

Monthly Trade Bulletin

Volume 4 Number 7

September 2002

Key Monthly Trade Indicators (July 2002)

Highlights

- Merchandise exports rose faster than imports in July, resulting in a widening of Canada's overall trade surplus with the world.
- Similarly, exports to the U.S. were up more than imports; the bilateral merchandise trade surplus thus also expanded in July.
- The Canadian dollar closed out the month down US2.8¢ in value. It was the largest end-of-month to end-of-month drop in the Canada-US exchange rate since at least 1996.

	\$ millions	% change over	
		previous month	previous year
Exports	34,890	3.4	2.5
- Exports to U.S.	29,676	4.2	2.9
Imports	30,032	0.2	1.2
- Imports from U.S.	21,508	1.6	-1.2
Trade Balance*	4,858	3,761	4,343
- Balance with U.S.*	8,169	7,313	7,084
Commodity Prices**	101.1	2.4	-3.2
Canadian Dollar (US¢)*	63.2	66.0	65.3
Export Prices***	105.0	-0.8	-1.7
Import Prices***	105.6	1.1	0.6

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Export Opportunities

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ISSN 1496-192X



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international



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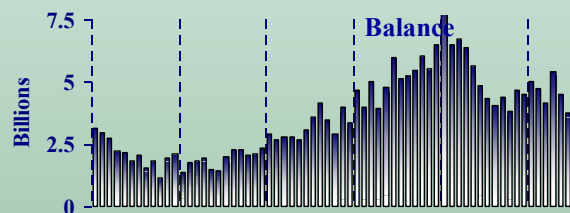
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Merchandise Trade

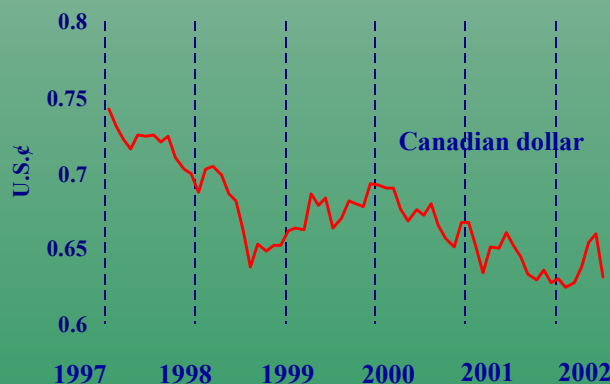
Trade balances improve ...

- The overall trade surplus shot up nearly \$1.1 billion to \$4.9 billion in July.
 - The monthly surplus with the U.S. increased \$855 million to just under \$8.2 billion in July.
- Monthly trade balances with all other major trading partners improved over the month, however they remain in deficit. Our deficit with Japan narrowed \$62 million to \$140 million in July, while the deficit with the E.U. narrowed \$293 million to \$1.3 billion.



... riding the tailcoats of a lower Canadian dollar

- The Canadian dollar lost US2.8¢ over July, falling to US63.2¢, after four consecutive monthly increases.
- The terms of trade worsened in July as export prices fell while import prices increased. Commodity prices were also up in July.



Source: Statistics Canada, Bank of Canada

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Canada's Export Opportunities

High-tech industries now account for a larger share of world trade

- The 10 largest importing industries account for almost half of the world's total imports at 46.6%.
 - This is up from 43.5% in 1985.
- Petroleum and Road Vehicles continue to remain the largest importing industries, although the share of Petroleum has declined considerably from 13.6% of world imports in 1985 to 8.8% in 2000.
 - The shares and rankings of all of the high-tech industries such as Office Machines, Scientific Equipment and Telecommunications Equipment increased considerably since 1985.

