

# Key Developments in Canadian Merchandise Trade in 2011

The previous chapters have shown that Canada's economy and trade continued on their recovery path in 2011. Strong domestic demand, solid financial and fiscal fundamentals and the relative recovery in Canadian terms of trade have sustained strong growth in imports. On the other hand, the pickup in global economic activity—in particular, improving news from the U.S. economy in the second half of the year—has fuelled global demand for Canadian exports, thus further stimulating the domestic economy. The resulting double-digit growth in trade solidified Canada's continuing economic recovery from the global recession.

The present chapter takes a closer look at the developments in Canada's merchandise trade over the course of 2011. The use of Customs<sup>1</sup> data on merchandise trade allows us to analyze trade statistics in greater detail than in previous chapters—by destination country, commodity and province of origin. These are different from the balance of payments (BOP) data used in the previous chapter.<sup>1</sup>

Total Canadian merchandise exports rose to \$447.8 billion in 2011, while merchandise imports increased to \$445.9 billion. Thus, after two years of deficits, Canada's merchandise trade balance is back to positive. Exports increased to every partner in Canada's top 20 export destinations. On the heels of a similar rise in 2010, this qualifies

as a sustained recovery of Canadian merchandise exports after the major downturn of 2009. Nevertheless, exports to most of Canada's OECD partners have not yet reached the pre-recessionary levels: notably to the United States, Japan, Germany, France and Italy. Meanwhile, imports of merchandise reached their highest level ever, driven mainly by increased purchases from the United States and China.

While the predominant portion of Canada's trade is conducted with very few partners, it is the exports that are particularly concentrated. The top 10 export destinations accounted for 89.7 percent of total merchandise exports (same as in 2010), while the top 20 comprised 94.4 percent. On the import side, the top 10 suppliers accounted for 79.0 percent of total Canadian merchandise imports (down from 80.6 percent in 2010), while the top 20 combined for 87.0 percent. Most of the difference between export and import concentration is due to the United States, which received \$109.2 billion more of Canada's merchandise exports than it supplied in imports in 2011. Canada's other significant merchandise trade surpluses are few: \$8.5 billion with the United Kingdom, \$2.6 billion with Hong Kong and \$2.2 billion with the Netherlands. Conversely, Canada's largest merchandise trade deficits

<sup>1</sup> Canadian trade statistics are provided in two basic forms: Customs basis and Balance of Payments basis. In Chapter Four, the analysis of trade with "major partners" used trade data prepared on the Balance of Payments basis. More detailed trade statistics—at the individual country levels and by detailed commodity—are available on a Customs basis only. As Chapter Five examines trade developments in detail, the data in this chapter are provided on a Customs basis. See endnote for details on Customs vs. BOP data.