



The Daily

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 - **The economy: Year-end review, 2003**

Canada's economic growth slowed considerably in 2003, when major developments in the country revolved around international events. So far this decade, annual growth has averaged 2.3%, half the pace of 5.0% at the height of the economic boom between 1998 and 2000.

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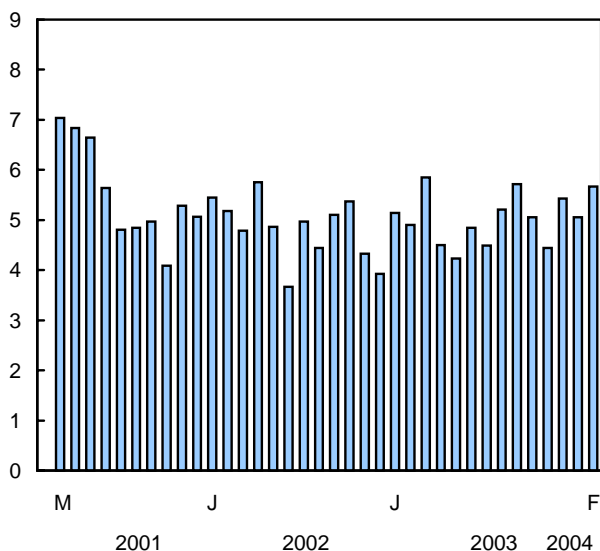
Canadian international merchandise trade

February 2004

Following an unusually weak January for merchandise trade, both exports and imports rebounded sharply for the month of February. Canada's trade surplus in goods jumped by over \$600 million to \$5.7 billion.

Trade balance

\$ billions



Exporters sent \$34.1 billion worldwide in February, up 7.0% from January, which was the lowest level in almost five years. Strong automotive shipments to the United States led the increase. Imports reached \$28.4 billion (a 6.1% rise from the previous month) on higher imports of machinery and equipment.

The 7.0% export growth to the United States was equal, in percentage terms, to the overall export rise. The United States was also the destination for 81.0% of all export shipments during the month. In turn, Canada purchased just shy of \$20 billion from the United States, up 5.8% since January. As a result, Canada's trade surplus with this country soared to just under \$8 billion.

Exports increased to all principal trading areas, with the exception of a slight decline to the other OECD countries. Imports increased across the map and Canada's non-US trade deficit widened slightly to \$2.3 billion.

Note to readers

Merchandise trade is one component of the current account of Canada's balance of payments, which also includes trade in services.

"Other OECD countries" include Australia, Iceland, Mexico, New Zealand, Norway, Switzerland, Turkey, Poland, South Korea, Hungary, Czech Republic and Slovakia.

Revisions

In general, merchandise trade data are revised on an ongoing basis for each month of the current year. Customs-basis data are revised for the previous data year each quarter.

Factors influencing revisions include late receipt of import and export documentation, incorrect information on customs forms, replacement of estimates with actual figures, changes in classification of merchandise based on more current information, and changes to seasonal adjustment factors.

Revised data are available in the appropriate CANSIM tables.

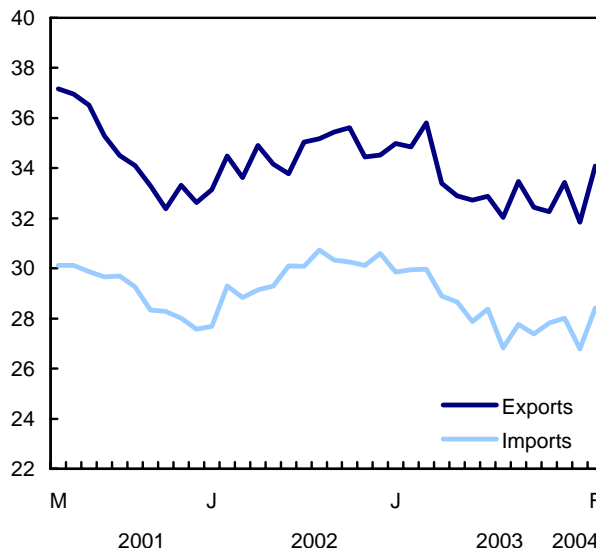
International merchandise trade has been volatile recently, led in large part by uncertainty in the automotive industry. This sector was influential again in February, being the largest contributor to the export rise. All trade sectors, covering both foreign-bound and incoming goods, registered gains since January.

