

# Monthly Trade Bulletin

Volume 6, Number 9

November 2004

## Key Monthly Trade Indicators (September 2004)

### Highlights

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

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	36,088	-3.4	8.8
- Exports to U.S.	29,425	-2.7	8.1
<b>Imports</b>	31,033	0.4	11.6
- Imports from U.S.	21,529	0.9	9.6
<b>Trade Balance*</b>	5,055	6,437	5,371
- Balance with U.S.*	7,896	8,897	7,583
<b>Commodity Prices**</b>	148.0	-1.9	25.0
<b>Canadian Dollar (US¢)*</b>	79.3	76.2	74.1
<b>Export Prices***</b>	105.6	-2.2	3.1
<b>Import Prices***</b>	95.1	-1.6	-0.4

\* Data in levels only.

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

\*\*\* Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

## This Month's Feature Report: Foreign Direct Investment Trends in G-7 countries and China

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 Ram Acharya and May Luo of the Micro-Economic Policy Analysis Branch, Industry Canada, under the direction of Someshwar Rao.

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International Trade  
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Industry  
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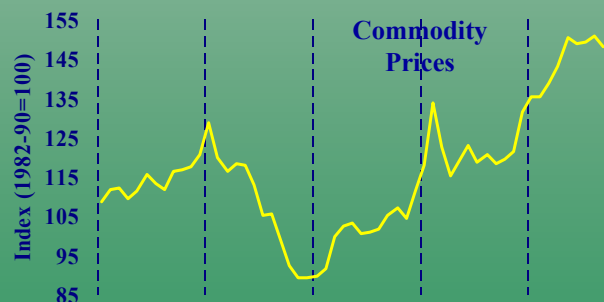
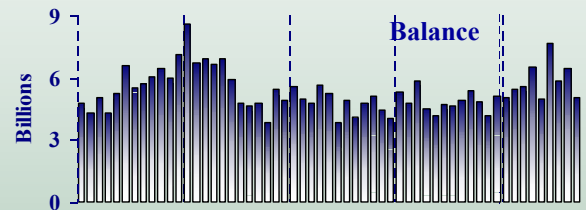
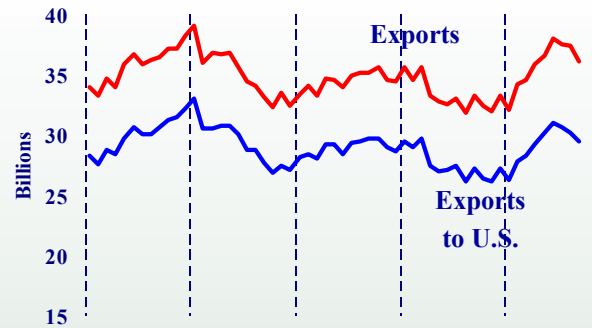
## Trade surpluses shrank...

- The overall Canadian trade surplus fell by \$1.4 billion in September, to \$5.1 billion.
- September's monthly surplus with the U.S. decreased by \$1.0 billion to \$7.9 billion.

## ... and the value of the Canadian dollar was up strongly.

- The Canadian dollar jumped US3.1¢ in value over September, closing the month at US79.26¢. On a year-over-year basis, the value of the dollar was 7.0 percent higher in September 2004 than for the same month a year ago.
- Commodity prices fell 1.9 percentage points over the previous months level in September. The terms of trade deteriorated as exports prices fell more than imports prices for the month.