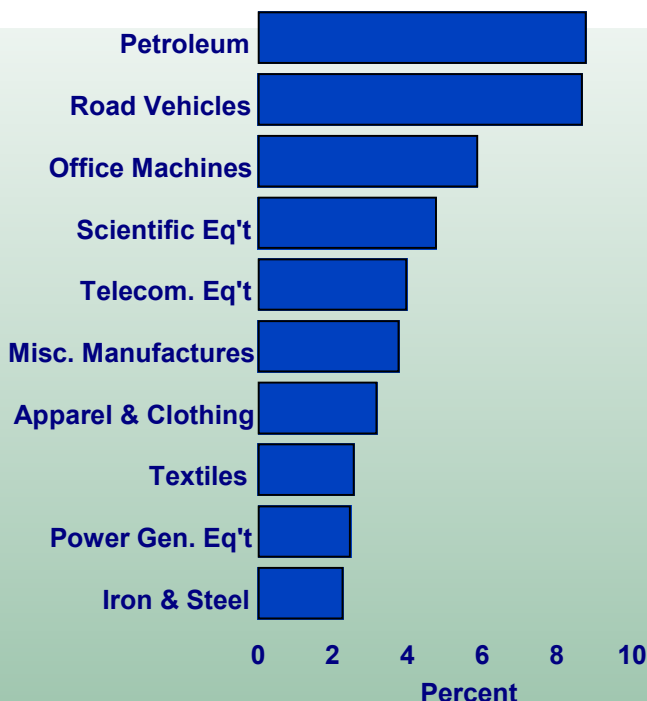
Eight of the ten fastest growing import industries are high-tech

- Eight of the ten fastest growing industries between 1985 and 2000 are considered high-tech, in that they fall under the broad definitions of electronics, machinery and pharmaceuticals.
- Furniture and Essential Oils & Perfume are the other two industries, the latter growing from a very small base.

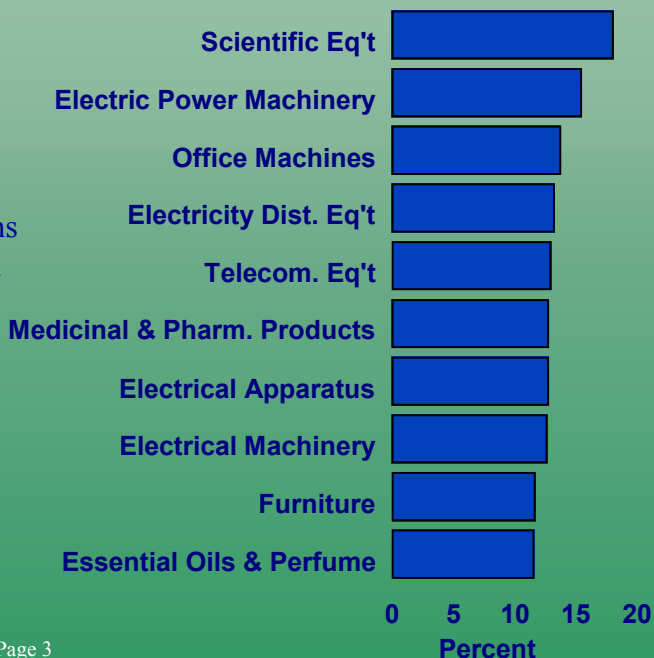
Note:

All information contained in this special report was obtained from the World Trade Analyzer database. All data presented are in U.S. dollars. Industries are based on the SITC commodity classification code.

World's 10 Largest Importing Industries Share of Total World Imports



World's 10 Fastest Growing Importing Industries Average Annual Growth, 1985-2000



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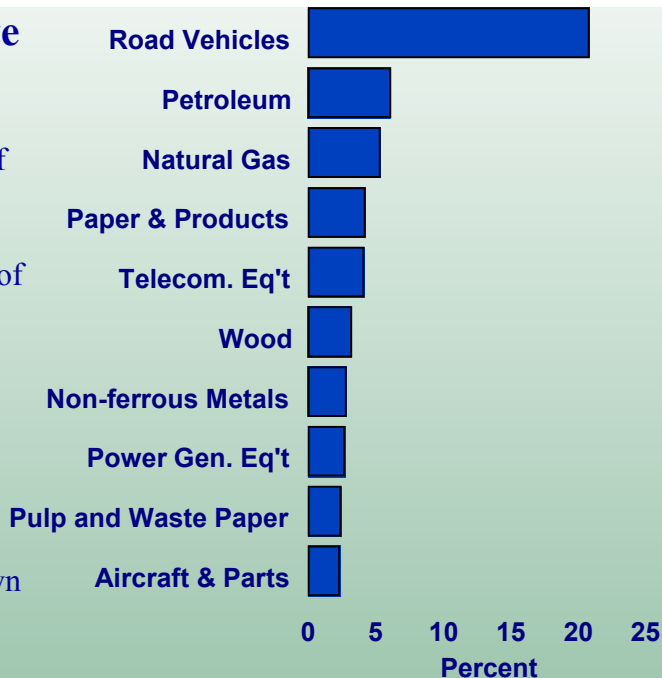
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Canada's Export Opportunities

