

Monthly Trade Bulletin

Volume 3, Number 5

July 2001

Key Monthly Trade Indicators (May 2001)

Highlights

-  In May, Canadian merchandise exports and imports both dipped, although the decline in exports was slightly less than that for imports. As a result, Canada's overall trade surplus with the world increased slightly.
-  Exports to and imports from the U.S. fell by the same rate in May — resulting in a slight decline in Canada's trade surplus with the U.S. for the month.
-  The Canadian dollar edged lower 0.1 US cents over the month. The dollar is 1.8 US cents below its level of one year ago.

	\$ millions	% change over	
		previous month	previous year
Exports	37,089	-0.9	4.9
- Exports to U.S.	31,563	-1.1	5.5
Imports	30,124	-1.4	-1.8
- Imports from U.S.	22,069	-1.1	-1.2
Trade Balance*	6,965	6,897	4,687
- Balance with U.S.*	9,494	9,605	7,586
Commodity Prices**	118.7	3.9	6.6
Canadian Dollar (US¢)*	65.0	65.1	66.8
Export Prices***	112.5	0.9	7.2
Import Prices***	107.4	0.3	3.9

* Data in levels only.
** Index (1982-90 = 100)
*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: New Life for Canada's Clothing & Textile Industry

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Industry
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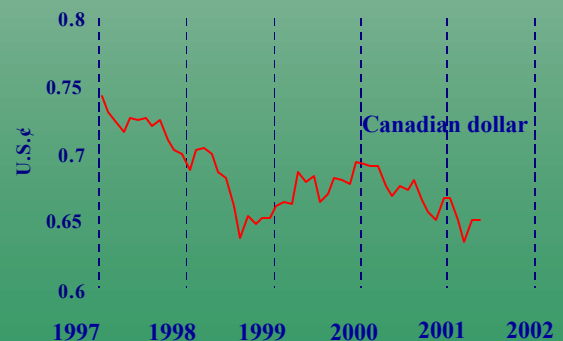
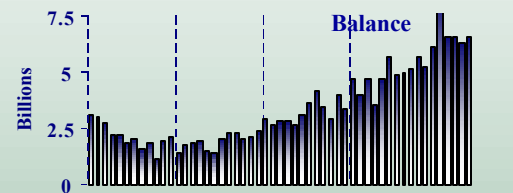
Merchandise Trade

Trade balances remain strong

- The overall trade surplus increased marginally, up \$68 million over April levels, to almost 7.0 billion in May.
 - ▶ The surplus with the U.S. slipped \$111 million to \$9.5 billion last month.
- The trade balances with our other major trading partners improved over the month. Our deficit with the EU narrowed marginally, reaching \$1.0 billion for May, while the balance with Japan improved considerably registering a \$117 million surplus, compared to a deficit of \$212 last month.

The Canadian dollar more-or-less held its ground

- The Canadian dollar edged 0.1 US¢ lower in value in May, reaching 65.0 US¢ for the month. The dollar was 1.8 US¢ lower than its rate in May of last year.
- Prices rose across the board — export prices, import prices, and commodity prices were all up over the month.



Source: Statistics Canada, Bank of Canada

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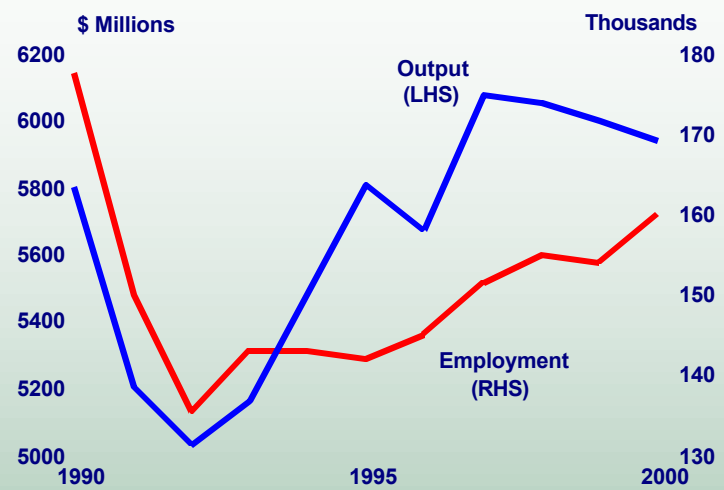
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New Life for Canada's Clothing & Textile Industry

Output and Employment in the Clothing and Textile Industry

Canadian Clothing & Textile industry has undergone dramatic restructuring...

