



The Daily

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Foreign investors reduced their holdings of Canadian bonds by \$3.9 billion in June. This was their first reduction of the year after investing \$18.6 billion in the first five months.

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Cattle inventories rose as strong prices and exports to the United States provided an incentive to cow-calf operators to expand the breeding herd.

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MAJOR RELEASES

Canada's international transactions in securities

June 2001

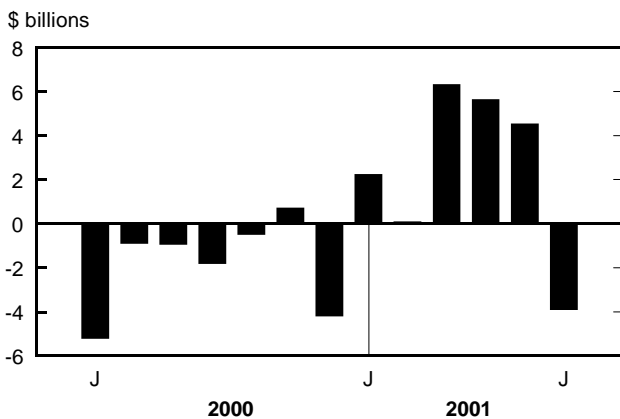
Foreign investors reduced their holdings of Canadian bonds by \$3.9 billion in June. This was their first reduction of the year after investing \$18.6 billion in the first five months. The foreign divestiture came as a result of record retirements of foreign-held Canadian bonds.

Meanwhile, Canadian investors' demand for international equities continued - they acquired an additional \$2.0 billion worth, but reduced their holdings of foreign bonds by \$0.8 billion.

Foreigners reduced their holdings of both long- and short-term Canadian debt instruments

The foreign divestiture in Canadian bonds was entirely centered on Government of Canada bonds, mainly the result of retirements during June. Corporations, however, were less active in placing new issues in foreign markets during the month; consequently, foreign holdings rose very little, after a major build-up in the four previous months. American investors accounted for two-thirds of June's reduction, and European and Asian investors accounted for the remaining third.

Foreign investment in Canadian bonds



Related market information

Interest rates

Further marginal declines in both Canadian and U.S. short-term interest rates in June pushed the differential higher, to 83 basis points from 76 points in May. This differential, which favours investing in Canada, has steadily increased since February 2001, when rates of both countries were at parity.

Similarly, small declines in long-term rates - both Canadian and U.S. - in June pushed the differential to 27 basis points from 17 points in May, also continuing to favour investment in Canada.

Stock prices

Canadian stock prices, measured by the TSE 300 Composite Index, fell 5.2% in June, after recovering somewhat in April and May. This latest decline resumed the downward trend that has seen stock prices lose 31% of their value since their record close of August 2000. U.S. stock prices (measured by the Standard and Poor's 500 index) fell somewhat less than did those in Canada, down 2.5% in June. They have fallen 19% from their record closing in August 2000.

Canadian dollar

In June, the Canadian dollar recorded a second sharp gain in 2001, posting a U.S. 1-cent rise against the American dollar. With June's closing of 66.05 U.S. cents, the Canadian dollar has now recovered 80% of what it lost in February and March.

After increasing their holdings of money market paper by \$1.3 billion over April and May, foreigners reduced their holdings by \$1.6 billion in June. During the first six months of 2001, foreigners divested \$5.2 billion in holdings. June's reduction was split between federal treasury bills and other money market paper, a pattern that has prevailed for most of the first half of 2001. Geographically, American, European, and Asian investors all shared in June's divestment. Further marginal declines in U.S. and Canadian short-term rates in June pushed the differential up to 83 basis points, further in favour of investing in Canada. The differential has grown steadily since February 2001, when the rates of both countries were at parity.

Foreigner investors added \$4.7 billion to their holdings of Canadian stocks in June. This was heavily influenced by the issuance of new treasury shares by a Canadian firm that acquired a foreign company. Otherwise, U.S. investors acquired a small amount of Canadian shares in the secondary market for a second consecutive month. After mounting something of a recovery in April and May, Canadian stock

prices, measured by the TSE 300 Composite Index, declined 5.2% in June.

