

# Monthly Trade Bulletin

Volume 3 Number 7

September 2001

## Key Monthly Trade Indicators (July 2001)

### Highlights

-  **In July, Canadian merchandise exports fell while imports remained unchanged, resulting in a narrowing of Canada's overall trade surplus with the world.**
-  **A decline in merchandise exports to the U.S. combined with an increase in imports from the U.S. reduced Canada's trade surplus with the U.S. in July.**
-  **The Canadian dollar dipped US 0.8¢ over the month, and is almost US 2.0¢ below its level of one year ago.**

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	35,535	-0.4	0.2
- Exports to U.S.	30,378	-0.9	0.7
<b>Imports</b>	30,182	0.0	-1.3
- Imports from U.S.	22,335	0.3	-0.1
<b>Trade Balance*</b>	5,353	5,493	4,892
- Balance with U.S.*	8,043	8,393	7,795
<b>Commodity Prices**</b>	104.6	-7.0	-7.6
<b>Canadian Dollar (US¢)*</b>	65.3	66.1	67.2
<b>Export Prices***</b>	110.7	0.1	2.8
<b>Import Prices***</b>	105.7	-0.7	2.6

\* 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 - Japan Commercial Linkages: Recent Trends

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



Department of Foreign Affairs  
and International Trade

Ministère des Affaires étrangères  
et du Commerce international



Industry  
Canada Industrie  
Canada

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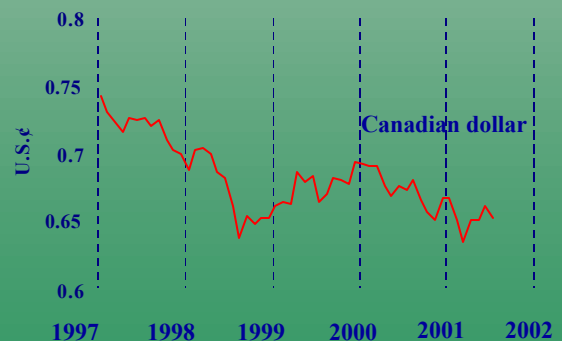
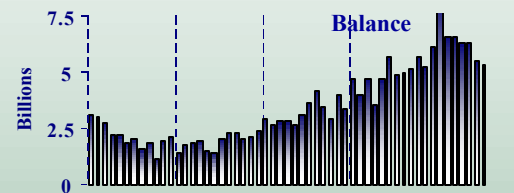
## Merchandise Trade

### Trade balances diminish ...

- The overall trade surplus declined \$140 million over June levels, to 5.4 billion in July.
  - ▶ The monthly surplus with the U.S. has fallen for the last three months in a row. The balance slipped \$350 million to \$8.0 billion in July.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with the EU narrowed \$176 million to just under \$800 million for July, while the balance with Japan widened \$67 million to a \$113 million deficit.

### ... as does the Canadian dollar

- The Canadian dollar slipped back into the 65-cent range, losing US 0.8¢ in value in July, to settle at US 65.3¢ for the month. The dollar is almost US 2.0¢ lower than its rate in July of last year.
- The decline in the dollar was likely precipitated by a sharp drop in commodity prices. Nonetheless, the terms of trade improved (i.e., the ratio of export prices to import prices) as export prices were up slightly while import prices fell over the month.



Source: Statistics Canada, Bank of Canada

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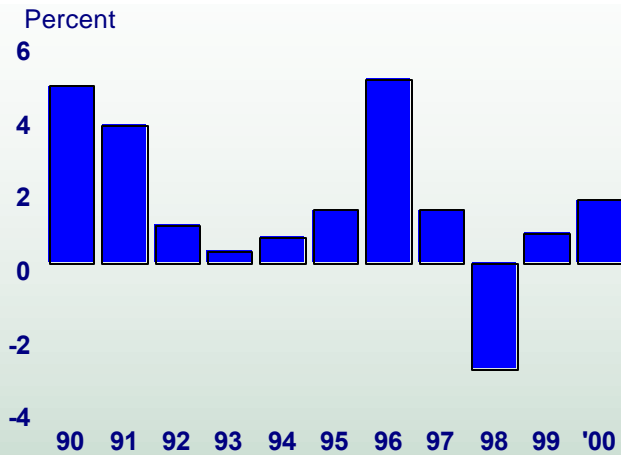
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## Canada - Japan Commercial Linkages: Recent Trends

