

# Monthly Trade Bulletin

Volume 5 Number 6

August 2003

## Key Monthly Trade Indicators (June 2003)

### Highlights

- Exports fell more than imports in June, as Canada's overall merchandise trade surplus with the world narrowed.
- Non-U.S. trade balances deteriorated while the trade balance with the U.S. improved for the month.
- The Canadian dollar was on the rise in June, gaining US¢ 1.1 during the month.

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	31,560	-3.1	-6.5
- Exports to U.S.	26,456	-1.6	-6.1
<b>Imports</b>	27,998	-2.2	-7.0
- Imports from U.S.	19,282	-3.8	-9.4
<b>Trade Balance*</b>	3,562	3,946	3,665
- Balance with U.S.*	7,174	6,834	6,904
<b>Commodity Prices**</b>	122.6	3.2	-2.9
<b>Canadian Dollar (US¢)*</b>	74.2	73.1	66.0
<b>Export Prices***</b>	101.2	-1.9	-0.1
<b>Import Prices***</b>	95.5	-2.7	-1.4

\* Data in levels only.

\*\* Index (1982-90 = 100)

\*\*\* Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

## This Month's Feature Report: Recent Trends in Canada's High-Technology Trade

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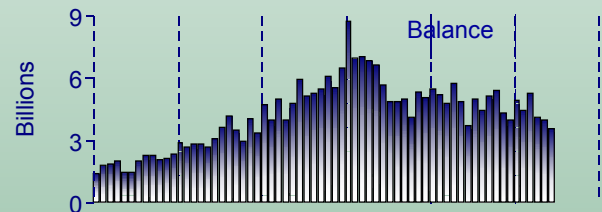
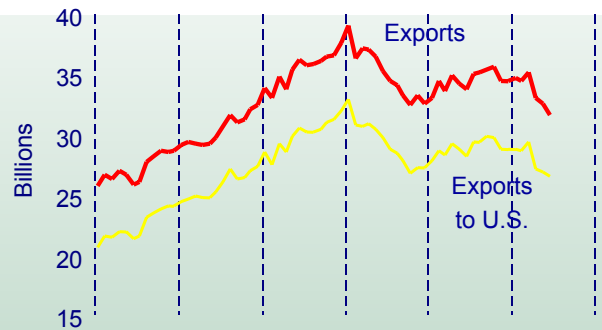
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## Recent Trends in Canada's High-Technology Trade

### Merchandise Trade

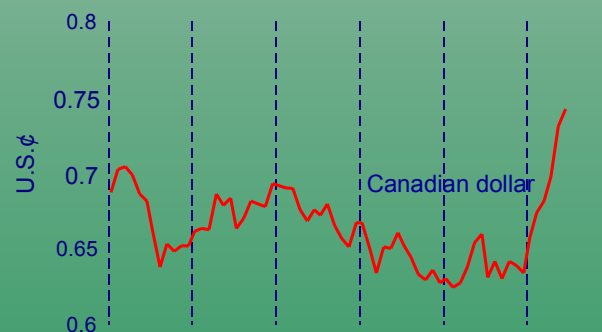
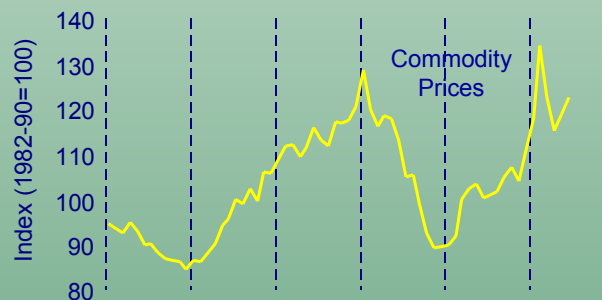
#### Trade balances narrow ...

- The overall Canadian trade surplus fell by \$384 million in June, to \$3.6 billion.
  - However, June's monthly surplus with the U.S. expanded by \$340 million to \$7.2 billion.
- The trade deficit with the European Union, Japan and other countries shrank: EU (down \$226 million), Japan (down \$171 million) and other countries (down \$329 million).



