

Monthly Trade Bulletin

Volume 3 Number 11

January 2002

Key Monthly Trade Indicators (November 2001)

Highlights

-  **Rising merchandise exports and falling imports caused Canada's overall trade surplus with the world to rise in November.**
-  **On the other hand, with the U.S. falling merchandise exports together with rising imports resulted in a narrowing of the bilateral trade surplus in November.**
-  **The Canadian dollar rebounded some US0.6¢ over the month; nonetheless, it remains US1.5 ¢ below its level of November, a year earlier.**

	\$ millions	% change over	
		previous month	previous year
Exports	32,652	1.3	-9.8
- Exports to U.S.	27,209	-0.4	-12.8
Imports	28,090	-0.3	-9.3
- Imports from U.S.	20,438	0.7	-9.3
Trade Balance*	4,562	4,063	5,244
- Balance with U.S.*	6,772	7,019	8,679
Commodity Prices**	90.9	0.9	-22.6
Canadian Dollar (US¢)*	63.6	62.9	65.1
Export Prices***	102.6	-1.1	-5.7
Import Prices***	104.1	-0.9	-3.0

* 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's Trade in Services

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 and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao. ISSN 1496-192X



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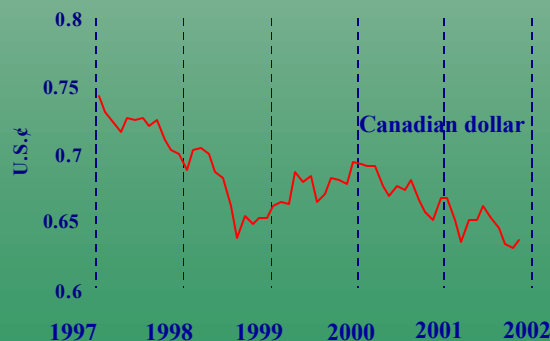
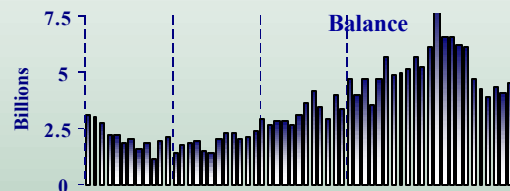
Merchandise Trade

The overall trade balance rises ...

- The overall trade surplus was up half a billion dollars to \$4.6 billion in November.
 - ▶ The monthly surplus with the US contracted for the second month in a row. The balance dropped \$241 million to just below \$6.8 billion in November.
- Monthly trade balances with all other major trading partners improved over the month, but remain in deficit. Our deficit with the EU contracted \$357 million to \$908 million for November, while the deficit with Japan narrowed \$24 million to a \$132 million deficit.

... as does the value of the Canadian dollar

- The Canadian dollar rose US0.6¢ in value over the month of November. The dollar is slightly more than US1.5¢ lower than its rate one year earlier.
- Export and import prices continue to slide while commodity prices edged up slightly after two months of steep cuts.



Source: Statistics Canada, Bank of Canada

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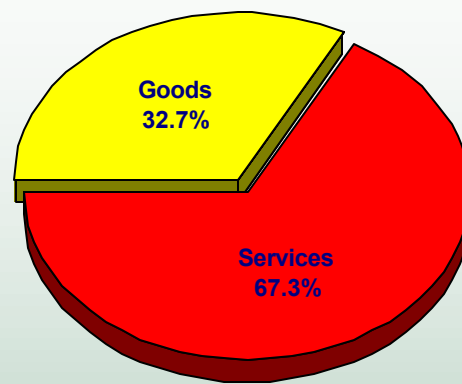
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Canada's Trade in Services

Share of Services in GDP*, 2000

The service sector accounts for more than two-thirds of GDP...

- The service sector now accounts for more than two-thirds of GDP, up just over one percentage point since 1990.