Import and export prices rose only slightly in February, indicating that most of the growth was real or volume related.

Exports and imports

\$ billions

Seasonally adjusted



Automotive growth boosts exports

A \$350 million surge in truck exports, combined with modest gains in cars and motor vehicle parts led the export growth in February. Automotive reports indicated strong sales for certain vehicles, in contrast to the lackluster performance of the industry over the last few months.

High valued scientific and navigational equipment exports, strong furniture shipments to the United States and increases for most commodity areas propelled the machinery and equipment sector to \$7.4 billion. The lone decline came in aircraft exports.

Exports of industrial goods and materials reached a record high of \$6.2 billion, attributable in part to strong international demand and higher prices for metal ore commodities, whose shipments improved 20.0% to \$690 million.

Zinc and copper showed the largest jumps in February, complemented by higher exports of aluminum, metal-fabricated products and organic chemicals.

Much of the growth in forestry exports was price induced, as sustained US housing demand elevated prices for plywood and oriented strand board. Lumber exports ended four months of declines, rising 3.2% to \$774 million, the net result of higher prices and lower volumes.

Prices also played a role in higher natural gas exports, and combined with volume increases, led to a \$200 million rise for the month. Stronger exports of petroleum and coal products also exerted some upward pressure on the energy product sector, while crude petroleum exports dropped 6.9% and prices rose for the fourth straight month.

Biggest gain in machinery and equipment imports in a decade

All import sectors rebounded in February and nearly half of the total increase resulted from the best month since August 1993 for machinery and equipment imports.

Aircraft and parts, industrial machinery, televisions and other electronic equipment all contributed to the surge and only a small decline in office machinery imports stood in the way of widespread growth within the sector.

Imports of excavating machinery have set record highs for the last two months.

Similar to the export pattern, imports of industrial goods and materials resumed their upward trend in February with a 17.3% rebound in metals and metal ores. This followed January's setback, which was partly the result of labour disruptions.

A 4.3% rise in motor vehicle parts lifted imports of automotive products by a quarter of a billion dollars. Cars, trucks and other motor vehicles also contributed to the rise in February.

Higher imports of motor gasoline, diesel and aviation fuels pushed petroleum and coal products up 22.3%, topping \$300 million for the month. Crude petroleum imports grew 4.0% in February, split evenly by volume and price hikes.

Available on CANSIM: tables 226-0001, 226-0002, 227-0001, 227-0002, 228-0001 to 228-0003 and 228-0033 to 228-0040.

Definitions, data sources and methods: survey numbers, including related surveys, 2201, 2202 and 2203.

The February 2004 issue of *Canadian International Merchandise Trade*, Vol. 58, no. 2 (65-001-XIB, \$15/\$151) is now available. See *How to order products*. The publication includes tables by commodity and country on a customs basis. Current account data (which incorporate merchandise trade statistics, service transactions, investment income and transfers) are available quarterly in *Canada's Balance of International Payments* (67-001-XIB, \$29/\$93; 67-001-XPB, \$38/\$124). See *How to order products*.

Merchandise trade data are available in PDF format on the morning of release.

Data on Canadian international merchandise trade for March 2004 will be released on May 12.

For more information on the publications, contact Jocelyne Elibani (1-800-294-5583; 613-951-9647), International Trade Division. To enquire about the concepts, methods or data quality of this release, contact Matthew MacDonald (613-951-8551), International Trade Division.