Canadian demand for foreign equities continued

The Canadian investment of \$2.0 billion in foreign equities in June was well below the average pace of nearly \$5 billion per month over the first five months of 2001. While June's investment went entirely to overseas markets, the half-year accumulation of foreign equities (\$26.3 billion) was evenly split between U.S. and overseas shares. Canadians sold off \$0.8 billion of foreign bonds in June, an amount similar to what they purchased in May. This activity continued to be focussed on U.S. treasuries.

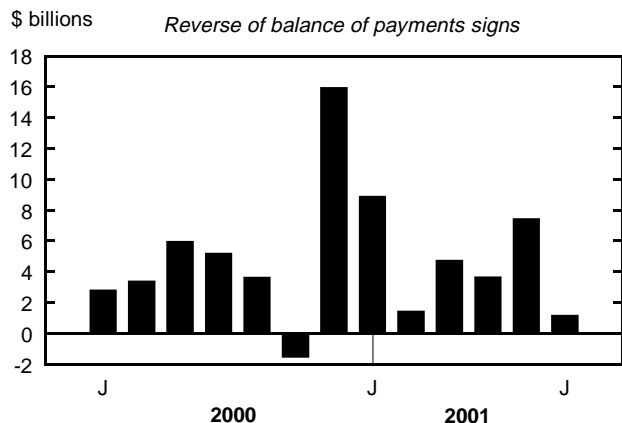
Available on CANSIM: tables 3760018-3760029 and 3760042 and matrices 2328-2330 and 2378-2379 and 4195.

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The June 2001 issue of *Canada's international transactions in securities* (67-002-XIB, \$14/\$132; 67-002-XPB, \$18/\$176) will be available in September. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Donald Granger (613-951-1864; grandon@statcan.ca), Balance of Payments Division. □

Canadian investment in foreign securities¹



¹ Includes bonds and stocks.

Canada's international transactions in securities

	March 2001	April 2001	May 2001	June 2001	January to June 2000	January to June 2001
	\$ millions					
Foreign investment in Canadian securities	6,684	5,149	3,059	-794	24,869	17,689
Bonds (net)	6,273	5,596	4,497	-3,866	-9,980	14,757
Outstanding	3,043	2,980	-338	223	816	6,046
New issues	6,857	5,575	10,276	4,741	12,437	35,188
Retirements	-3,582	-3,393	-6,307	-7,612	-23,033	-26,731
Change in interest payable ¹	-44	434	866	-1,218	-201	254
Money market paper (net)	-1,069	568	726	-1,600	1,380	-5,201
Government of Canada	-25	-708	-106	-657	789	-2,753
Other	-1,044	1,277	832	-943	591	-2,448
Stocks (net)	1,481	-1,016	-2,164	4,672	33,469	8,133
Outstanding	1,395	-1,178	267	669	18,880	2,552
Other transactions	85	161	-2,432	4,003	14,589	5,581
Canadian investment in foreign securities	-4,706	-3,631	-7,408	-1,131	-30,235	-27,141
Bonds (net)	-1,287	335	-977	822	-1,493	-878
Stocks (net)	-3,419	-3,966	-6,431	-1,954	-28,742	-26,264

¹ Interest accrued less interest paid.

Note: A minus sign indicates an outflow of money from Canada, i.e., a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.

Livestock estimates

July 1, 2001

Cattle inventories rose as strong prices and exports to the United States provided an incentive to cow-calf operators to expand the breeding herd. However, it will take several years before consumers see more beef in the marketplace.

Total cattle and calf inventories reached 14.6 million head as of July 1, 2001, up 1.5% from 14.4 million head a year earlier. Even so, inventories remained 2.8% below the 1996 peak.

