

Conditions were generally favourable for Canadian exporters in 1999: growth improved internationally, and international prices for key commodities (e.g. energy and some base metals) improved. In addition, the exchange rate remained favourable as the gradual appreciation of the Canadian dollar from its historic lows of 1998 still left it well below most measures of its purchasing power parity level. At the same time, the acceleration of real growth in Canada to 4.5 percent fed strong import demand. In 1999, the value of Canada's merchandise exports rose to \$360.6 billion, up 11.9 percent from \$322.3 billion in 1998. Meanwhile, Canada imported goods worth \$326.8 billion, up 7.7 percent from \$303.4 billion in 1998. This resulted in a merchandise trade surplus of \$33.8 billion or 3.6 percent of GDP, compared to \$19.1 billion or 2.1 percent of GDP in 1998.

### THE DIRECTION OF TRADE IN 1999

The share of Canada's exports in the U.S. has risen over the years. In the 1970s and 1980s, the rise in the U.S. share was reflected principally in a lower share of exports being shipped to Europe. In the 1990s, the rise in the U.S. share was reflected in a diminution of shares of all other regions.

*Table 4: Shares of Canada's Merchandise Exports (%), 1970-1999*

	1970-1979	1980-1989	1990-1999	1997	1998	1999
U.S.	68.6	73.7	79.8	80.5	83.6	85.9
EU	11.3	7.9	6.3	5.7	5.5	5.0
Japan	5.9	5.4	4.2	4.1	3.0	2.6
ROW (rest of the world)	14.2	13.0	9.7	9.8	7.9	6.5

Source: Statistics Canada, CANSIM. Matrix no. 3685: *Merchandise Exports on a Balance of Payments Basis by 64 Major Groups and by 6 Principal Trading Areas* based on the Standard Commodity Classification.

### Review of Export Performance by Major Partner Economies and Regions in 1999

#### The United States

Market conditions in the United States, which is experiencing its longest expansion in the postwar period, were extremely favourable for Canadian exporters in 1999.

U.S. GDP grew 4.2 percent in real terms (the fourth consecutive year above 4 percent), but U.S. domestic demand grew even faster at 5.1 percent.

Underpinning U.S. domestic demand growth was buoyant consumer spending and strong business investment activity, particularly in terms of the upgrading of technology.

- U.S. consumer expenditure increased 5.3 percent in 1999 as demand was bolstered by increases in employment and the wealth gains resulting from the record bull equity market. Spending on durable goods rose 11.5 percent in 1999 (following 11.3 percent in 1998); at the same time, spending on housing rose 7.4 percent in 1999, building on the 9.2 percent surge in 1998.
- Business investment rose 8 percent in 1999, led again by spending on high-technology equipment, extending by another year the long run of rapid growth in investment outlays. Spending on communications equipment rose 25 percent, boosted by the expansion of wireless communications, competition in telephone markets, and the continued spread of the Internet and related services.

