

Goods Trade

While services dominate the GDPs of modern economies, including that of Canada, the lion's share of Canada's exports still comes from goods and will do so for years to come. Goods accounted for 85.9 percent of total exports in 2011, up from 85.0 percent the year before. Goods shipments are much more sensitive to economic ups and downs than services, both in terms of volumes and prices, and therefore tend to move more, both during recessions and during recoveries, thus also causing larger movements in total trade than in GDP. It is not surprising then, as Canada's trade recovery continues, that the dominant part in it is played by goods. Total exports of goods rose 13.0 percent last year, or \$52.7 billion, to reach the value of \$457.5 billion. This increase accounted for 93.6 percent of the total growth in exports. Overall trade increased by \$104.1 billion, with goods responsible for 91.3 percent of that increase. Total goods trade came within 2 percent of the 2008 record level. In 2011, Canada recorded its first goods trade surplus since 2008.

Out of the total \$52.7-billion increase in goods exports, \$34.0 billion (64.5 percent) was accounted for by exports to the **United States**, an increase of 11.5 percent for the year. In the meantime, imports from the United States accounted for exactly one half of the total growth in goods imports, which amounted to \$42.3 billion in 2011. As imports from the United States grew by only 8.1 percent, the goods trade surplus with Canada's biggest trading partner widened by \$12.8 billion to reach \$49.6 billion last year.

Over a fifth of the growth in goods exports (21.1 percent) was accounted for by the **rest of the world (ROW)** destinations.

Exports grew significantly, by 18.0 percent, gaining \$11.1 billion in 2011 to reach \$73.1 billion. Imports of goods grew almost as fast at 15.9 percent, but gained \$16.5 billion due to higher volumes of trade to reach \$119.9 billion by the end of the year. These movements further widened the trade deficit in goods between Canada and the ROW by \$5.3 billion to reach \$46.8 billion.

Canada's exports of goods to the **EU** grew 16.3 percent last year, gaining \$5.9 billion to total \$42.4 billion. Imports grew a little more slowly at 13.5 percent (or \$5.4 billion) to reach \$45.8 billion, or 10.0 percent of all Canada's goods imports. The resulting effect was to shrink Canada's goods trade deficit with the EU by \$0.5 billion, from \$3.9 billion in 2010 to \$3.4 billion last year.

Goods exports to **Japan** grew solidly at 16.9 percent in 2011, adding \$1.6 billion and ending up at \$11.4 billion for the year. Meanwhile, imports from Japan retreated 7.6 percent, losing \$0.8 billion in value. Goods imports from Japan stood at \$9.3 billion for the year 2011. Consequently, the goods trade balance with Japan improved by \$2.4 billion, from a deficit of \$0.4 billion in 2010, to reach a surplus of \$2.1 billion.

Sectoral Performance of Goods Trade

The recovery in the goods trade gathered speed in 2011, with exports in some key sectors exceeding their pre-recession levels. Advances were made in six out of seven major sectors. Most of the double-digit (13.0 percent) increase in goods trade was explained by rising prices, which grew by 8.6 percent overall. Volumes of exports grew only 4.0 percent by comparison. More than three quarters of the overall growth came from increases in exports of energy products