



Canada-United States Trade Relations in 1999

HIGHLIGHTS

- Canadian exports to the U.S.A. jumped by 14.2% to \$286.8 billion in 1999. Gains were broad based with a strong performance in the automotive sector leading the overall gain.
- Imports from the U.S.A. continued to slow down over the year, reaching \$215.1 billion. A solid advance was noted in the imports of vehicles while a significant decrease was registered in mineral fuel imports.
- On a regional basis, Prince Edward Island led the provinces in 1999 with its exports to the U.S.A. increasing by 28.8%. On the other hand, Manitoba and Saskatchewan were trailing the national average with increases of 6.9% and 4.0% respectively. Ontario remained by far the main exporter to the U.S.A., with 57.4% of total Canadian export to the U.S.A.

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Canada-United States Trade Relation



I. Economic Performance 1999

Both the Canadian and U.S. economies registered solid performances in 1999. In Canada, strong domestic demand and robust exports, stimulated by a booming U.S. economy, fired up the manufacturing sector over the year. With a 6.3% jump, the manufacturing sector led the overall economic growth of 4.0%. This spurred strong employment gains, low unemployment rates and higher earnings.

Despite these improvements, imports advanced at a slower pace in 1999 given a low Canadian dollar. Overall, total imports were up 7.2% to \$319.9 billion during the year. On the other hand, a strong demand coming from the stellar performance of the American economy and a solid economic recovery in Asia resulted in a dramatic increase in Canadian exports. During the year, exports were up by 11.1% to \$330.4 billion.

Table 1 : General Economic Indicators

	Canada	United States
Real GDP growth in 1999 (%)	4.0	4.2
Employment growth, 1999 (%)	2.8	1.5
Unemployment rate, 1999 (%)	7.6	4.2
Consumer Price Index, 1999 (%)	1.7	2.7
Total Exports, 1999, millions of \$ Cdn	330 410	954 164
Total Imports, 1999, millions of \$ Cdn	319 910	1 522 597
FDI to each other country, 1999, millions of \$ Cdn	16 660	38 215
Purchasing power parities (\$Cdn/\$US), 1998	0.84	-
Exchange rate (\$Cdn/\$US), 1999	0.6731	-

In the U.S.A., strong growth in the second half of the year pushed the booming economy ahead by 4.2%. The labour market was extremely tight in 1999, with employment increasing by 1.5% and the unemployment rate tumbling to 4.2% - the lowest in more than 30 years. Despite pressures on the labour market, productivity gains have tamed the inflation rate while increasing economic potential. With a stronger domestic demand, imports rose by 12.3% over the year, resulting in the largest trade deficit ever recorded (\$568.4 billion). Exports were also up in 1999, albeit at a slower pace, increasing by 1.4%.

II. Canadian Trade with the United States

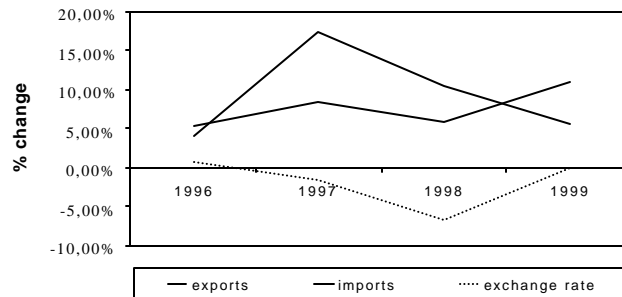
National Perspective

In 1999, Canadian domestic exports to the U.S.A. soared by 14.2% to \$286.8 billion. Fuelled by a strong U.S. economy, a low Canadian dollar and productivity gains in the automotive sector, exports of vehicles led the overall growth, increasing by 25.3%. Strong

gains were also noted in wood & wood products (+20.8%), mineral fuel (+19.4%) and electrical equipment & parts (+15.7%). Declines were limited during the year with exports of live animals (-21.3%), rail vehicles (-14.2%) and iron & steel (-7.9%) registering the largest falls.

