

MONTHLY TRADE REPORT – December 2006

Merchandise exports increased 3.8% in December to reach \$40.4 billion capping-off a record 2006.

- December's gain pushed Canada's annual merchandise exports to a record high of \$458.2 billion, a modest 1.1% improvement over 2005. Although all major sectors reported a gain for the month of December, Industrial Goods were responsible for much of the increase on an annual basis, increasing by \$10.1 billion, or 11.9% to reach \$94.7 billion in 2006. That pushed Industrial Goods past both Energy and Automotive Products, which both saw declines of 0.4% and 6.0% respectively to just behind Machinery & Equipment as Canada's most important merchandise export sector.
- On a geographic basis, exports to non-OECD countries witnessed the largest gain in December, jumping 19.3% while exports to all other major regions saw more modest increases, with the exception of the EU which fell. For the year, exports to the U.S. declined, falling by 6.4%, or nearly \$7.3 billion. This, however, was offset by rapid growth to other regions with merchandise exports to the EU jumping 16.2% and to all other countries by an even faster 16.4%.

Merchandise imports increased by 3.6% in December to reach \$35.4 billion also pushing the annual stats to a record for 2006.

- Canada imported a record high of \$404.5 billion worth of merchandise in 2006 fuelled by solid economic performance. The Canadian unemployment rate, at 6.3% in 2006, reached a low not seen in three decades and while GDP growth showed signs of weakness as the year wore on it is still likely to be among the best of the G7. The dollar ended the year slightly higher than it started at US\$0.867 compared to US\$0.864 in January, 2006. However, the dollar spent most of the year higher than this.
- All major import groups posted positive rates of growth for both December and all of 2006. On an annual basis, the fastest growing were Industrial Goods (+6.9%), followed by Agriculture & Fishing (+6.3%) and Consumer Goods (+5.2%).
- For the month of December, Imports from Japan saw the largest increase, at 17.1% followed by non-OECD countries at 12.9%. For the year, imports from non-OECD countries expanded the fastest, increasing 17.7%. Imports from China, which accounts for about half of all Canada's merchandise imports from non-OECD countries, continued to expand, growing by 16.8% in 2006.

The **merchandise trade surplus** widened to reach \$5.0 billion in December, was down considerably, on an annual basis, finishing 2006 with a surplus of \$53.6 billion, down \$11.2 billion from 2005.

- On a regional basis, Canada recorded a surplus only in North American trade...although Canada's surplus with the U.S. shrank considerably in 2006; falling \$12.3 billion to \$96.5 billion. Meanwhile Canada's deficit with Japan expanded modestly while those with the E.U. and other countries both declined. Much of the decline in Canada's merchandise trade surplus with the U.S. was a result of the Automotive sector where Canada's surplus shrank from \$9.8 billion in 2005 to \$3.1 billion in 2006.



KEY TRADE STATISTICS – December 2006

| | December \$ millions | % change over | | YTD 2006 \$ millions | YTD % change previous year |
|-----------------------------|-------------------------|-------------------|---------------|-------------------------|-------------------------------|
| | | previous month | previous year | | |
| Exports | | | | | |
| -United States | 31,013 | 3.2 | -6.4 | 361,309 | -2.0 |
| -EU | 2,994 | -4.7 | 19.6 | 33,558 | 16.2 |
| -Japan | 945 | 4.9 | -8.9 | 10,761 | 2.8 |
| -Other | 5,425 | 13.0 | 39.4 | 52,539 | 16.4 |
| All | 40,377 | 3.8 | -0.4 | 458,167 | 1.1 |
| Imports | | | | | |
| -United States | 23,088 | 2.3 | 2.8 | 264,778 | 1.9 |
| -EU | 3,489 | -5.1 | 8.3 | 42,174 | 10.0 |
| -Japan | 1,000 | 17.1 | 4.7 | 11,877 | 5.9 |
| -Other | 7,819 | 10.5 | 8.8 | 85,706 | 8.7 |
| All | 35,396 | 3.6 | 4.7 | 404,535 | 4.2 |
| Trade Balance | 4,981 | 4,718 | - | 53,632 | - |
| Commodity Prices | 195.0 | 195.3 | 207.5 | | |
| Can/US Exchange Rate | 1.153 | 1.136 | 1.161 | | |

| China¹ | | | | | |
|--------------------------|---------------|-------------|----------|----------------|----------|
| -Exports | 954 | n.a. | 54.8 | 7,660 | 7.8 |
| -Imports | 2,762 | n.a. | 16.9 | 34,473 | 16.8 |
| Trade Balance | -1,808 | n.a. | - | -26,813 | - |