### Japan's Real GDP Growth

**The Japanese economy has been in a prolonged economic slump since 1992**

- Between 1992 and 2000, the Japanese economy grew at an average annual rate of 0.9%.
- During the same period, the U.S. economy expanded at an average annual rate of 3.7%.

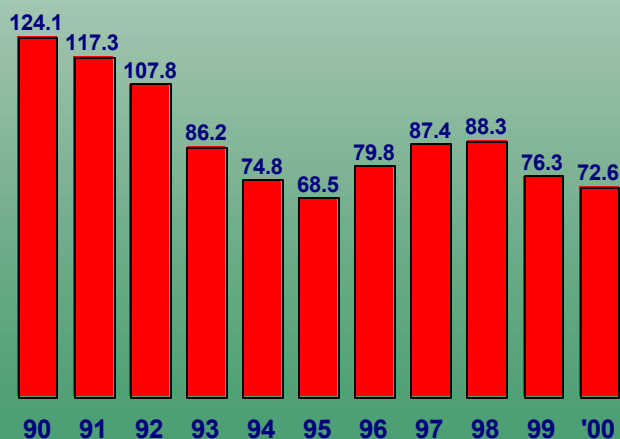


Source: Industry Canada compilations based on International Monetary Fund data

**But, the Yen appreciated vis-à-vis the Canadian dollar**

- The number of yen per Canadian dollar declined from 124.1 in 1990 to 72.6 in 2000, reducing Japan's cost competitiveness.

### Yen per Canadian Dollar



Source: Industry Canada compilations based on Statistics Canada & OECD data

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## Canada - Japan Commercial Linkages: Recent Trends

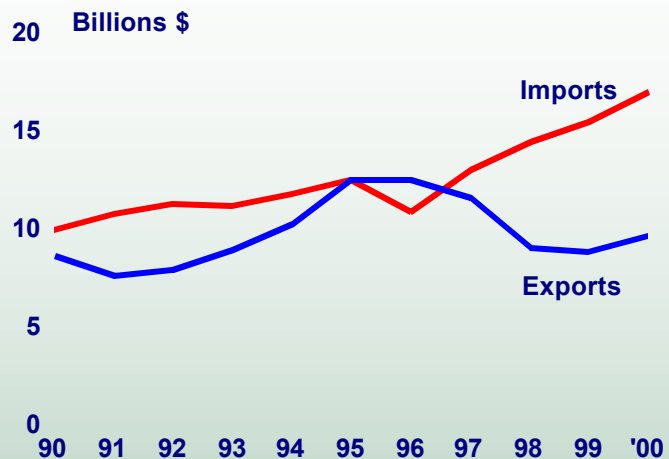
### As a result, Canada's merchandise trade flows with Japan have not expanded a great deal...

- Canada's exports to Japan have reached \$9.2 billion in 2000, an increase of only \$1 billion since 1990.
- ▶ Canadian exports to Japan peaked at \$12.1 billion in 1995 and 1996, before dropping off significantly.
- Imports from Japan increased from \$9.5 billion in 1990 to \$16.6 billion in 2000 - a reasonably strong annual rate of growth of 5.7%, mainly due to relatively strong economic growth in Canada.

