

# Monthly Trade Bulletin

Volume 3 Number 2

April 2001

## Key Monthly Trade Indicators (February 2001)

### Highlights

- February's merchandise exports fell at a faster pace than the decline in imports, leading to an overall downturn in Canada's trade surplus with the world.
- Similarly, exports to the U.S. fell more than did imports from the U.S. in February — resulting in a \$1.1 billion diminution in Canada's trade surplus with the U.S. for the month.
- The Canadian dollar dropped sharply over the month, falling to a level 3.9 US cents below that of one year ago.

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	35,144	-4.5	8.5
- Exports to U.S.	30,745	-3.5	11.7
<b>Imports</b>	29,277	-2.8	1.9
- Imports from U.S.	21,646	-0.3	0.2
<b>Trade Balance*</b>	5,867	6,670	3,641
- Balance with U.S.*	9,098	10,161	5,917
<b>Commodity Prices**</b>	110.6	-0.4	0.9
<b>Canadian Dollar (US¢)*</b>	65.1	66.7	69.0
<b>Export Prices***</b>	128.1	-1.2	8.3
<b>Import Prices***</b>	111.5	0.5	1.9

\* Data in levels only.

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

\*\*\* Index 1992 = 100

Source: DFAIT compilations based on Statistics Canada data.

## This Month's Feature Report: Canada's Foreign Investment Performance in 2000

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.

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Industry  
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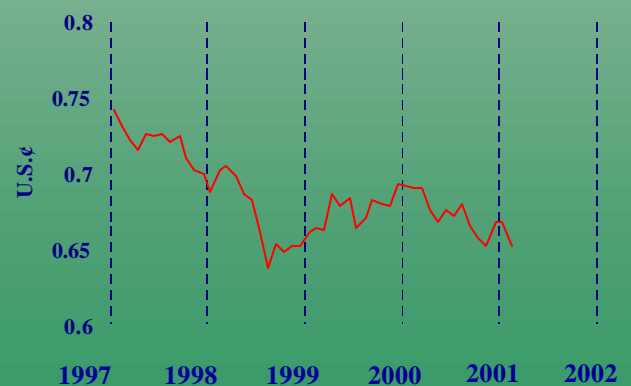
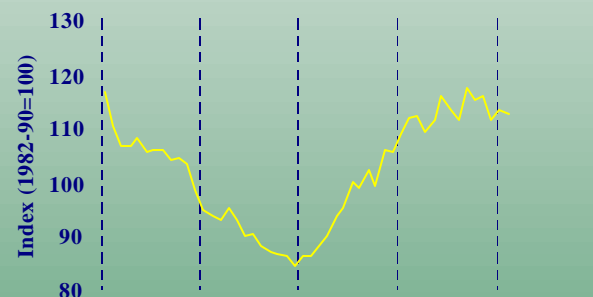
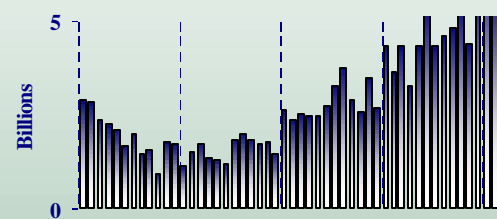
## Merchandise Trade

### Trade surplus dips, but remains strong

- The overall trade surplus dipped to just below \$5.9 billion in February, down from the record \$6.7 billion registered in January. February's trade surplus is the second largest value ever recorded.
  - ▶ The monthly surplus with the U.S. fell back to \$9.1 billion after having smashed through the \$10 billion mark last month.
- The trade balance with all other major regions remains in deficit. Our deficit with the EU narrowed by \$281 million to just over \$1.0 billion for February, while that with Japan widened by \$36 million to \$92 million.

### The Canadian dollar drops sharply

- The Canadian dollar dropped sharply over February, losing 1.6 US¢ in value. The dollar was 3.9 US¢ lower in February 2001 than in February 2000.
- The drop in the dollar contributed to falling export prices over the month, and drop in the terms of trade (i.e., the ratio of export prices to import prices). Commodity prices also softened over the month.



