

I·N·F·O·M·A·T

A W E E K L Y R E V I E W

Friday, January 2, 1987

OVERVIEW

■ The Canadian Pig Industry in Perspective

Following a period of exceptional growth which was the result of technological advances and increased accessibility to financing, the Canadian pig industry has remained relatively stable over the last six years.

■ Construction Intentions Remain High

Despite a decrease in September, the value of building permits topped \$2 billion for the fourth month in a row.

■ Manufacturing Shipments Rise for the Second Consecutive Month

Increases in September and October represent the first consecutive month-over-month advances recorded since the end of 1985, as shipments have generally been following a downward trend in 1986.

■ Japan Continues to Invest Heavily in Canadian Bonds

Japanese investors accounted for \$1.0 billion of the record net sales of outstanding Canadian bonds (\$1.3 billion) in October.

■ Wholesale Trade Remains Well Up Over 1985

The 9.5% increase in October was slightly below recent figures and the trend to date in 1986.

■ CPI Rise Higher Than 1986 Trend

The increase in November of 4.5% was in line with the year-over-year advance in October, but somewhat higher than the average increase in the first ten months of 1986.

The Canadian Pig Industry in Perspective

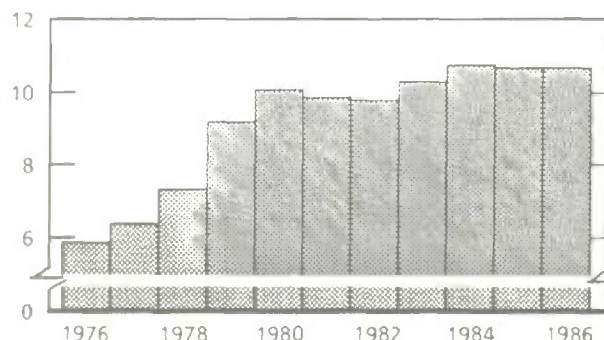
The Canadian pig industry has remained relatively stable over the last six years, compared to a period of exceptional growth from 1975 to 1980 when inventories climbed from 6.0 million to 10.1 million. Since 1980, inventories have ranged between 9.7 and 11.1 million head.

One of the major reasons for the 60% increase in inventories was the anticipated implementation of a national supply management scheme that would base quotas on hog production in each province. In order to gain larger quotas, provincial governments encouraged increased production through incentive programs. For example, the Quebec government made low interest loans to pig producers.

Prior to the expansion of inventories in the late seventies, farmers moved in and out of the pig sector easily. Pigs were produced in low capital cost systems using surplus feed. When grain prices were high,

(continued on page 2)

Total Pigs on Farms
(millions)



Statistics Canada
Statistique Canada

Canada

... The Canadian Pig Industry in Perspective

the grain was marketed directly off the farm. When grain prices were low, the grain was fed and marketed indirectly through livestock.

Increasing amounts of government assistance such as capital grants and tax incentives, stimulated the banking industry's interest in financing pig farms in the late seventies. Operations began to expand into highly capitalised indoor units. Higher investment and debts resulted in higher fixed costs. As these highly specialised units had no alternative use, farmers were committed to producing hogs regardless of changing input costs. As a result, the Canadian industry has been characterised by much greater stability of supply in recent years.

The regional distribution of hog production has also been stable since 1981. There was a shift in pig production from the Prairie provinces, to Ontario and Quebec in the early 1970s. In 1971, the Prairie provinces produced 50% of Canada's pigs. By 1981, this share had dropped to 27%. The major reason for the declining western share of Canadian production was high world grain prices in the early 1970s. Many

western producers had an incentive to market their grain directly, rather than feeding it to pigs. On October 1, 1986, estimates show that the three western provinces reported 31% of Canadian pig inventories, compared to 62% in Ontario and Quebec.

Globally, Canadian pig production (0.9 million tonnes) is dwarfed in comparison to countries such as China and the United States where production is estimated to be 16.5 and 6.7 million tonnes respectively. However, the importance of the pig industry to Canada is reflected in farm cash receipts.

Canadian pig producers received \$1.8 billion from sales in 1985. Export earnings from the sale of live hogs and pork have more than doubled from \$320 million in 1980, to \$662 million in 1985. Imports on the other hand have remained relatively constant. In the \$40-50 million range, they are less than one tenth of the value of exports.

