

# Monthly Trade Bulletin

Volume 2, Number 9

November 2000

## Highlights

- October's trade surplus was virtually unchanged at \$4.6 billion as both exports and imports grew marginally.
- Exports to the U.S. grew moderately, rising 0.8%, while imports from the U.S. were unchanged. As a result, Canada's trade surplus with the U.S. increased by \$225 million to reach a near-record \$8.1 billion.
- Falling commodity prices and resultant deteriorating terms of trade have put downward pressure on the dollar, which fell a further eight-tenths of a U.S. cent in October.

## Key Monthly Trade Indicators (October 2000)

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	35,090	0.1	13.5
- Exports to U.S.	30,516	0.8	14.8
<b>Imports</b>	30,529	0.1	7.7
- Imports from U.S.	22,387	0.0	4.8
<b>Trade Balance*</b>	4,561	4,562	2,563
- Balance with U.S.*	8,128	7,904	5,203
<b>Commodity Prices**</b>	113.6	-1.8	14.5
<b>Canadian Dollar (US¢)*</b>	65.7	66.5	68.0
<b>Export Prices***</b>	120.9	0.6	3.3
<b>Import Prices***</b>	110.6	1.6	-0.2

\* Data in levels only.

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

\*\*\* Index 1992 = 100

Source: Industry Canada compilations based on Statistics Canada data.

## This Month's Feature Report: Is Mexico becoming a North American Tiger? The Battle for the U.S. Market

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis.  
Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.



Department of Foreign Affairs  
and International Trade

Ministère des Affaires étrangères  
et du Commerce international



Industry  
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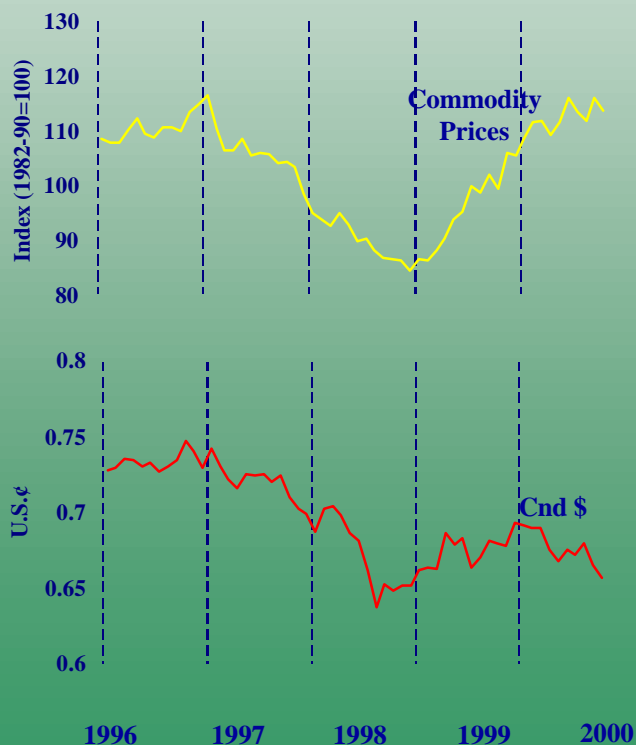
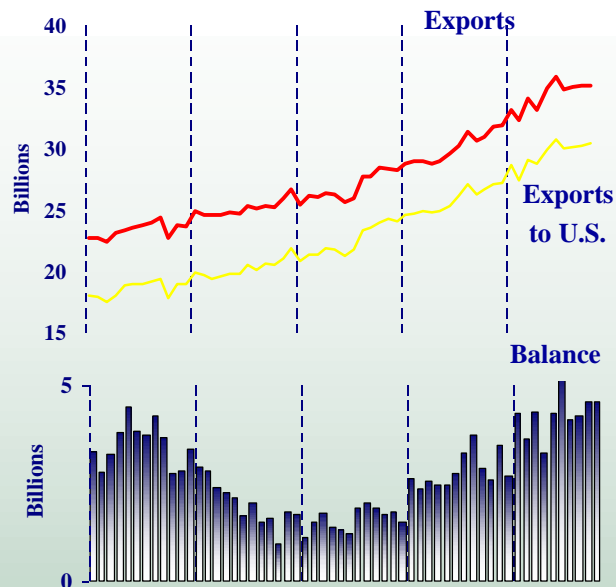
## The trade surplus remains unchanged

- October's trade surplus is virtually unchanged from a month earlier and remains large, for the most part due to the \$8.1 billion surplus with the U.S. recorded over the month.
- The trade balance with all other major regions remains in deficit. Our deficit with the European Union widened by \$330 million in October, while that with Japan widened by \$35 million.