Total GDP*: 786,838 Million

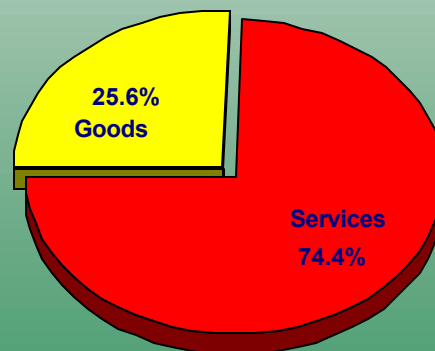
* GDP at factor cost, 1992 prices

Source: Compilations based on Statistics Canada Data

...and almost three-quarters of employment

- More than 11 million Canadians are employed in the service sector, nearly three-quarters of total employment - up three percentage points since 1990.
- The service sector has consistently outperformed the goods sector in terms of employment growth.
 - ▶ Between 1990 and 2001, employment in the goods sector grew at an average annual rate of 0.2%, compared to 1.7% for the service sector.

Share of Services in Employment, 2001



Total Employment: 15,076,700

Source: Compilations based on Statistics Canada Data

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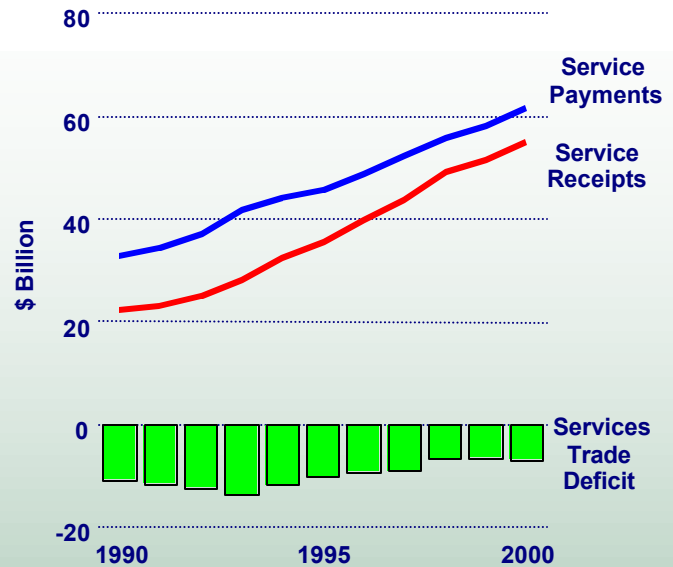
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Canada's Trade in Services

Service Trade Balance

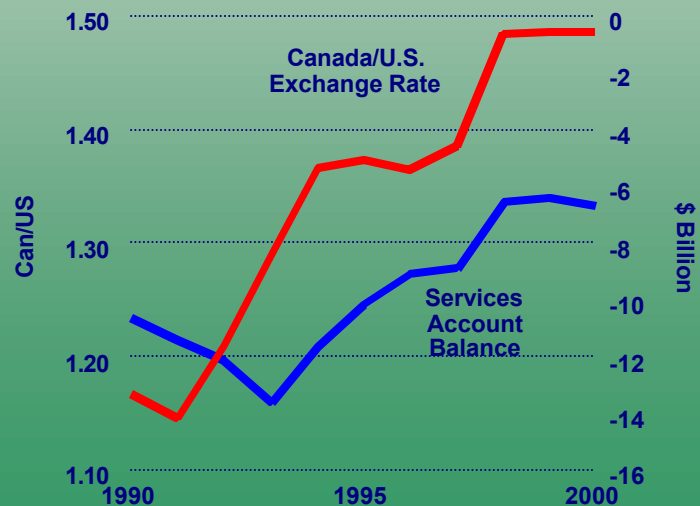
The service trade deficit narrowed...

- Service receipts (exports) rose at an average annual rate of 9.5% over the 1990s to reach \$55.3 billion in 2000, while payments rose 6.5% annually to reach \$62.0 billion in 2000.
- The service account balance improved in the 1990s. In 2000, the trade deficit in services was about \$6.7 billion, compared to a peak of more than \$13 billion in 1993.
- The service trade deficit is close to evenly split between the three major service components - travel, transportation and commercial services.



