

Monthly Trade Bulletin

Volume 5 Number 7

September 2003

Key Monthly Trade Indicators (July 2003)

Highlights

- Imports increased more than exports in July; Canada's overall merchandise trade surplus with the world thus narrowed.
- Although Canada's trade balance with the United States improved for the month, trade balances with other major partners deteriorated.
- The Canadian dollar fell in July, losing US 3.0¢ during the month.

	\$ millions	% change over	
		previous month	previous year
Exports	32,717	0.5	-6.7
- Exports to U.S.	28,042	2.7	-4.5
Imports	28,313	1.2	-5.9
- Imports from U.S.	19,883	2.4	-7.9
Trade Balance*	4,404	4,568	4,973
- Balance with U.S.*	8,159	7,885	7,787
Commodity Prices**	118.5	-3.3	17.7
Canadian Dollar (US¢)*	71.2	74.2	63.2
Export Prices***	104.5	2.0	-1.7
Import Prices***	96.1	0.9	8.9

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade in Textiles and Clothing

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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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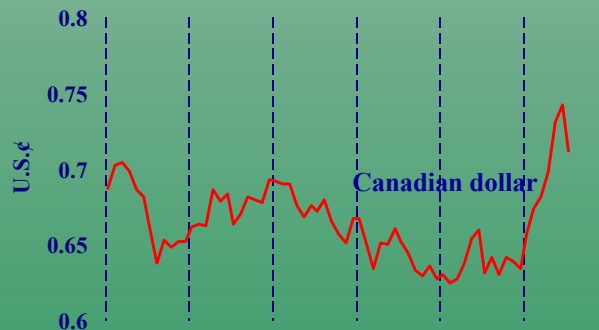
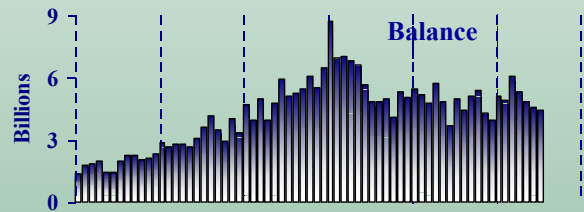
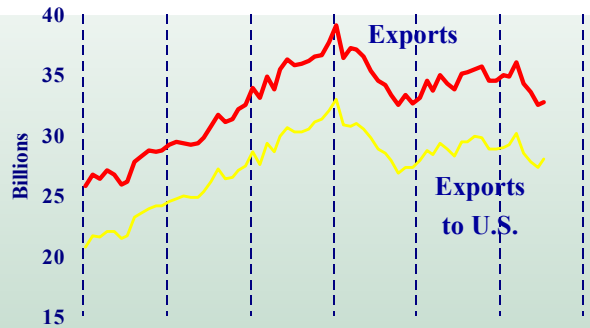
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Merchandise Trade

Trade balances narrow ...

- The overall Canadian trade surplus fell by \$164 million in July, to \$4.4 billion.
 - However, July's monthly surplus with the U.S. expanded by \$274 million to \$8.2 billion.
- The trade deficit with the EU shrank (down \$544 million), while it improved with Japan (up \$99 million).



... while the value of the Canadian dollar declined

- The value of the Canadian dollar fell by US 3.0¢ in July, after rising for the previous sixth months. It closed the month at US 71.2¢. The value of the dollar was US 8.0¢ (or 12.7 percent) higher in July than its rate one year earlier.
- Commodity prices decreased 3.3 percent in July after increasing 3.2 percent in June. The terms of trade improved slightly as export prices grew more than import prices.

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Canada's Trade in Textiles and Clothing

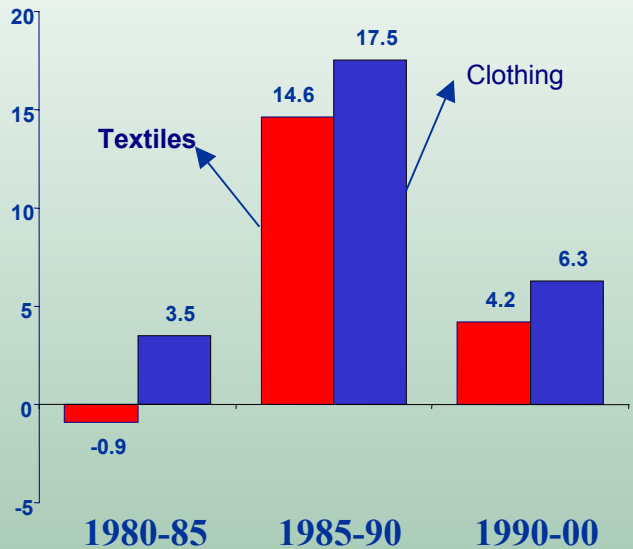
Trade expansion in clothing has outpaced textiles globally since 1980.