This article is the first of two on the Canadian pig industry. Next week *Infomat* will feature the Pig Market in 1986.

For further information, contact Paul Walker at (613) 991-2510.

Construction Intentions Remain High

In September, the seasonally adjusted value of building permits issued by Canadian municipalities was more than \$2 billion for the fourth consecutive month. However, the value of permits was down 2.0% from August, as a decrease in residential permits offset an increase in non-residential permits.

The value of residential permits fell 7.0%, but still retained a relatively high level of \$1.3 billion in September. The decline was due to decreases in both the multi-family and single-family dwelling sectors. On a seasonally adjusted basis, 19,222 units were approved, down 6.0% from August.

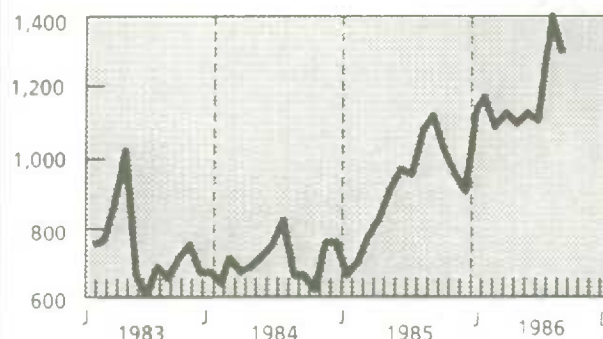
Building Permits

	May	June	Jul	Aug.	Sept.
	% change, previous month				
Residential	-3.1	2.9	-1.6	23.1	-7.0
Non-residential	1.8	9.2	6.2	-13.2	5.9
Total	-1.0	5.7	1.9	5.9	-2.0

The value of non-residential projects rose 5.9% in September, following a retreat of 13.2% in August. The commercial component was entirely responsible for this increase, rising 19.4% over August. The industrial and public components registered decreases of 11.2% and 12.5%.

Residential Construction

(millions of dollars, seasonally adjusted)



For further information, contact Science, Technology and Capital Stock Division at (613) 991-2583.

Manufacturing Shipments Rise for the Second Consecutive Month

In October, the seasonally adjusted value of shipments by Canadian manufacturers rose 2.4%. This advance follows an increase in September and together they represent the first consecutive month-over-month gains recorded since the end of 1985. Shipments have fluctuated throughout 1986, but have generally been following a downward trend. In October, shipments totalled \$20.9 billion, 2.9% lower than the peak recorded in January 1986.

A marked improvement by the transportation equipment industries was a main feature of the advance in total shipments for the second consecutive month. The increases of 10.2% in October and 9.8% in September followed nine months of steadily declining shipments by these industries.

The value of new orders received by all manufacturing industries also advanced for the second month in a row. New orders were estimated at \$20.8 billion, up 2.5% over September but still below the

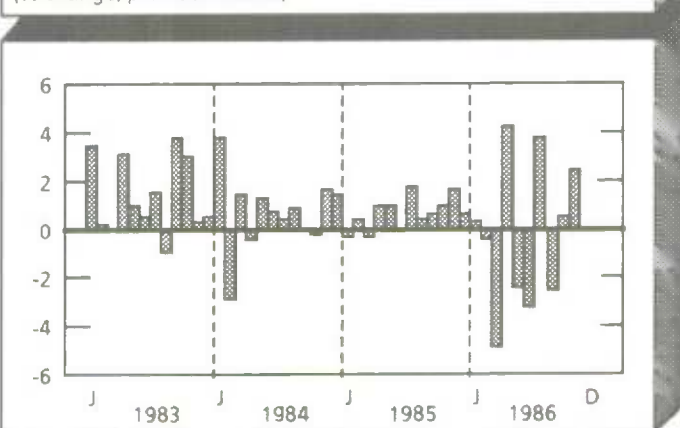
Manufacturing Activity

	June	July	Aug.	Sept.	Oct.
	% change, previous month				
Shipments	-3.3	3.8	-3.2	0.6	2.4
New orders	-4.1	4.0	-5.1	2.8	2.5
Unfilled orders	-0.3	-0.2	-1.7	-0.4	-0.3
Inventory to shipments ratio	1.70	1.64	1.68	1.68	1.63

peak value recorded in February 1986. The seasonally adjusted backlog of unfilled orders decreased 0.3% in October to \$24 billion. This was the fifth consecutive monthly decline in unfilled orders and the lowest level registered since April 1985.