## The Canadian dollar continues to fall

- The Canadian dollar fell for the second month in a row, down 0.8 US¢ over the month. The dollar has lost more than two and a quarter US¢ in value over the past two months.
- Weakening commodity prices and declining terms of trade (i.e., the ratio of export prices to import prices) in combination with the strength of the U.S. dollar vis-à-vis all other currencies have militated against our currency's performance.

## Merchandise Trade



Source: Statistics Canada, Bank of Canada

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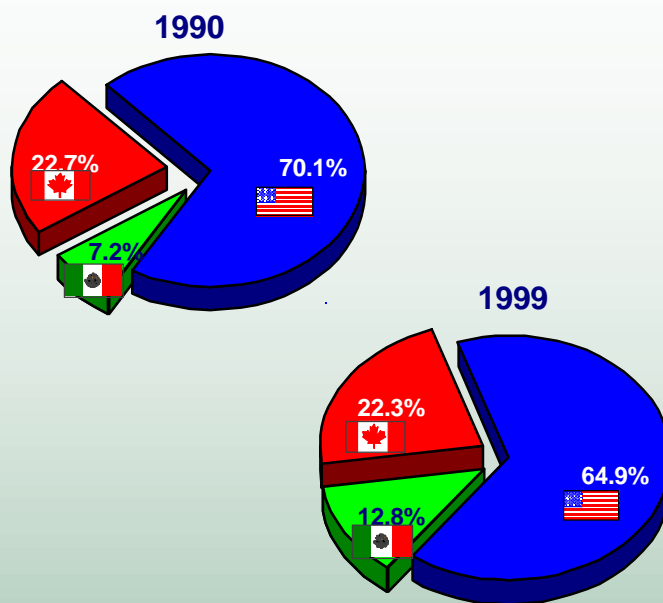
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## The Battle for the U.S. Market

### Distribution of North American Exports

#### Mexico is a growing force in North American economic space...

- The North American economic space is no longer just a Canada/U.S. one. Mexico is a growing force in North America and a growing competitor for U.S. attention.
- Mexico's share of North American exports nearly doubled over the 1990s, from just over 7% to nearly 13%.

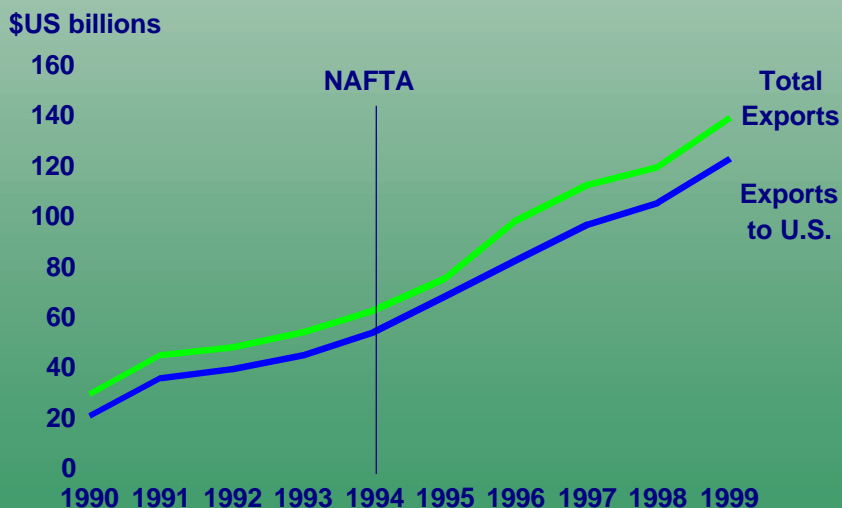


Source: Industry Canada compilations based on data from the WTO

#### ...as its trade increased nearly five-fold over the 1990s, mostly with the U.S.

- Mexico's exports and imports both increased five-fold over the 1990s.
  - ▶ Exports increased from US\$27 billion to US\$137 billion in 1999.
- The implementation of NAFTA partly contributed to this growth.

#### Mexico's Exports\*



\* Merchandise Trade

Source: Industry Canada compilations based on IMF data and USITC.

