

Monthly Trade Bulletin

Volume 1, Number 1

December 1999

Highlights

- Exports rose 1.2% in October to \$30.7 billion, while imports increased for the ninth month in a row (0.7%). The result was an increase in the merchandise trade balance by \$0.2 billion to \$2.7 billion.
- Both exports and imports to the U.S. were up 0.7%. The merchandise trade surplus with the U.S. expanded to \$5.1 billion.
- The U.S. was the destination for 86.2% of our merchandise exports and the source of 76.3% of our imports in October.
- Commodity prices fell 2.3% in October, but are up 14.9% from October of last year.
- In line with commodity prices, the Canadian dollar dipped 1/10 ¢ over October but, nonetheless, is up substantially over October of 1998.

Key Monthly Trade Indicators (October 1999)

	\$ millions	% change over	
		previous month	previous year
Exports	30,698	1.2	7.9
- U.S. exports	26,474	1.6	10.3
Imports	28,028	0.7	4.8
- U.S. imports	21,383	0.7	2.9
Trade Balance*	2,670	2,497	1,705
- U.S. balance*	5,091	4,825	3,226
Commodity Prices**	99.3	-2.3	14.9
Canadian Dollar (US¢)*	68.0	68.1	64.8
Export Prices**	117.1	0.8	0.4
Import Prices**	109.8	-1.7	-6.6

* Data in levels only.

** Index (1992=100)

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: The Impact of the Asian Crisis on Canadian Exports



Team Canada Inc. • Équipe Canada inc

Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canada 

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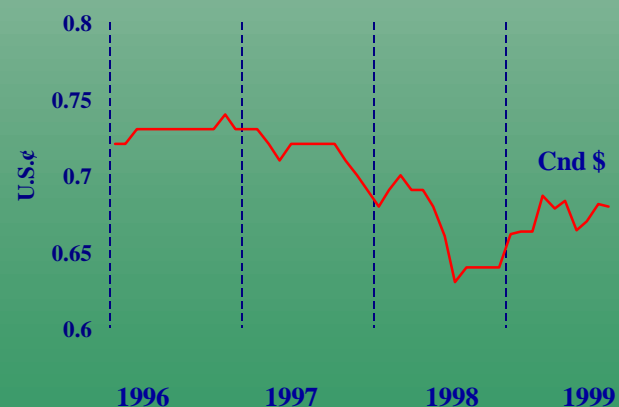
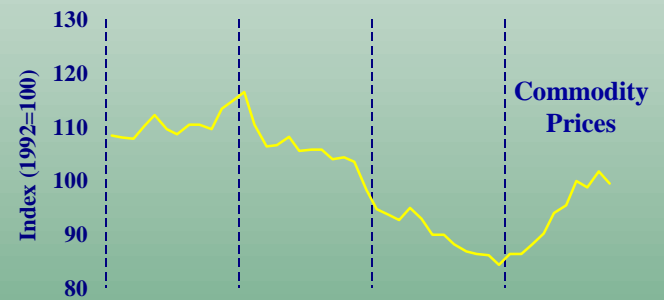
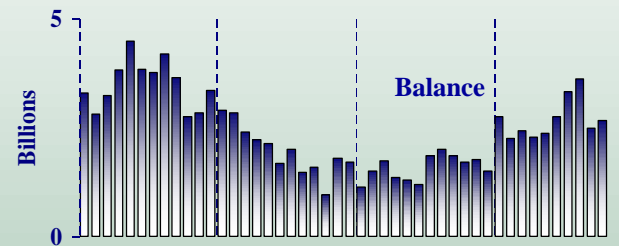
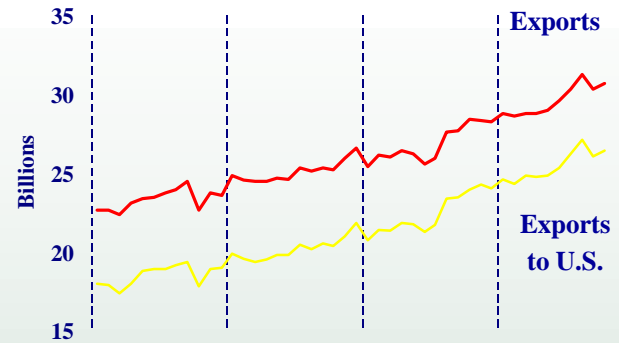
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Merchandise Trade

Exports resume their upward trend in October

- Total exports were up, driven entirely by increased exports to the U.S.
- The merchandise trade surplus widened as the increase in exports outpaced that of imports.



