



Catalogue no. 65-208-XIE

# International Merchandise Trade

## Annual Review



Statistics  
Canada

Statistique  
Canada

Canada

## How to obtain more information

Specific inquiries about this product and related statistics or services should be directed to: Marketing and Client Services Section, International Trade Division, Statistics Canada, Ottawa, Ontario, K1A 0T6 (telephone: (613) 951-9647), Facsimile Number (613) 951-0117 (or 1 800 664-0055).

For information on the wide range of data available from Statistics Canada, you can contact us by calling one of our toll-free numbers. You can also contact us by e-mail or by visiting our website.

National inquiries line	1 800 263-1136
National telecommunications device for the hearing impaired	1 800 363-7629
Depository Services Program inquiries	1 800 700-1033
Fax line for Depository Services Program	1 800 889-9734
E-mail inquiries	<a href="mailto:infostats@statcan.ca">infostats@statcan.ca</a>
Website	<a href="http://www.statcan.ca">www.statcan.ca</a>

## Information to access the product

This product, catalogue no. 65-208-XIE, is available for free in electronic format. To obtain a single issue, visit our website at [www.statcan.ca](http://www.statcan.ca) and select Our Products and Services.

## Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner and in the official language of their choice. To this end, the Agency has developed standards of service that its employees observe in serving its clients. To obtain a copy of these service standards, please contact Statistics Canada toll free at 1 800 263-1136. The service standards are also published on [www.statcan.ca](http://www.statcan.ca) under About Statistics Canada > Providing services to Canadians.



Statistics Canada  
International Trade Division

# International Merchandise Trade

## Annual Review

Published by authority of the Minister responsible for Statistics Canada

© Minister of Industry, 2006

All rights reserved. The content of this electronic publication may be reproduced, in whole or in part, and by any means, without further permission from Statistics Canada, subject to the following conditions: that it be done solely for the purposes of private study, research, criticism, review or newspaper summary, and/or for non-commercial purposes; and that Statistics Canada be fully acknowledged as follows: Source (or "Adapted from", if appropriate): Statistics Canada, year of publication, name of product, catalogue number, volume may be reproduced, stored in a retrieval system or transmitted in any form, by any means—electronic, mechanical or photocopy—or for any purposes without prior written permission of Licensing Services, Client Services Division, Statistics Canada, Ottawa, Ontario, Canada K1A 0T6.

May 2006

Catalogue no. 65-208-XIE  
ISSN: 1710-498X

Frequency: Annual

Ottawa

Cette publication est disponible en français sur demande (n° 65-208-XIF au catalogue).

---

### Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

## Symbols

The following standard symbols are used in Statistics Canada publications:

- ... figures not appropriate
- 0 True zero or value rounded to zero

## Note to users

All totals are calculated from full figures and rounded independently; consequently, totals may not equal the sum of their components.

For more information on this publication:

**Telephone:** 1-800-294-5583 or within the area code 613, 951-9647  
**Facsimile:** 1-800-664-0055 or within the area code 613, 951- 0117  
**Internet:** [trade@statcan.ca](mailto:trade@statcan.ca)

# Table of contents

<b>Highlights .....</b>	<b>6</b>
<b>Key trends in 2005</b>	
Exports: Record-high exports in 2005 despite climbing dollar .....	7
Figure 1. Export values and volumes, balance of payments basis .....	7
Energy exports soar as prices surge in 2005 .....	7
Table 1. Energy exports push export values to record level .....	8
Prices also push up exports of industrial goods and materials .....	9
Hi-tech and automotive products lead export volumes .....	9
Table 2. Machinery and equipment leads exports by volume; surpasses 2000 record .....	9
Exports of live cattle to the United States recommence in 2005 .....	10
Imports: Canadian firms' strong demand for foreign machinery boosts imports to record-high .....	11
Table 3. Imports strong in 2005 despite lower prices putting downward pressure on values .....	11
Machinery and equipment account for two-thirds of increase in import volumes .....	11
Table 4. Hi-tech products, aircraft and mining machinery drive 2005's growth in import volumes .....	11
Imports of clothing flowing in from China in 2005 .....	12
Mexico moves into third largest source of imports; surpasses Japan .....	13
Figure 2. Canada's imports from China, Mexico and Japan, customs basis .....	13
<b>Data concepts and methods</b>	
Concepts: Understanding export and import values, volumes and prices .....	14
Methods: Analyzing international merchandise trade data .....	14