□

Merchandise trade

	January 2004 ^r	February 2004	January to February 2004	February 2003 to February 2004	January to February 2003	January to February 2004	January–February 2003 to January–February 2004
seasonally adjusted, \$ current							
	\$ millions		% change		\$ millions		% change
Principal trading partners							
Exports							
United States	25,883	27,685	7.0	-4.8	58,048	53,568	-7.7
Japan	783	830	6.0	-12.4	1,878	1,613	-14.1
European Union	2,117	2,175	2.7	11.9	4,237	4,292	1.3
Other OECD countries ¹	1,118	1,111	-0.6	29.3	1,750	2,229	27.4
All other countries	1,948	2,288	17.5	13.7	3,932	4,236	7.7
Total	31,848	34,089	7.0	-2.2	69,845	65,937	-5.6
Imports							
United States	18,664	19,740	5.8	-6.8	42,423	38,404	-9.5
Japan	768	875	13.9	-5.9	1,849	1,643	-11.1
European Union	2,624	2,926	11.5	-2.7	6,077	5,550	-8.7
Other OECD countries ¹	1,677	1,753	4.5	0.4	3,440	3,430	-0.3
All other countries	3,064	3,125	2.0	0.9	6,014	6,189	2.9
Total	26,797	28,419	6.1	-5.1	59,803	55,216	-7.7
Balance							
United States	7,219	7,945	...	...	15,625	15,164	...
Japan	15	-45	...	...	29	-30	...
European Union	-507	-751	...	...	-1,840	-1,258	...
Other OECD countries ¹	-559	-642	...	...	-1,690	-1,201	...
All other countries	-1,116	-837	...	...	-2,082	-1,953	...
Total	5,051	5,670	...	...	10,042	10,721	...
Principal commodity groupings							
Exports							
Agricultural and fishing products	2,366	2,450	3.6	-0.8	4,961	4,816	-2.9
Energy products	4,952	5,157	4.1	-10.2	11,138	10,109	-9.2
Forestry products	2,794	3,019	8.1	4.5	5,802	5,813	0.2
Industrial goods and materials	5,834	6,160	5.6	10.9	11,223	11,994	6.9
Machinery and equipment	6,821	7,365	8.0	-3.6	15,823	14,186	-10.3
Automotive products	6,652	7,433	11.7	-3.5	15,251	14,085	-7.6
Other consumer goods	1,342	1,443	7.5	-0.7	2,945	2,785	-5.4
Special transactions trade ²	577	549	-4.9	-15.3	1,301	1,126	-13.5
Other balance of payments adjustments	510	513	0.6	-32.0	1,403	1,023	-27.1
Imports							
Agricultural and fishing products	1,672	1,766	5.6	-4.1	3,696	3,438	-7.0
Energy products	1,556	1,675	7.6	-7.5	3,402	3,231	-5.0
Forestry products	229	241	5.2	-6.9	525	470	-10.5
Industrial goods and materials	5,307	5,576	5.1	-3.9	11,707	10,883	-7.0
Machinery and equipment	7,679	8,391	9.3	-0.7	17,011	16,070	-5.5
Automotive products	5,748	6,007	4.5	-12.9	13,640	11,755	-13.8
Other consumer goods	3,705	3,753	1.3	-3.9	7,850	7,458	-5.0
Special transactions trade ²	392	488	24.5	6.8	911	880	-3.4
Other balance of payments adjustments	509	523	2.8	-1.3	1,060	1,032	-2.6

^r Revised figures.

... Figures not appropriate or not applicable.

¹ Includes Australia, Iceland, Mexico, New Zealand, Norway, Switzerland, Turkey, Poland, South Korea, Hungary, Czech Republic and Slovakia.

² These are mainly low-valued transactions, value of repairs to equipment, and goods returned to country of origin.

The economy: Year-end review

2003

Canada's economic growth slowed considerably in 2003, when major developments in the country revolved around international events, according to a new analysis.

Real gross domestic product advanced 1.7% last year, about half the pace of 3.3% in 2002. Canada and Germany were the only two G7 countries in which economic growth slowed last year. Still, Canada was in the mid-range of G7 growth, after leading the way in 2002.

So far this decade, annual growth in Canada has averaged 2.3%, half the pace of 5.0% at the height of the economic boom between 1998 and 2000.

For Canada, the major economic event last year was the turnaround in the Canadian dollar against the US greenback. The 21.7% increase from 63.39 cents (US) to 77.13 during the year was the largest 12-month movement up or down in Canada's history.

Other events clearly illustrated that increasing global integration, especially in trade and direct investment, also raises Canada's vulnerability to situations over which it has little control. These events include the SARS outbreak, the mid-August power blackout and the war in Iraq, with natural disasters such as Hurricane Juan in Nova Scotia tossed into the mix.

