

# Monthly Trade Bulletin

Volume 6, Number 7

September 2004

## Key Monthly Trade Indicators (July 2004)

### Highlights

- Canada's total merchandise trade surplus with the world fell, as exports decreased while imports increased for the month.
- Canada's trade balance with the U.S. also narrowed.
- The value of the Canadian dollar was up slightly in July.

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	37,685	-1.2	14.1
- Exports to U.S.	30,623	-1.2	11.2
<b>Imports</b>	31,441	2.8	10.7
- Imports from U.S.	21,837	4.1	10.4
<b>Trade Balance*</b>	6,244	7,547	4,626
- Balance with U.S.*	8,786	10,014	7,746
<b>Commodity Prices**</b>	149.3	0.3	25.8
<b>Canadian Dollar (US¢)*</b>	75.2	75.0	71.2
<b>Export Prices***</b>	109.3	2.1	3.8
<b>Import Prices***</b>	96.9	-0.4	0.1

\* 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-Russia Trade Linkages

Current analysis done by Samad Uddin of the Trade and Economic Analysis Division, Department of International Trade, under the direction of John M. Curtis. Feature report prepared by Anik Dufour and May Luo of the Micro-Economic Policy Analysis Branch, Industry Canada, under the direction of Someshwar Rao.

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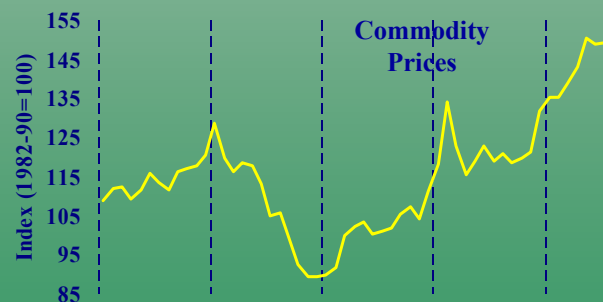
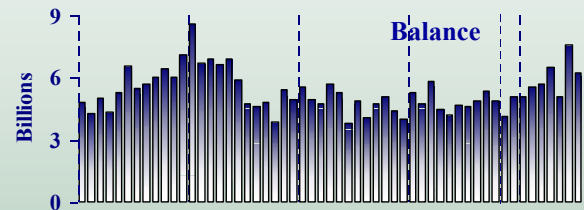
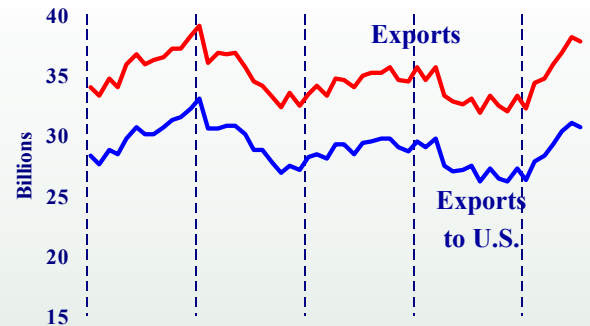
## Trade surpluses declined...

- The overall Canadian trade surplus contracted by \$1.3 billion in July, to \$6.2 billion.
- July's monthly surplus with the U.S. narrowed by \$1.2 billion to \$8.8 billion.

## ... as the Canadian dollar edged up.

- The Canadian dollar rose US0.2¢ in value over July, closing the month at US75.22¢. On a year-over-year basis, the value of the dollar was 5.7% higher in July 2004 than for July of the previous year.
- Commodity prices recorded slight gains in July, increasing 0.3% over the previous month. The terms of trade improved as exports prices grew and imports prices fell for month.

## Merchandise Trade



Source: Statistics Canada, Bank of Canada

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## Canada-Russia Trade Linkages