## Highlights

- In spite of the continued strength of the Canadian dollar, Canada's merchandise export values and volumes both hit record highs in 2005.
- In the latter part of 2005, there was a surge in energy export values as the hurricanes in the Gulf Coast put pressure on North American natural gas and crude petroleum supplies and sent prices soaring.
- Although energy was the primary driver for record-high export values, energy was not the only story for 2005. Hi-tech export volumes reached levels attained during the hi-tech boom and despite stress in the automotive sector as several firms restructured operations, export volumes for automotive products showed strength in 2005.
- It was a year for records as import values and volumes also registered historic highs. Canadian firms took advantage of the combination of low interest rates, historically high business profits, and less expensive foreign machinery and equipment as a result of a stronger Canadian dollar. As a result, imports of machinery and equipment reached record volumes in 2005.
- The increase in machinery and equipment imports accounted for two-thirds of the jump in import volumes. The rebounding tech sector and airline industry, as well as the natural resources boom in the Western provinces also contributed to the surge.

## Key trends in 2005

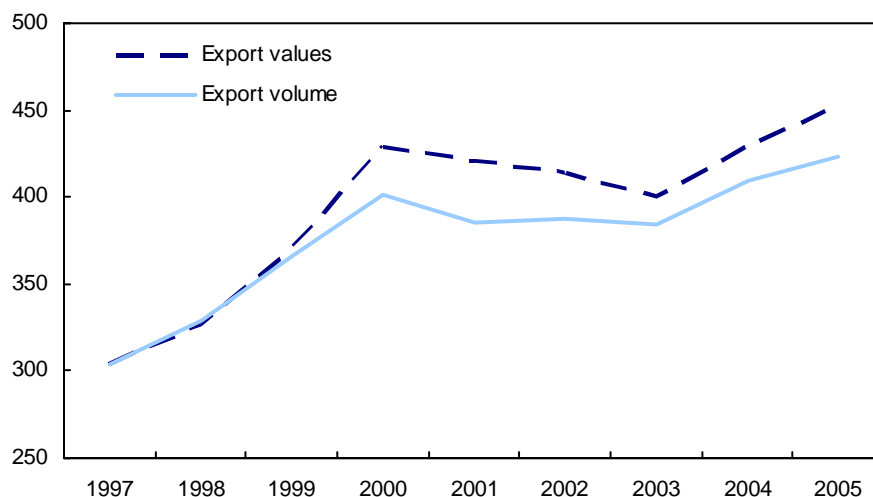
### 2005: A year for record highs in international merchandise trade

#### Exports: Record-high exports in 2005 despite climbing dollar

Canadian firms showed resilience in 2005 as export values advanced 5.6% to a record high of \$453.6 billion. This occurred despite the continued appreciation of the Canadian dollar vis-à-vis the US dollar from an average of 77 cents US in 2004 to an average of 83 cents in 2005.

Export volumes, that is, exports adjusted for price movements, grew by 3.6% in 2005. This followed a 6.6% increase in 2004, a year which saw the Canadian dollar climb from 72 cents US to the aforementioned 77 cents US. In contrast to expectations that this sizeable appreciation would dampen export performance, exports exhibited considerable strength.

