

# Monthly Trade Bulletin

Volume 6, Number 4

June 2004

## Key Monthly Trade Indicators (April 2004)

### Highlights

- Canada's total merchandise trade surplus with the world surged in April, as export growth outperformed import growth for the month.
- Canada's trade balance with the U.S. also increased for the month.
- The Canadian dollar was down in April, falling US3.4¢ over the month.

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	36,643	4.4	9.7
- Exports to U.S.	29,438	3.3	6.8
<b>Imports</b>	29,059	0.7	0.6
- Imports from U.S.	20,253	0.6	-0.3
<b>Trade Balance*</b>	7,584	6,231	4,484
- Balance with U.S.*	9,185	8,355	7,240
<b>Commodity Prices**</b>	143.1	3.2	24.2
<b>Canadian Dollar (US¢)*</b>	72.9	76.3	69.8
<b>Export Prices***</b>	105.7	2.9	-0.6
<b>Import Prices***</b>	96.4	2.6	-5.6

\* 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-Mexico Trade & Investment Linkages

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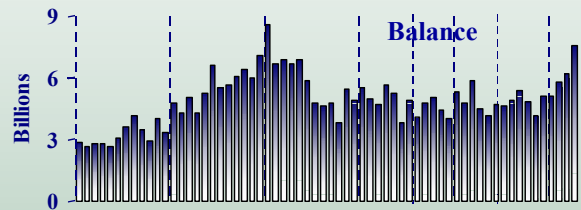
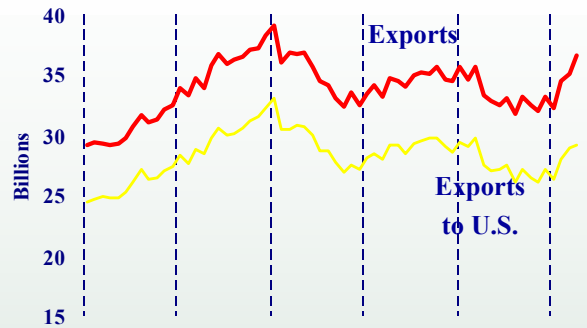
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## The trade surplus widens...

- The overall Canadian trade surplus grew by \$1.4 billion in April, to \$7.6 billion.
- April's monthly surplus with the U.S. expanded by \$830 million to \$9.2 billion.

## Merchandise Trade



## ... as the Canadian dollar falls.

- The Canadian dollar decreased US3.4¢ in value over April, after a US1.4¢ increase during the previous month. It closed the month at US72.9¢. The value of the dollar was US3.1¢ (or 4.5 percent) higher in April than a year earlier.
- Commodity prices were up (3.2 percent) in April and are 24.2% higher than they were a year earlier. The terms of trade improved slightly as export prices increased more than import prices for the month.



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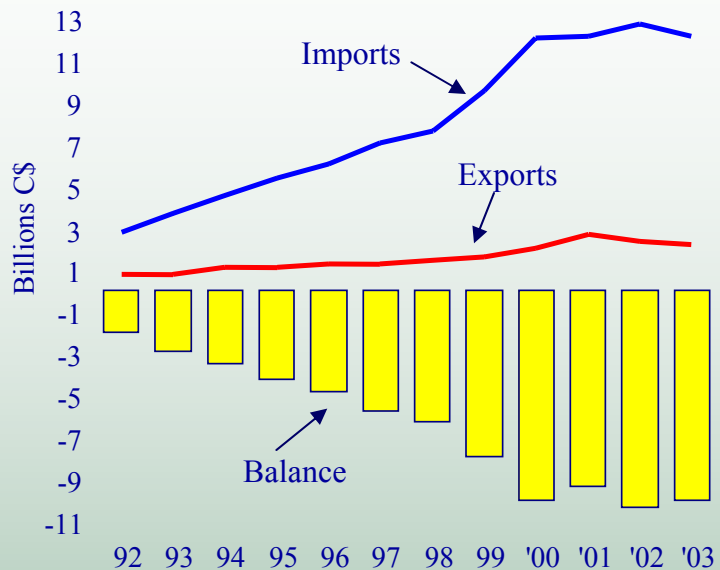
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## Canada-Mexico Trade & Investment Linkages

### Canadian exports to Mexico increased at a slower pace than imports from that country, resulting in a widening of the trade deficit

- Canadian merchandise exports to Mexico increased from \$0.8 billion in 1992 to \$2.2 billion in 2003; an average annual growth rate of 9.5 percent.
- Over the same period, imports from Mexico have grown 14.5 percent annually, reaching 12.2 billion in 2003.
- As a result, Canada's trade deficit with Mexico increased from about \$2 billion in 1992 to \$10 billion in 2003.

