

# Monthly Trade Bulletin

Volume 6, Number 5

July 2004

## Key Monthly Trade Indicators (May 2004)

### Highlights

**Canada's total merchandise trade surplus with the world fell in May, as imports expanded more than exports.**

**Canada's trade balance with the U.S. also fell for the month.**

**The value of the loonie was up slightly in May.**

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	36,786	1.3	12.2
- Exports to U.S.	30,042	1.6	11.1
<b>Imports</b>	31,566	7.8	10.3
- Imports from U.S.	21,792	6.7	8.5
<b>Trade Balance*</b>	5,220	7,026	4,162
- Balance with U.S.*	8,251	9,143	6,970
<b>Commodity Prices**</b>	150.2	5.0	26.2
<b>Canadian Dollar (US¢)*</b>	73.3	72.9	73.1
<b>Export Prices***</b>	106.9	1.1	4.5
<b>Import Prices***</b>	98.1	1.8	0.0

\* 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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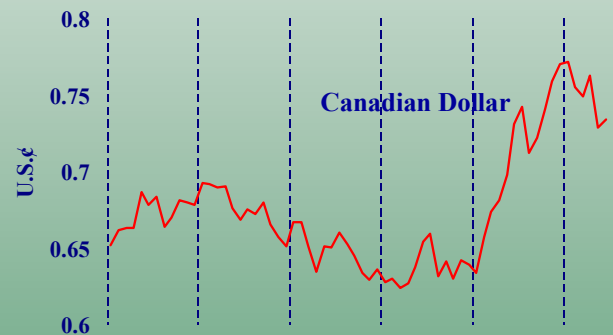
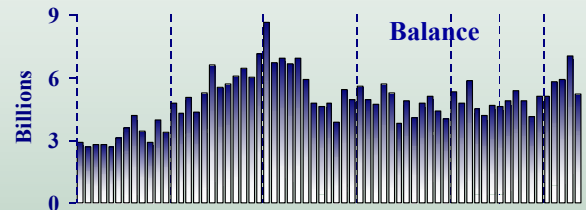
## The trade surplus narrowed...

- The overall Canadian trade surplus contracted by \$1.8 billion in May, to \$5.2 billion.
- May's monthly surplus with the U.S. fell by \$893 million to \$8.3 billion.

## ... while the Canadian dollar appreciated.

- The Canadian dollar increased US0.4¢ in value over May, closing the month at US73.3¢. On a year-over-year basis, the value of the dollar was minimally higher this May than for May of last year.
- Commodity prices were up strongly in May, rising 5.0 percent over the previous month. However, the terms of trade deteriorated as import prices increased more than export prices for the month.

## Merchandise Trade



Source: Statistics Canada, Bank of Canada

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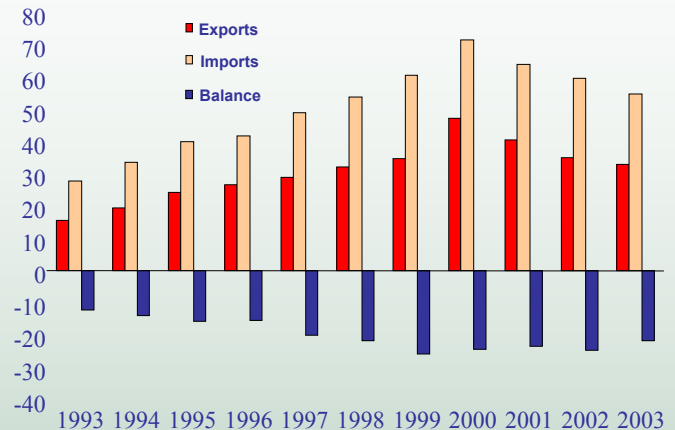
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## Recent Trends in Canada's High-Technology Trade

### Canadian Trade in High-Technology Manufacturing Industries

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

- Between 2002 and 2003, high-tech exports fell from \$35 billion to \$33 billion, but imports declined more from \$60 billion to \$55 billion. As a result, the Canadian trade deficit narrowed from \$25 billion to \$22 billion.
- Among the five industries in the high-tech manufacturing sector, communications – electronics and computers accounted for most of the drop in exports, while aerospace for most of the drop in imports.
  - Communications - electronics exports fell from \$11 billion to \$10 billion.
  - Computer exports fell from \$5 billion to \$4 billion.
  - Aerospace imports fell from \$10 billion to \$7 billion.



