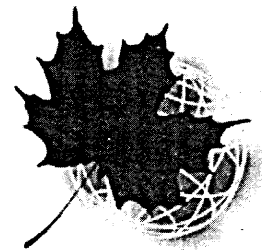


Canadian Trade Review

A QUARTERLY REVIEW OF CANADA'S TRADE PERFORMANCE

THIRD QUARTER 1998



This trade and investment quarterly reports on Canada's economic growth in the third quarter of 1998, and highlights our trade and investment performance in key sectors and markets.

OVERVIEW

Exports Key to Canada's Economic Growth

Canada's economy continued to expand at a moderate pace in the third quarter of 1998. The main source of growth during this period was exports of goods and services, in contrast to the first half of 1998 when economic growth was driven primarily by domestic demand.

Goods and services exports rose 2.3 per cent from July to September over the second quarter of the year, while imports grew 0.4 per cent. As a result, the surplus on goods and services more than doubled, helping to reduce Canada's current account deficit from \$5.2 billion in the second quarter to \$4.4 billion in the third quarter.

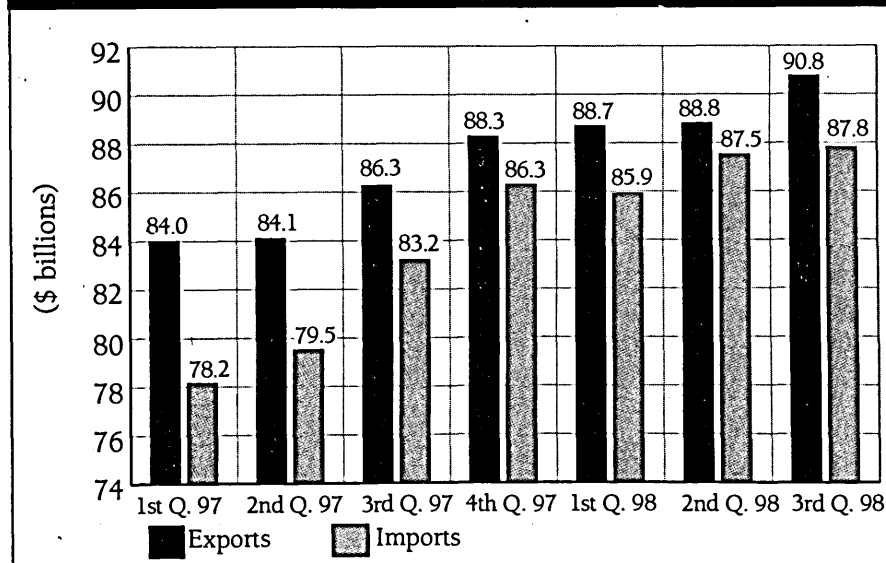
Canada's direct investment abroad (CDIA) reached an all-time high between July and September, while foreign direct investment (FDI) reached near record levels. The strong performance of investment into and out of Canada was a reflection of intensified corporate acquisition activity during this period.

The key international developments affecting Canada during the third quarter were:

- the surge in growth in the U.S. economy, which expanded by 3.9 per cent;
- the spread of the international economic turmoil from Asia to Russia and other emerging markets, especially Latin America; and
- continued volatility in international capital and exchange markets leading to decreased pressure on the Canadian dollar.

The growth in Canadian exports came largely from trade with the United States, whereas exports to most other markets declined.

Canada's Trade in Goods and Services
(First Quarter 1997 to Third Quarter 1998)



Source: Statistics Canada



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

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