### Canada's Merchandise Trade with Mexico

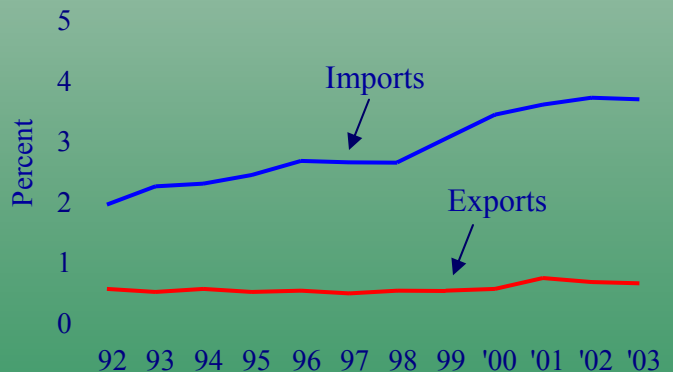


Source: Compilations based on Statistics Canada data

### Despite a healthy growth in exports and imports, Mexico still accounts for a small share of Canada's overall trade

- Mexico's share of Canadian exports has remained relatively stable around 0.5 percent.
- On the other hand, Mexico accounted for 3.6 percent of Canada's total merchandise imports in 2003, compared to 1.9 percent in 1992.
- Canada is Mexico's second largest trading partner, after the United States, while Mexico is Canada's fifth largest trading partner.

### Mexico's Share of Canadian Merchandise Trade



Source: Compilations based on Statistics Canada data

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## Canada-Mexico Trade & Investment Linkages

### Mexico's weak economic performance contributed to our weak export growth to that country since 2000

- After growing 6.6 percent in 2000, Mexico's real GDP expanded at an average annual rate of 0.63 percent over the last three years, with the U.S. slowdown being the principal cause.
- Mexico, like Canada, is highly dependent on its exports to the U.S., which account for almost a quarter of its GDP.
- Recent economic slowdown in Mexico has lowered Mexican demand for imports from all countries; including Canada.

### Canada's price competitiveness relative to Mexico more or less remained unchanged since 1993

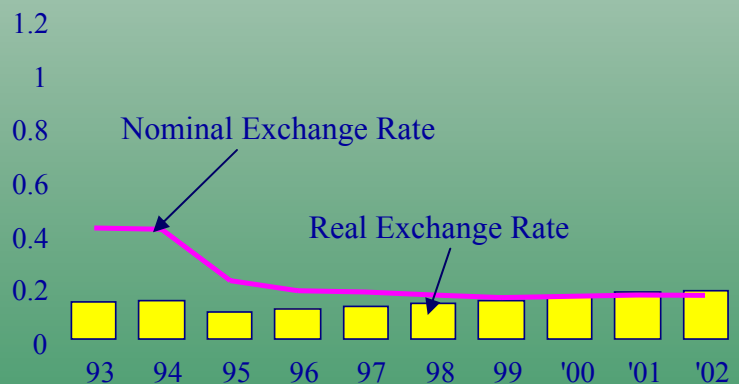
- The real value of the Canadian dollar relative to the peso (the nominal value adjusted for inflation in Canada and Mexico) has changed little since 1993.
- This implies that Canadian imports from Mexico were mainly due to the strong economic growth in Canada.

### Mexico's Real GDP Growth



Source: International Monetary Fund (IMF)

### Nominal and Real Exchange Rates for Canada Trade with Mexico



Source: Bank of Canada and IMF

Note: Nominal Exchange Rate refers to Canadian dollar per Mexican peso.

