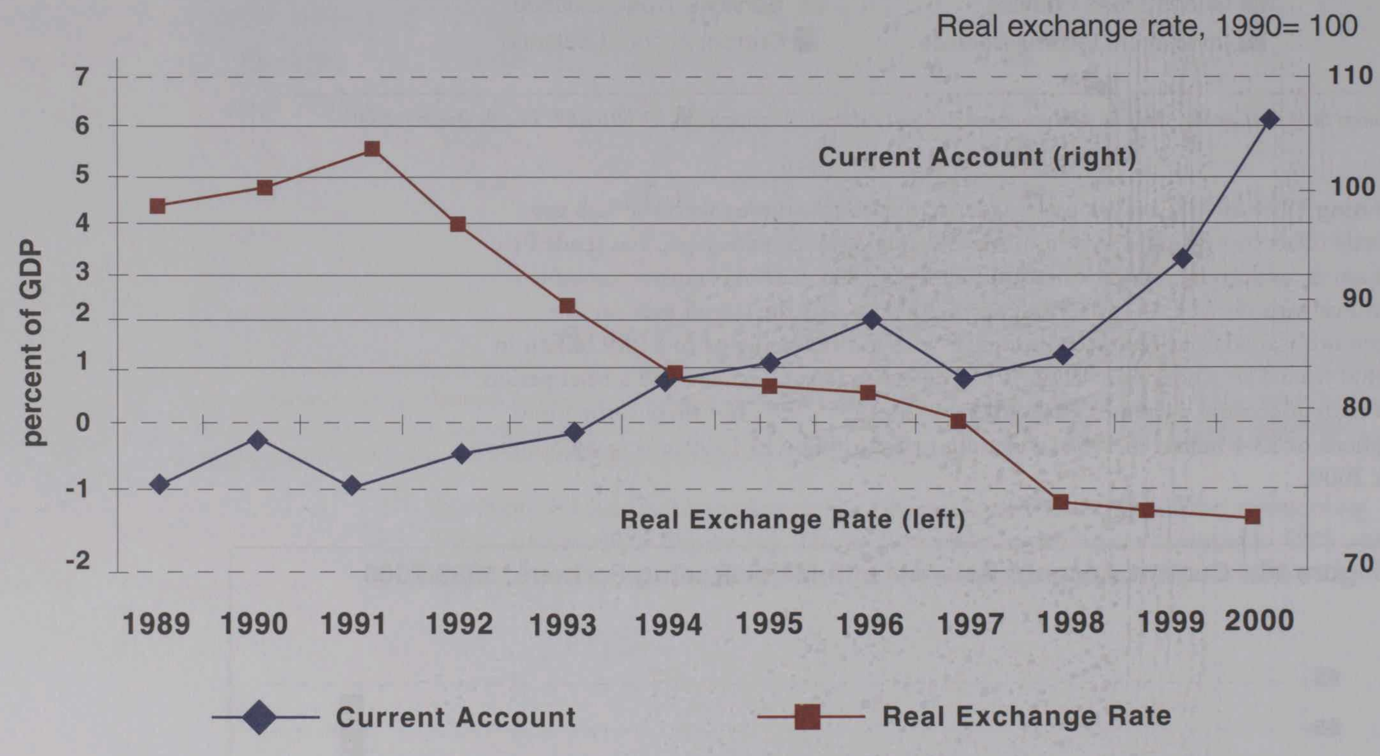
As can be seen from Figure 12, the improvement in Canada's bilateral balance with the U.S. from deficit to surplus since 1994 was associated with the depreciation of the Canadian dollar in real terms over this period;[19] other factors, such as the stronger economic expansion in the U.S. and the FTA, were also important.

Figure 12: Canada's Real Exchange Rate vis-à-vis U.S. Dollar and Current Account Balance with the U.S., 1989-2000



Sources: Statistics Canada, *Canada's Balance of International Payments,* Catalogue no. 67-001-XPB, Fourth Quarter 2000.
Bank of Canada, *Banking and Financial Statistics.*

[19] In Figure 12, Canada's real exchange rate vis-à-vis the U.S. is calculated as the price of Canadian goods (measured in U.S. dollars) in terms of the price of U.S. goods (as the term "real" implies). This calculation, based on the consumer price index, shows that in 2000, the real price of a bundle of Canadian goods in terms of that of the U.S. has come down to 73 percent as much as that in 1990.