### ...resulting in a sharp decline in Japan's share of Canadian merchandise trade

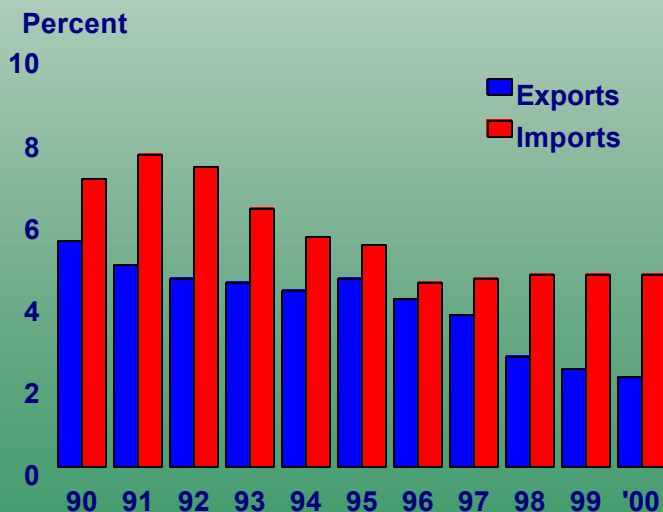
- Japan's share of Canadian merchandise exports fell from 5.5% in 1990 to 2.2% in 2000.
- Similarly, Japan's share of Canadian merchandise imports fell from 7% in 1990 to 4.5% in 1996, before recovering slightly to 4.7% by 2000.

### Canada's Merchandise Trade with Japan



Source: Industry Canada compilations based on Statistics Canada data

### Japan's Share of Canadian Merchandise Trade



Source: Industry Canada compilations based on Statistics Canada data

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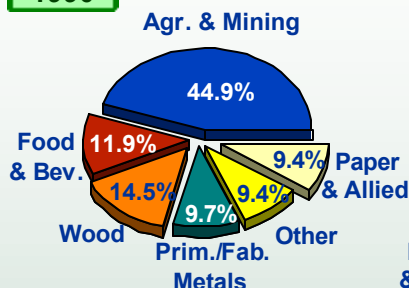
## Canada - Japan Commercial Linkages: Recent Trends

### Canada's Merchandise Exports to Japan

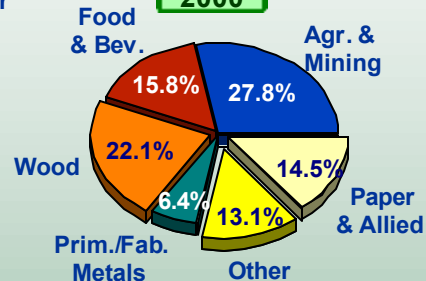
#### Canada's exports to Japan are mostly in resource and resource-based industries

- Resource and Resource-based industries account for nearly 87% of Canada's exports to Japan, although this has declined somewhat from 90% in 1990.
- ▶ Nearly 30% of Canada's exports are in Agriculture and Mining, although this has declined considerably from almost 45% in 1990.
- ▶ On the other hand, the importance of resource-based manufactured products such as wood and paper products increased significantly.

1990



2000

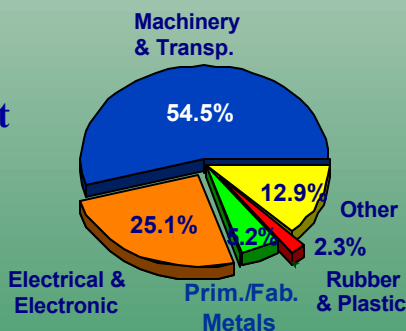


### Canada's Merchandise Imports from Japan

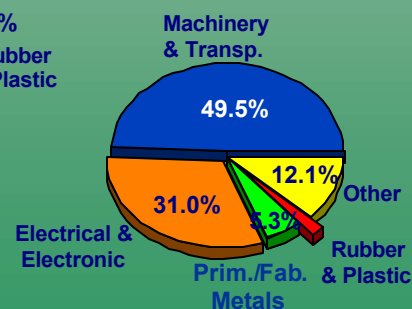
#### While Canadian imports from Japan are mostly in Machinery & Transportation Equipment and Electronics

- Machinery & Transportation Equipment accounted for about half of Canada's imports from Japan in 2000, down five percentage points from 1990.
- Electronics accounted for another 31% of imports from Japan in 2000, which was an increase of five percentage points from 1990 levels.

