



The Daily

Statistics Canada

Thursday, August 17, 2006

Released at 8:30 a.m. Eastern time

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Canadians acquired \$4.0 billion worth of foreign securities in June, continuing a trend of heavy purchases for a 17th consecutive month. Meanwhile, foreign purchases of Canadian securities declined to a nominal \$343 million in June.	
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Releases

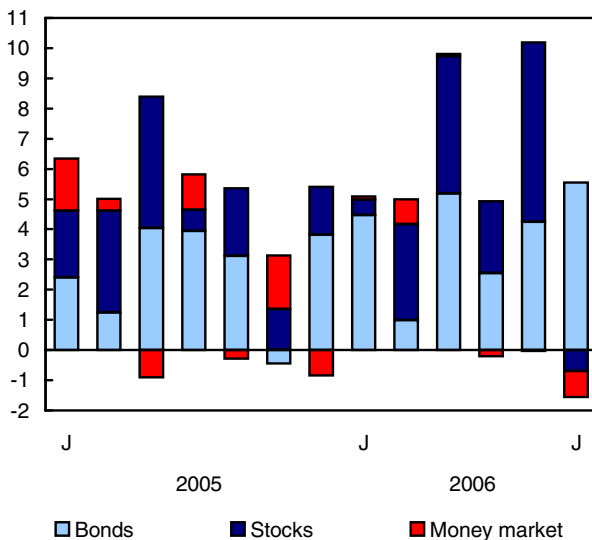
Canada's international transactions in securities

June 2006

For a 17th consecutive month, Canadian investors continued their heavy acquisitions of foreign securities, purchasing \$4.0 billion in June. Meanwhile, foreign purchases of Canadian securities declined substantially from \$5.9 billion in May to a nominal \$343 million in June.

Canadian portfolio investment in foreign securities

\$ billions Reverse of balance of payments signs



Canadians make record purchases of foreign bonds

Canadian investors surpassed the record set in March by acquiring a further \$5.6 billion worth of foreign bonds in June. Buying has been strong in 15 of the past 20 months, bringing the total investment over that time to \$56.5 billion.

June's record was a result of continuous heavy purchases with sales toned down. Acquisitions were equally split between US bonds and overseas bonds; the Canadian investment in overseas bonds was an all time high.

Meanwhile, Canadian investors sold \$864 million of foreign money market paper in June, the highest sell-off since August 2005. This was largely driven by a divestment of \$1.0 billion in non-US paper. Moreover,

Related market information

In June, Canadian short-term **interest rates** climbed 14 basis points to 4.43%, the highest over the past five years. Meanwhile, US short-term rates only edged up 7 basis points to 4.79%, further narrowing the differential between the two countries to 0.47%.

After a 7 basis points decrease in May, Canadian long-term rates regained 18 basis points to 4.63% in June. US long-term rates increased 13 basis points to 5.25%. The differential between Canada and US long-term rates decreased to 0.62%, favouring investment in the United States.

Canadian **stock prices** declined for the second straight month. June ended with the S&P/TSX composite index falling 1.1% to 11,612.9. Following a 3.1% decrease in May, US stock prices remained virtually unchanged in June with the Standard and Poor's Composite Index settling at 1,270.2.

After hitting a 28-year high in May, the **Canadian dollar** retreated 1.20 US cents in June. The dollar closed June at 89.6 US cents.

Definitions

The data series on international security transactions cover portfolio transactions in stocks, bonds and money market instruments for both Canadian and foreign issues.

Stocks include common and preferred equities, as well as warrants.

Debt securities include bonds and money market instruments.

Bonds have an original term to mature of more than one year.

Money market instruments have an original term to maturity of one year or less.

the selling of \$244 million of US treasury bills was offset by the purchase of \$389 million in US corporate paper.

Sell-off of non-US shares reverses the investment trend in foreign equities

Canadian investors switched to sell \$702 million worth of foreign equities in June. This reversed a trend of net buying over the past 16 months to a peak of \$5.9 billion in May.

June's deviation from the past investment trend resulted from sales of \$2.6 billion in non-US shares. Nevertheless, acquisitions remained strong in US shares in June, totalling \$1.9 billion.

