

Trade and Investment Highlights

Goods Exports Expand More Rapidly Than Goods Imports

With reduced exchange rate volatility, exports of Canadian goods and services increased strongly (14.9%) in the first quarter (Figure 1). A 17.3% quarterly increase in goods exports was accompanied by a 0.7% expansion in services exports.

Imports of goods and services grew a more modest 2.6% in the quarter, reflecting a 2.5% increase in commodity imports and a 2.8% expansion in services imports.

Over half of the \$15.8 billion quarter-over-quarter increase in merchandise exports was accounted for by increased energy exports (up \$8.4 billion, or 78.9%), as energy prices rebounded in the first quarter. In addition, expanded exports of machinery and equipment (up \$4.6 billion, or 23.9%), industrial goods (up \$3.6 billion, or 22.9%), forestry (up \$1.0 billion, or 11.9%), and consumer goods (up \$0.2 billion, or 5.9%) also contributed to the advance (Figure 2). On the other hand, there was a slight reduction in agricultural exports, while automo-

tive exports fell by \$0.5 billion, or by 1.9%. The gains this quarter came on the heels of a 1.8% decline the previous quarter.

Merchandise imports increased by \$2.1 billion (up 2.5%) in the first quarter. Machinery and equipment led the gains (up \$2.3 billion, or 10.0%), followed by industrial goods (up \$2.0 billion, or 13.1%), energy (up \$0.6 billion, or 12.6%), and a small increase in agricultural goods. Imports of automotive products fell by 10.6%, or \$2.1 billion (after rising \$2.8 billion the previous quarter) and those of consumer goods declined by \$0.7 billion, or 6.3%.

Merchandise exports expanded to all major markets in the quarter: to the US by \$10.8 billion (or 14.2%); to Other countries by \$2.7 billion (or 54.7%); to Japan by \$1.1 billion (or 62.4%); to Other OECD countries by \$1.1 billion (or 35.9%); and, modestly, to the EU (up \$0.1 billion, or 1.8%).

Similarly, merchandise imports from all major markets also expanded in the quarter, with the exception of imports from Japan. Imports from the EU were up by \$1.0 billion (or 12.8%), those from Other OECD countries by \$0.5 billion (or 11.7%), those from the US by \$0.3 billion (or 0.6%), and those from Other countries by \$0.3 billion (or 2.8%). The decline in imports from Japan was \$0.1 billion, or 3.5%.

With goods exports expanding faster than imports, the merchandise trade balance improved by \$13.7 billion in the quarter, to \$70.0 billion on an annualized basis. The merchandise trade balance improved for all major markets, with the exception of the EU. It was up by \$10.4 billion with the US, up by \$2.5 billion with Other countries, up by \$1.3 billion with Japan, up by \$0.5 billion with Other OECD countries, but down \$0.9 billion with the EU.

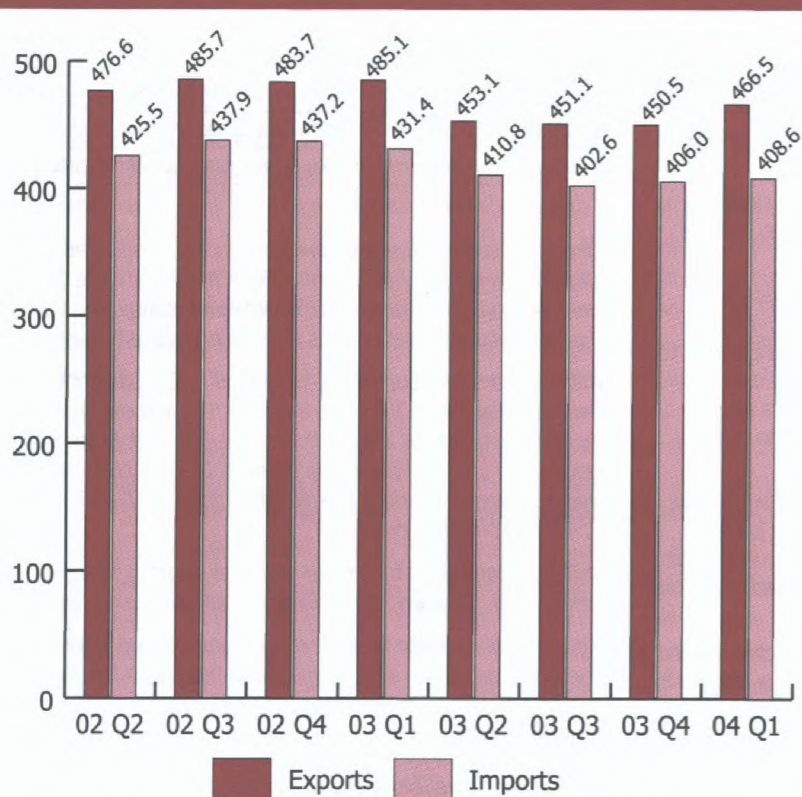
Services Imports Expand More Rapidly Than Services Exports

Canadian services exports grew a modest 0.7% in the first quarter, as gains in transport services (up \$172 million, or 6.7%) and travel services (up \$164 million, or 4.5%) were largely offset by declines in commercial services (down \$152 million, or 1.8%) and government services (down \$88 million, or 22.9%), see Figure 3.