MAJOR COMMODITY GROUPINGS

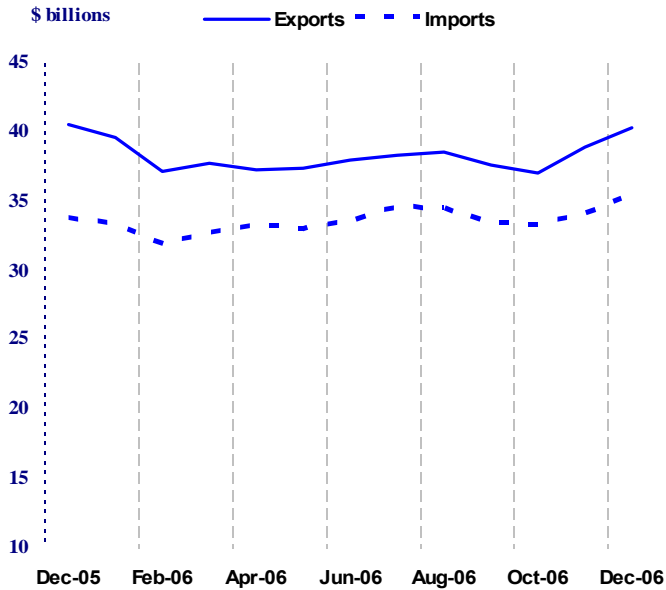
| | December \$ millions | % change over | | YTD 2006 \$ millions | YTD % change previous year |
|-------------------------|-------------------------|-------------------|---------------|-------------------------|-------------------------------|
| | | previous month | previous year | | |
| Exports | | | | | |
| -Agricultural & Fishing | 2,805 | 4.1 | 5.6 | 31,526 | 4.3 |
| -Energy | 7,284 | 5.8 | -16.8 | 86,539 | -0.4 |
| -Forestry | 2,722 | 3.8 | -12.6 | 33,476 | -8.6 |
| -Industrial Goods | 8,754 | 2.0 | 19.8 | 94,707 | 11.9 |
| -Machinery & Equipment | 8,273 | 0.2 | 2.6 | 95,860 | 1.3 |
| -Automotive | 7,539 | 8.4 | -4.7 | 82,894 | -6.0 |
| -Consumer Goods | 1,786 | 9.2 | 23.0 | 18,186 | 5.0 |
| Imports | | | | | |
| -Agricultural & Fishing | 2,051 | 2.9 | 7.7 | 23,447 | 6.3 |
| -Energy | 2,947 | 7.9 | -3.4 | 34,834 | 3.5 |
| -Forestry | 270 | 3.8 | 6.3 | 3,081 | -1.8 |
| -Industrial Goods | 7,138 | 1.6 | 0.9 | 83,979 | 6.9 |
| -Machinery & Equipment | 10,073 | 1.8 | 4.5 | 114,695 | 3.4 |
| -Automotive | 7,126 | 6.5 | 7.8 | 79,786 | 1.8 |
| -Consumer Goods | 4,617 | 3.4 | 9.4 | 52,019 | 5.2 |

¹ Chinese trade data is only available on a customs basis, whereas all other data are on a balance of payments basis and are therefore not strictly comparable. Statistics Canada is in the process of producing balance of payments data for China.