1990



2000



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## Canada - Japan Commercial Linkages: Recent Trends

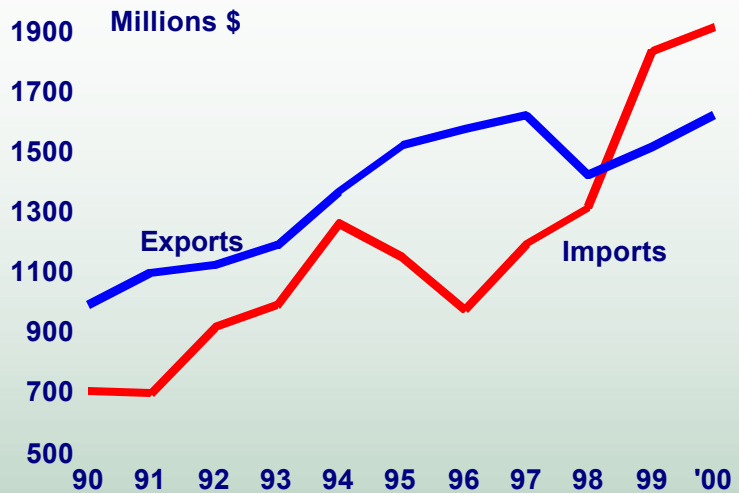
### Canadian services trade with Japan has grown much faster than merchandise trade

- Canadian service exports to Japan rose from \$1 billion in 1990 to \$1.6 billion in 2000; an average annual rate of growth of 5.2% — nearly double that of merchandise exports.
- This may be a result of growing investment linkages between the two countries.
- Canadian service imports from Japan rose at an even more rapid pace, increasing from \$0.7 billion in 1990 to \$1.9 billion in 2000, an average annual rate of growth of 10.9%.
  - ▶ As a result, the share of services in total exports to Japan rose from 10.5% to 14.7% while that of imports increased from 6.6% to 10.2%.

### Export growth was driven by commercial services...

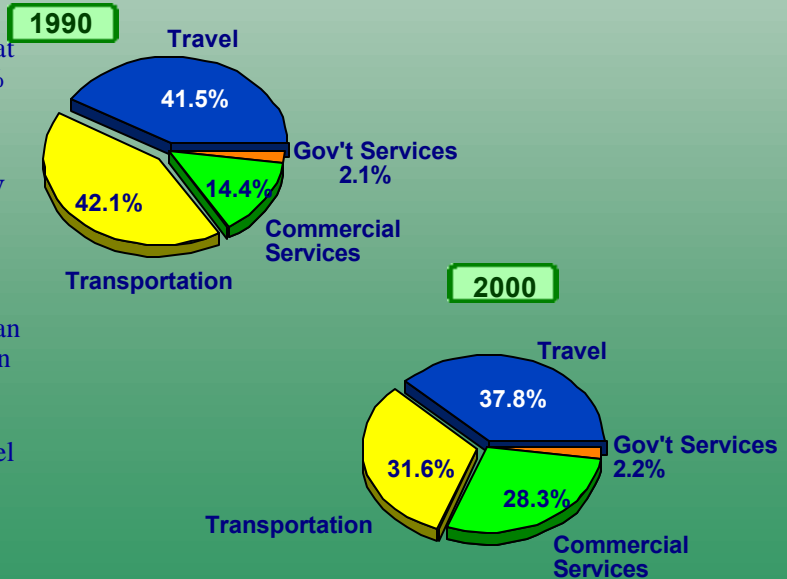
- The share of Commercial services in Canada's total service exports to Japan increased dramatically, from 14.4% in 1990 to 28.3% in 2000.
- The share of Transportation and travel services both fell.