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

- The value of the Canadian dollar climbed for the sixth consecutive month, up by slightly more than US¢ 1.1 in June. It closed the month at US¢ 74.2. The value of the dollar was US¢ 8.3 (or 12.5 percent) higher in June than its rate one year earlier.
- Commodity prices increased for the second month, the largest increase in 22 months. The terms of trade deteriorated slightly as import prices fell more than export prices.



Source: Statistics Canada, Bank of Canada

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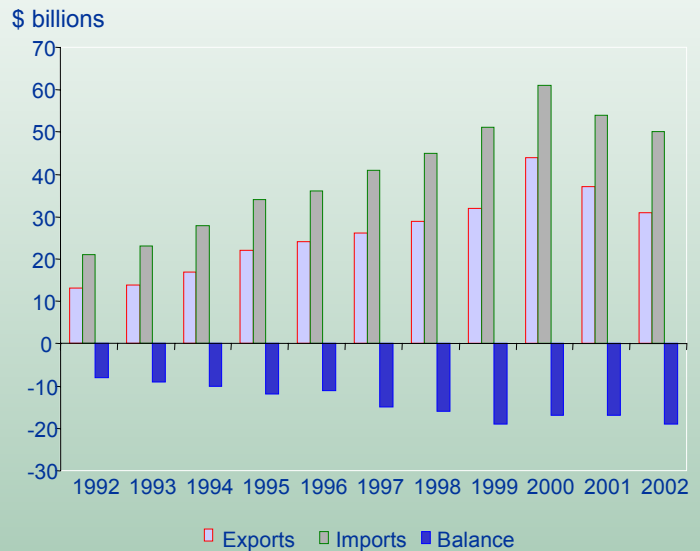
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## Recent Trends in Canada's High-Technology Trade

### Canadian exports and imports of high-tech manufacturing industries continue to fall from their peak levels in 2000.

- Between 2001 and 2002, exports fell from \$37 billion to \$31 billion (16 percent) and imports from \$54 billion to \$50 billion (7 percent). Total Canadian deficit in this area increased from \$17 billion to \$19 billion (12 percent).
- Among the four industries in the high-tech manufacturing sector, communications – electronics and computers accounted for most of the drop in Canadian trade in this group of industries.
  - Communications - electronics: exports fell from \$14 billion to \$11 billion (21 percent), imports from \$21 billion to \$18 billion (14 percent).
  - Computers: exports fell from \$6.3 billion to \$4.6 billion (27 percent), imports from \$15 billion to \$14 billion (7 percent).
  - Aerospace: exports fell from \$15 billion to \$13 billion (13 percent), imports from \$11 billion to \$10 billion (9 percent).
  - Pharmaceuticals: exports increased from \$2.3 billion to \$2.6 billion (13 percent), imports from \$7 billion to \$8 billion (14 percent).

### Canadian Trade in High-Technology Manufacturing Industries



Source: Statistics Canada

#### \*Definition of "High Technology" Manufacturing Industries

Based on the OECD sectoral definitions of 1997, the following industries in the manufacturing sector are considered as "high-technology" industries, along with their codes in the North American Industrial Classification System (NAICS)

	<u>NAICS</u>
<b>Aerospace</b>	
Aerospace Product and Parts Manufacturing	3364
<b>Communications - Electronics</b>	
Communications Equip. Manufacturing	3342
Audio and Video Equipment Manufacturing	3343
Semiconductor and Other Electronics	
Component Manufacturing	3344
<b>Computers</b>	
Computer and Peripheral Equipment Manufacturing	3341
<b>Pharmaceutical - Medicine</b>	
Pharmaceutical and Medicine Manufacturing	3254

Trade data are collected on a product basis and assigned to industries based on a concordance with the Canadian industry that produces that good. Therefore, imports are assigned by producing industry and not by consuming industry.