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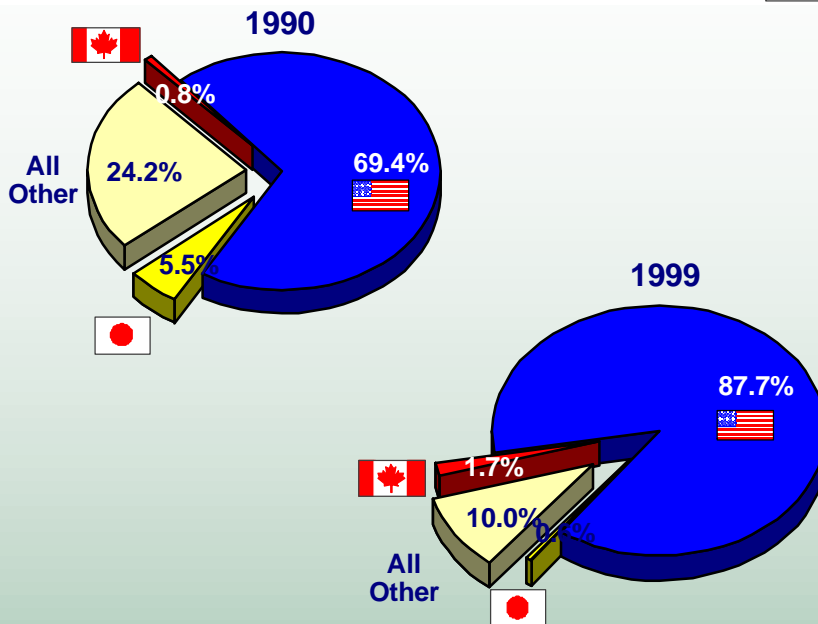
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## The Battle for the U.S. Market

### Nearly 90% of Mexico's exports now go to the U.S.

- The distribution of Mexican trade is very similar to that of Canada. Mexico also depends very heavily on the U.S. market for exports, with more than 85% of Mexican exports going to the U.S. This is up from 69% in 1990.
- ▶ Canada is the second most important destination country for Mexican exports.

### Distribution of Mexican Exports\*

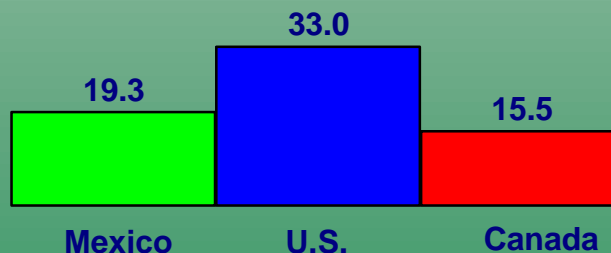


\* Merchandise only  
Source: Industry Canada compilations based on data from the World Trade Atlas and IMF direction of Trade Statistics.

### And high-technology industries contribute to a greater share of Mexican exports than they do for Canada

- High-technology industries account for 19.3% of Mexico's exports compared to only 15.5% of Canada's exports.
- ▶ However, the skill content of Canadian exports is expected to be significantly higher than Mexican exports.

### High-Technology Exports\* Percent of Manufactured Exports, 1998



\* Based on OECD definition of high-technology  
Source: UNESCO

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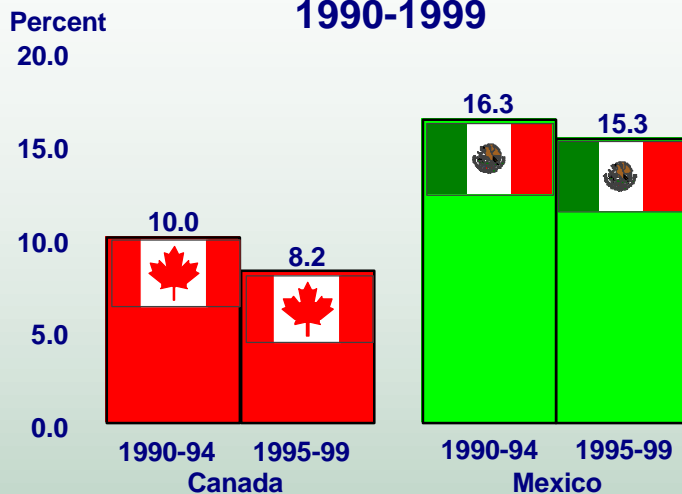
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## The Battle for the U.S. Market

### Mexico's export growth to the U.S. significantly outpaced that of Canada...

- Mexico's exports to the U.S. grew at an average annual rate of 15.6% in the 1990s.
- By comparison, Canada's exports to the U.S. during this period, grew at an annual average rate of 9.0%.

