</sup> *Deutsch Welle*, "Germany moves up."

<sup>15</sup> *Yle Uutiset*, "Finland still riding high."

<sup>16</sup> *Fensom*, "Singapore, Hong Kong impress."

<sup>17</sup> WEF, "Global Competitiveness Report 2013-2014"

Canadian businesses can reach, maintain and improve competitive positions.

The Canadian government has recently introduced several policies to improve competitiveness, like the Venture Capital Action Plan (designed to improve financing for innovative firms), the Global Markets Action Plan (which increases access to new markets) and the Advanced Manufacturing Fund (which contributes to an innovative and sustainable manufacturing base). Ongoing reforms and improvements to the policy framework are necessary to keep pace with the changing nature of Canada's business environment and to provide the foundation for stronger productivity growth and competitiveness.

The GCI, in its attempt to measure and rank countries based on economic competitiveness around the world, garners much media and governmental attention: how well a country does on this index can be cause for public worry or fanfare.

However, it is worth asking what gravitas country-level competitiveness, measured by the Global Competitiveness Index, actually holds. While there is some international economic competition on the state-level, the root of national competitive prowess stems mainly from competition and activity of domestic firms. Thus, it is these individual firms and corporations that are competing internationally with each other, rather than states and nations. At the state level, it is important to ensure the right market framework policies are in place for firms to compete efficiently.

## Sources

Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities (2013) [www.tpsgc-pwgsc.gc.ca/eam-lmp-eng.pdf](http://www.tpsgc-pwgsc.gc.ca/eam-lmp-eng.pdf)

Compete to Win: Competition Policy Review (2008) [www.ic.gc.ca/Compete\\_to\\_Win.pdf](http://www.ic.gc.ca/Compete_to_Win.pdf)

Fensom, Anthony. (September 14<sup>th</sup>, 2013). Singapore, Hong Kong Impress in Competitiveness Rankings. *The Diplomat*. [thediplomat.com/2013/09/singapore-hong-kong-impress-in-competitiveness-rankings/](http://thediplomat.com/2013/09/singapore-hong-kong-impress-in-competitiveness-rankings/)

Finland still riding high in competitiveness ranking. (September 4<sup>th</sup>, 2013). *Yle Uutiset*. [yle.fi/uutiset/finland\\_still\\_riding\\_high\\_in\\_competitiveness\\_ranking/6813426](http://yle.fi/uutiset/finland_still_riding_high_in_competitiveness_ranking/6813426)

Germany moves up in WEF list of most competitive economies. (September 4<sup>th</sup>, 2013). *Deutsch Welle*. [www.dw.de/germany-moves-up-in-wef-list-of-most-competitive-economies](http://www.dw.de/germany-moves-up-in-wef-list-of-most-competitive-economies)

Grant, Tavia. (September 4<sup>th</sup>, 2013). When it comes to competitiveness, Canada can't compete. *Globe and Mail Economy Lab*. [www.theglobeandmail.com/article14106216/](http://www.theglobeandmail.com/article14106216/)

Harrison, Virginia. (September 4<sup>th</sup>, 2013). US reverses slide in competitiveness. *CNN Money*. [money.cnn.com/us-competitiveness-ranking/](http://money.cnn.com/us-competitiveness-ranking/)

Innovation and Business Strategy: Why Canada Falls Short (2009) [www.scienceadvice.ca/20innovation20report.pdf](http://www.scienceadvice.ca/20innovation20report.pdf)

Innovation Canada: A Call to Action (2011) [rd-review.ca/R-D\\_InnovationCanada\\_Final-eng.pdf](http://rd-review.ca/R-D_InnovationCanada_Final-eng.pdf)

World Economic Forum (September 3<sup>rd</sup>, 2013), *The Global Competitiveness Report 2013-2014*. [www.weforum.org/global-competitiveness-report-2013-2014](http://www.weforum.org/global-competitiveness-report-2013-2014)

For further information about this document contact the author at the following e-mail address or telephone number:

Michael Scholz, Strategic Policy Branch  
[Michael.Scholz@ic.gc.ca](mailto:Michael.Scholz@ic.gc.ca)  
+1 (613) 947-1658

## **Economist's Corner**

# **Canada's Foreign Direct Investment Stock and Flows: Recent Developments**

### **Highlights**

- Foreign direct investment (FDI) is linked to innovation and productivity.
- FDI has been trending upwards for the past two decades, led by mergers and acquisitions (M&A) and investment to and from the United States.
- Industry Canada monitors and reviews foreign investment in Canada subject to the *Investment Canada Act*.