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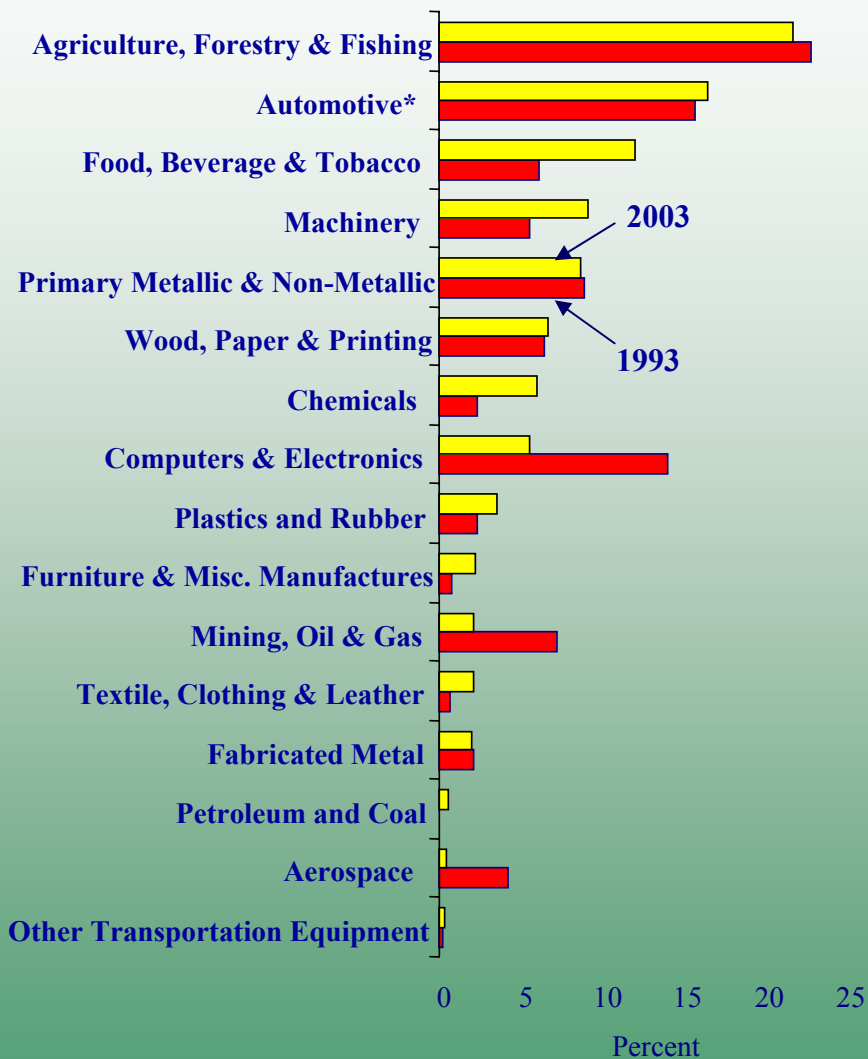
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## Canada-Mexico Trade & Investment Linkages

### Canadian Exports to Mexico by Industry

#### Canada's exports to Mexico are equally split between resource-based and non-resource based industries...

- Almost half of Canadian exports to Mexico are in resource-based industries such as Agriculture, Forestry & Fishing; Food, Beverage & Tobacco; Primary and Non-Metallic; and Wood, Paper & Printing. Their total share increased from 44.6 percent in 1993 to 49.4 percent in 2003.
- Non-resource based exports are dominated by Autos; Machinery; and Chemicals, with 31.7 percent in 2003, up from 23.6 percent in 1993.
- The shares of Computers & Electronics; Mining, Oil & Gas, and Aerospace have declined significantly.



Source: Compilations based on Statistics Canada data  
Note: \* Motor Vehicle & Components

