

Monthly Trade Bulletin

Volume 6, Number 10

December 2004

Key Monthly Trade Indicators (October 2004)

Highlights

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

	\$ millions	% change over	
		previous month	previous year
Exports	35,625	-1.1	10.1
- Exports to U.S.	28,796	-1.6	9.2
Imports	31,274	0.9	13.7
- Imports from U.S.	21,185	-0.7	9.6
Trade Balance*	4,351	5,043	4,854
- Balance with U.S.*	7,611	7,939	7,036
Commodity Prices**	158.0	6.8	32.1
Canadian Dollar (US¢)*	82.1	79.3	75.8
Export Prices***	104.4	-1.1	4.1
Import Prices***	94.1	-1.5	1.0

* 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-France Trade and Investment Linkages

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International Trade
Canada

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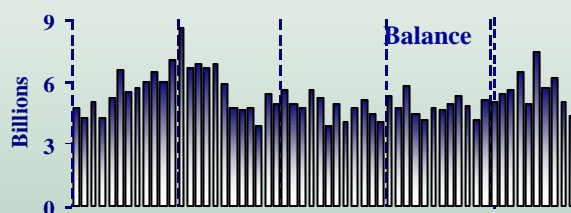
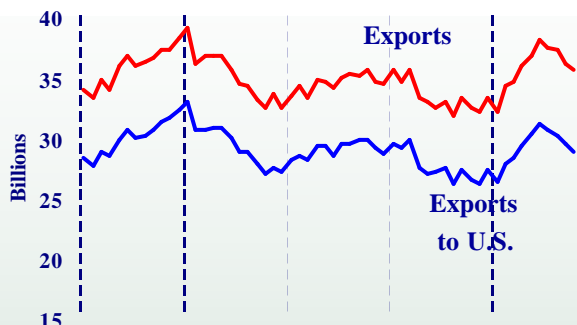
Trade surpluses lowered...

- The overall Canadian trade surplus narrowed by \$692 million in October, to \$4.4 billion.
 - October's monthly surplus with the U.S. decreased by \$328 million to \$7.6 billion.

... and the value of the Canadian dollar continued up.

- The Canadian dollar climbed US2.8¢ in value over October, closing the month at US82.1¢. On a year-over-year basis, the value of the dollar was 8.3 percent higher (or US6.3¢) in October 2004 than for the same month a year ago.
- Commodity prices increased 6.8 percentage points over the previous months level in October. The terms of trade improved slightly as import prices fell more than export prices for the month.

Merchandise Trade



Source: Statistics Canada, Bank of Canada

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Canada - France Trade Linkages

France is Canada's third largest European trading partner, after the U.K., and Germany.

- In 2003, two-way merchandise trade between Canada and France exceeded C\$ 7.2 billion.

- Canada exported C\$ 2.1 billion worth of goods to France in 2003, nearly double the level in 1994. More than 10 percent of Canada's exports to the European Union are sold in France.

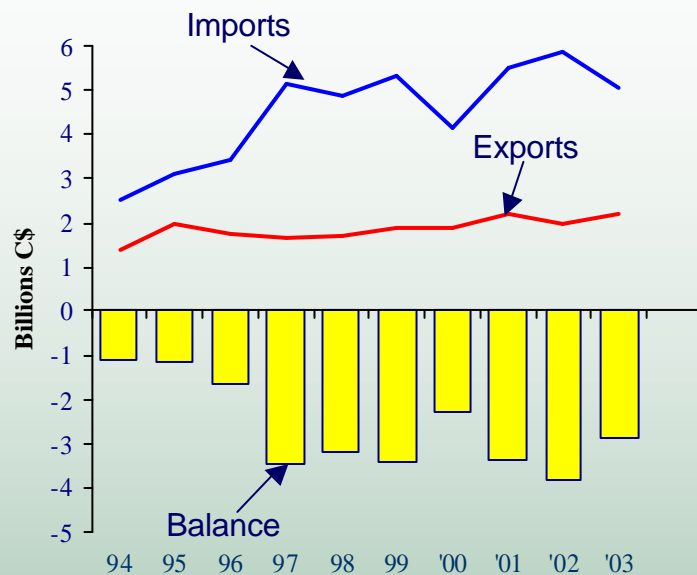
- In 2003, imports from France were valued at C\$ 5.1 billion, down 13 percent from the previous year. One-third of the drop in Canada's imports from France was due to the sharp decline in aeronautic imports.

