

Monthly Trade Bulletin

Volume 5 Number 10

December 2003

Key Monthly Trade Indicators (October 2003)

Highlights

- Exports fell more than imports in October; Canada's overall merchandise trade surplus with the world thus narrowed.
- Canada's trade balance with the U.S. also deteriorated for the month.
- The Canadian dollar was up during October, climbing US 1.8¢ over the month.

	\$ millions	% change over	
		previous month	previous year
Exports	32,334	-4.2	-9.2
- Exports to U.S.	26,606	-3.8	-10.4
Imports	27,247	-1.7	-9.9
- Imports from U.S.	19,238	-1.6	-10.6
Trade Balance*	5,087	6,039	5,368
- Balance with U.S.*	7,369	8,110	8,170
Commodity Prices**	119.6	1.0	11.6
Canadian Dollar (US¢)*	75.8	74.1	64.2
Export Prices***	101.5	-1.6	-7.5
Import Prices***	93.0	-2.6	-13.3

* 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-Hong Kong Trade & Investment Linkages

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ISSN 1496-192X



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international



Industry
Canada

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Canada

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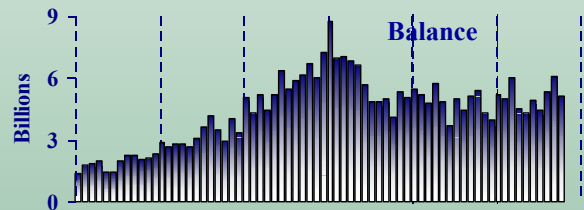
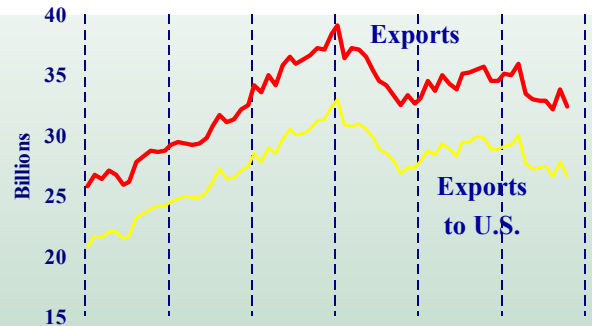
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Merchandise Trade

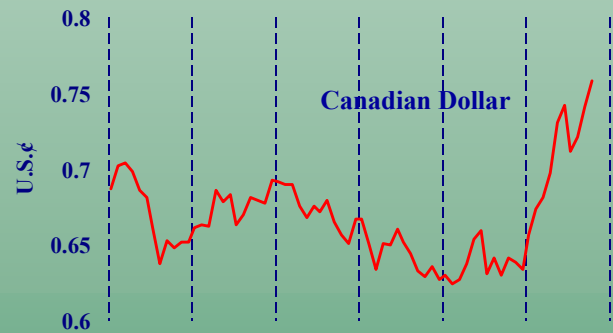
The trade surplus decreases...

- The overall Canadian trade surplus contracted by \$952 million in October, to \$5.1 billion.
- October's monthly surplus with the U.S. narrowed by \$742 million to \$7.4 billion.



... and the Canadian dollar continues its upward trend.

- The Canadian dollar gained US1.8¢ in value in October, after climbing US1.9¢ the previous month. It closed the month at US75.8¢. The value of the dollar was US11.6¢ (or 18.1 percent) higher in October than a year earlier.
- Commodity prices increased 1.0 percent in October after falling in August. The terms of trade worsened marginally as import prices fell more than export prices.



Source: Statistics Canada, Bank of Canada

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Canada-Hong Kong Trade & Investment Linkages

Hong Kong is a well developed open economy...

- About one fifth of the population of Canada, Hong Kong is one of the world's developed economies, with GDP per capita of US\$ 24,000 in 2002.
- It is highly trade-oriented -- its exports/imports as a percentage of GDP are well above 100. In 2002, Hong Kong was the fifth largest host economy for foreign direct investment, and was also the fifth largest source economy for outward direct investment.
- Hong Kong is a service oriented economy with little external debt.

...and it provides many opportunities for Canadian companies looking for business in Asia.

- Over 300,000 Canadians are currently working and living in Hong Kong, the largest Canadian population outside of Canada. 150 Canadian companies operate there through branches or subsidiaries. Furthermore, 450 Canadian firms are represented in Hong Kong by distributors, agents or joint ventures.
- Hong Kong has established an excellent business environment with business friendly laws, regulations and tax regime, financial and service centres, and advanced business infrastructure.