**Figure 1.**  
Export values and volumes, balance of payments basis



#### Energy exports soar as prices surge in 2005

Energy made a lot of headlines throughout 2005 as hurricanes in the Gulf Coast put pressure on North American natural gas and crude petroleum supplies and sent prices soaring. The surge in prices pushed energy export values up 28.2%, guaranteeing energy the title of fastest growing export commodity for the year.

**Table 1. Energy exports push export values<sup>1</sup> to record level**

	2000	2001	2002	2003	2004	2005	Percentage difference, 2004 to 2005
	billions of Canadian dollars						
Energy products	53.2	55.8	49.3	60.5	68.0	87.1	28.2
Industrial goods and materials	68.0	67.8	70.2	66.6	77.7	84.6	8.9
Machinery and equipment	110.1	102.6	97.1	88.7	91.4	94.8	3.8
Other consumer goods	15.2	16.3	17.7	17.2	17.3	17.3	0.1
Agricultural and fishing products	27.6	31.1	30.9	29.2	30.8	30.2	-1.7
Automotive products	97.9	92.5	96.7	87.4	90.3	88.3	-2.2
Forestry products	42.8	40.3	37.2	34.5	39.2	36.3	-7.4
Total export values	429.4	420.7	414.1	400.2	429.1	453.3	5.6

1. The export values provided are on a balance-of-payments basis.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2006, International Merchandise Trade Annual Review [reference year: 2005], catalogue number 65-208-XIE.

Natural gas export values skyrocketed to \$36.4 billion in 2005 from \$26.4 billion in 2004, driven almost entirely by a price increase of over 30%. Crude petroleum export values jumped 18.1% to \$30.1 billion, also price-driven, with export volumes actually declining slightly in 2005. Natural gas and crude petroleum exports flow primarily from Alberta to the United States. The second and third largest exporters of natural gas are British Columbia (\$3.8 billion) and Nova Scotia (\$1.4 billion).

For crude petroleum, exports from Saskatchewan and Newfoundland followed those pipelined out of Alberta.

While natural gas and crude petroleum dominate energy exports, coal and electricity are also included in energy products. Coal export volumes and prices advanced in 2005, ushering export values to Japan and South Korea to more than double their 2004 levels. British Columbia exported nearly all of the coal, recording \$3.0 billion, up from \$1.6 billion in 2004. Alberta's coal exports, though smaller in scale than those of British Columbia, did register an increase to reach \$177.0 million while Ontario edged up to \$19.2 million. High prices in the coal industry offered incentives for Canadian companies to re-examine coal mining as a viable industry and prompted announcements that coal mines in Cape Breton, north-eastern British Columbia and Alberta would be reopened.

Electricity exports were on the rise as well, with prices and volumes contributing equally to the 57.1% jump. Quebec remains the primary exporter of electrical energy in Canada, with exports rising 32.1% to nearly \$1 billion. However, British Columbia's electricity exports registered the largest gain for the year, more than doubling to hit \$661.4 million.

The jump in overall energy export values was mostly price-driven. In volume terms, energy exports were relatively stable, edging up a mere 0.4%.



## Prices also push up exports of industrial goods and materials

Also driving up export values were shipments of industrial goods and materials, which rose 8.9% in 2005. The strength in commodity prices contributed to the jump as record prices for copper and zinc were registered in commodity markets and prices for gold, aluminum, nickel, potash and uranium also recorded high levels. Export volumes increased as well, specifically for metals and alloys as a result of increased demand from Japan, the United States, China and Germany. However, the gains in prices accounted for most of the overall increase in exports of industrial goods and materials.

Export values for potash hit a record-high of \$2.8 billion in 2005. Exports to the United States, the dominant market for Saskatchewan potash, as well as to China and India increased as a result of the advance in prices but export volumes were also on the rise. Saskatchewan is the largest potash producer and exporter in the world, accounting for 25 per cent of world potash production. The main use of potash is in the agricultural sector where it is used as a plant nutrient along with nitrogen and phosphorus. In the late 1990s, Japan was the fourth largest market for potash, with exports to Japan peaking at approximately \$120 million in 2001. Since then, exports to Japan have slipped and new markets have opened up in the Pacific Rim. In particular, potash exports to India surged from \$1.5 million in 1996 to approximately \$50 million in 2000 and reached nearly \$140 million in 2005. In recent years, India has taken several measures to increase the use of potash on crop farms in India in order to optimize crop quality. These measures include reducing the import duty on potash, and providing subsidies to farmers for the purchase of potash.

