

On the basis of nearly complete data for 1970, Canada appears headed for a merchandise-trade surplus approaching the \$3-billion mark. This is an amount almost four times as large as the export surplus achieved in 1969 and more than twice as large as the previous record high surplus of about \$1.25 billion recorded in 1968. The unprecedented rise in Canada's merchandise-trade surplus was an important element in cushioning the economy from the effects of the marked slow-down in domestic demand.

Another noteworthy result of the record-breaking achievement in external trade is that Canada will record its first surplus in current payment transactions with other countries since 1952. Moreover, the surplus in the 1970 current account could approximate \$1 billion.

The achievement of a record export surplus in 1970 is all the more remarkable since it was accomplished largely as a result of gains in Canadian exports to overseas countries, where the value of exports were almost two-fifths higher in 1970 than in 1969.

Among the factors contributing to this buoyancy were:

- (1) The exceptional strength in the economics of EEC countries and Japan thus far in 1970, which has greatly stimulated demand.
- (2) The catching-up of strike-delayed Canadian exports of nickel, copper and iron and steel products.
- (3) The resumption of large-volume deliveries of wheat to state-trading countries (especially the Soviet Union) in recent months, coupled with unusually large shipments of barley and rapeseed.
- (4) The greater Canadian export penetration in a number of smaller overseas markets.

These developments have overshadowed greatly the marked slow-down in Canadian exports to the United States in 1970, where the annual gain in sales may show an increase of only about 4 per cent from comparable 1969 levels. In all of 1970, the gain in Canadian exports to the United States may account for less than one-fifth of the total increase in Canadian exports. By contrast, the United States accounted for seven-eighths of the advance in the total value of Canadian merchandise exports in the period 1965 to 1969 inclusive. The changed picture in 1970 was a reflection mainly of general economic conditions in the United States, together with a marked slow-down in automotive sales in the United States, accentuated in recent months by the strike at General Motors. The upward change in the Canadian dollar, which so far appears to have affected Canadian secondary manufactured exports to the United States more than overseas shipments, was also a significant factor.

The much sharper rise in Canada's exports to overseas markets than to the United States has increased the share of Canada's exports going to overseas countries from 29 per cent in 1969 to 35 per cent in 1970, while the share going to the United States has declined correspondingly from 71 per cent to 65 per cent.