Canada's hog industry expanded in the second quarter of 2001. An estimated 12.3 million hogs were on farms on July 1, 2001, up 0.3% from July 1, 2000, and expanding 1.3% over the quarter.

The sheep and lamb sector expanded for the fourth consecutive year. In July 2001 inventories rose 6.4% from the previous year to 1.0 million head in the wake of improved demand and prices. Imports continue to remain generally low, as they have since the late 1990s, as domestic producers met the demand. Exports surged continuing the upward trend experienced during the 1990s.

Data for this release came from the July Livestock Survey, a telephone survey of 21,000 farm operators conducted during the last three weeks of June. Farmers were asked to report the number of livestock they would have on their farm as of July 1, 2001.

Livestock inventories

July 1

	Cattle		Hogs		Sheep and lambs	
	2000	2001	2000	2001	2000	2001
	'000 head					
Canada	14,416	14,635	12,301	12,341	979	1,041
Atlantic	308	308	379	393	48	48
Quebec	1,310	1,311	3,740	3,808	180	206
Ontario	2,082	2,085	3,289	3,102	285	282
Manitoba	1,395	1,417	1,936	1,993	79	79
Saskatchewan	2,680	2,796	1,040	1,054	105	123
Alberta	5,879	5,975	1,779	1,841	224	234
British Columbia	763	743	139	150	58	70

Note: Totals may not add due to rounding.

Growth in cattle inventories halts four-year decline

The growth in cattle inventories in the 12-month period up to July 1, 2001 halted a decline during the previous four years. Producers expanded their breeding herd (+2.4%) as strong demand for beef, coupled with a declining supply of cattle in Canada and the United States, led to higher prices for cattle. Other

factors providing incentive for growth include favourable exchange rates and abundant supplies of low-cost feed.

The data suggest that the Canadian cattle cycle has turned and entered into an expansion phase. At the same time, the U.S. cattle industry continues to contract, shrinking by 0.5%.

The United States accounts for most of Canada's cattle trade. Exports of cattle and calves climbed 14.5% to reach 1.1 million head, as of July 1, 2001. For the same 12-month period, there were record imports of 300,000 head.

Canadian feeder stocks are in short supply. As a result, slaughter slumped to 3.7 million head as of July 1, 2001, down 4.6% from the previous year, although this was considerably higher than annual levels recorded in the early 1990s. A decrease in slaughter results in lower levels of beef production.

Despite lower marketings, cash receipts for cattle and calves rose 7.7% in 2000 to a record \$6.7 billion as strong demand led to higher prices. This was 25.5% above the previous five-year average.

Alberta, a major contributor to Canada's total cattle production, accounts for roughly 40% of national cattle inventories and 60% of slaughter. Cattle inventories increased 1.6% to 6.0 million in Alberta as of July 1; on the other hand, slaughter dipped 1.1% over the previous year to 2.2 million head.

In Ontario, cattle inventories remained stable at 2.1 million, while slaughterhouses saw a 12.5% decline. Inventories in Quebec remained stable at 1.3 million head.

Cattle and calves inventory per farm type

July 1

	1996	1997	1998	1999	2000	2001	2000 to 2001
	'000 head						% change
Dairy herd	2,393	2,384	2,310	2,250	2,166	2,172	0.3
Beef herd							
Cow-calf	8,830	8,630	8,479	8,483	8,550	8,869	3.7
Feeders-stockers	2,449	2,419	2,316	2,194	2,095	2,052	-2.1
Feeding operations	1,380	1,479	1,600	1,552	1,606	1,543	-3.9
Total cattle and calves	15,051	14,910	14,706	14,477	14,416	14,635	1.5

Note: Totals may not add due to rounding.

Hog industry: Growth predominant in the West

Farmers reported an inventory of 12.3 million hogs on July 1, 2001, up 1.3% from the first quarter. Compared to the previous year, inventories were up 0.3%.

Prices have strengthened recently, rising almost 50% since the seasonal dip at the beginning of the year. They are about 11% higher than a year ago.