## Merchandise Trade



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## Foreign Direct Investment Trends in G-7 Countries and China

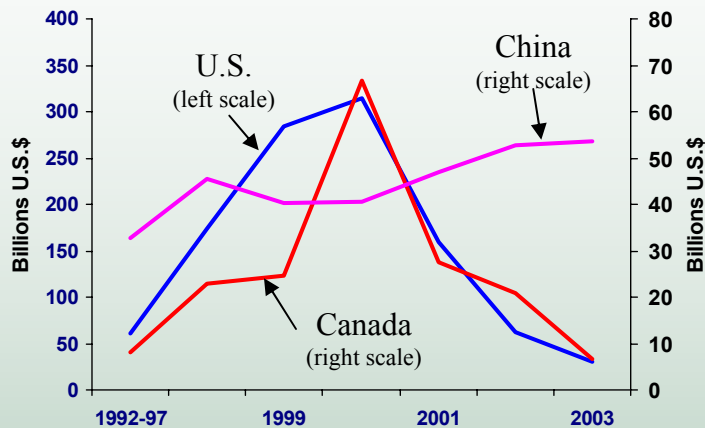
**FDI inflows into all G7 countries continued to decline, while they increased substantially in China...**

- Since 2000, both Canada and the U.S. experienced a steady fall of FDI inflows, more severe than any other G7 countries.
  - FDI inflows to Canada fell from US\$67 billion in 2000 to just \$7 billion in 2003, a 90 percent drop.
- On the other hand, FDI inflows to China increased from US\$40.7 billion in 2000 to \$53.5 billion in 2003.
- The continued decline in FDI inflows into G7 countries could be attributed to three key factors: a weak growth performance in these countries; a post-stock market correction consolidation in merger and acquisition activity; and a shift in FDI away from OECD countries to emerging economies such as China.

**...so did FDI outflows from G7 countries, but to a lesser extent.**

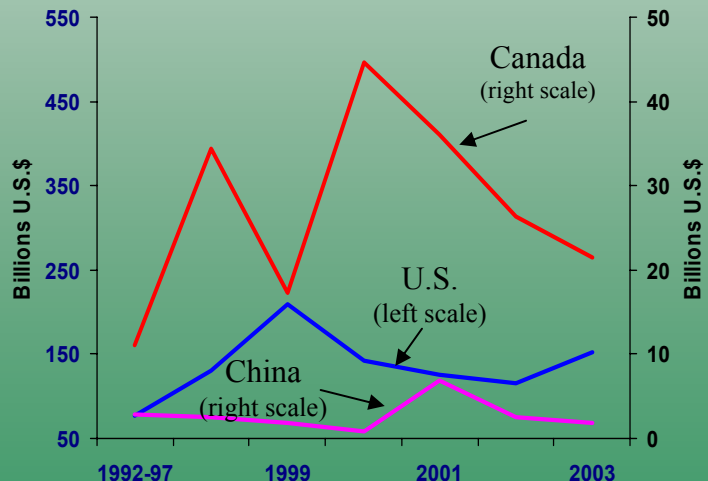
- FDI outflows from Canada declined from US\$44.7 billion in 2000 to US\$21.5 billion in 2003, a 52 percent drop.
- The value of U.S. FDI outflows in 2003 was equal to that of Germany, France, U.K., Italy and Japan taken together.

### FDI Inflows in G-7 and China



Source: United Nations Conference on Trade and Development

### FDI Outflows from G-7 and China



Source: United Nations Conference on Trade and Development

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## Foreign Direct Investment Trends in G-7 Countries and China