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## Recent Trends in Canada's High-Technology Trade

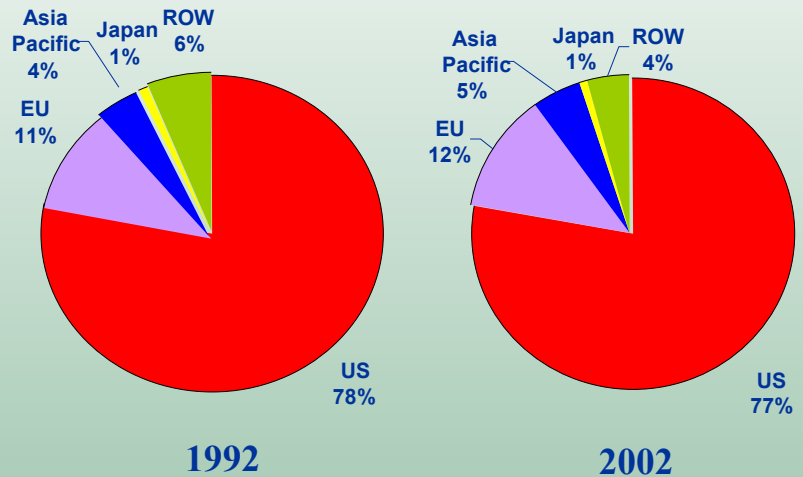
The geographical distribution of Canadian high-tech manufacturing exports in 2002 was more or less the same as in 1992...

The U.S. accounted for 77 percent (vs. 78 percent) of Canadian export with the rest accounted for by the EU (12 percent vs. 11 percent), Asia-Pacific (5 percent vs. 4 percent), Japan (unchanged at 1 percent), and the rest of the world (4 percent vs. 6 percent).

...but as a source of Canadian high-tech imports, the U.S. has become less and less dominant over the years, while Asia-Pacific and the EU have become increasingly more important.

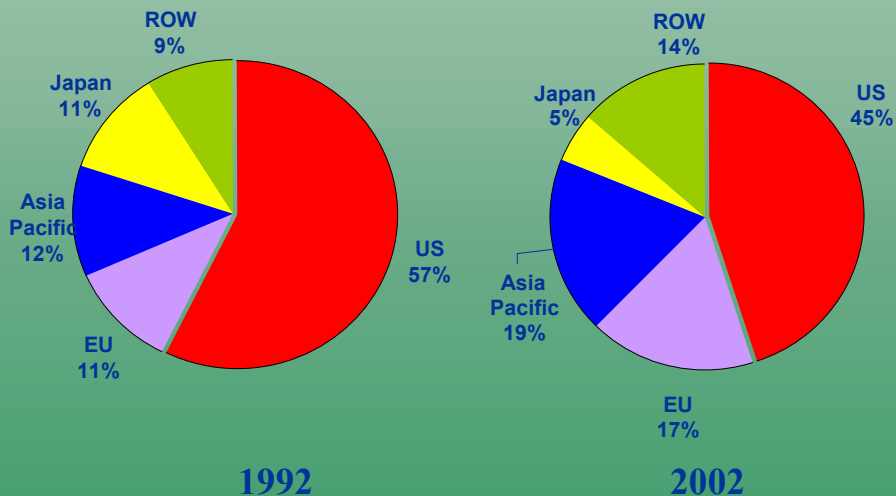
The U.S. share in total Canadian imports dropped from 57 percent in 1992 to 45 percent in 2002. On the other hand, the shares of Asia-Pacific and the EU have risen from 12 percent to 19 percent and from 11 percent to 17 percent respectively. Japan's share dropped by more than one half, from 11 percent to 5 percent.

