Overview of Canada's Trade Performance

Canada's trade in goods and services followed a path quite similar to that for world trade described earlier. That is to say, there was a rebound, but trade values remained below their 2008 peak levels. Moreover, like global trade, the gains were mostly attributable to increased volumes, while price growth was weak. In fact, import prices into Canada declined last year due to the appreciation of the Canadian dollar.

On the export side, advances were led by industrial goods, driven by strong demand and commodity prices. Both automotive products and forestry products registered their first increases in exports since 2004. However, machinery and equipment exports were down for the third consecutive year. Gains in services exports were widespread.

With Canada having weathered the global recession better than most of its counterparts in the advanced economies, it was better positioned to absorb imports. Imports rose as global activity picked up, bolstered by businesses restocking inventories that were depleted during the recession. Consumers also contributed to the rebound, particularly for automotive products.

In 2009, Canada registered its first trade deficit in 15 years; in 2010, the trade deficit widened by $4.6 billion.

The increase in the shortfall between exports and imports on the trade side further widened the current account deficit, which moved to a $50.0-billion deficit last year from a $43.5-billion deficit a year earlier. The increase in the trade deficit accounted for about three quarters of the deterioration in the current account balance, with the bulk of the remainder coming from an increase in the investment income deficit.

Goods and Services

In line with the global recovery, Canadian exports of goods and services to the world rebounded 8.7 percent ($38.0 billion) to $474.6 billion in 2010. At the same time, Canada's imports of goods and services were up 9.2 percent ($42.6 billion) to $506.5 billion (Table 4-1). As such, the trade deficit widened to $31.9 billion, the second consecutive trade deficit registered by the country after a 15-year string of trade surpluses. The $4.6-billion deterioration in the balance last year followed the massive $51.2-billion decline of the year before.

For 2010 as a whole, Canadian exports and imports of goods and services to and from all major markets—the United States, the EU, Japan and the rest of the world (ROW)—increased (Figures 4-1 and 4-2).

The gains in goods and services exports were led by Japan, the EU and the United States, with advances of 10.5 percent, 10.4 percent, and 8.8 percent, respectively. Overall, Canadian exports to the United States increased by $27.1 billion to $333.6 billion in 2010, to account for 70.3 percent of total exports of goods and services. This was up from a 70.2-percent share the previous year. Similarly, the EU increased its share in total exports to 10.4 percent last year compared to 10.2 percent in 2009. Exports to the EU advanced $4.6 billion to $49.2 billion last year. Exports