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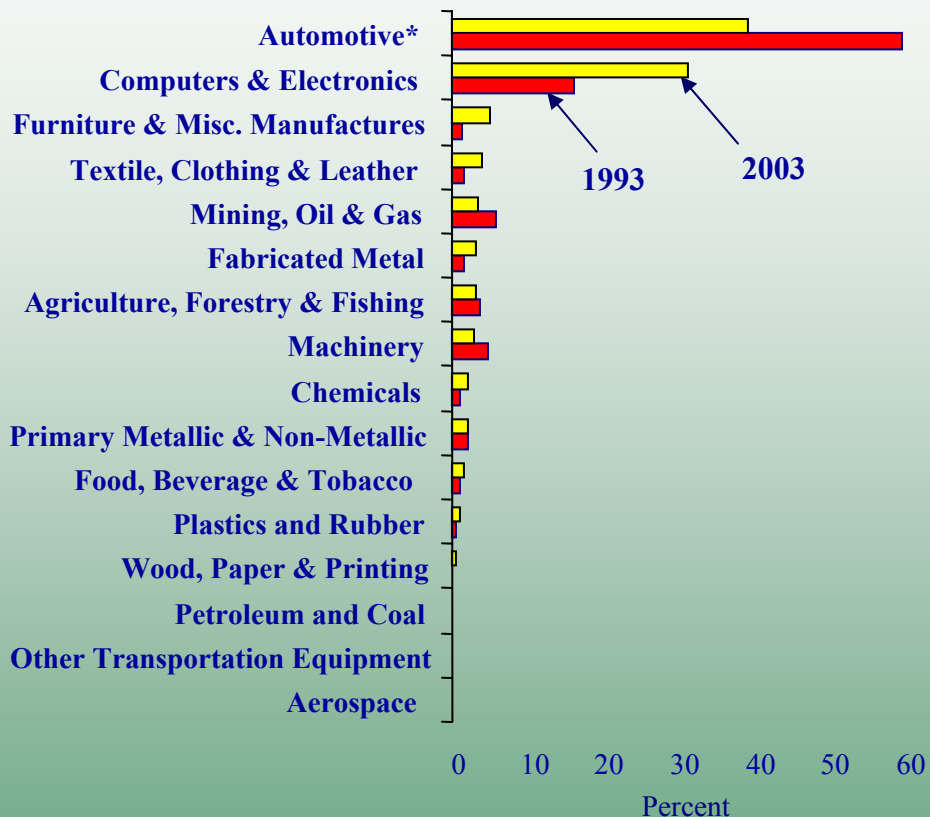
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## Canada-Mexico Trade & Investment Linkages

**...On the other hand, Canada's imports from Mexico are mostly non-resource based**

- In 2003, the high-tech industries (Autos and Computers & Electronics) accounted for 71 percent of Canadian imports from Mexico, down from 76 percent in 1993.
- The importance of autos declined from 60 percent in 1993 to 39 percent in 2003, while that of computers & electronics increased from 16 percent to 31 percent.
- Mining, Oil & Gas represented 3.6 percent of our imports from Mexico in 2003, compared to 5.9 percent in 1993.

### Canadian Imports from Mexico by Industry



Source: Compilations based on Statistics Canada data  
Note: \* Motor Vehicle & Components

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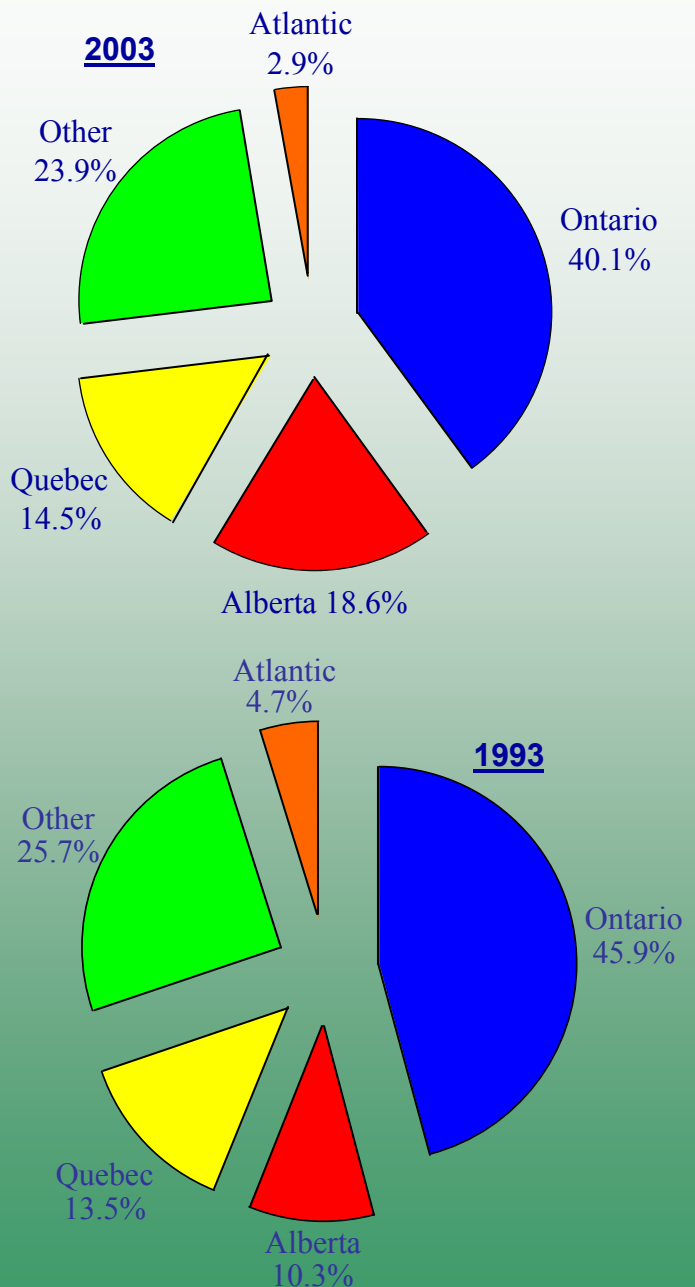
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## Canada-Mexico Trade & Investment Linkages

