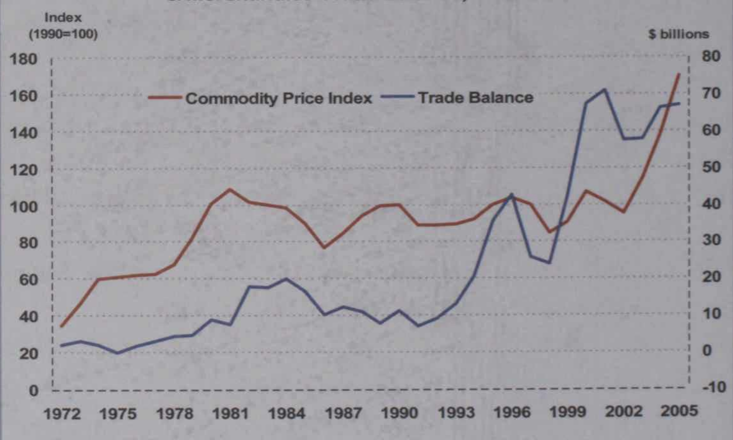
Table A1: Canada's Top 12 Net Exports in 2005 ($ in millions, customs basis)

	2002	2003	2004	2005	% Change 2005/2002
Natural gas	17,661	24,262	24,474	32,281	82.8%
Passenger vehicles	32,302	27,901	31,504	29,583	-8.4%
Coniferous wood	10,201	8,306	10,866	9,776	-4.2%
Crude oil	6,009	6,629	9,052	7,990	33.0%
Newsprint	6,293	5,597	5,265	5,212	-17.2%
Vehicle transmission	7,941	5,975	4,624	4,223	-46.8%
Wood pulp	4,180	4,115	4,567	3,995	-4.4%
Paper	2,720	2,350	2,831	3,074	13.0%
Light oils (not crude)	3,298	3,408	2,891	3,021	-8.4%
Oil (not crude)	1,880	2,057	2,470	2,823	50.1%
Potassium chloride	2,375	1,922	2,169	2,758	16.2%
Aluminum alloys	2,375	2,265	2,541	2,614	10.1%

Source: Statistics Canada

Figure A2
Commodity Price Index
& Merchandise Trade Balance, 1972-2005



Source: Statistics Canada

The recent commodity price increases have had a positive impact on Canada's trade surpluses as can be seen from the Figure A2. In 2005, the surplus reached $67 billion (balance of payments basis), the third consecutive annual increase. The industrial material sector, which includes metals and forestry products, contributed to the lion's share of the surplus, recording $82 billion in net exports in 2005, while net exports in energy reached $54 billion that year—both record highs. Industrial metals exports recorded increases both in quantity and prices in 2005 while energy sector increases in net exports were strictly a price effect. Excluding the impact of higher energy prices, the trade surplus in energy would have been much lower at an estimated $38 billion[7] in 2005. Although the trade surplus in commodities is enormous (over $95 billion in 2005), the overall merchandise trade surplus (at $67 billion in 2005), was reduced by other sectors that saw imports increase faster than exports.

This highlighted section will analyze the medium-term (2006-2010) impact of higher commodity prices on Canada's trade surplus. The following three scenarios are used to estimate the impact on the trade balance:

- Low-index scenario: The commodity price index will fall 20 per cent from its 2005 level over the next five years.
- Baseline scenario: The commodity price index will increase at the same rate as the forecasted increase in the wholesale price index (WPI). There will be a net increase of 11.5 per cent by 2010.
- High-index scenario: The commodity price index will increase by 20 per cent above the WPI forecasted by Global Insight. At this rate, the commodity index will increase by 33.8 per cent by 2010 in nominal terms.

[7] Figures are based on 2004 energy prices.