Source: Statistics Canada

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

Based on the OECD sectoral definitions, 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>Pharmaceutical – Medicine</b>	
Pharmaceutical and Medicine Manufacturing	3254
<b>Computers</b>	
Computer and Peripheral Equipment Manufacturing	3341
<b>Communications - Electronics</b>	
Communications Equip. Manufacturing	3342
Audio and Video Equipment Manufacturing	3343
Semiconductor and Other Electronics	3344
Component Manufacturing	3344
<b>Instruments</b>	
Navigational, Measuring, Medical and Control Instruments Manufacturing	3345
Manufacturing and Reproducing Magnetic and Optical Media	3346
<b>Aerospace</b>	
Aerospace Product and Parts Manufacturing	3364

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

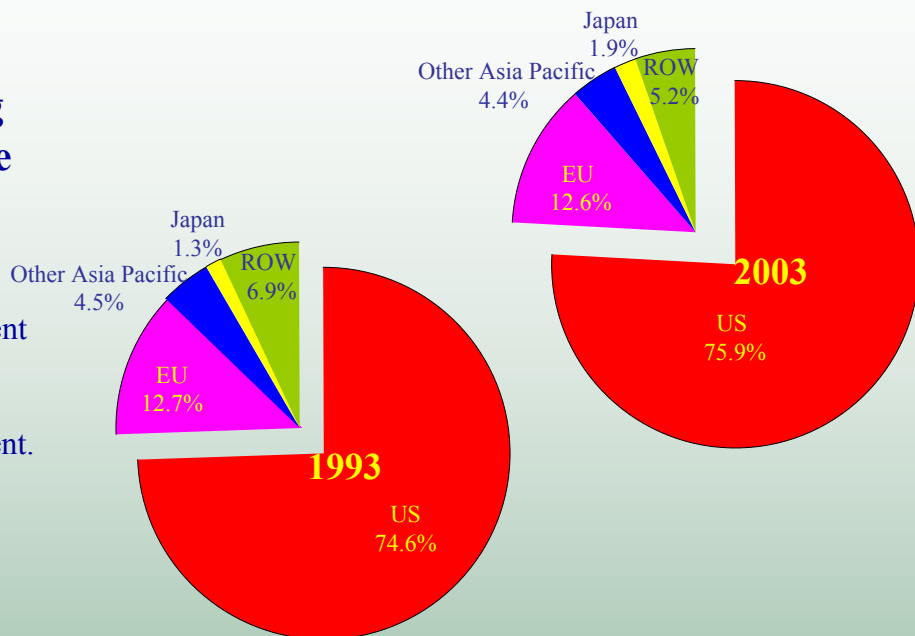
### Distribution of High-Technology Manufacturing Exports by Country/Region

The geographical distribution of Canadian high-tech manufacturing exports in 2003 was more or less the same as in 1993...

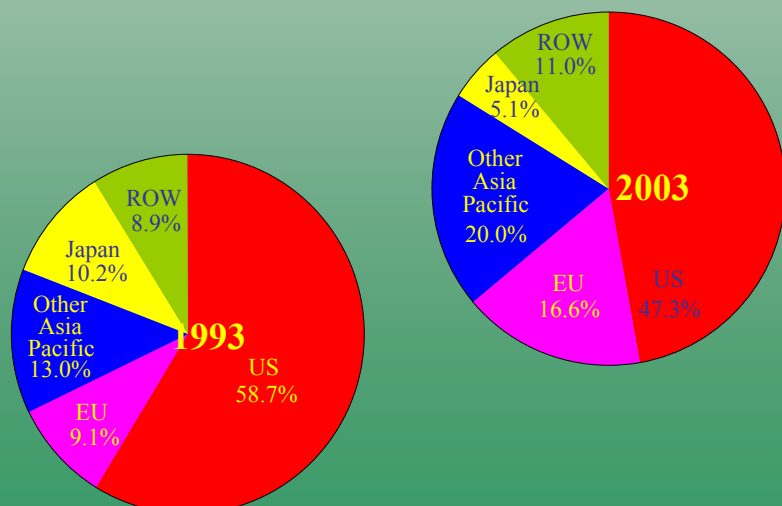
- The U.S. accounted for 76 percent of exports in 2003, compared to 75 percent in 1993. EU's share remained unchanged at 13 percent.

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

- The U.S. share in total Canadian imports dropped from 59 percent in 1993 to 47 percent in 2003. Japan's share also dropped by one half, from 11 percent to 5 percent. On the other hand, the shares of Other Asia-Pacific and the EU have risen from 13 percent to 20 percent, and from 9 percent to 17 percent respectively.



