

Monthly Trade Bulletin

Volume 5 Number 5

July 2003

Key Monthly Trade Indicators (May 2003)

Highlights

- Exports fell more than imports in May, resulting in a substantial drop in Canada's overall merchandise trade surplus with the world.
- Both the U.S. and non-U.S. trade balances deteriorated in May.
- The Canadian dollar surged in May to 73.1¢, gaining US 3.3¢ in value during the month.

	\$ millions	% change over	
		previous month	previous year
Exports	32,616	-2.8	-4.5
- Exports to U.S.	27,097	-2.8	-6.0
Imports	28,629	-1.1	-2.3
- Imports from U.S.	20,066	-1.5	-5.2
Trade Balance*	3,987	4,602	4,868
- Balance with U.S.*	7,031	7,508	7,652
Commodity Prices**	119.0	3.3	1.0
Canadian Dollar (US¢)*	73.1	69.8	65.4
Export Prices***	104.7	-3.3	-1.0
Import Prices***	98.5	-3.4	-0.6

* 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 – U.S. Trade: A Regional Dimension

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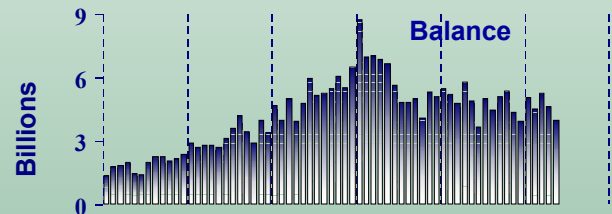
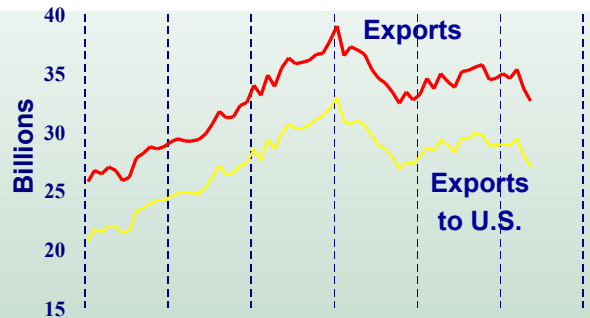
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Merchandise Trade

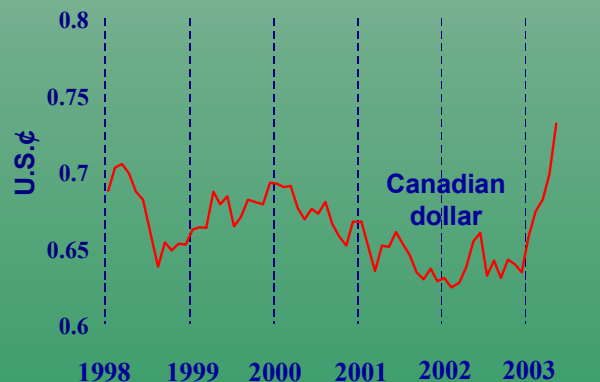
Trade balances narrow ...

- The overall Canadian trade surplus fell by \$615 million in May, to \$4.0 billion.
 - May's monthly surplus with the U.S. contracted by \$477 million to \$7.0 billion.
- The trade deficit with the EU shrank by \$245 million to \$787 million in May, while those with Japan and other countries widened by \$172 million and \$211 million, to \$184 million and \$2.1 billion, respectively.



... while the value of the Canadian dollar continues to rise

- The value of the Canadian dollar climbed for the fifth consecutive month, up by slightly more than US3.3¢ in May. It closed the month at US73.1¢. The value of the dollar was US7.6¢ (or 11.7%) higher in May than its rate one year earlier.
- Commodity prices increased sharply, reversing the decline in the previous two months. The terms of trade were little changed as export and import prices fell at a similar rate in May.