Growth in imports from the U.S.A. has been slowing down ever since the Canadian dollar depreciated in 1997. In 1999, imports grew by 5.7% to \$215.1 billion. Strong domestic demand pushed imports of vehicles up by \$4.2 billion (+9.3%) and boosted imports for furniture (+10.7%), electrical products (+7.7%) and machinery (+3.9%). Significant declines were noted in mineral fuel (-16.4%) and rail vehicles (-29.0%).

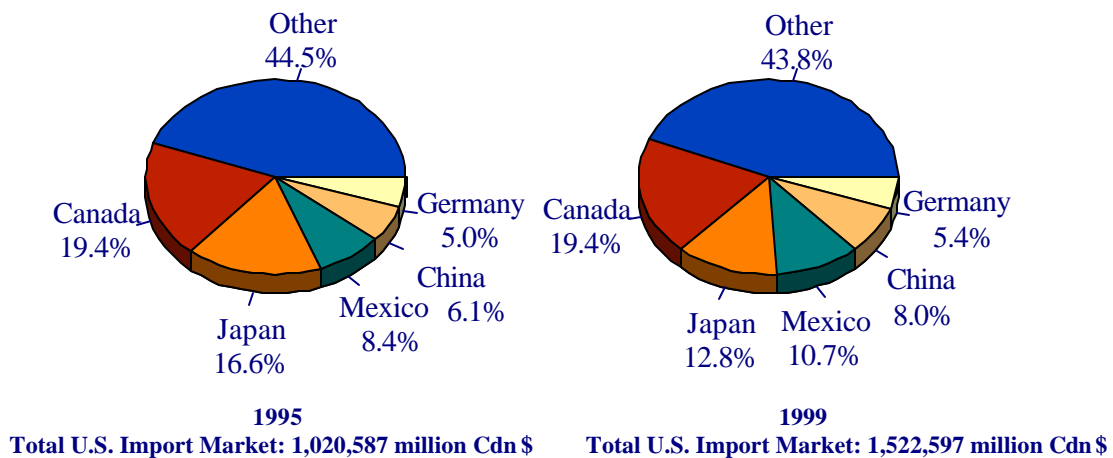
Canada Trade Performance with US



Merchandise Trade, millions of Cdn \$

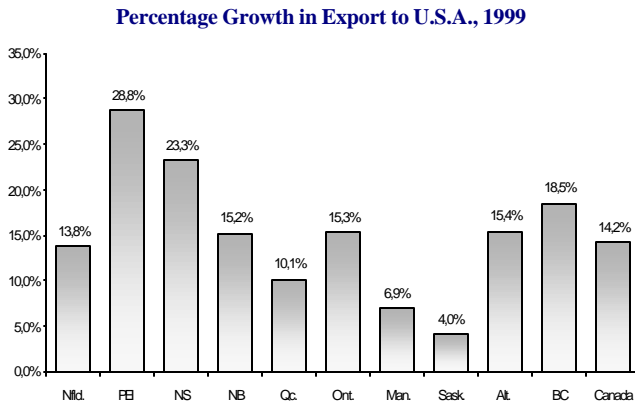
	1996	1997	1998	1999
Exports to US	208 806	228 078	251 094	286 761
% of total Canadian exports	80,5%	81,4%	84,4%	86,8%
Imports from US	156 944	184 344	203 561	215 111
% of total Canadian imports	67,5%	67,6%	68,2%	67,2%

Canada continues to be the top exporter to the U.S.A. Total market share of exports remained relatively unchanged since 1995, representing 19.4% of total U.S. imports. On the other hand, Japan's share has been decreasing in the past years and is now 12.8%, down 3.8 percentage points since 1995. As for Mexico and China, they have been increasing their shares of U.S. imports during the years. In 1999, imports from Mexico represented 10.7% of total imports while the share of imports from China was 8.0%. China has increased its exports to the U.S.A. by 94% since 1995 and has had an average annual growth rate of 20% over the past three years.



Provincial Perspective

Prince Edward Island led the nation with exports to the U.S.A. soaring by 28.8% in 1999. Fish & sea products and prepared foods accounted for most of the total growth over the year.



