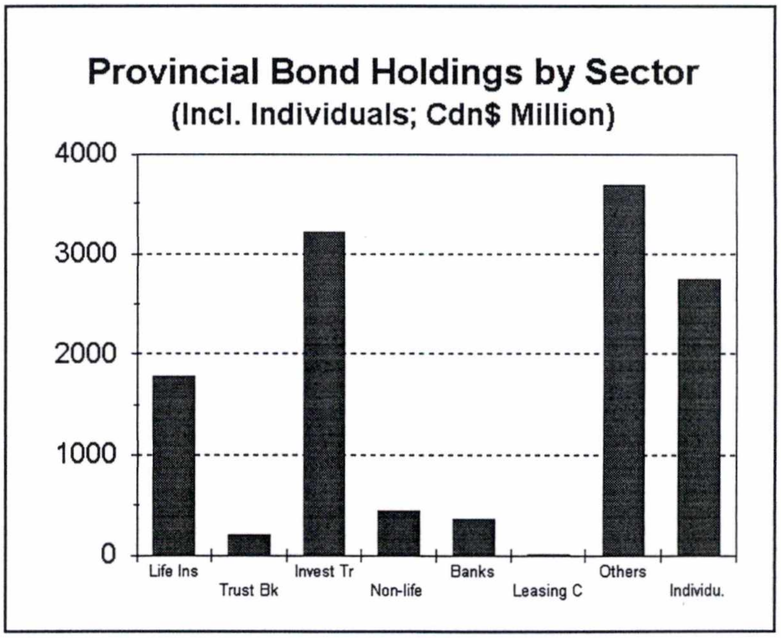
for Government of Canada bonds, reflects the search for higher yields in light of the record low interest rates domestically.

PROVINCIAL BOND HOLDINGS

Institutional investor holdings of Provincial Government Bonds fell in both absolute terms and as a portion of the total portfolio of Canadian securities held in Japan. The 15% fall in the total amount of Provincial Bonds held by institutional investors continues a trend evident in the 1996 Survey. Compared to the 1996 Survey, (i.e. excluding individual holdings), while Provincial Bonds only fell from 27.0% to 26.1% as a portion of the entire portfolio of Canadian issues held by Japanese investors, it is noteworthy that the portion of the portfolio held by Government of Canada bonds rose from 28.8% to 37.9%.[6]

The sharp fall in Provincial Government Enterprise bonds (down 54.3%) reduced this category's overall share of the portfolio from 8.8% in 1996 to just 4.5% in the 1997 Survey. Holdings of Ontario Government Enterprise Bonds recorded a significant increase while B.C and Quebec Government Enterprise Bonds reported a sharp drops (-99% and -71% respectively), although in a manner similar to the analysis of the Provincial Government Bond holdings, the significance of this figure is reduced by the large amount of "unspecified" holdings.

The fall in institutional holdings of provincial issues was more than made up for by the marked increase in individual holdings. In fact, while Japanese institutions reduced their holdings of both provincial and provincial enterprise issues by $3.5 billion over the year, Japanese individuals increased their overall holdings of provincial issues by $3.6 billion. Manitoba, British Colombia, Ontario, Nova Scotia and Alberta all tapped into the retail market demand for Canadian credits. While Quebec is also a very active participant in Japan's capital markets, particularly through private placements, it did not issue



[6] See Tables 5 and 6 in Annex II for a break-down by province of Provincial Government Bond and Provincial Government Enterprise Bonds.