Source: Statistics Canada, Bank of Canada

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Canada – U.S. Trade: A Regional Dimension

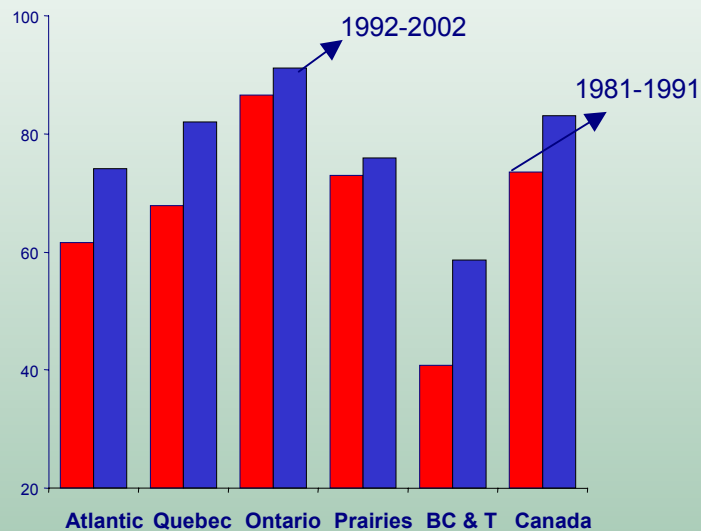
The U.S. share of merchandise exports increased in all Canadian regions in the 1992-2002 period...

- In both the 1980s and 1990s, the U.S. share was highest for Ontario and lowest for B.C. & the Territories.
 - More than 90% of Ontario exports went to the U.S. market in the 1990s, compared to only about 59% in B.C. & the Territories.
 - But the share of B.C. & the Territories exports increased by 18 percentage points in the 1990s, the fastest increase among Canadian regions.
- The buoyant U.S. economy, the weak Canadian dollar and the FTA/NAFTA seem to have contributed to the strong export growth to the U.S.

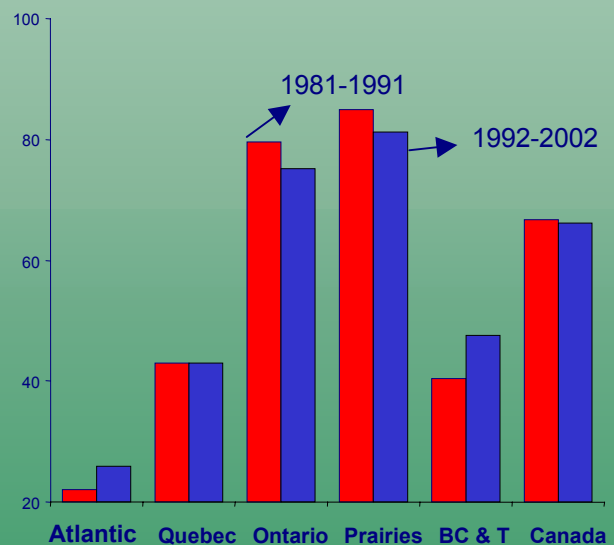
...But the U.S. share of Canadian imports fell in the 1990s in all regions, except B.C. & Territories and Atlantic Canada.

- It is interesting to note that about three quarters of imports in Atlantic Canada and more than half of imports in Quebec and B.C. & the Territories came from non-U.S. sources.
- The strong U.S. dollar relative to other currencies and the growing penetration of imports from China and other Asian countries might explain the declining importance of U.S. imports.

U.S. Share of Canadian Merchandise Exports 1981-2002 (Percent)



U.S. Share of Canadian Merchandise Imports 1981-2002 (Percent)



Source: Industry Canada compilations based on Statistics Canada data

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Canada – U.S. Trade: A Regional Dimension

Distribution of Canadian Exports to the U.S. Regions, 1981-2002* (Percent)

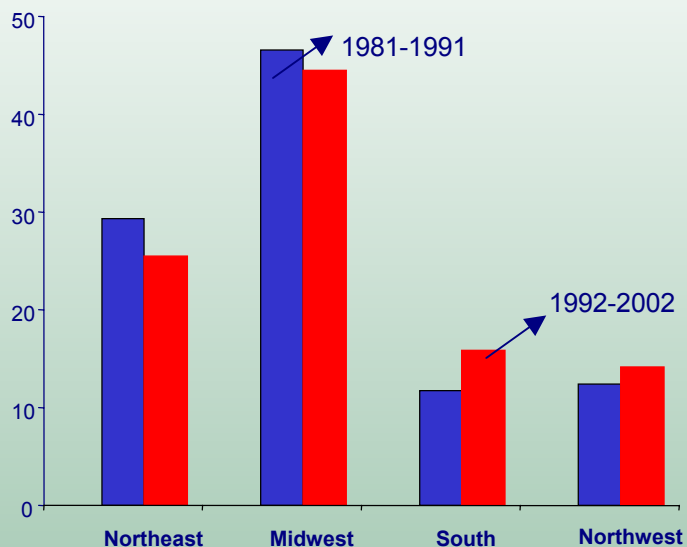
More and more of Canadian merchandise exports are destined to the U.S. South and Northwest regions...

