

Monthly Trade Bulletin

Volume 3 Number 6

August 2001

Key Monthly Trade Indicators (June 2001)

Highlights

-  **In June, Canadian merchandise exports fell while imports rose slightly, resulting in a narrowing of Canada's overall trade surplus with the world.**
-  **Similarly, a decline in merchandise exports to the U.S. along with an increase in imports from the U.S. reduced Canada's trade surplus with the U.S. in June.**
-  **The Canadian dollar gained 1.1 U.S. cents over the month. Nevertheless, the dollar is 1.4 US cents below its level of one year ago.**

	\$ millions	% change over	
		previous month	previous year
Exports	36,113	-1.4	-0.1
- Exports to U.S.	30,672	-1.1	-0.2
Imports	30,315	0.8	-0.6
- Imports from U.S.	22,340	1.5	-1.0
Trade Balance*	5,798	6,536	5,635
- Balance with U.S.*	8,332	8,999	8,166
Commodity Prices**	113.9	-4.0	-1.6
Canadian Dollar (US¢)*	66.1	65.0	67.5
Export Prices***	110.4	-1.9	3.9
Import Prices***	106.7	-0.7	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: The Revival of Canada's Furniture & Fixture Industry

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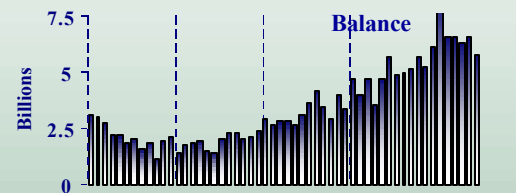
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Merchandise Trade

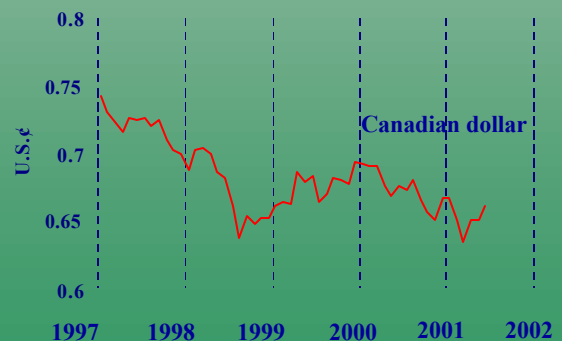
Trade balances weaken ...

- The overall trade surplus fell \$738 million over May, to 5.8 billion in June.
 - ▶ The monthly surplus with the U.S. has fallen for the last two months in a row. The balance slipped \$667 million to \$8.3 billion in June.
- Monthly trade balances with most other major trading partners remain in deficit, except for Japan. Our deficit with the EU narrowed \$60 million to just over \$900 million for June, while the balance with Japan improved \$114 million to eke out a \$13 million surplus.



... as the Canadian dollar edges up

- The Canadian dollar edged up 1.1 US¢ in value in June, reaching 66.1 US¢ for the month. Nevertheless, the dollar remains 1.8 US¢ lower than its rate in June of last year.
- A sharp drop in commodity prices pulled both export prices and import prices lower over the month.



Source: Statistics Canada, Bank of Canada

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The Revival of Canada's Furniture & Fixture Industry

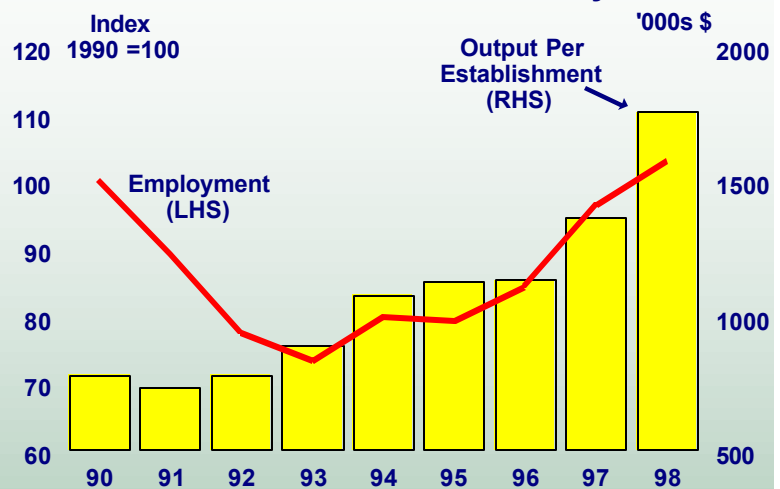
The Furniture & Fixture industry undertook dramatic restructuring in the 1990s...