Source: Compilations based on Statistics Canada data

Services Trade Balance vs. Can/U.S. Exchange Rate



...in response to a declining dollar

- As the value of the Canadian dollar depreciated over the 1990s, service exports increased faster than service imports, improving Canada's service account balance.

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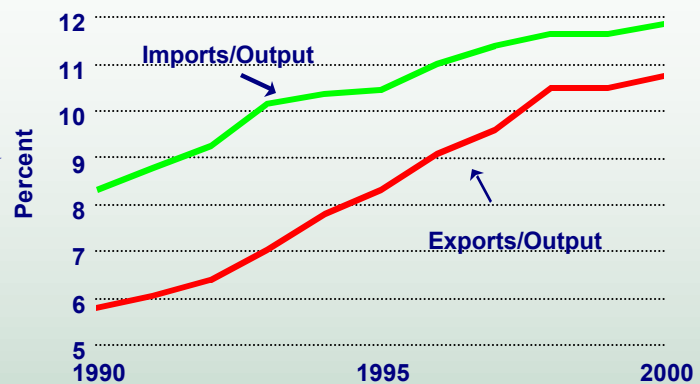
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Canada's Trade in Services

Share of trade to gross output in services

Trade has been a small but steadily growing component of the service sector...

- The importance of trade (both exports and imports) to the service sector has been increasing steadily throughout the 1990s.
 - ▶ The share of exports to output has increased from 5.8 percent in 1990 to 10.7 percent in 2000 while the share of imports to output increased from 8.4 percent to 11.9 percent.
 - ▶ This still falls considerably short of the manufacturing sector which exported 56 percent of total shipments in 2000.



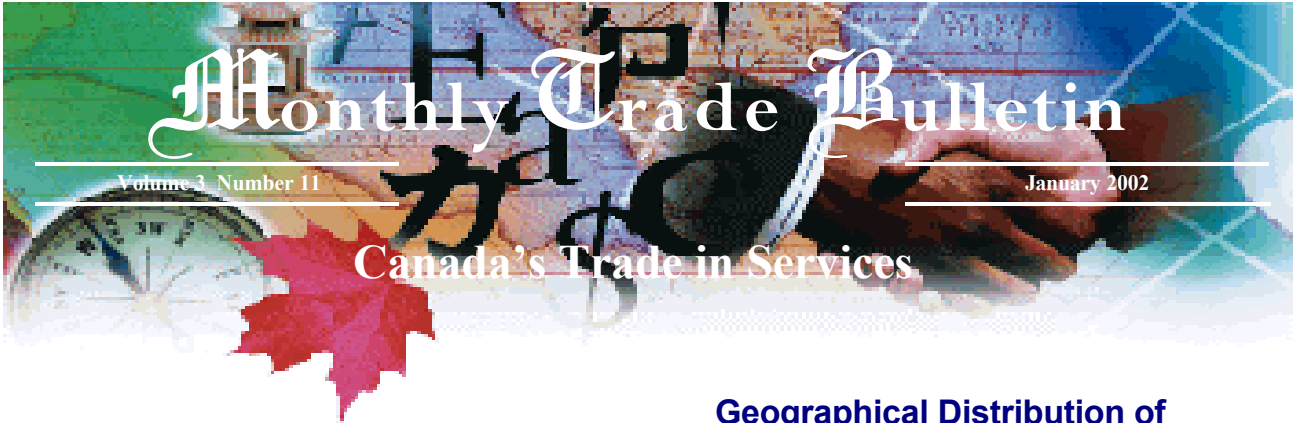
Source: Statistics Canada

...although the relative importance of services in Canada's total trade has declined markedly in the 1990s

- The relative importance of services in Canada's exports and imports declined substantially in the 1990s — falling from over 16 percent in 1990 to 14 percent in 2000.
 - ▶ This is a result of strong growth of trade in goods over the 1990s.



