

# Monthly Trade Bulletin

Volume 6, Number 8

October 2004

## Key Monthly Trade Indicators (August 2004)

### Highlights

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

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	37,708	-0.4	18.4
- Exports to U.S.	30,692	-1.2	17.4
<b>Imports</b>	30,287	-4.4	12.4
- Imports from U.S.	20,581	-6.5	8.5
<b>Trade Balance*</b>	7,422	6,153	4,890
- Balance with U.S.*	10,111	9,038	7,180
<b>Commodity Prices**</b>	150.8	1.0	25.0
<b>Canadian Dollar (US¢)*</b>	76.2	75.2	72.2
<b>Export Prices***</b>	108.7	-0.9	3.9
<b>Import Prices***</b>	96.4	-0.2	-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: Canada - the United Kingdom Trade Linkages

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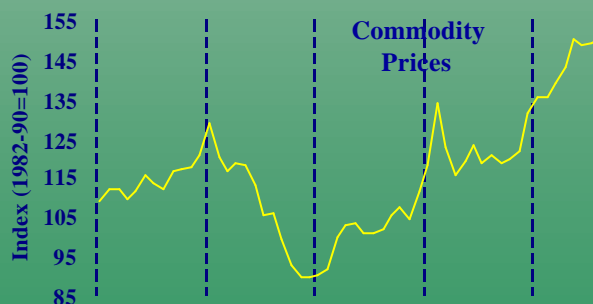
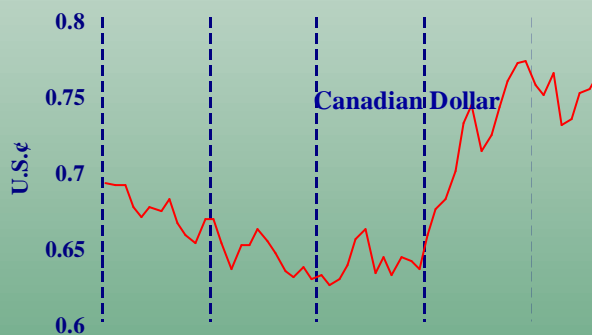
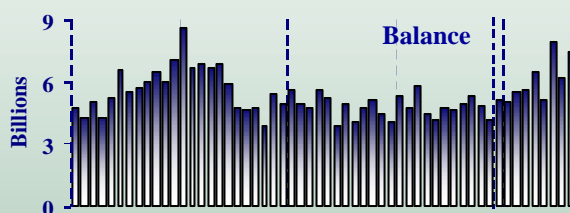
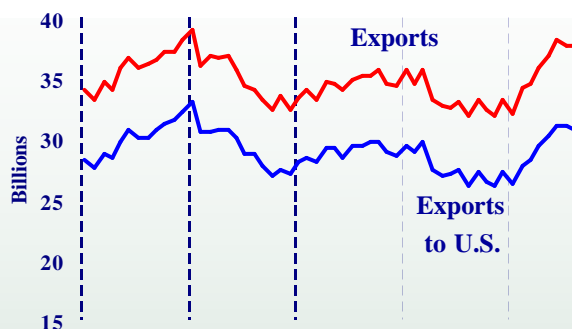
## Trade surpluses grew...

- The overall Canadian trade surplus expanded by \$1.3 billion in August, to \$7.4 billion.
- August's monthly surplus with the U.S. increased by \$1.1 billion to \$10.1 billion.

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

- The Canadian dollar rose US0.9¢ in value over August, closing the month at US76.16¢. On a year-over-year basis, the value of the dollar was 5.5% higher in August 2004 than for August of the previous year.
- Commodity prices in August grew one percentage point over the previous month's level. Despite the increase in commodity prices, the terms of trade deteriorated slightly as exports prices fell more than imports prices.