Non-resident purchases of Canadian equities cool off

Following strong purchases of Canadian equities since January 2006, non-residents decreased their holdings by divesting \$846 million worth in June.

Foreign investors paused from the heavy acquisitions of outstanding Canadian shares that they had been making in consecutive months for almost a year. June's sell-off amounted to \$1.1 billion. Overall, investors from other European Union countries alone sold \$2.4 billion worth. Purchases by US residents declined by almost three-quarters to \$938 million in June, followed by purchases of \$691 million by residents of the United Kingdom.

Foreign investors turn to short-term Canadian paper

Non-residents bought a record \$4.5 billion of Canadian money market paper in June. The acquisitions were concentrated in paper issued by the federal government and their enterprises, amounting to a 10-year high of \$4.1 billion. Heavy purchases of provincial government paper added another half a billion into non-resident portfolios.

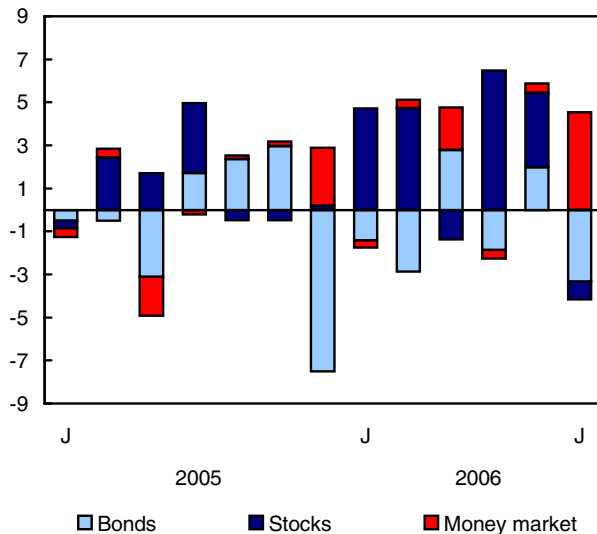
American and British residents led the investment in Canadian short-term paper, acquiring \$3.8 billion and \$1.1 billion respectively. Purchases by US residents were the second highest on record while purchases by United Kingdom residents hit the highest point since April 2002.

Foreign holdings of Canadian bonds dipped by \$3.3 billion, due mainly to a \$3.7 billion sell-off of federal government issues. Non-residents did acquire \$1.6 billion of federal enterprise bonds which was largely offset by the selling of provincial and corporate issues.

On a currency basis, the foreign divestment was roughly split between Canadian bonds denominated in Canadian dollars and those in US dollars. Against this, non-residents acquired \$1.7 billion of bonds denominated in other foreign currencies. Geographically, dispositions of Canadian bonds were concentrated in the United States as well as in emerging economies. In contrast, European investors acquired \$2.6 billion in Canadian bonds.

Foreign portfolio investment in Canadian securities

\$ billions



Available on CANSIM: tables 376-0018 to 376-0029, 376-0042, 376-0058 and 376-0063.

Definitions, data sources and methods: survey numbers, including related surveys, 1532, 1534, 1535 and 1537.

The June 2006 issue of *Canada's International Transactions in Securities* (67-002-XIE, free) will soon be available.

Data on Canada's international transactions in securities for July will be released on September 18.

For general information or to order data, contact Client Services (613-951-1855; infobalance@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Yiling Zhang (613-951-1864), Balance of Payments Division.

□

Canada's international transactions in securities

	March 2006	April 2006	May 2006	June 2006	January to June 2005	January to June 2006
	\$ millions					
Foreign investment in Canadian securities	3,359	4,195	5,876	343	4,555	18,961
Bonds (net)	2,782	-1,871	1,969	-3,341	2,963	-4,757
Outstanding	303	-821	2,622	-1,345	-2,492	2,012
New issues	4,794	1,283	1,692	3,886	19,611	15,304
Retirements	-2,272	-2,623	-2,663	-4,704	-14,550	-22,079
Change in interest payable ¹	-42	290	318	-1,179	394	5
Money market paper (net)	1,979	-419	438	4,531	-964	6,563
Government of Canada	3,151	-2,416	-449	3,419	367	4,610
Other	-1,172	1,997	886	1,112	-1,331	1,953
Stocks (net)	-1,401	6,485	3,469	-846	2,556	17,155
Outstanding	1,436	6,292	2,747	-1,108	78	18,502
Other transactions	-2,837	193	723	262	2,478	-1,347
Canadian investment in foreign securities	-9,804	-4,707	-10,138	-3,988	-21,064	-38,721
Bonds (net)	-5,177	-2,547	-4,239	-5,553	-11,885	-22,973
Stocks (net)	-4,559	-2,378	-5,946	702	-8,354	-15,872
Money market paper (net)	-67	218	47	864	-825	124