Services imports advanced \$496 million or 2.8%. Similar to services exports, increases in travel services (up \$480 million, or 9.9%) and transport services (up \$328 million, or 9.4%) were partially offset by reduced commercial services (down \$312 million, or 3.3%). Government services imports remained flat over the previous quarter.

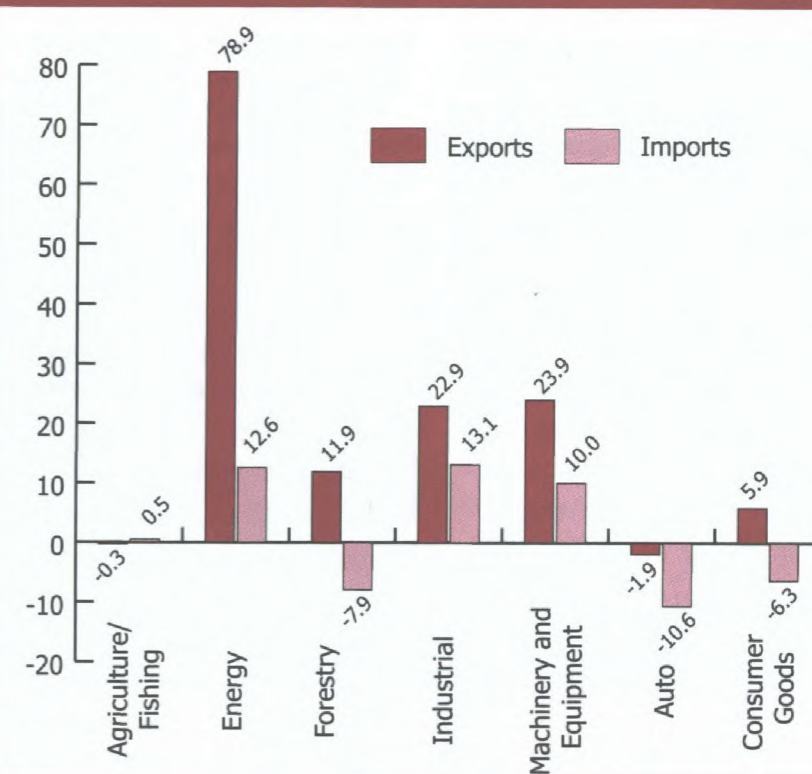
Overall, the services trade deficit widened to \$12.2 billion on an annualized basis in the first quarter from \$11.8 billion in the previous quarter.

Figure 1: Canada's Trade in Goods and Services
(Billions of Dollars, Annualized)



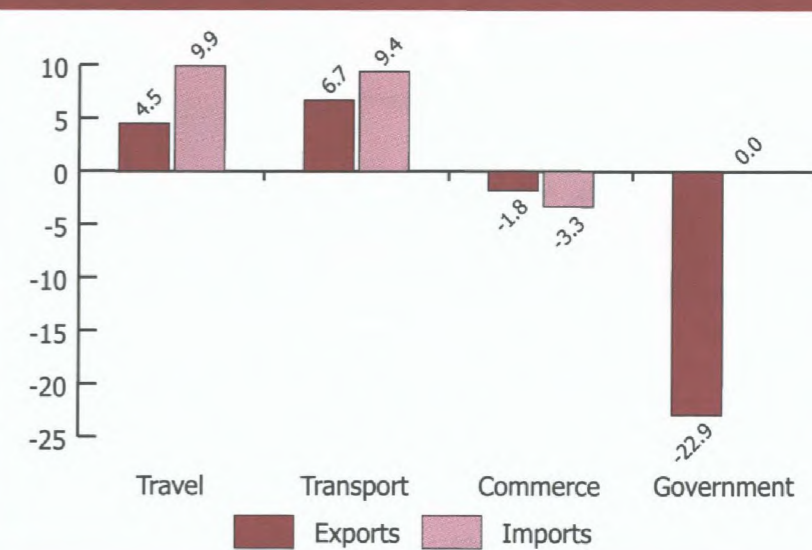
Source: Statistics Canada

Figure 2: Canada's Trade by Commodity
First Quarter 2004 over Fourth Quarter 2003
(Annualized, Percent change)



Source: Statistics Canada

Figure 3: Canada's Trade in Services by Type
First Quarter 2004 over Fourth Quarter 2003
(Annualized, Percent Change)



Source: Statistics Canada