

Monthly Trade Bulletin

Volume 6, Number 6

August 2004

Key Monthly Trade Indicators (June 2004)

Highlights

- Canada's total merchandise trade surplus with the world hit a new high, as exports ballooned while imports fell for the month.
- Canada's trade balance with the U.S. also grew substantially.
- The value of the Canadian dollar was up in June.

	\$ millions	% change over	
		previous month	previous year
Exports	39,045	4.4	20.1
- Exports to U.S.	31,664	2.9	16.9
Imports	30,418	-3.7	9.3
- Imports from U.S.	20,927	-3.6	7.8
Trade Balance*	8,627	5,789	4,672
- Balance with U.S.*	10,738	9,044	7,679
Commodity Prices**	148.9	-0.9	21.2
Canadian Dollar (US¢)*	75.0	73.3	74.2
Export Prices***	107.1	-0.7	5.8
Import Prices***	97.3	-1.3	2.0

* 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-South Korea Trade Investment Linkages

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Industry
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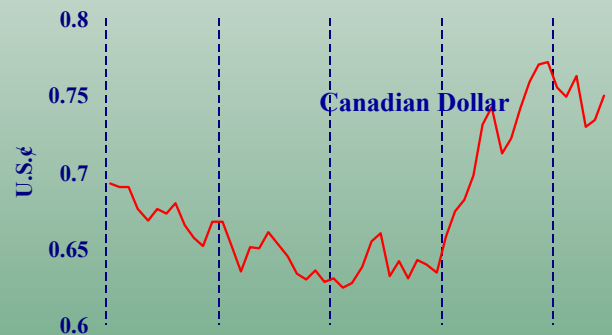
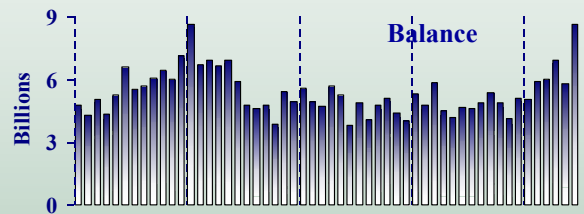
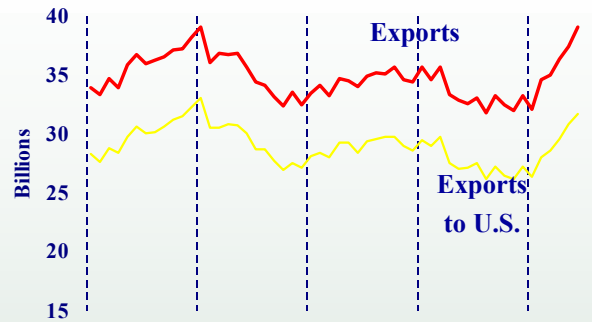
The trade surplus widened...

- The overall Canadian trade surplus climbed by \$2.8 billion in June to reach \$8.6 billion. This amount surpasses the previous record set in January of 2001.
- June's monthly surplus with the U.S. increased by \$1.7 billion to \$10.7 billion.

... while the Canadian dollar continued to gain strength.

- The Canadian dollar increased US1.6¢ in value over June, closing the month at US74.97¢. On a year-over-year basis, the value of the dollar was 2.7% higher in June 2004 than for June 2003.
- Commodity prices weakened slightly in June, falling almost one percentage point over the previous month. However, the terms of trade improved slightly as import prices fell at a higher rate than export prices for the month.

Merchandise Trade



Source: Statistics Canada, Bank of Canada

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Canada-South Korea Trade & Investment Linkages

