

Monthly Trade Bulletin

Volume 4, Number 12

February 2003

Key Monthly Trade Indicators (December 2002)

Highlights

-  In December, exports continued to decline and imports increased as Canada's overall merchandise trade surplus with the world narrowed for the month.
-  Exports to the U.S. fell less than imports, resulting in a widening of the bilateral merchandise trade surplus.
-  During December, the Canadian dollar lost US0.5¢ from its value the previous month. The dollar closed the month at US63.4¢.

	\$ millions	% change over	
		previous month	previous year
Exports	34,527	-0.3	7.8
- Exports to U.S.	29,288	-0.5	8.0
Imports	30,447	0.5	10.5
- Imports from U.S.	20,956	-3.7	4.8
Trade Balance*	4,080	4,348	4,480
- Balance with U.S.*	8,333	7,699	7,111
Commodity Prices**	105.5	3.6	18.9
Canadian Dollar (US¢)*	63.4	63.9	62.8
Export Prices***	111.0	-0.1	8.5
Import Prices***	105.0	-1.8	0.4

* 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 Trade with Argentina

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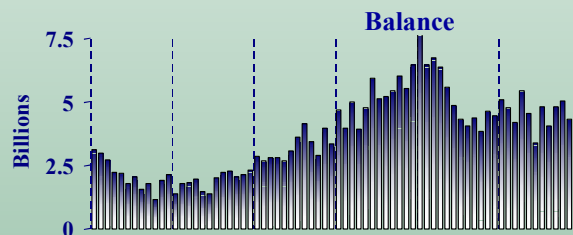
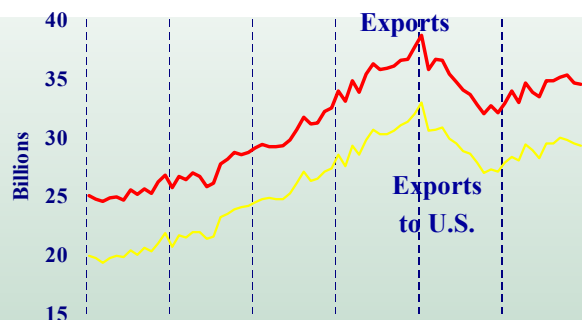
February 2003

Canada's Trade with Argentina

Merchandise Trade

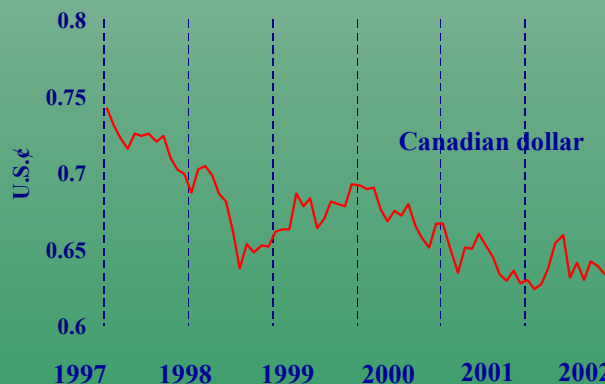
Trade balances fall again...

- The overall Canadian trade surplus fell for the second consecutive month, down \$268 million to \$4.1 billion in December.
- December's monthly surplus with the U.S. widened \$634 million to just over \$8.3 billion.
- Monthly trade balances with all other major trading partners remained in deficit. Our deficit with the EU increased \$492 million to \$1.7 billion in December, while the deficit with Japan widened \$149 million to \$271 million.



... and the Canadian dollar loses more ground

- The value of the Canadian dollar edged downwards by US0.5¢ in December. The Canadian dollar closed the month at US63.4¢.
- Commodity prices were higher in December and Canada's terms of trade improved, as export prices fell less than import prices.



Source: Statistics Canada, Bank of Canada

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Canada's Trade with Argentina

Argentina's economy continues to shrink...

- The Argentine economy has been contracting since 1997. Between 1997 and 2001, the real gross domestic product (GDP) declined by 12.4%.
- Increased government spending, a sharp real appreciation of the Argentine Peso, falling commodity prices and poor harvest in the agriculture sector all contributed to the deterioration of the economic situation in Argentina.

