

Strong growth in trade

For much of the past year, the world environment was very favourable to a rapid growth in Canada's commodity trade. A strong demand for Canadian exports was stimulated by high rates of economic expansion in most of Canada's principal trading partners and their need to rebuild inventories. Reinforced by major price increases for some of Canada's most important export products, the total value of exports rose to over \$24 billion, an increase of more than 20 per cent in 1973, a larger increase than in any year since 1951. Stimulated by an exceptional demand for food and industrial materials, Canadian export prices rose sharply and accounted for perhaps half the total rise in the value of Canadian exports. This still left the increase of exports in real terms well above the long-term growth pattern.

Export sales were higher to nearly all Canada's principal markets, led by major gains in automotive goods, lumber, crude petroleum, copper and wheat. The value of shipments to the United States, reflecting strong economic growth there, was up about 20 per cent, accounting for nearly two-thirds of the overall rise in Canadian exports. Overseas sales rose rapidly, accounting for a much larger part of the total increase in exports than in the preceding year. The sharpest gain was in exports to Japan, amounting to an increase of more than two-thirds over their 1972 level. The year 1973 saw Japan ascend to the rank of Canada's second-largest trading partner. Exports to the six original members of the EEC were up very substantially, showing an increase of about one-quarter. While sales to Britain showed a smaller rise than this, sales to other Commonwealth countries rose close to one-third. There have been large increases as well in exports to China and the U.S.S.R., mainly reflecting a large jump in their grain purchases from Canada.

High economic growth has meant a continuing strong demand for imports, which increased about 20 per cent in the past year. Among the commodities imported in substantially larger amounts were automotive goods, industrial machinery, crude petroleum, aircraft and food.

The stronger pace of exports in absolute terms contributed to an improvement in Canada's merchandise trade surplus, which rose to over \$1.75 billion. This was despite a major reduction in Canada's bilateral-trade surplus with the United States. Nevertheless, Canada recorded a current-account deficit in 1973, not much different from the \$600-million deficit of the previous year.