## Hi-tech and automotive products lead export volumes

Energy products and industrial goods and materials registered gains in export values in 2005 primarily as a result of price increases. While price increases indicate that an exporter will receive more dollars for the exported product, volumes indicate increased demand for the product or rather, that 'more' of the product was exported.<sup>1</sup> It was the growth of machinery and equipment, up 8.0% to \$114.6 billion, and automotive products, up 3.7% to \$96.1 billion that accounted for the vast majority of the 3.6% increase in export volumes.

**Table 2. Machinery and equipment leads exports by volume;<sup>1</sup> surpasses 2000 record**

	2000	2001	2002	2003	2004	2005	Percentage difference, 2004 to 2005
	billions of 1997 constant dollars						
Machinery and equipment	113.8	104.9	98.1	95.7	106.1	114.6	8.0
Automotive products	93.3	85.2	88.2	86.5	92.7	96.1	3.7
Industrial goods and materials	66.4	67.3	70.4	66.8	71.2	73.0	2.6
Forestry products	40.5	37.8	37.6	37.7	39.9	39.1	-2.1
Energy products	30.9	31.7	33.2	32.9	33.9	34.1	0.4
Agricultural and fishing products	28.0	29.6	29.2	28.9	30.7	32.4	5.3
Other consumer goods	14.6	15.4	16.6	16.2	16.3	16.2	-0.6
Total export volumes	401.1	385.0	387.6	383.7	408.9	423.6	3.6

1. Export volumes, or real exports, are expressed in billions of 1997 constant dollars.

These data are on a balance-of-payments basis.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2006, *International Merchandise Trade Annual Review* [reference year: 2005], catalogue number 65-208-XIE.

1. See the Data concepts and methods section for more information on the relationship between export values, volumes and prices.

Telecommunications equipment and computer products drove up machinery and equipment exports, as the hi-tech industry in Canada rebounded strongly from the 2001 downturn. Hi-tech export volumes in 2005 reached levels touched during the hi-tech boom. In contrast to the 2000 peak, growth in exports of telecommunications equipment, though large, was secondary to growth in exports of computer products and components.

Automotive export volumes increased as more passenger cars (+3.9%), trucks and other motor vehicles (+6.6%) and motor vehicle parts (+1.7%) headed primarily to the United States but also to Mexico. Several firms, primarily North American manufacturers, streamlined plants in 2005 while others announced plans for expansion and new plants. Transplant operations, primarily Japanese companies that have established plants in Canada, have been reporting increased exports in recent years and have been accounting for a larger percentage of the auto export market.

### **Exports of live cattle to the United States recommence in 2005**

Agricultural exports were pushed down 1.7% in 2005, partly as a result of declining wheat prices and volumes. Overall export volumes for agricultural and fishing products, however, grew in 2005, up 5.3% over 2004 to \$32.4 billion.

Exports of live animals and meat preparations in 2005 showed substantial increases over 2004. In July 2005, exports of live cattle recommenced and finished the year at \$600 million<sup>c</sup>, approximately one-third of the 2002 value. In May 2003, the United States implemented an import ban on Canadian cattle as a result of the identification of mad cow disease in Canada. Canada's exports of live cattle thus dropped to zero until July 2005 when the import ban was partially lifted, allowing cattle under the age of 30 months to cross the border.