Hong Kong Economy: Broad Indicators

Variables	1990	2002*
Population (million)	5.70	6.79
GDP (US\$ billion)	75.43	162.98
GDP per Capita (US\$)	13233.33	24002.95
Exports (% of GDP)	108.89	122.77
Imports (% of GDP)	109.34	127.40
Trade Deficit (% of GDP)	0.45	4.63
Inward FDI Stock (US\$ billion)	201.65	433.07
Outward FDI Stock (US billion)	119.20	370.30
Service Orientation (service output as a % of GDP)	74.40	86.50
External debt (% of GDP)	2.10	3.30

* 2001 for service orientation and 2000 for external debt.
Source: Asian Development Bank.

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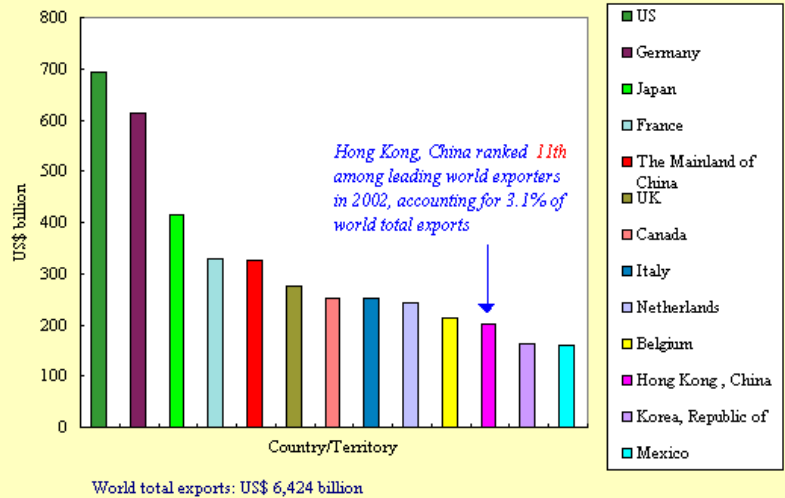
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Canada-Hong Kong Trade & Investment Linkages

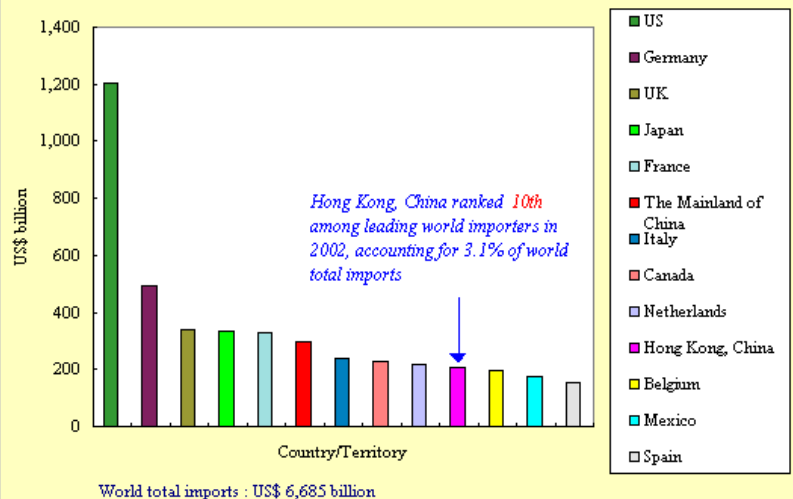
Hong Kong is a major player in global trade...

- Its world rank was 11th for merchandise exports in 2002, quite impressive given its small population.
 - Its exports accounted for 3.1 percent of total world exports.
- Similarly, Hong Kong ranked 10th among leading world importers in 2002.
 - Its imports also accounted for 3.1 percent of total world imports.

Hong Kong, China's Position in World Merchandise Trade in terms of Exports in 2002



Hong Kong, China's Position in World Merchandise Trade in terms of Imports in 2002



Source: Trade and Industry Department, Hong Kong.

