

Monthly Trade Bulletin

Volume 3 Number 1

March 2001

Key Monthly Trade Indicators (January 2001)

Highlights

January's merchandise exports declined marginally while imports fell at a significant pace, leading to an overall widening in Canada's overall trade surplus.

Similarly, exports to the U.S. were unchanged while imports from the U.S. were down significantly in January. As a result, Canada's trade surplus with the U.S. increased to a record \$10.1 billion for the month.

The Canadian dollar held steady over the month; nonetheless, it remains two and one-half US cents below its level of one year ago.

	\$ millions	% change over	
		previous month	previous year
Exports	36,690	-0.4	10.3
- Exports to U.S.	31,886	0.0	11.4
Imports	30,113	-2.9	4.0
- Imports from U.S.	21,816	-3.6	0.8
Trade Balance*	6,577	5,848	4,300
- Balance with U.S.*	10,071	9,244	6,980
Commodity Prices**	115.7	2.3	6.7
Canadian Dollar (US¢)*	66.7	66.7	69.2
Export Prices***	129.2	0.9	9.8
Import Prices***	110.3	2.3	0.9

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1992 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Strengthening Trade Linkages with the U.S.

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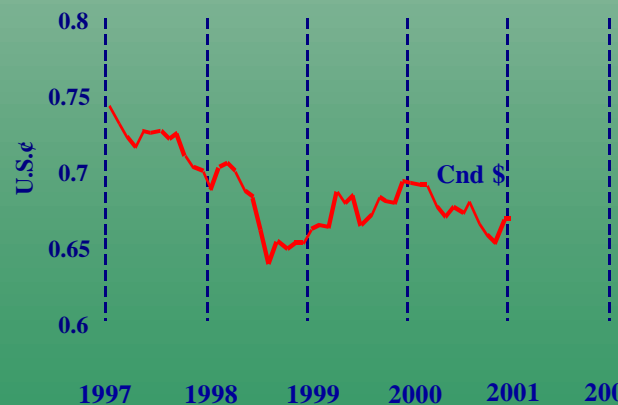
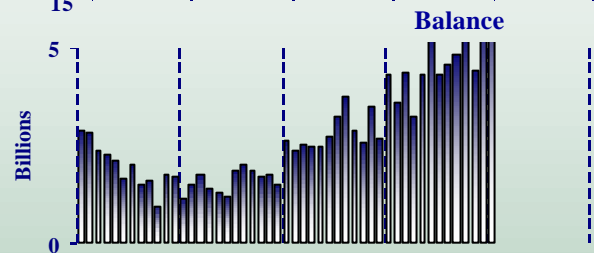
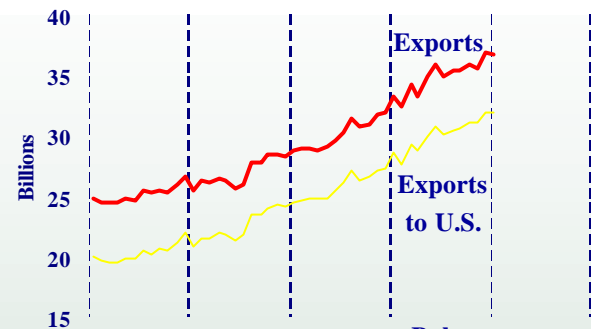
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Merchandise Trade

The trade account continues to register record surpluses

- Canada opened the new millennium in January with yet another record overall trade surplus, this time at \$6.6 billion. The surplus was \$729 million higher than last month's previous record.
 - ▶ The monthly surplus with the U.S. smashed through the \$10 billion mark.
- The trade account with all other major regions remains in deficit. The shortfall with Japan narrowed by \$121 million to \$72 million in January, while the deficit with the European Union widened by \$32 million to \$1.2 billion.