Source: Statistics Canada, Bank of Canada

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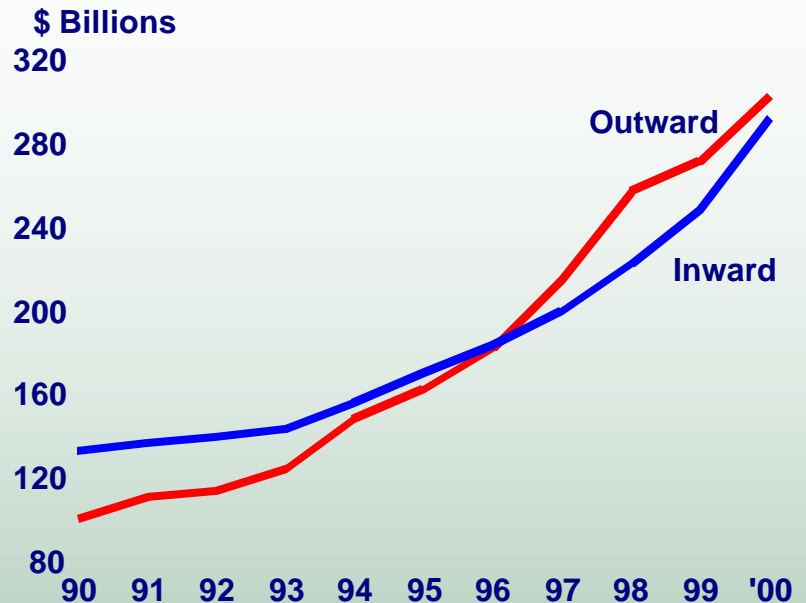
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## Canada's Foreign Investment Performance in 2000

### Canada continues to be a net exporter of FDI

- Since 1996, Canadian outward foreign direct investment (FDI) stock has exceeded inward FDI stock.
- ▶ For the past two years, however, inward FDI stock has grown at a faster pace than outward FDI stock.
- ▶ In 2000, Canada's stock of outward FDI reached \$301 billion, \$10 billion more than inward FDI stock.

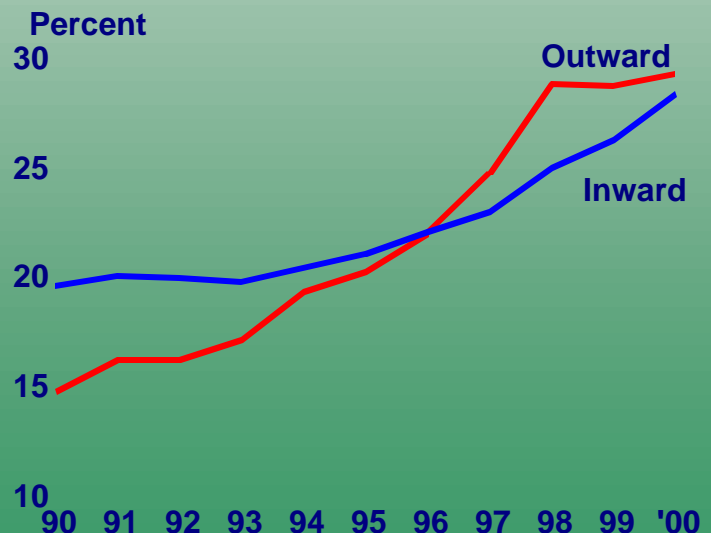
**Inward and Outward FDI Stock**



### And, inward and outward FDI as a share of GDP continues to rise

- The stock of foreign direct investment (inward plus outward) is equal to 57% of GDP in 2000, up from 34% in 1990.
- ▶ Of this increase, outward FDI made the most significant gain, doubling from 14% of GDP in 1990 to 29% in 2000.

**Inward and Outward FDI Stock Share of GDP**



Source: The source for all data in this special report is from Statistics Canada, International Investment Position and Balance of International Payments.