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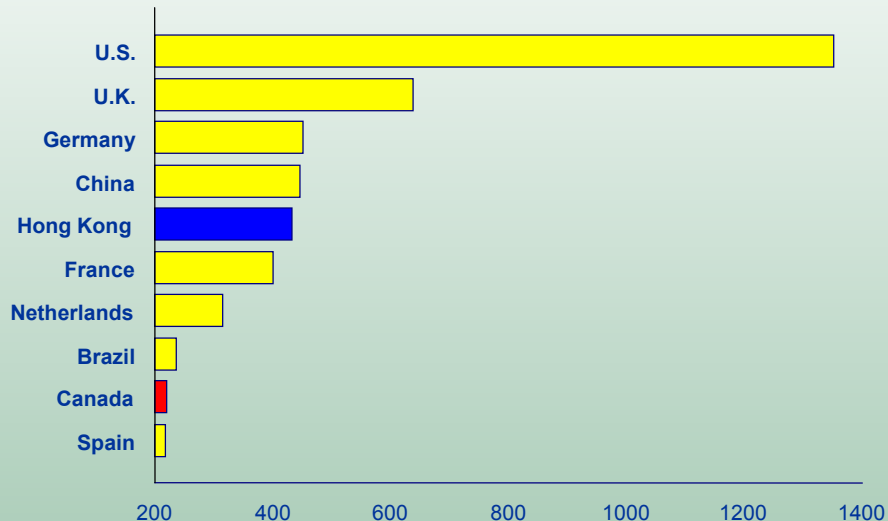
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Canada-Hong Kong Trade & Investment Linkages

...as well as in global direct investment.

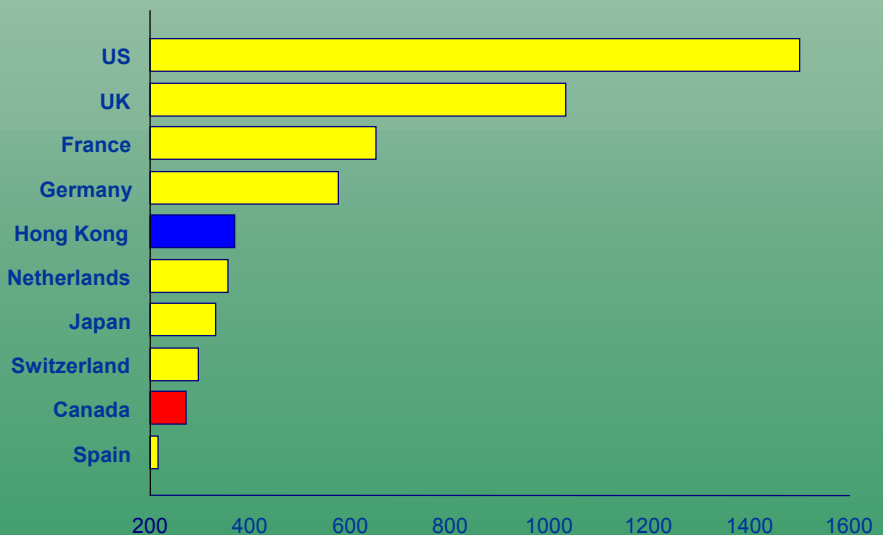
- Hong Kong is among the world leaders in inward FDI.
 - It ranked 5th for inward FDI stock in 2002.
 - The inward FDI stock in Hong Kong was US\$ 433.1 billion in 2002, 6.1 percent of total world inward FDI stock.
- Hong Kong is also one of the world leaders in outward FDI.
 - It also ranked 5th for outward FDI stock in 2002.
 - Its outward FDI stock was US\$ 370.3 billion in 2002, 5.4 percent of total world outward FDI stock.

Hong Kong's World Position in Inward FDI Stock, 2002 (US\$ billion)



Source: World Investment Report 2003.

Hong Kong's World Position in Outward FDI Stock, 2002 (US\$ billion)



Source: World Investment Report 2003.

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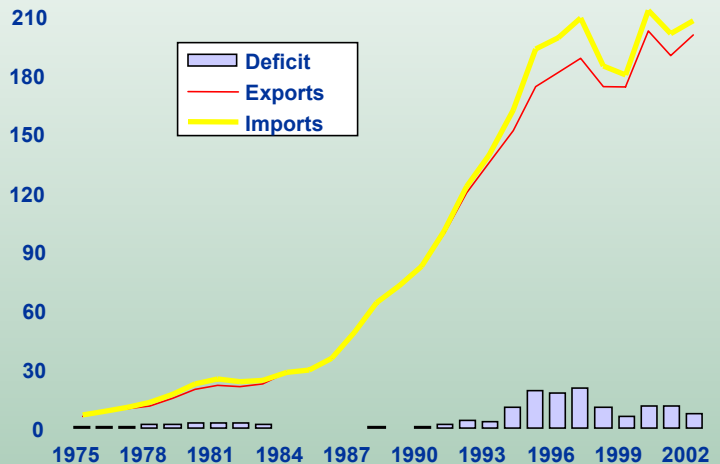
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Canada-Hong Kong Trade & Investment Linkages

Hong Kong's international trade increased dramatically over the last two decades...

