

Monthly Trade Bulletin

Volume 2, Number 2

April 2000

Highlights

- 
Although easing slightly in February, Canada's trade performance remains very strong.
- 
The merchandise trade surplus dipped in February from a record high in January. The drop in the trade surplus with the U.S. (down \$756 million) was entirely responsible for the overall decline (down \$541 million).
- 
After rising for four consecutive months, Canada's total merchandise exports declined in February.
- 
Imports were also down, but not to the same extent.
- 
Both exports to and imports from the U.S. declined by more than trade with other countries.
- 
Although commodity prices increased moderately, the Canadian dollar remained fairly stable, down one-tenth of a U.S. cent.

Key Monthly Trade Indicators (February 2000)

	\$ millions	% change over	
		previous month	previous year
Exports	32,317	-2.6	12.9
- Exports to U.S.	27,471	-3.6	13.0
Imports	28,355	-1.2	7.7
- Imports from U.S.	21,291	-1.3	5.6
Trade Balance*	3,962	4,503	2,295
- Balance with U.S.*	6,180	6,936	4,139
Commodity Prices**	111.1	2.5	28.9
Canadian Dollar (US¢)*	69.1	69.2	66.3
Export Prices**	119.1	0.8	4.1
Import Prices**	109.5	-0.3	-3.7

* Data in levels only.

** Index (1992=100)

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Foreign Direct Investment



Team Canada Inc. - Équipe Canada inc.

Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canada 

Monthly Trade Bulletin

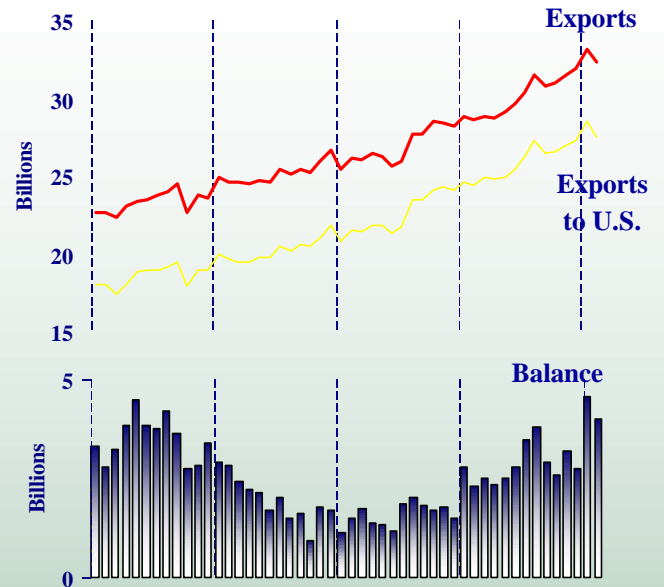
Volume 2, Number 2

April 2000

Merchandise Trade

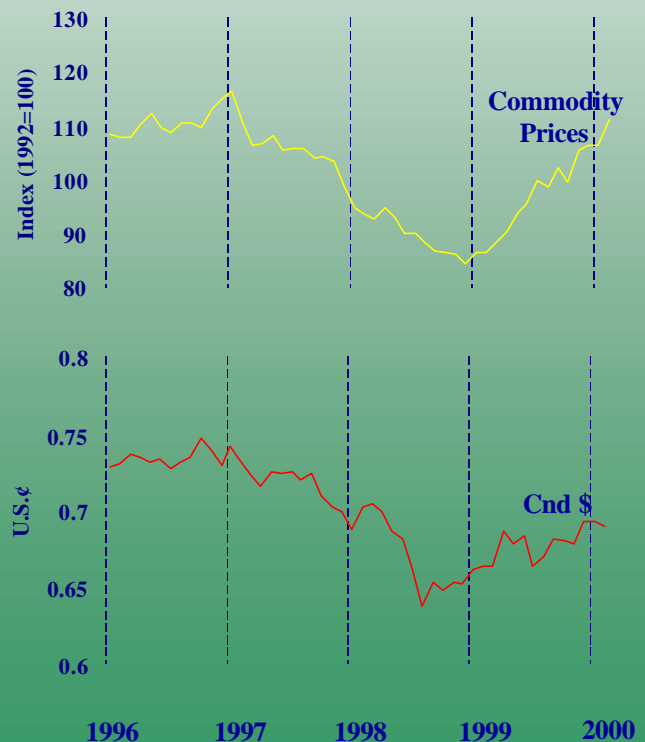
The trade surplus remains high

- While the trade surplus narrowed in February, the posted \$3.9 billion is still the second largest surplus in nearly four years.
- Reduced exports to the U.S. were the primary cause of the decline in the trade balance.
 - ▶ Exports to a few select areas, such as the U.K. and other E.U. countries, increased in February, with exports to all of the E.U. rising by more than 15% just in the past month.