Canada's 10 Largest Exporting Industries
Share of Total Canadian Exports

Road Vehicles continue to dominate Canada's exports

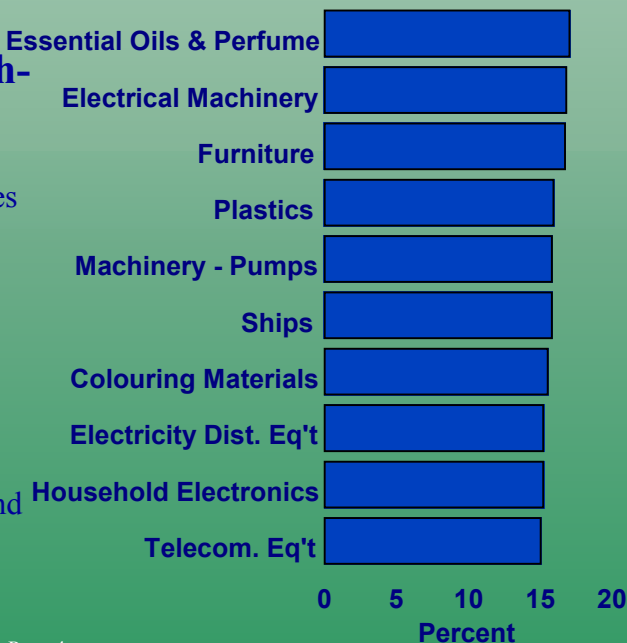
- The 10 largest industries account for 54.9% of Canada's total exports.
- This is down considerably from the 63.9% of Canada's total exports that the top 10 industries accounted for in 1985. However, the composition of these industries has not changed significantly and is still highly dependant on resource-based industries.
- Road vehicles alone accounts for more than a fifth of Canada's exports, although this is down from a quarter of the total in 1985.



Similar to global trends, Canada's export growth is dominated by high-tech industries

- Four of Canada's ten fastest growing industries fall in the high-tech classification.
- Plastics, which is a main component of the chemicals industry is considered a highly knowledge intensive industry.
- Similar to the global trend, Essential Oils & Perfume has grown from a very small base, and the same is also true for Ships.

Canada's 10 Fastest Growing Exporting Industries
Average Annual Growth, 1985-2000



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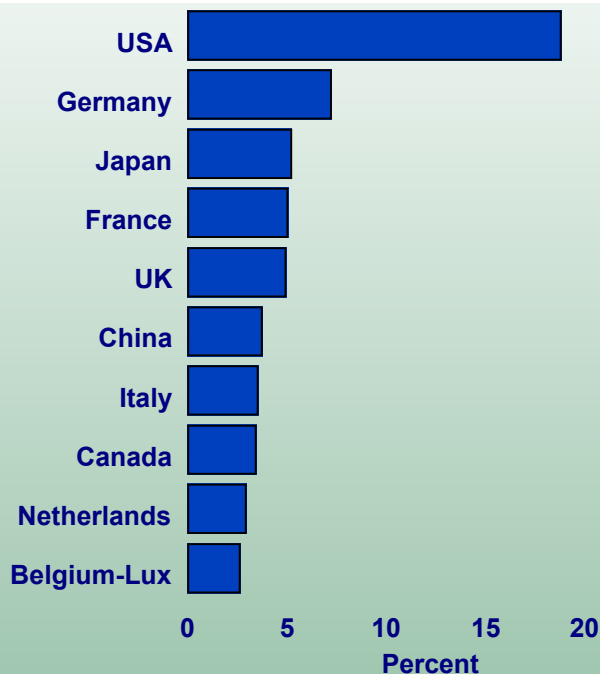
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Canada's Export Opportunities

The U.S. is by far the world's largest import market

- The U.S. alone accounts for almost one-fifth of global imports.
- Other G-7 countries, including Canada, account for another 30% of world imports.
- The Netherlands and Belgium account for a far greater share of imports than their economic size, reflecting their openness to trade.
- China has emerged as a major trading nation, more than doubling its share of world imports, from 1.6% in 1990 to 3.8% in 2000.