However, there is no statistical evidence that the disasters of 2003 were a significant factor in the economy's slowdown for the year as a whole, although they affected the quarterly distribution of growth.

In another significant development, China became a key player in Canada's trade with the world.

Shocks to the economy not significant factor

There was much discussion during the year over the seemingly biblical series of negative shocks to the economy: the SARS epidemic in Toronto, mad cow disease in Alberta, a strike at Inco, the power blackout in Ontario, a hurricane in Nova Scotia and forest fires in British Columbia. However, every year is marked by similar disasters: drought cost grain farmers in the Prairies billions of dollars of lost output in 2002 and 2001. Time lost to work stoppages hit a five-year high in 2002, while forest fires in Quebec were so intense the sky was hazy as far south as New York City.

The largest persistent impact of any of these events last year appears to have been the loss of tourism in Canada, where output fell by the equivalent of 0.1% of the GDP. However, not all of this can be

attributed to SARS. The slide in tourism began after September 11, 2001 and was further compounded by the war in Iraq and the appreciation of the Canadian dollar last year.

The small affect these events have on the GDP reflect the enormous size of Canada's economy today. Compared with annual GDP of \$1.2 trillion, even a major event such as the \$1 billion (at annual rates) lost to the Inco strike is barely 0.1% of output.

In addition, some of these events had a larger influence on the distribution than the overall level of income. For example, the loss of export markets for cattle producers because of the mad cow scare was partly offset by increased purchasing power for beef consumers as prices fell. It was also partly offset by gains for producers of substitutes, such as poultry and seafood.

International scene: China becoming a key player

Canada's relation with the rest of the world is also changing rapidly, shaped in part by the turnaround in our dollar. Trade in goods across the border has slumped for three straight years, despite explosive growth with China, while the number of travelers to Canada fell for the first time in 15 years.

Foreign direct investment in Canada was the lowest in a decade, dampened by the rising dollar. The rising dollar largely explains the wedge between job losses in manufacturing and more rapid gains elsewhere.

A major development internationally for Canada was the rapid growth in merchandise trade with China, particularly in imports. Canada's imports from China have doubled since 1999, including a 16% increase last year alone.

China accounted for 5.5% of Canada's imports last year, nearly twice the share from Japan or Britain and close to the 7.6% of the other European Union nations. Canada's exports to China in 2003 rebounded 13% after a dip the year before, led by a turnaround in commodity prices. Exports to China have grown by 75% since 1999.

Canada recorded an overall trade deficit of nearly \$14 billion with China last year, while the US trade deficit with China hit \$124 billion. These deficits with China represented 1.1% of the GDP in both countries.

China accounted for 12% of American imports last year, leapfrogging into second place behind only Canada, which accounted for almost 18%. By last year, China had become a major consumer of commodities—its oil imports, for example, rose to second behind the United States—which has helped to boost prices for Canada's metals and energy exports.

Other indicators: Consumers borrowed to sustain growth

Household spending posted a third straight year of solid growth in 2003. Housing again led the way, although it was unable to match the double-digit increases of the previous two years. Consumer spending increased by a little over 3% in spite of slow growth in income.

With consumer spending growing steadily and housing still booming, households had to find other means to finance their outlays. They did so by running down their savings rate and borrowing more. The savings rate declined from 4.7% to a record low of 2.0%, freeing up \$15 billion. Meanwhile, consumers borrowed a record \$50 billion, \$30 billion in mortgages alone.

The outstanding feature of the corporate sector remained its massive net saving, which rose from \$35 billion (itself a record) in 2002 to \$57 billion. The increase in the corporate surplus originated in an 18% hike in undistributed corporate profits, and leaves firms well-positioned to continue to raise investment. Business investment in 2003 pulled out of a two-year slump. While small, the increase was led by manufacturers who stepped-up productivity-enhancing investments even as their profits fell.

In the labour market, the most obvious change in employment last year was a slump in manufacturing,

its first significant decline since 1993 (a marginal dip in 2001 was related to the crash in the high-tech sector).