Both commodity prices and the exchange rate weaken

- Commodity prices slipped, falling 2.3% over the month, yet they remain 14.9% higher than in October 1998. Prices remain well below levels pre-existing the turmoil caused by the Asian Financial crisis.
- The Canadian dollar corrected its recent run up, dipping 0.1¢ in October. However, in line with commodity prices, the exchange rate is up U.S. 3.2 ¢ over the past year.

Source: Statistics Canada, Bank of Canada

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Team Canada Sectors' exports grew considerably

- Exports of Automotive and Aerospace & Defence products, two of the largest Team Canada sectors, are up over 30% for the first nine months of this year compared with the same period last year.
- Advanced Manufacturing Technologies (AMT) and Environmental Products demonstrated exceptionally high rates of export growth, in excess of 96% and 117% respectively.
- Somewhat surprisingly, exports of Building Products showed strong growth in the face of declining commodity prices and continued difficulty in the Asia-Pacific region over the past year.
- Exports of the Plastics sector also performed well, growing 26.3%.
- Industry trade balances (imbalances) reflects the comparative advantages (disadvantages).
 - ▶ Canada has a strong comparative advantage in Agri-Food, Automotive and Building Products, but a large disadvantage in Information and Communication Technologies, Health and Electrical Power Equipment.

Merchandise Trade, (Team Canada Sectors)

Team Canada Sectors	Exports			Imports			Balance	
	Millions	Growth	Millions	Growth	Millions	1998	1999	
	1998 YTD* Jan-Sept.	1999 YTD* Jan-Sept.	1998- 1999	1998 YTD* Jan-Sept.	1999 YTD* Jan-Sept.	1998- 1999		
Aerospace & Defence	7,959	10,511	32.06	10,438	11,584	10.97	-2,480	-1,073
Agri-Food	16,761	15,681	-6.44	11,990	12,081	0.75	4,770	3,600
AMT**	1,332	2,612	96.06	2,687	3,148	17.16	-1,355	-536
Automotive	50,287	68,949	37.11	54,154	62,264	14.98	-3,867	6,685
Building	10,893	13,476	23.71	9,846	10,886	10.57	1,047	2,589
Electrical Power Equipment	4,134	4,228	2.28	6,516	7,821	20.03	-2,382	-3,593
Enviro	294	638	117.24	920	1,105	20.12	-626	-467
Health	2,416	2,731	13.04	4,452	5,074	13.96	-2,036	-2,343
ICT***	18,150	19,814	9.17	33,350	37,126	11.32	-15,200	-17,312
Plastics	4,808	6,074	26.32	5,151	5,687	10.41	-342	387
Total Merchandise Exports	237,199	265,589	11.97	223,303	241,322	8.07	13,896	24,267

* YTD - Year-to-date

** AMT - Advanced Manufacturing Technologies

*** ICT - Information and Communication Technologies

Source: Industry Canada compilations based on Statistics Canada Data

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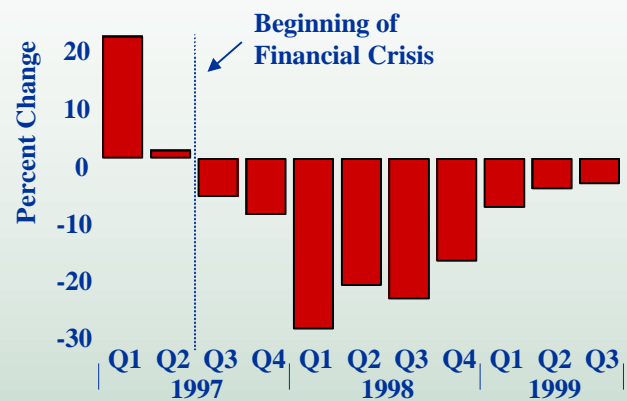
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The Impact of the Asian Crisis on Canadian Exports

The financial crisis significantly affected exports to Asia-Pacific...

- Exports from Canada to Asia-Pacific have declined every quarter since the beginning of the financial crisis in the Asia-Pacific region.
- The crisis peaked in 1998, with Canadian exports to the region declining on average more than 20%, but the situation has begun to improve in 1999.

