

Overview of Canada's Trade Performance



New highs in commodities prices and in the value of the Canadian dollar, as well as slowing growth in the U.S. were key developments influencing Canadian trade in goods and services in 2007. High commodities prices were the driver behind those exports that led growth performance: industrial goods and materials, agri-food products, and energy products. At the same time, the appreciation of the Canadian dollar *vis-à-vis* the U.S. dollar¹ and slower growth in the U.S., particularly towards the end of the year, were offsetting factors bringing down overall export growth.

Cheaper imports in Canadian dollar terms, as well as the continuing strength in the Canadian economy, led to healthy growth in imports of goods and services. Services imports showed the most marked expansion, as Canadians took advantage of the strong dollar to travel to the United States.

The slowing U.S. economy and the continued strength in emerging market demand led to further diversification of Canada's trade. China replaced Japan as the third most important market for Canadian merchandise exports, and the share of the U.S. in Canada's total goods and services trade now stands at 68.8 percent, compared to 74.0 percent in 2003.

This chapter examines the performance of Canada's goods and services trade, beginning with an overview of the developments in goods and services trade with major partners, followed by an examination of goods trade, a review of services trade, and a brief discussion on the overall current account balance. Finally, merchandise trade with key trading partners is examined in further detail.²

Goods and services

Canada's exports of goods and services grew by 1.9 percent in 2007 to reach \$532.7 billion, as both goods exports (\$465.2 billion) and services exports (\$67.5 billion) hit record highs in value terms. Imports of goods and services outpaced exports of goods and services by a fair margin, expanding 3.2 percent to reach \$502.5 billion, and as with exports, both goods imports (\$415.6 billion) and services imports (\$86.9 billion) established new record values.

Exports and imports of goods and services to or from all principal markets (the U.S., the 27-member European Union (EU), Japan, and the rest of the world) increased, with the exception of exports of goods and services to the U.S. and Japan, which declined (Figures 4-1 and 4-2).

1 The dollar started the year at US 85.8¢; by the end of September it had attained parity with its U.S. counterpart; it peaked in early November at US\$1.09 before settling back at just above parity at year's end. However, based on annual averages, the Canadian dollar appreciated by 5.5 percent, from roughly US 88.2¢ in 2006 to US 93.0¢ last year.

2 The term "goods trade" refers to trade on a Balance of Payments basis in contrast with "merchandise trade" which is used to refer to commodity trade on a Customs basis. Balance of Payments (BOP) data are derived from customs data by making adjustments for items such as valuation, coverage, timing, and residency. Trade data for all individual countries are available on a customs basis only, whereas they are available on a BOP basis for the United States, Japan, and the United Kingdom only.