Canadian exports of live swine and pork flourished during the period of the ban as beef prices escalated in the United States and US consumers substituted pork for beef. In addition, Japan implemented an import ban on Canadian and American beef in 2003 and Japanese demand for Canadian pork also increased. Live swine exports advanced 31.8%<sup>c</sup> between 2003 and 2005 to over \$700 million<sup>c</sup>. Exports of fresh and frozen pork surged 28.9% to \$2.3 billion<sup>c</sup> between 2003 and 2005, with Japan surpassing the United States as the top market for Canadian pork. Exports to Japan equalled \$950 million in 2005, compared to exports to the United States standing at \$908 million.

## Imports: Canadian firms' strong demand for foreign machinery boosts imports to record-high

Import values and volumes also registered historic highs in 2005. Import values reached \$413.8 billion, up 6.6% over 2004. Import volumes rose at a faster pace than values, growing 8.8%, reflecting the overall decline in import prices.

**Table 3. Imports strong in 2005 despite lower prices putting downward pressure on values<sup>1</sup>**

	2000	2001	2002	2003	2004	2005	Percentage difference, 2004 to 2005
	billions of Canadian dollars						
Machinery and equipment	122.9	111.9	105.9	98.6	103.8	110.3	6.2
Automotive products	77.4	72.6	81.5	76.5	77.2	78.3	1.5
Energy products	17.9	17.7	16.5	19.8	24.8	33.8	36.4
Industrial goods and materials	69.2	68.4	68.9	65.2	73.5	78.5	6.8
Other consumer goods	40.1	42.9	46.5	46.3	47.7	49.4	3.6
Agricultural and fishing products	18.6	20.4	21.8	21.5	21.4	22.0	3.1
Forestry products	3.1	2.9	3.1	3.0	3.2	3.1	-1.4
Total imports	362.3	350.1	356.8	342.6	363.1	386.9	6.6

1. Import values are provided on a balance-of-payments basis.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2006, *International Merchandise Trade Annual Review* [reference year: 2005], catalogue number 65-208-XIE.

## Machinery and equipment account for two-thirds of increase in import volumes

Canadian firms took advantage of the combination of low interest rates, historically high business profits, and less expensive foreign machinery and equipment as a result of a stronger Canadian dollar. As a result, imports of machinery and equipment reached record volumes in 2005.

**Table 4. Hi-tech products, aircraft and mining machinery drive 2005's growth in import volumes<sup>1</sup>**

	2000	2001	2002	2003	2004	2005	Percentage difference, 2004 to 2005
	billions of constant (1997) dollars						
Machinery and equipment	127.0	114.4	108.8	114.6	130.6	150.5	15.2
Automotive products	73.8	67.6	75.1	76.6	79.8	83.8	4.9
Industrial goods and materials	65.7	62.7	64.0	64.2	70.8	73.7	4.2
Other consumer goods	37.1	38.0	41.0	44.6	48.4	51.9	7.3
Agricultural and fishing products	19.1	20.3	21.5	22.0	22.3	23.7	6.1
Energy products	12.6	13.0	11.7	13.0	14.2	15.5	9.1
Forestry products	2.9	2.7	3.0	3.0	3.2	3.7	16.0
Total import volumes	350.1	330.3	336.0	349.0	380.4	413.8	8.8

1. Import volumes, or real imports, are expressed in billions of 1997 constant dollars.

These data are on a balance-of-payments basis.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2006, *International Merchandise Trade Annual Review* [reference year: 2005], catalogue number 65-208-XIE.

The increase in volumes of machinery and equipment from \$130.6 billion to \$150.5 billion accounted for nearly two-thirds of the overall increase in real imports. Similar to exports, hi-tech imports dominated the growth in machinery and equipment imports, with imports of computer and computer products registering the largest gain of 24.0% to \$48.6 billion. Communications and related products also posted an increase, rising 11.1% to \$23.7 billion.

Household electronics imported from China, such as desktop and notebook computers, mp3 players, and jump drives registered gains. Also originating in China are high-definition televisions, which are rapidly moving into Canadian living rooms, dens, and kitchens. Mexico is Canada's number one source for high definition televisions, however, with imports equalling \$1.0 billion in 2005, an increase of over 50% from 2004.

