The above price scenarios are used to generate estimated impacts on Canada's merchandise trade balance. It is important to note that for all of these scenarios, we assume no impact on the volume of the commodity traded.

Methodology

The methodology consists of two parts. First, we will estimate the impact on net exports for the twelve major net exporting commodities[8] based on the three prices scenarios as previously mentioned. These results will be computed using the three commodity price levels as the primary variable, while leaving all other factors such as volume constant. For the purpose of this report, a simplified accounting method was used.

Summary of the Impact

The three price scenarios indicate a positive contribution to the trade surplus ranging from $89 billion to $133 billion by 2010 with the energy sector contribution being the largest share. This is not surprising since Canada has historically depended on its exports of commodities for its trade surpluses. As prices of commodities increase, so does the overall impact on the merchandise trade surplus.

Table A2: Impact on Canada's Trade Balance by Year 2010 in $ millions

	2005	Low (-20%)	Baseline	High (+20%)
Energy	47,763	43,619	54,523	65,428
Coal	2,640	2,554	3,192	3,830
Crude Oil	8,491	7,388	9,235	11,081
Natural Gas	36,631	33,678	42,097	50,516
Industrial Metals	25,100	23,766	29,708	35,649
Aluminium	7,669	7,782	9,727	11,672
Copper	3,815	3,518	4,398	5,278
Nickel	4,135	3,705	4,632	5,558
Zinc	1,134	1,043	1,303	1,564
Precious Metals	5,624	5,223	6,529	7,835
Iron Ores	2,725	2,495	3,119	3,742
Forestry Products	22,381	21,381	26,726	32,071
Lumber	10,402	10,257	12,822	15,386
Pulp	5,707	5,441	6,801	8,161
Newsprint	6,271	5,683	7,103	8,524
Overall Projected Impact on the Trade Balance	**95,244**	**88,766**	**110,957**	**133,149**

[8] Coal, crude oil, natural gas, zinc, precious metals (gold & silver), iron ores, lumber, pulp and newsprint.