### Canada's Services Trade with Japan



Source: Industry Canada compilations based on Statistics Canada data

### Canada's Exports of Services to Japan by Major Industry



Source: Compilations based on Statistics Canada data

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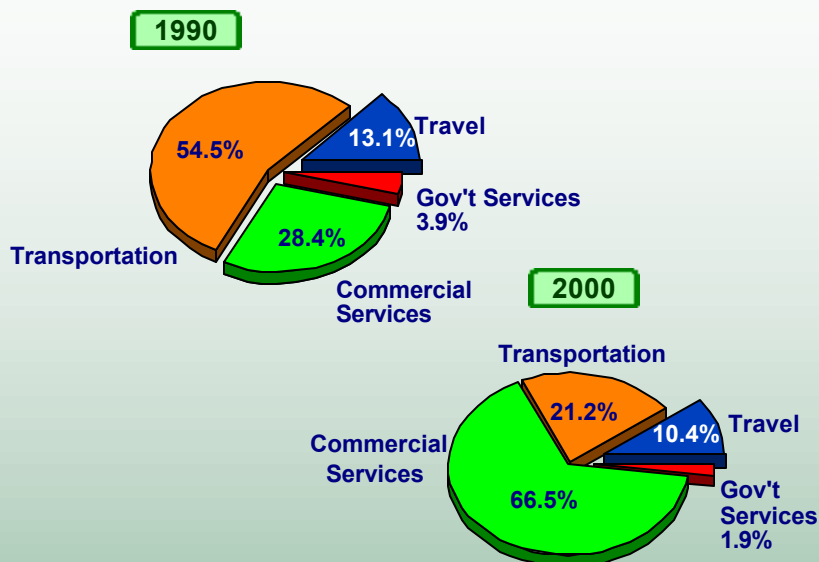
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## Canada - Japan Commercial Linkages: Recent Trends

### Canada's Imports of Services from Japan by Major Industry

#### ...as was import growth

- The share of commercial services in Canadian service imports from Japan increased tremendously, from 28.4% in 1990 to 66.5% in 2000.
- The share of all other major service groups fell over the same period.

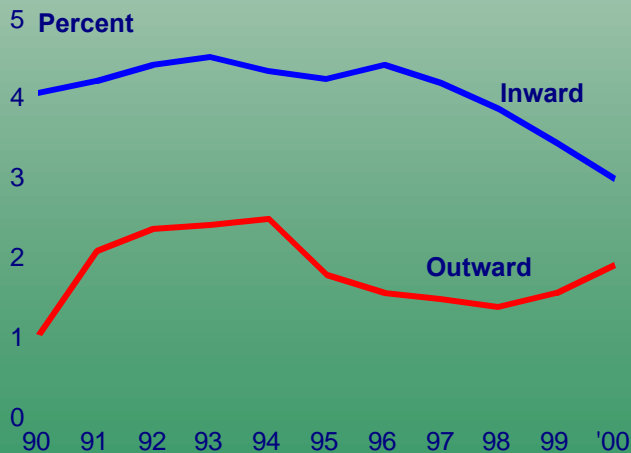


#### Canadian direct investment in Japan has increased considerably

- Canadian outward FDI in Japan increased from just \$0.9 billion in 1990 to \$5.5 billion in 2000. As a result Japan's share of Canadian outward FDI doubled during this period, reaching 2% in 2000.
- Japanese investment in Canada also increased, from \$5.2 billion in 1990 to \$8.4 billion in 2000. However, as a share in total Canadian inward investment, Japan declined from 4% to 3%.

Source: Compilations based on Statistics Canada data

#### Japan's Share of Canada's FDI Stock



Source: Compilations based on Statistics Canada data