- Canada's trade deficit with France widened from C\$1.1 billion in 1994 to C\$2.9 billion in 2003, but the deficit narrowed significantly from the 2002 level.

Two-way trade with France accounts for about 2 percent of Canada's overall trade flows.

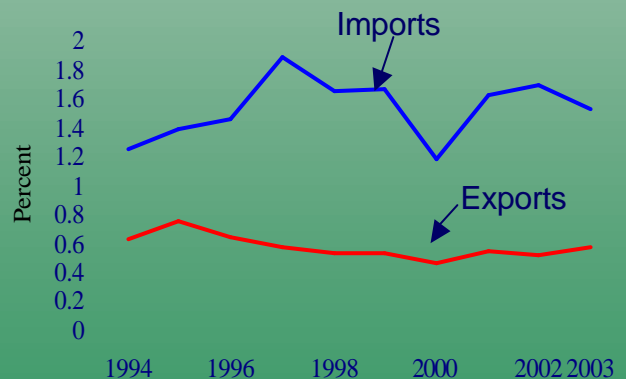
- France's share of Canadian exports has remained more or less steady since 1994, around 0.6 percent on average.
- France's share of Canadian imports fell somewhat in 2003.

Canada's Merchandise Trade with France



Source: Compilations based on Statistics Canada data

France's Share of Canadian Merchandise Trade



Source: Compilations based on Statistics Canada data

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Economic growth in France has declined since 2001.

- Between 1995-2000, real GDP increased by an average of 2.5 percent annually. Since 2001, economic growth has slowed considerably – barely above zero in 2003.
- The labor market has improved in recent years. The unemployment rate has declined significantly since 1999.

France Real GDP Growth and Unemployment Rate (1981-2001)

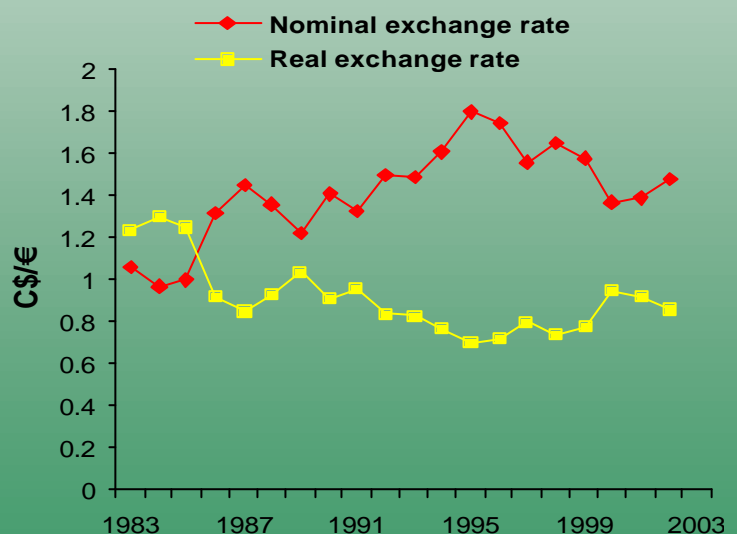


Source: World Bank

The Canadian dollar has depreciated in real terms against Euro.

- The real exchange rate (the exchange rate adjusted for changes in prices in the two countries) between the Canadian dollar and the Euro has fallen to around C\$0.86 dollar per Euro in 2003.
- The real depreciation of the Canadian dollar against the Euro seems to have more or less offset the impact of sluggish French economic growth on Canadian exports to that country.