### Distribution of High-Technology Manufacturing Exports by Country/Region



Source: Statistics Canada

### Distribution of High-Technology Manufacturing Imports by Country/Region



Source: Statistics Canada

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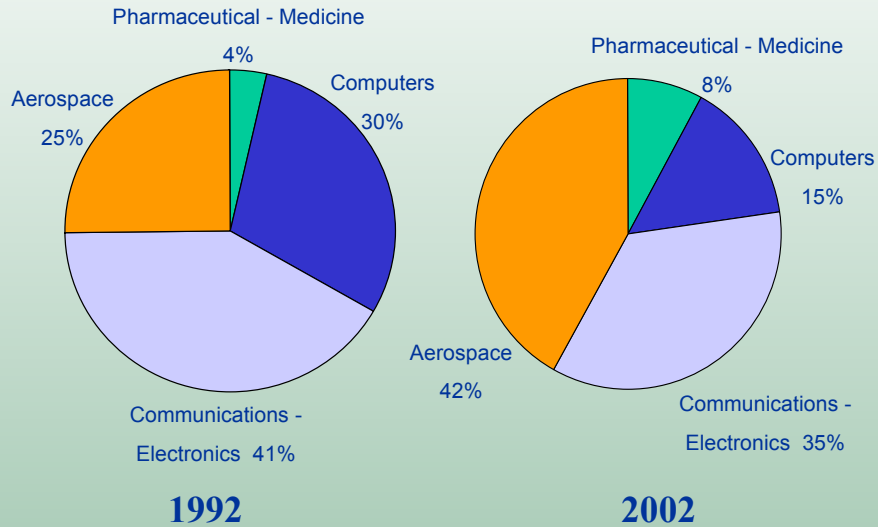
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## Recent Trends in Canada's High-Technology Trade

### Distribution of Canadian High-Technology Manufacturing Exports by Industry

The distribution of high-tech exports by industry shows a growing importance of the aerospace industry and the pharmaceutical-medicine industry...

- The shares of aerospace and pharmaceutical-medicine industries Canadian exports in high-tech manufacturing industries increased from 25 percent to 42 percent and 4 percent to 8 percent respectively. On the other hand, the shares of both communications – electronics and computers dropped from 41 percent to 35 percent and 30 percent to 15 percent.

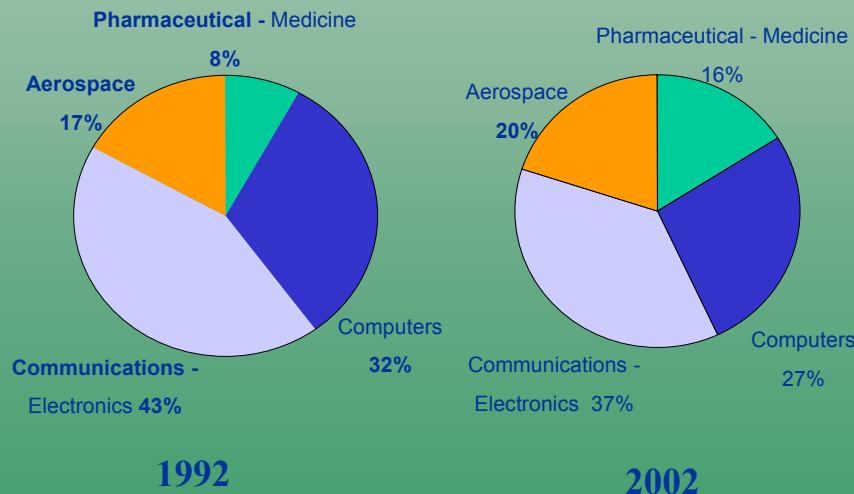


Source: Statistics Canada

### Distribution of Canadian High-Technology Manufacturing Imports by Industry

...similar to trends for imports.

- Respectively on the imports side, the share pharmaceutical-medicine doubled over the 11-year period, from 8 percent to 16 percent, and the share of aerospace increased from 17 percent to 20 percent. On the other hand, the shares of both communications – electronics and computers dropped, from 43 percent to 37 percent, and from 32 percent to 27 percent respectively.