- The share of South and Northwest regions in Canada's merchandise exports to the U.S. averaged 30% in the 1990s, up from 24% in the 1980s.

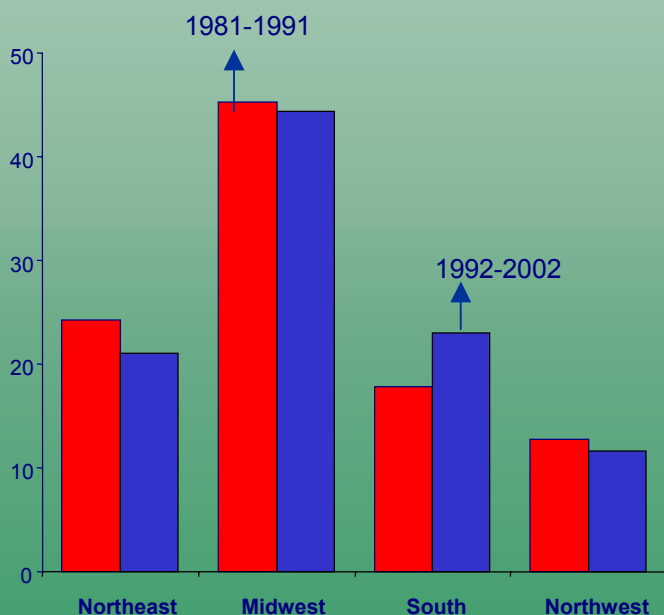
...Similarly, the share of the U.S. South in Canada's imports increased by 5 percentage points, averaging 23% in the 1990s.

- The Midwest is also the dominant region in terms of Canada's imports from the U.S. Canada's imports from this region averaged 44% in the 1990s.

*The Northeast region includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Delaware, District of Columbia, Maryland, New Jersey, New York, and Pennsylvania; the Midwest region includes of Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; the South region includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia, Arizona, New Mexico, Oklahoma and Texas; and the Northwest region includes Colorado, Idaho, Montana, Utah, Wyoming, Alaska, California, Hawaii, Nevada, Oregon and Washington.



Distribution of Canadian Imports from the U.S. Regions, 1981-2002* (Percent)



Source: Industry Canada compilations based on Statistics Canada data

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Importance of primary and labour-intensive industries in Canada's merchandise exports to the Northeast increased in the 1990s...

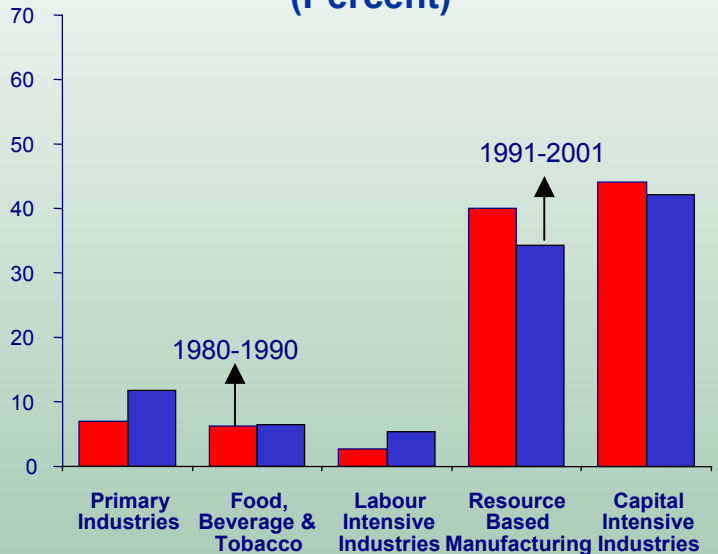
- But capital intensive and resource based manufacturing exports still represent 77% of Canada's exports to the region.

...But the share of capital-intensive industries remained constant at 64% in exports to the Midwest region.