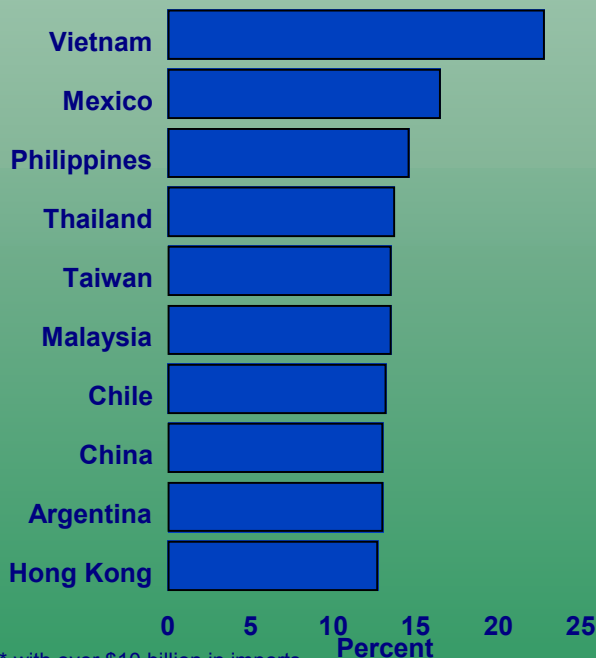
World's 10 Largest Import Markets
Share of Total World Imports



South-East Asia dominates the list of fastest growing import markets

- Seven of the fastest growing import markets are located in South-East Asia.
- Mexico ranks as the second fastest growing import market, with an average annual growth rate of 16.6% over the past 15 years.
- Two South American countries, Chile and Argentina, also rank among the top ten.

World's 10 Fastest Growing Import Markets*
Average Annual Growth, 1985-2000



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Canada's Export Opportunities

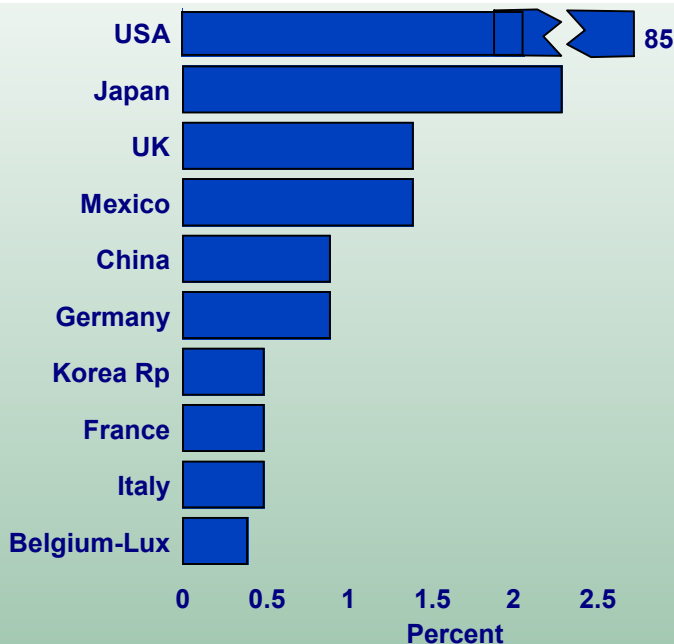
More than 85% of Canada's exports go to the U.S.

- The vast majority of Canada's exports go to the U.S.
- Japan, the second largest market for our exports accounts for just over 2% of our total exports.
- The share of Canadian exports going to Mexico has increased dramatically over the past fifteen years and now stands at 1.4%. Mexico is likely to surpass the U.K. as Canada's third most important export market in the next few years.
- The share of exports going to China has also increased rapidly in recent years.