The Canadian dollar stands pat

- The Canadian dollar held steady over January. Nonetheless, the dollar remains 2.5 US¢ lower at the start of 2001 than at the start of 2000.
- The terms of trade (i.e., the ratio of export prices to import prices) slipped slightly in January. However, commodity prices firmed over the month.

Source: Statistics Canada, Bank of Canada

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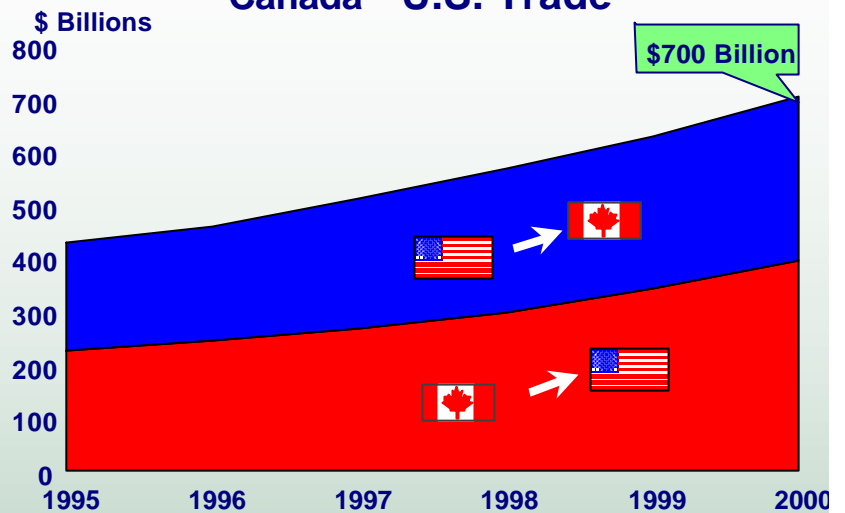
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Canada's Strengthening Trade Linkages with the U.S.

Canada's trade with the U.S. continues to forge ahead

- Total Canada-U.S. trade (goods and services) reached \$700 billion in 2000, up from \$427 billion in 1995.
- ▶ Exports reached \$393 billion and imports \$307 billion in 2000, increases of 15.4% and 7.3% respectively over the previous year.
- ▶ \$1.3 million dollars worth of goods and services cross the Canada-U.S. border every minute.

Canada - U.S. Trade

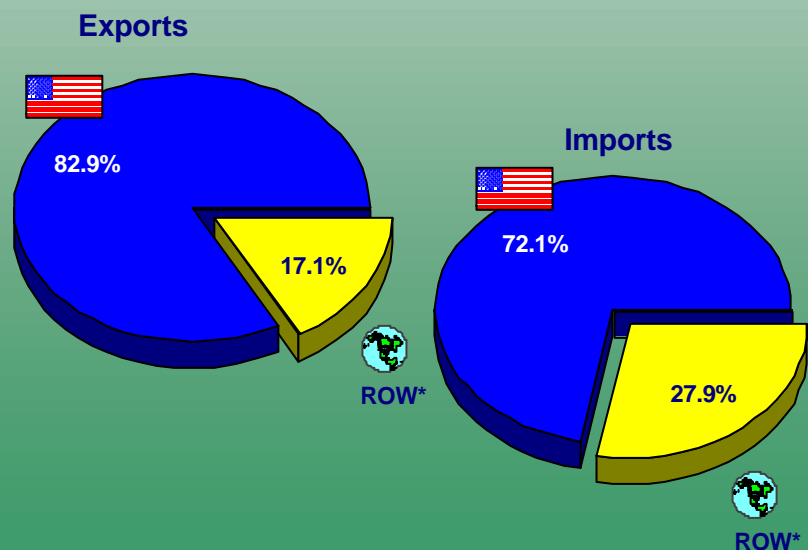


Source: Statistics Canada

The U.S. now accounts for almost 83% of our total exports

- The share of Canadian exports of goods and services going to the U.S. increased by nearly eight percentage points in just 5 years, rising from 75.0% in 1995 to 82.9% in 2000.
- ▶ During this period, the U.S. share of Canadian imports remained relatively constant at about 72%.