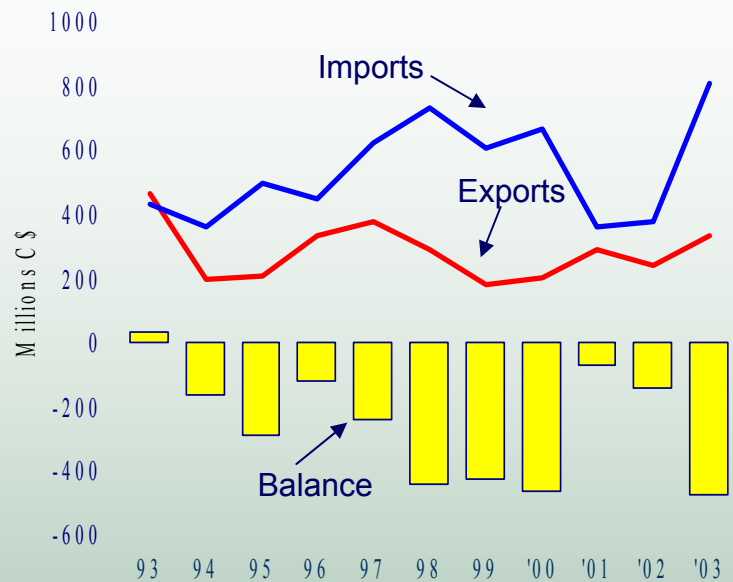
### Canadian exports to Russia increased at a slower pace than imports, resulting in a widening of the trade deficit

- Canadian merchandise exports to Russia rose from \$290 million in 2001 to \$334 million in 2003; an average annual increase of 7.2 percent.
- Meanwhile, imports from Russia increased at 49.5 percent annually, from \$361 million in 2001 to \$807 million in 2003.
- As a result, Canada's trade balance with Russia deteriorated from a deficit of \$71 million in 2001 to \$474 million in 2003.

### Trade with Russia accounts for less than one percent of Canada's overall trade

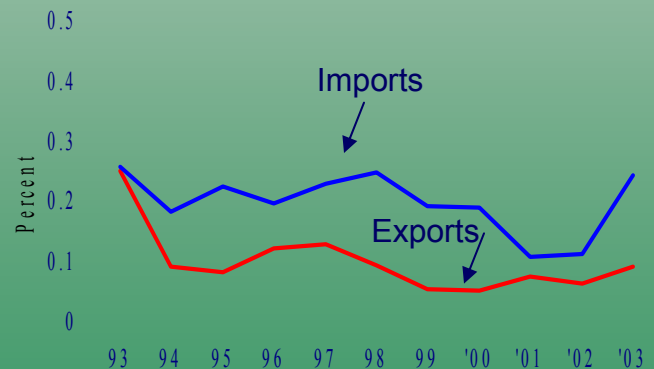
- Russia's share of Canadian exports has declined by more than half between 1993-2003, from 0.25 to 0.09 percent. During 1999-2003, however, exports trended up.
- On the other hand, the share of Canada's total merchandise imports originating from Russia was 0.24 in 2003, slightly below the level of 1993. Between 2002 and 2003, imports soared, entirely due to imports of crude oil.
- Russia was Canada's 31<sup>st</sup> export market and 35<sup>th</sup> import market in 2003.

### Canada's Merchandise Trade with Russia



Source: Compilations based on Statistics Canada data

### Russia's Share of Canadian Merchandise Trade



Source: Compilations based on Statistics Canada data

# Monthly Trade Bulletin

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September 2004

## Russian Economy: High Dependence on Oil

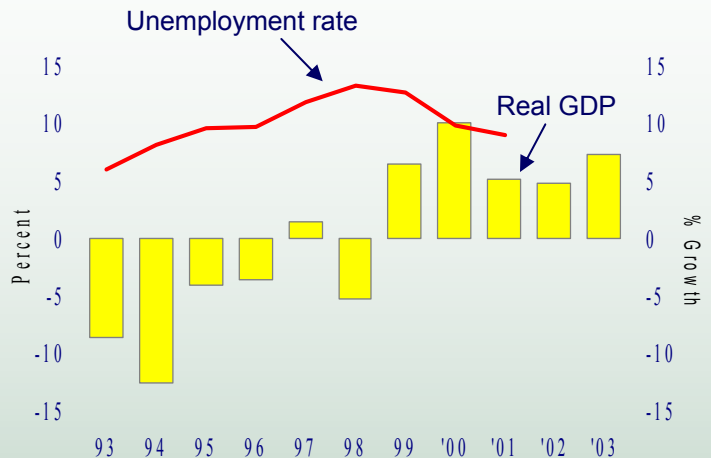
### The Russian economy has recovered strongly from the financial crisis of August 1998...

- Real GDP grew by an average of 6.7 percent per year during 1999-2003. This reflected both consumption growth induced by strong oil exports and a rise in productivity.
- The unemployment rate fell from a high of 13.3 percent in 1998 to 8.9 percent in 2001 while inflation slowed from 72.4 to 14.4 percent in 1999-2003.
- The surge in Canadian exports and imports from Russia broadly reflects the pick-up in economic activity.