Argentina's GDP Growth

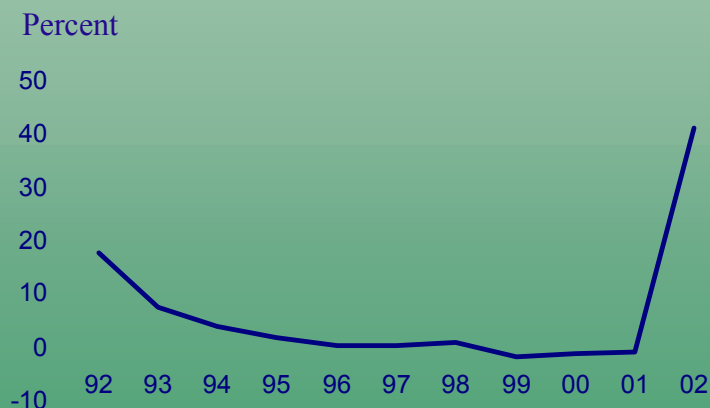


Source: International Monetary Fund

Argentina witnessed substantial inflation in 2002...

- The economic difficulties and the flight of foreign capital forced the government to abandon the pegging of the Argentina Peso to the US dollar in January 2002.
- The subsequent devaluation of the Peso (29%) led to a soaring of the inflation rate to 41.0% in 2002.

Argentina's Inflation



Source: International Monetary Fund

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Canada's Trade with Argentina

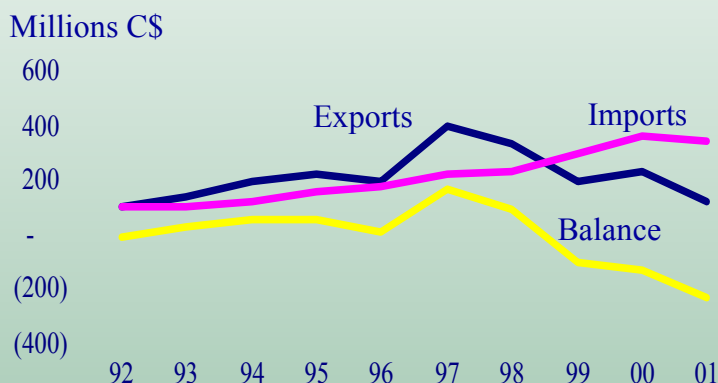
Canada's exports to Argentina also continued to decline since 1997...

- Canada's exports to Argentina increased steadily until 1997, reaching \$406 million. But, they declined steadily to \$129 million in 2001.
- Canada's imports from Argentina increased steadily thereafter until 2000, reaching \$366 million. However, they dropped slightly in 2001, to \$350 million.
- As a result, Canada's trade deficit with Argentina increased substantially from \$99 million in 1999 to \$220 million in 2001.

...causing the sharp drop in Argentina's share of total Canadian exports

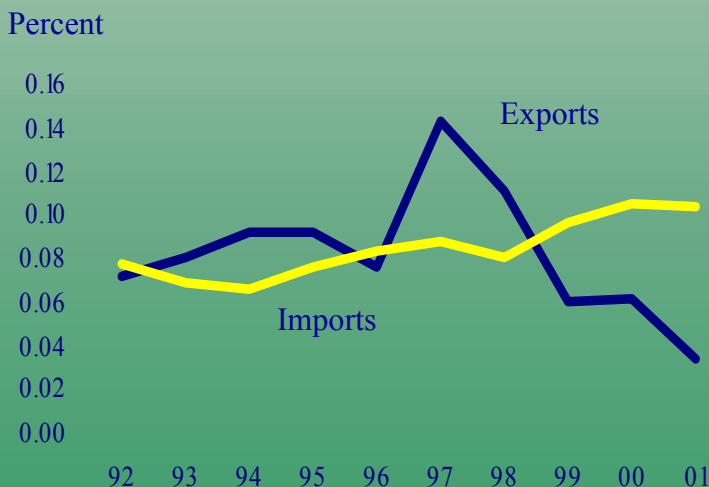
- Argentina's share of Canadian exports declined from 0.14% in 1997, its highest level, to 0.03% in 2001. In contrast, its share of total Canadian imports has increased steadily, standing at 0.11% in 2001.

