



Chapter 1 Introduction



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Trends in Canadian Trade and Investment

A recession that originated in the United States has spread globally through trade, financial, and confidence channels. In the third quarter of 2008, economic activity in the U.S., Japan and the euro-zone began to retract, so it was only a matter of time before the global downturn and declining demand for our exports affected Canadian economic activity. The Canadian economy managed to post a small positive gain in the third quarter overall; however, by August, Canadian real gross domestic product (GDP) had begun to fall. Starting in October, the rate of decline began to accelerate and the economy posted its sharpest quarterly decline since 1991.

Notwithstanding the turbulence that characterized the year, on a nominal basis Canadian trade held up well in 2008, despite a poor fourth quarter performance. Aided by high energy and commodity prices, both exports and imports of goods and services reached new heights in value terms; however, in volume terms, exports slipped 4.7% while imports managed an advance of only 0.8%. Nonetheless, when expressed as a share of Canadian GDP, both recouped some of the ground lost in past years. On the exports side, the share edged up from 34.5% in 2007 to 34.8% last year. For imports, the corresponding increase was from 32.7% to 33.3%.

Reflecting the better performance of the Canadian economy vis-à-vis other major economies, in 2008 imports of goods and services into Canada grew at a faster pace than exports. Total imports reached \$533.3 billion in 2008, up 6.3% over the previous year. Imports of goods led the way, advancing 6.7%, while services imports were up by 4.7% (see Table 1). The growth in goods imports was led by energy, which shot up 44.9%. Industrial goods and materials (up 7.5%) and machinery and equipment (up 5%) also contributed strongly to the gains. Limiting the advance was a 10.1% decline in automotive products. On the services side, all four categories registered gains, led by travel (up 8.2%) and transportation (up 8.4%).

Total exports were \$557.9 billion last year, an increase of 5.2% over 2007 levels (see Table 1). Exports of goods were up 5.8%, while services exports edged up 1.1%. On the goods side, notable gains were recorded by energy (up 37.7%), industrial goods (up 6.5%), and agricultural and fishing products (up 19%). A 21% decline in automotive exports and a 12.3% reduction in forestry product exports partially offset the gains. Three of the four services categories increased their exports in 2008, led by transportation (7.1%), while exports of travel services fell 2.5%.

Millions of dollars	Exports of Goods and Services			Imports of Goods and Services		
	2008 level	Change 2007-2008	2007-2008 growth	2008 level	Change 2007-2008	2007-2008 growth
<i>Goods</i>						
Ag and fishing	40,904	6,534	19.0	28,515	3,019	11.8