Commodity prices continue to rise

- Commodity prices rose 2.5% in February, up nearly 30% from February of last year.
- Even so, the value of the Canadian dollar vis-à-vis its U.S. counterpart remained relatively unchanged, down by 0.1 of a U.S. cent.



Source: Statistics Canada, Bank of Canada

Monthly Trade Bulletin

Volume 2, Number 2

April 2000

Five Team Canada Sectors report double-digit export growth in the first two months of the year

- ICT recorded the highest growth in exports of any Team Canada Sector to start the year off — up 29.4% in January and February over the same period a year ago.
- A number of other sectors also attained double-digit export growth over the first two months of 2000 — AMT (25.6%), Electric Power Equipment (20.1%), Plastics (19.6%), and Building Products (16.6%).
- Modest export growth was recorded in Agri-Food, Automotive, Health Products, Environmental Products and Aerospace & Defence industries.
- Aerospace & Defence reversed its trade balance, registering a trade surplus in the first two months of 2000 compared to a deficit for the same months last year.

Merchandise Trade, (Team Canada Sectors)

Team Canada Sectors	Exports			Imports			Balance	
	1999 YTD Jan-Feb.	2000 YTD Jan-Feb.	Growth 1999- 2000	1999 YTD Jan-Feb.	2000 YTD Jan-Feb.	Growth 1999- 2000	1999 Millions	2000 Millions
Aerospace & Defence	2,147	2,338	8.9%	2,306	1,858	-19.4%	-159	480
Agri-Food	3,284	3,376	2.8%	2,454	2,635	7.4%	830	740
AMT	489	614	25.6%	563	701	24.4%	-74	-87
Automotive	15,260	16,295	6.8%	13,307	14,232	7.0%	1,953	2,062
Building	2,595	3,027	16.6%	2,249	2,469	9.8%	347	558
Electrical Power Equipment	900	1,081	20.1%	1,559	1,823	16.9%	-659	-742
Enviro	138	145	5.1%	230	312	35.6%	-92	-167
Health	562	575	2.3%	1,064	1,090	2.5%	-502	-516
ICT	3,831	4,955	29.4%	7,488	8,529	13.9%	-3,657	-3,574
Plastics	1,190	1,423	19.6%	1,127	1,294	14.8%	63	129
Total Merchandise Exports	54,155.7	62,027.4	14.5%	48,341.0	53,750.8	11.2%	5,814.7	8,276.7

* AMT - Advanced Manufacturing Technologies

** ICT - Information and Communication Technologies

Source: Industry Canada compilations based on Statistics Canada Data

Monthly Trade Bulletin

Volume 2, Number 2

April 2000

Canada's Foreign Direct Investment

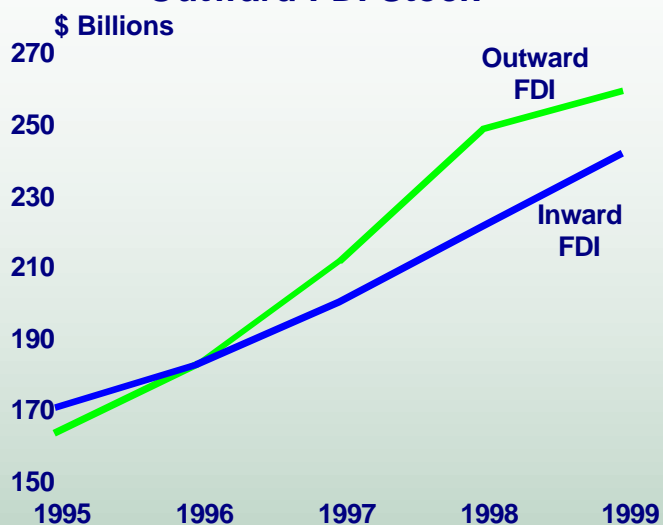
Growth of outward FDI stock slowed considerably in 1999

- For the first time in more than a decade, inward foreign direct investment (FDI) stock grew faster than outward FDI. This was a result of a dramatic slowdown in the growth of outward FDI stock in 1999 rather than a pickup in the growth of inward FDI stock.
- Inward FDI stock has grown at a relatively steady pace between 1995 and 1999, averaging 9.3% annually. Outward FDI stock grew only 4.5% in 1999 after averaging 15.2% annually between 1995 and 1998.
 - ▶ In 1998, Canada's stock of outward FDI was 12% higher than the stock of inward FDI. This gap narrowed to 7% in 1999.