### **Why is FDI important?**

Foreign direct investment (FDI) in Canadian businesses is an important source of capital for the Canadian economy. Two-way flows in FDI are also an important element of participation by Canadian businesses in global value chains. In addition, FDI contributes to economic growth and enhanced productivity performance, which is key to sustaining and improving Canada's standard of living.

Research has shown that FDI:

- stimulates innovation,
- brings in important management and specialized skills,
- contributes to productivity-enhancing investment in machinery and equipment,
- creates new jobs and pays higher wages,
- strengthens international trade integration, and
- encourages a more competitive business environment.

### **What is FDI?**

FDI is investment by a company or entity based in one country, into a company or entity based in another

country. It includes investment in the form of equity and inter-company debt.

In practice, FDI flows are recorded when a company owns or acquires at least 10% of the voting equity in a foreign enterprise. If a company owns 50% or more of the voting equity, it is considered to be foreign-controlled or owned (thus, foreign ownership implies FDI, but not necessarily vice-versa).

FDI takes three main forms: mergers and acquisitions (M&A), greenfield investment (building new facilities) and reinvested earnings.

In Canada, direct investments made by foreign entities in Canadian companies or projects are known as inward FDI. Investments made by Canadians in companies abroad are called Canadian direct investment abroad (CDIA), or outward FDI.

### **Worldwide FDI stocks**

Twenty years ago, Canada was a recipient of over 4% of worldwide inward FDI stock, but since 1996, Canada has held under 3% (Figure 1). The US share has significantly decreased – going from nearly 40% in 1999 to 17% in 2012. This has come at a time of increased inward FDI stock shares in

developing countries. In 2012, developing countries held 34%, up from 22% in 1999.

For the past two decades, Canada has held around 3% of the world's outward FDI stock (Figure 2). More generally, over the past decade, outward FDI stocks of developed countries declined in worldwide shares, as developing economies have increased their shares. In 2012, developing countries had 19%, up from 8% in 1992.

### Trends in Canada's FDI Stock

Canada's inward and outward FDI stocks have increased steadily over the past 20 years (Figure 3). From 1992 to 2012, the outward FDI stock grew faster than the inward stock. In 1997, Canada became a net foreign direct investor in the world. Net investment—the difference between outward and inward FDI—was about \$78 billion in 2012.

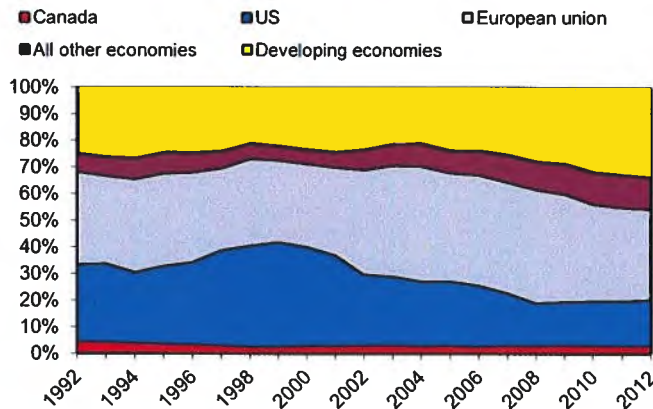
FDI flows measure the change in the FDI stock and can be fairly volatile from year-to-year. For the last six years, M&As have been, on average, the biggest contributors to FDI (Figures 4 and 5).