## Merchandise Trade



Source: Statistics Canada, Bank of Canada

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## Canada - the United Kingdom Trade Linkages

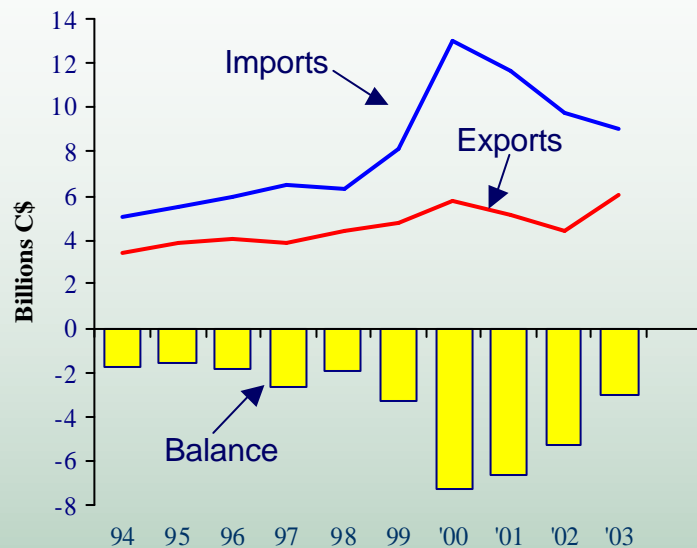
### The United Kingdom is Canada's fourth largest trade partner, behind the U.S., Japan and China.

- In 2003, the two-way trade between Canada and the U.K. exceeded C\$15 billion.
- Canada exported C\$6.09 billion worth of merchandise goods to Britain in 2003, nearly doubled the level in 1994. More than one-third of Canada's exports to the European Union are sold in the United Kingdom.
- Canada's merchandise imports from the United Kingdom increased at an average rate of 9 percent annually between 1994 to 2000. But, since then the imports from the United Kingdom has declined in absolute value. In 2003, the imports from Britain were valued at C\$ 9.1 billion, a drop of 7 percent from previous year.
- Canada's trade deficit with the United Kingdom narrowed from C\$6.7 billion in 2000 to C\$3.0 billion in 2003.

### The two-way trade with the U.K. accounts for almost four percent of Canada's overall trade.

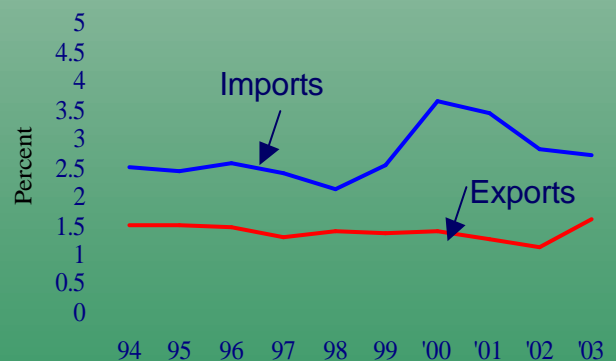
- The United Kingdom's share of Canadian exports increased steadily to 1.6 percent in 2003, up by 0.5 percentage points from 2002 level.
- The U.K.'s share of Canadian imports steadily declined since 2000, dropping from 3.7 percent in 2000 to 2.7 percent in 2003.

### Canada's Merchandise Trade with United Kingdom



Source: Compilations based on Statistics Canada data

### United Kingdom's Share of Canadian Merchandise Trade



Source: Compilations based on Statistics Canada data

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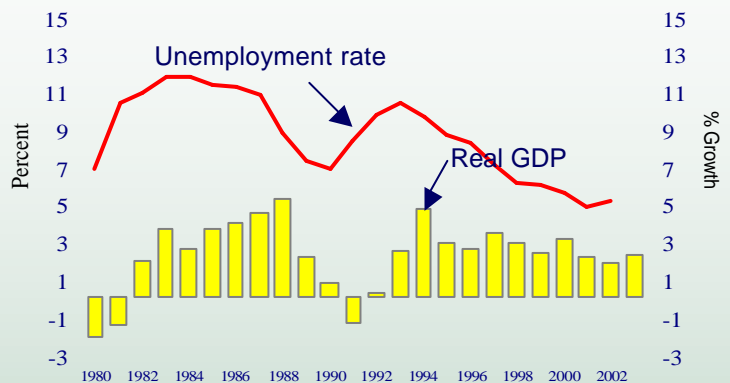
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## The United Kingdom economy has remained resilient since the mid-1990s.

- Real GDP grew by an average of 2.3 percent annually during 1980-2003, due to the strong growth in consumer expenditure induced by the lower interest rate and a rise in productivity.
- Inflation has remained close to the target. The unemployment rate is among the lowest among OECD countries, and fell from a high of 11.8 percent in 1984 to 5.1 percent in 2002.