Canada's Total Trade with Argentina



Source: Compilations based on Statistics Canada data

Argentina's Share of Canada's Total Trade



Source: Compilations based on Statistics Canada data

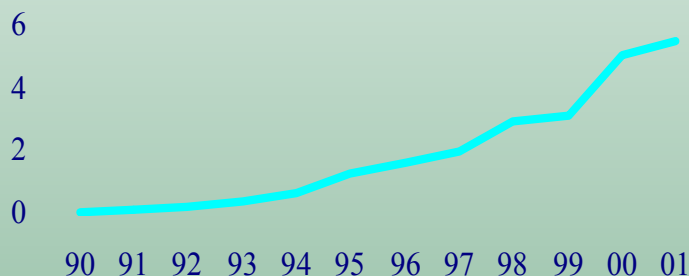
Canada's Trade with Argentina

Unlike exports, Canadian direct investment in Argentina has increased steadily since 1990...

- Canadian Direct Investment Abroad (CDIA) in Argentina has increased from almost nothing in 1990 to \$5.6 million in 2001.
- However, Argentina still accounts for a very small portion of CDIA, about 1.1% in 2001.
- Canada's major investments in Argentina are in oil and gas, power, mining, agro-industry, banking and telecommunications.

Canada's Direct Investment in Argentina

Millions C\$



Source: Statistics Canada

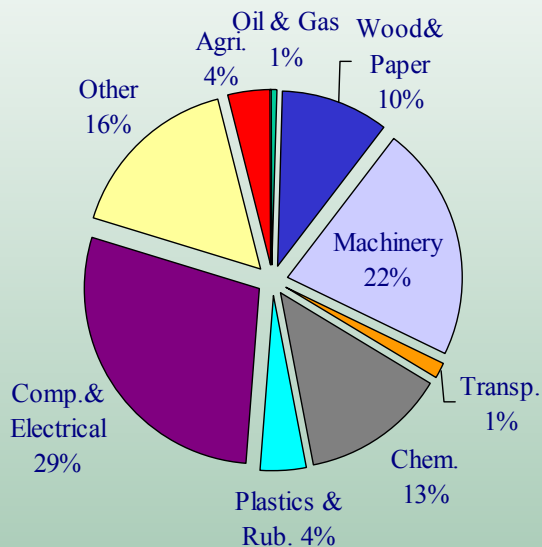
Canada's Trade with Argentina

Canada's Exports to Argentina by Industry, 1992 and 2001

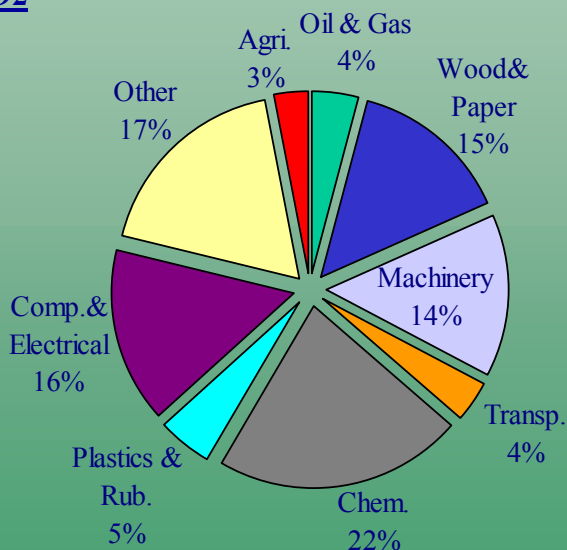
Canada's exports to Argentina are mostly in high-tech industries...