### Country sources and destinations

The US is the most important investor in Canada (Figure 6). In 2012, the US held 52% of Canada's inward FDI stock (down from 65% in 2002). The

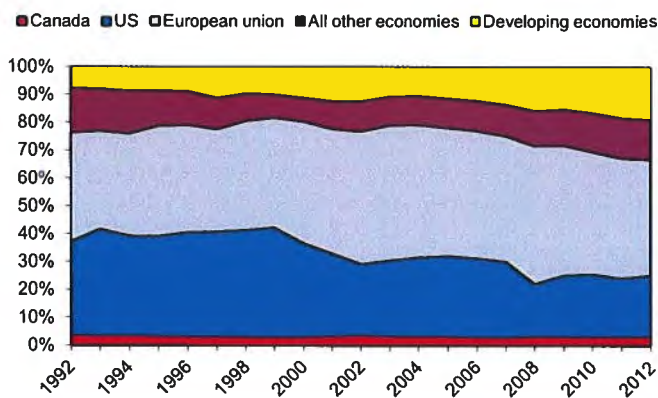
Netherlands surpassed the UK to be the second highest source, with about 10% (up from 4% in 2002). In the past twenty years, China has gone from holding an insignificant share of Canada's inward

Figure 1: Shares of worldwide inward FDI, 1992 to 2012



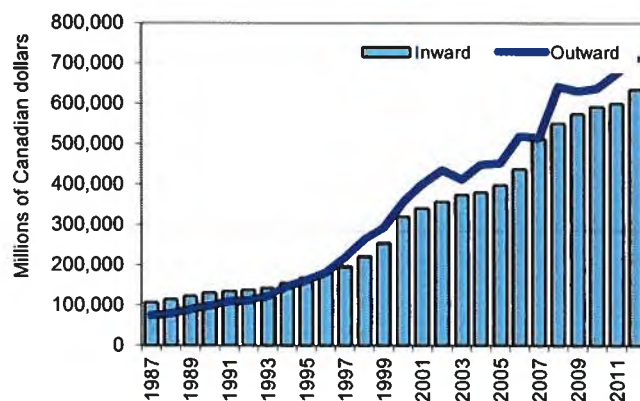
Source: UNCTAD

Figure 2: Shares of worldwide outward FDI, 1992 to 2012



Source: UNCTAD

Figure 3: FDI stocks in Canada, 1992 to 2012



Source: Statistics Canada

FDI stock, to becoming the 9<sup>th</sup> largest holder in 2012.

The US is also a major recipient of Canadian investment abroad (Figure 7). However, the US share of Canada's outward FDI stock declined from 46% in 2002 to 41% in 2012. Over the same period, the UK's share increased from 9% to 12%. Barbados and Cayman Island, known for their low tax regimes, also increased their shares.

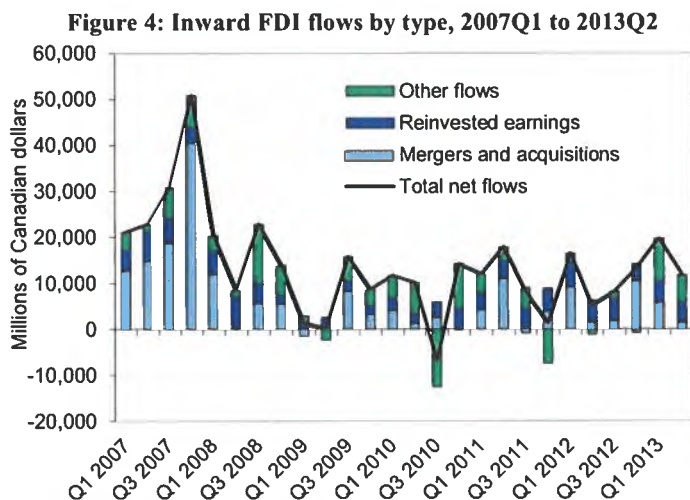
*By industry*

In 2012, the finance, insurance and management industries accounted for 33% of FDI in Canada (Figure 8). The manufacturing sector had a 29% share, and the mining and oil and gas extraction sector accounted for 19%.