Inventories owned by manufacturers have been relatively stable for the last seven months. However, the ratio of inventories owned to shipments, reflecting swings in the value of shipments, has been unstable. Since February, it has varied between 1.60:1 and 1.70:1.

Shipments
(% change, previous month)



For further information, contact Industry Division at (613) 990-9832.

Japan Continues to Invest Heavily in Canadian Bonds

Net sales to non-residents of outstanding Canadian bonds reached a record \$1.3 billion in October, some \$500 million above the previous high set two months earlier. Japan continued to be the major investor, with net purchases climbing to a record \$1.0 billion. Japan was also a major contributor to the increase of more than 50% in the gross value of bonds traded (sales and purchases) with non-residents. Net investments in Canadian bonds from all other countries increased by some \$300 million, the highest level in more than a year. Net sales of outstanding Canadian stocks were \$95 million, similar to net sales recorded in the previous two months.

Residents were net buyers of outstanding foreign bonds in October (\$167 million), in contrast to net reductions in holdings of nearly \$400 million in the previous two months. The net investment in the current month was largely channelled into the United States government bonds. Net purchases of foreign stocks were \$84 million, evenly distributed between United States and overseas stocks.

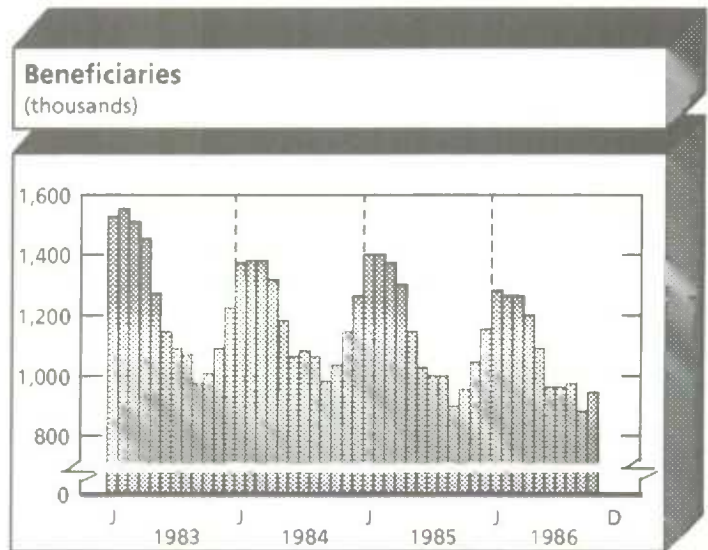
For further information, contact International and Financial Economics Division at (613) 990-9052.

Unemployment Insurance Statistics

In October, the number of unemployment insurance beneficiaries was down on a year-over-year basis for the nineteenth consecutive month. However, the size of the decrease has gotten smaller in recent months. Seasonally adjusted data indicate that the number of beneficiaries has remained relatively stable throughout 1986.

In October, total unemployment insurance payments were \$752 million, decreasing 1.7% from September and up 0.8% from October 1985. Payments for the first ten months of 1986 amounted to \$8.8 billion, slightly higher than in the same period of last year.

The number of claims received during September 1986 rose 14.1% over the previous month and was virtually unchanged from October 1985. Since the start of the year 2.7 million claims have been received, up 0.8% from the same period of 1985.



For further information, contact labour Division at (613) 990-9900.