Source: Statistics Canada

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## Recent Trends in Canada's High-Technology Trade

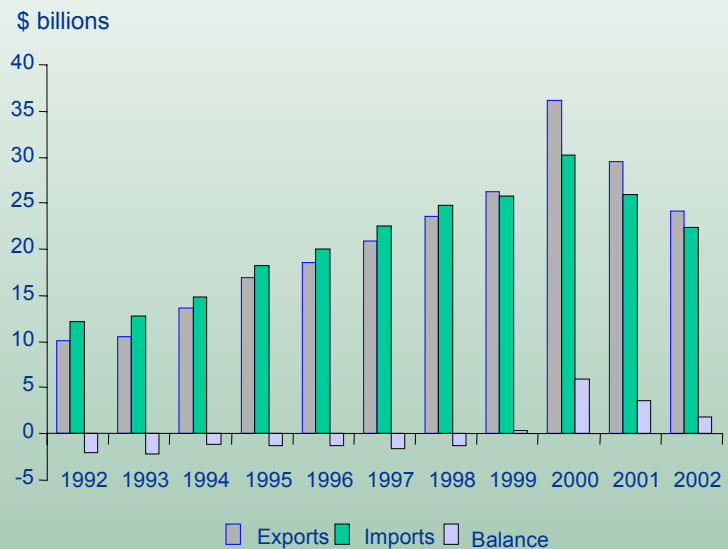
**Canada – U.S. trade in high-tech manufacturing industries continued to be affected by the down-turn in information and communication tech industries since 2000.**

- The value of Canadian exports to the U.S. in these industries dropped again, from \$29 billion in 2001 to \$24 billion in 2002, a drop close to 17 percent. On the imports side, the decline was somewhat less precipitous: from \$26 billion to \$22 billion, or by 15 percent. Canada's trade surplus with the U.S. – starting in 1999 - fell by almost one half, from \$3.5 billion in 2001 to \$1.8 billion in 2002.

- **The importance of aerospace and pharmaceutical-medicine in Canada's exports to the U.S. has increased considerably over the last 10 years...**

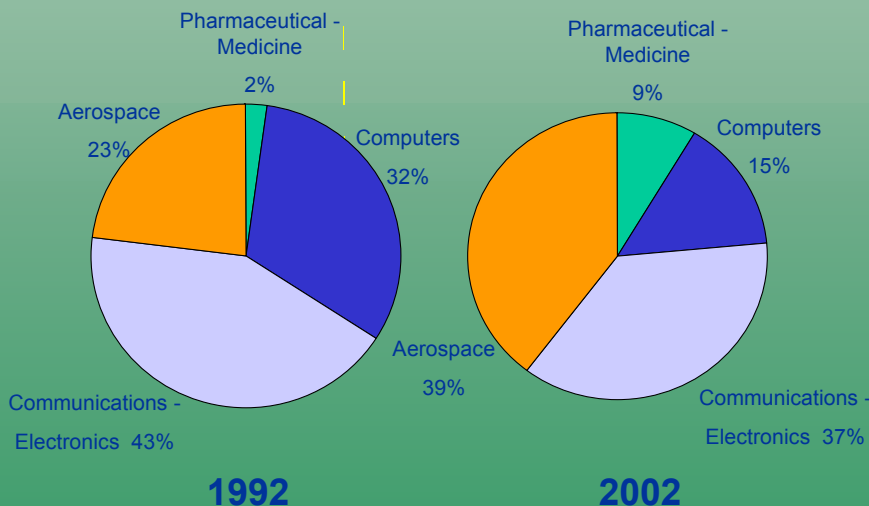
- The shares of aerospace and pharmaceutical-medicine in total Canadian exports in high-tech manufacturing industries have increased from 23 percent to 39 percent and from 2 percent to 9 percent respectively. On the other hand, the shares of communications – electronics and computers, have dropped from 43 percent to 37 percent and from 32 percent to 15 percent respectively.