### The economic rebound was boosted by growth in oil exports

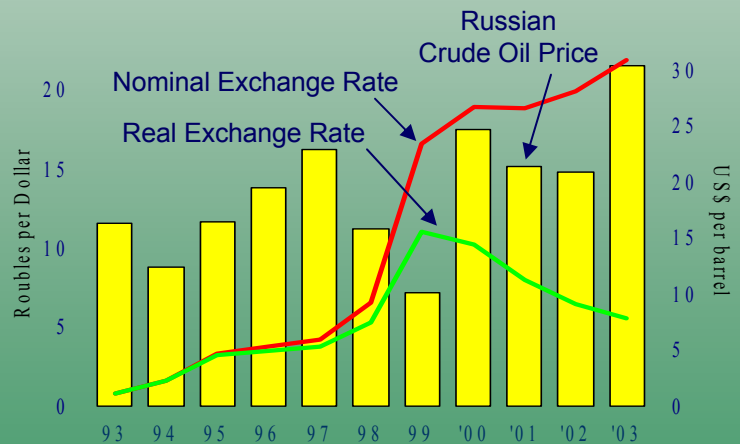
- The real exchange rate between the Canadian dollar and the Russian rouble (the exchange rate adjusted for changes in prices in the two countries) had fallen back near its 1998 level to 5.6 roubles per dollar in 2003, down from a peak of 11.0 roubles per dollar in 1999.
- Despite the real appreciation of the rouble, Canadian imports from Russia have rebounded in 2003.
- On the other hand, rising oil prices have improved Russia's terms of trade.

Russia Real GDP Growth and Unemployment Rate



Source: World Bank

Nominal and Real Exchange Rates for Canada Trade with Russia



Source: World Bank and Energy Information Administration  
Note: Russian Crude Oil Price is for Ural (33 API Gravity)

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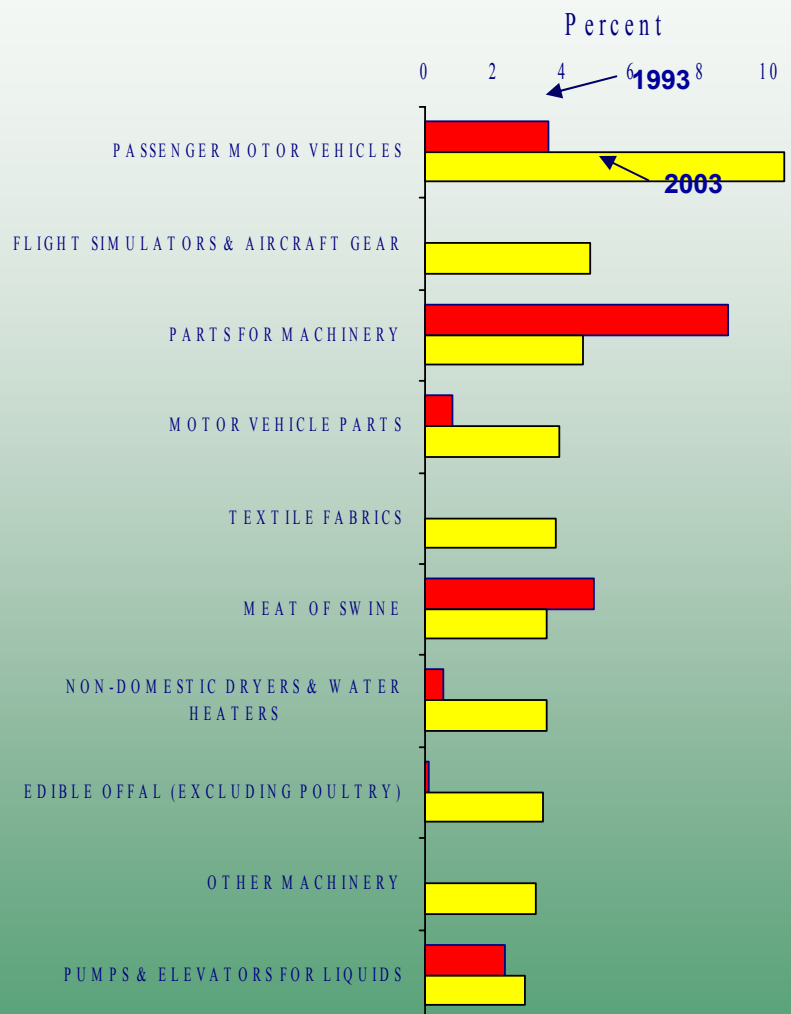
September 2004

## Major Canadian Products Exported to Russia

### In 2003, one-quarter of Canada's exports to Russia were high-tech manufactured products...

- The top-10 Canadian exports to Russia accounted for 44 percent of total exports in 2003, compared to 21 percent in 1993.
- Exports of motor vehicles, aircraft equipment, machinery parts and motor vehicle parts together accounted for 24 percent of total exports to Russia in 2003, up from 13 percent in 1993.