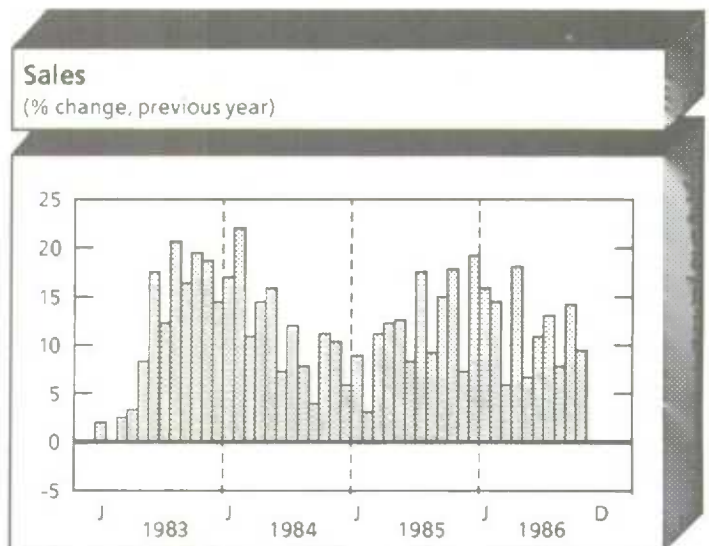
Wholesale Trade Remains Well Up Over 1985

In October, wholesale merchants' sales were 9.5% above the levels recorded a year earlier. Following an increase of 14.4% in September, the gain in the current month was lower than the advance in cumulative sales for 1986 (11.6%).

All major trade groups except farm machinery, equipment and supplies registered increased sales from a year earlier. Dealers of farm machinery equipment and supplies had registered large year-over-year increases throughout 1986. In fact, the decrease in October was the first since February 1985.

Once again, the trade groups which had the most significant impact on the overall sales increase were machinery, equipment and supplies (14.5%), and lumber and building materials (17.9%). Wholesalers of motor vehicles and accessories also made a significant contribution to the advance in October, reporting a sales increase of 16.5%.

Wholesalers have reported higher inventories each month of 1986. In October, their inventories were up 10.3% from a year earlier.



For further information, contact Industry Division at (613) 991-3537.

CPI Rise Higher Than 1986 Trend

In November, the year-over-year increase in the Consumer Price index (1981=100) was 4.5%, a marginal advance from the 4.4% posted for the 12-month period ending in October. However, the average year-over-year increase for the first ten months of the year was 4.1%. Up 0.5% between October and November, a large part of the overall increase in the CPI was explained by advances in the transportation and food indexes.

Following three months without increase, the transportation index gained 1.6% in November. After adjustments for quality, new automobile prices rose 3.2%, with the introduction of the new car models for 1987. Gasoline prices were up 2.0%. The public transportation index declined slightly as Trans-Atlantic airfares recorded a seasonal decline.

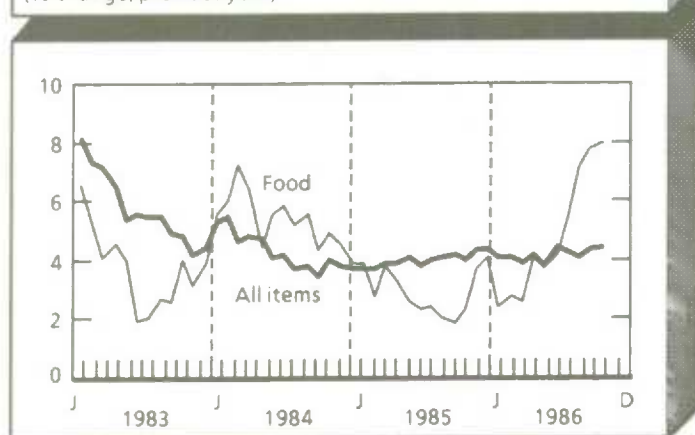
Consumer Price Index

	July	Aug.	Sept.	Oct.	Nov.
	% change, previous month				
All-items	0.8	0.3	0.0	0.5	0.5
Food	1.3	0.4	0.5	0.4	0.6
All-items, excl. food	0.6	0.3	-0.1	0.6	0.4
Energy	-0.2	-0.4	-1.5	-0.7	1.0
All-items, excl. energy	0.8	0.4	0.2	0.6	0.4
All-items, excl. food & energy	0.7	0.4	0.0	0.7	0.4

The food index advanced 0.6% during the month and continued the trend of large year-over-year increases evident since August. The food purchased from stores index gained 0.7%, as prices for meat, fish and dairy products; fresh vegetables; and bakery and other cereal products rose. Fresh fruit prices declined as increased prices for some imported fruits were more than offset by seasonal declines in other imported fruit such as grapefruit, bananas and oranges.

Consumer Price Index

(% change, previous year)



For further information, contact Prices Division (613) 990-9606.