- Between 1990 and 1993, the Clothing & Textile industry shed more than 42,000 employees — about a third of its workforce.
- Since 1993, the industry has expanded its workforce by nearly 25,000 and increased output beyond 1990 levels.
- Wages have also increased, rising 28.6% since 1990 — well beyond the manufacturing average.

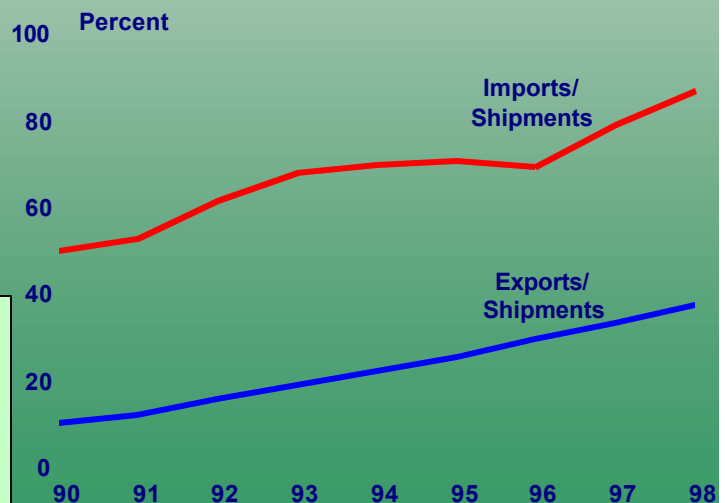


Source: Statistics Canada

...and become much more outward oriented

- In 1990, less than 10% of Canada's Clothing & Textile output was exported. In 2000, nearly 40% is exported.
- Imports saw a similar increase, rising from 49% to 86%.

Outward Orientation of the Clothing and Textile Industry



Source: Industry Canada compilations based on Statistics Canada data

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Definition of Clothing & Textiles

SIC 17	Leather & Allied Products
SIC 18	Primary Textiles
SIC 19	Textile Products
SIC 24	Clothing

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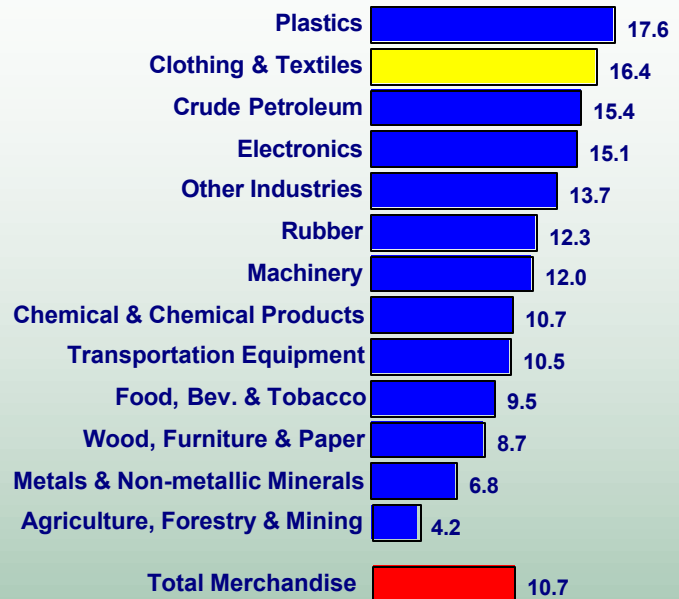
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New Life for Canada's Clothing & Textile Industry

Canada's Clothing & Textiles exports boomed over the 1990s...

- Clothing & Textile exports jumped from \$1.5 billion in 1990 to \$6.8 billion in 2000, a more than four-fold increase.
- In the 1990s, Clothing & Textiles exports increased at an annual rate of 16.4% — nearly 6 percentage points faster than Canada's total merchandise exports.

