I. MERCHANDISE TRADE

The economic environment was generally favourable for Canadian exporters in 2000: economic growth improved globally, and the prices for key commodity exports, such as energy, food and industrial materials (including metals and chemicals), improved markedly. In addition, the exchange rate remained at levels well below most measures of its purchasing power parity.[3] In 2000, the value of Canada's merchandise exports rose to $417.7 billion, up 15.8 percent from $360.6 billion in 1999. Meanwhile, the acceleration of real growth in Canada to 4.7 percent fed strong import demand. Canada imported goods worth $363.2 billion, up 11.1 percent from $326.8 billion in 1999. This resulted in a record merchandise trade surplus of $54.5 billion or 5.2 percent of nominal GDP in 2000, compared to $33.8 billion or 3.5 percent of GDP in 1999.

THE DIRECTION OF TRADE IN 2000

The share of Canada's exports in the United States has risen over the years. In the 1970s and 1980s, the rise in the U.S. share was reflected principally in a lower share of exports being shipped to Europe. In the 1990s, the rise in the U.S. share was mirrored in a diminution of shares of all regions of the world outside of the United States.

Table 4: Shares of Canada's Merchandise Exports (percent), 1970-2000

	1970-1979	1980-1989	1990-2000	1997	1998	1999	2000
U.S.	68.6	73.5	80.8	80.8	83.7	85.8	86.1
EU	11.3	8.0	6.1	5.5	5.5	5.1	5.0
Japan	5.9	5.5	3.9	4.0	3.0	2.6	2.4
ROW (rest of the world)	14.1	13.0	9.2	9.6	7.8	6.6	6.5

Source: Statistics Canada, CANSIM. Matrix no. 3685: *Merchandise Exports on a Balance of Payments Basis by 64 Major Groups and by 6 Principal Trading Areas based on the Standard Commodity Classification.*

Review of export performance by major partner economies and regions in 2000

The United States

Market conditions in the United States, which by 2000 was experiencing its longest peacetime economic expansion, were extremely favourable for Canada's exporters in 2000. U.S. GDP grew 5 percent in real terms (the fifth consecutive year of growth exceeding 4 percent), with even stronger growth in consumer spending and business investment in plants and equipment.

- U.S. consumer expenditure increased 5.3 percent in 2000 as demand was bolstered by increases in employment and a decrease in the savings rate. Spending on durable goods rose 9.6 percent in 2000 (following 12.4 percent in 1999).
- Business investment rose 12.6 percent in 2000, led by spending on M&E, extending by another year the long run of rapid growth in investment outlays.

The strong U.S. domestic demand growth boosted Canada's exports of goods and services to the U.S. by 15.4 percent in 2000. With exports to Canada's other major markets expanding less strongly, the U.S. share of Canada's exports of goods and services edged up to 82.9 percent from 82.6 percent in 1999. In the case of merchandise, exports to the United States represented 86.1 percent of the goods total in 2000, up from 85.8 percent in 1999.

[3] The average value of the Canadian dollar versus the U.S. dollar was virtually unchanged in 2000. Although the average value of the Canadian dollar was up sharply against the euro and the U.K. pound, it lost value over the year versus the Japanese yen by about 5 percent.