Growth in the industry is more predominant in the western provinces, which account for 40% of hog inventories. In the West, inventories in the second quarter were up 1.6% over the first quarter, while in the East they climbed 1.1%. Hog producers have benefited from increasing demand for pork in the U.S., a favourable exchange rate, efficiency gains, recent price hikes for market hogs and low feed grain prices. The demise of the Crow Rate in 1995, which regulated the transport of western feed grains, has encouraged increased feeding of livestock in the West.

U.S. export markets continue to be crucial to Canada's hog industry. Hog exports in the 12 months leading up to July 1, 2001 were up 16.5% from the previous year. Record exports in the second quarter of 2001 (1.3 million hogs) were 4.2% higher than in the first quarter.

Hog slaughter during the second quarter of 2001 was down 2.8% from the first quarter. Despite this, levels as of July 1, 2000 were 6.8% above those a year earlier.

As of July 1, 2001 the breeding herd in Canada was 3.7% larger than it had been a year earlier. Similarly, farrowing (sows giving birth) was up 8.6%. Farrowing intentions for the third quarter of 2001 were 3.0% higher than they were in the second quarter.

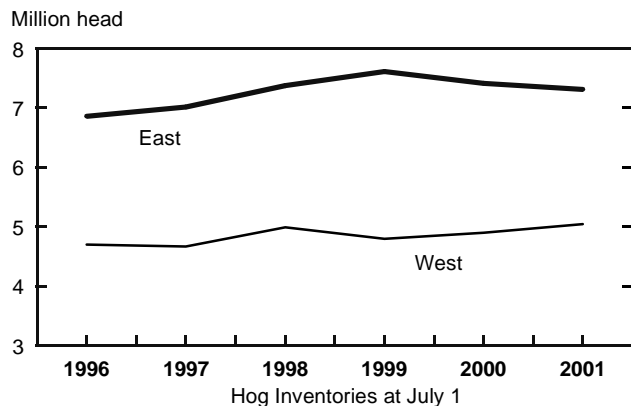
Available on CANSIM: tables 30004 and 30030-30032 matrices 1150, 1151, 1166, 5645 and 9500-9510.

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Data on cattle by farm type are now available. At the national level, the 14.6 million head of cattle and calf inventories are separated into dairy and beef operations. The beef operations are then classified as cow-calf operations, feeder-stocker operations, or feeding operations.

The publication *Livestock statistics - update* (23-603-UPE, \$45/\$149) will be available soon. See *How to order products*. For more information, or to enquire about the concepts, methods or data quality of this release, contact the Agriculture Division information line at 1-800-465-1991, or Robert Plourde (613-951-8716; robert.plourde@statcan.ca), Agriculture Division. ■

Hog production in Western Canada recovered following price fallout in late 1998



OTHER RELEASES

Employment Insurance

June 2001 (preliminary)

The estimated number of Canadians (adjusted for seasonality) who received regular Employment Insurance benefits in June increased 1.7% from May to 505,180. The largest monthly increases were recorded in Yukon (+10.0%), Ontario (+4.3%) and Manitoba (+3.5%).

Regular benefit payments in June increased 8.1% to \$660.2 million compared to May, reflecting at least in part changes to the Employment Insurance Act. The number of claims received declined 6.3% to 233,690.

Number of beneficiaries receiving regular benefits

	June 2001 ^P	May 2001 to June 2001	June 2000 to June 2001	% change
	Seasonally adjusted			
Canada	505,180	1.7	5.5	
Newfoundland	32,800	-0.9	-2.7	
Prince Edward Island	6,830	-15.9	-16.0	
Nova Scotia	27,970	-3.5	-2.8	
New Brunswick	36,780	0.5	11.6	
Quebec	175,700	2.1	5.6	
Ontario	120,300	4.3	20.3	
Manitoba	13,170	3.5	-4.5	
Saskatchewan	10,510	-0.3	-5.9	
Alberta	22,740	1.1	-18.4	
British Columbia	58,180	0.5	5.3	
Yukon Territory	880	10.0	0.0	
Northwest Territories and Nunavut	940	2.2	-22.3	

^P Preliminary figures.