Average Annual Growth of Canada's Exports by Industry, Percent 1990-2000

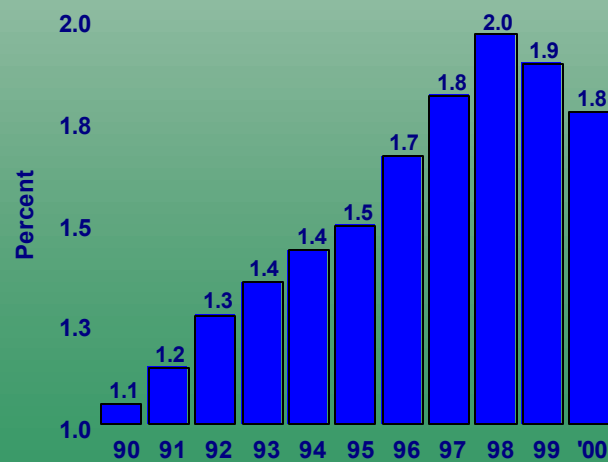


Source: Industry Canada compilations based on Statistics Canada data

...their share of total Canadian merchandise exports almost doubled

- The share of Clothing & Textiles in Canada's total merchandise exports increased from 1.1% in 1990 to a peak of 2.0% in 1998, before falling off slightly in 1999 and 2000.

Clothing & Textiles Share of Canada's Total Exports



Source: Industry Canada compilations based on Statistics Canada data

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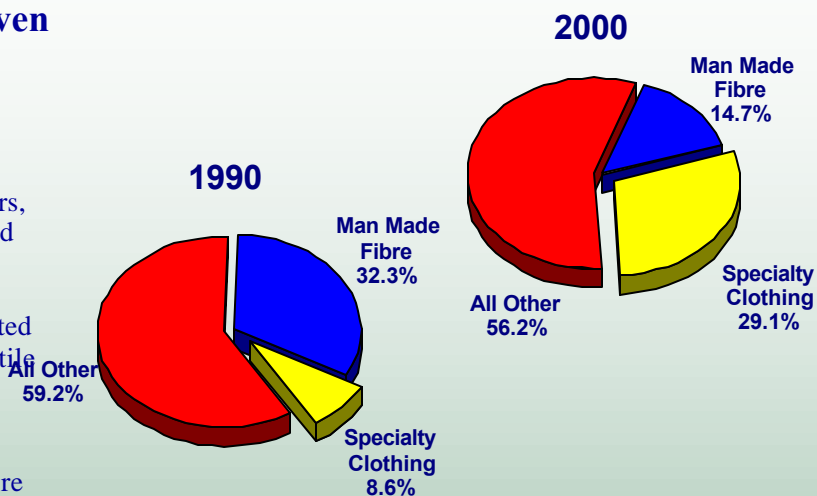
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New Life for Canada's Clothing & Textile Industry

Clothing & Textile export growth was primarily driven by "specialty clothing" exports...

- "Specialty Clothing" includes Hosiery, Men/Boy Pants, Sweaters, Men/Boy Shirts & Underwear and Women's Sportswear.
- These five sub-industries accounted for only 8.6% of Clothing & Textile exports in 1990, but increased to 29.1% by 2000.
- At the same time, Man Made Fibre sub-industry, which had the largest share in 1990, accounting for nearly a third of Clothing & Textile exports in 1990, declined to only 14.7% by 2000.

Industry Composition of Canada's Clothing & Textiles Exports

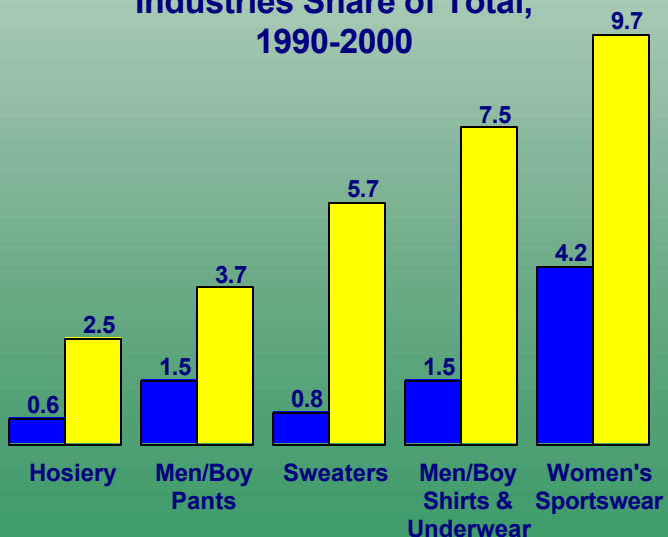


Source: Industry Canada compilations based on Statistics Canada data

...all five sub-industries substantially increased their share of Clothing & Textile exports