### United Kingdom Real GDP Growth and Unemployment Rate

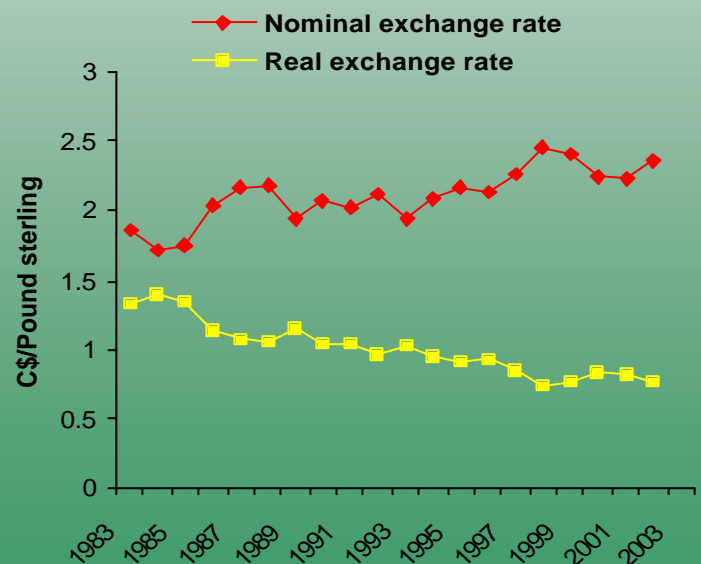


Source: World Bank

## The Canadian dollar has appreciated in real terms against the British Pound since 1985.

- The real exchange rate (the exchange rate adjusted for changes in prices in the two countries) between the Canadian dollar and the British pound has fallen to 0.76 dollar per pound in 2003, reflecting higher consumer price inflation in Britain.
- The strong surge in imports from the U.K. until 2000 reflects the real depreciation of the British pound against the Canadian dollar and the strong economic growth in Canada. The fall in imports from the U.K. since 2000 is somewhat puzzling, given this real appreciation of Canadian dollar.

### Real and Nominal Exchange Rate, C\$ vs £



Source: Bank of Canada, WDI

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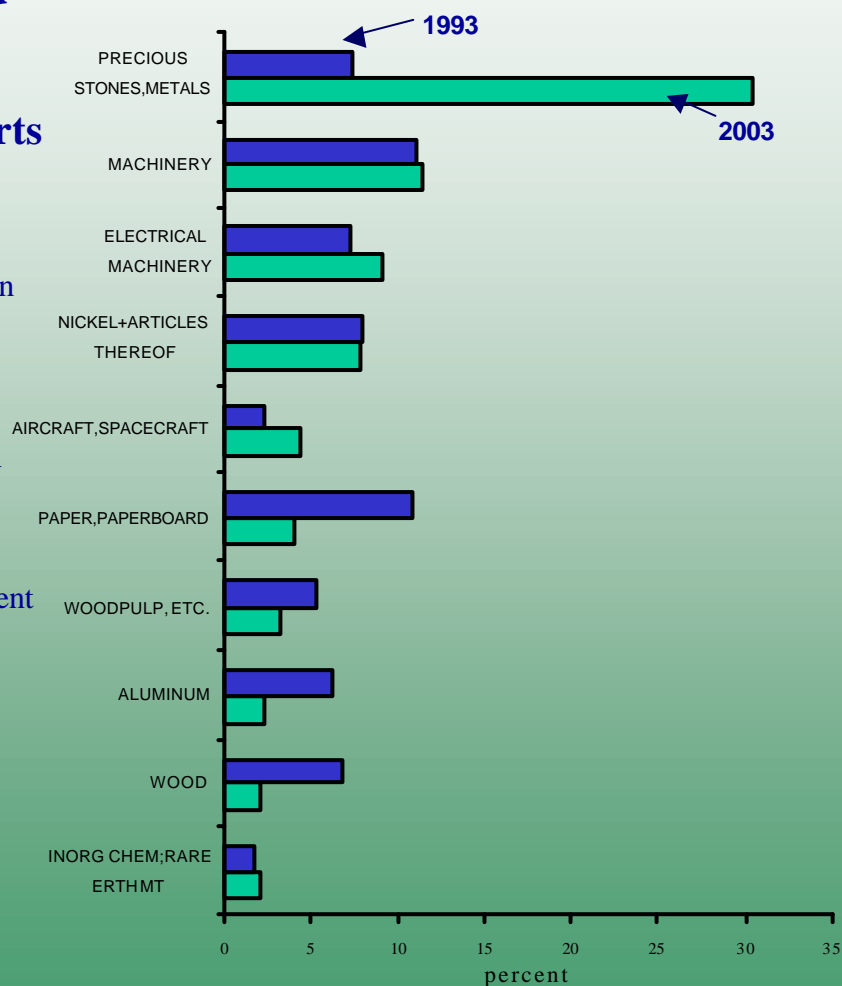
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## Major Canadian Products Exported to United Kingdom

### Resource and resource-based manufactured products represent nearly half of total Canadian merchandise exports to the United Kingdom...