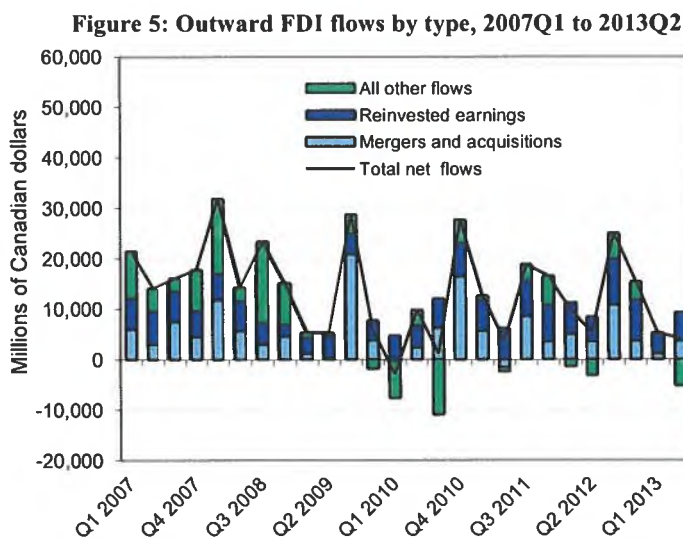
As for CDIA or outward FDI, 53% was in the finance, insurance and management industries, followed by the mining and oil and gas extraction sector (19%). The share of investment in manufacturing fell below 10% for the first time, continuing a downward fall from 32% in 2000.

**Foreign ownership in Canada**

Between 2002 and 2011, the share of total assets under foreign control declined slightly, going from 21% to 19%. However, in the non-financial sector, the share of total assets under foreign control increased slightly (25% to 26%), while it decreased in the

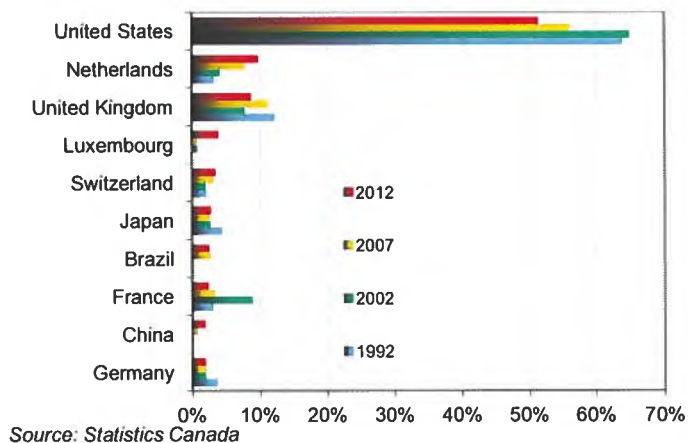


Source: Statistics Canada



Source: Statistics Canada

**Figure 6: Top-10 sources of Canada's inward FDI Stock (%)**



Source: Statistics Canada

finance and insurance sector (16% to 13%) (Figure 9).

Manufacturing had the highest foreign ownership in the non-financial sector, with 51% in 2011 (up from 44% in 2002). In mining and oil and gas, 35% of assets were under foreign control in 2011, down from 39% in 2002.

US-controlled enterprises also dominate the share of assets under foreign control, with 49%. UK-controlled affiliates accounted for 14% and Dutch-controlled accounted for 8%. No other country has held more than 5% of foreign-controlled assets in the last several years.

### Industry Canada's role

Industry Canada monitors and reviews potential new FDI under the *Investment Canada Act* (ICA). The purpose of the ICA is to review significant investments by non-Canadians to determine whether they are likely to be of net benefit to Canada. It also provides for the review of investments that could be injurious to national security.

Under the ICA, when a foreign investor establishes a new Canadian business or acquires control of a Canadian business, the investor must file either an application for review or a notification.

A foreign investor is required to file an application for review when the book value of the assets of the Canadian business is equal to or above the established threshold.

An investor is required to file a notification when they are establishing a new Canadian business; acquiring a Canadian business where the assets fall below the threshold; or the transaction is indirect, and a WTO investor is proposing to acquire a foreign corporation that has subsidiaries in Canada.

Figure 7: Top-10 destinations for outward FDI stock (%)