Total Exports to Asia-Pacific

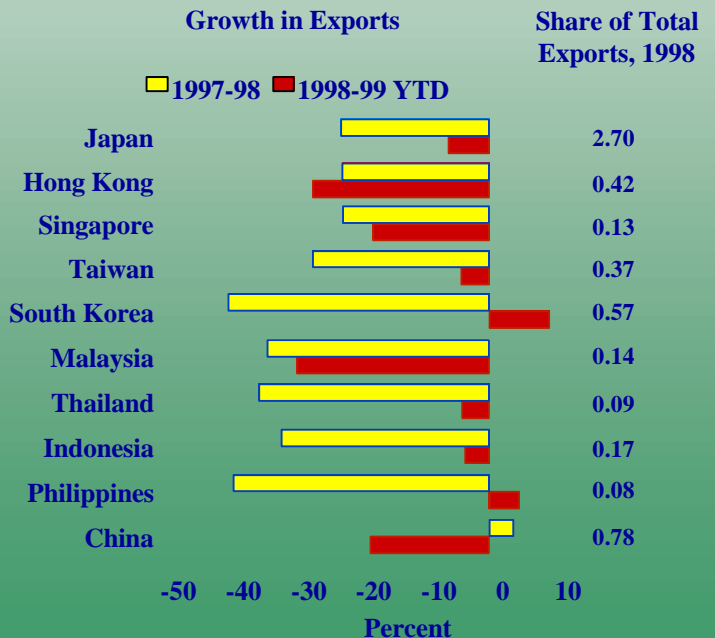


Source: Industry Canada compilations based on Statistics Canada data

...as exports to all Asia-Pacific countries declined

- Canada's exports to all of the major countries of the Asia-Pacific region, with the exception of China, fell by over 20% from 1997 to 1998.
 - ▶ Exports to Japan, which absorbs almost one half of our merchandise exports to Asia-Pacific, fell by 23% in 1998.
- Exports to many Asia-Pacific countries continued to fall through 1999, but in most cases by smaller amounts than in 1998.

Exports to Asia-Pacific Countries



Source: Industry Canada compilations based on Statistics Canada data

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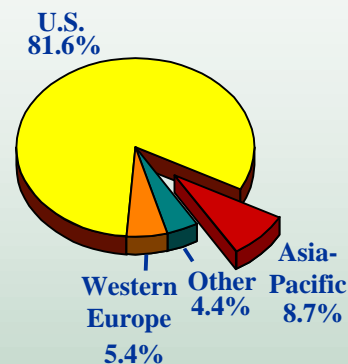
The Impact of the Asian Crisis on Canadian Exports

But, the Asia-Pacific region accounts for a small share of Canadian exports

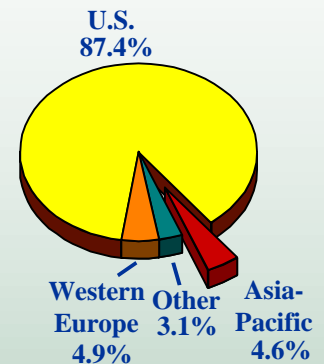
- At the onset of the financial crisis, the Asia-Pacific region accounted for less than 10% of Canada's total exports
 - ▶ The share has dwindled to less than 5% since that time.

Geographic Distribution of Canadian Merchandise Exports

First Quarter 1997



Third Quarter 1999

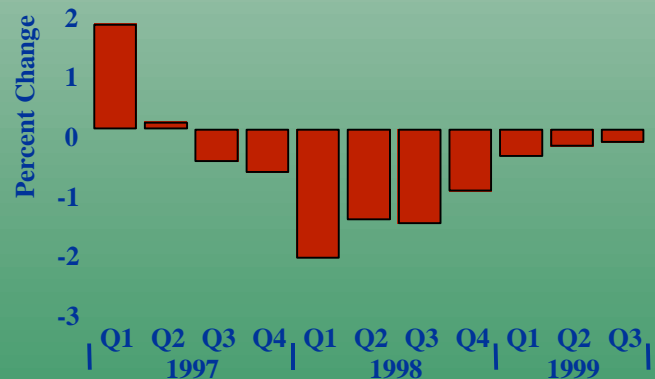


Source: Industry Canada compilations based on Statistics Canada data

As a result, total exports were relatively unaffected

- Although Canadian exports to Asia-Pacific declined considerably, Canada's over-all export performance was not significantly affected.
- For example, even at the peak of the crisis (1998 Q1), total exports decreased by only 2.1%.

Impact of Asian Crisis on Total Canadian Exports



Source: Industry Canada compilations based on Statistics Canada data

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The Impact of the Asian Crisis on Canadian Exports

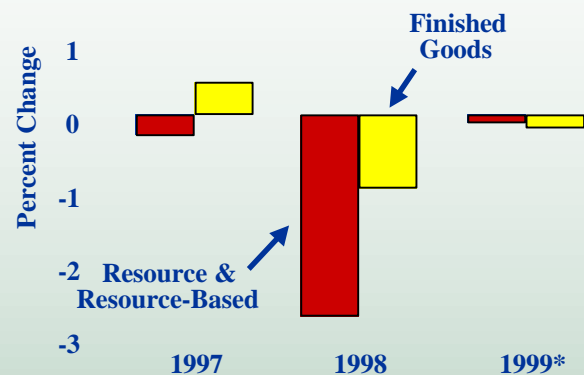
Our Resource & Resource-Based exports felt the brunt of the Asian financial crisis...