Note: The Employment Insurance Statistics Program data are produced from an administrative data source and may from time to time be impacted by modifications to the Employment Insurance Act. For example, in May 2001, the EI Act was amended to eliminate the intensity rule, to adjust the benefit repayment provision and the re-entrant rules for parents returning to the workforce and to align the EI fishing regulations with the enhanced maternity and parental benefits. These modifications may have impacted on the level of benefits in June. Note, however, that retroactive payments made in June due to those changes were removed.

The number of beneficiaries is a measure of all persons who received EI benefits for the week containing the 15th of the month. The regular benefit payments series measures the total of all monies received by individuals for the entire month. These different reference periods must be taken into consideration when comparisons are done between the series.

The EI Act allows each province or administrative region of Human Resources Development Canada to have certain autonomy in the application of administrative procedures regarding renewal claims. Data users must take into consideration that movements in levels from month to month may be affected by different administrative procedures regarding renewal claims from one province or region to another.

Employment insurance statistics

	June 2000	May 2001	June 2001	May 2001 to June 2001	June 2000 to June 2001
	Seasonally adjusted				
	% change				
Regular beneficiaries	478,900	496,840 ^P	505,180 ^P	1.7	5.5
Regular benefits paid (\$ million)	575.1	610.9	660.2	8.1	14.8
Claims received ('000)	209.7	249.4	233.7	-6.3	11.4
	Unadjusted for seasonality				
	% change				
All beneficiaries ('000)	532.7	639.1 ^P	581.5 ^P	-9.0	9.2
Regular beneficiaries ('000)	378.3	457.5 ^P	400.2 ^P	-12.5	5.8
Claims received ('000)	165.1	185.0	174.5	-5.7	5.7
Payments(\$ million)	757.1	888.9	782.0	-12.0	3.3
	Year-to-date (January to June)				
					2000 to 2001
					% change
Claims received ('000)			1,157.4	1,304.8	12.7
Payments (\$ million)			6,351.2	6,587.6	3.7

^P Preliminary figures.

Note: All beneficiaries includes all claimants receiving regular benefits (e.g., due to layoff) or special benefits (e.g., due to illness).

Available on CANSIM: tables 2760001-2760006 and 2760009 and 2760012 and matrices 26 (series 1.6), 5700-5717 and 5735 and 5736.

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For more information, or to enquire about concepts, methods, and data quality of this release, contact Gilles Groleau or Jean Leduc (1-866-873-8788; 613-951-4090; fax: 613-951-2869; labour@statcan.ca), Labour Statistics Division. ■

Oil and gas extraction industry: Capital and operating expenditures 2000

Capital expenditures for the conventional oil and gas extraction industry totalled \$18.6 billion in 2000, up 37.3% from 1999. This strong increase in spending reflected significantly higher crude oil, natural gas and natural gas by-products prices during 2000. Expenditures in the exploratory and development drilling categories increased 43.0% from 1999 levels, largely the result of increased drilling activity in 2000. Production facilities expenditures rose 14.8%, due to the rise in development drilling completions during 2000.

The non-conventional sector capital expenditures amounted to a record \$4.2 billion, an increase of 75.0% over 1999. Announced future capital expenditures on oilsands and heavy oil development are expected to amount to more than \$40.0 billion in the coming years. Spurred by higher oil and natural gas prices, capital expenditures by the oil and gas extraction industry (as published in *Private and public investment in Canada - Revised intentions 2001*) are expected to rise by 26% in the year 2001.