1. Interest accrued less interest paid.

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



Travel between Canada and other countries

June 2006

Two more travel records were broken in June, one for outbound travel by Canadians and the other for inbound travel from the United States.

Record numbers of Canadians travelled to overseas nations, while the number of same-day car travellers from the United States was the lowest since record keeping started in 1972.

An estimated 571,000 Canadians travelled to overseas countries in June, up 1.9% from May. This was the seventh consecutive monthly increase. (Unless otherwise specified, monthly data are seasonally adjusted.)

Meanwhile, US residents made fewer than 1.2 million same-day car trips to Canada in June, down 0.4% compared to May. During the first half of this year, Americans made only 6.6 million same-day car trips to Canada (unadjusted data) — the lowest first-half figure on record.

These record setting numbers reflect recent movements. It was the fifth consecutive month of record high travel for Canadians to overseas countries and the second consecutive record low for same-day car travel from the United States.

Overall, travel from the United States to Canada fell 1.1% in June compared to May. Although the number of overnight trips by car and by other modes both edged up, overnight plane travel dropped 2.8%. As a result, total overnight travel declined 0.6% from May.

Same-day and overnight travel from Canada to the United States combined fell 2.8% in June, as residents

took trips fewer than 3.3 million to the United States. Only 1.9 million same-day car trips were made to the United States, down 3.8% from May.

Canadian residents also took 1.4% fewer overnight trips to the United States with declines recorded in all major modes of travel.

Among Canada's top 12 overseas markets, only Taiwan and Japan posted increases. The number of visitors from the Netherlands declined 7.5%, the largest monthly decrease among these markets.

Overall, travel to Canada from overseas countries declined 1.3% in June as 377,000 came to visit the country during the month.

The Canadian dollar was worth 89.8 US cents on average in June, down 0.4% compared to May. The loonie, however, gained against the Japanese yen, the euro and British pound sterling.

Available on CANSIM: tables 427-0001 to 427-0006.

Definitions, data sources and methods: survey number 5005.

The June 2006 issue of *International Travel, Advance Information*, Vol. 22, no. 6 (66-001-PIE, free) is now available from the *Publications* module of our website.

For general information, contact Client Services (613-951-9169 or toll-free 1-800-307-3382; fax: 613-951-2909; cult.tourstats@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Frances Kremarik (613-951-4240; frances.kremarik@statcan.ca), Culture, Tourism and the Centre for Education Statistics. □

Travel between Canada and other countries

	May 2006 ^r	June 2006 ^p	May to June 2006	June 2006	June 2005 to June 2006
	Seasonally adjusted		Unadjusted		
	thousands		% change	thousands	% change
Canadian trips abroad¹	3,916	3,834	-2.1	3,550	5.8
to the United States	3,356	3,263	-2.8	3,123	5.2
to other countries	560	571	1.9	428	10.3
Same-day car trips to the United States	1,996	1,920	-3.8	1,963	5.4
Total trips, one or more nights	1,861	1,854	-0.4	1,534	5.9
United States ²	1,301	1,283	-1.4	1,106	4.3
Car	756	746	-1.4	645	4.2
Plane	446	445	-0.2	343	6.8
Other modes of transportation	99	92	-7.1	118	-1.9
Other countries ³	560	571	1.9	428	10.3
Travel to Canada¹	2,859	2,828	-1.1	3,756	-6.6
from the United States	2,477	2,451	-1.1	3,227	-7.4
from other countries	382	377	-1.3	529	-1.4
Same-day car trips from the United States	1,175	1,171	-0.4	1,305	-12.6
Total trips, one or more nights	1,548	1,536	-0.7	2,216	-2.4
United States ²	1,175	1,168	-0.6	1,700	-2.9
Car	702	704	0.3	1,013	-4.4
Plane	341	331	-2.8	467	-0.6
Other modes of transportation	132	133	0.9	220	-0.4
Other countries ³	373	368	-1.2	516	-0.6
Most important overseas markets⁴					
United Kingdom	75	73	-1.6	103	-6.7
Japan	33	34	2.2	44	-2.8
France	32	31	-0.8	34	2.9
Germany	26	26	-0.2	36	-8.9
Australia	19	18	-1.6	28	0.1
Mexico	18	18	-0.6	23	4.7
South Korea	16	16	-1.9	23	3.0
China	13	12	-3.9	15	11.7
Netherlands	11	10	-7.5	15	-4.6
Hong Kong	9	9	-1.9	13	-11.3
Taiwan	7	8	17.1	12	18.5
Switzerland	8	8	-2.3	11	-7.9