Real and Nominal Exchange Rate, C\$ vs €



Source: Bank of Canada, WDI

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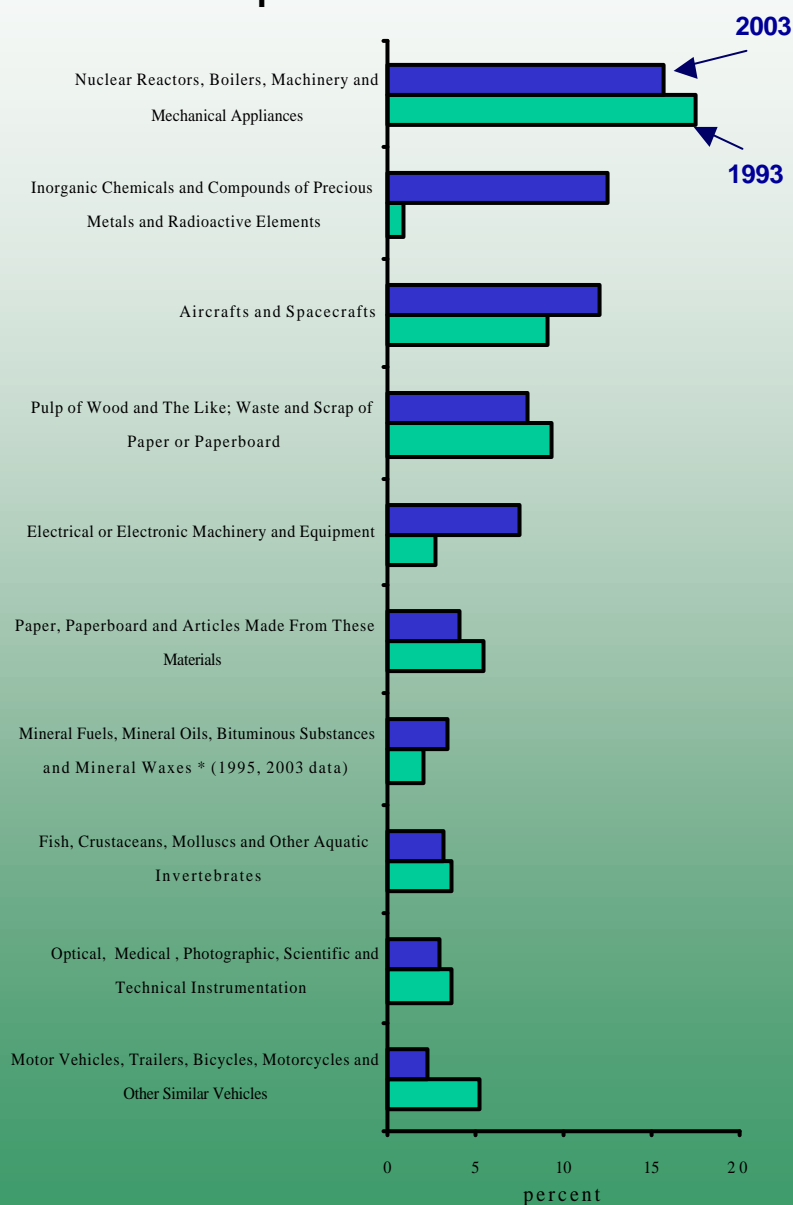
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High-tech and high-value added finished products are a large share of Canadian exports to France

- In 2003, High-tech manufactured products – nuclear products, machinery, electrical machinery and aircraft and spacecraft, optical medical, and motor vehicles represented about 40.6 percent of Canadian merchandise exports to France, compared to 38.1 percent in 1993.
- Resource and resource-based manufactured products accounted for near one-third of total exports to France in 2003.
- Other consumer products accounted for the remaining exports.