- 1998 witnessed the greatest impact of the Asian financial crisis on Canadian exports.
- During that year, Resource & Resource-Based commodity exports to Asia-Pacific fell by \$3.1 billion, resulting in a 2.7% drop in total exports of these goods.
- In relative terms, this is almost three times as much as the 1% decline in total Finished Goods exports attributable to the Asian Pacific crisis.
 - ▶ In dollar terms, exports of Finished Goods to Asia-Pacific fell by \$1.8 billion in 1998.

...as exports of these goods account for most of our exports to Asia-Pacific

- In 1998, almost three quarters of Canada's exports to Asia-Pacific were Resource & Resource-Based goods. Asia-Pacific accounts for 10% of our total exports of these goods.

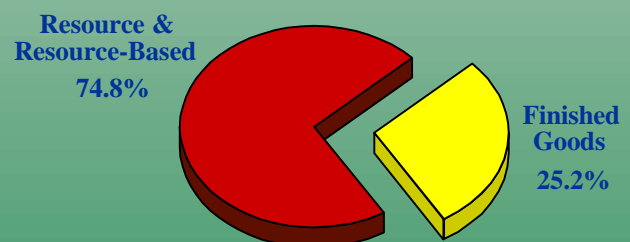
Impact of the Asian Crisis on Total Exports by Commodity Type



* Sept. 1998 to Sept. 1999

Source: Industry Canada compilations based on Statistics Canada data

Exports to Asia-Pacific by Commodity Type (1998)



Source: Industry Canada compilations based on Statistics Canada data

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The Impact of the Asian Crisis on Canadian Exports

Exports of all provinces were affected by the Asian financial crisis...

- In 1998, exports to Asia-Pacific from all provinces declined.
- Purely in terms of rates of decline, Ontario and Quebec were affected the most with drops in 1998 of 41.2% and 29.3% respectively.

Percent of Exports going to Asia-Pacific, 1996

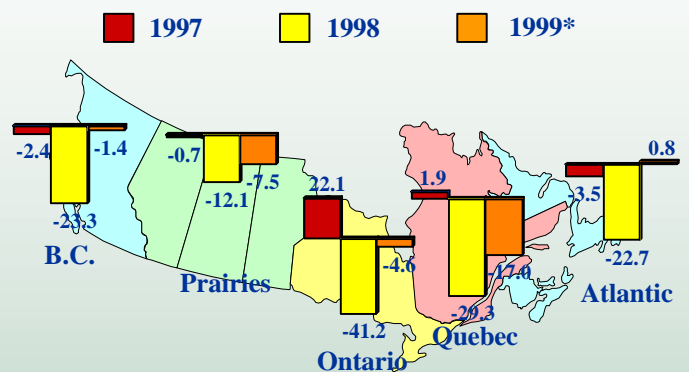
B.C.	Prairies	Ontario	Quebec	Atlantic
35.8%	14.5%	3.9%	4.7%	8.8%

- But, only a small percentage (less than 5%) of exports from these two provinces go to Asia-Pacific, compared to 36% for B.C.

...but to different degrees

- Overall, B.C. is the province that suffered the most, with the Asian crisis subtracting 6.8% from its growth in total exports in 1998.
- However, the effect of the crisis on exports of Ontario and Quebec, was barely noticeable.

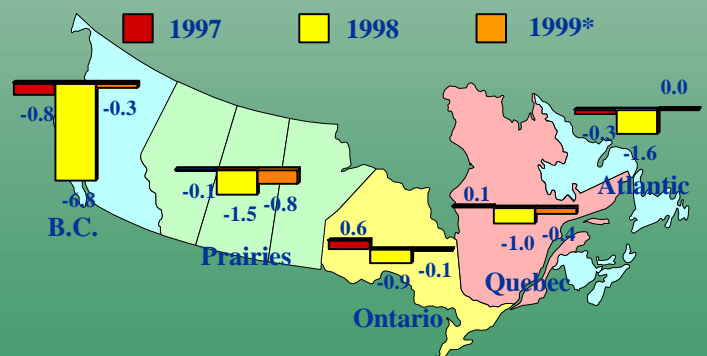
Growth in Merchandise Exports to Asia-Pacific by Region (Percent)



* Sept 1998 to Sept 1999.

Source: Industry Canada compilations based on Statistics Canada data

Impact of the Asian Crisis to Total Exports by Region (Percent)



* Sept 1998 to Sept 1999.

Source: Industry Canada compilations based on Statistics Canada data