^p preliminary

^r revised

1. Totals exceed the sum of "same-day car trips" and "total trips, one or more nights" because they include all of the same-day trips.
2. Estimates for the United States include counts of cars and buses, and estimated numbers for planes, trains, boats and other methods.
3. Figures for other countries exclude same-day entries by land only, via the United States.
4. Includes same-day and one or more night trips.

Machinery and equipment price indexes

Second quarter 2006

The Machinery and Equipment Price Index (MEPI) fell 1.7% from the first quarter to 90.1 (1997=100). The domestic component index declined 0.1%, while the import series declined 2.7% over this period. The total MEPI was down 5.7% compared to the second quarter of 2005. This annual movement was due mainly to an 8.6% decrease in the import index, influenced by a continuing decline in the value of the US dollar. The domestic index declined 0.5% on an annual basis.

Lower prices for machinery and equipment purchased by the financial, insurance and real estate

industries contributed most to the total index movement in the second quarter of 2006. This sector was 2.4% below the first quarter level, with the finance and insurance industry accounting for the largest portion of the decline. The manufacturing sector was 1.5% lower, due mainly to declines in transportation equipment (-1.5%), primary metal and fabricated metal product (-1.5%) and paper (-1.4%) industries. The aggregate group other services (excluding public administration) declined 1.7%, led by lower indexes for information and cultural industries (-1.6%) and professional, scientific and technical services (-1.9%).

At the commodity level, quarterly price decreases for automobiles, excluding passenger vans (-3.8%), trucks, road tractors and chassis (-3.1%), computers and peripherals equipment such as terminals, printers and storage devices (-3.7%) and other industry specific machinery (-2.0%), contributed to a lower total index. For all these commodities, it was the import series which had the greater influence on index movement.

The US dollar depreciated 2.8% vis-à-vis the Canadian dollar in the second quarter of 2006, while on an annual basis it declined 9.8% in value.

Available on CANSIM: tables 327-0041 and 327-0042.

Machinery and equipment price indexes (1997=100)

	Relative importance	Second quarter 2006 ^P	First quarter to second quarter 2006	Second quarter 2005 to second quarter 2006
			% change	
Industries				
Total Machinery and Equipment Price Index	100.00	90.1	-1.7	-5.7
Domestic	32.03	104.8	-0.1	-0.5
Imported	67.97	83.1	-2.7	-8.6
Crop and animal production	4.07	98.6	-1.8	-6.5
Forestry and logging	0.27	99.5	-1.9	-4.8
Fishing, hunting and trapping	0.08	104.7	-0.7	-2.9
Support activities for agriculture and forestry	0.10	97.1	-1.5	-6.0
Mines, quarries and oil wells	4.26	100.6	-1.9	-3.5
Utilities	3.55	92.4	-1.5	-5.5
Construction	3.54	95.1	-1.8	-5.5
All manufacturing	22.34	95.3	-1.5	-5.3
Trade	8.38	88.4	-1.6	-4.8
Transportation (excluding pipeline transportation)	7.66	102.2	-1.4	-4.2
Pipeline transportation	1.18	100.4	-1.2	-4.4
Warehousing and storage	0.26	101.4	-1.0	-3.7
Finance, insurance and real estate	19.90	84.9	-2.4	-7.4
Private education services	0.12	77.2	-2.4	-7.3
Education services (excluding private), health care and social assistance	2.09	86.6	-1.5	-5.5
Other services (excluding public administration)	16.39	79.7	-1.7	-6.1
Public administration	5.81	83.4	-1.4	-5.4

^P preliminary

Definitions, data sources and methods: survey number 2312.