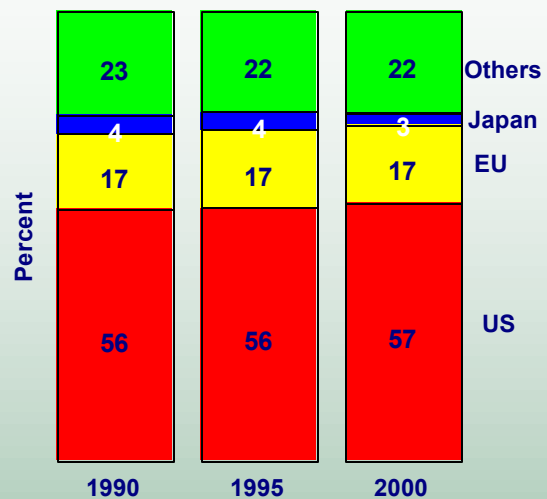
Source: Compilations based on Statistics Canada data



The US remains the dominant market for Canada's service exports...

- The US continues to be the dominant destination of Canada's service exports, accounting for 57 percent of total service exports.
- ▶ Canada's service exports are much more diversified than is merchandise exports where nearly 87 percent of exports is bound for the US and unlike merchandise trade, the importance of the US has not changed much over the past decade.

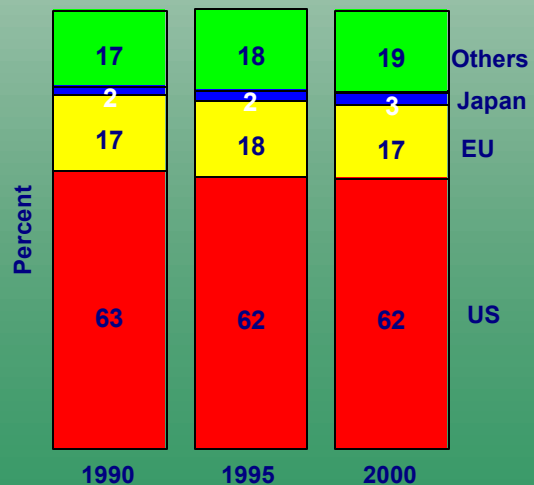
Geographical Distribution of Canada's Service Exports



...and source for service imports

- The US remains the dominant source of service imports into Canada.
- ▶ The US accounts for a slightly higher share of service imports than for exports.

Geographical Distribution of Canada's Service Imports



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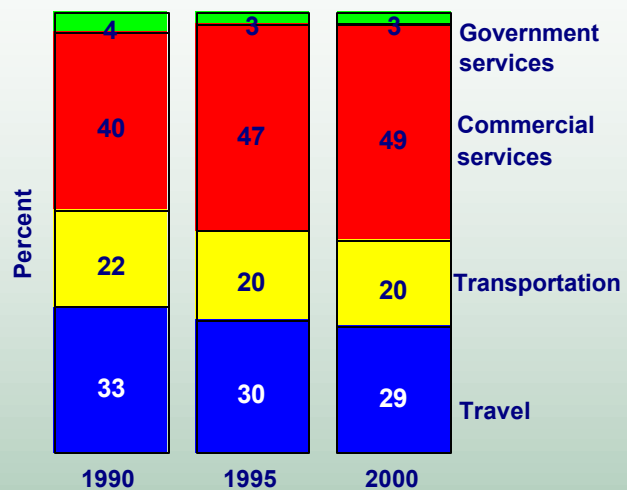
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Canada's Trade in Services

Distribution of Canada's Service Exports by Commodity

Exports of commercial services gained importance while exports of transportation and travel services lost ground

