

The trauma of September 11 brought an entirely new meaning to the notion of uncertainty for economic forecasters. Befuddling would be more appropriate.

The core issue for the outlook for Canadian exporting companies is the U.S. economy, which will be driving its consumers. In the aftermath of September 11, the great unknown

Fog gradually lifting Post-September 11

by Stephen S. Poloz, EDC Vice-President

was the impact the terrorist attack would have on consumer psychology and willingness to spend.

U.S. consumer confidence plunged in October, by about 12 points, and it declined a further three points in November, to 82. Fortunately, the drop in confidence so far has been much less than the 20 points it fell after the bombing of the World Trade Center in 1993, which led to a short retreat in the economy, or the nearly 50 points it fell during the Gulf War which spawned a deep and difficult recession. Still, the U.S. labour market is being hammered — 800,000 jobs were lost in October and November. This has people worried about a second wave of the economic downturn, which could drag consumer confidence down further and hold back the recovery. In other words, it is soon to break out the champagne.

Falling confidence but solid spending

Nevertheless, U.S. households have been doing a lot of shopping, for houses, cars and most other things. What this combination of falling

THE CANADIAN
TRADE COMMISSIONER
SERVICE *Serving Canadian Business Abroad*

Access us at www.infoexport.gc.ca

Electric Power and Oil and Gas Industries

Your sectoral contacts in the *Sub-Saharan Africa*

South Africa

François Bietrix

Commercial Officer

Canadian High Commission
Trade Office

Johannesburg, South Africa

T: (011-27-11) 442-3130

F: (011-27-11) 442-3325

Tanzania

Gaspar Tarimo

Commercial Officer

Canadian High Commission

Dar-es-Salaam, Tanzania

T: (011-255-22) 211-2837

F: (011-255-22) 211-6897

Zambia

Benoit Gauthier

Trade Commissioner

Canadian High Commission
Lusaka, Zambia

T: (011-260-1) 25-08-33

F: (011-260-1) 25-41-76

Zimbabwe

Bertha Faranisi

Commercial Officer

Canadian High Commission
Harare, Zimbabwe

T: (011-263-4) 252-181

F: (011-263-4) 252-186

The Trade Commissioner Service helps new and experienced companies which have researched and selected their target markets.

Canadian Trade Review

A Quarterly Review of Canada's Trade Performance
Third Quarter 2001

This trade and investment quarterly reports on Canada's economic growth in the third quarter of 2001, and highlights our trade and

Continued Weak Canadian Exports Accompanied by Slowdown in Imports in the Third Quarter of 2001

In the third quarter, the decline in the U.S. economy, combined with the sluggishness in the economic performance in Europe, Asia and Latin America, contributed to a decline in the international demand for Canadian goods and services.

Canada's current dollar exports of goods and services declined by 21.4% (s.a.a.¹) in the third quarter of 2001—a continuation of the contraction in exports initiated in the previous quarter after four years of unbroken export growth.

In contrast to the situation in the second quarter, imports also experienced a decline in the third quarter. Taken together, imports of goods and services declined by 10.3% in the July to September third quarter.

Canada's real gross domestic product (GDP) declined by 0.8% in the third quarter. The deterioration in the performance of the foreign trade sector accounted for 0.3 percentage points of this 0.8% decline in real GDP. Despite the overall real GDP decline, business investments increased during the quarter—led by added investments in machinery and equipment.

Job creation slowed during the quarter—a net increase of 12,300 jobs was reported, down from 40,000 in the second quarter and 34,000 in the first quarter. The average unemployment rate edged up to 7.1% from 7.0% in the previous quarter—slightly above the 26-year low of 6.8% experienced in 2000.

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Third Quarter 2001 over Second Quarter 2001	
Real GDP	-0.8
Employment (quarterly increase, level)	12,300
Rate of Unemployment (third quarter average in percent)	7.1
Consumer Price Index (third quarter 2001 over third quarter 2000 percent change)	
All Items	2.7
Core (excludes food and energy)	2.3
Canadian \$ in U.S. funds (third quarter average)	0.6468
Exports of Goods and Services (based on current dollars)	-21.4
Imports of Goods and Services (based on current dollars)	-10.3

Source: Statistics Canada

Overall, inflation in the third quarter was 2.7%, down from 3.5% in the second quarter, and core inflation (excluding food and energy) remained unchanged from the previous quarter at 2.3%. Thus, inflation remains within the target range of 1% to 3% that has been established by the Bank of Canada.

The average U.S. dollar value in the third quarter was C\$0.647—a slight decline from C\$0.649 in the previous quarter.

¹ To make quarterly data comparable to annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and are expressed at annual rates by raising them four times, i.e. seasonally adjusted annual rates - s.a.a.r. All figures, with the exception of investment figures, are expressed on a s.a.a.r. basis, unless otherwise noted.

Prepared by the Trade and Economic Analysis Division (EET)



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Canada