U.S. Share of Canadian Export and Imports



Source: Statistics Canada

Trans-shipments

Canadian exports to the U.S. may be somewhat overstated as a result of Canadian exports passing through the U.S. en route to other destinations being counted as exports to the U.S.

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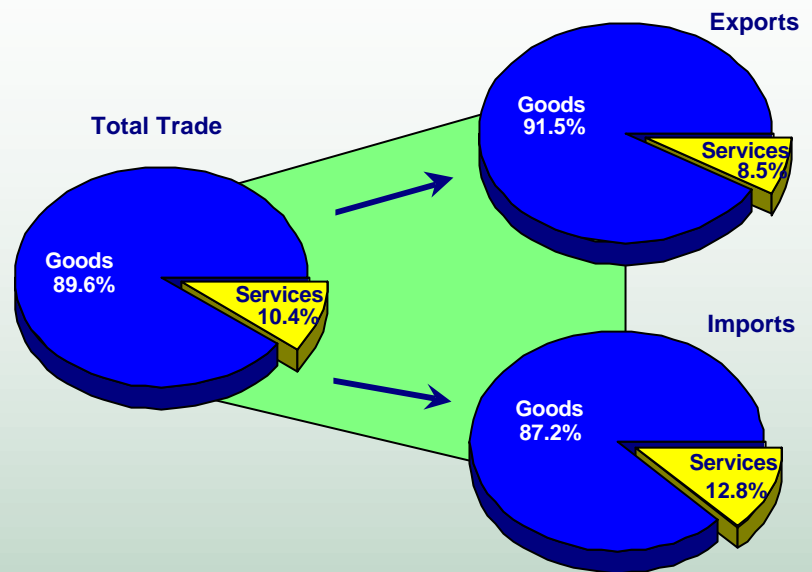
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Canada's Strengthening Trade Linkages with the U.S.

Distribution of Canada-U.S. Trade, 2000

90% of Canada-U.S trade is trade in goods

- Services account for only 10% of Canada-U.S. trade, while goods trade accounts for the rest.
- ▶ Services account for a somewhat larger share of imports than exports at 12.8% and 8.5%, respectively.



Source: Statistics Canada

It is trade in goods that has been driving Canada's growing trade surplus with the U.S.

- Canada's total trade balance (goods and services) with the U.S. increased for the fourth straight year, from \$54.3 billion in 1999 to \$86.0 billion in 2000 — and nearly triple the level in 1997..
- ▶ This was driven by the large merchandise trade surplus which increased by a third, from \$60.1 billion in 1999 to \$92.1 billion in 2000.
- ▶ At the same time, the deficit in services trade with the U.S. increased somewhat in 2000 however, reaching \$6.1 billion, up from \$5.9 billion a year earlier.

Canada - U.S. Trade Balance



Source: Statistics Canada

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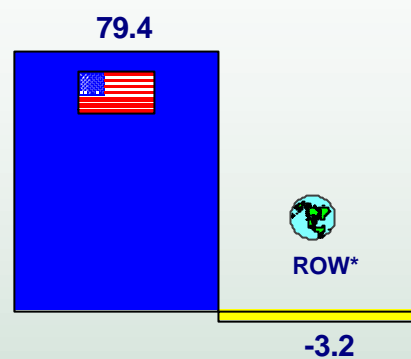
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Canada's Strengthening Trade Linkages with the U.S.

Exports to the U.S. were entirely responsible for Canada's export growth since 1995

- Between 1995 and 2000, Canada's merchandise exports increased by 79.4% — an average annual rate of 12.4%.
- Over the same period, exports to the rest of the world actually fell by 3.2%.
- If exports to the U.S. had grown at the same pace as the rest of the world between 1995 and 2000, our exports to the U.S. would actually be \$165 billion lower than they currently are.

