

TRENDS IN CANADA'S INTERNATIONAL TRADE

Canadian exports grew by 7.2 percent in 1990, a considerable rise from the 1989 growth of 0.1 percent. At the same time, merchandise imports increased marginally by 0.8 percent, down from an increase of 3.1 percent in 1989. The growth in exports reflects continued growth in world demand for Canadian goods, while the slowdown in import growth reflects the impact of the recession on Canadian domestic demand over the second half of 1990.

As a result of the rebound in export growth and stagnant import growth, the trade balance recorded a surplus of \$12.4 billion, an increase of \$8.9 billion over 1989.

Adjusting for price changes, the volume of Canadian exports grew 4.5 percent, up from 1.1 percent in 1989, while Canadian imports declined marginally by 0.4 percent after rising 4.8 percent in 1989.

The Canadian share of world merchandise trade slipped to just below 4 percent in 1990.

Canadian terms of trade fell 2 percent in 1990, following three consecutive years of increases. The fall in the terms of trade reflects a decline in non-energy commodity prices due mostly to slowing world demand. Commodity prices for many base metals fell sharply in 1990, as did pulp and paper export prices, reflecting slowing demand on those products. Grain prices also fell due to large harvests as well as large agricultural subsidies awarded by certain countries. Partially offsetting these declines was the sharp increase in crude petroleum prices over the second half of the year due to the uncertainty over the Persian Gulf conflict. Import and export prices for crude petroleum generally moved together over this period.

The composition of Canadian exports changed slightly in 1990. Due to depressed sales in the U.S. market, Canada's motor vehicles and parts exports fell \$700 million, the first decline in four years. Thus, for the first time in 20 years, other manufactured goods accounted for a larger portion of Canadian exports. Other manufactured goods grew by \$3.6 billion in 1990, led by a \$2 billion jump in the export of communications and electronic equipment and \$1 billion in aerospace components and products. Other export commodity groups that contributed to the overall growth in exports in 1990 included wheat (up \$800 million), crude petroleum (up \$1.2 billion), and natural gas and other energy

products (up \$1.1 billion). Non-energy natural resource exports recorded declines in wood, pulp and paper, and metal and minerals exports.

Despite gains in some areas, Canadian imports grew only marginally as the majority of the specific import commodity groupings recorded decreased import levels. Imports of motor vehicles and parts recorded the largest decline (\$1.5 billion) due to the slowdown in economic activity and consumer demand in Canada over the course of the year. Other manufactured goods and non-energy natural resource materials declined by \$0.7 and \$0.4 billion respectively. Offsetting these declines were increased imports of crude petroleum of \$1.8 billion due to the increased oil prices during the early stages of the Persian Gulf crisis. In addition, imports of food rose \$0.5 billion, while other consumer goods imports increased \$0.8 billion.

Canadian merchandise trade exports grew by 3.3 percent in 1990. As shown in Table 2.1, strong export growth to the United States (9.6 percent) was the major contributor to the overall increase in exports. Exports to Europe also increased in 1990 by 6.3 percent, with a strong growth in exports to Eastern Europe and the U.S.S.R. of 38 percent. Strong growth of 15 percent was also realized in exports to Africa and South America. Partially offsetting these gains were declines in exports to the Asia-Pacific region, the Middle East, and Central America and the Caribbean of 3.9, 10.5 and 16.6 percent, respectively.

For the majority of the remaining trading regions, imports registered declines. Imports from the Asia-Pacific and Latin American regions fell 0.5 and 12.5 percent, respectively. Offsetting these declines was an 8.9 percent increase in imports from Europe and a 17.9 percent increase from the Africa-Middle East region.

The Canadian merchandise trade surplus increased by \$3.8 billion in 1990 to \$10.9 billion. The major contribution to this jump was a \$5.4 billion increase in the merchandise trade surplus with the U.S. to \$17.5 billion. Trade deficits with Europe and the Asia-Pacific region increased slightly in 1990, recording trade deficits of \$4.4 and \$3.3 billion, respectively. The Canadian trade deficit with Latin America improved by \$0.5 billion to \$1.9 billion while the small trade surplus with the Africa-Middle East region fell from \$0.6 billion to \$0.2 billion.