

Feeble export growth manages to outpace imports

Beginning the year in the black

A marginal nominal gain in Canadian merchandise trade masked a small decline in volume sales in January. During the month, gains in certain sectors were almost wholly offset by losses in others resulting in a 0.5% gain in trade in January, or 0.3% contraction when adjusted for price movements. Imports fell by 1.7% in nominal terms, therefore bringing the merchandise trade balance back into a surplus of \$800 million.

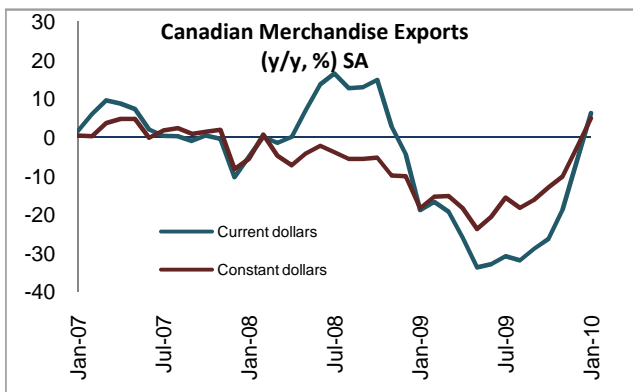
Export performance by sector was mixed with agricultural products up, including hefty gain in wheat shipments; forestry products also posted a small gain masking a contraction in lumber sales. A Significant drop in crude oil shipments was almost equally offset by an increase in natural gas exports- resulting in the energy sector overall being flat. Exports of Industrial goods were up in both volume and price terms and included widespread contractions in ores but gains in chemicals, rubbers and plastics as well as hefty increases in steel and aluminum products.

Several sub-sectors within industrial goods are no doubt benefiting from the increased US auto production, and while exports of passenger vehicles were down in January shipments of auto parts were up by almost 7% during the month. Machinery and equipment exports were down by 1.5% during the month which was almost entirely due to a contraction in aircraft and parts.

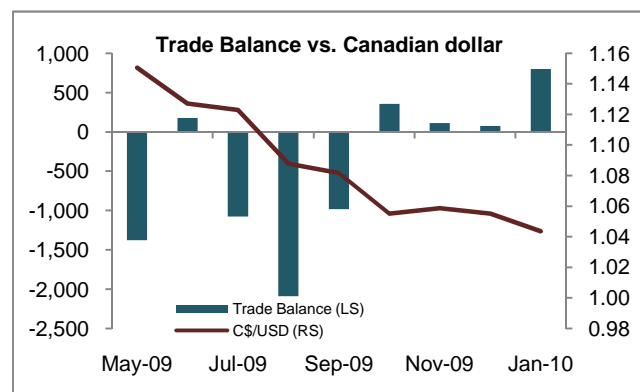
Import contractions were fairly widespread across industries in January with declines in agricultural products, energy, industrial goods and material, all types of machinery and equipment and consumer goods. Imports of passenger autos and parts were down but almost completely offset by an increase in imported heavy trucks.

As Canada's largest foreign market, a recovering US economy will drive demand for Canadian exports this year; however demand from emerging markets (i.e. Non-OECD countries) will also play an increasingly important role. During the month of January exports to Japan roared ahead by 17%, whereas growth to other markets including the US and Europe was lackluster.

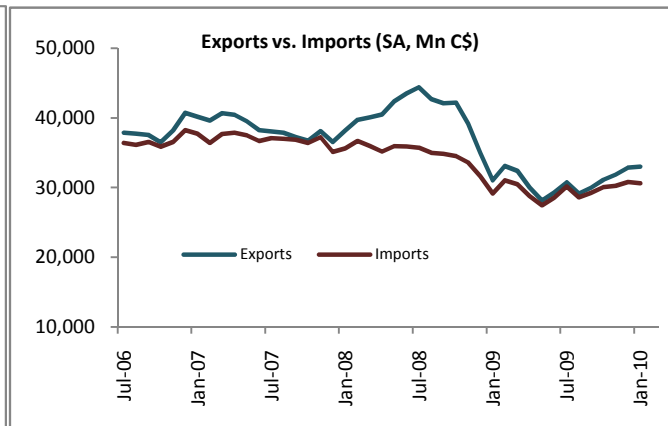
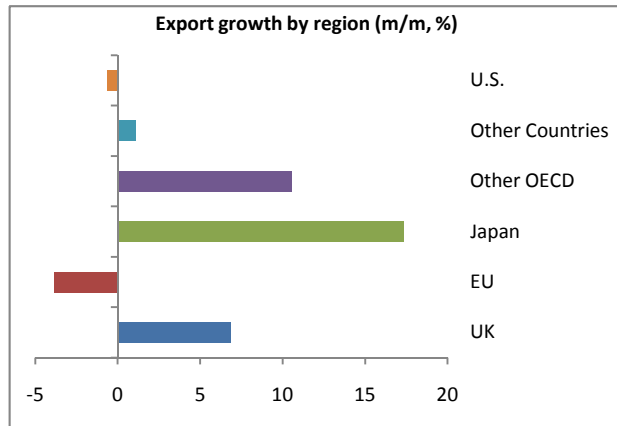
Leading indicators from the US ISM manufacturing index suggest some weakening in activity for February. However over the year, a continuation of positive growth in exports is expected as inventories begin to be restocked, unemployment rates peak and industrial production resumes. The Canadian dollar has been trending higher and continues as a significant challenge to Canadian exporters.



Source: Statistics Canada



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Industry Sectors	Values (\$C)				Real (Inflation Adjusted) \$C		
	YTD	M/M	YTD %	Jan. 10/09	m/m%	YTD %	Jan. 10/09
		%change	change		change	growth	
Agricultural and fishing products	2,959	3	-11	-11	3	3	3
Energy products	8,519	1	32	32	0	4	4
Crude petroleum	4,550	-9	78	78	-10	-10	-10
Natural gas	1,746	23	-14	-14	20	11	11
Other energy products	2,223	8	20	20	-3	24	24
Forestry products	1,636	1	-6	-6	0	7	7
Industrial goods and materials	7,310	5	11	11	2	1	1
Metal ores	741	-18	2	2	-26	-5	-5
Chemicals, plastics and fertilizers	2,392	9	1	1	7	7	7
Metals and alloys	2,851	8	33	33	7	9	9
Other industrial goods and materials	1,325	6	-3	-3	2	-12	-12
Machinery and equipment	6,087	-2	-19	-19	-1	-14	-14
Industrial and agricultural machinery	1,484	1	-25	-25	0	-25	-25
Aircraft and other transportation equipment	1,401	-11	-15	-15	-9	-8	-8
Other machinery and equipment	3,202	2	-18	-18	4	-11	-11
Automotive products	4,286	-4	55	55	-4	82	82
Passenger autos and chassis	2,744	-9	117	117	-8	155	155
Trucks and other motor vehicles	195	-1	-60	-60	1	-56	-56
Motor vehicle parts	1,347	7	33	33	7	43	43
Other consumer goods	1,454	9	-7	-7	9	-8	-8

Source: Statistics Canada

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