- The recession of the early 1990s combined with increased competition following the introduction of the Canada-U.S. FTA had a substantial impact on Canada's Furniture & Fixture industry — 15,000 jobs were lost (about 1/4 of the entire industry).
- The average establishment size in the Furniture & Fixture industry increased by nearly 2½ times in only eight years.
- Larger firms tend to be more productive - exploiting economies of scale, and are better able to compete on international markets.

...and became much more outward oriented

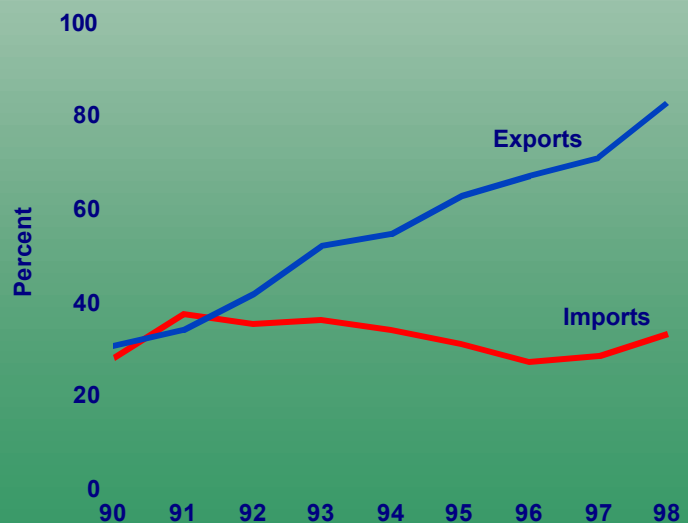
- The outward orientation (exports plus imports as a share of shipments) increased from less than 60% in 1990 to nearly 120% in 1998.
- This was entirely driven by the increase in export orientation which increased from 30% to 82% while imports remained relatively stable around 30%.

Restructuring of the Furniture & Fixture Industry



Source: Industry Canada compilations based on Statistics Canada Data

Trade as a Percentage of Shipments



Source: Industry Canada compilations based on Statistics Canada Data

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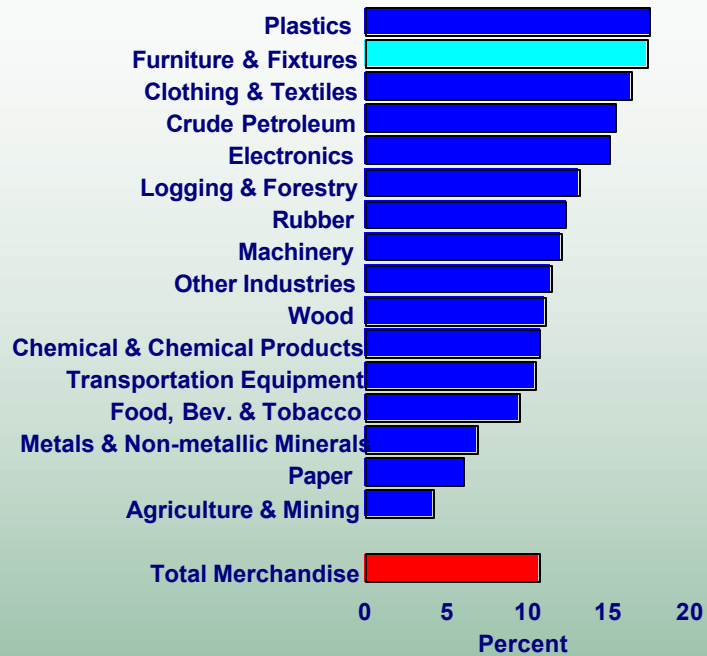
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The Revival of Canada's Furniture & Fixture Industry

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

The Canadian Furniture industry has been one of our top export performers...

- Canada exported nearly \$6.9 billion worth of Furniture & Fixtures in 2000 — growing at an average annual rate of more than 17% over the 1990s.
- ▶ This was the second fastest growth of all industries.

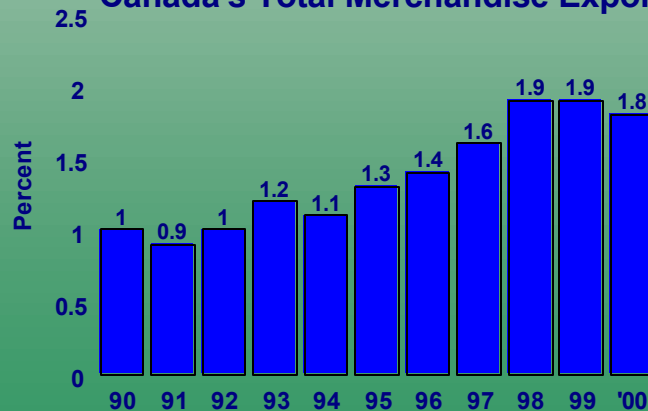


Source: Industry Canada compilations based on Statistics Canada Data

...and saw its share of Canadian exports nearly double

- The share of Furniture & Fixtures in total Canadian merchandise exports increased from 1% in 1990 to 1.8% in 2000.