- In 2003, precious stone and metals accounted for 30 percent of Canadian merchandise exports to the U.K., compared to 7.4 percent in 1993.
- High-tech manufactured products – machinery, electrical machinery and aircraft and spacecraft represented about 25 percent of Canadian merchandise exports to the U.K. in 2003, a slight increase from 20 percent in the year 1993.

Top-10 Canadian Merchandise Exports to the U.K., 1993 and 2003



Source: Compilations based on Statistics Canada data

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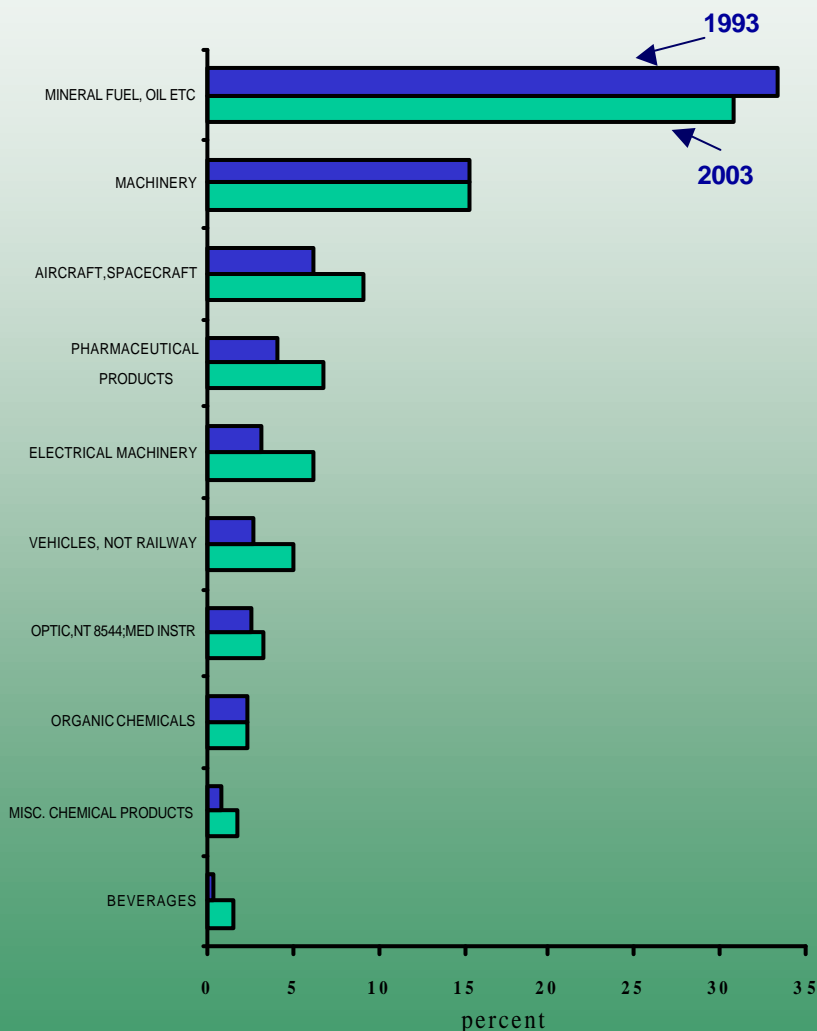
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## Major United Kingdom Products Imported by Canada

...while Canada's merchandise imports were mainly mineral fuel and oil, high-tech products, and pharmaceutical products.

- The top-10 Canadian merchandise imports from United Kingdom accounted for 82 percent of total merchandise imports in 2003, compared to 71 percent in 1993.
- In 2003, 31 percent of Canada's merchandise imports from the United Kingdom were mineral fuel and oil, 2 percentage points lower than the level in 1993.