- Its exports increased at an annual rate of 11.1 percent between 1981 and 2002, reaching US\$ 200.1 billion in 2002.
- Hong Kong also experienced a similar trend in imports.

Hong Kong's Trade Flows (US\$ billion)

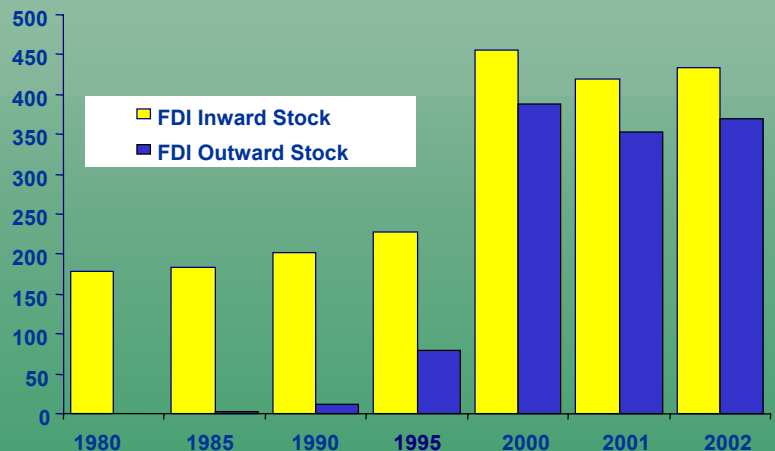


Source: Census and Statistical Department, Hong Kong.

...so did its international investment activities.

- Its inward FDI stock increased from US\$ 177.8 billion in 1980 to US\$ 455.5 billion in 2000.
 - However, the FDI stock in the most recent two years declined somewhat from its peak level in 2000.
- The increase in outward FDI was even more impressive, from virtually no direct investment in 1980 to US\$ 388.4 billion in 2000.

Hong Kong's Foreign Investment Position (US\$ billion)



Source: World Investment Report 2003.

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Canada-Hong Kong Trade & Investment Linkages

Hong Kong could be a gateway to China for Canadian companies.

- China has been the largest trading partner of Hong Kong since 1990, and its trade linkages with China strengthened in the 1990s.
 - China's share of Hong Kong's exports stood at 27.1 percent in 2002, 5 percentage points ahead of the United States.
 - Canada ranked 10th, with a share of less than two percent.
 - China's share of Hong Kong's imports in 2002 was 37.7 percent, more than double the share of its second largest import partner, the United States.
- Hong Kong also has first-hand knowledge of China's market and business culture. Canada's trade and cultural linkages with Hong Kong may be helpful for expanding Canadian economic linkages with China.

Top Ten Trading Partners of Hong Kong

Exports (percent)			Imports (percent)		
Country	Share		Country	Share	
	1990	2002		1990	2002
China	24.75	27.12	China	36.75	37.65
United States	24.12	22.71	Japan	16.09	16.35
Japan	5.70	5.38	United States	8.07	7.56
United Kingdom	4.00	3.70	South Korea	4.38	4.48
Germany	6.47	6.71	Singapore	4.07	4.05
Singapore	3.18	2.73	Malaysia	1.28	1.27
France	1.57	1.66	Germany	2.31	2.14
Netherlands	1.70	1.63	United Kingdom	2.20	2.12
South Korea	2.32	2.14	Thailand	1.27	1.32
Canada	1.86	1.76	Italy	1.69	1.51

Source: Asian Development Bank.