- Sweaters, was the fastest growing sub-industry within Clothing & Textiles, which grew at an average annual rate of 42% over the 1990s and as a result, saw its share increase more than seven fold to 5.7%
- Even Women's Sportswear, the slowest growing among the five, grew at an average annual rate of more than 25%.

Specialty Clothing Industries Share of Total, 1990-2000



Source: Industry Canada compilations based on Statistics Canada data

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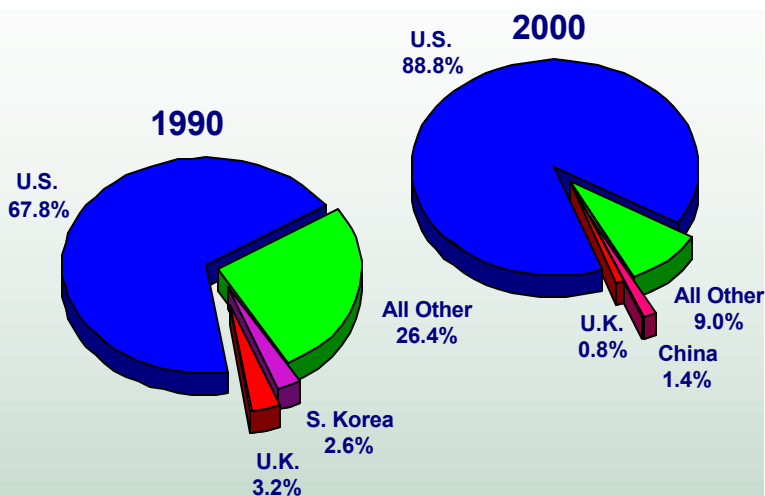
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New Life for Canada's Clothing & Textile Industry

Distribution of Canada's Clothing & Textiles Exports

The U.S. takes almost 90% of Canada's Clothing & Textiles exports

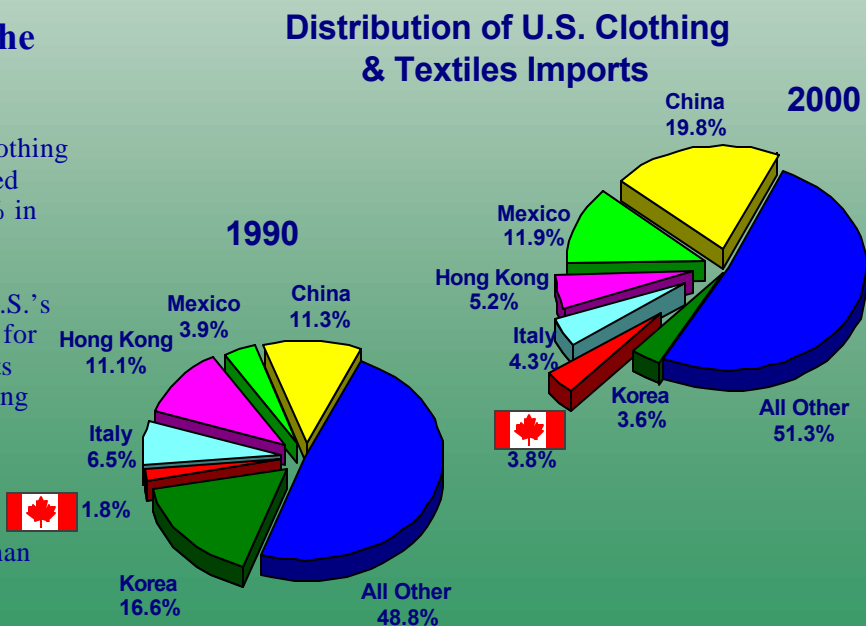
- The U.S. share of Canada's Clothing & Textiles exports increased from 67.8% in 1990 to 88.8% in 2000.
- On the other hand, U.K.'s share declined from 3.2% in 1990 to just 0.8% in 2000..