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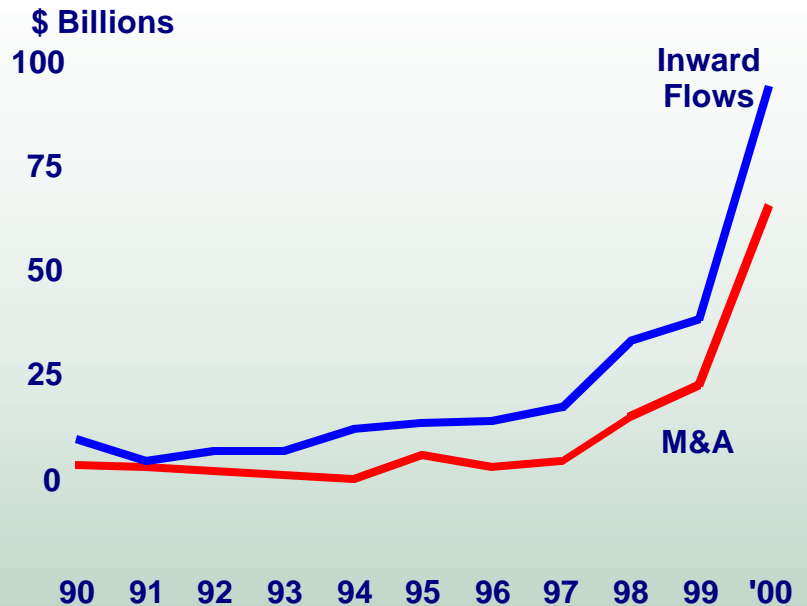
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## Canada's Foreign Investment Performance in 2000

### Mergers and Acquisitions (M&As) accounted for most of the recent increase in inward FDI flows...

- FDI inflows more than doubled in 2000, reaching \$93 billion. 70% of this rise was a result of increased M&A activity.
- ▶ A large portion of the inward M&A activity in 2000 was a result of one large transaction in the Food & Beverage sector.

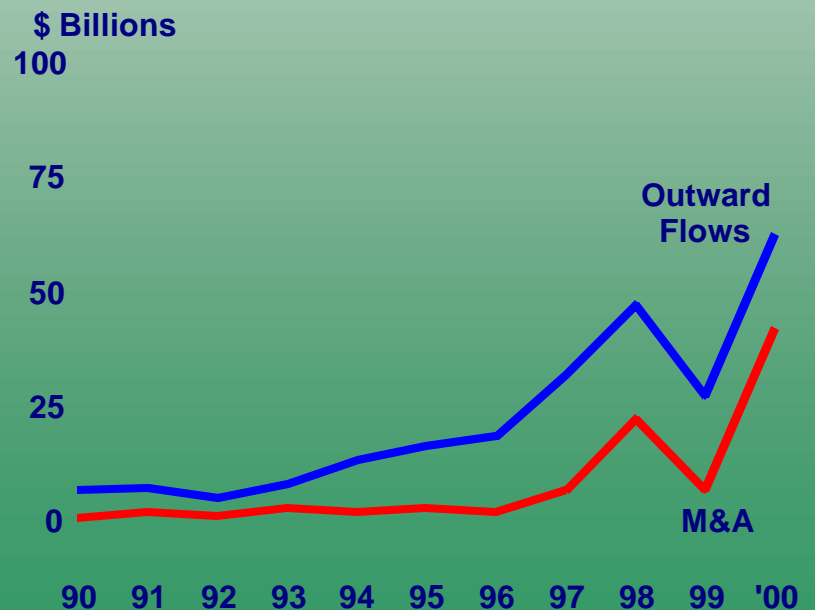
### M&As and Inward FDI Flows



### ...as well as outflows

- M&As also accounted for 66% of FDI outflows in 2000, pushing total outflows to \$62 billion for the year.
- ▶ A significant portion of outward M&A activity over the past few years has been in the electronics and telecommunications sectors.

### M&As and Outward FDI Flows



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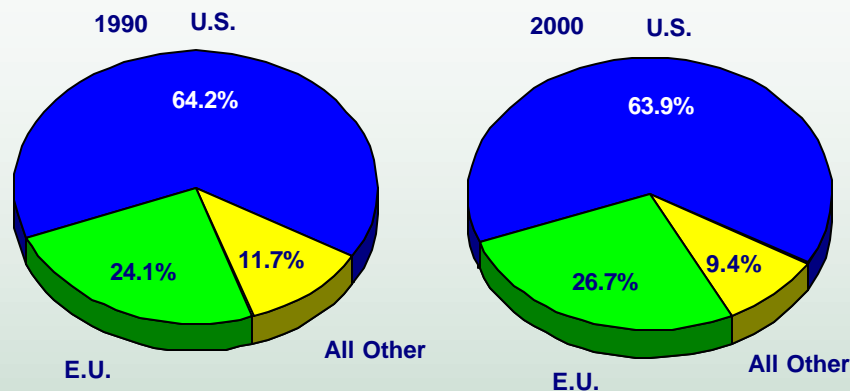
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## Canada's Foreign Investment Performance in 2000