Imports of aircraft also rose as airlines have beefed up flying routes and updated fleets. The aftermath of September 11th hit travel hard and Canada's airline industry, and its imports of aircraft, stagnated. Airlines' investment surged in 2005, driving Canada's import volumes up a whopping 26.5% to \$8.6 billion. Increased demand from Canadian businesses for routes to China, for both people and cargo, was one reason given for the renewed optimism of the airline industry.

The natural resources boom in the Western provinces has proved to be a boon for imports of machinery and equipment as higher prices provided incentives to engage in expansion activities. The growth in mining, and oil and gas exploration and extraction escalated imports of drilling machinery, excavating machinery, metalworking machinery as well as other industrial machinery 12.9% to \$22.4 billion in 2005.

### **Imports of clothing flowing in from China in 2005**

Members of the World Trade Organization agreed during the Uruguay Round to disassemble the quota system that regulated trade in textiles and clothing for decades. The removal of all quotas by January 1st, 2005 coupled with China's emergence as a manufacturing powerhouse resulted in many of Canada's 32 million clothing-wearers filling their closets with brand names and no-names, increasingly made in China.

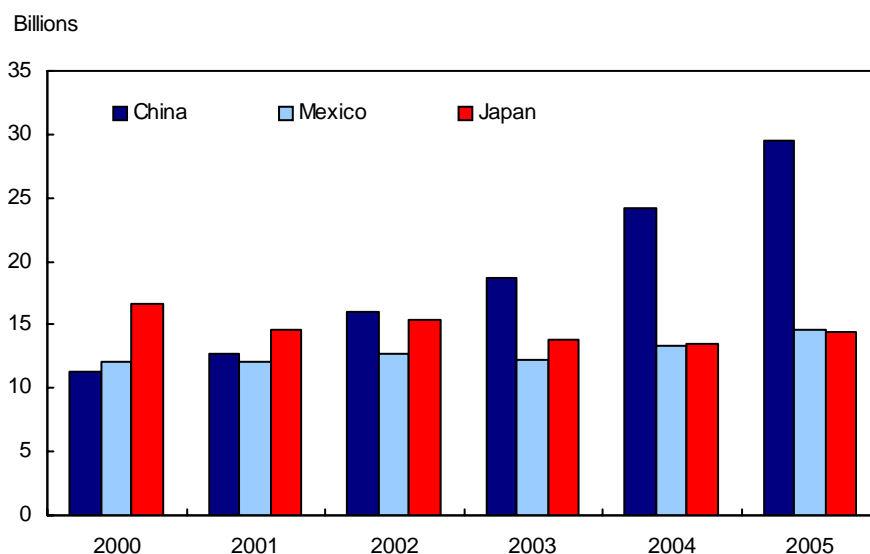
Clothing import volumes jumped nearly 10% in 2005 with imports of clothing from China increasing by nearly 50% to \$3.0 billion. This increase moved China's share of Canada's clothing imports from 33.0% to 44.5%. Canada's clothing production fell in 2005, continuing the downward trend that began in 2000. But it is not just Canadian production that is being displaced by clothing imports from China. The second, third, fourth and fifth largest suppliers of clothing to Canada – the United States, Bangladesh, India and Mexico – each saw their exports to Canada stabilize or fall and thus, each accounted for a smaller share of clothing imports in 2005.

## Mexico moves into third largest source of imports; surpasses Japan

For the first time ever, Canadian merchandise imports from Mexico at \$14.6 billion were higher than from Japan, moving Mexico from Canada's fourth to third largest source of imported products in 2005. Imports from Mexico increased by \$150 million more for the year than imports from Japan.