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



Source: Statistics Canada

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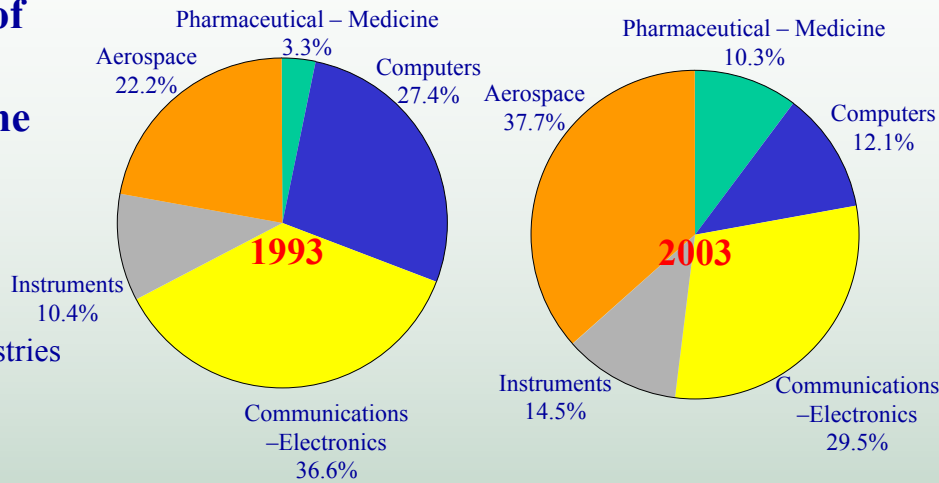
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## Recent Trends in Canada's High-Technology Trade

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

#### A growing importance of the aerospace and pharmaceutical-medicine industries in Canada's high-tech exports...

- The shares of aerospace and pharmaceutical-medicine industries in Canadian high-tech exports increased from 22 percent to 37 percent and 3 percent to 10 percent respectively. On the other hand, the shares of both communications – electronics and computers dropped from 37 percent to 30 percent, and 27 percent to 12 percent, respectively.

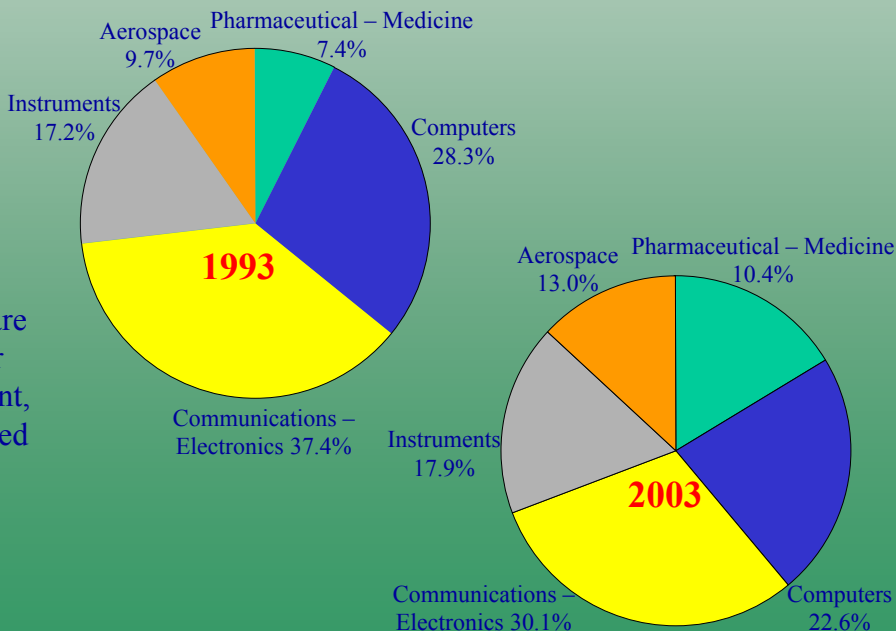


Source: Statistics Canada

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

#### ...similar trends for imports.

- The pharmaceutical-medicine share rose considerably over the 10-year period, from 7 percent to 16 percent, and the share of aerospace increased from 10 percent to 13 percent.