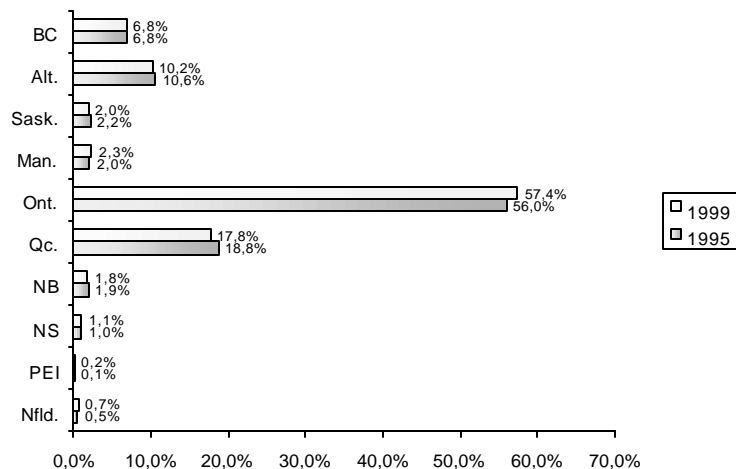
Nova Scotia also registered solid gains in 1999 as exports to the U.S.A. were up by 23.3%. Exports were particularly vigorous in rail vehicles and also in paper and wood as prices for these products improved considerably during the year. Exports from New Brunswick to the U.S.A. edged the national average at 15.3%. Gains were important in mineral fuel and wood & wood products. Newfoundland's exports to the U.S.A. were up by 13.8% with exports of

mineral fuel from Hibernia spurring the overall gains. An important advance was also noted in fish products, an indication that the industry is recovering from the mid-1990's slump.

In Central Canada, Quebec's exports to the U.S.A. grew below the national average in 1999. Nonetheless, it recorded a 10.1% increase with telecommunication equipment, wood and aerospace leading the overall growth. Exports from Ontario, which represented 57.4% of Canadian exports to the U.S.A. in 1999, advanced by 15.3%. It was pulled ahead by a strong performance of the automotive sector.

For Western Canada, exports from Manitoba and Saskatchewan to the U.S.A. grew well below the national average, increasing by 6.9% and 4.0% respectively. Despite strong gains in oil extracted from bituminous minerals and in wood, total exports from Manitoba were affected by an important decline in exports of tractors. In Saskatchewan, total exports to the U.S.A. were held back by lower exports of iron & steel, colza products and wood pulp. Nonetheless, an increase in export of oil

Provincial Share of National Export to the U.S.A.



extracted from bituminous minerals pushed the overall growth ahead during the year. Exports from Alberta increased by 15.4% in 1999 with mineral fuel products accounting for most of the overall growth. Exports to U.S.A. picked up for British Columbia in 1999,

increasing 18.5% over the previous year. Exports of wood products were largely responsible for the increase, jumping by \$1.2 billion over the year.

An insight into 2000

The outlook for the U.S. economy indicates a strong performance for 2000, but expected hikes in the Federal Reserve's prime interest rate could slow the momentum. In this event, a decreased U.S. demand for imports could lower Canada's export potential to that country. However, improving world commodity prices will have a positive effect on Canada's exports to the U.S.A.

The Bank of Canada could also constrain economic activity in 2000 by increasing its prime interest rate. Weaker demand arising from this lower activity might slow imports from the U.S.A. However, an expected strengthening of the Canadian dollar will make U.S. imports attractive to Canadians.

III. Supplementary Tables and Charts

- A. [Top 15 Canadian Exports/Imports to the U.S.A. \(2 tables\)](#)
- B. [Top 10 Provincial Exports to the U.S.A. \(10 tables\)](#)
- C. [Top 25 Canadian Exports to U.S. States and territories \(53 tables\)](#)

Note: Merchandise trade for Canada and the U.S.A. are on a customs basis.
Values presented are in Canadian dollar unless otherwise specified.