Some of the most entrenched trends in the labour market in the 1990s have changed in recent years. Demand for people with university degrees slowed just as supply accelerated. Meanwhile, jobs picked up for other workers, partly because of robust growth in construction and the primary sector, which enjoyed its best year in two decades as commodity prices soared.

As a result, the gap in the unemployment rate for people with and without a university degree shrank to a record low. The convergence of labour market outcomes also was reflected in the smallest gap between blue-collar and white-collar jobs in over a decade.

The unemployment rate for blue-collar workers fell from 8.1% in 2002 to 7.7% last year, while white-collar unemployment rose to 4.5%.

The article, "The economy: Year-end review," will be available in the April 2004 issue of *Canadian Economic Observer*, Vol. 17, no. 4 (11-010-XIB, \$19/\$182; 11-010-XPB, \$25/\$243).

For more information or to get a copy of this study, contact our Media Hotline (613-951-4636) or Philip Cross (613-951-9162; ceo@statcan.ca), Current Economic Analysis. ■

OTHER RELEASES

Export and import price indexes

February 2004

Current- and fixed-weighted export and import price indexes (1997=100) on a balance of payments basis are now available. Price indexes are listed from January 1997 to February 2004 for the five commodity sections and the major commodity groups (62 exports and 61 imports).

Current- and fixed-weighted US price indexes (1997=100) are also available on a customs basis. Price indexes are listed from January 1997 to February 2004. Included with the US commodity indexes are the 10 all-countries and US-only Standard International Trade Classification section indexes.

Indexes for the five commodity sections and the major commodity groups are also available now on a customs basis.

Available on CANSIM: tables 228-0001, 228-0003 and 228-0033 to 228-0040.

Definitions, data sources and methods: survey numbers, including related surveys, 2201, 2202 and 2203.

The February 2004 issue of *Canadian International Merchandise Trade*, Vol. 58, no. 2 (65-001-XIB, \$15/\$151) is now available. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Jocelyne Elibani (1-800-294-5583; 613-951-9647), International Trade Division. ■

National Population Health Survey, health care institutions component

2000/01

The longitudinal data from the fourth cycle (2000/01) of the Health Care Institutions Component of the National

Population Health Survey (NPHS) are available today. The survey started following a cohort of 2,287 residents of health care institutions in 1994/95. The respondents have since been re-interviewed every second year. The NPHS Health Care Institutions Component survey data support national level estimates only.

Definitions, data sources and methods: survey number 5003.

To order custom tabulations, contact Client Services (613-951-1746; fax: 613-951-0792; hd-ds@statcan.ca), Health Statistics Division.

For more information on the NPHS Health Care Institutions Component, or to enquire about the concepts, methods, and data quality of this release, contact Janet Pantalone (613-951-4523; janet.pantalone@statcan.ca), Health Statistics Division. ■

Domestic travel

1999 (revised estimates)

Revised estimates for the Canadian Travel Survey are now available for 1999.

Available on CANSIM: tables 426-0001 to 426-0006.

Definitions, data sources and methods: survey number 3810.

For general information or to order data, contact Client Services (1-800-307-3382; 613-951-7608; fax: 613-951-2909; cult.tourstats@statcan.ca). To enquire about the concepts, methods or data quality of this release, or to get a copy of a more detailed statement on the Canadian Travel Survey adjustment project, contact Lizette Gervais-Simard (613-951-1672; fax: 613-951-2909; gervliz@statcan.ca), Culture Tourism, and the Centre for Education Statistics. ■

NEW PRODUCTS

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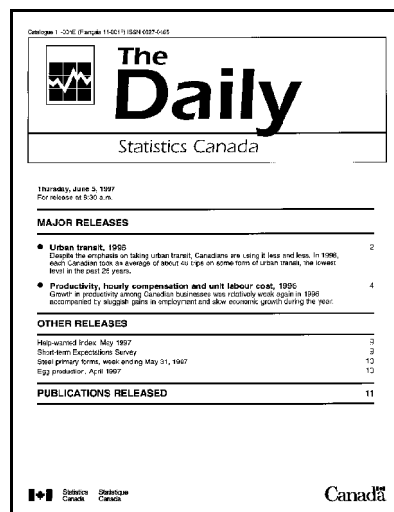
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