The second quarter 2006 issue of *Capital Expenditure Price Statistics* (62-007-XIE, free) will be available in October.

For more information, or to enquire about the concepts, methods or data quality of this release, call Client Services Unit (613-951-9606 or toll-free 1-866-230-2248; fax: 613-951-1539; prices-prix@statcan.ca), Prices Division or Leon Comeau (613-951-3390), Prices Division.

Construction Union Wage Rate Index July 2006

The Construction Union Wage Rate Index (including supplements) for Canada remained unchanged in July compared to 137.1 (1992=100) in June. The composite index increased 1.4% compared with the July 2005 index (135.2).

Union wage rates are published for 16 trades in 20 metropolitan areas for both the basic rates and rates including selected supplementary payments. Indexes on a 1992=100 time base are calculated for the same metropolitan areas and are published for

those where a majority of trades are covered by current collective agreements.

Available on CANSIM: tables 327-0003 and 327-0004.

Definitions, data sources and methods: survey number 2307.

The third quarter 2006 issue of *Capital Expenditure Price Statistics* (62-007-XIE, free) will be available in November.

For more information, or to enquire about the concepts, methods or data quality of this release,

contact Client Services Unit (613-951-9606; fax: (613-951-1539; infounit@statcan.ca), or Louise Chainé (613-951-3393), Prices Division. ■

Spending on research and development in the higher education sector

Expenditure on research and development in higher education institutions in Canada increased from \$8.1 billion in 2003/2004 to \$9.0 billion in 2004/2005 (an increase of 10.5%).

This increase is the result of a rise in the contributions of three sources of funds: the higher education sector itself, the federal government, and private non-profit organizations. The higher education sector was the main contributor of funds for research and development (45% or \$4.1 billion in 2004/2005). The main external funders were the federal government (26%) provincial governments (12%) business enterprises (8%) and private non-profit organizations (8%).

The health (+14.3%) and social science (+11.1%) fields benefited most from this increased funding as well as other natural sciences (+6.9%). Significantly, \$7.2 billion (80%) was allocated to natural sciences and engineering (including health sciences).

The federal government's contribution increased by 7.1% over 2003/2004. However, the federal government's share of funding for research and development in higher education dropped marginally from 27% in 2003/2004 to 26% in 2004/2005. Health sciences and other natural sciences account for 84% of the federal funding for research and development in higher education.

Ontario and Quebec accounted for 67% of federal funds and 70% of the total research and development

expenditures while the Atlantic provinces together accounted for only 6% of the total expenditures. This pattern is related to the differences in the number and size of higher education institutions in these provinces.

Definitions, data sources and methods: survey number 4212.

The service bulletin *Science Statistics*, Vol. 30, no. 5 (88-001-XIE, free) is now available from the *Publications* module of our website.

For more detailed information, or to enquire about the methods, concepts or data quality of this release, contact Gisèle Bellefeuille, (613-951-7113; gisele.bellefeuille@statcan.ca) or Janet Thompson, (613-951-2580; janet.thompson@statcan.ca), Science, Innovation and Electronic Information Division. ■

Steel pipe and tubing

June 2006

Data on the production and shipments of steel pipe and tubing are now available for June.

Available on CANSIM: table 303-0046.

Definitions, data sources and methods: survey number 2105.

The June 2006 issue of *Steel, Tubular Products and Steel Wire* (41-019-XIE, free) will soon be available.

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

New products

International Travel, Advance Information,
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Catalogue 11-001-XIE (Printed 11/01/11) ISBN 0571-6145



Thursday, June 3, 1997
For release at 8:30 a.m.



MAJOR RELEASES

- **Urban transit, 1995** 2
Changes in the number of people taking urban transit, Canadians are riding it less and less. In 1996, each Canadian took an average of about 60 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses was relatively weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

- **Help-wanted Index, May 1997** 3
- **Short-term Expectations, Survey** 2
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production, April 1997** 12

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Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

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

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