

Catalogue no. 65-208-X

International Merchandise Trade

Annual Review
2009



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Published by authority of the Minister responsible for Statistics Canada

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April 2010

Catalogue no. 65-208-X

ISSN 1710-498X

Frequency: Annual

Ottawa

Cette publication est également disponible en français.

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- ... not applicable
- 0 True zero or value rounded to zero

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Table of Contents

Highlights	6
Key trends in 2008	
A contraction in trade	7
Overview	7
Exports: Energy products lead the decline in exports	8
Figure 1 Export values and volumes	8
Imports: Broad-based declines as volumes fall	9
Figure 2 Import values and volumes	9
Canada's first trade deficit since 1975	10
Figure 3 Merchandise trade balance	10
Exports	11
Table 1 Canada's merchandise exports, 2005 to 2009	11
Exports of energy products drop on lower prices	11
Industrial goods and materials fall after five years of growth	11
Automotive products continue to weaken	12
Machinery and equipment fall to lowest level in over a decade	12
Forestry products trending downward since 2004	12
Wheat prices drive the decline in agriculture	12
Decreases in other consumer goods reflect falling volumes	13
Imports	14
Table 2 Canada's merchandise imports, 2005 to 2009	14
Crude petroleum leads the decline in imports of energy products	14
Automotive products down on declining volumes	14
Industrial goods and materials fall despite sharp increase in gold imports	15
Machinery and equipment end 5-year streak of gains	15
Forestry products down	15
Imports of other consumer goods edge down	15
Agricultural and fishing products: The only growing sector in 2009	15
Canada's trading partners	16
United States	16
Mexico	16
Europe	16
China	17
Japan	17
Data concepts and methods	
Concepts: Understanding export and import values, volumes and prices	18
Methods: Analyzing international merchandise trade data	18

Highlights

- Canada exported \$369.7 billion worth of merchandise to the world in 2009, a drop of 24.5% as all export sectors, led by energy products, declined.
- Imports fell 15.5% to \$374.2 billion as most import sectors registered decreases.
- Canada's trade balance with the world went from a surplus of \$46.9 billion in 2008 to a deficit of \$4.5 billion in 2009, the first trade deficit since 1975.
- Driven by large decreases in exports of energy products and automotive products, Canada's reliance on the United States as a trading partner declined from 71.1% of total trade in 2005 to 63.0% in 2009.
- For the first time in 2009, countries other than the United States accounted for over 25% of Canada's exports, up from 16.2% in 2005. The rise in share occurred despite a decline in value, the first such decline posted in seven years.
- Imports from countries other than the United States fell for the first time in eight years. Even with the decline, the share of imports from countries other than the United States rose from 43.5% in 2005 to 48.8% in 2009.

Key trends in 2009

A contraction in trade

In 2009 Canada's international merchandise trade was significantly affected by the decline of the global economy that started in the previous year. Exports and imports both declined in the first half of 2009 with the largest decreases occurring in the first quarter of the year.

Overview¹

In late 2008, the global economic crisis began to take a toll on Canada's international merchandise trade (sum of exports plus imports) which dropped by more than 20% to \$744.0 billion in 2009. The downward shift in total trade was not restricted to Canada. All Organization for Economic Co-operation and Development (OECD) countries, as well as Brazil, India and China experienced declines in total trade, with most falling more than 20%.

The Russian Federation, however, was hit much harder by the downturn, with total trade falling 35.3%. Russia's decline in exports largely accounted for the overall loss. Declines in crude petroleum and gas led the fall in exports.

Canada's largest trading partner, the United States, experienced a sharp decline that saw the value of its trade with the world fall by more than a quarter in 2009. Nearly 70% of the loss was attributable to falling imports, with crude petroleum the largest contributor.

Despite a fall in trade of over 16%, China overtook Germany as the world's top exporting nation in 2009—a sign of the changing face of global trade. Germany had been the world's top exporter since 2003. Regardless of the recent decline, the United States continued to hold the title of top importer.

¹ With the exception of Canada, the source of data for countries presented in the overview is the OECD.