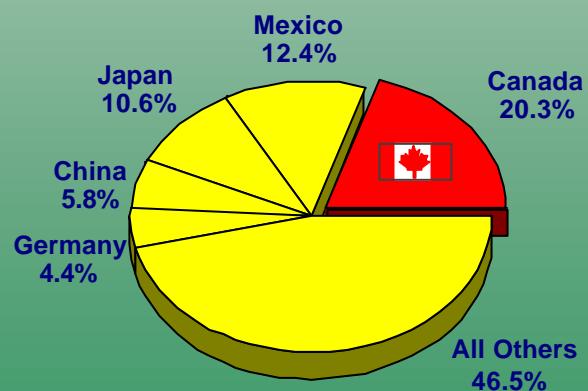
Growth in Canadian Merchandise Exports, Percent 1995-2000



Trade with Canada is also vitally important to the U.S. as well

- Canada continues to be, by a wide margin, the U.S.'s largest trading partner.
- ▶ The U.S. trades more with Canada than with all of the countries of the E.U. combined!

Distribution of U.S. Trade* — 2000



* Merchandise trade
Source: World Trade Atlas

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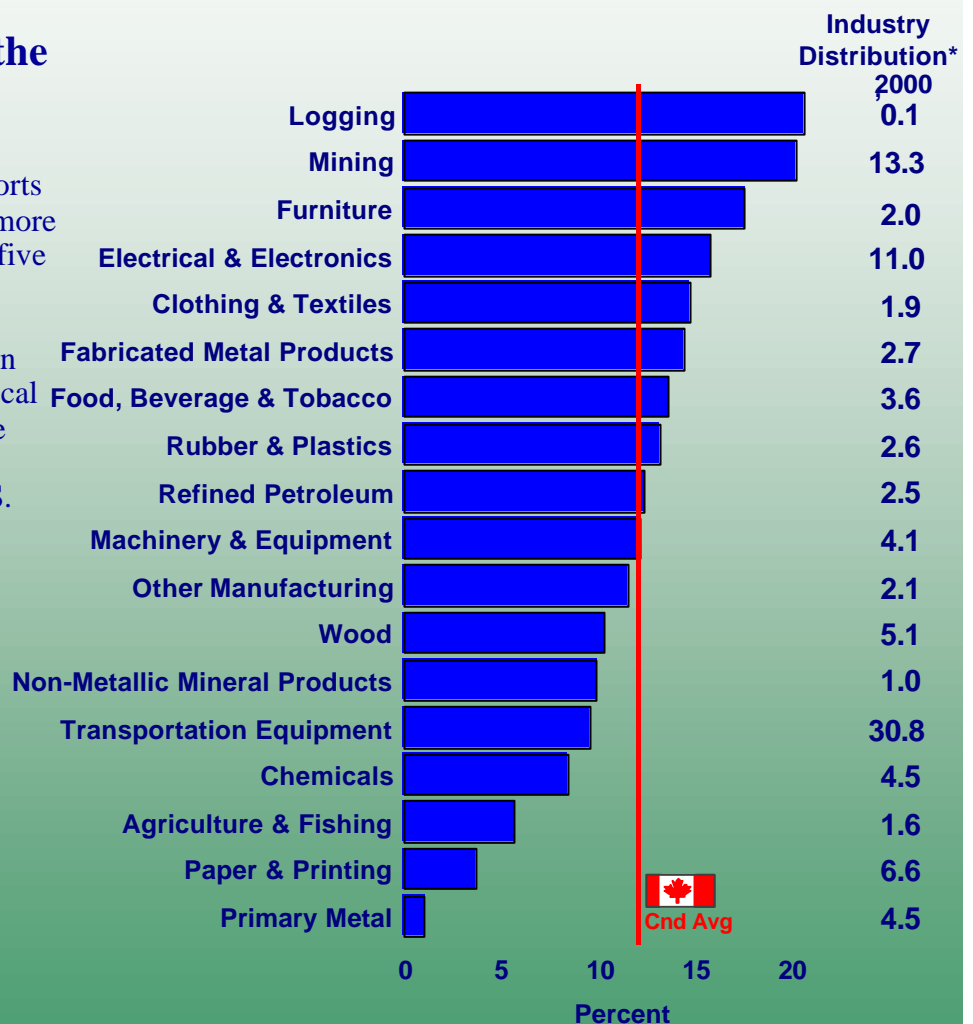
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Canada's Strengthening Trade Linkages with the U.S.