### Annual Average Growth in Exports to the U.S. 1990-1999

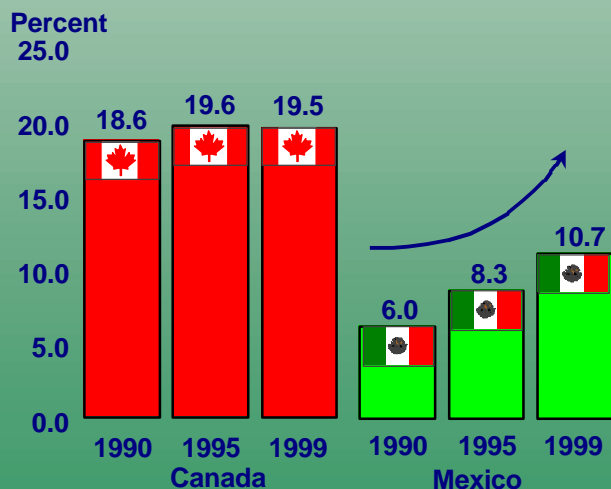


Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

### ...as a result, Mexico's share of U.S. imports almost doubled while Canada's more or less remained constant

- Canada's share of U.S. imports has remained just under 20%, while Mexico's share has increased from 6.0 percent in 1990 to 10.7 percent in 1999.

### Share of U.S. Imports



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

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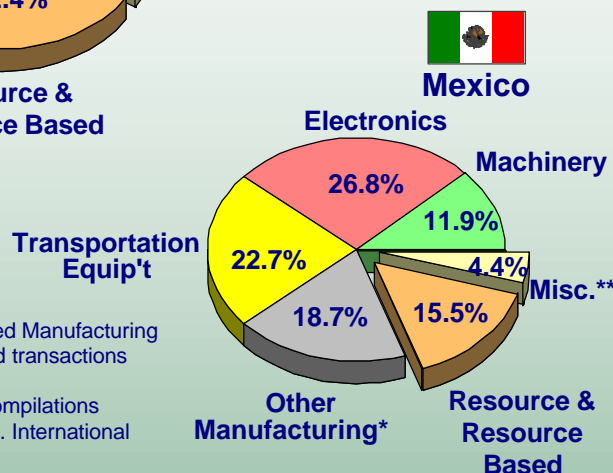
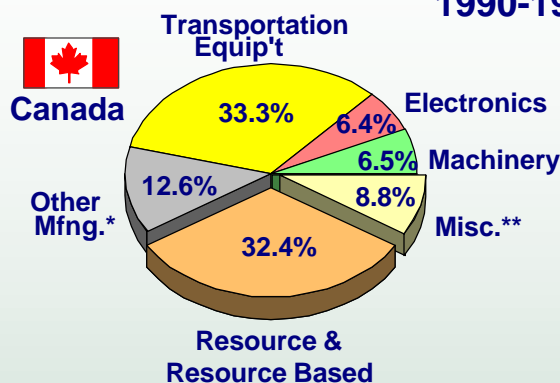
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## The Battle for the U.S. Market

### Canada and Mexico are competing in the U.S. in similar products...

- Three industries, Transportation Equipment, Electronics and Machinery, accounted for more than 60% of Mexico's export growth to the U.S. in the 1990s. These same three industries contributed 45% of Canada's export growth to the U.S.