The U.S. is still a net exporter of capital to Canada

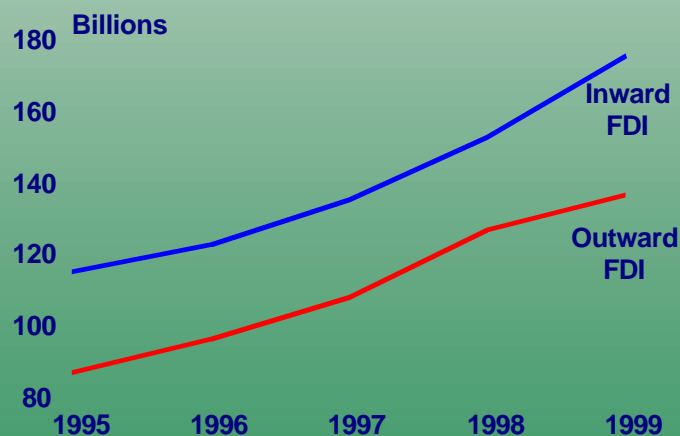
- The U.S. invests much more in Canada than we invest there.
- After narrowing for the past few years, the gap between the stock of U.S. investment in Canada and the stock of Canadian investment in the U.S. began to widen again in 1999.

Canada's Total Inward and Outward FDI Stock



Source: Statistics Canada

Canada's Inward and Outward FDI Stocks with the U.S.



Source: Statistics Canada

Monthly Trade Bulletin

Volume 2, Number 2

April 2000

Canada's Foreign Direct Investment

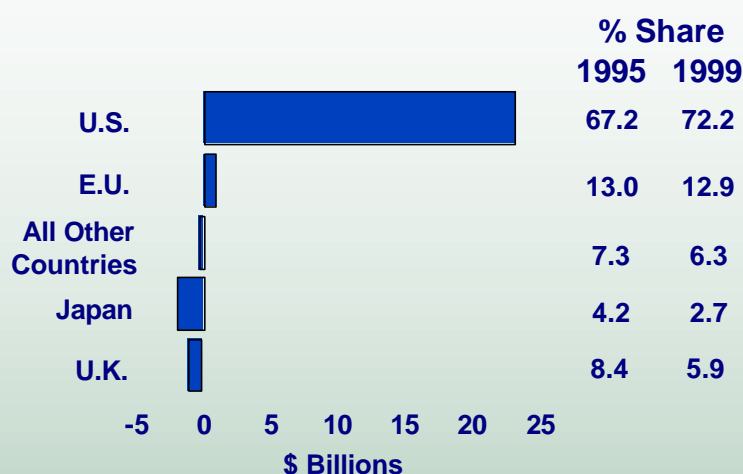
The U.S. was the dominant source for FDI in Canada in 1999

- Strong domestic economic performance was a key factor in the continued increase in U.S. foreign direct investment in Canada in 1999 (up 15.4%).
 - ▶ The U.S. share of Canada's total inward FDI stock increased from 67.2% in 1995 to 72.2% in 1999.
 - ▶ Most of this additional FDI was in the form of cross-border mergers and acquisitions (M&A).
- In contrast, the shares of Japan and the U.K. fell considerably.

Most new FDI in 1999 was in the telecommunications equipment and communications industries

- Three-quarters of new FDI into Canada in 1999 was in "Other Industries", which includes the telecommunications equipment and communications industries.
- Between 1995 and 1999, the share of Finance & Insurance increased by 3.6 percentage points. The share of Machinery & Transportation Equipment declined by a similar amount.

Change in Inward FDI Stock by Country, 1999



Source: Statistics Canada

Change in Inward FDI Stock by Industry, 1999



Source: Statistics Canada

Monthly Trade Bulletin

Volume 2, Number 2

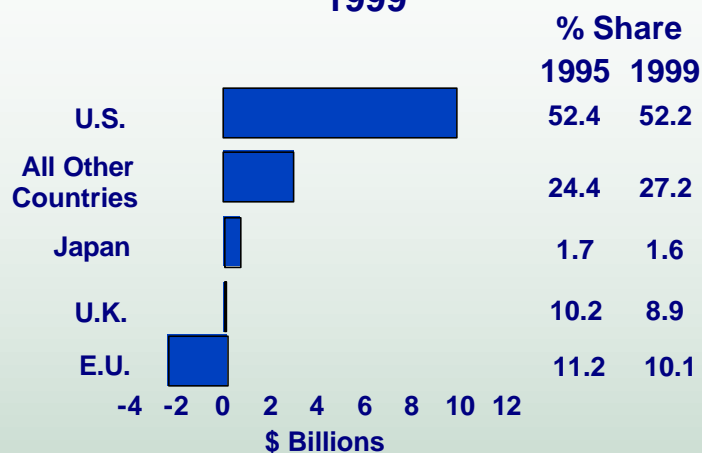
April 2000

Canada's Foreign Direct Investment

The majority of Canada's outward direct investment continues to go to the U.S...