Source: Industry Canada compilations based on Statistics Canada data

More importantly, Canada more than doubled its share of the U.S. market

- Canada's share of U.S. Clothing & Textile imports increased from 1.8% in 1990 to 3.8% in 2000.
- Currently, Canada is the U.S.'s 5th most important source for Clothing & Textile imports behind China, Mexico, Hong Kong and Italy.
- Of the major exporting countries, only Mexico  increased its share more than Canada.



Source: Industry Canada compilations based on data from the USITC

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New Life for Canada's Clothing & Textile Industry

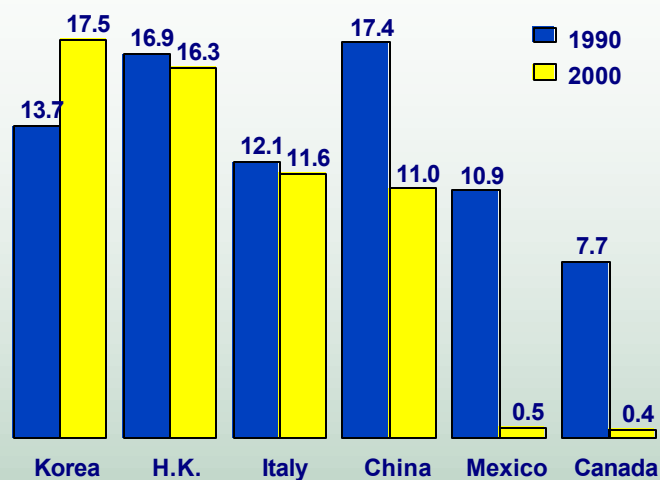
Tariff reductions under the FTA give Canada an advantage in the U.S. market...

- U.S. Clothing & Textile imports from China pay on average 11% in tariffs and duties, this gives Canada a special advantage in the U.S. market.
- With the introduction of NAFTA, Mexico has gained a similar advantage and has also seen rapid growth in its share of the U.S. Clothing & Textile market.
- This provides evidence that there may be some trade diversion effects resulting from region trade agreements, such as FTA/NAFTA, particularly in high tariff industries such as Clothing & Textiles.

...and improved productivity and the weak dollar also contributed to Canada's advantage

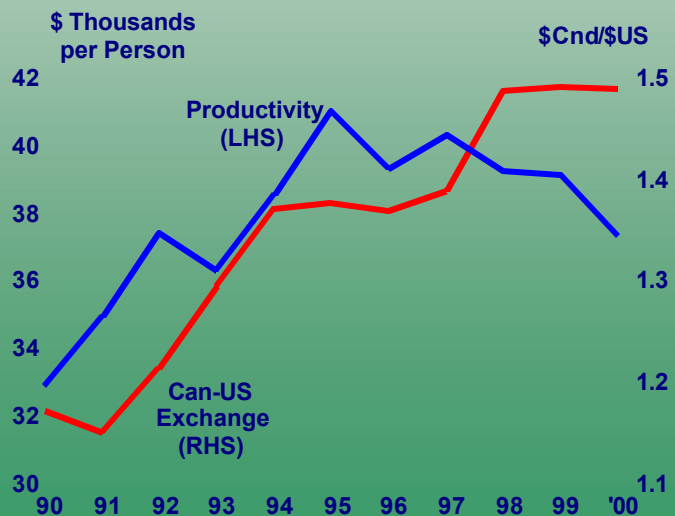
- Between 1990 and 2000, productivity in the Clothing & Textile industry increased 13.6%.
- During this period, the Canadian dollar depreciated by about 20% vis-à-vis the U.S. dollar.

U.S. Tariffs vs. Major Countries, Clothing & Textiles, Percent



Note: Tariffs calculated from tariff duties collected / total imports
Source: Industry Canada compilations based on data from the USITC

Productivity the Dollar



Source: Industry Canada compilations based on OECD data and Statistics Canada data