Machinery and equipment:

- In 1999, M&E exports grew 7.8 percent, reaching a level of $85 billion.
- Within this category, exports of "other machinery," which includes telecommunications equipment and office machines, rose by 11 percent. However, the decline in exports of agricultural machinery, acted as a drag on this sector. As a result, the sector's share in total exports fell to 23.6 percent in 1999, a slight change from the 1998 level of 24.4 percent.
- M&E imports increased by 6.8 percent to $108.2 billion. Imports of industrial and agricultural machinery fell in 1999, whereas the imports of office machines and other machinery rose.

Structural Developments in Import Growth

In volume terms, merchandise import growth accelerated to 10.4 percent in 1999, from 6.1 percent in 1998, consistent with the acceleration in domestic output growth to 4.5 percent in 1999 from 3.3 percent a year earlier. However, the growth in the value of Canada's imports of goods slowed to 7.7 percent from the 9.2 percent growth rate recorded in 1998. The slower pace of growth of imports in value terms reflects developments with respect to imports of M&E. In this sector, import volumes rose steeply, while prices fell (suggesting comparatively elastic demand). Table 11 shows the breakdown of import growth in both value and volume terms, highlighting the role of M&E imports.

Table 11: Structural Factors Influencing Canada's Merchandise Import Growth (%) in 1999

Products	Value of imports ($ billions)	Growth in current dollars	Real growth in 1992 constant dollars
Agriculture and fishing	17.6	2.2	4.6
Energy	10.6	22.7	2.7
Forestry	2.7	9.7	13.6
Industrial goods and materials	62.1	3.1	2.7
Machinery and equipment	108.2	6.8	15.5
Automotive Products	75.9	13.7	13.5
Other consumer goods	37.0	6.9	6.6
Total	**326.7**	**7.7**	**10.4**

Source: Statistics Canada, *Canadian International Merchandise Trade 1999.* Catalogue no. 65-001-XPB, December 1999.

The rapid growth of machinery and equipment in volume terms was particularly important for Canada in 1999, as it represented a significant expansion of production capacity at a time when the economy was operating at very high rates of capacity use. The fact that the expansion of imports by over 15 percent was effected with an increase in payments of less than 7 percent also calls to mind the advantages of purchasing inputs in a large and competitive international market where economies of scale and fierce competition work to the advantage of the small buyer.

Also noteworthy was the sharp increase in energy imports. While Canada is a net energy exporter, parts of Eastern Canada are net importers. Hence, the terms of trade gains from the rebound in commodity prices that worked to Canada's advantage worked to the disadvantage of parts of Eastern Canada.