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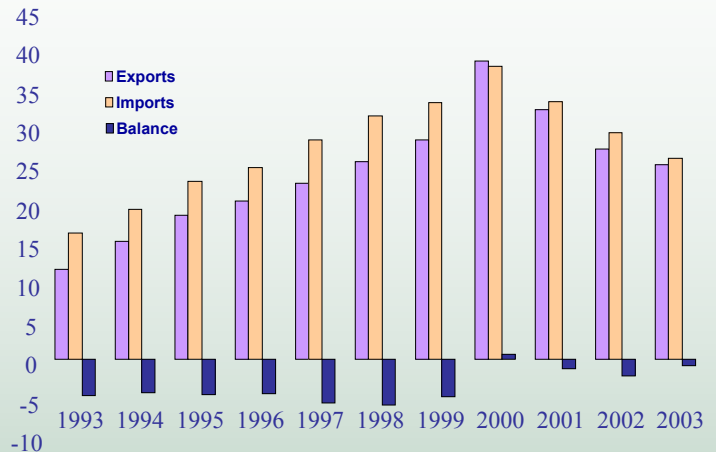
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## Recent Trends in Canada's High-Technology Trade

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

- Canadian high-tech exports to the U.S. dropped, from \$27 billion in 2002 to \$25 billion in 2003, a drop close to 8 percent. Similarly, Canadian high-tech imports from the U.S. declined from \$29 billion to \$26 billion. Canada's trade deficit with the U.S. narrowed by \$1 billion in 2003.

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



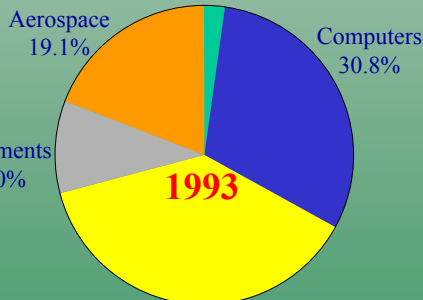
Source: Statistics Canada

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

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

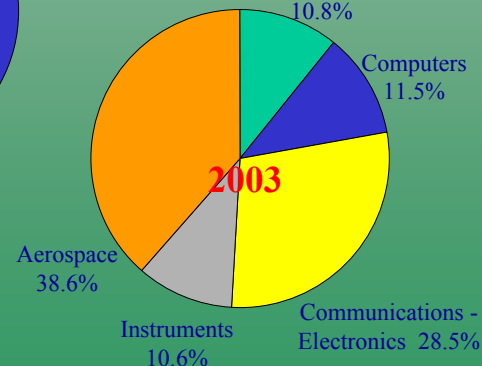
- The shares of aerospace and pharmaceutical-medicine in total Canadian high-tech exports have increased from 19 percent to 39 percent, and from 2 percent to 11 percent, respectively. On the other hand, the shares of communications – electronics and computers, have dropped from 38 percent to 29 percent, and from 31 percent to 12 percent, respectively.

#### Pharmaceutical – Medicine 2.2%



Source: Statistics Canada

#### Pharmaceutical – Medicine 10.8%



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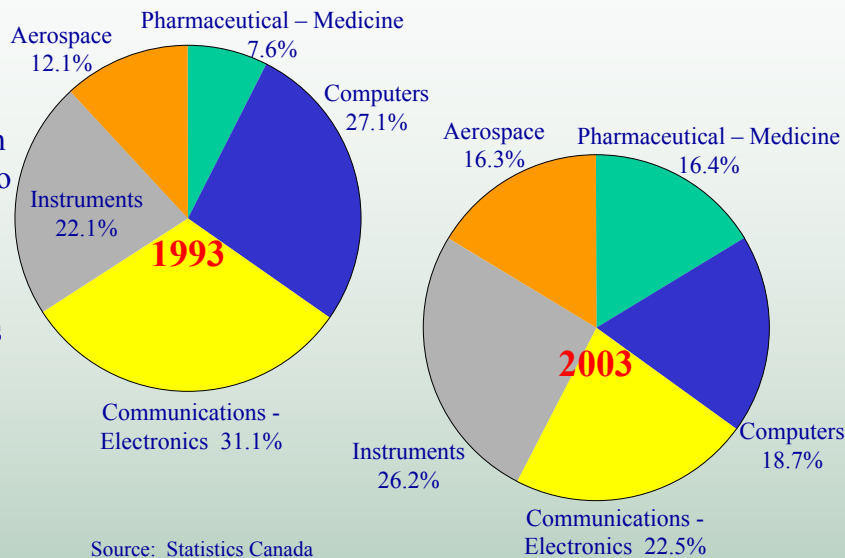
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## Recent Trends in Canada's High-Technology Trade

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

...similarly, their shares in high-tech imports from the U.S. have also increased.

- Their contributions to Canada's high-tech imports have increased from 12 percent to 16 percent, and from 8 percent to 16 percent respectively. The share of instruments increased from 22 percent to 26 percent. On the other hand, the shares of communications – electronics and computers have dropped from 31 percent to 23 percent and from 27 percent to 19 percent respectively.



Canada's rising comparative advantage 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 export/import ratio rose from 113 percent in 1993 to 229 percent in 2003, and in the case of pharmaceutical–medicine, it rose from 21 percent to 64 percent over the same period.

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

