



IV OVERVIEW OF CANADA'S TRADE PERFORMANCE

Solid growth in the global economy and in Canada, robust growth in the main emerging economies of China and India, and increased demand for natural resources including energy products, all contributed to Canada's record trade performance in 2005.

Exports of goods and services were equivalent to 37.7 per cent of Canadian gross domestic product in 2005. This is down somewhat from 2004 as a result of strong growth in the domestic economy, but was sufficient to place Canada second in the G-8 countries. As shown in Table 4-1, Germany was the most open economy in the G-8, followed by Canada, Italy, France and the UK.

Despite the continued appreciation in the Canadian dollar against the U.S. dollar, exports of Canadian goods and services increased 5.2 per cent to \$516.4 billion in 2005, surpassing the previous record reached in 2000 (\$489.0 billion). As with exports, imports also rose, increasing 5.8 per cent to \$463.1 billion. These developments resulted in the trade surplus widening to \$53.3 billion, with a goods surplus at \$66.7 billion and a service trade deficit at \$13.4 billion. The annual surplus on goods remained more or less stable at \$66.7 billion, as both exports and imports rose by around \$24 billion. The balance of the current account which covers net transactions on goods, services, investment income and current transfers reached a record high at \$30.2 billion.

Exports of goods and services to and imports of goods and services from all principal trading areas (the U.S., the EU, Japan and other countries) were up in 2005 compared to 2004. Of the principal trading areas, the United States posted the largest gain for

Canadian goods exports in absolute terms, up by \$18.3 billion to \$369.3 billion, whereas Canadian goods imports from the U.S. increased by \$8.3 billion to \$258.4 billion. The goods trade surplus with the U.S., which thus increased to \$110.6 billion, was responsible for Canada's entire trade surplus.

Exports of goods to the EU grew by 7.4 per cent in 2005 to nearly \$29 billion outpacing the growth in imports from Canada (5.0 per cent). However, imports from the EU were bigger than exports to that trading partner, which resulted in a goods deficit with the European Union of \$9.4 billion.

Exports of goods to Japan advanced by 5.3 per cent to \$10.5 billion while imports of goods from Japan increased by 11.6 per cent to \$11.2 billion. As a consequence, the goods deficit with Japan reached \$0.7 billion.

Figure 4-1
Exports of Goods and Services by Major Area, 2000-2005

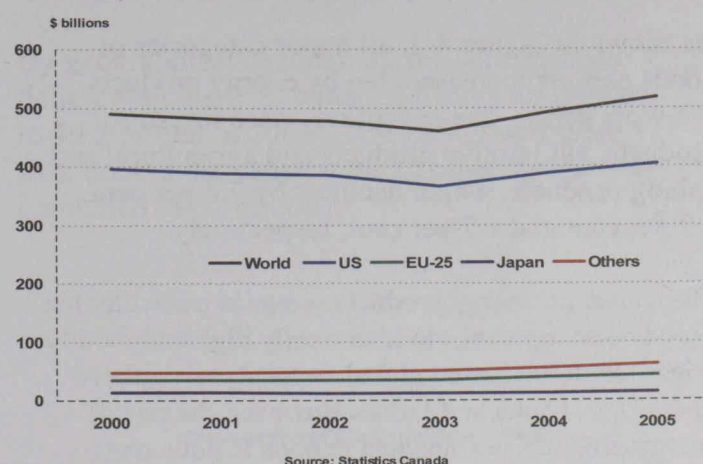


Table 4-1: Exports of Goods and Services as a Proportion of GDP, 2000-2005

	2000	2001	2002	2003	2004	2005
Canada	45.4	43.4	41.3	37.8	38.1	37.7
France	28.6	28.1	27.1	25.7	26.0	26.1
Germany	33.4	34.8	35.7	35.7	38.0	40.2
Italy	27.1	28.4	27.0	25.8	26.6	27.2
Japan	9.9	9.4	10.1	10.6	11.8	12.5
UK	28.0	27.4	26.2	25.5	25.2	26.1
U.S.	10.9	9.9	9.3	9.3	9.8	10.2
G7 Total	17.4	16.9	16.8	17.1	18.2	n.a.
Russia	44.1	36.9	35.2	35.2	35.0	n.a.

n.a.: not available