Top-10 Canadian Exports to Russia by Product in 2003



Source: Compilations based on Statistics Canada data

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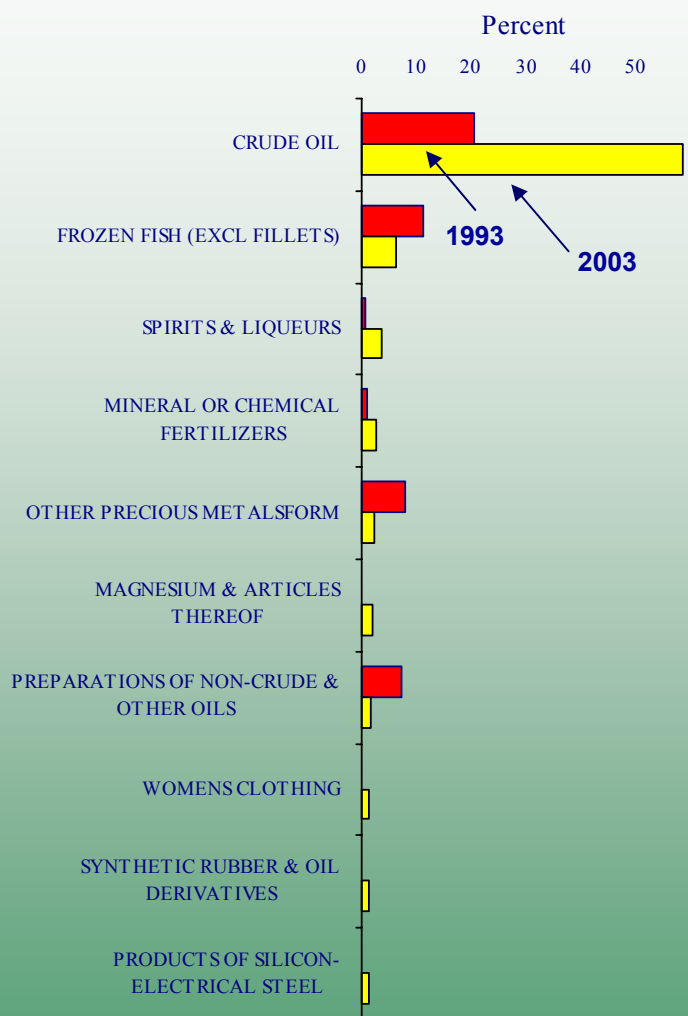
September 2004

## Major Russian Products Imported by Canada

...while nearly 60 percent of Canada's imports from Russia were crude oil purchases

- The top-10 Canadian imports from Russia accounted for 81 percent of total imports in 2003, compared to 49 percent in 1993.
- In 2003, imports of crude oil accounted for 59 percent of total imports from Russia. This was three times the proportion in 1993.

### Top-10 Canadian Imports from Russia by Product in 2003



Source: Compilations based on Statistics Canada data

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## Canada-Russia Service Trade & Investment Linkages

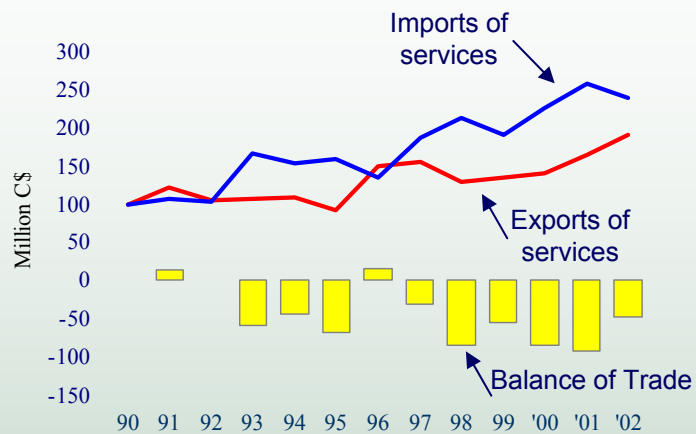
### Trade in services between Canada and Russia has more than doubled since 1990

