

Bridging the cash-flow gap

CCC helps Canadian exporters

Successful exporting does not follow a simple formula where seller plus buyer equals sale. Rather, exporting is more like algebra, where variables come into play and affect the outcome. Financing is an example of one of these variables. If an exporter does not have sufficient funds to meet cash shortfalls or does not have an arranged payment schedule that provides enough funds at each stage to meet cash requirements to support production, a sale cannot be completed.

Canada has a strong export-oriented infrastructure and a wide range of financing options that are particularly of value to small and medium-sized enterprises (SMEs). CCC is one of several federal government agencies that provide a complementary set of export assistance services to Canadian companies. Companies looking to secure export financing for a specific project, for example, can consider CCC's Progress Payment Program (PPP) as a valuable option.

Progress Payment Program

Developed with the special needs of SMEs in mind, PPP is an innovative financing program designed to provide small Canadian exporters with sufficient project-specific working capital. To many exporters, PPP may be effective in bridging the cash-flow gap to cover production costs during the pre-shipment phase when exporters won't receive payment until the product or service is delivered to the buyer.

As Canada's export contracting agency, CCC has been helping Canadian exporters win sales in government and private-sector markets around the world. Specifically with PPP, CCC facilitates access to commercial sources of pre-shipment financing through arrangements with 19 partner banks and financial institutions. CCC's involvement in the deal means banks may be prepared

to provide funds beyond the client's regular line of credit; CCC provides assurances to banks that the work the banks are financing is being monitored, and that the ultimate risk of loss to banks is minimized by CCC.

Exporters benefit by obtaining a project line of credit to cover the production costs for a particular export sale. That way, exporters can make timely business decisions to maintain their competitive edge, knowing that they will have the financial resources to manage export sales.

Dieco Technologies Limited, a developer of tube processing systems, has supplied more than 150 installations for customers ranging from tube producers to automotive seat frame and structural component manufacturers. Dieco is just one of many successful exporters taking advantage of PPP. Since Dieco began working with CCC in 1999, the company has been able to access more than US\$4 million in pre-shipment financing in order to carry out a number of export contracts with major companies in the U.S. automotive industry.

"Dieco has a strong export focus, and a key component in maintaining our competitive position is the ability to access innovative financing solutions," said Bob Donally, Dieco's President. "CCC's PPP has allowed us to successfully pursue projects that may not have

Put the power of Canada behind your export sales



CCC (Canadian Commercial Corporation) is a Crown corporation mandated to facilitate international trade, particularly in government markets. Acting as a prime contractor, CCC signs export contracts providing access to markets for exporters and a government-backed performance guarantee for buyers. CCC also helps exporters to increase their pre-shipment working capital from commercial sources, and offers its international contracting expertise on a fee-for-service basis. When it comes to exports, CCC means credibility, confidence and contracts.

For more information, contact CCC, tel.: (613) 996-0034, toll-free in Canada: 1-800-748-8191, Web site: www.ccc.ca

been possible otherwise. We consider the PPP to be a strong resource in our continuing growth."

Canadian exporters will be able to qualify for pre-shipment export financing through PPP if:

- annual revenues are less than \$50 million;
- they are negotiating or already have a contract with a foreign buyer;
- they are being paid by Letter of Credit or are prepared to insure their receivable;
- they can finance at least 10% of the cost of the order;
- CCC will be able to establish a contractual relationship with their buyer;
- the contract duration is less than two years.

For more information on PPP, go to www.ccc.ca or call toll-free, 1-800-748-8191. ✪

Canadian Trade Review

A Quarterly Review of Canada's Trade Performance Fourth Quarter 2002

This trade and investment quarterly review reports on Canada's economic activity in the fourth quarter of 2002, highlighting our trade and investment performance in key sectors and markets.

Consumer Spending and Residential Construction Strong, but External Trade Weakens

The Canadian economy continued to expand in the fourth quarter of 2002, with real gross domestic product (GDP) increasing by 1.6% on an annualized basis.¹ Although the Canadian rate was slightly ahead of the revised 1.4% rate registered in the U.S. in the same quarter, it fell short of the more robust 3.1% rate registered in the third quarter.

Expanded consumer spending, in particular for durable goods and autos, and continued strength in the residential housing market supported growth in the fourth quarter, while continued weakness in machinery and equipment investment limited economic expansion in the business sector. Exports of goods and services experienced a small decline of 0.4% during the quarter, mainly due to a reduction of auto sector shipments to the U.S. This decline in exports reversed the trend of export expansion experienced during the first three quarters of 2002. Canada's continuing economic expansion supported a 0.2% increase in imports for the quarter, as a slight decline in merchandise imports was offset by increased services imports. The current account deteriorated in the fourth quarter—primarily due to continued strong expansion of Canadian direct investment abroad combined with a reduction of inward foreign direct investment.

Job creation continued to be strong in the fourth quarter, with a net quarterly increase of 133,100 jobs—of which

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Fourth Quarter 2002 over Third Quarter 2002	
Real GDP (annualized)	1.6
Employment (quarterly increase, level)	133,100
Rate of Unemployment (quarterly average)	7.0
Consumer Price Index (January 2003, year-over-year percent change)	
All Items	4.5
Core (excludes food and energy)	3.3
Canadian \$ in U.S. funds (average for 2002, level)	0.6368
Exports of Goods and Services (annualized, current dollars)	-0.4
Imports of Goods and Services (annualized, current dollars)	0.2

Source: Statistics Canada

some 61% were full-time positions. The average unemployment rate fell to 7.0% in the fourth quarter, down from 7.6% in the third quarter.

The 12-month increase in the overall Consumer Price Index (CPI) was 4.5% in January 2003, up sharply from 1.3% in January 2002. Similarly, the CPI rate for core items (excluding food and energy) reached 3.3% in January 2003, up from 1.7% recorded in January 2002.

The average U.S. dollar value of the Canadian dollar in 2002 was US\$0.6368, a 1.4% depreciation from US\$0.6458 in 2001.

¹ To make quarterly data comparable with annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and expressed at annual rates by raising them four times. This process provides seasonally adjusted annual rates or 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