- In 2001, the high-tech industries (computer and electrical; machinery; chemicals; plastics and rubber and transportation equipment) accounted for almost 70% of Canadian exports to Argentina, up from 61% in 1992.
- The importance of computer and electrical products and machinery exports in total Canadian exports to Argentina increased by almost 70% between 1991 and 2001.
- On the other hand, the shares of resource-based production (wood and paper, and oil and gas) declined.

2001



1992



Source: Statistics Canada

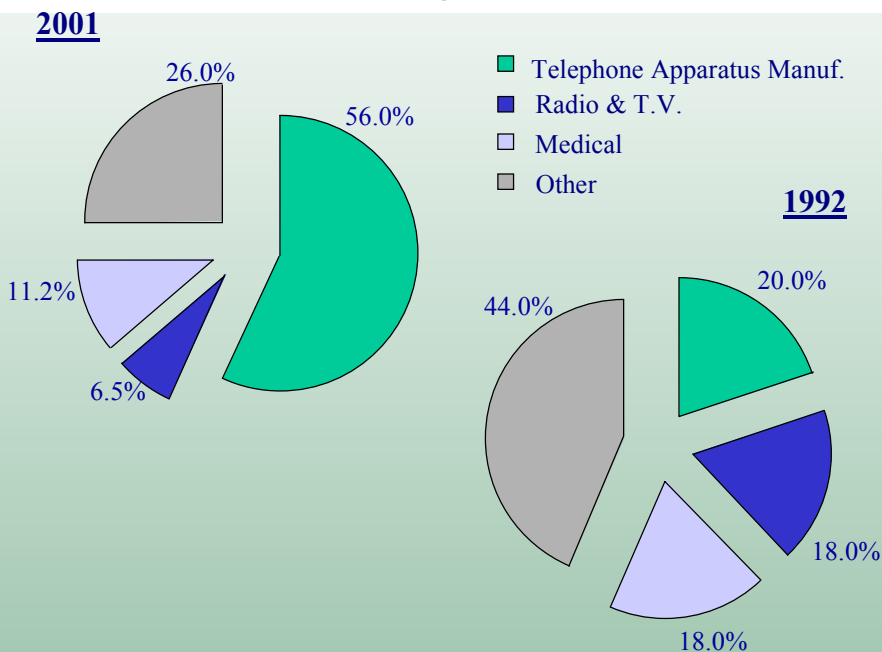
Other – Mining; Food, Beverage & Tobacco; Clothing & Textiles; Forestry & Logging; Petroleum & Coal; Non-Metallic & Primary Metal; Fabricated Metal; Furniture, Miscellaneous and Printing

Canada's Trade with Argentina

Canada's Computer and Electronics Exports to Argentina

Telephone equipment dominates Canada's electronics exports to Argentina...

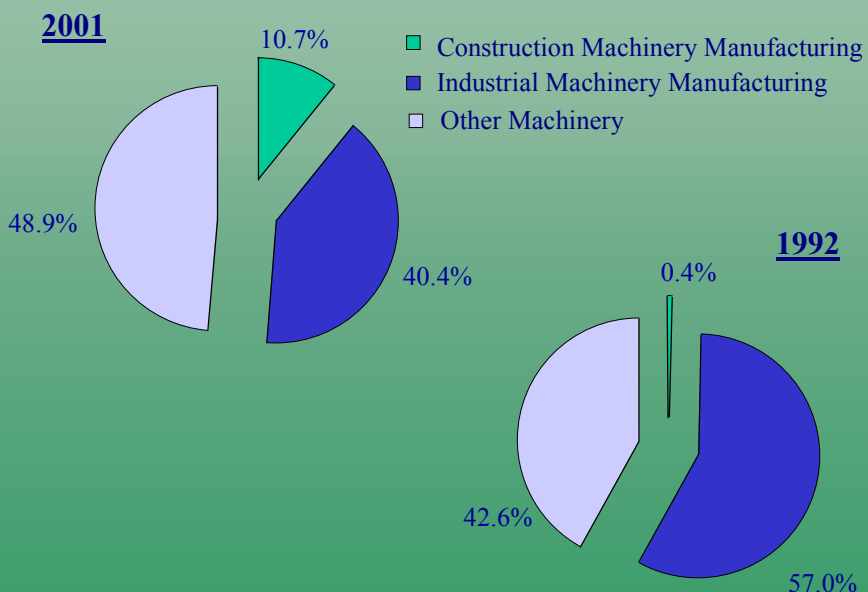
- The computer and electronics exports to Argentina increased at an average annual rate of 8.3% since 1992.
- In 2001, more than 55% of the computer and electronics industry's exports were telephone equipment, up from 20.1% in 1992.
- In contrast, the share of radio and television broadcasting equipment exports declined from 18% in 1992 to 6.8% in 2001.