- Between 1980 and 2000, the growth in world trade in clothing was, on average, 3 percent higher than the growth of textiles trade.
 - The value of World exports in textiles and clothing in 2001 was US \$147 billions and US \$ 195 billions respectively.
 - Exports of textiles constituted 3.3 percent of world exports of manufactures.
 - Exports of clothing constituted 4.4 percent of world exports of manufactures.
 - Global trade in textiles as well as clothing slowed dramatically in the 1990s, compared to the second half of the 1980s.

Asia and Western Europe are the net exporters of textiles, while North America, and Latin America are net importers...

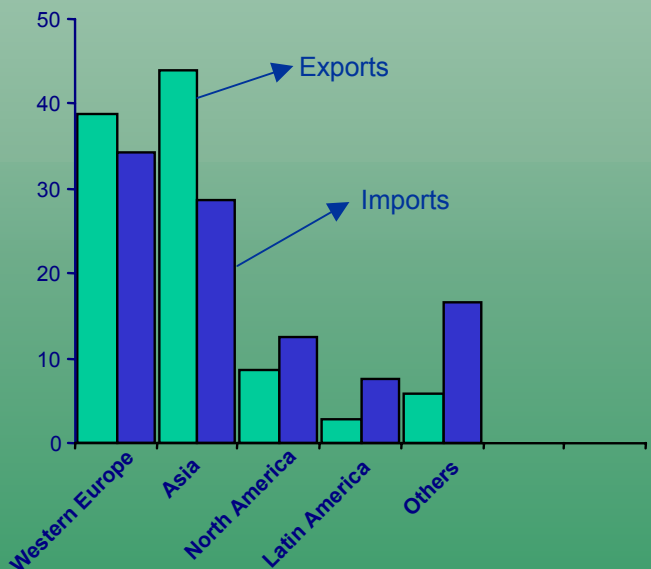
- Canada is also a net importer of textiles. Canada's share of global exports and imports of textiles in 2001 were 1.5 percent and 2.6 percent respectively.

World Trade in Textiles and Clothing Annual Percentage Change (1980-2000)



Source: World Trade Organization

Regional Shares in World Trade in Textiles: 2001 (Percent)



Source: World Trade Organization

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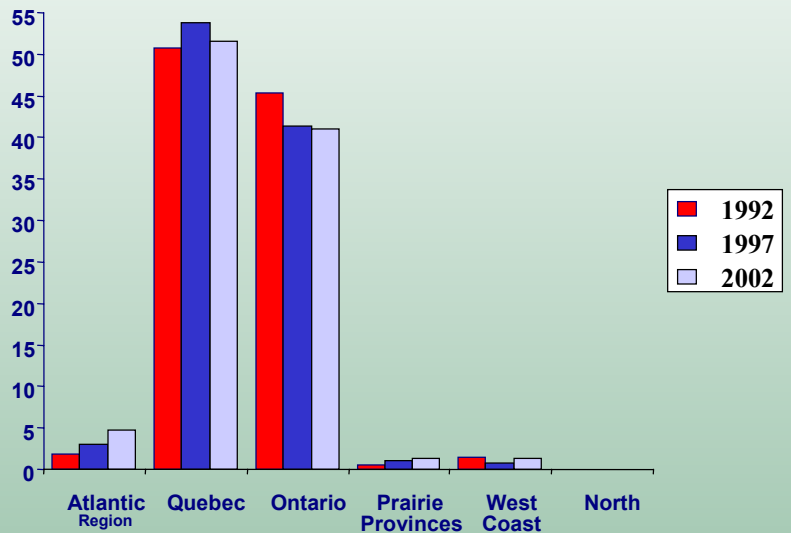
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Canada's Trade in Textiles and Clothing

Regional Share in Total Canadian Exports of Textiles: 1992-2002 (Percent)

Quebec and Ontario represent more than 90% of Canadian textile exports in 2002...