### The U.S. still accounts for nearly two-thirds of our inward FDI stock...

- The U.S. share of Canada's inward FDI stock has remained relatively constant at around 64%.
- The share of the E.U. has increased slightly from 24.1% to 26.7% while that of all other countries has fallen from 11.7% to 9.4%.
  - ▶ Part of this decline can be accounted for by reduced investment from the Asia-pacific region, a result of the impact of the Asian crisis.

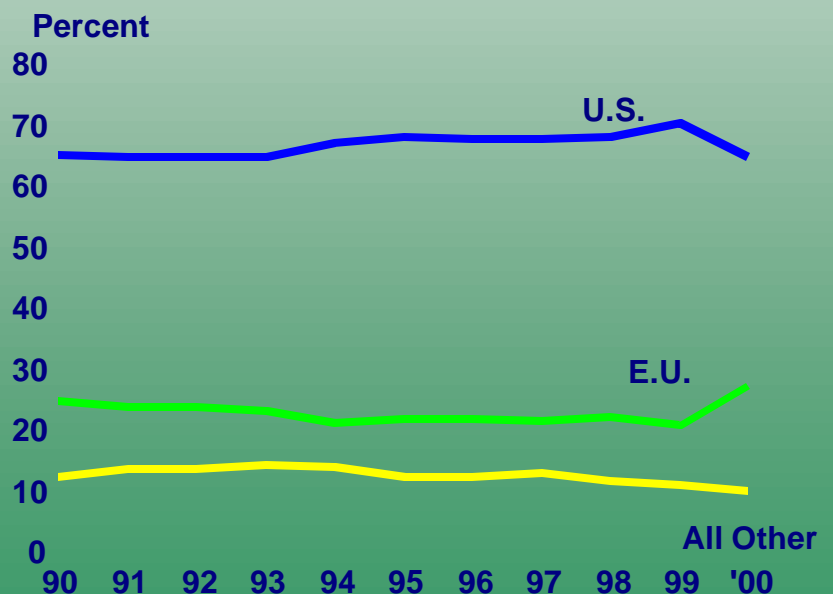
### Geographic Distribution of Inward FDI Stock



### ...although the E.U. has seen a dramatic rise in its share in 2000

- The E.U.'s share of Canadian inward FDI stock jumped six percentage points in 2000 - more than was lost over the previous 10 years.
  - ▶ On the other hand, the U.S. saw a similar-sized drop in its share.

### Geographic Distribution of Inward FDI Stock



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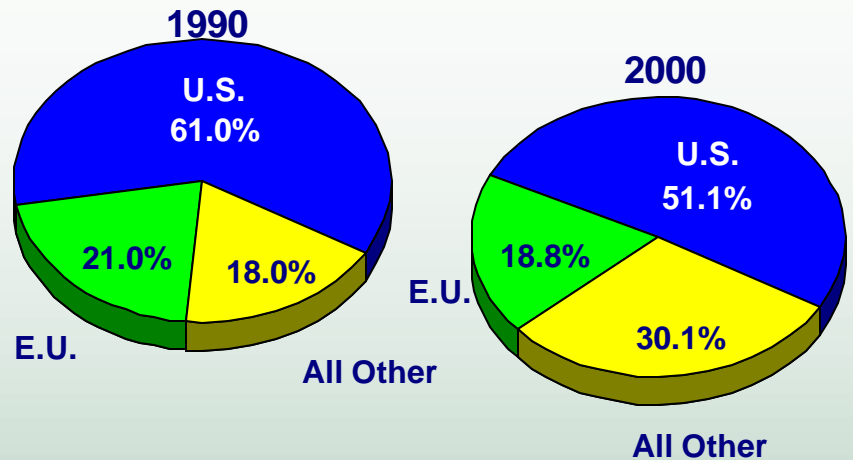
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## Canada's Foreign Investment Performance in 2000