Transportation Equipment still accounts for nearly one-third of Canadian merchandise exports to the U.S.

- Both Logging and Mining exports to the U.S. grew, on average, more than 20% per year for the past five years.
- Three industries; Transportation Equipment, Mining and Electrical & Electronics account for more than half of all Canadian merchandise exports to the U.S.

Average Annual Growth in Merchandise Exports to the U.S. By Industry, 1995-2000



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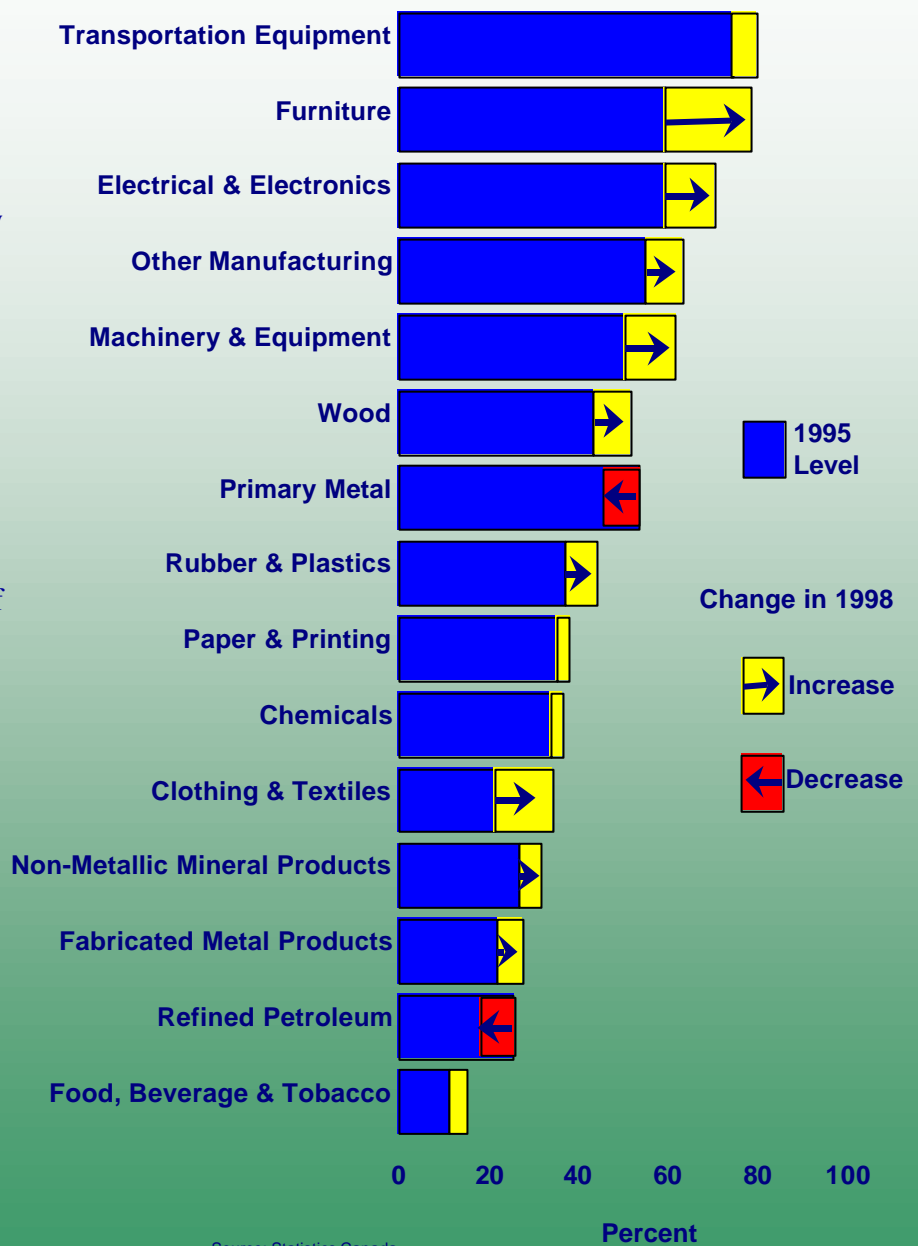
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Canada's Strengthening Trade Linkages with the U.S.