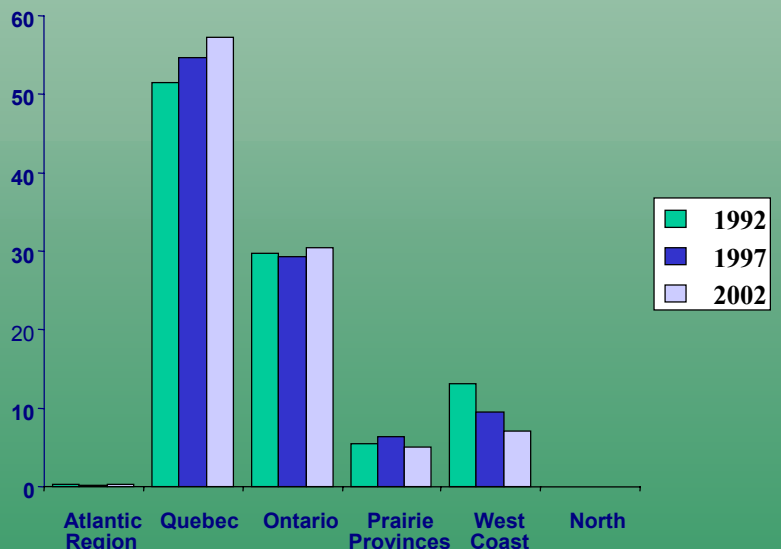
- Ontario's share fell from 45 percent in 1992 to 41 percent in 2002 while the shares of Atlantic provinces increased from 2 percent in 1992 to 5 percent in 2002.



Regional Share in Total Canadian Exports of Clothing: 1992-2002 (Percent)

...Quebec and Ontario also dominate in the Clothing Sector.

- Quebec and Ontario contributed about 88 percent to Canadian exports of clothing in 2002.
- Ontario's share remained stable around 30 percent since 1992.
- While the share of Quebec increased at the expense of West Coast between 1992 and 2002.



Source: Industry Canada compilations based on Statistics Canada data

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Canada's Trade in Textiles and Clothing

... in clothing as well, Canada has a large trade deficit.

- Canada's exports of clothing increased five-fold between 1992 and 2002, while imports more than doubled during the same period.
- The share of clothing in total Canadian exports of goods and services more than doubled during this period, reaching 0.8 percent in 2002.
- The share of clothing imports of total Canadian imports fell from 1.9 percent in 1992 to 1.8 percent in 2002.
- The trade deficit increased from C\$2.3 billion to C\$3.0 billion.

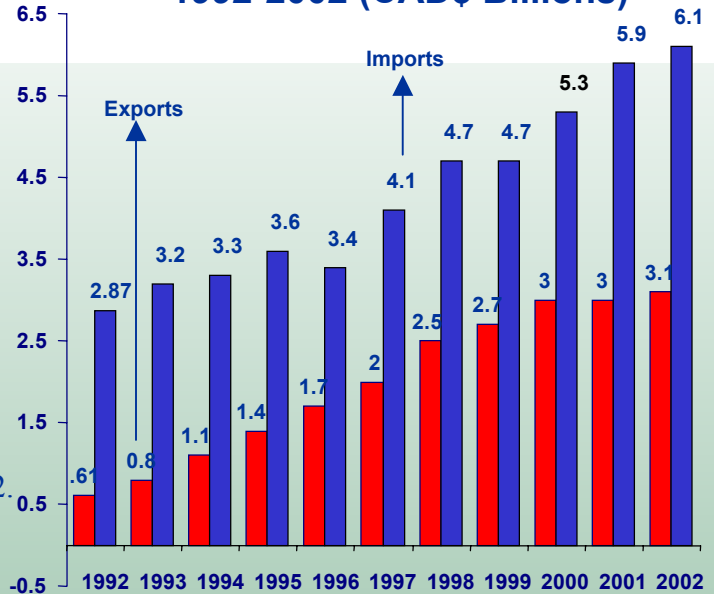
The U.S. is becoming the sole destination of Canadian exports of textiles...