### Ontario dominates Canada's merchandise exports to Mexico

- Ontario accounts for the largest portion of Canadian merchandise exports to Mexico, with 40 percent in 2003; down from 45.9 percent in 1993.
- In 2003, Alberta was the second largest exporter to Mexico at 18.6 percent of the total, up from 10.3 percent in 1993.
- Quebec's exports share also increased slightly by one percentage point between 1993 and 2003.
- Atlantic provinces account for a very small portion of Canada's exports to Mexico; 3 percent in 2003, compared to 4.7 percent in 1993.

### Canada's Exports to Mexico by Province



Source: Compilations based on Statistics Canada data  
Other includes: Manitoba, Saskatchewan, British Columbia

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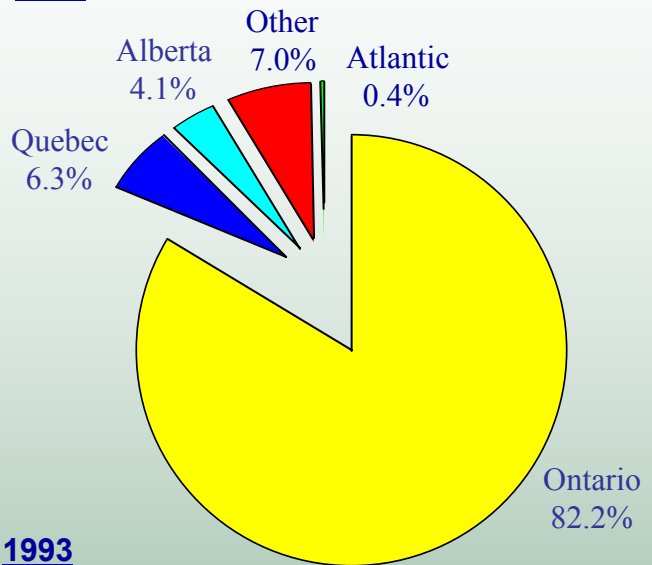
## Canada-Mexico Trade & Investment Linkages

### Canada's Imports from Mexico by Province

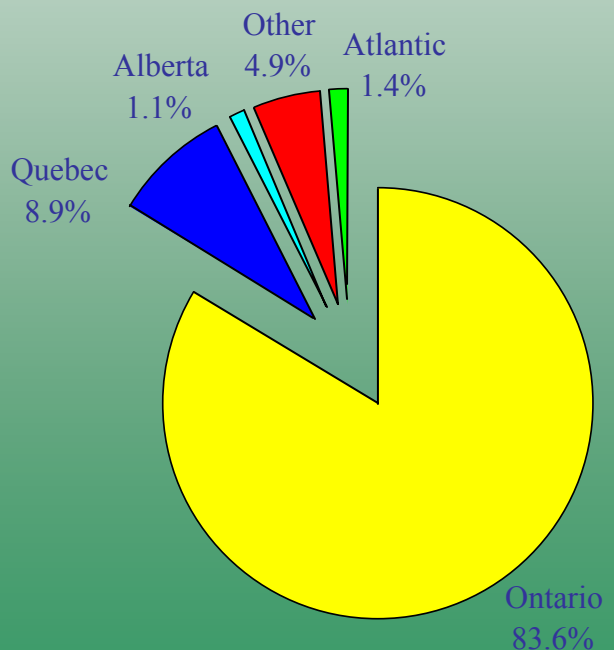
#### Ontario takes over 80 percent of Canadian imports from Mexico