PUBLICATIONS RELEASED FROM DECEMBER 19 TO JANUARY 1

AGRICULTURE AND NATURAL RESOURCES

The Dairy Review, October 1986 Catalogue number 23-001 (Canada: \$10/\$100; Other Countries: \$11/\$110)

EDUCATION, CULTURE AND TOURISM

Culture Statistics – Performing Arts, 1982 Catalogue number 87-524 (Canada: \$20; Other Countries \$21)

INDUSTRY

Department Store Monthly Sales, by Province and Metropolitan Area, October 1986 Catalogue number 63-004 (Canada: \$2/\$20; Other Countries: \$3/\$30)

Electric Power Statistics, August 1986 Catalogue number 57-001 (Canada: \$8/\$80; Other Countries: \$9/\$90)

Fruit and Vegetable Production, December 1986 Catalogue number 22-003 (Canada: \$8/\$60; Other Countries: \$9/\$68)

Oil Pipe Line Transport, September 1986 Catalogue number 55-001 (Canada: \$8/\$80; Other Countries: \$9/\$90)

INDUSTRY – concluded

Pulpwood and Wood Residue Statistics, October 1986 Catalogue number 25-001 (Canada: \$5/\$50; Other Countries: \$6/\$60)

JUSTICE

Adult Correctional Services in Canada, 1985-86 Catalogue number 85-211 Annual (Canada: \$32.00; Other Countries: \$33.50)

LABOUR

Employment, Earnings and Hours, September 1986 Catalogue number 72-002 (Canada: \$35/\$350; Other Countries: \$36.50/\$365)

Income Estimates for Subprovincial Areas, 1983 Catalogue number 13-216 (Canada: \$20; Other Countries: \$21)

TRANSPORTATION

Railway Carloadings, 9 Day Period Ending November 30, 1986 Catalogue number 52-005 (Canada: \$75; Other Countries: \$100)



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LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings (\$)	Sept.	432.32	429.97	1.9
Labour Income (\$ million)	Sept.	22,861	22,543	5.1
Persons with Jobs (million)	Nov.	11.61	11.72	1.6
Unemployed	Nov.	1,173,000	1,116,000	-5.9
INVENTORIES				
Department Store (\$ million)	Oct. *	4,886	4,206	14.1
Manufacturers' Owned (\$ million)	Oct. *	33,825	33,813	-1.8
ORDERS				
Manufacturers' New Orders (\$ million)	Oct. *	21,841	21,269	-0.6
Manufacturers' Unfilled Orders (\$ million)	Oct. *	23,974	24,106	-0.9
PRICES				
Consumer Price Index (1981 = 100)	Nov. *	134.7	134.0	4.5
New House Price Index (1981 = 100)	Oct.	108.2	107.2	11.2
Raw Materials Price Index (1981 = 100)	Oct.	94.8	93.9	-17.9
Excl. mineral fuels	Oct.	105.4	105.8	6.0
Industrial Product Price Index (1981 = 100)	Oct.	119.8	119.4	0.7
CONSTRUCTION				
			Year-to-date	
Building Permits (\$ million)	Sept. *	1,961	17,916	25.0
Housing Starts - Urban Centres (units)	Sept.	17,106	125,228	26.4
ENERGY				
Coal Production (thousand tonnes)	Aug.	4,342	37,522	-7.8
Electricity Generation (gigawatt hours)	Aug. *	34,552	298,495	2.0
Natural Gas Production (million cubic metres)	Sept. *	7,579	75,416	-3.4
FOREIGN TRADE				
Exports - Balance of Payments Basis (\$ million)	Oct.	10,644	99,963	0.5
Imports - Balance of Payments Basis (\$ million)	Oct.	9,694	93,339	9.6
SALES				
Department Store Sales (\$ million)	Oct.	1,084	9,366	5.9
Manufacturers' Shipments (\$ million)	Oct. *	21,973	208,793	2.9
New Motor Vehicle Sales (\$ million)	Oct.	1,924	18,609	11.2
Refined Petroleum Products (thousand cubic metres)	Oct. *	6,773	64,137	-0.3
Retail Sales (\$ million)	Oct.	12,237	113,000	8.4

Statistics are in current dollars and are not seasonally adjusted.

* new this week.

Infomat

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