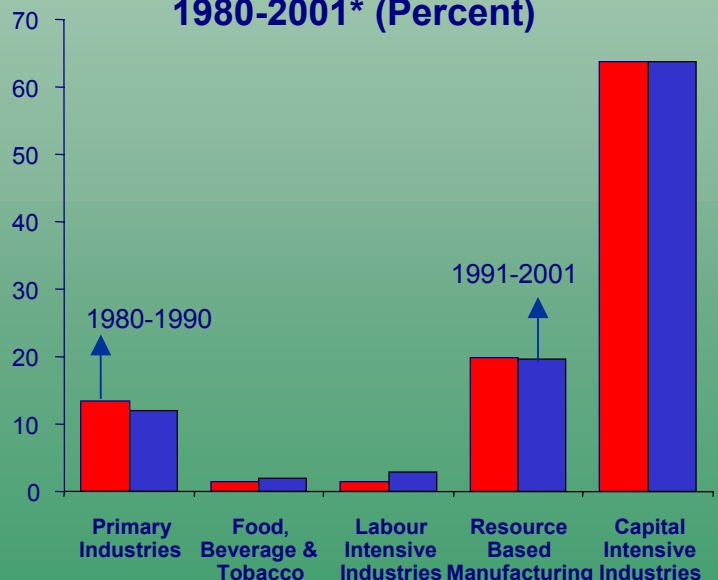
- As in the Northeast, the share of labour-intensive products also increased in the Midwest. It came at the expense of primary industries.

* "Primary industries" include agriculture, fishing, logging, forestry, mining, crude petroleum and natural gas industries. Rubber, plastic, leather, primary textile and clothing industries are classified as "Labour intensive industries". Wood, furniture and fixture, paper, primary metal, fabricated metal and refined petroleum industries are aggregated into "Resource based manufacturing". In "Capital intensive industries", we include printing, publishing, both electrical and non-electrical machinery, transportation, chemical and other manufacturing industries.

Industrial Composition of Canadian Exports to U.S. Northeast, 1980-2001* (Percent)



Industrial Composition of Canadian Exports to the U.S. Midwest, 1980-2001* (Percent)



Source: Industry Canada compilations based on Statistics Canada data

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Canada – U.S. Trade: A Regional Dimension

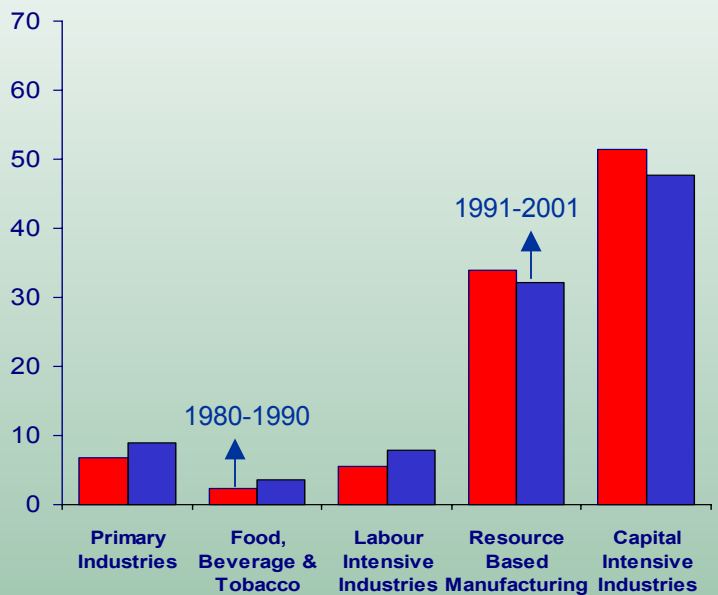
The importance of capital-intensive and resource-based manufacturing industries in Canada's exports to the U.S. South declined in the 1990s...

- The share of resource-based and labour intensive manufacturing products is higher in our exports to U.S. South than to other U.S. regions.