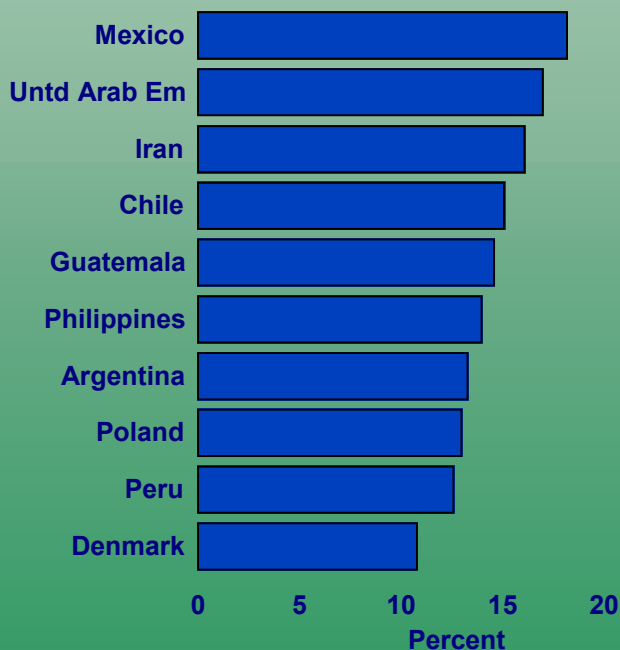
Canada's fastest growing export markets are small and spread throughout the world

- Most of Canada's fastest growing export markets are growing from extremely small bases.
 - ▶ Larger countries, such as the U.S., often focus on large markets for their exports. A smaller country, such as Canada, may be able to tap a collection of smaller, overlooked markets.
- Four of Canada's ten fastest growing export markets are located in South/Central America.
- Other fast growing markets can be found in Asia-Pacific (Philippines), Middle East (UEA, Iran) and Eastern Europe (Poland).

Canada's 10 Largest Import Markets
Share of Total Canadian Exports



Canada's 10 Fastest Growing Export Markets*
Average Annual Growth, 1985-2000



* with over \$100 million in Canadian imports

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Canada's Export Opportunities

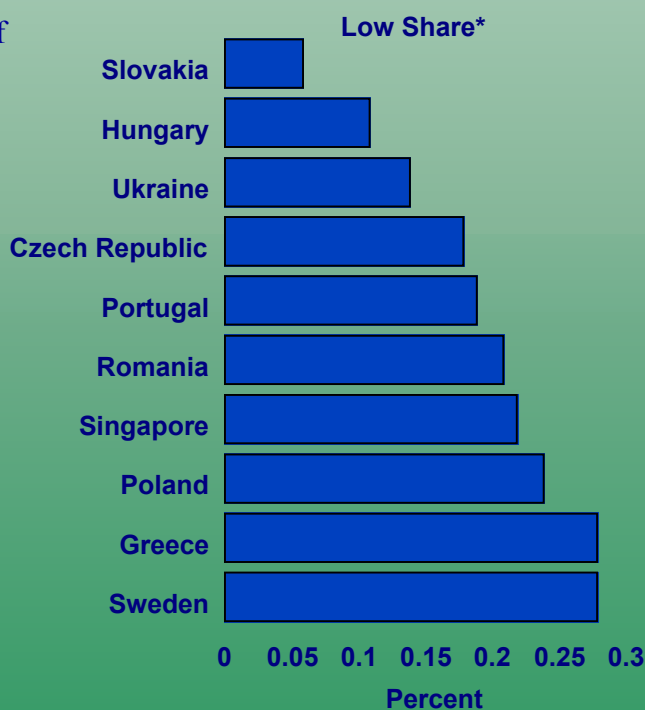
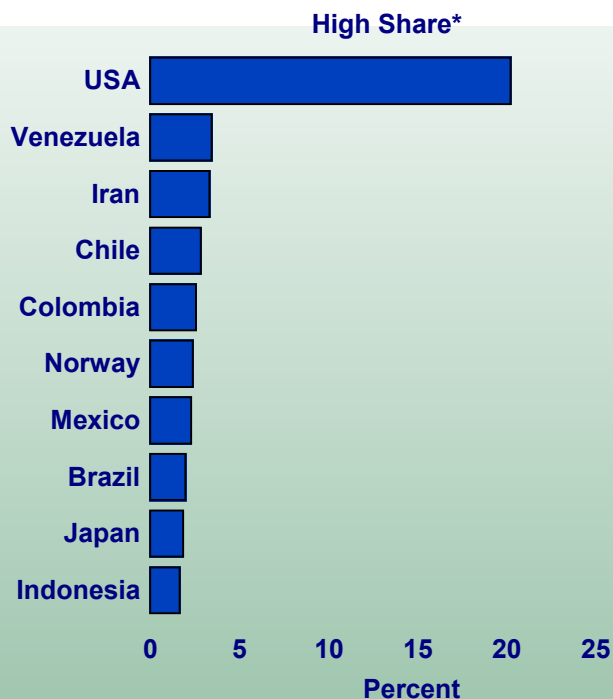
Canada's Share of Total World Imports by Country*