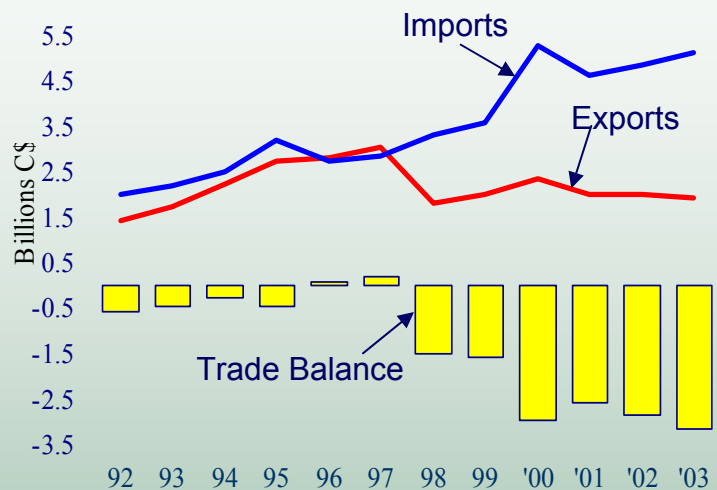
South Korea is Canada's third largest national trading partner in Asia, after China and Japan.

- Canadian merchandise exports to South Korea increased from \$1.4 billion in 1992 to \$1.9 billion in 2003; an average annual growth rate of 4.8 percent. But, all of the growth in exports came prior to 1997. As a matter of fact, exports to South Korea fell significantly between 1997 and 1998 and remained there after.
- Over the same period, imports from South Korea have grown steadily at 10 percent annually, reaching \$5.1 billion in 2003.
- As a result, Canada's trade deficit with South Korea increased steadily from about \$585 million in 1992 to \$3.2 billion in 2003.

Despite a healthy growth in imports and exports, South Korea still accounts for a small share of Canada's overall trade

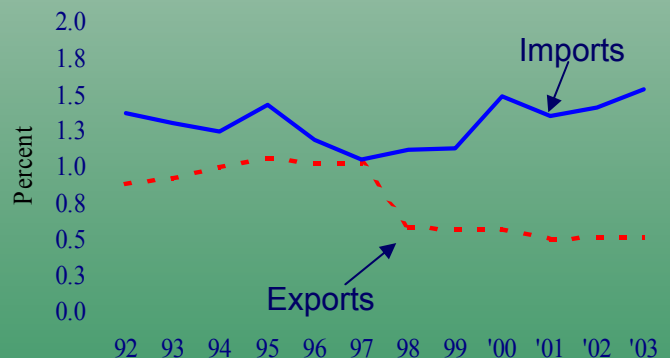
- South Korea's share of Canadian exports reached its peak of 1.0 percent in 1997 but has been steady at 0.5 percent since 1999.
- On the other hand, South Korea accounted for 1.5 percent of Canada's total merchandise imports in 2003, compared to 1.4 percent in 1992.

Canada's Merchandise Trade with South Korea



Source: Compilations based on Statistics Canada data

South Korea's Share of Canadian Merchandise Trade



Source: Compilations based on Statistics Canada data

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Canada-South Korea Trade & Investment Linkages

Following the financial crisis of 1997, South Korea's economic recovery began in early 1999 and has gathered momentum since

- The recession, South Korea's worst in the post war era, resulted in a fall in real Gross Domestic Product (GDP) by 6.9 percent in 1998. This downturn was followed by a dramatic rebound with real GDP increasing by 10.5 percent in 1999 and 9.5 percent in 2000.
- Recent global economic slowdown has affected South Korea's economic performance. After posting real growth in GDP of 7 percent in 2002, South Korea's economy slipped into recession in the first half of 2003.
- The fall in Canada's exports to South Korea in 1998 was the direct result of contraction in South Korea's real GDP. The mild rebound in our exports since 1999 mirrors the economic growth swings in South Korea.

The real value of the Canadian dollar relative to the South Korean won has changed little since 1997

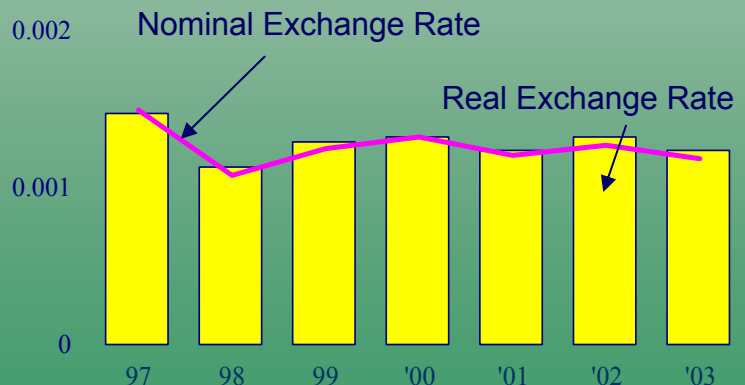
- This implies that the increase in Canadian imports from South Korea was mainly due to the strong economic growth in Canada.