- The U.S. share in Canadian textile exports increased from 75 percent in 1992 to 94 percent in 2002, while the importance of all other destinations declined.

...as a source of imports, however, the US share dropped in the late 1990s while China increased its market share.

- After a substantial increase in the U.S. share of the Canadian market between 1992 and 1997, its importance declined significantly during the last 5 years, while China increased its presence in Canada during this period.
- The share of China increased from 6 percent in 1992 to 11 percent in 2002.

Trends in Canadian Trade in Clothing: 1992-2002 (CAD\$ Billions)



Note: Clothing includes Clothing Manufacturing (NAICS 315)

Geographical Distribution of Canadian Trade in Textiles: 1992-2002 (Percent)

Major destination of Canadian textiles exports: percentage shares			
Country	1992	1997	2002
United States	75.3	86.7	93.9
United Kingdom	2.8	1.2	0.5
Asia	3.3	2.3	1.1
Mexico	0.9	1.8	0.5
Others	17.7	8.1	4.0
Total	100.0	100.0	100.0

Major sources of Canadian imports of textiles: percentage shares			
Country	1992	1997	2002
United States	53.2	61.8	57.4
China	6.3	5.9	10.7
Other Asia	8.0	6.0	5.8
India & Pakistan	4.5	5.2	6.4
Mexico	0.9	1.9	2.2
Others	27.1	19.3	17.5
Total	100.0	100.0	100.0

Source: Industry Canada compilations based on Statistics Canada data

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Canada's Trade in Textiles and Clothing

Almost all of Canadian clothing exports go to the U.S...

- The U.S. share increased from 89 percent in 1992 to 96 percent in 2002, at the expense of all other countries.

... while China, India and Mexico are the growing source of Canadian clothing imports

- China, India and Mexico gained the ground over Hong Kong, Taiwan (Taipei) and South Korea.
- Liberalization of textiles and clothing (phasing out of MFA), the formation of NAFTA and the shift in labour cost advantage in favour of the emerging economies were the main reasons for the observed changes in the geographic distribution of Canadian imports.

Geographical Distribution of Canadian Trade in Clothing: 1992-2002 (Percent)

Destination of Canadian clothing exports: percentages			
Country	1992	1997	2002
United States	88.8	93.0	95.6
Japan	1.7	1.3	0.5
United Kingdom	1.0	1.5	0.9
Germany	0.7	0.5	0.8
Mexico	0.1	0.2	0.1
OTHERS	7.7	3.5	2.0
TOTAL	100.0	100.0	100.0

Sources of Canadian Imports of clothing (percentages)			
Country	1992	1997	2002
China	19.9	21.5	31.2
Hong Kong	17.4	12.3	6.5
United States	12.0	19.9	11.0
Korea, South	9.5	4.1	4.4
Taiwan (Taipei)	6.2	3.2	2.8
Italy	4.1	3.8	3.4
India	3.9	5.6	6.8
Mexico	0.5	2.3	5.1
OTHERS	26.5	27.4	28.6
TOTAL	100.0	100.0	100.0