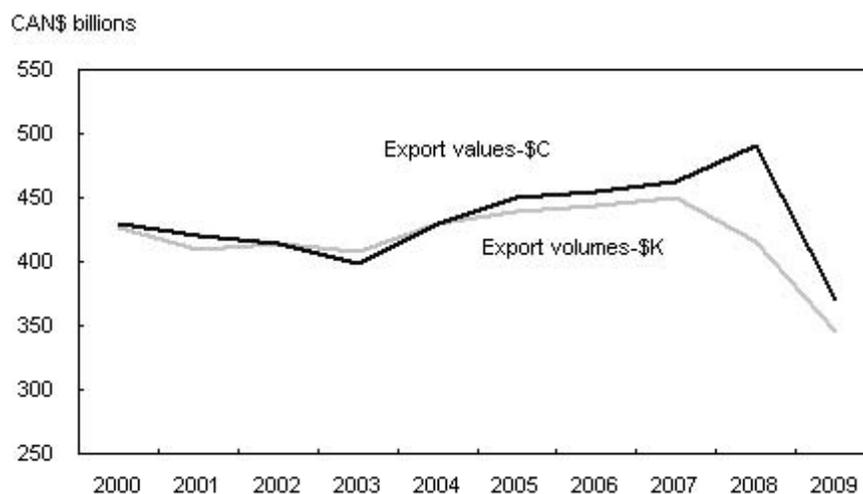
Exports: Energy products lead the decline in exports

Canada exported \$369.7 billion of merchandises in 2009 compared with \$489.9 billion in 2008. All export sectors fell, most notably energy products, followed by industrial goods and materials. Together, these sectors accounted for almost two-thirds of the fall in overall exports.

The drop in exports was a result of declining volumes and prices in the face of a poor economic climate. The 16.7% fall in volumes in 2009 was part of a two year slide from record levels in 2007 while export prices fell from record highs reached in 2008 but remained slightly above the levels observed in 2007.

As in 2008, energy products led the overall movement of Canada's exports in 2009. Falling prices accounted for the decline in energy products. Goods such as crude petroleum and natural gas which remain in North America were strongly affected by the downturn of the economy in the United States, while coal was negatively affected by the industrial slowdown in Asian countries.

Figure 1 Export values and volumes



Source: Statistics Canada, International Trade Division.

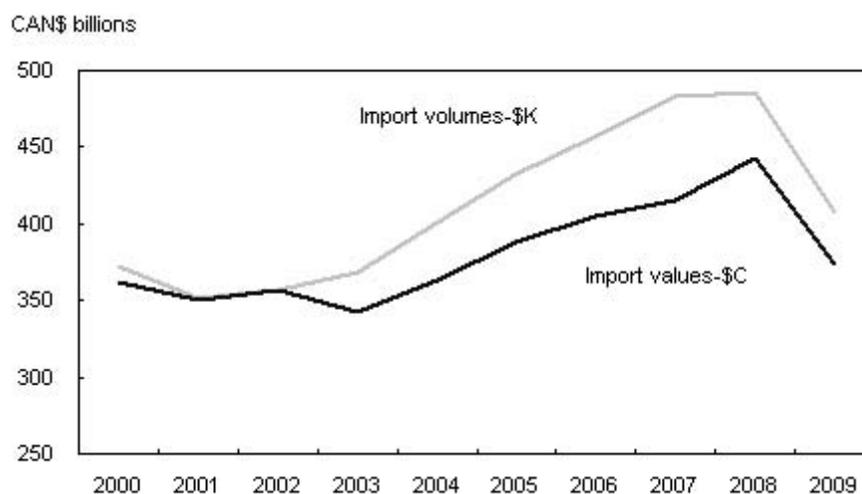
Imports: Broad-based declines as volumes fall

Canada's imports fell 15.5% to \$374.2 billion in 2009 from \$443.0 billion in 2008. This decline was the result of falling volumes as import prices increased slightly. All import sectors posted declines except agricultural and fishing products.

Import volumes fell 16.0% reflecting the lower demand in Canada. The decrease halted a succession of gains in import volumes that began in 2002.