Top-10 Canadian Merchandise Imports from the U.K., 1993 and 2003



Source: Compilations based on Statistics Canada data

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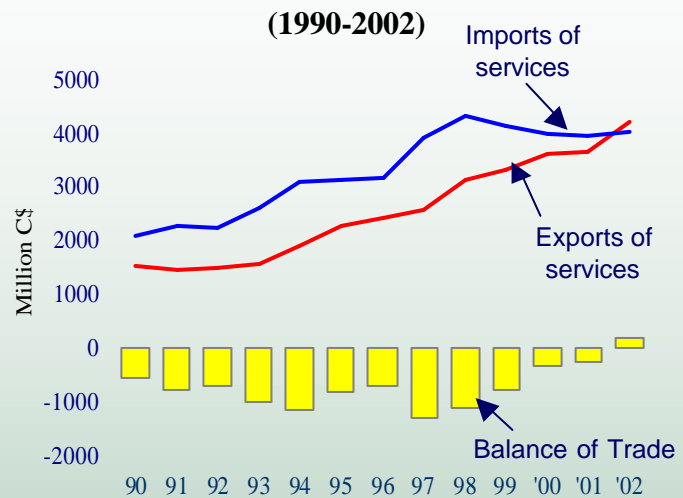
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## Canada – the United Kingdom Service Trade & Investment

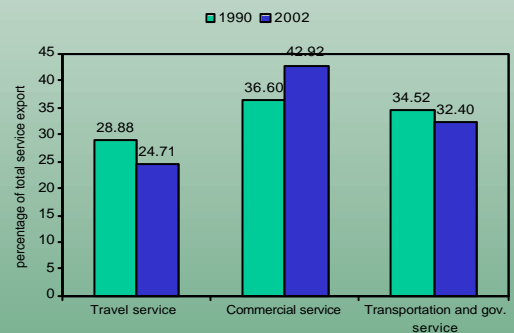
### Trade in services between Canada and the United Kingdom has more than doubled since 1990

- Canadian exports of services to the U.K. increased from C\$1.5 billion in 1990 to C\$4.2 billion in 2002.
- Canadian imports of services from the United Kingdom also rose but at slower pace, from C\$2.1 billion in 1990 to over C\$4 billion in 2002.
- Canada recorded a small service trade surplus in 2003, compared a deficit of C\$589 million in 1997.
- The share of commercial services exports in total service exports increased from 37 percent to 43 percent between 1990-2002. Travel, transportation and government services exports accounted for the remaining services exports.
- Nearly 42 percent of Canada's services imports from the United Kingdom were in commercial services. Between 1990 and 2003, the importance of travel services declined by 6 percentage points; while the share of transportation and government services increased by over 4 percentage points.

### Canada's Service Trade with the United Kingdom



### Canadian Service exports to United Kingdom, 1990 and 2002



### Canadian Service Imports from United Kingdom, 1990 and 2002



Source: Compilations based on Statistics Canada data

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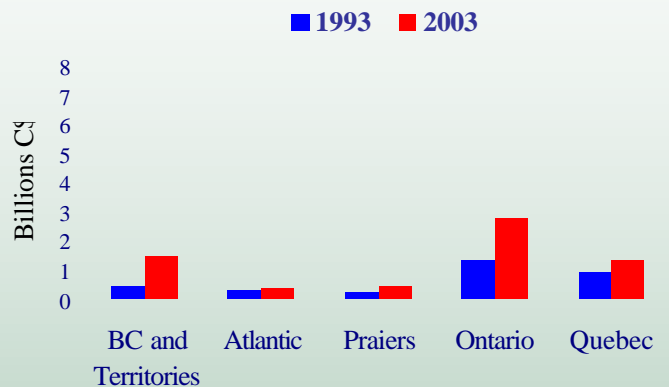
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## Regional Distribution of Trade with the United Kingdom