Furniture and Fixtures Share of Canada's Total Merchandise Exports



Source: Industry Canada compilations based on Statistics Canada Data

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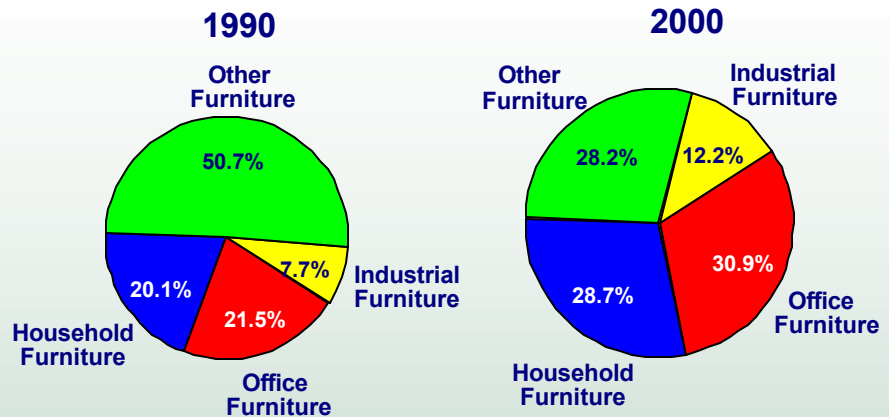
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The Revival of Canada's Furniture & Fixture Industry

Furniture & Fixture Industry Composition

All three major categories of furniture increased in share...

- The three major categories of furniture; household, office and industrial, all saw their share increase between 1990 and 2000 at the expense of "other" furniture and fixtures.

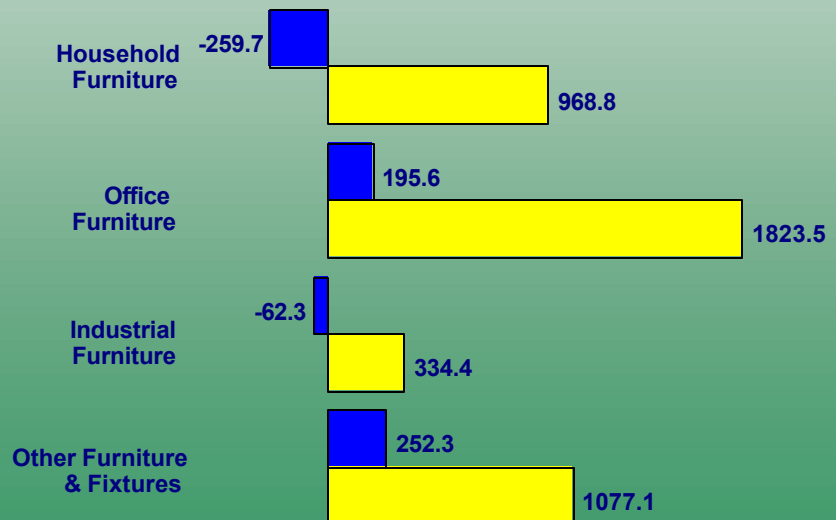


Source: Industry Canada compilations based on Statistics Canada Data

...and saw their trade balance increase

- The trade balance in Furniture and Fixtures increased from a small surplus of \$126 million in 1990 to more than \$4.2 billion in 2000.
- ▶ All sub-sectors also posted large surpluses.

Trade Balances for Furniture & Fixture Industry, \$ Millions



Source: Industry Canada compilations based on Statistics Canada Data

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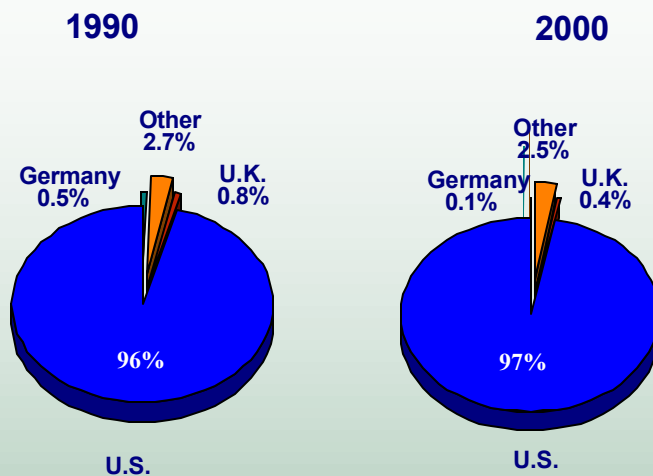
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The Revival of Canada's Furniture & Fixture Industry

Distribution of Canada's Furniture & Fixture Exports

But exports were highly concentrated in the U.S. market

- U.S. share of Canadian Furniture & Fixture exports has always been high, accounting for 96% of exports in 1990 and 97% in 2000.

