

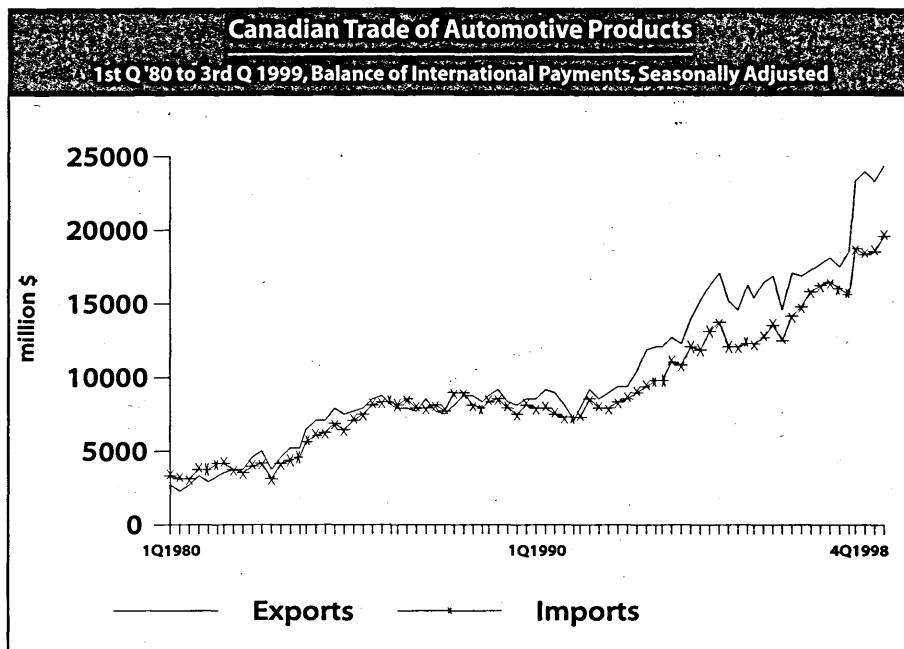
Features Section

Evolving Trends in the Automotive Industry Show Canada's Strength in the Global Auto Market

Since the 1960s, the automotive sector has been a pillar of Canada's economy. In 1998 alone, Canadian exports of automotive products grew 10.9% over the previous year. Even this strong performance, however, paled beside the surge in export growth in the first nine months of 1999; in this period, exports rose 32.3% on a year-over-year basis.

The primary source of strength in automotive trade has been U.S. demand. Canada's growing exports to the U.S. are driven by robust demand in the light vehicle market (cars, vans, station wagons, sport utilities and light pick-up trucks), a market segment where Canadian production capacity has recently been expanded. Sales of new cars and non-commercial light trucks in the U.S. have averaged about 15 million units for the past five years, a U.S. record. Of total light vehicle sales, light trucks supplied 45% of the U.S. market in 1998, a sharp rise from 32% in 1987.

The growing demand for light trucks is a reflection of consumer interest in more upright, versatile, hybrid passenger vehicles that combine the best attributes of passenger cars with the carrying capacity and ruggedness of utility trucks. Another factor is the convergence under way between the U.S. federal government's safety standards for light trucks and passenger cars, as well as a narrowing of the differentials in fuel economy standards and emission standards for these two market segments. Attesting to the U.S. market trend are the new breed of vehicles, the "luxury utility" vehicles, which first appeared in 1997.



However, the U.S. has not been the only market where Canadian auto exports have performed well. Other markets have also shown excellent growth, albeit often from small bases. For example, January-to-September exports to Japan grew from \$49 million in 1998 to \$95 million in 1999. Also, on a year-to-date basis, auto exports to the European Union (EU)

went from \$224 million in 1998 to \$292 million in 1999. Recent trade figures show that exports to newly industrialized countries, particularly to South Korea, increased by up to 96.6%, based on January-to-September figures, as compared to the same period last year. This growth has offset the decline experienced in other countries.