South Korea's Real GDP Growth



Source: International Monetary Fund (IMF)

Nominal and Real Exchange Rates of South Korean Won vis-à-vis the Canadian Dollar



Source: Bank of Canada and IMF

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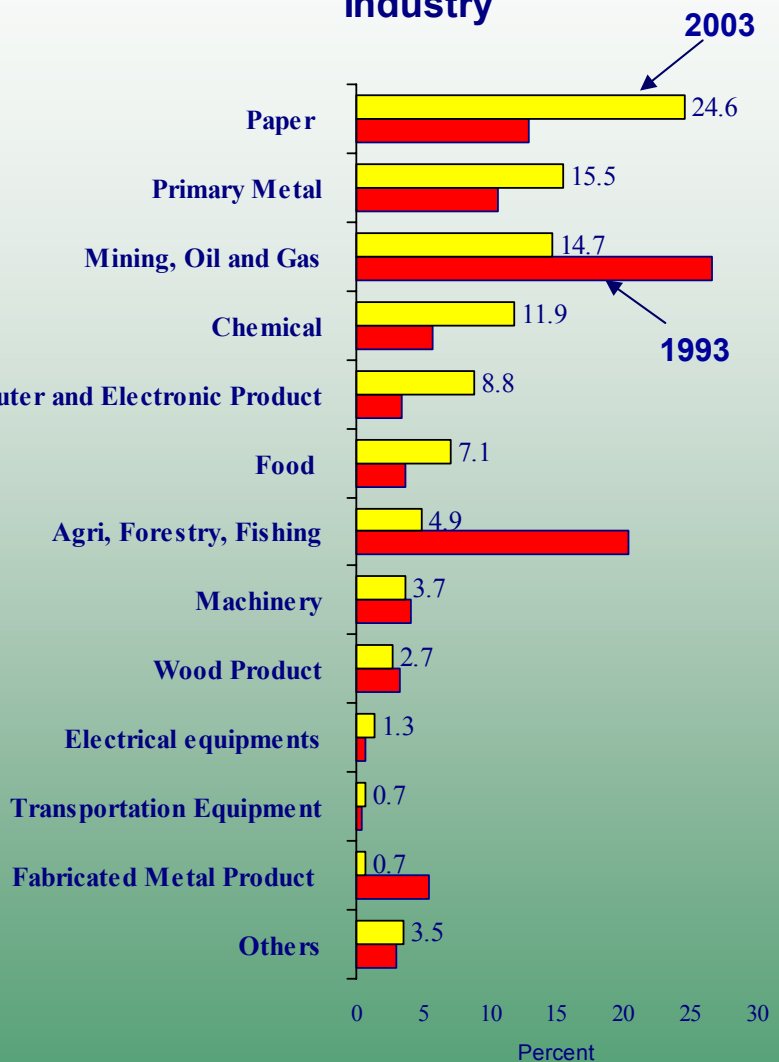
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Canada-South Korea Trade & Investment Linkages

Nearly two-third of Canada's exports to South Korea are resource-based...

- In 2003, the paper industry accounted for 25 percent of Canada's exports to South Korea. Primary metal, and mining, oil and gas accounted for another 15 percent each. Another 12 percent was accounted by food, and agricultural products.
- Non-resource based exports are dominated by chemicals, computer and electronics, machinery, and transportation equipments.
- Between 1993 and 2003, the shares of paper, primary metals, chemicals, food, computer and electronic products in Canada's exports to South Korea increased considerably.
- On the other hand, mining, oil and gas, agriculture, forestry and fishing and fabricated metals experienced a large fall in their shares.