Top-10 Canadian Merchandise Exports to France



Source: Compilations based on Statistics Canada data

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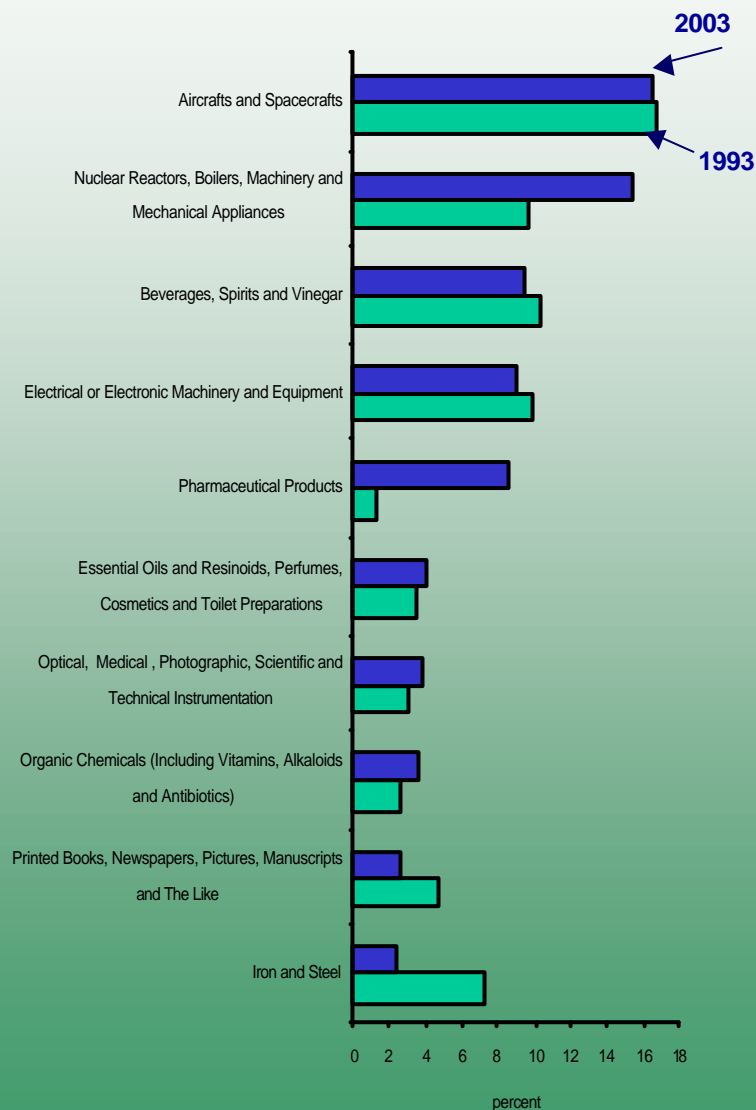
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...while Canada's imports are mainly non-resource-based products.

- The top-10 import categories accounted for 75 percent of imports from France, compared to 69 percent in 1993.
- The share of aircraft and spacecraft imports in 2003 was 16.4 percent, almost the same as in 1993. But it dropped sharply from the 2002 level.
- Pharmaceutical imports registered the fastest growth in the past decade, rising from 1.2 percent of total imports from France in 1993 to 8.5 percent in 2003.
- On the other hand, the share of iron and steel imports fell sharply between 1993 to 2003.

Top-10 Canadian Merchandise Imports from France



Source: Compilations based on Statistics Canada data

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Trade in services between Canada and France has more than doubled since 1990