- Canadian exports of services to Russia increased from \$99 million in 1990 to \$190 million in 2002.
- The share of commercial services exports in total exports increased from 20 percent to one-half during this period. Travel, transportation and government services exports accounted for the other half.
- Canadian imports of services from Russia also rose, from \$99 million in 1990 to \$238 million in 2002; the services trade deficit in 2002 was of \$48 million.
- More than half of Canada's imports from Russia were in transportation services.

### Canada's direct investment in Russia has slowed since the financial crisis of August 1998

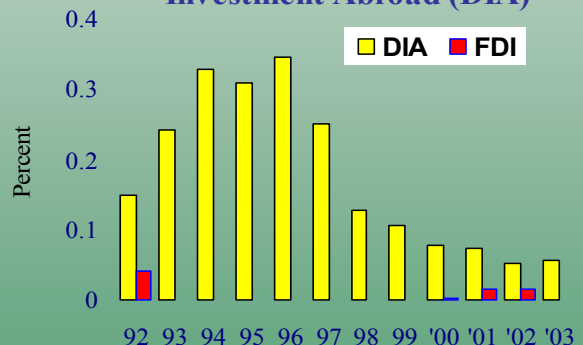
- Canada's net investment (DIA) in Russia stood at \$221 million in 2003, accounting for 0.06 percent of total DIA, down from a peak of 0.35 percent in 1996.
- Effective economic reforms have attracted foreign capital back to Russia; but concerns remain on the enforcement of legislation on property rights.
- In 2001-2002, net investment (FDI) by Russia in Canada stood at about \$50 million, accounted for 0.02 percent of Canada's total FDI.

### Canada's Service Trade with Russia



Source: Compilations based on Statistics Canada data

### Russia's Share of Canada's Foreign Direct Investment (FDI) and Direct Investment Abroad (DIA)



Source: Compilations based on Statistics Canada data

Note: FDI data for 1996-99 and 2003 are non-available for confidentiality reasons

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## Regional Distribution of Trade with Russia

### Exports to Russia were mainly from Central Canada...

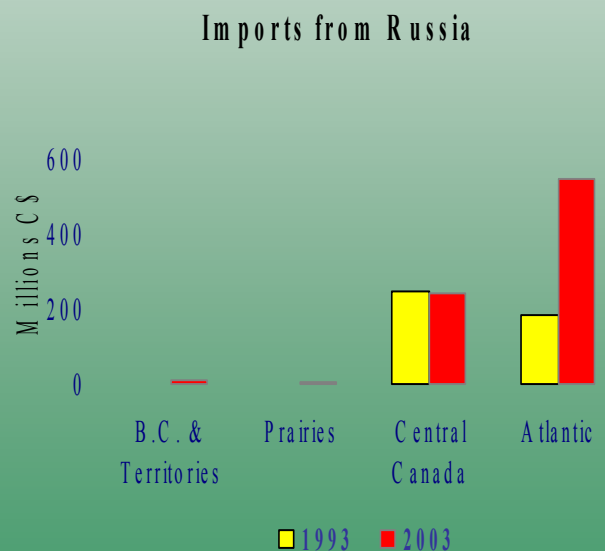
- On average in 1993-2003, Central Canada accounted for two-thirds of exports to Russia (\$187 million per year, on average), exporting a wide range of products. The Prairies (mainly Alberta) contributed nearly 30 percent.

### ...while the imports from Russia predominantly went to Central Canada and the Atlantic provinces

- The imports of Central Canada accounted for more than half of total Canadian imports from Russia during 1993-2003, and the imports of the Atlantic provinces accounted for 40 percent.
- In 2002-2003, the increase in imports of crude oil by Newfoundland almost entirely explains the rise in Canada's imports from Russia. As a result, the Atlantic provinces accounted for 68 percent of total imports from Russia in 2003, up from 43 percent in 1993.
- Over the period 1993-2003, Central Canada and the Atlantic provinces posted average deficits of \$105 million and \$216 million per year, respectively, while the Prairies recorded an average surplus of \$73 million.



Source: Compilations based on Statistics Canada data



Source: Compilations based on Statistics Canada data