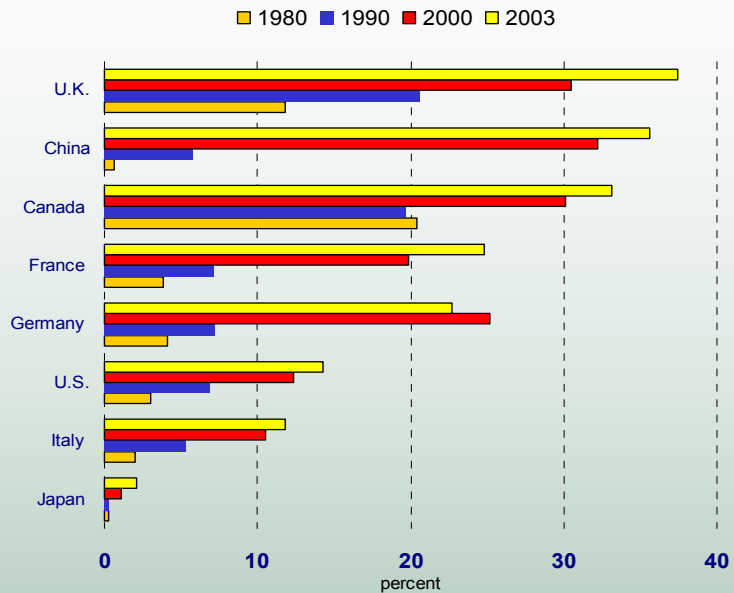
Since 1980, the inward FDI stock as a percent of GDP has increased considerably in all G7 countries and China...

- Canada's inward FDI orientation in 2003 was more than doubled the G-7 countries' average of 16 percent.
- But U.K. outperformed Canada in inward FDI stock orientation.
- China's inward FDI stock as a percent of GDP increased from 0.6 percent in 1980 to 35.6 percent in 2003.

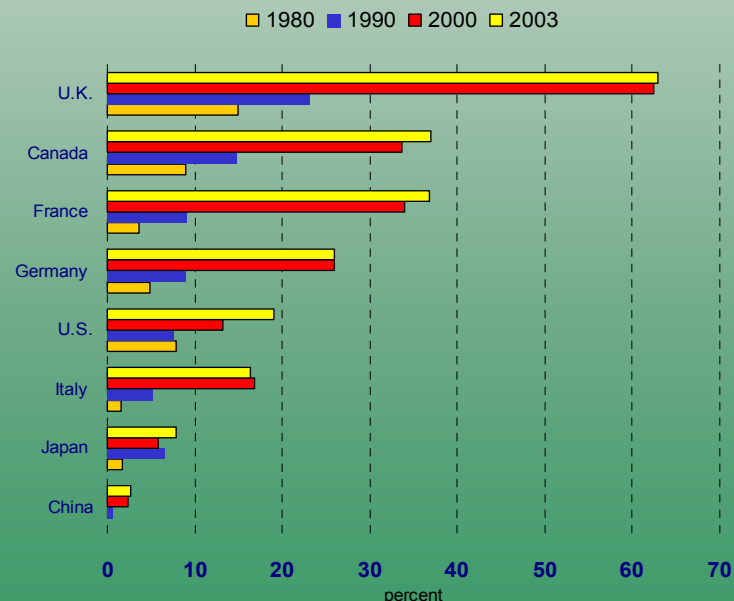
...similar trends for outward FDI stock.

- Since 1990, Canada's outward FDI orientation has more than doubled.
- In 2003, U.K.'s outward FDI stock orientation was 63 percent, 26 percentage points higher than that of Canada.
- Although outward FDI stock in China has also increased significantly since 1980, China's outward FDI stock in 2003 was only US\$37 billion, compared to the inward stock of US\$501 billion.

### Share of Inward FDI Stock over GDP



### Share of Outward FDI Stock over GDP



Source: United Nations Conference on Trade and Development and the World Bank

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## Foreign Direct Investment Trends in G-7 Countries and China

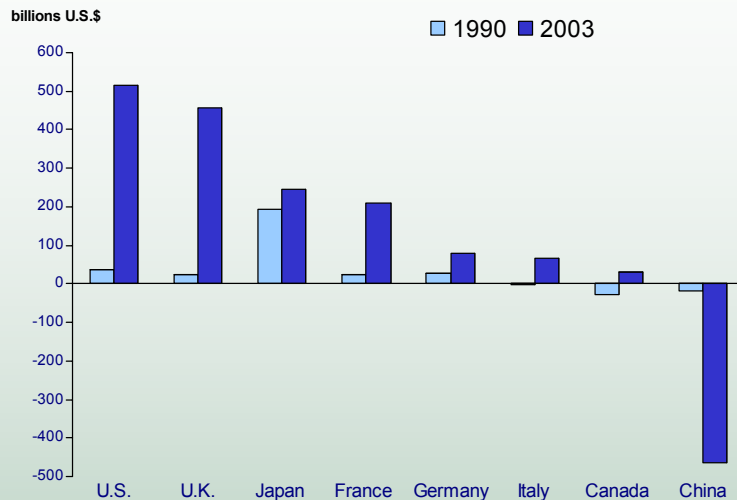
**In 2003, all G7 countries were net exporters of FDI, while China was a large net importer.**