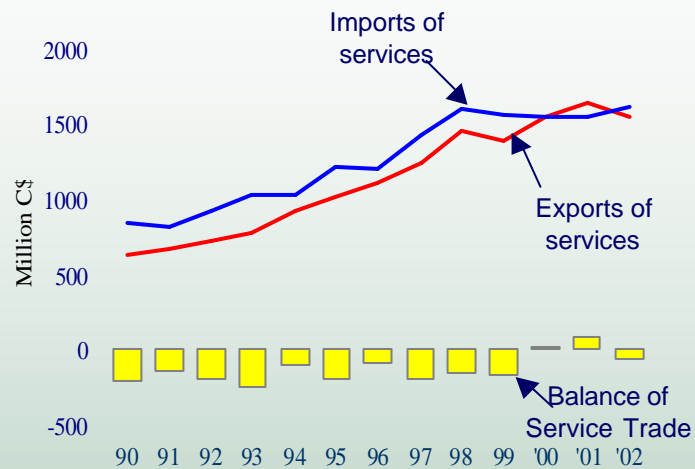
- Canadian exports of services to France increased from C\$ 0.6 billion in 1990 to about C\$1.6 billion in 2002.
- Canadian imports of services from France also rose at a similar pace, from C\$0.8 billion in 1990 to over C\$1.6 billion in 2002.
- Canada's balance on service trade improved significantly since 2000.

Canada is a net exporter of commercial services, and a net importer of travel and transportation services.

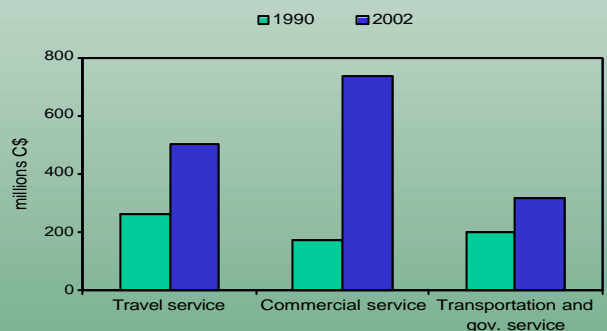
- The share of commercial services exports in total service exports increased from 27 percent to 47 percent between 1990-2002. Travel (32%), transportation and government services exports (20%) grew at a considerably slower pace than commercial services.
- Over 40 percent of Canada's service imports from France were travel services. Commercial services (35%) and transportation and government services (25%) accounted for the rest of service imports from France.

Canada's Service Trade with France

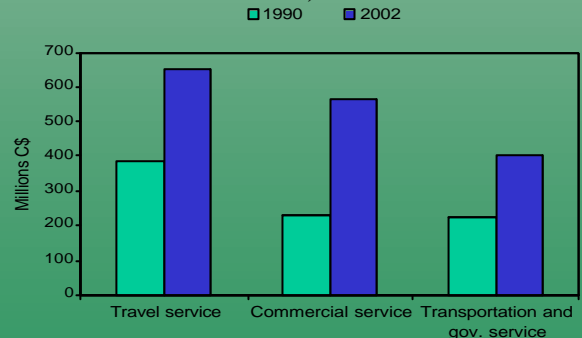
(1990-2002)



Canadian Service exports to France, 1990 and 2002



Canadian Service Imports from France, 1990 and 2002



Source: Compilations based on Statistics Canada data

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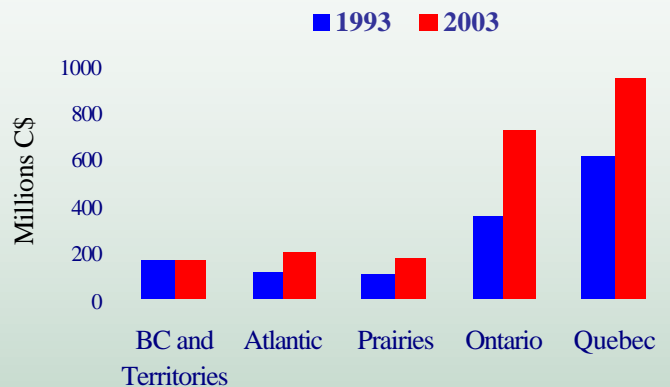
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Central Canada accounts for more than three-quarters of Canada's merchandise trade with France.

