Goods Trade

Much of the recovery in total trade (some 92.2 percent) came from the goods side. This is because goods constituted a much larger share of total exports and grew faster than services last year (9.5 percent versus 4.4 percent). This can partly be explained by the smaller decline in services during the recession in 2009 (down 6.9 percent compared to 24.6 percent for goods), which implies less need for faster-than-average growth to catch up to earlier trends.

The largest increase in goods exports occurred with the **United States.** Exports to Canada's southern neighbour were up $25.3 billion out of the overall $35.0-billion expansion in goods exports last year. At the same time, some $23.3 billion more in imports (out of a total increase of $39.0 billion for all imports) flowed into Canada from the United States. With exports up more than imports, the goods trade surplus with the United States widened by $2.0 billion to reach $36.9 billion in 2010.

Next in importance in terms of the gains in goods trade for Canada in 2010 was the **rest of the world** (ROW) region. This region represented roughly half the remaining gains, apart from those accounted for by the United States. Canada's exports of goods to the ROW grew 8.1 percent in 2010, to $62.0 billion, a $4.6-billion increase over the previous year. However, imports of goods from the region were up even more (advancing 15.1 percent, or $13.5 billion) to $103.3 billion. This difference generated an $8.9-billion widening of the overall trade deficit with the region.

Canadian exports of goods to the **EU** registered the strongest growth of all the regions last year, rising 13.4 percent ($4.3 billion) to $36.4 billion. At the same time, imports of goods from the EU posted the weakest growth at 3.9 percent ($1.5 billion) to $40.3 billion. With these developments, Canada's trade deficit in goods with the EU retreated to $3.9 billion last year.

Lastly, goods exports to **Japan** grew slightly faster than the rate of goods imports in 2010, up 9.5 percent compared to 7.3 percent for imports. As a result, goods exports reached $9.7 billion while imports attained $10.0 billion, and the deficit narrowed to $303 million from $462 million in 2009.

Sectoral Performance of Goods Trade

While trade levels rebounded modestly from the unusually large drop registered in 2009, they remained below pre-recession levels at the close of 2010. A closer examination of trade by the major sectors reveals that not all of the weakness on the export side was related to the recession—some of it reflects longer-term structural changes. On the other hand, imports in certain sectors fully recovered while most other sectors approached their pre-recession peaks. The exception was the price-sensitive energy sector, which remained far below the heights reached just a few years back when the price of crude petroleum hit US$150 a barrel.

The overall 9.5-percent rise in Canadian goods exports in 2010 was the result of rising volumes and modest price increases.[1] Export volumes rose 8.3 percent over 2009 levels, while export prices advanced 1.1 percent. Notwithstanding these gains, the value of exports remained below those levels registered over the years 2004 through 2008.

Exports advanced in four of the seven major groups in 2010, led by industrial goods and materials, automotive products, and energy.

Industrial goods and materials became Canada's largest export sector last year, as exports rose 21.9 percent, or $17.4 billion, to $96.5 billion. At this level,

1 Statistics Canada Catalogue 65 208 X (2011), International Merchandise Trade, Annual Review 2010.