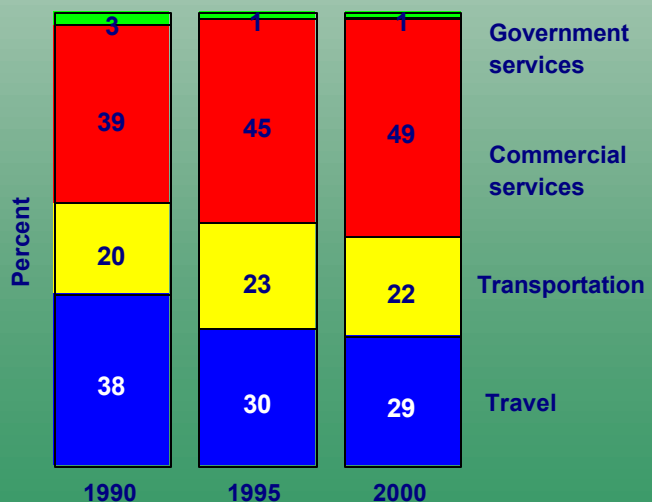
- Between 1990 and 2000, the share of commercial service exports in total service exports rose by 19 percentage points to 49 percent, at the expense of transportation and travel services.
- Commercial services include telecommunications; computer and information services; insurance and financial services; management consultant services; R&D services; and, intellectual property services and royalties.



Commercial service imports have also increased in importance

- The importance of commercial service imports rose in the last decade — increasing in share by 10 percentage points to 49 percent in 2000, at the expense of all other services.

Distribution of Canada's Service Imports by Commodity



Source: Compilations based on Statistics Canada data

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Canada's Trade in Services

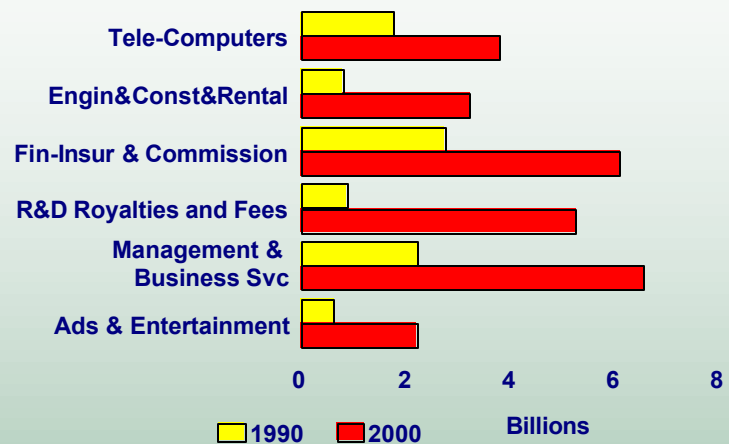
R&D, Royalties and Fees and Engineering & Construction showed the strongest growth among Canada's commercial service exports

- Management & Business Services along with Finance & Insurance account for nearly half of Canada's service exports, although the importance of R&D Royalties & Fees has seen its share more than double over the 1990s.
- R&D, Royalties and Fees grew 19.6 percent on average over the 1990s, while Engineering & Construction grew 15.0 percent.

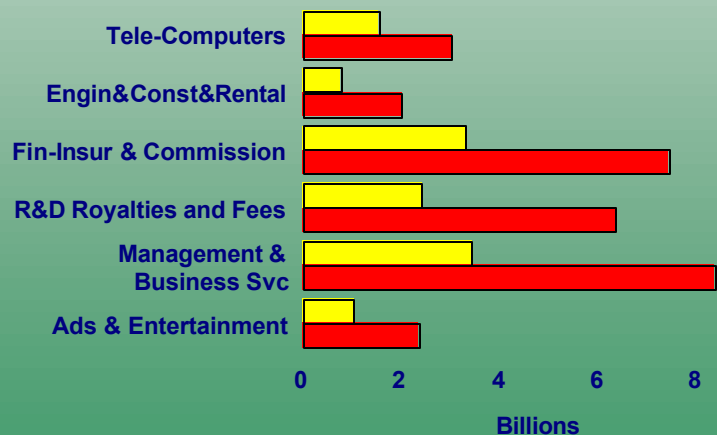
Most of Canada's service imports were in Management and Finance

- Management and Finance together accounted for more than half of Canada's service imports in 2000 as well as the majority of Canada's deficit in commercial services trade.
- Similar to exports, R&D Royalties & Fees was the fastest growing industry.

Commercial Service Receipts



Commercial Service Payments



Source: Compilations based on Statistics Canada data