- The U.S. had outward capital stock of US\$2.01 trillion and inward capital stock of US\$1.55 trillion, with a net surplus of about US\$515 billion.
- On the other hand, China had a deficit of US\$464.5 billion.
- Other developing countries in Asia and Latin America are also large net importers of FDI.

**Canada was still a net lender of FDI in 2003, but the gap between the inward and outward FDI stocks narrowed.**

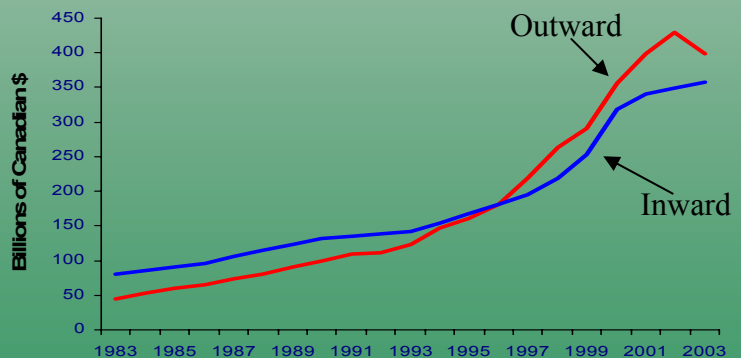
- The stock of Canadian direct investment abroad has exceeded the stock of inward FDI since 1996. But, the gap between the two stocks narrowed significantly in 2003.
- The absolute decline in the outward stock could be largely attributed to a significant decline in the value of Canadian assets held abroad because of the depreciation of the U.S. dollar vis-à-vis the Canadian dollar since the recent two years.

### Outward minus Inward FDI Stock



Source: United Nations Conference on Trade and Development

### Canada's Inward and Outward FDI Stocks



Source: Statistics Canada

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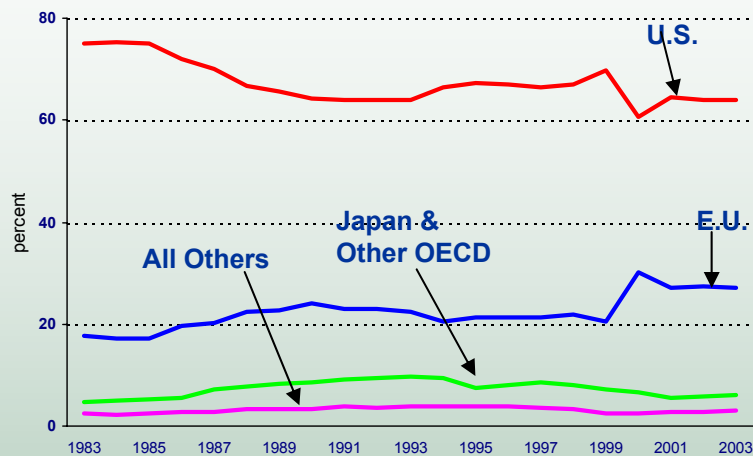
### U.S. still accounts for over 60 percent of the inward FDI stock in Canada...

- Nearly 90 percent of the inward FDI stock into Canada is from four countries: the U.S., France, the U.K. and Japan.