- Despite the weakness in the Canadian dollar, Canadian direct investment in the U.S. increased 7.9% in 1999.
 - ▶ Even so, the U.S. share of Canada's total outward FDI stock remained more or less constant between 1995 and 1999, averaging around 52%.
- Canadian companies continued to invest in countries other than the U.S., E.U. and Japan in 1999.
 - There was actually disinvestment in the E.U.

Change in Outward FDI Stock by Country, 1999

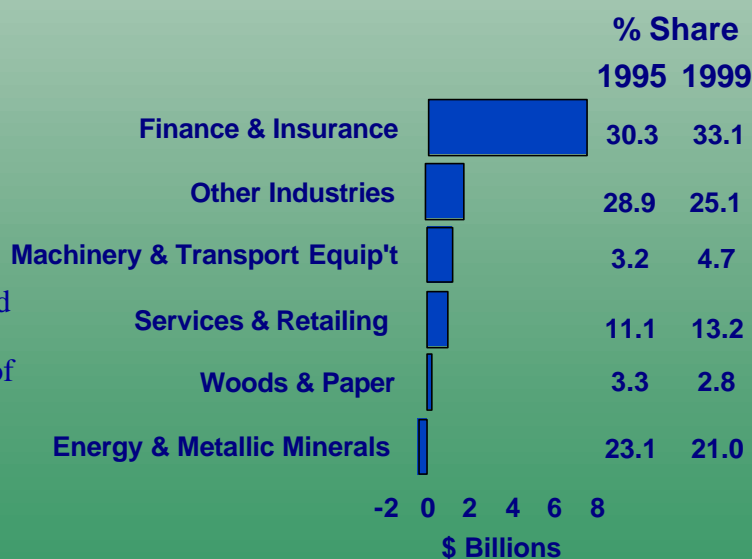


Source: Statistics Canada

...and much of this was destined to Finance & Insurance

- In 1999, more than two-thirds of Canadian outward FDI was in Finance and Insurance industries.
- The share of Finance & Insurance increased from 30.3% in 1995 to 33.1% in 1999, largely due to a decline in the importance of Energy & Metallic Minerals.

Change in Outward FDI Stock by Industry, 1999



Source: Statistics Canada

Monthly Trade Bulletin

Volume 2, Number 2

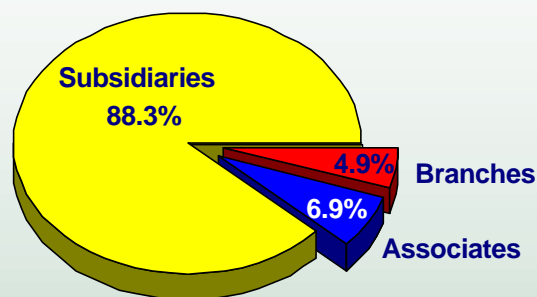
April 2000

Canada's Foreign Direct Investment

The vast majority of FDI in Canada is in majority owned subsidiaries....

- Nearly all FDI in Canada (88.3%) is in majority owned subsidiaries (greater than 50% ownership by the foreign parent).
- Only a very small proportion (6.9%) is in minority owned associates (less than 50%).

Distribution of Inward FDI Stock by Type of Concern, 1999



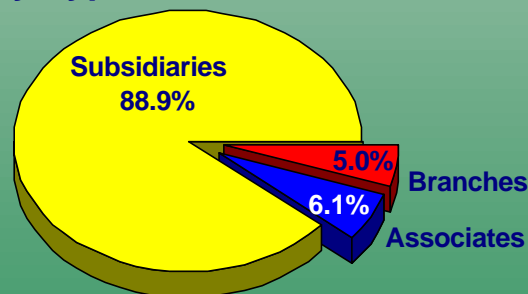
Source: Statistics Canada

	Degree of Ownership
Subsidiaries	>50%
Associates	<50%
Branches	Unincorporated enterprise

...as is Canadian outward FDI

- The distribution of Canadian outward FDI by type of concern is almost identical to that of inward FDI.

Distribution of Outward FDI Stock by Type of Concern, 1999



Source: Statistics Canada