Energy products, automotive products and industrial goods and materials accounted for over three-quarters of the decrease in overall imports. The majority of the loss can be attributed to falling prices of crude petroleum. Lower volumes of cars, trucks and parts crossing the border also contributed to the decline in imports.

Figure 2 Import values and volumes



Source: Statistics Canada, International Trade Division.

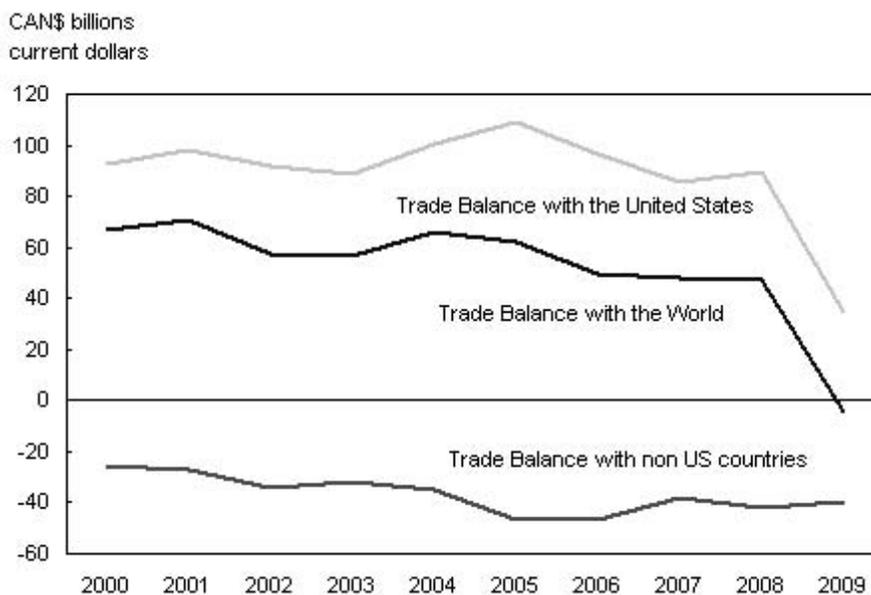
Canada's first trade deficit since 1975

As Canada's trade with the world contracted in 2009, the trade balance changed from a surplus of \$46.9 billion in 2008 to a deficit of \$4.5 billion in 2009. This represented Canada's first trade deficit since 1975, as the fall in exports outpaced the decrease in imports. Canada's trade balance has been declining since 2004.

Canada's trade surplus with the United States declined to \$34.8 billion in 2009 from \$89.1 billion in 2008. This was largely due to falling exports of crude petroleum but also reflected the difficulties experienced by the automotive sector.

Canada's trade deficit with countries other than the United States narrowed to \$39.3 billion in 2009 from \$42.2 billion in 2008 as the value of exports declined less than the value of imports.

Figure 3 Merchandise trade balance



Source: Statistics Canada, International Trade Division.

Exports

Table 1 Canada's merchandise exports, 2005 to 2009

	2005	2006	2007	2008	2009	Difference from 2008 to 2009	Difference from 2008 to 2009
	values ¹ in billions of current Canadian dollars						percent
Agricultural and fishing products	30.1	31.2	34.4	40.9	37.3	-3.6	-8.8
Energy products	86.9	86.8	91.3	125.8	79.9	-45.9	-36.5
Forestry products	36.4	33.4	29.3	25.7	19.5	-6.2	-24.0
Industrial goods and materials	84.2	94.2	104.8	111.5	79.3	-32.2	-28.9
Machinery and equipment	93.0	93.3	93.4	93.0	80.5	-12.5	-13.5
Automotive products	88.0	82.3	77.3	61.1	43.8	-17.3	-28.3
Other Consumer Goods	17.1	17.8	18.7	18.2	17.9	-0.2	-1.3
Total Exports	450.2	454.0	463.1	489.9	369.7	-120.1	-24.5

1. On a balance-of-payments basis.

Source: Statistics Canada, International Trade Division

Exports of energy products drop on lower prices

Accounting for the largest decrease in exports in 2009, energy products fell 36.5% to \$79.9 billion, as prices dropped 35.4%. Canada's top export sector in 2008, energy products fell to second place in 2009 as a result of the large decline, where it ranked behind machinery and equipment.

