

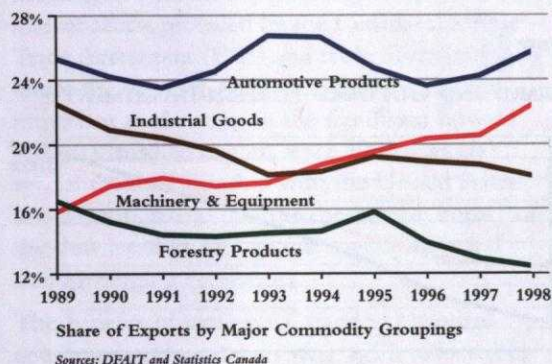


### Canada's Trade Diversified: Machinery and Equipment Emerges as Highest-Growth Export Sector

In analyzing the export performance of Canadian producers, we have traditionally tracked a number of general categories of goods. By this standard, the automotive sector has been Canada's top export performer. Nevertheless, there has been a noticeable trend throughout the 1990s of strong export growth of machinery and equipment. The share of machinery and equipment in total Canadian merchandise exports improved steadily from 19.0 percent in 1990 to 22.4 percent in 1998 (see figure 6). In the last year, the exports of machinery and equipment increased by 15.9 percent over the previous year and outpaced 13.1 percent growth in auto sector exports.

Figure 6

EXPORTS OF MACHINERY AND EQUIPMENT GROWING



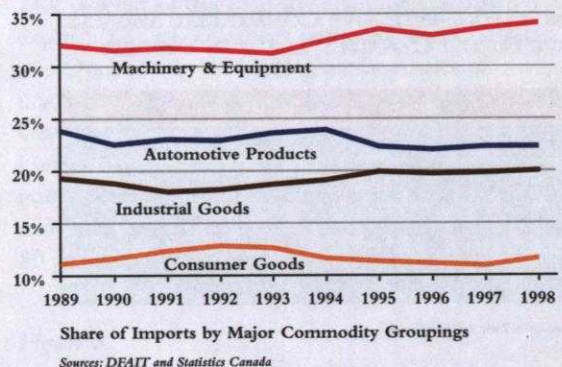
"Machinery and equipment" refers to a combination of sectors producing a wide range of goods that includes industrial machinery and tools, information technology equipment, telecommunications equipment, agricultural machinery, construction equipment, aircraft, railroad and urban transit equipment and medical equipment, as well as their parts and components. The combined strong performance of each of these sectors has helped to diversify Canada's export base, thus creating demand for a wide variety of highly skilled jobs across the country. During the 1990's, high-skill jobs grew strongly by 22 percent in Canada (almost at par with the United States), compared to only a 2 percent growth in sales, services and clerical jobs and a 1 percent decline in blue collar jobs.

As 85.2 percent of Canadian machinery and equipment exports went to the United States, it is obvious that the impressive export performance of these goods is at least partly attributable to buoyant investment demand in that market. However, it is also a reflection of Canada's specialization in some of the most knowledge-intensive, high-tech industries such as telecommunications, special industrial equipment, aircraft and office equipment. The growth of exports in these sectors is an integral part of the ongoing adjustment towards a knowledge-based economy. Canada's open trade policy has facilitated this adjustment process and will continue to position Canada as a leader in the global economy.

In 1998, importation of machinery and equipment accounted for 33.4 percent of Canada's total imports up from 33 percent in 1997. In 1998, the value of imports of all main categories in machinery and equipment increased from 1997 levels.

Figure 7

IMPORTS OF MACHINERY AND EQUIPMENT GROWING



The growth in imports of machinery and equipment attests to continued business investment in the domestic economy (see Figure 7). This ensuing high level of economic activity reflected stable economic growth in Canada.

### Global Financial Crisis

Throughout this document, a recurring undertone is what began as an Asian financial crisis and continues to have an effect on global economic stability. Most Asian economies are registering negative growth. The crisis in Russia, which was severely