### Industrial Contribution to Growth in Exports to the U.S. 1990-1999

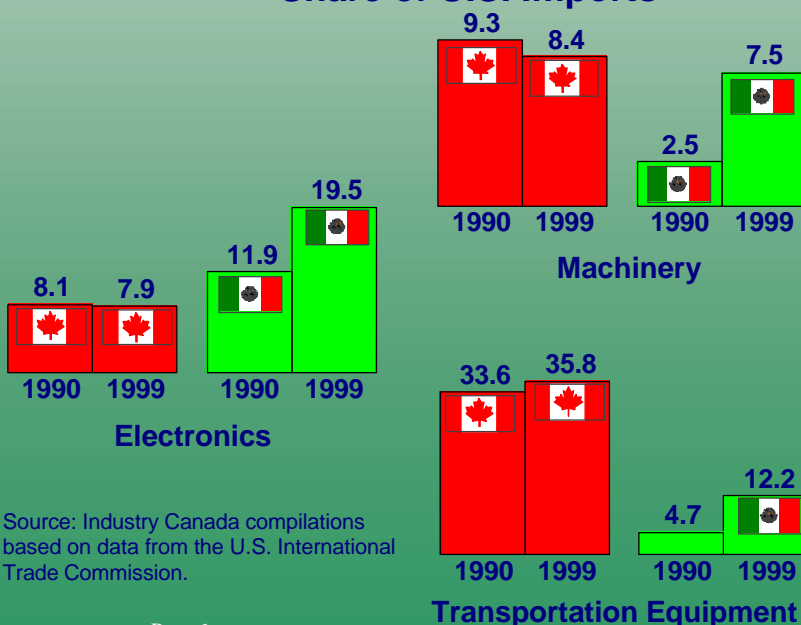


\* Other Non-Resource Based Manufacturing  
 \*\*Misc. includes unclassified transactions and re-exports  
 Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

### ...and Mexico is performing well

- In all three industries Mexico increased its market share significantly.

### Share of U.S. Imports



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

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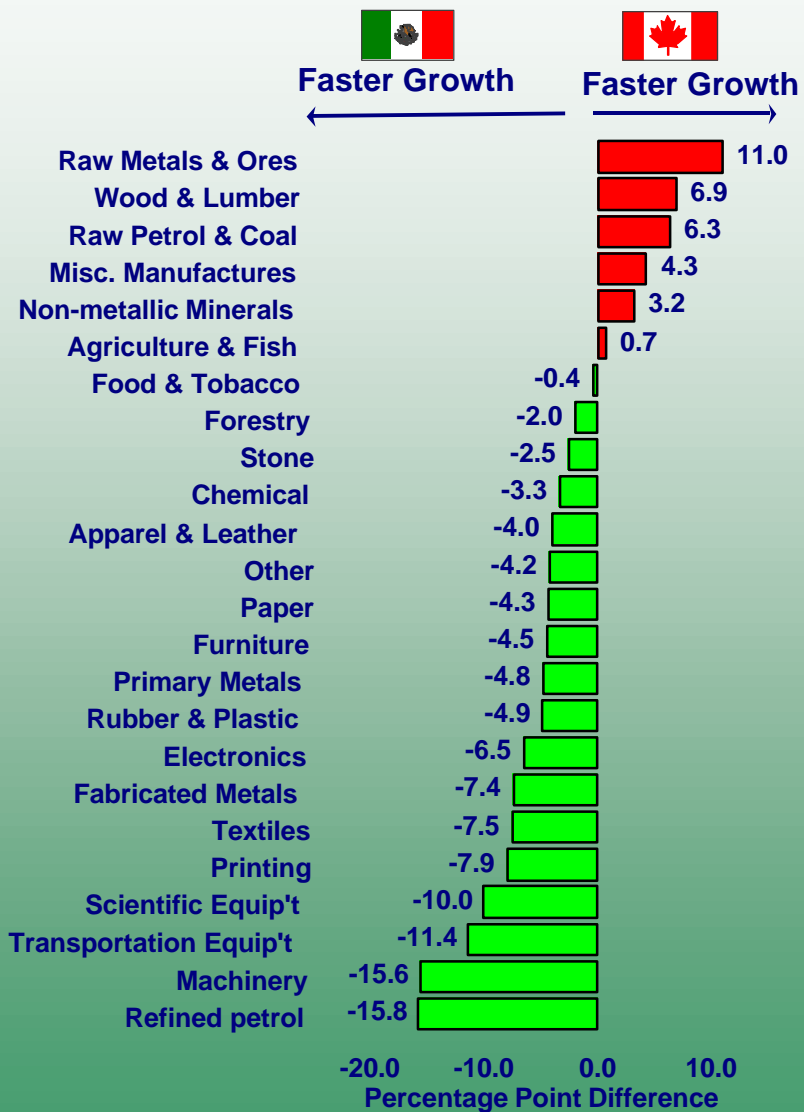
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## The Battle for the U.S. Market

### Difference in Annual Average Growth in Exports to the U.S. 1990-1999

#### Canada's exports to the U.S. grew faster in resource-based industries

- Canadian export growth outpaced Mexican export growth to the U.S. in only 6 out of 24 industries.
- ▶ Five of these are resource-based industries.



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.