- In 2003, 82.2 percent of Canada's merchandise imports from Mexico were destined to Ontario, a decline of 1.4 percentage points since 1993.
- Quebec is a very distant second, importing 6.3 percent of the total value in 2003, down from 8.9 percent in 1993.
- The share of Atlantic provinces dropped from 1.4 percent in 1993 to 0.4 percent in 2003.
- On the other hand, Alberta and other provinces (Manitoba, Saskatchewan and B.C.) have increased their shares.

2003



1993



Source: Compilations based on Statistics Canada data  
Other includes: Manitoba, Saskatchewan, British Columbia



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## Canada-Mexico Trade & Investment Linkages

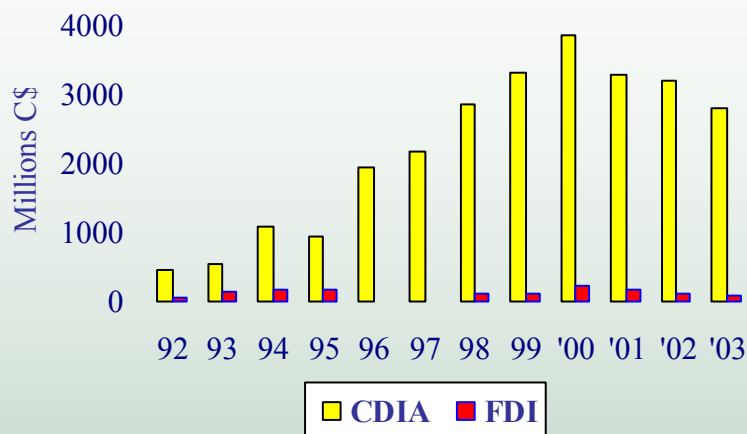
### Canadian investment in Mexico increased steadily over the 1990s, but has declined from 2001 onwards...

- The stock of Canadian Direct Investment Abroad (CDIA) in Mexico increased from \$451 million in 1992 to \$3.9 billion in 2000.
- However, the stock of CDIA in Mexico has been declining since 2001, reaching \$2.8 billion in 2003.
- Nonetheless, Canada is the fourth largest foreign investor in Mexico.
- On the other hand, the stock of Mexican direct investment in Canada is very small and has not changed significantly since 1992.

### ...so is Mexico's share of Canada's total outward investment stock

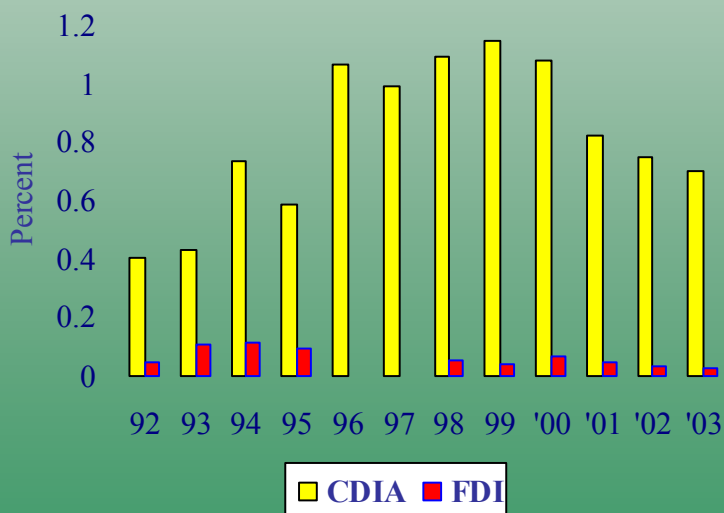
- Mexico's share of total CDIA stock declined from its peak level of 1.1 percent in 1999 to 0.7 percent in 2003.
- Similarly, Mexico accounts for a very small portion of Canada's total inward FDI stock. Mexico's share declined from 0.1 percent in 1994 to 0.03 percent in 2003.

### Two-way Foreign Direct Investment (stock) with Mexico



Note: FDI data for 1996 and 1997 are non-available.

### Mexico's Share of Canada's Foreign Investment (stock)



Note: FDI data for 1996 and 1997 are non-available.