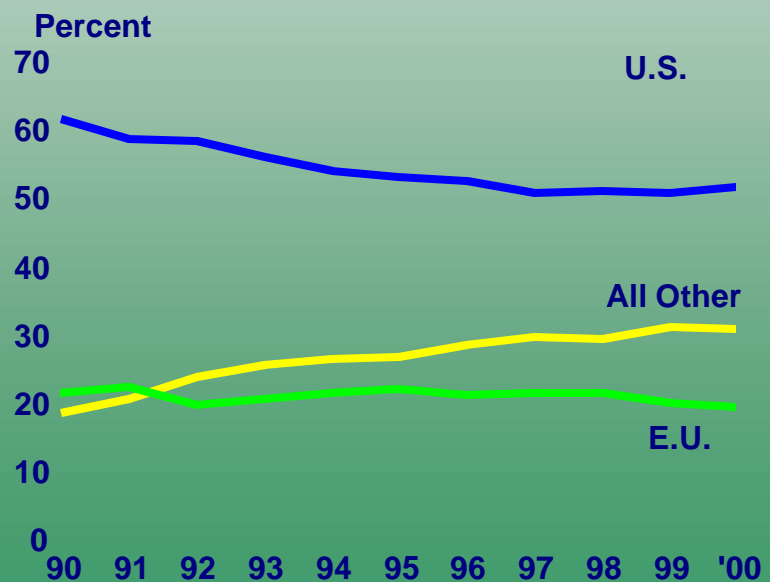
### U.S. share of Canadian outward FDI has declined steadily

- The U.S. share of Canada's outward FDI stock is significantly smaller than inward FDI stock and has declined from 61.0% in 1990 to 51.1% in 2000.
- The E.U. share of Canada's outward FDI has also declined somewhat, with the share of all other countries increasing.
- The share of non-OECD countries in Canada's total outward FDI has nearly doubled from 13% to 24% over the past decade.

### Geographic Distribution of Outward FDI Stock



### Geographic Distribution of Outward FDI Stock



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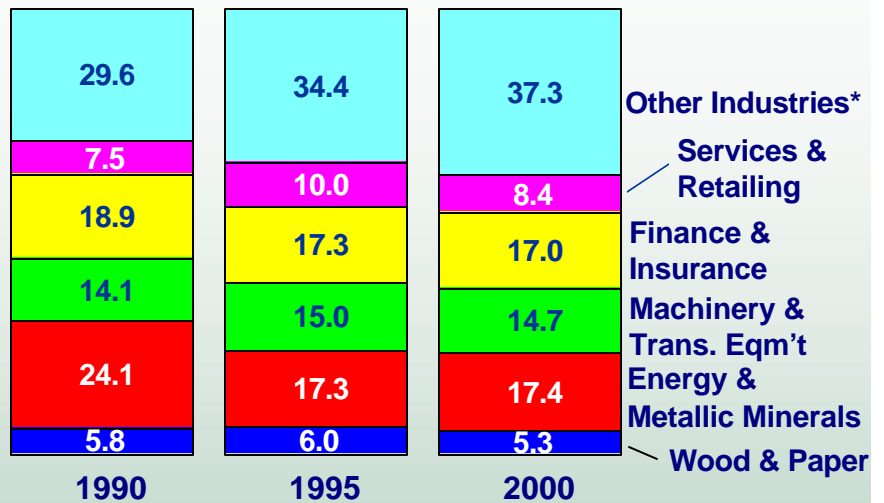
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## Canada's Foreign Investment Performance in 2000

### FDI in Canada has been shifting towards Electronics and telecommunications...

- The share of "Other Industries" which includes Electronics and Telecommunications has increased in recent years, mostly at the expense of Services and Wood & Paper.
- Otherwise, the industrial distribution of FDI has been relatively constant.

### Industrial Distribution of Inward FDI Stock



### Industrial Distribution of Outward FDI Stock

### ...while outward FDI is increasingly going into the Finance & Insurance

- More than one-third of Canadian outward FDI is in the Finance & Insurance industry, and the share has been rising.
- Unlike inward FDI, the share of "Other Industries" in outward FDI (which includes electronics and telecommunications) has been declining.