Source: Industry Canada compilations based on Statistics Canada data

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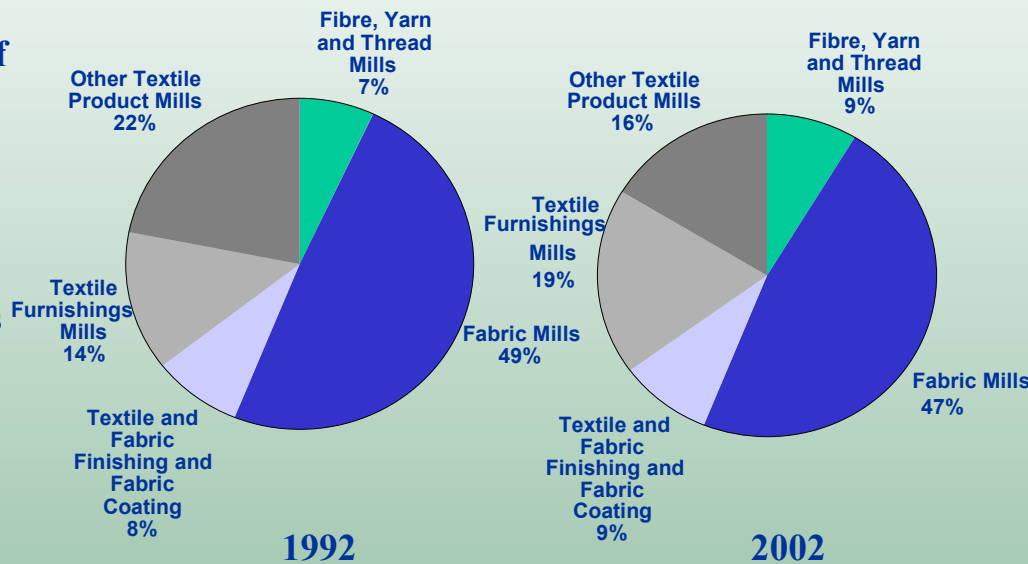
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Canada's Trade in Textiles and Clothing

Industrial Composition of Canadian Textiles Exports: 1992-2002

Fabric Mills still constitutes almost half of Canadian exports in textiles

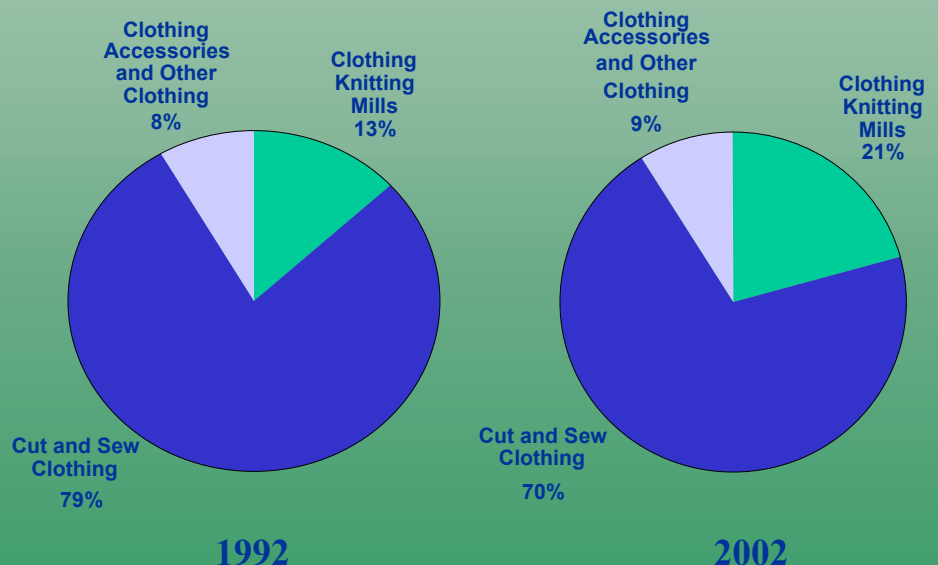
- Between 1992 and 2002, the share of furnishings mills and fibre, yarn and thread mills in total textiles exports increased by 3 percentage points, while the importance of Fabric mills and other textiles declined.



Cut and sew clothing is the single most important item in Canadian clothing exports

- Cut and sew clothing constitutes 70 percent of Canadian exports of clothing exports.
- But, its share declined by 9 percentage points between 1992 and 2002.
- On the other hand, the share of clothing knitting mills increased by 8 percentage points, reaching 21 percent in 2002.