Oil and gas extraction industry: Capital and operating expenditures

	2000	1999 to 2000
	\$ millions	% change
Capital		
Conventional	18,640.9	37.3
Non-conventional	4,223.2	75.0
Operating		
Conventional	18,970.2	58.8
Non-conventional	3,795.0	52.0

Operating costs for the conventional sector increased 58.8% from 1999 to \$19.0 billion. Higher production of crude oil, natural gas and natural gas by-products in 2000 combined with sharply higher prices during the year resulted in an increase in royalty payments, a major component of operating expenditures. Operating costs for the non-conventional sector reached \$3.8 billion, up 52.0% from 1999. The increase was primarily due to higher field costs and royalty payments.

The 2000 issue of the *Oil and gas extraction industry* (26-213-XPB, \$29), will be available in October. See *How to order products*.

To order data, or for general information, contact the Dissemination Officer (1-866-873-8789; 613-951-9497; energ@statcan.ca). For analytical information, or to enquire about the concepts, methods and data quality of this release, contact Gary Smalldridge (613-951-3567; smalgar@statcan.ca), Manufacturing, Construction and Energy Division. ■

Oil and gas extraction industry: Volume and value of marketable production 2000

Crude oil and equivalent production increased 4.5%, due primarily to higher exports to the United States. Synthetic crude oil production (including crude bitumen) has increased solidly in the last 10 years; in 2000 it accounted for 27.7% of total crude oil and equivalent production, compared to 20.6% in 1990. Exports of crude oil and equivalent were up sharply in 2000, increasing 10.3% from 1999. The rise reflects higher demand by U.S. refineries for Canadian crude oil. Natural gas production rose 3.4% in 2000 to 167.8 billion cubic metres as a result of sustained demand from the United States and increasing domestic sales.

The value of crude oil and equivalent hydrocarbons produced in 2000 totalled an estimated \$30.5 billion, the highest level ever recorded. This sharp 63.2% increase was attributable to significantly stronger wellhead prices during 2000. The value of natural gas production is estimated at \$27.8 billion in 2000. This represents a 96.1% increase from 1999, driven largely by significantly higher wellhead prices.

Oil and gas extraction industry: Volume and value of marketable production

	2000	1999 to 2000
		% change
Crude oil and equivalent		
Volume(thousands of cubic metres)	127,809.1	4.5
Value(\$ millions)	30,523.6	63.2
Natural gas		
Volume(millions of cubic metres)	167,775.3	3.4
Value(\$ millions)	27,824.2	96.1
Natural gas by-products¹		
Volume(thousands of cubic metres)	30,542.6	6.0
Value(\$ millions)	5,660.7	123.3

¹ Excludes volume and value of pentanes plus and elemental sulphur

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Production and value of ranch-raised pelts 2000 (preliminary)

Preliminary data for 2000 on the production of fox and mink pelts and the value of mink pelts are now available. Data are tabulated by province.

In Canada, the total production increased to 1,092,940 pelts in 2000 from 1,063,890 in 1999. The value of mink pelts was \$45.4 million. The value of fox pelts is unavailable at this time. Fox farms decreased

from 203 in 1999 to 185 in 2000; mink farms were down slightly to 176 from 180 in 1999.

Available on CANSIM: tables 30014 and 30015 and matrices 3400, 3402-3414.

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These data will be available in Livestock Statistics Updates (23-603-UPE, Canada: \$45.00 (\$149.00 for subscription)) in September 2001. See *How to order products*.

For further information on this release, contact Bernadette Alain (902-893-7251; bernadette.alain@statcan.ca), Agriculture Division. ■

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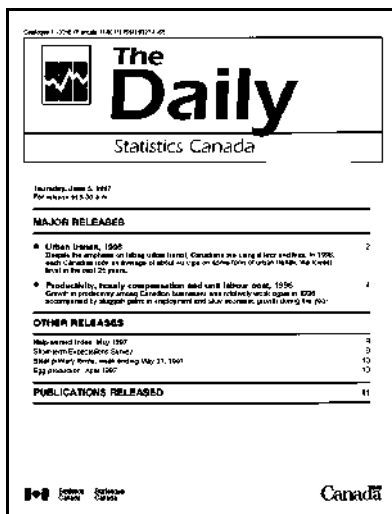
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