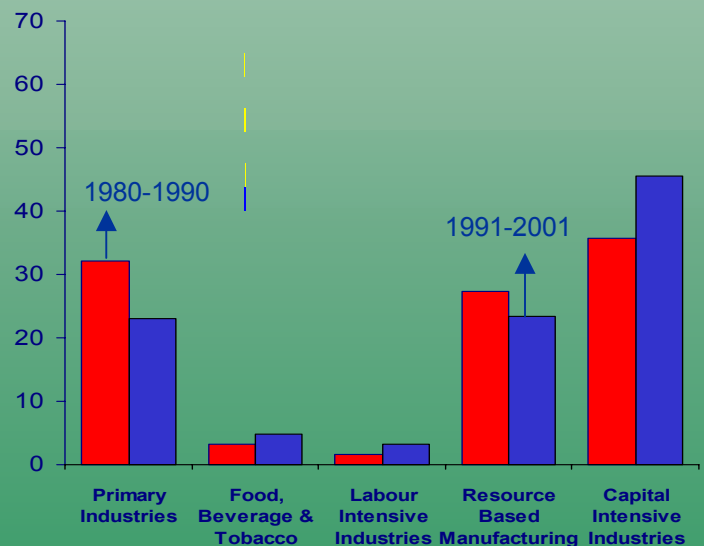
...On the other hand, the importance of capital-intensive industries increased in Canada's exports to U.S. Northwest.

- Compared to other U.S. regions, primary industries contribute the most to Canada's exports to the U.S. Northwest.
 - Despite a sharp fall, the share of primary industry in exports to this region was 23% during 1991-2002, compared to the 13% share in Canada's exports to the U.S. as a whole.
 - Although the share of capital intensive industries increased considerably in the 1990s, their share in Northwest is still considerably lower than their share in Canada's total exports to the U.S.

Industrial Composition of Canadian Exports to U.S. South, 1980-2001 (Percent)



Industrial Composition of Canadian Exports to U.S. Northwest, 1980-2001 (Percent)



Source: Industry Canada compilations based on Statistics Canada data

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Canada – U.S. Trade: A Regional Dimension

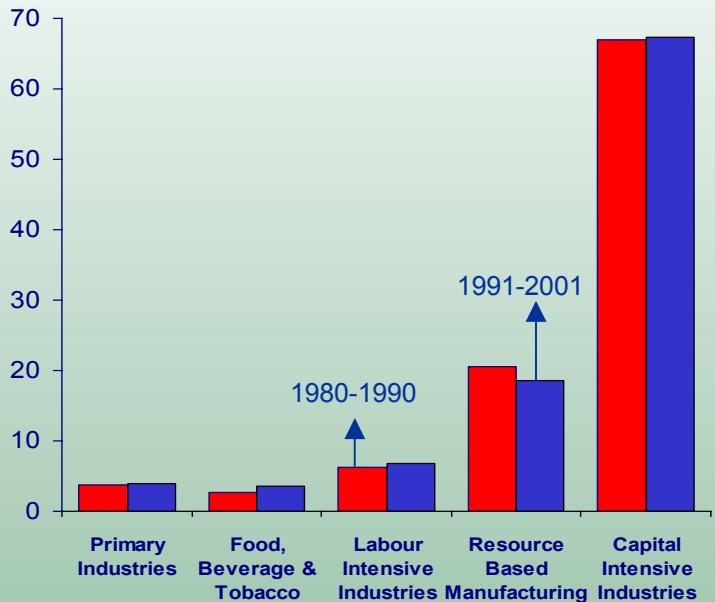
Industrial Composition of Canadian Imports from U.S. Northeast, 1980-2001 (Percent)

Capital-intensive industries represent 67% of Canada's imports from U.S. Northeast...

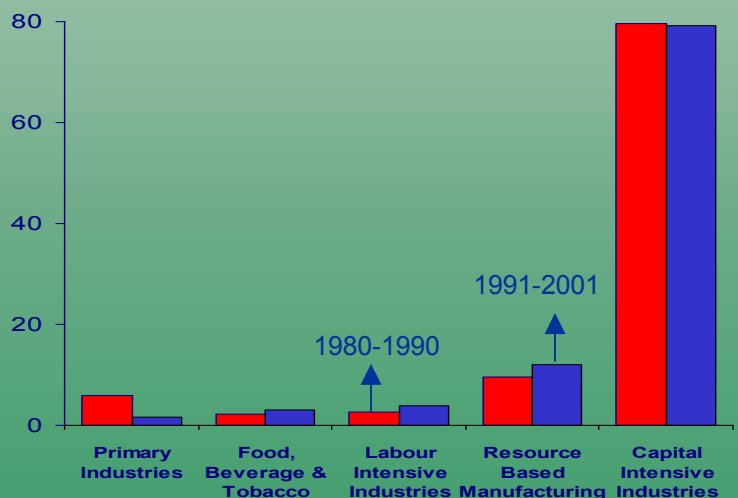
- Although the share of resource-based industries fell from 21% in first period to 19% in 1991-2001, their share in this region is still significantly higher than the share in imports from other U.S. regions.