Merchandise Exports to U.S. As Share of Shipments

The importance of the U.S. market increased for most industries

- Exports to the U.S. as a share of total shipments increased in nearly every industry (except Primary Metal and Refined Petroleum) between 1995 and 1998.
- ▶ Furniture and Clothing & Textiles experienced the largest increase in share of shipments going to the U.S.
- ▶ Six industries now send more than half of their output south of the border, these include many knowledge intensive industries such as Transportation Equipment, Electrical & Electronics and Machinery & Equipment.



Source: Statistics Canada

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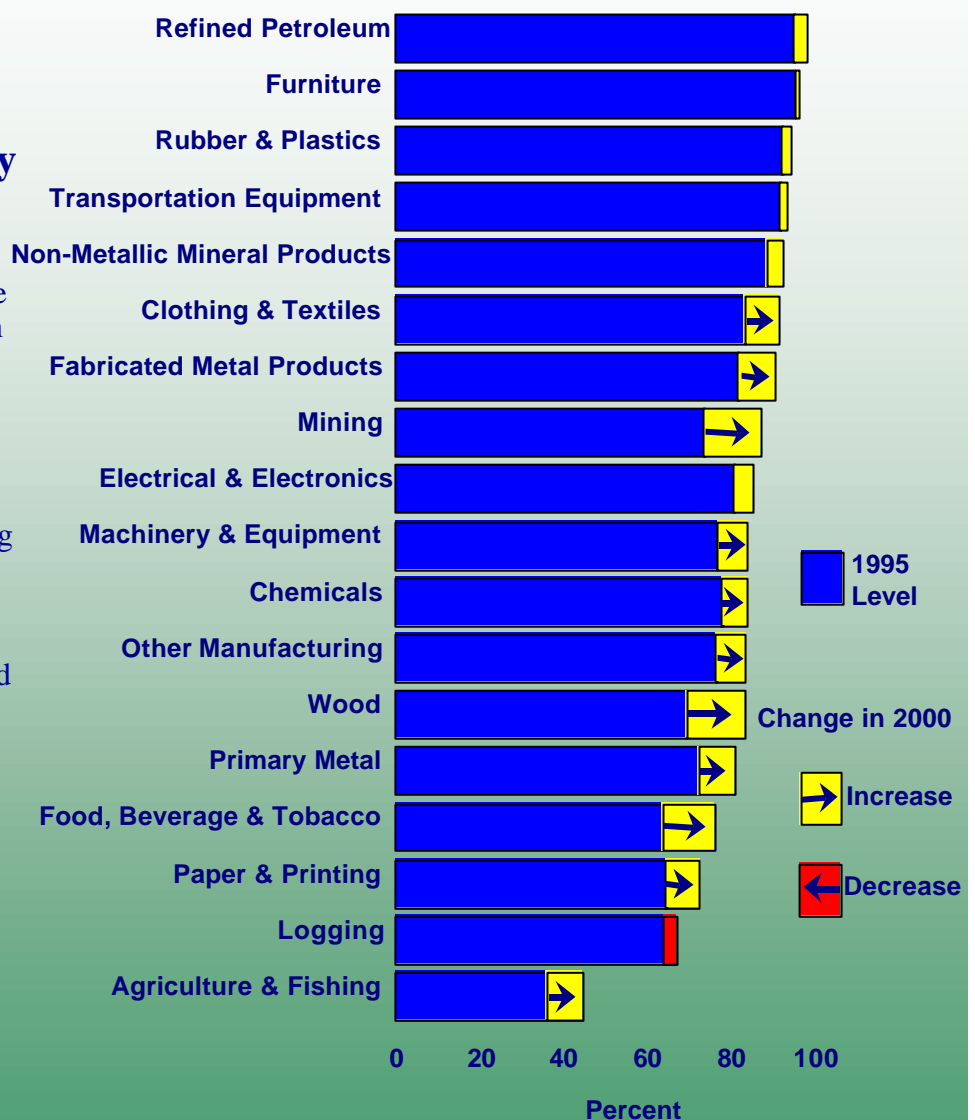
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Canada's Strengthening Trade Linkages with the U.S.