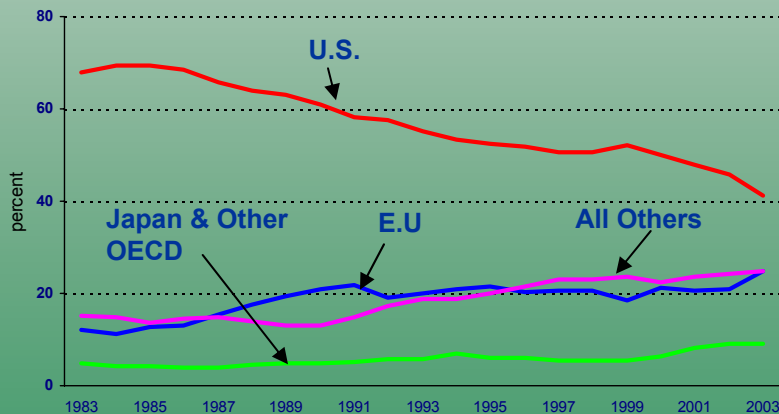
### ...while the U.S. share in Canada's outward FDI stock declined steadily to 41 percent in 2003.

- In 2003, Canadian direct investment assets in the U.S. were C\$165 billion, a decline of C\$32 billion from the level in 2002.
- The slight increase in the E.U. share was mainly due to increase of Canada's FDI stock in France in 2003.
- France is now the top fifth destination for Canadian direct investment abroad after the U.S., U.K., Barbados and Ireland.

### Sources of Canada's Inward FDI Stock



### Destinations of Canada's Outward FDI Stocks



Source: Statistics Canada

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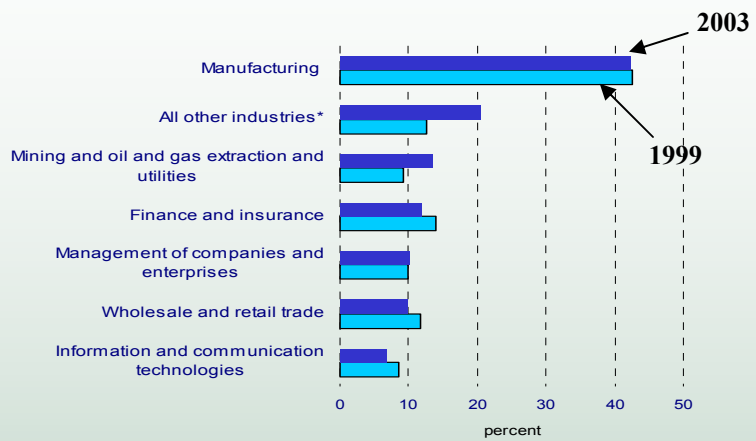
**Manufacturing still accounts for over 40 percent of Canada's inward FDI stock, and its share remained stable between 1999 and 2003...**

- The share of mining and oil and gas extraction has increased by over 4 percentage points since 1999, reaching 13.5 percent in 2003.
- On the other hand, the shares of finance and insurance, wholesale and retail trade and information and communication technologies industries have declined.

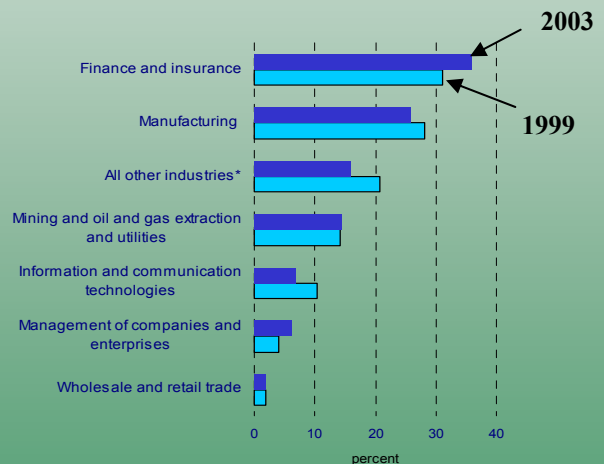
**...while more than 35 percent of Canada's outward FDI stock is in finance and insurance.**

- Since 1999, the finance and insurance share has increased by 4 percentage points, reaching 36 percent in 2003.
- On the other hand, the share of manufacturing declined from 28 percent in 1999 to 26 percent in 2003.
- Similarly, the share of ICT industries fell from 10.4 percent in 1999 to 6.7 percent in 2003.