The United States maintains top spot by a wide margin, with imports equalling \$214.9 billion, though its share of Canadian imports fell from 59% to 57% in 2005. Imports originating in China, which became the second largest source of imports in 2002, hit \$29.5 billion in 2005, an increase of 22.3% over 2004. China's share of Canada's imports increased from 6.8% to 7.8% in 2005.

**Figure 2**  
Canada's imports from China, Mexico and Japan, customs basis



Imports from Mexico had been rising steadily following the signing of the North American Free Trade Agreement in 1994 but then stagnated from 2000 to 2003. The increase in imports from Mexico in 2005 was slightly over \$1 billion, driven by gains in vehicles, electronics and crude petroleum. The jump in imports from China was nearly 5 times that value and imports from China are nearly twice those originating in Mexico.

Imports from Japan despite the increase in 2005, have followed a downward trend since 2000 as Canadian companies have shifted their sourcing of electronics and computer products, from Japan primarily toward China but also to Mexico. Auto imports, which fell substantially in 2003 and 2004, propped up imports from Japan in 2005.<sup>2</sup>

2. For more information on patterns of trade, refer to "Canada's Place in World Trade: 1990 to 2005", authored by Francine Roy, Current Economic Analysis Division, Statistics Canada. This article is available at <http://www.statcan.ca/bsolc/english/bsdc?catno=11-010-X20060039135>.

## Data concepts and methods

### Concepts: Understanding export and import values, volumes and prices

Throughout this article, export and import values, volumes, and prices will be discussed and thus, it is important to make clear the relationship between these three concepts.

Export values are the dollar value of Canada's merchandise sales abroad. Export values can be broken down into two components: export prices and export volumes.

Export prices are the prices charged for the merchandise sold abroad. Export volumes are export values adjusted for price, also known as real exports or constant dollar exports. While export values offer an indication of whether Canadian companies received more dollars or fewer dollars for their goods, export volumes offer an indication of quantity. For example, energy export values were higher in 2005 than in 2004. But export volumes were roughly the same in 2005 as in 2004. So the reason that energy export values were higher in 2005 was not that 'more' energy products were exported but rather that Canadian energy exporters received higher prices for their products.

Similarly, import values are the dollar value of Canada's merchandise purchases from companies located in other countries. Import prices are the prices that Canadian companies pay to import these products and import volumes, or real imports, are import values adjusted for price. Import volumes in 2005 for products such as machinery and equipment grew at a faster pace than import values. This is because import prices fell, primarily the result of the appreciation of the Canadian dollar vis-à-vis the US dollar. When import prices fall, import values may 'underestimate' the strength of imports as they indicate the lower value that Canadians paid to purchase these products. However, when the price decline is factored out, as it is in export volumes, the tremendous growth in imports is evident.

### Methods: Analyzing international merchandise trade data

Statistics Canada derives import trade data primarily from administrative records compiled by the Canada Border Services Agency. Canadian exports to the United States are compiled using United States import statistics and export to other destinations are compiled by the International Trade Division from forms received via the CBSA and from Summary Reports and Canadian Automated Export Declarations (CAED) submitted directly to Statistics Canada. This data is customs-based data. Customs-based information is also adjusted to conform to the concepts and definitions of the Canadian System of National Accounts. The adjustments to derive balance of payments based trade data include valuation, residency, timing and coverage.

The principal difference between the two trade concepts is that customs-based merchandise trade statistics cover the physical movement of goods as they are reflected on customs documents, while balance of payments adjusted data are intended to cover all economic transactions between residents and non-residents which involve merchandise trade. While BOP data, which make up part of the current account, are more useful for those interested in macroeconomic issues, customs data provide a wealth of detail on specific commodities and trading partners.

To allow for cross-country comparisons, all data in this paper that reference a trading partner are customs-based. All data that reference exports by province are also customs-based. Data that refer only to products but not to the countries these are traded with are BOP-adjusted. The only exceptions are data for detailed product groups which are not available on a BOP basis; these are customs data and are indicated by a superscript c.