Canada's trade linkages with the U.S. increased in nearly every industry

- Between 1995 and 2000, the U.S. share of total Canadian merchandise exports increased in all industries (except Logging).
- ▶ The largest increases occurred in Wood, Mining and Food, Beverage & Tobacco.
- ▶ Seven industries now send more than 90% of their exports to the U.S.

Share of Merchandise Exports Going to the U.S.



Source: Statistics Canada

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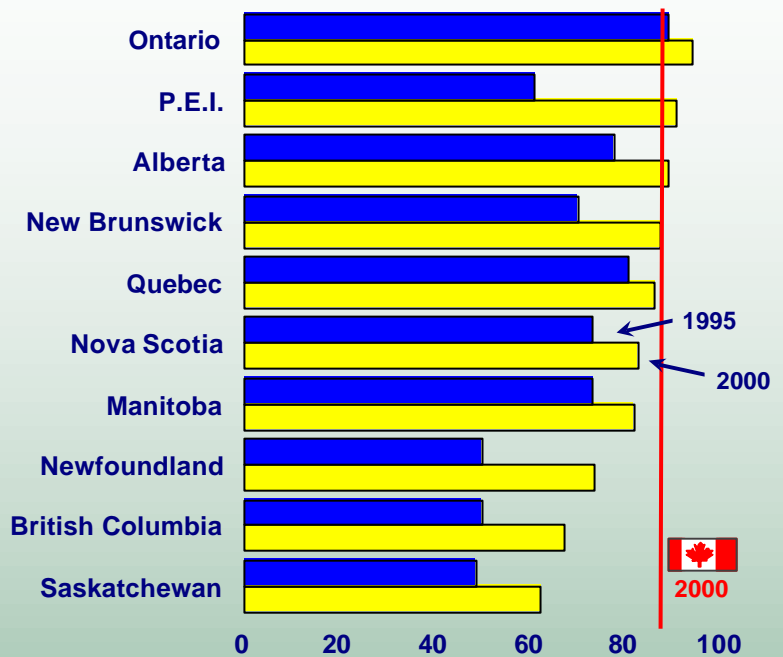
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Canada's Strengthening Trade Linkages with the U.S.

Share of Exports Merchandise Going to the U.S.

Trade linkages with the U.S. increased for all provinces

- 87.2% of all Canadian merchandise exports go to the U.S
- The U.S. accounts for at least 60% of exports of all provinces, ranging from 62% for Saskatchewan to 93% for Ontario.



Source: Statistics Canada

Canadian exports increased to 48 out of 50 U.S. states

- We exported more to nearly every state from 1995 to 2000, the only exceptions being Rhode Island and Hawaii.
- The top 5 U.S. states account for nearly 50% of our exports to the U.S.
 - We export more to Washington State (ranks 5th among U.S. states) than to all of the Asia-Pacific region.
 - Mexico ranks behind 32 states in terms of importance as a destination for our exports.