### Composition of Canada's Inward FDI Stock



### Composition of Canada's Outward FDI Stocks



\*Other industries include agriculture, forestry, fishing and hunting; construction; transportation and warehousing; information and cultural industries; real estate; professional, technical and scientific service; administrative and support; educational services; health care; arts, entertainment and recreation; accommodation and food services; other services and public administration.

Note: The sum for each years adds to more than 100 because the entry to ICT industry is double counted, as the share of this industry is not excluded from other industries.

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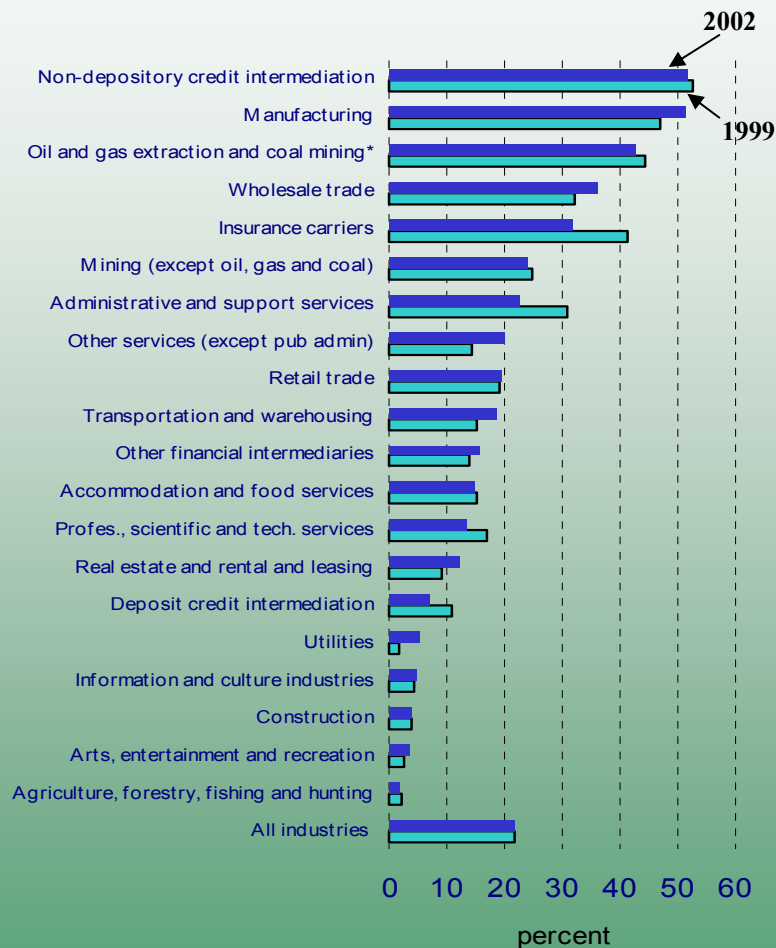
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## Foreign Direct Investment Trends in G-7 Countries and China

Overall, the share of foreign controlled firms in Canada remained constant around 22 percent between 1999 and 2002.

- In manufacturing and non-depository credit institutions, foreign control is over 50 percent.
- On the other hand, foreign-controlled companies account for less than 5 percent of total assets in construction, agriculture, forestry and fishing, arts, entertainment and recreation and other utilities.

### Share of Foreign-Controlled Firms in Assets of Canadian Industries



\* Data on 2000.

Source: Statistics Canada