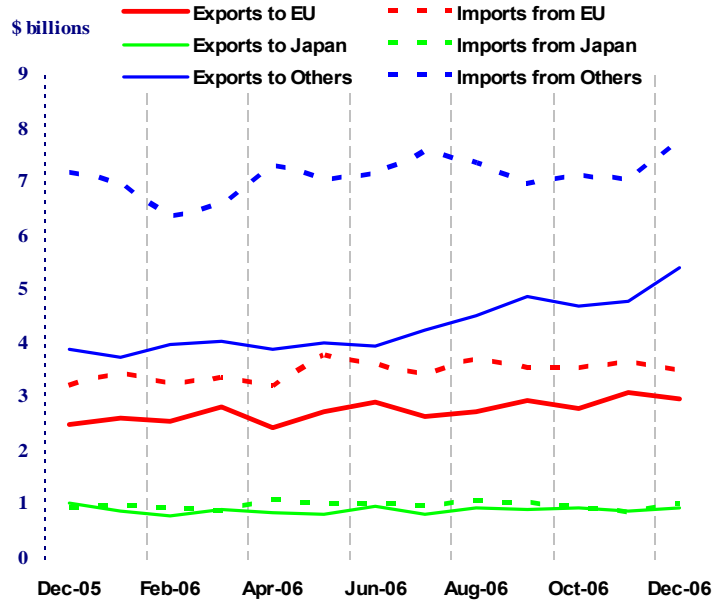


KEY ECONOMIC INDICATORS

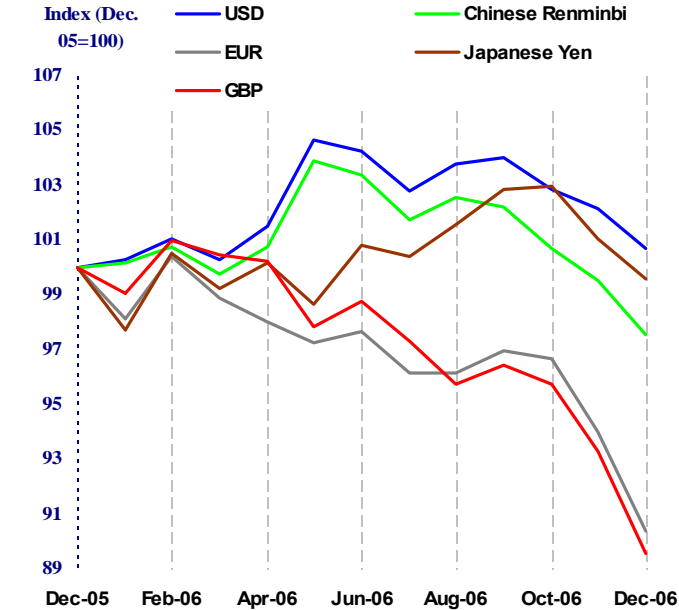
Canada-U.S. Trade*



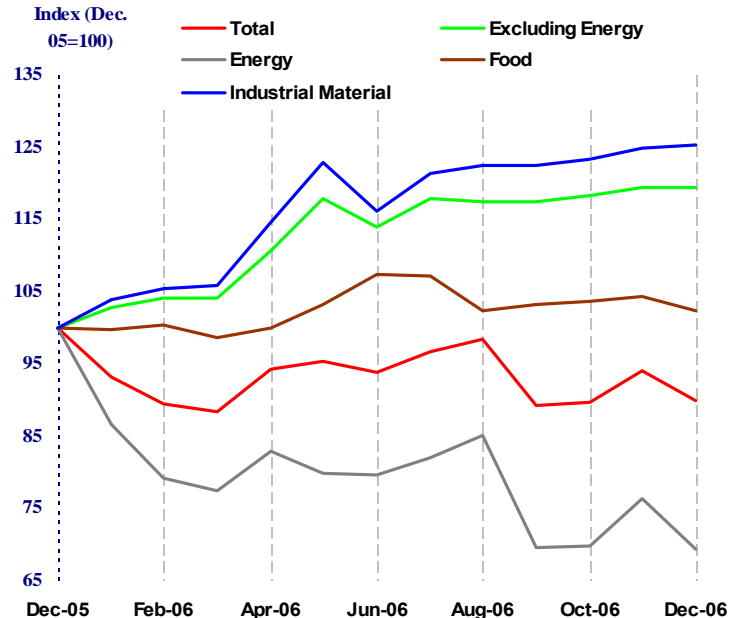
Trade with EU, Japan and Others*



Exchange Rate Index (Cnd \$ vs.)



Commodity Price Index



* The time series trade data do not include revisions to the historical figures.