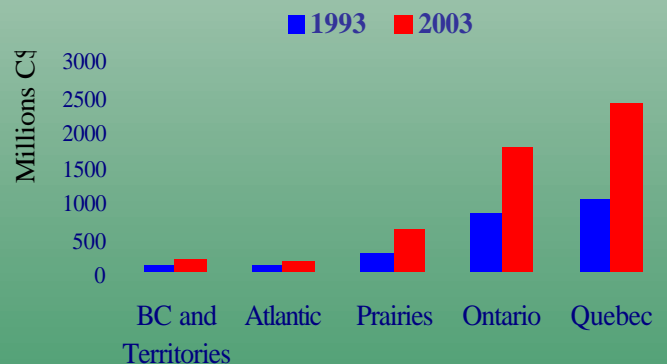
- In 2003, Quebec accounted for 43 percent of Canadian exports to France, while Ontario accounted for 33 percent.
- Similarly, more than 80 percent of merchandise imports from France went to Quebec (47%) and Ontario (34%) in 2003.
- All provinces except Newfoundland, Nova Scotia, PEI and Saskatchewan registered trade deficits with France in 2003.

Merchandise Exports to France



Source: Compilations based on Statistics Canada data

Merchandise Imports from France



Source: Compilations based on Statistics Canada data

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France's FDI orientation has increased dramatically since 1980.

- The ratio of inward FDI stock to GDP increased from 3.8 percent in 1980 to 28.2 percent in 2002. Similarly, outward FDI increased from 3.6 percent to 45.8 percent during this period.

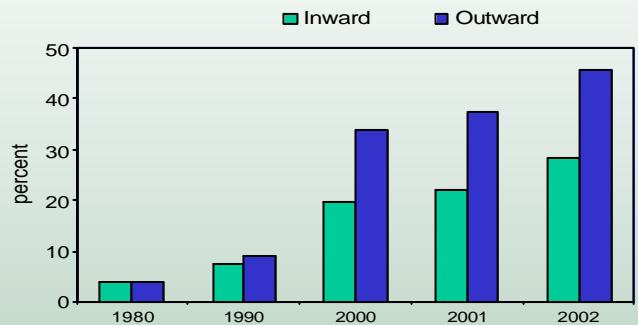
France is the second largest source of foreign direct investment in Canada, after the U.S.

- In 2003, inward direct investment stock from France into Canada stood at about C\$ 31.6 billion, accounting for 8.8 percent of Canada's total inward FDI stock, compared to only 1.8 percent in 1987.

- The Canadian direct investment stock in France was about C\$11.6 billion, accounting for 3 percent of total Canadian foreign direct investment stock abroad.

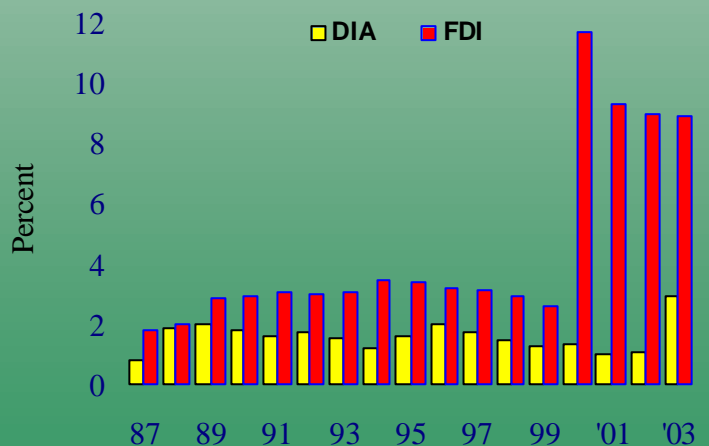
Foreign Direct Investment (stock) Outflows and Inflows as percentage of GDP

1980-2002



Source: UNCTD, World Investment Report, 2003.

France's Share of Canada's Foreign Direct Investment (FDI) and Direct Investment Abroad (DIA)



Source: Compilations based on Statistics Canada data