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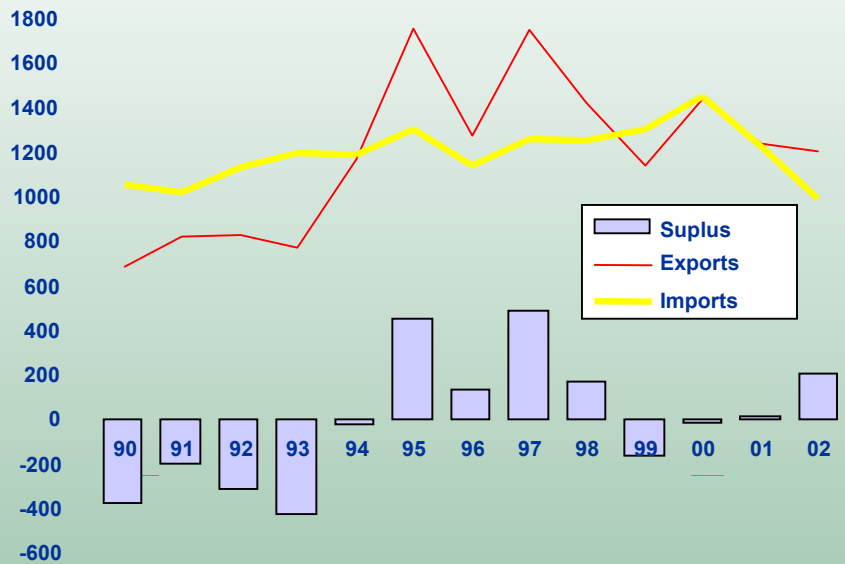
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Canada-Hong Kong Trade & Investment Linkages

Hong Kong is one of Canada's largest trading partners in Asia.

- In 2001, Hong Kong ranked as the 12th largest destination for Canadian exports, and the 3rd largest in Asia.
 - It accounted for 0.30 percent of Canada's total exports in 2002, a decline of 0.21 percentage points from 1992.
- Hong Kong accounted for 0.29 percent of Canada's total imports in 2002, compared to 0.77 percent in 1992.

Canada's Merchandise Trade with Hong Kong (CAD\$ million)



Source: Trade Data Online, Industry Canada.

Hong Kong's Share of Canada's Merchandise Trade (percent)



Source: Industry Canada compilations based on Statistics Canada data.

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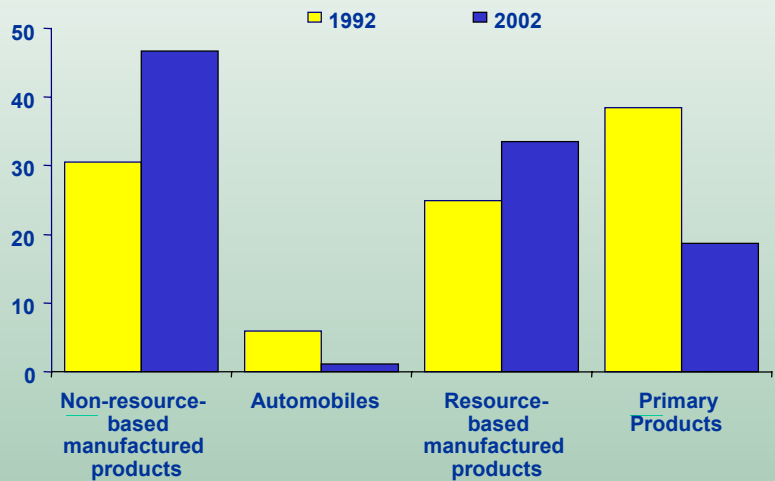
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Canada-Hong Kong Trade & Investment Linkages

Canada - Hong Kong trade is dominated by non-resource-based manufactured products.

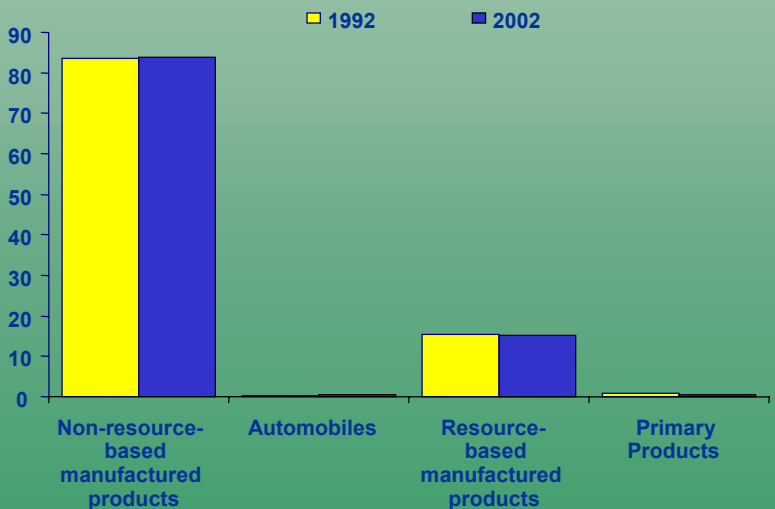
- In 2002, Canadian exports to Hong Kong were mainly concentrated in non-resource-based manufactured products, followed by resource-based manufactured products.
 - The share of non-resource-based manufactured products in Canada's total merchandise exports to Hong Kong increased by over 16 percentage points between 1992 and 2002, while the shares of automobiles and primary products declined.
- Canadian imports from Hong Kong are mostly in non-resource-based manufactured products.
 - The share of non-resource-based manufactured products in 2002 was about 85 percent, unchanged over the last decade.