...Similarly, about 80% of imports from the U.S. Midwest are capital-intensive products.

- The share of labour-intensive, food, beverages and tobacco and resource-based manufacturing industries in Canada's imports from U.S. Midwest increased in the 1990s at the expense of primary industries.
- The share of primary industries was the lowest in this region in the 1990s.



Industrial Composition of Canadian Imports from U.S. Midwest, 1980-2001 (Percent)



Source: Industry Canada compilations based on Statistics Canada data

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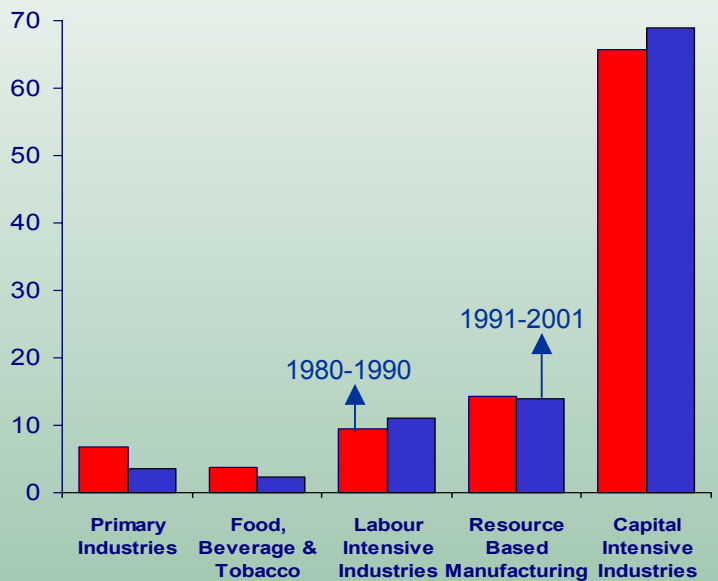
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Canada – U.S. Trade: A Regional Dimension

Industrial Composition of Canadian Imports from U.S. South, 1980-2001 (Percent)

The share of labour-intensive industries in Canada's imports from the South is the highest among all U.S. regions...

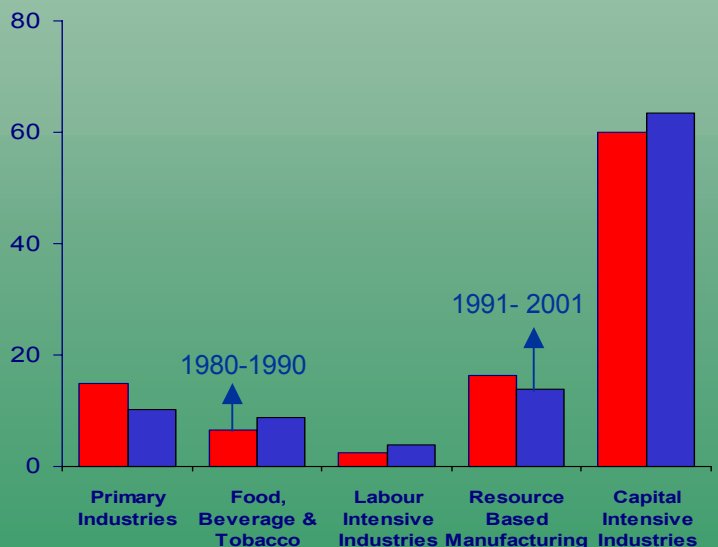
- The fall in the share of primary and food, beverage and tobacco industries in the 1990s was taken by labour- and capital-intensive industries.



...On the other hand, the contribution of primary industries to imports from U.S. Northwest region was the largest among all U.S. regions in both periods.

- During 1991-2002, primary industries' share in Canada's imports from this region was 10%.
- The increase in the shares of capital- and labour-intensive industries came at the expense of primary and resource-based manufacturing industries.

Industrial Composition of Canadian Imports from U.S. Northwest, 1980-2001 (Percent)



Source: Industry Canada compilations based on Statistics Canada data