

The direction of Canada's trade in 1999 was significantly affected by global economic trends.

- ❑ Exports to the United States grew strongly as expansion in the U.S. continued unabated. The share of the U.S. in Canada's merchandise exports rose to 85.9 percent (from 83.6 percent in 1998).
- ❑ Exports to Japan declined despite a temporary boost to growth in that economy in the first half of the year from massive fiscal stimulus. The effects of the fiscal stimulus rapidly dissipated in the second half of the year, leaving growth in that economy flat for the year as a whole.
- ❑ Sales to the European Union picked up moderately, as growth in major Western European economies firmed.
- ❑ Exports to most other major markets were, for the most part, down on the year:
 - The strong rebound in East Asia in 1999 did not make itself felt in a general recovery in Canadian exports to the region. There were a few bright spots, however, as exports to South Korea (up 8.3 percent) and to the Philippines (up 13.9 percent) bounced back smartly.
 - Merchandise exports to most major Latin American destinations declined in 1999 as the region weathered recessionary conditions; higher exports to Canada's free trade partners in the region, Mexico (up 10.9 percent) and Chile (4.8 percent), partially offset these declines.

The sectoral composition of exports experienced significant shifts in 1999.

- ❑ The highlight of 1999 was the steep growth in automotive sector exports. This sector experienced one of its best export years ever, with international sales rising 24.2 percent, increasing this sector's share of total Canadian merchandise exports to 26.7 percent. With this performance, the automotive sector regained its historic position as Canada's leading major export sector, displacing machinery and equipment (M&E), which had nosed ahead in 1998. Trade in the energy sector also experienced a sharp rise, largely due to rising oil prices.
- ❑ The continued decline on an annual average basis in the price of metal products resulted in a drop in the value of industrial goods and materials trade, notwithstanding volume gains.
- ❑ With regard to trade in services, the strongest growth was recorded in commercial services, where expansion continues to be driven by key knowledge-based commercial services.

Import growth driven by investment demand due to strong domestic economy.

- ❑ Rapid expansion of M&E imports allowed the economy to maintain its capacity to meet the growing demand, and to continue the retooling needed to remain competitive in the "e-age."
- ❑ In regional terms, Canada's import growth in 1999 was broadly based, with robust growth in imports recorded from the U.S., as well as from Europe and Asia.
- ❑ Sectorally, import growth was paced by purchases of consumer and auto products. Commercial services and investment-related goods also performed well.