Canada also has an unusually high share of U.S. imports

- Canada accounts for more than 20% of U.S. imports. Our second highest market share is in Venezuela where Canada accounts for 3.6% of imports.
- This likely reflects the high degree of integration between Canada and the U.S.
- Canada's share of import markets differs substantially from our distribution of exports as it takes into account the relative economic size of our trading partners.
- Therefore, while our exports are dominated by G-7 countries, weighted by economic size, we find that Canada has strong ties to a number of countries in South/Central America such as Venezuela, Chile, Colombia, and Brazil.

Canada has a low export share in a number of Eastern-European countries

- Seven of Canada's ten lowest import shares are in Eastern European countries.
- This likely reflects the close proximity of, and strong linkages to, other major trading nations such as the E.U.



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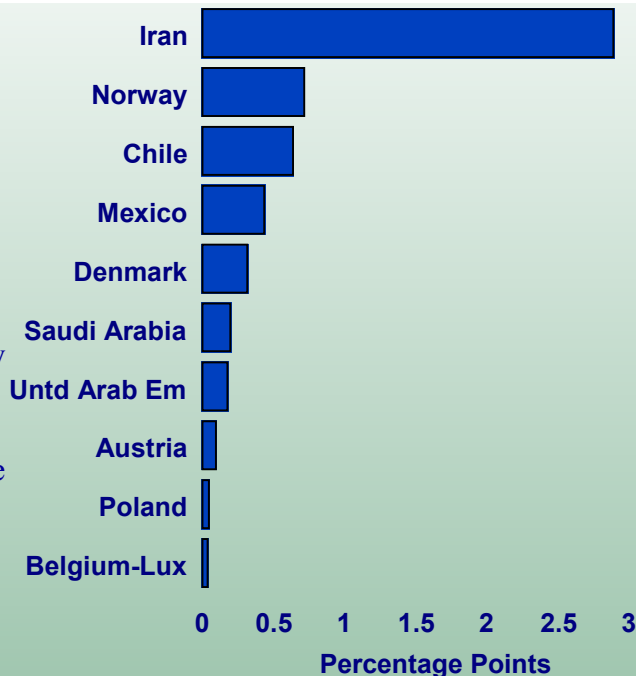
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Canada's Export Opportunities

Growth in Canada's Share of Total World Imports by Country* 1985-2000 Increase

Canada has not seen its import share increase significantly in very many countries...

- Canada's share of Iran's total imports increased three percentage points between 1985 and 2000, by far the largest increase for any country.
- With the rest of the world, there has not been any substantial increase in import share.
- In Norway, where Canada saw its import share increase the second fastest, the increase was only seven-tenths of a percentage point.



...on the other hand, our import share has declined in a large number of countries

- While Canada's share of total imports has increased in only 46 countries, between 1985 and 2000 our import share declined in 112 countries!
- Not only do the number of declines outnumber the number of advances, the size of the declines has also been significantly larger than the size of the advances.
- Canada is also losing share in some of the most populous markets in the world, such as China, India and Brazil.

