

- The sharp rebound of international oil prices from their deep lows of 1998, which overall was beneficial for Canada as a net energy exporter, led to a steep rise in the oil import bill for provinces that are net importers of energy.

Two-way direct investment flows continue at historically high levels, and Canada's net external indebtedness declines for first time in 60 years.

- The flow of FDI into Canada reached a new record in 1999.
- Meanwhile, the flow of Canadian direct investment abroad (CDIA) eased from its record level reached in 1998.
- As a result, FDI inflows moved ahead of CDIA for the first time since 1992.
- The main factor driving direct investment in 1999 was mergers and acquisitions activity, principally in the finance and insurance, machinery, and transportation equipment sectors.
- Canada's net external indebtedness, which had been declining for a number of years as a share of GDP, declined in terms of absolute value for the first time in 60 years.

Trends:

- Trade performance in 1999 capped a decade of exceptional growth. Over the period 1990-1999, during which GDP growth averaged 2.3 percent in real (inflation-adjusted) terms, exports of goods and services averaged 8.1 percent growth in real terms, while imports averaged 7.0 percent growth.
- The sustained high rate of expansion of trade relative to GDP is indicative of structural changes in the economy. These changes are in response to the competitive pressures and new opportunities created on a regional basis by the Canada-U.S. Free Trade Agreement (FTA) and its successor the North American Free Trade Agreement (NAFTA); and multilaterally through the reduction of trade barriers pursuant to the agreements reached in the Uruguay Round of trade negotiations.

Table 1: Trade as a % of GDP, 1989-1999

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total exports	25.6	25.7	25.0	27.0	30.1	34.0	37.3	38.4	39.1	41.2	43.1
Goods	22.4	22.4	21.6	23.4	26.2	29.7	32.9	33.6	34.3	35.8	37.6
Services	3.2	3.3	3.4	3.6	3.9	4.3	4.4	4.8	4.8	5.4	5.4
Total imports	25.6	25.7	25.7	27.4	30.2	32.9	34.3	34.4	37.5	39.8	40.2
Goods	21.2	20.8	20.6	22.1	24.4	27.1	28.5	28.6	31.6	33.6	34.1
Services	4.4	4.9	5.1	5.3	5.8	5.8	5.7	5.8	5.8	6.2	6.0

Source: Statistics Canada, *National Income and Expenditure Accounts*, Catalogue no. 13-001-PPB, 1st Quarter 2000.

- The higher rate of growth of exports over imports during the 1990s reflected a combination of somewhat more rapid growth in the U.S. than in Canada, coupled with the effects of the decline in the bilateral Canada-U.S. exchange rate over the course of the decade.

