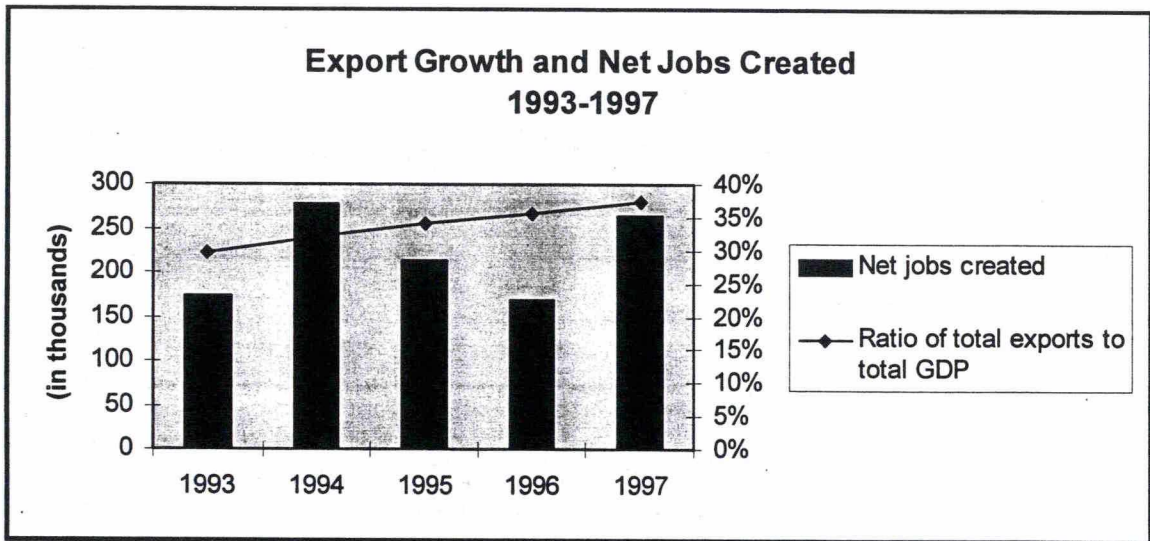


The three sectors of Canada's economy with the fastest-growing export levels are consumer products, automotive products, and machinery and equipment. In 1997, machinery and equipment exports reached 22.4% of total Canadian exports, almost as high as automotive products, the leading sector with 23.2% of total exports. Machinery and equipment exports have more than doubled in the past five years.

Exports of services are also increasing, reaching \$41.4 billion in 1997, up 6.4% compared with 1996. Despite a negative balance of trade in services, exports are growing more rapidly than imports and the gap is being closed. The negative balance of trade in services has narrowed since 1994. The share of knowledge-intensive commercial services out of total service exports increased 48%, while the corresponding import share of commercial services increased to 43%. This attests to a strengthening of the knowledge-intensive service sector in Canada.

As exports continue to reach higher levels year after year, the impact on the Canadian economy is seen in employment. Almost 4 out of every 10 jobs in Canada are now directly related to exports, compared with fewer than 3 of 10 in 1992.

The chart shows that as exports grow and account for an increasing share of Canada's overall economic activity, hundreds of thousands of net new jobs are being created.



Foreign direct investment (FDI) in Canada grew by \$13.0 billion in 1997, compared with an increase of \$6.96 billion in 1996. The United States remained the largest investor in Canada, contributing 90% of total FDI inflows in 1997. Recent studies have shown that FDI is a major contributor to the expansion of production capacity and job creation in Canada.