Canadian Exports to South Korea by Industry



Source: Compilations based on Statistics Canada data

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Canada-South Korea Trade & Investment Linkages

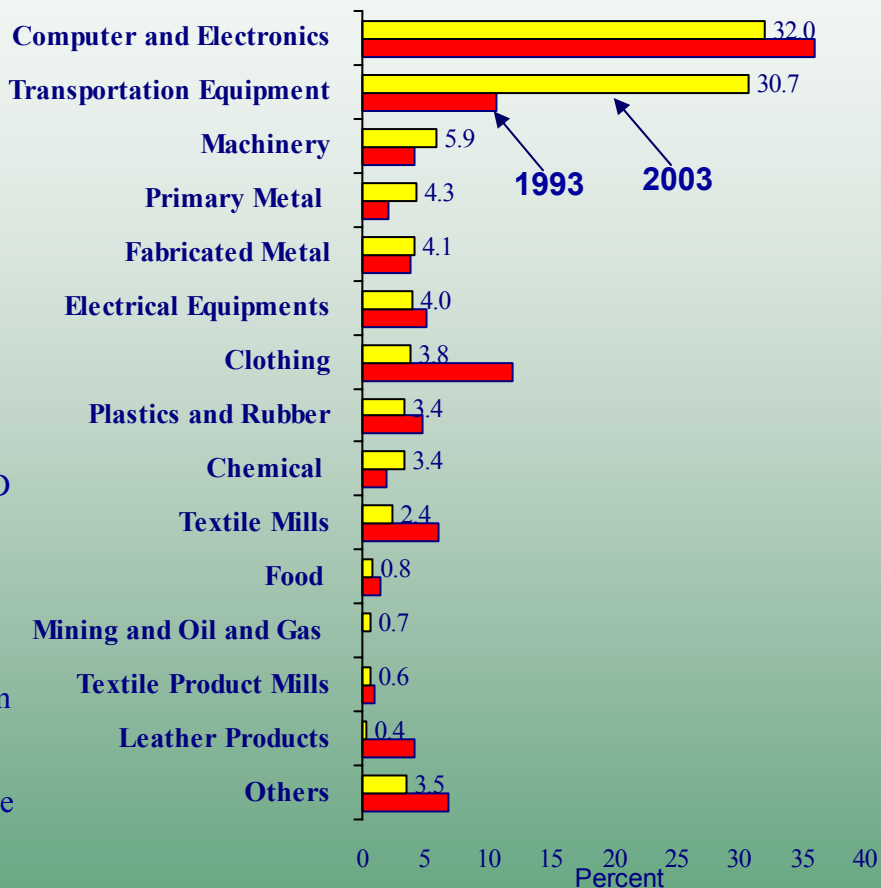
On the other hand, Canada's imports from South Korea are mostly in high-tech industries

- In 2003, the high-tech industries (computers & electronics, transportation equipment, and machinery) accounted for 69 percent of Canadian imports from South Korea, up from 51 percent in 1993.

- But, some of the electronics products, such as TVs, CDs and DVD players are on the lower-end of high-tech commodities.

- While the computer and electronic industry saw its share of imports from South Korea declined by a few percentage points, the transportation equipment's share experienced a huge 20 percentage points increase in imports from South Korea, up 31 percent in 2003 from 11 percent in 1993.