Machinery exports are also on the rise...

- The share of construction machinery in total machinery exports increased from 0.4% in 1992 to 10.7% in 2001.
- On the other hand, the share for industrial machinery manufacturing exports declined by almost 17 percentage points reaching 40.4% in 2001.

Canada's Machinery Exports to Argentina



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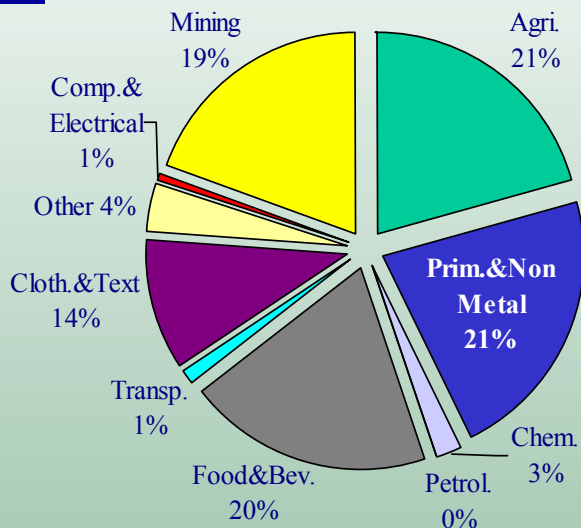
Canada's Trade with Argentina

Canada's Imports from Argentina by Industry, 1992 & 2001

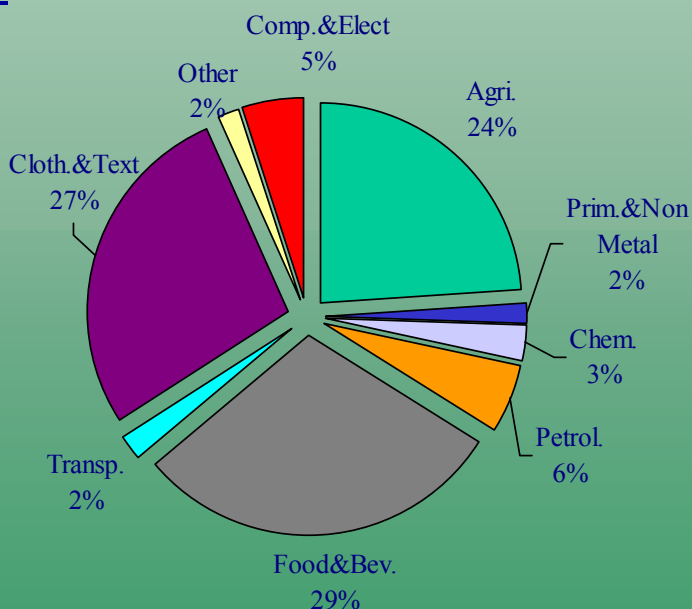
Resource-based products and clothing and textiles represent almost all of Canada's imports from Argentina...

- Resource-based industries (primary and non-metal; mining; agricultural; food, beverage and tobacco) represented over 80% of total imports from Argentina; up from 55% in 1992.
- On the other hand, the importance of clothing and textiles declined from 27% in 1992 to 14% in 2001.

2001



1992



Source: Statistics Canada

Other – Forestry & Logging; Fabricated Metal; Furniture; Miscellaneous and Printing; Oil and Gas Extraction; Wood and Paper; Plastics and Rubber; Machinery