

CANADA-U.S. TRADE SOARS

Since the Canada-U.S. Free Trade Agreement went into effect on January 1, 1989, the value of merchandise trade between the two countries has risen by almost 42 per cent, from C\$189.7 in 1988 to \$268.9 billion in 1993.

The trade flows in both directions surged in the last two years, with total merchandise trade up by 12 per cent in 1992 and by 19 per cent in 1993.

The exchange is the largest between any two countries in the world. According to the U.S. Department of Commerce, the U.S. sold more than twice as much merchandise to Canada last year as it did to Japan, its second

largest trading partner. In fact, U.S. merchandise exports to Canada in 1993 nearly equalled its exports to the 12 countries of the European Union.

Canada's trade with the U.S. dwarfs its trade with any other country – 80 per cent of its merchandise exports went to the U.S. in 1993 and 73 per cent of its imports came from that country.

Although Canada has recorded a surplus in merchandise trade with the U.S. in recent years, that is only part of the story. The current account between nations also includes non-merchandise trade, made up of service transactions, investment income and one-way transfers such as pensions, legacies and charitable contributions. The U.S. is the world's largest exporter of services, and it regularly sells more to Canada than it

buys. In 1993, it exported \$26.2 billion worth of services to Canada while importing \$16.1 billion worth.

The current account balance between Canada and the U.S. has shifted back and forth since World War II, more often in favour of the U.S. In 1992, the U.S. enjoyed a surplus of \$2.8 billion, while Canada had a surplus of \$2.3 billion last year.

CANADIAN ECONOMIC OUTLOOK IMPROVES

Led by a strong fourth quarter, the Canadian economy expanded by 2.4 per cent in 1993, its highest growth rate in four years.

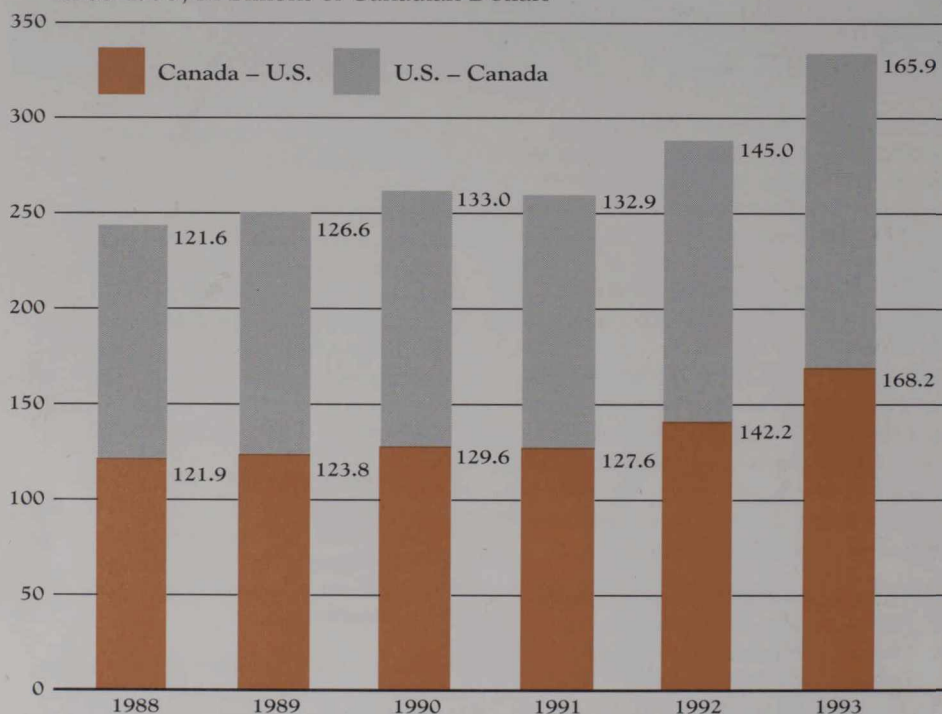
A surge in merchandise exports, which grew in volume by 10.2 per cent over the previous year, fuelled the expansion. The year also saw modest growth in business and consumer confidence. Investment by business increased by 2.3 per cent, and consumer spending rose by 1.6 per cent for the year. In the fourth quarter, the economy grew by .9 per cent, which translates into an annual rate of 3.8 per cent.

Finance Minister Paul Martin, commenting on the report, said, "The fact that investment is up, that the economy looks stronger, certainly makes us happy. But what I would like to see is more job creation and more domestic demand."

Statistics Canada later reported that 66,000 jobs had been created in February, leading to a drop in the national unemployment rate to 11.1 per cent from 11.4 per cent in January. The February job gain followed an unexpected loss of 39,000 jobs in January.

Canada – U.S. Merchandise and Non-Merchandise Trade

1988-1993, In Billions of Canadian Dollars



Source: Statistics Canada

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