### Canada – U.S. Trade in High-Tech Manufacturing Industries - Total



Source: Statistics Canada

### Distribution of Canadian Exports of High-Tech Manufacturing Industries to the U.S.



Source: Statistics Canada

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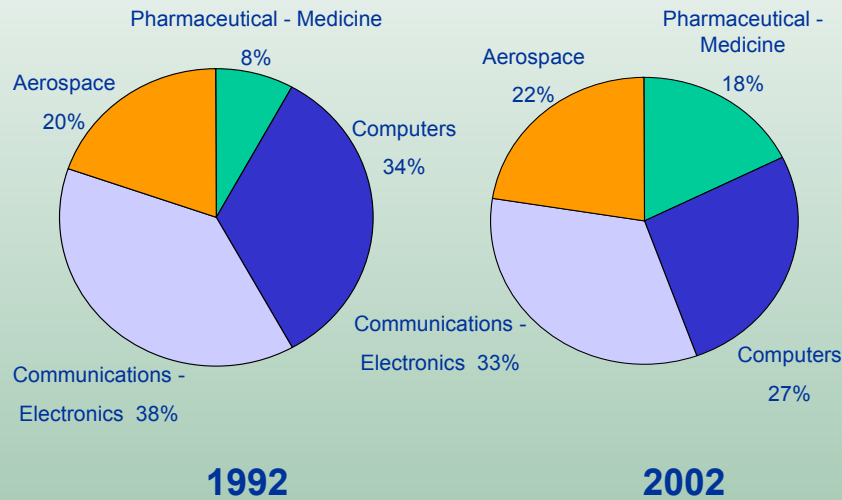
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## Recent Trends in Canada's High-Technology Trade

### Distribution of Canadian Imports in High-Tech Manufacturing Industries from the U.S.

...Similarly, their shares in high-tech imports from the U.S. increased.

- Their contributions to total Canadian imports in high-tech manufacturing industries have increased from 20 percent to 22 percent and from 8 percent to 18 percent respectively. On the other hand, the shares of communications – electronics and computers have dropped from 38 percent to 33 percent and from 34 percent to 27 percent respectively.

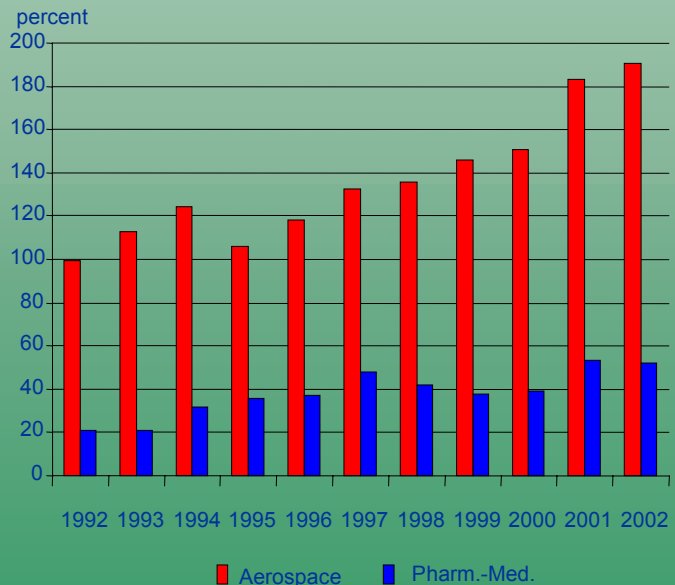


Source: Statistics Canada

The growing comparative advantage for Canada in aerospace and pharmaceutical – medicine in Canada – U.S. high-tech trade is reflected in the steady rise in their exports/imports ratios.

- In the case of aerospace, this ratio rose from 99 percent in 1992 to 191 percent in 2002, and in the case of pharmaceutical–medicine, it rose from 21 percent to 52 percent over the same period.

### Exports/Imports Ratios: Canada vs. U.S.



Source: Statistics Canada