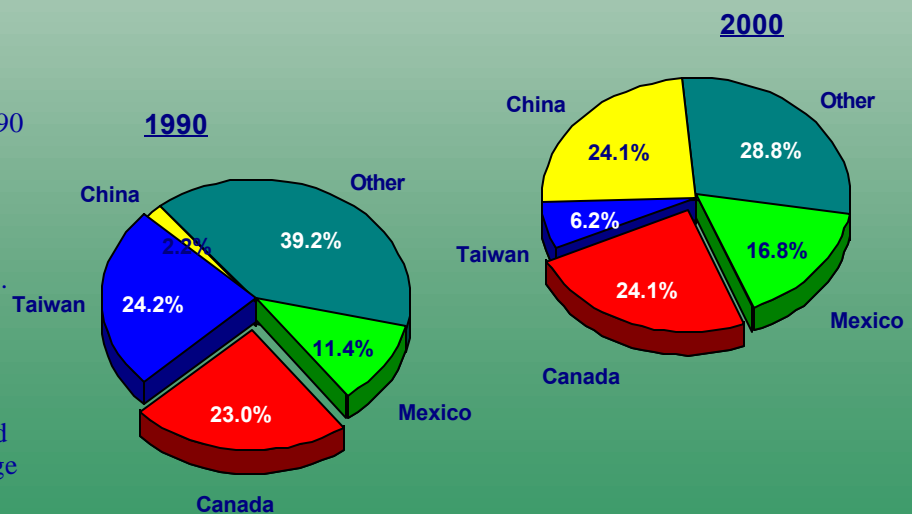


Source: Industry Canada compilations based on data from USITC

China and Mexico outperformed us in the U.S. market

- Canada's share of U.S. imports increased only slightly, from 23% in 1990 to 24% in 2000.
- China and Mexico, our major competitors had 24% and 16% of the U.S. market respectively in 2000. China's share increased by more than twelve-fold in the 1990s. Mexico's share increased by more than 5 percentage points.

Distribution of U.S. Imports of Furniture & Fixtures



Source: Industry Canada compilations based on Statistics Canada Data

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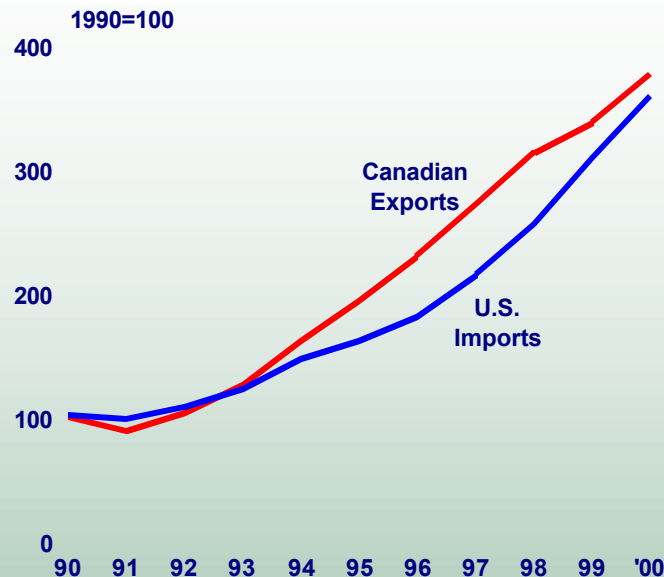
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The Revival of Canada's Furniture & Fixture Industry

U.S. Imports and Canadian Exports of Furniture & Fixtures

Canada's strong export performance was driven by strong growth in U.S. demand...

- Between 1990 and 2000, exports of Furniture & Fixtures increased 375%, U.S. imports of these products increased 357%.



Source: Industry Canada compilations based on data from Statistics Canada and USITC.

...and large increases in labour productivity growth

- Labour productivity growth in Furniture & Fixtures averaged 5.5% over the 1990s — more than double the manufacturing average.
- ▶ The Furniture & Fixture industry had the third fastest productivity growth of any manufacturing industry in Canada between 1990 and 2000 - only Electrical & Electronics and Rubber did better.

Labour Productivity Growth

