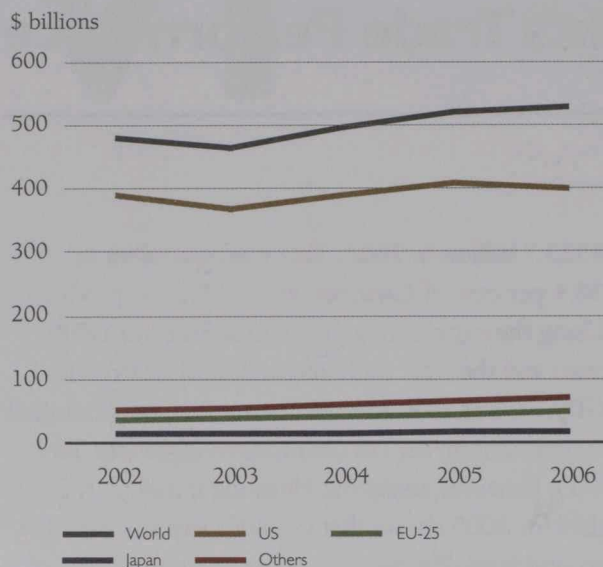


FIGURE 4-1
Exports of Goods and Services by Major Area, 2002-2006, %



Source: Statistics Canada

Imports of goods and services outpaced exports of goods and services, increasing by 4.2 per cent to reach \$486.5 billion. As a result, the trade balance declined by \$13.9 billion to \$37.2 billion. The annual surplus on goods accounted for most of this, falling \$10.6 billion to \$54.3 billion. The balance of the current account which covers net transactions on goods, services, investment income and current transfers dropped by 23.5 per cent to \$24.3 billion, down from \$31.8 billion in 2005.

The year 2006 saw Canada's exports of goods and services to two of its principal markets (the U.S., the EU-25, Japan and other countries) fall while imports of goods and services from all these areas went up.

Exports of goods to the U.S. decreased 1.9 per cent to \$361.7 billion whereas imports of goods from the U.S. rose by 1.9 per cent to \$264.8 billion. The goods surplus with the U.S. dropped by about 11 per cent to \$96.9 billion but was still over \$40 billion larger than our global trade surplus and therefore the sole source of our overall trade balance.

Exports of goods to the EU-25 grew by 16.2 per cent to \$33.6 billion in 2006, powered by a robust growth in goods exports to the U.K. The latter became Canada's second largest destination for goods, overtaking Japan in 2006. By a wide margin, growth in exports to the EU-25 outpaced the growth in imports (9.5 per cent). As in all years since 1983, imports from the EU exceeded exports, resulting in a goods deficit with the European Union of \$ 8.4 billion, down by about \$1 billion.

Canadian goods exports to Japan expanded by 2.8 per cent to \$10.8 billion while imports of goods from Japan increased by 5.9 per cent to \$11.9 billion. As a consequence, the goods deficit with Japan was over \$1 billion.

Canadian goods exports to others² advanced by 16.4 per cent to \$52.5 billion while imports grew 8.6 per cent to \$85.6 billion in 2006. The rate of growth in exports almost doubled growth in imports. For the first time in 5 years, the goods trade deficit with others slightly decreased to \$33.1 billion, compared with \$33.7 billion in 2005. This development was also reflected in Canada's goods trade deficit with all non-U.S. destinations which declined to \$42.6 billion.

By geographical area, 78.9per cent of goods exports were destined for the U.S. About 7.3per cent and 2.3per cent of goods exports were bound for the EU and Japan, respectively. In 2006, the UK passed Japan as the second most important single country destination of Canadian goods exports at 2.6per cent while non-OECD countries captured a record 7.4per cent of Canadian exports, reflecting the increasing demand from large emerging economies.

As shown in Figure 4-3, with the exception of forestry products and automotive products, which declined by 8.6per cent and 6.0%, respectively, all major categories of exports increased, led by industrial goods and materials (11.9%).³ The export value of industrial goods and materials reached

² Meaning "not the US, the EU-25 or Japan".

³ Industrial goods and materials are comprised of metal ores, chemicals, plastics and fertilizers, and metals and alloys