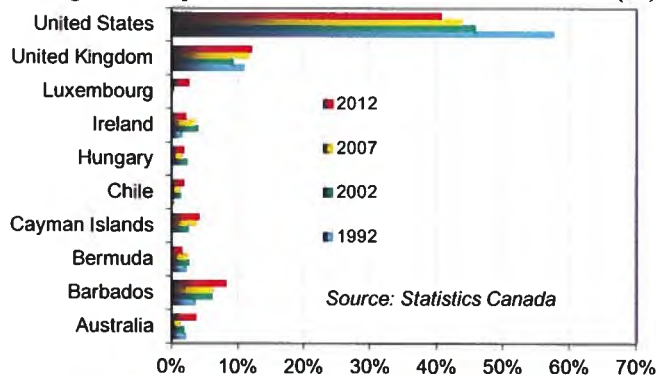
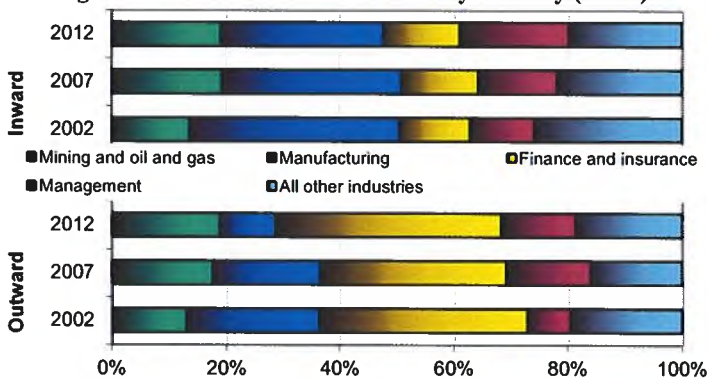
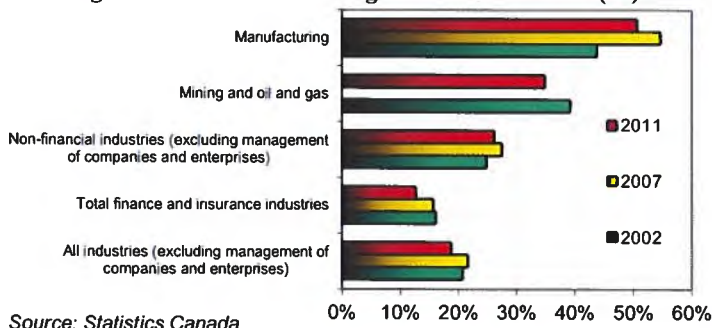


Figure 8: Inward and Outward FDI by industry (share)



Source: Statistics Canada

Figure 9: Assets under foreign control in Canada (%)



Source: Statistics Canada

In 2012, 720 investments by non-Canadians were subject to the ICA (Table 1). This is higher than the 2002-2012 average (588 investments), but below the 738 investments in 2007. Non-Canadians acquired control of 525 existing Canadian businesses. Non-Canadians established 195 new businesses subject to the ICA, the highest number for the past decade and about 60% above the annual average for the past ten years.

The majority of foreign investments subject to the ICA come from investors in the US (53% in 2012) and the European Union (31% in 2012).

**Table 1: Foreign investments subject to the ICA by type (selected years)**

	1992	2002	2007	2012
Total Investments subject to the ICA	637	526	738	720
Acquisition of an Existing Businesses	467	440	617	525
New Businesses	170	86	121	195

Source: ICA administrative data

### Conclusion

Foreign investments are important for Canada. They spur the country's economic growth and productivity performance—the most important determinant of living standard over the long term.

However, not all foreign investments may be of net benefit for Canada. Industry Canada plays an important role in its review of potential FDI – ensuring it is consistent with our goals, and the well-being of the population.

### Sources

Industry Canada (1985, 2013), Investment Canada Act. [laws-lois.justice.gc.ca/index.html](http://laws-lois.justice.gc.ca/index.html)

Industry Canada (2009), Administrative Documents. [www.ic.gc.ca/h\\_lk00068.html](http://www.ic.gc.ca/h_lk00068.html)

United Nations Conference on Trade and Development (2013), *World Investment Report 2013; Country Fact Sheet: Canada*. [unctad.org/wir13\\_fs\\_ca\\_en.pdf](http://unctad.org/wir13_fs_ca_en.pdf)

Statistics Canada (2013), *Table 376-0052: International investment position, Canadian direct investment abroad and foreign direct investment in Canada, by North American Industry Classification System (NAICS) and region*. CANSIM. [www5.statcan.gc.ca/table376-0052](http://www5.statcan.gc.ca/table376-0052)

Statistics Canada (2013), *Table 376-0121: Balance of international payments, flows of Canadian direct investment abroad and foreign direct investment in Canada*. CANSIM. [www5.statcan.gc.ca/table376-0121](http://www5.statcan.gc.ca/table376-0121)

For further information about this document contact the author at the following e-mail address or telephone number:

