

Highlights — Continued from page 1

shutdown in Eastern Canada, and poor weather conditions that affected activity in crude petroleum exploration.

For this quarter, Canada's merchandise imports reached \$92.1 billion, up by 1.2% from the last quarter. This increase was due to gains in imports of machinery and equipment products, energy products, consumer goods, and agricultural

and fishing products. Strong business investment and higher consumer spending helped to achieve this performance.

By destination, Canada's exports to the United States reached \$90.2 billion. Compared to the second quarter, our

exports to the United States

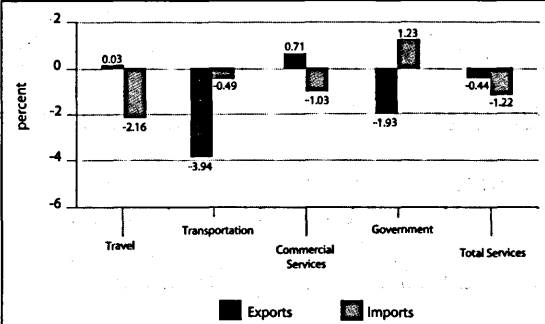
rose by 1%, with increases also noted for the European Union. Canada's exports to Japan, however, dropped by 7.6%. As for imports, there were broadly-based increases from major trading partners other than Japan. Two-way trade in goods and services with the United States averaged \$1.72 billion per day in this quarter.

Downward Drift in Transportation Services Trade

Canada's exports of services of \$13.9 billion were down by 0.4% over the second quarter due to the drop in transportation services exports. Third-quarter imports fell by 1.2% to \$15.5 billion as all major service categories weakened. As a result, Canada's services deficit narrowed by \$131 million to \$1.6 billion in the third quarter.

Figure 4: Canada's Services Trade, by Type

3rd Quarter 2000 over 2nd Quarter 2000 Change



Source: Statistics Canada

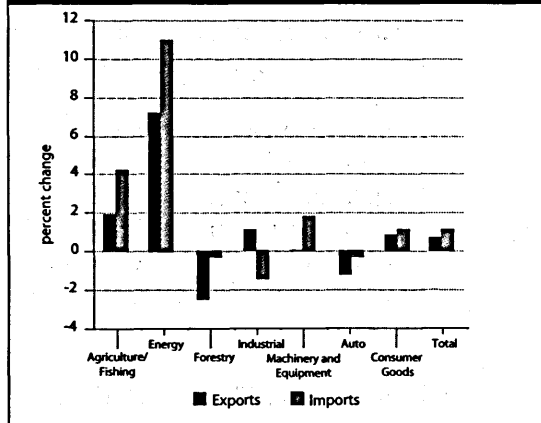
Energy Industry Attracted Direct Foreign Investment Flows

More than 30% of the flows of total FDI in Canada and Canadian Direct Investment Abroad (CDIA) were geared toward energy and metallic mineral industries, and were largely from and into the United States. FDI was valued at \$10 billion, down sharply from \$28.9 billion in the second quarter. Meanwhile, CDIA fell to \$4.6 billion from the second quarter's \$21.1 billion. As with previous years, acquisition activities played an important role in FDI in this quarter.

Portfolio investments in Canada, from July to September of 2000, were dominated by the demand for Canadian stocks. Likewise, investment abroad by Canadian portfolio investors was mainly in foreign stocks. Unlike the first two quarters, most of Canada's investments in foreign equities during the third quarter were directed to the United States.

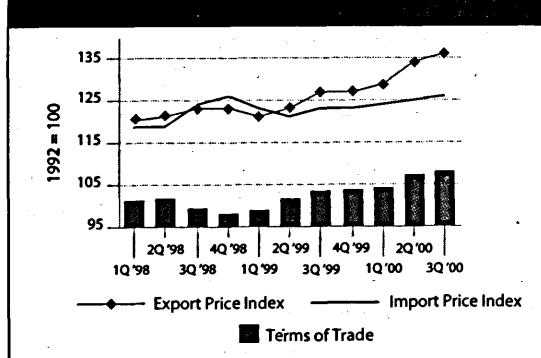
Figure 2: Canada's Trade by Commodity

3rd Quarter 2000 over 2nd Quarter 2000 Change



Source: Statistics Canada

Figure 3: Canada's Terms of Trade



Source: Statistics Canada

Economic Performance — Continued from page 1

In current rather than inflation-adjusted dollars, Canada's two-way trade posted a meagre quarterly gain of 0.7% due to stronger energy prices. However, compared to the same period last year, the value of two-way trade accelerated by as much as 11.9%. The current account recorded a surplus of \$3.4 billion in the third quarter, the third surplus in a row. The nine-

month surplus of \$11.6 billion is substantially larger than the annual surplus of 1996, which was \$4.6 billion.

International investments into and from Canada eased in this quarter after setting record levels in the second quarter of this year. The levels of inward and outward investment flows remained high by historical standards, despite this quarter's decline.