### Central Canada accounts for more than two-thirds of Canada's trade with the U.K.

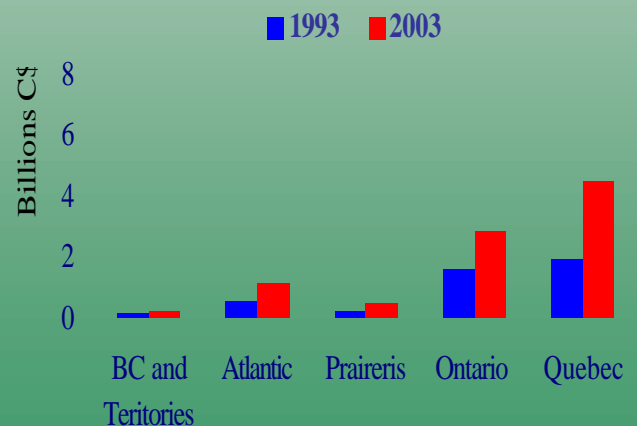
- In 2003, Ontario accounted for 44 percent of total exports to the United Kingdom, while Quebec accounted for 21 percent. The British Columbia's share increased from 11 percent in 1993 to 23 percent in 2003.
- Central Canada's share in total Canadian merchandise imports from the U.K. was more than 80 percent in 2003. While, the Atlantic provinces accounted for 13 percent of imports from the U.K.
- All provinces except British Columbia recorded trade deficits with the U.K. in 2003.

### Exports to United Kingdom



Source: Compilations based on Statistics Canada data

### Imports from United Kingdom



Source: Compilations based on Statistics Canada data



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## Foreign Direct Investment with the United Kingdom

**The United Kingdom has the highest inflows and outflows of FDI (as a percent of GDP) among G-7 countries.**

- Between 1997-2002, net inflows of FDI averaged U\$69.1 billion. Similarly, outflows of FDI averaged U\$43.6 billion.

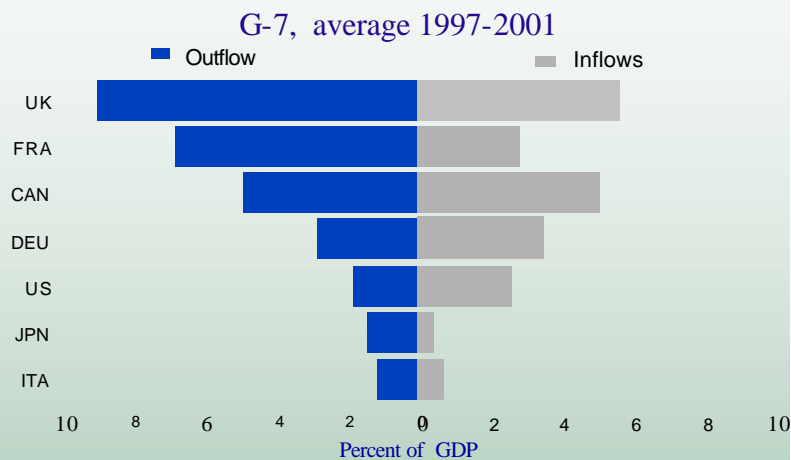
**The United Kingdom is Canada's second largest source of inward FDI after the United States...**

- In 2002, direct inward investment (stock) from the U.K. into Canada stood at about C\$ 27.6 billion, accounting for 7.9 percent of Canada's total FDI.

**...and the United Kingdom is also the second largest recipient of Canadian direct investment.**

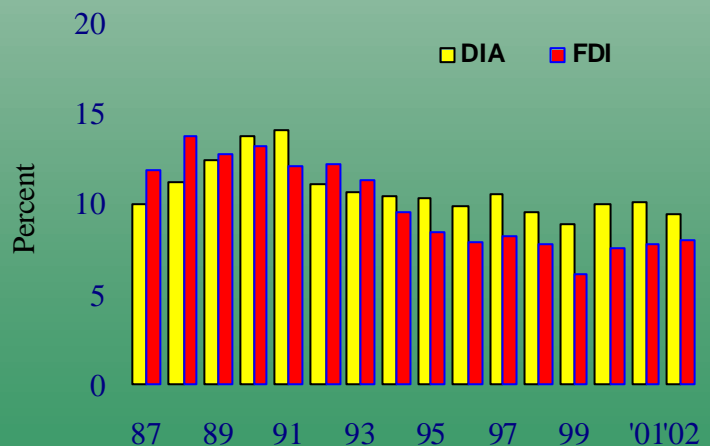
- In 2002, the Canadian direct investment (stock) to the United Kingdom was about C\$40 billion, accounted for 9.4 percent of total Canadian direct investment abroad.

### Foreign Direct Investment Outflows and Inflows as percentage of GDP



Source: OECD, International Direct Investment Statistics.

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



Source: Compilations based on Statistics Canada data