Top 5 U.S. States

Export Share, 2000		Export growth*, 1995-2000	
Michigan	20.8	Wyoming	86.3
New York	10.9	Arizona	34.4
California	7.1	Oklahoma	32.4
Illinois	5.1	District of Columbia	29.6
Washington	4.5	Nevada	29.2

* Average Annual Growth Rate
Source: Statistics Canada

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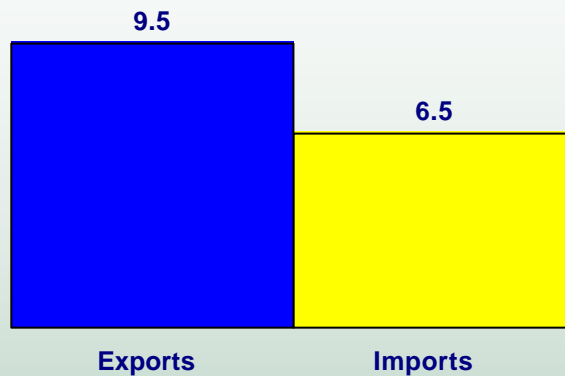
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Canada's Strengthening Trade Linkages with the U.S.

Growth in Canada-U.S. services trade has also been strong...

- Canadian services exports to the U.S. grew at about the same pace as merchandise exports over the 1995-2000 period.
- Service imports from the U.S. however, grew at a significantly lower rate than merchandise imports, 6.5% compared to 9.6%

Average Annual Growth in Services Trade With the U.S., Percent 1995-2000

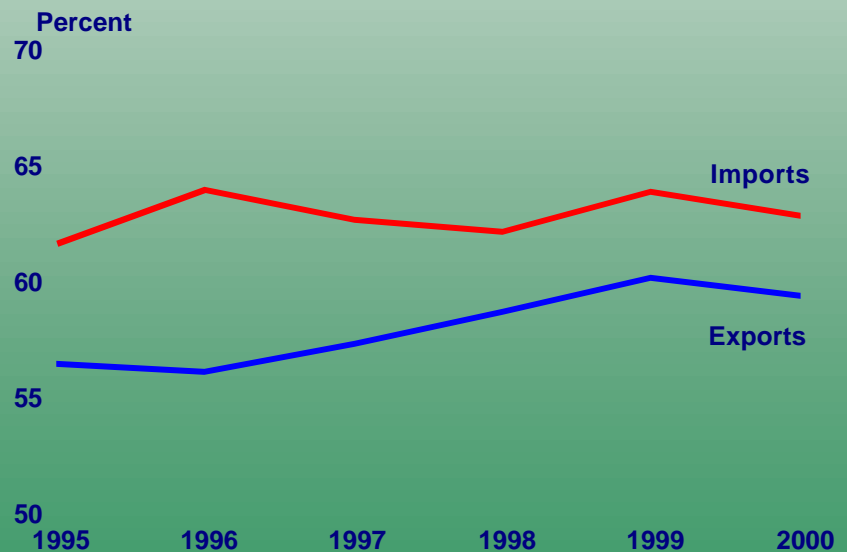


Source: Statistics Canada

...although, the U.S. share of total services trade increased only slightly

- To countries other than the U.S., services trade grew at a much more rapid pace than merchandise trade between 1995 and 2000.
- As a result, unlike merchandise trade, the U.S. share of Canadian services trade increased only slightly.
 - ▶ U.S. share of service exports increased from 56.4% in 1995 to 59.3% in 2000, imports increased from 61.5% to 62.8% over the same period..
 - ▶ Both imports and exports saw a slight decline in the U.S. share in 2000.

U.S. Share of Canadian Trade in Services



Source: Statistics Canada