Amy Corbett  
Economic Research and Policy Analysis Branch  
[Amy.Corbett@ic.gc.ca](mailto:Amy.Corbett@ic.gc.ca)  
+1 (613) 941-7255



## IC Insights Databoard

Monthly Economic Indicators							
	Reference period	Month-over-month growth (at monthly rates)			Q-o-q growth	Year-over-year growth	
		Latest month	Prev. month	2 Months before	2013Q3	2012	2011
Manufacturing shipments (current \$)	Nov'13	1.0	0.7	0.8	1.8	3.5	8.0
Manufacturing shipments (constant \$)	Nov'13	0.7	0.6	1.2	0.9	3.0	3.5
Retail trade (current \$)	Nov'13	0.6	-0.1	1.0	1.2	2.5	4.1
Retail trade (chained \$)	Nov'13	0.8	0.2	1.1	0.7	1.8	1.9
Real GDP	Oct'13	0.3	0.3	0.2	0.7	1.8	2.7
-Services	Oct'13	0.3	0.3	0.7	0.6	1.8	2.3
-Manufacturing	Oct'13	1.3	1.2	-0.9	0.1	1.4	3.4
Exports (bop) (current \$)	Nov '13	0.0	-2.3	1.5	1.2	1.3	13.1
Imports (bop) (current \$)	Nov '13	0.1	-0.8	-0.3	1.1	4.1	10.2
All-items CPI	Dec '13	0.2	0.3	-0.1	0.4	1.5	2.9
LFS employment (change in 000s)	Dec '13	-45.9	21.6	13.2	35.4	200.7	262.5
Unemployment rate (%)	Dec '13	7.2	6.9	6.9	7.1	7.3	7.5
Monthly US Indicators							
US CPS employment (change in 000s)	Dec '13	143.0	958.0	-758.0	354.7	2587.2	804.7
US unemployment rate (%)	Dec '13	6.7	7.0	7.0	7.2	8.1	8.9
Financial Indicators							
	Reference period	Current value	Monthly average			Annual average	
			Latest full month	Prev. month	2 months before	2012	2011
Bank rate (%)	Jan 30 '14	1.25	1.25	1.25	1.25	1.25	1.25
Exchange rate (Can. Cents per \$US, spot rate)	Jan 29 '14	111.5	106.4	104.9	103.6	99.9	98.9
Quarterly Economic Indicators							
	Reference Period	Quarter-over-quarter (at annual rates)			Year-over-year growth		
		Latest quarter	Prev. quarter	2 Quarters before	2012	2011	
Real GDP	2013Q3	2.7	1.6	2.3	1.7	2.5	
Final consumption expenditure	2013Q3	1.7	3.0	0.8	1.6	1.9	
Gross fixed capital formation	2013Q3	2.4	-0.5	-1.4	4.3	4.2	
-Machinery & equipment	2013Q3	2.5	-0.2	0.7	5.2	8.6	
Exports	2013Q3	-2.0	3.4	4.8	1.5	4.7	
Imports	2013Q3	-1.4	1.4	2.8	3.1	5.7	
Final domestic demand	2013Q3	1.8	2.2	0.3	2.3	2.4	
2.4 Labour productivity	2013Q3	0.7	1.7	0.3	0.0	0.9	
Unit labour cost	2013Q3	0.6	1.6	0.0	3.0	2.5	
Industrial capacity utilization (%)	2013Q3	81.7	81.1	81.2	81.5	80.6	
Quarterly US Indicators							
Real US GDP	2013Q3	3.6	2.5	1.1	2.8	1.8	

Abbreviation Guide	
GDP	Gross Domestic Product
BOP	Balance of Payments
CPI	Consumer Price Index
LFS	Labour Force Survey
CPS	Current Population Survey
000s	Thousands
Q-o-q	Quarter-over-quarter
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
WTO	World Trade Organisation

Sources for the IC Insights Databoard	
Statistics Canada	<a href="http://www.statcan.gc.ca">www.statcan.gc.ca</a>
Bank of Canada	<a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>
US Bureau of Economic Analysis	<a href="http://www.bea.gov">www.bea.gov</a>
US Bureau of Labour Statistics	<a href="http://www.bls.gov">www.bls.gov</a>

## IC Insights Hot Chart