Crude petroleum exports dropped 30.2% to \$42.5 billion, due to a substantial downturn in prices (-31.5%). Prices of crude petroleum had been on the rise since 2001. Volumes of crude petroleum exports grew in 2009, posting a fourth consecutive annual increase.

Exports of natural gas plummeted 52.2% to \$15.8 billion. This drop in value was in large part owing to a 48.4% decline in prices, reflecting lower industrial demand and high inventory levels in both Canada and the United States.

Exports of coal fell 25.9% and electricity, 37.1% during the year. Lower demand was behind the decline in coal exports, which benefited from a supply shortage in Asia in 2008. Meanwhile, the price of electricity exports dropped nearly 40.0% in 2009.

Industrial goods and materials fall after five years of growth

Companies in Canada exported \$79.3 billion in industrial goods and materials in 2009, down 28.9% from 2008. This was the first decrease since 2003, a result of falling volumes and prices. The drop in volumes was the second consecutive annual decline while prices fell for the first time since 2003. Representing more than two-thirds of the value of the sector, metals and alloys, as well as chemicals, plastics and fertilizers were responsible for nearly 70% of the sector's decline.

Exports of metals and alloys contracted 29.9% to \$28.0 billion following five years of growth. Widespread declines in metals and alloys were led by falling aluminium exports. Precious metals were the main product grouping to post a gain, driven by rising prices and the high demand for gold.

Following five years of increases, exports of chemicals, plastics and fertilizers fell 28.7% to \$25.6 billion in 2009. More than one-third of the loss was due to decreased exports of synthetic rubber and plastics followed by fertilizer and fertilizer materials. Potash exports suffered due to a slow planting season in the United States and delayed contract negotiations with China and India.

Automotive products continue to weaken

Exports of automotive products fell 28.3% to \$43.8 billion, continuing a trend that began in 2005. The decrease was due to a 32.4% decline in volumes, as manufacturers in Canada reduced production in the face of falling demand in the United States. The volume of automotive products exported was one-half of the level observed in 2005.

Exports of passenger autos shed 22.9% of their value and accounted for nearly half of the decline in the automotive products sector. The loss resulted from a 28.8% decline in volumes as prices rose during the year. Despite the United States cash-for-clunkers program which started in July 2009, companies remained with unmoveable inventories almost to the end of 2009.

With production of automotive products reduced on both sides of the border, exports of motor vehicle parts dropped 30.5% to \$13.7 billion in 2009. The decline was entirely due to volume of parts decreasing by almost a third. Exports of motor vehicle parts have been trending downward since 2002.

Exports of trucks and other motor vehicles continued on a downward trend that began in 2006, dropping 48.3% to \$3.8 billion in 2009. Fighting for survival during the financial crisis and faced with weak demand for large pick up trucks, a major truck manufacturer announced the closure of a number of plants in North America in May 2009.

Machinery and equipment fall to lowest level in over a decade

Exports of machinery and equipment fell 13.5% to \$80.5 billion in 2009, their lowest level since 1997. This decrease was driven entirely by a 17.1% drop in volumes.

The main contributors to the decline were other machinery and equipment as well as industrial and agricultural machinery. Together, the two groups represented 94% of the sector's loss. Exports of other equipment and tools which include machine parts and electronic processors and controllers, dropped 18.6% to \$18.9 billion. Meanwhile, industrial machinery exports shed 19.2% to \$17.2 billion, halting five years of increases.

Forestry products trending downward since 2004

Exports of forestry products, on a downward trend since 2004, decreased 24.0% to \$19.5 billion in 2009. The loss in value was largely due to volumes declining 18.6%.

Exports of lumber and sawmill products dropped 26.2% to \$6.8 billion as demand for spruce, pine and fir fell in 2009 reflecting lower housing starts in the United States.

Meanwhile, exports of newsprint, other paper and paperboard registered their fourth decline in five years, dropping 19.2% to \$8.2 billion. The decrease was a result of volumes falling 20.5% while prices rose for the third time in four years. Newsprint paper accounted for nearly two-thirds of the decline. Exports of newsprint paper dropped 23.2% in 2009, as more and more individuals continue to turn to the internet for their news.

