

Overview of Canada's Trade Performance

In 2011, Canada's trade in goods and services went through a second consecutive year of strong recovery after the 22-percent loss in 2009 during the global recession. Both exports and imports continued to regain lost ground: exports reached 95 percent of their pre-recession value, while imports reached their highest value on record. Both exports and imports expanded in most sectors. Commercial activity in some sectors exceeded its pre-recession peaks and recorded highest-ever levels. Overall terms of trade continued to improve in 2011, but they are still below the 2007 levels.

Export growth was led by energy products and industrial goods, with strong price recovery behind the improvements, but also some increases in volumes exported. Machinery exports have stopped declining in 2011 and produced a volume-driven improvement, while export volumes for the troubled automotive and forestry sectors improved for the second consecutive year.

Imports reached new highs in 2011, driven by the stronger domestic economy relative to its global peers in the EU, Japan and the United States. Greater import volumes drove the increases in nearly every sector, except for the energy sector, which was buoyed by prices, and the forestry sector. Increased consumer and business confidence and investment in inventories contributed to the rally.

Total growth in exports exceeded the growth in imports, thereby reducing the 2010 trade deficit level by over a quarter. Growth

in exports of goods was particularly strong, driving Canada back into trade surplus territory for goods after two years of deficits. The deficit in exports of services widened somewhat, offsetting the goods improvement to a degree. Increased deficits in current transfers and especially in investment income mitigated the improvement coming from the trade balance side. As a net result Canada's current account deficit decreased only slightly, from \$50.9 billion to \$48.3 billion.

Goods and Services

Overall, Canada's international trade continued its progress up the recovery path, growing by 10.6 percent last year. Canada's total exports of goods and services increased by 11.8 percent in 2011. This amounted to an increase in exports of \$56.3 billion to \$532.4 billion (Table 4-1). Imports of goods and services also rebounded significantly at 9.4 percent, or \$47.8 billion, to reach \$555.6 billion—their highest-ever recorded value. As a result of these movements, the trade deficit narrowed by \$8.6 billion (a 26.9-percent reduction), from \$31.8 billion in 2010 to \$23.2 billion in 2011. This was the third consecutive trade deficit in Canada after 15 years of surplus. Canada's deficit originated in the 2009 meltdown in world trade; the improved trade balance in 2011 represented the first improvement since that event.

Exports and imports of goods and services advanced robustly to all the major market areas in 2011, with the notable exception of imports from Japan (Figures 4-1 and 4-2).