Distribution of Canada's Merchandise Exports to Hong Kong (percent)



Source: Trade Data Online, Industry Canada.

Hong Kong's Share of Canada's Merchandise Trade (percent)



Source: Trade Data Online, Industry Canada.

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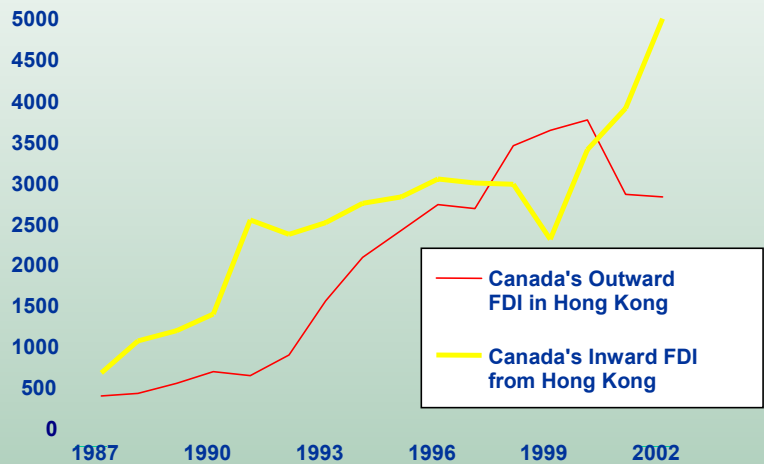
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Canada-Hong Kong Trade & Investment Linkages

Investment linkages between Canada and Hong Kong have strengthened.

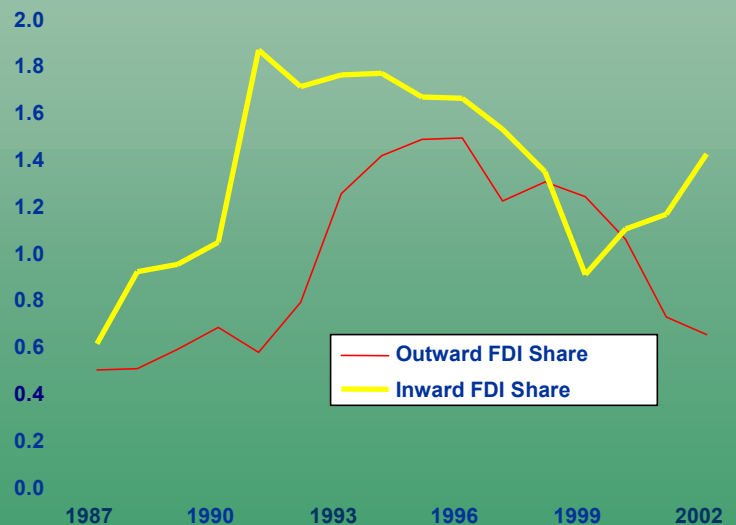
- Canada's inward FDI stock from Hong Kong increased from \$CDN 0.65 billion in 1987 to \$CDN 4.98 billion in 2002.
 - However, Hong Kong's share of Canada's total inward FDI declined from its peak level of 1.88 percent in 1991 to 1.43 percent in 2002.
- Canada's outward FDI stock in Hong Kong also increased from \$CDN 0.37 billion in 1987 to \$CDN 2.81 billion in 2002.
 - Like inward FDI, Hong Kong's share of Canada's total outward FDI stock declined from 1.49 percent in 1995 to 0.65 percent in 2002.

Canada-Hong Kong FDI Positions (CAD\$ million)



Source: Statistics Canada.

Hong Kong's Share of Canada's FDI Position (percent)



Source: Industry Canada compilations based on Statistics Canada data.