Industrial Composition of Canadian Clothing Exports: 1992-2002



Source: Industry Canada compilations based on Statistics Canada data

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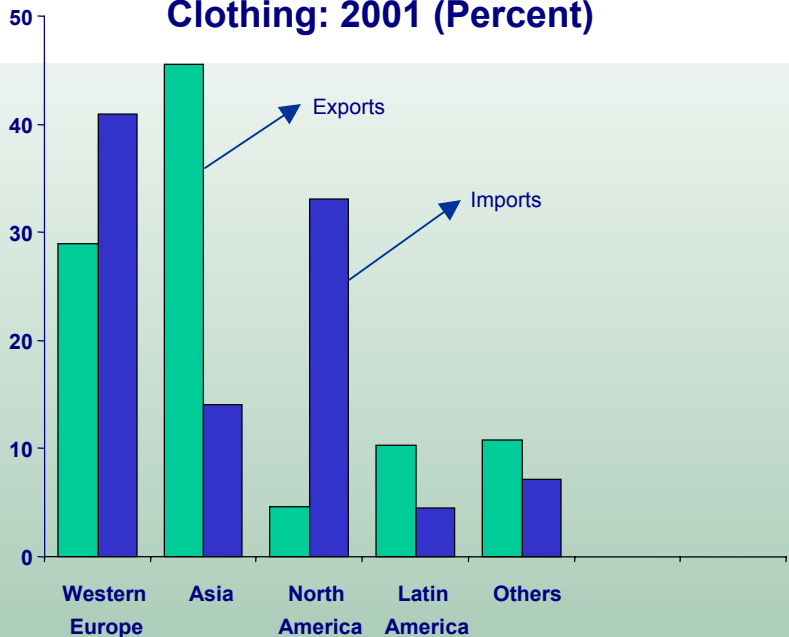
... in clothing as well, Asia is the dominant net exporter, while Western Europe & North America are the large net importers.

- Canada is also a net importer of clothing. Its share of global clothing exports in 2001 was 1 percent, while the share in imports was 2.0 percent.
- Unlike textiles, Latin America is a large net exporter of clothing.

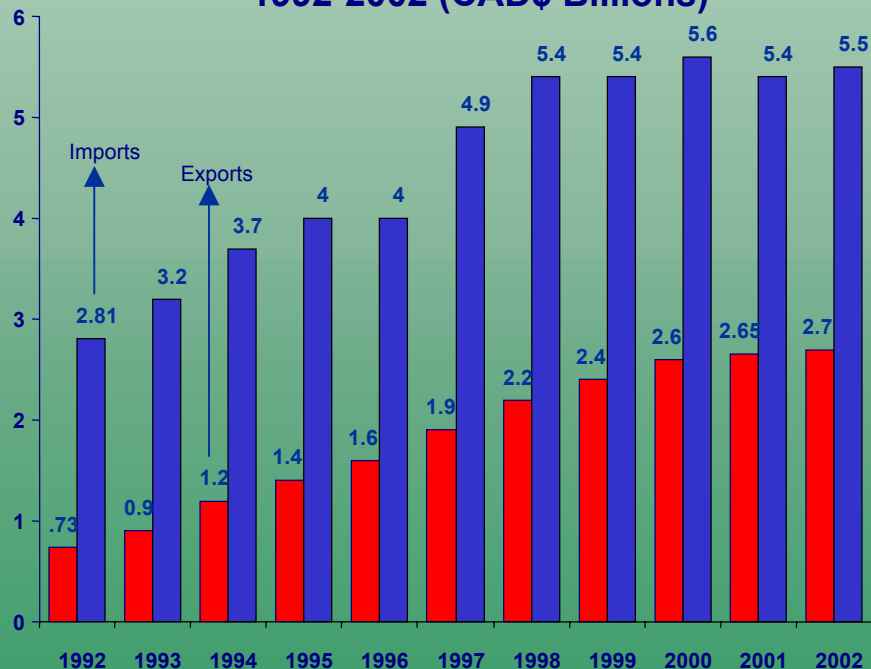
Canada is a large net importer of textiles, but its exports increased at a faster pace than imports during 1992-2002...

- The share of textiles in total Canadian exports of goods and services increased from 0.5 percent in 1992 to 0.7 percent in 2002.
- On the other hand, the import share fell 1.9 percent in 1992 to 1.6 percent in 2002.
- The removal of tariff barriers under the FTA and the associated productivity improvements, the dollar depreciation and booming U.S. economy, have contributed to the expansion of textiles and clothing exports.
- The trade deficit increased from C\$2.1 billion to C\$2.8 billion.

Regional Share of World Trade in Clothing: 2001 (Percent)



Trends in Canadian Trade in Textiles: 1992-2002 (CAD\$ Billions)



Source: Industry Canada compilations based on Statistics Canada data

Note: Textiles include Textile Mills (NAICS 313) & Textile Product Mills (NAICS 314)