Canadian Imports from South Korea by Industry



Source: Compilations based on Statistics Canada data

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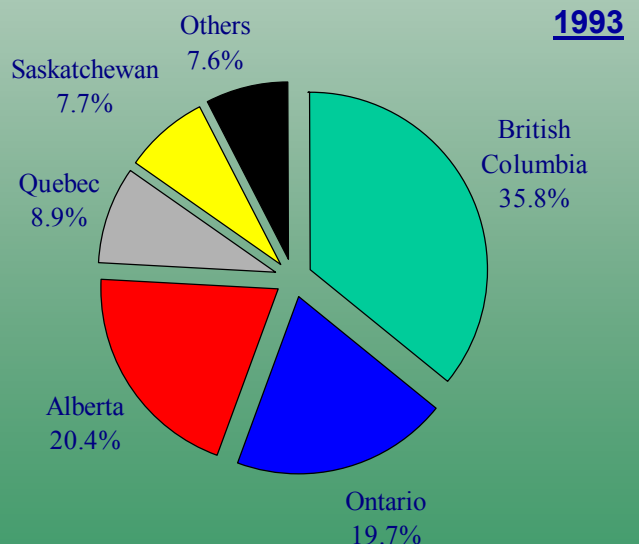
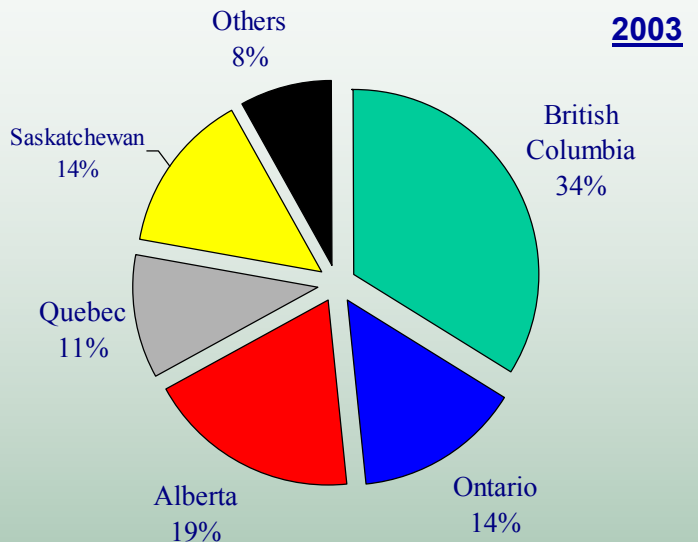
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Canada-South Korea Trade & Investment Linkages

British Columbia dominates Canada's merchandise exports to South Korea

- British Columbia accounts for the largest portion of Canadian merchandise exports to South Korea, with 34 percent in 2003.
- In 2003, Alberta was the second largest exporter to South Korea at 19 percent of the total.
- Ontario accounted for 14 percent of Canada's export to South Korea, down nearly 5 percentage points from 1993.
- Quebec's export share increased by 2 percentage point.
- On the other hand, Saskatchewan's share increased by more than 6 percentage points between 1993 and 2003.

Canada's Exports to South Korea by Province



Source: Compilations based on Statistics Canada data
Other includes: Manitoba, and Atlantic provinces

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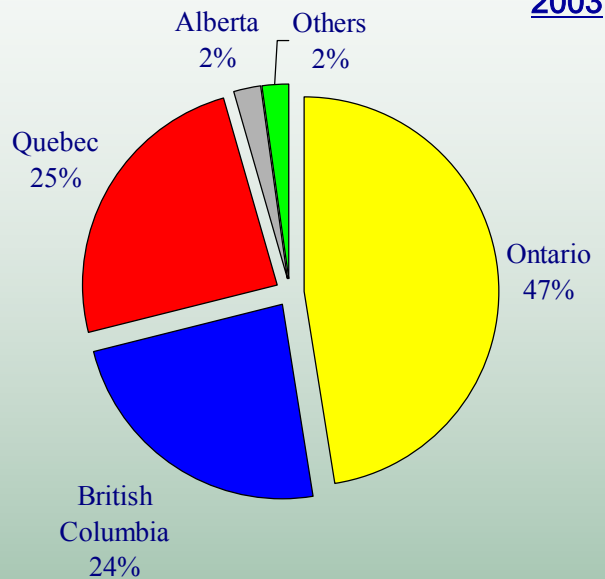
Canada-South Korea Trade & Investment Linkages

...While Ontario accounts for 47 percent of Canadian imports from South Korea

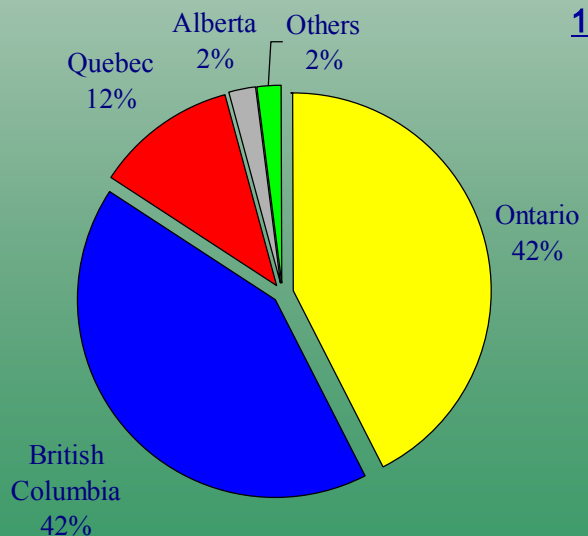
- In 2003, 47 percent of Canada's merchandise imports from South Korea were destined for Ontario, an increase of 5 percentage points since 1993.
- Quebec's share in Canada's imports from South Korea increased from 12 percent in 1993 to 25 percent in 2003.
- On the other hand, British Columbia's share fell from 42 percent in 1993 to 24 percent in 2003.
- The remaining provinces' shares have remained relatively stable.

Canada's Imports from South Korea by Province

2003



1993



Source: Compilations based on Statistics Canada data
Others include: Manitoba, Saskatchewan, N.W.T. and Atlantic provinces.

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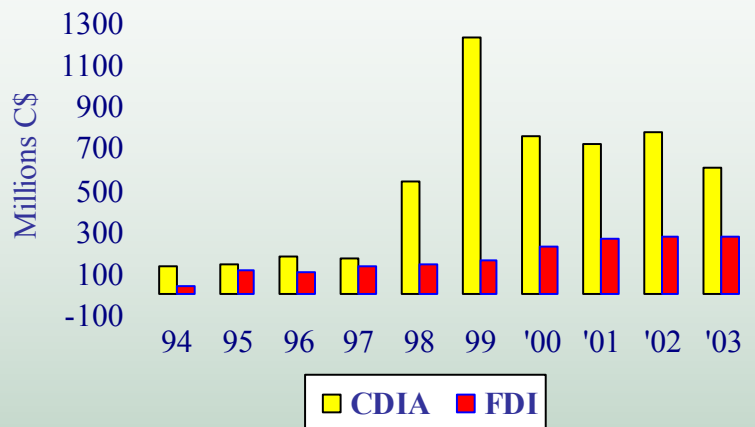
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Canada-South Korea Trade & Investment Linkages

Canadian direct investment in South Korea increased steadily over the 1990s, but has declined in recent years

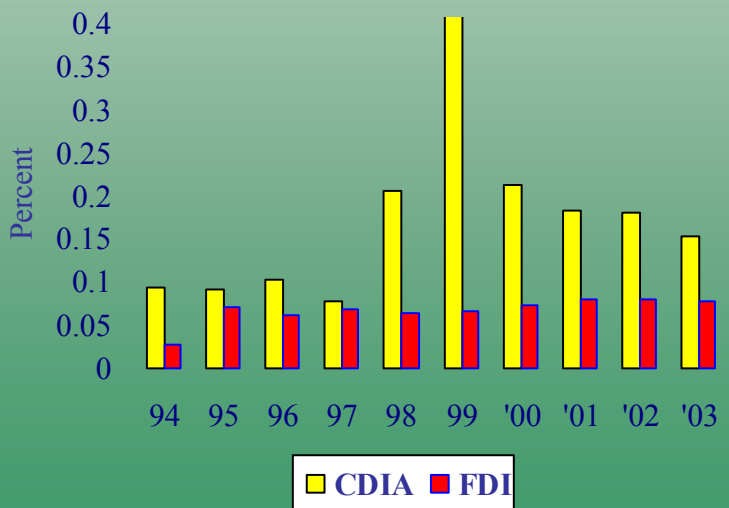
- The stock of Canadian Direct Investment Abroad (CDIA) in South Korea increased from \$137 million in 1994 to \$609 million in 2003.
- The stock of South Korean direct investment in Canada is small and has increased steadily since 1994.
- South Korea's share of total CDIA stock declined from a peak level of 0.4 percent in 1999 to 0.15 percent in 2003.
- South Korea accounts for a very small portion of Canada's total inward FDI stock, it has almost tripled from 0.03 percent in 1994 to 0.08 percent in 2003.

Two-way Foreign Direct Investment (stock) with South Korea



Source: Compilations based on Statistics Canada data

South Korea's Share of Canada's Foreign Investment (stock)



Source: Compilations based on Statistics Canada data