Wheat prices drive the decline in agriculture

Canada's agriculture and fishing product exports fell 8.8% to \$37.3 billion, as both prices and volumes declined. Representing nearly 30% of the sector's decline, wheat exports fell to \$5.8 billion due entirely to a 28.9% drop in price. Wheat prices had risen sharply in 2008, as poor crop yields had left the market with a supply shortage.

Also contributing to the decrease in agriculture and fishing products was a 29.5% reduction in exports of live animals. Bovine exports continued to be hampered by trade restrictions, while swine exports had to deal with the negative image associated with the swine flu.

Decreases in other consumer goods reflect falling volumes

Decreasing for a second year in a row, exports of other consumer goods declined 1.3% to \$17.9 billion as volumes fell 3.2% while prices rose 2.0%. Other consumer goods encompass items such as medical supplies, toys, apparel and household goods.

Imports

Table 2 Canada's merchandise imports, 2005 to 2009

	2005	2006	2007	2008	2009	Difference from 2008 to 2009	Difference from 2008 to 2009
	values ¹ in billions of current Canadian dollars						percent
Agricultural and fishing products	22.0	23.5	25.5	28.5	29.3	0.8	2.9
Energy products	33.7	34.7	36.7	53.1	33.9	-19.1	-36.1
Forestry products	3.1	3.1	3.0	2.9	2.4	-0.5	-16.8
Industrial goods and materials	78.5	83.9	85.1	91.6	75.0	-16.6	-18.1
Machinery and equipment	110.9	114.7	116.7	122.6	107.9	-14.7	-12.0
Automotive products	78.4	79.8	79.9	72.0	55.3	-16.6	-23.1
Other Consumer Goods	49.5	52.0	54.8	57.5	57.5	-0.1	-0.1
Total Imports	387.8	404.3	415.2	443.0	374.2	-68.7	-15.5

1. On a balance-of-payments basis.

Source: Statistics Canada, International Trade Division

Crude petroleum leads the decline in imports of energy products

Following six years of increases, imports of energy products decreased 36.1% to \$33.9 billion in 2009, as import prices fell 31.8%.

Imports of crude petroleum accounted for almost 70% of the drop in energy products. The combination of a 35.7% decline in prices of crude petroleum and decreased shipments from countries such as Algeria, Norway and the United Kingdom led to a 38.8% fall in the import value of crude petroleum. These imports, which flow into refineries in the eastern provinces, totalled \$20.9 billion in 2009.

Petroleum and coal products imports declined 34.2% to \$8.5 billion, following a record high in 2008. The decrease was a result of a decline in prices and volumes.

Automotive products down on declining volumes

Reflecting the financial difficulties experienced by major auto manufacturers, automotive products were hampered on both sides of the border in 2009. Imports of automotive products dropped 23.1% to \$55.3 billion, as volumes decreased by more than 25.0% while prices increased.

With dwindling domestic sales, imports of passenger autos drove the decline, falling 27.8% to \$18.7 billion. This was the second consecutive decrease.

Motor vehicle parts also contributed to the downturn in automotive product imports. Falling 23.1% to \$23.7 billion in 2009, they reflected lower production of vehicles in Canada. This was the fifth straight decline in imports of motor vehicle parts.

Rounding out the sector, trucks and other motor vehicles decreased for the second year in a row, dropping 15.2%. The declines resulted from falling volumes as prices increased in both years.

Industrial goods and materials fall despite sharp increase in gold imports

Declining volumes were the main factor behind the drop in imports of industrial goods and materials in 2009. Imports for the sector fell 18.1% to \$75.0 billion, halting five consecutive years of increases.

Metal and metal ores, which fell 24.0% to \$24.7 billion, accounted for nearly half of the sector's decline. The loss was owing to a decrease in value for commodities such as: steel bars, rods and plates, metal ores and other non-ferrous metals. In contrast, imports of precious metals shot up 27.2% to \$7.0 billion because of the higher demand for gold combined with sharp increases in the price of gold during the year.

Imports of chemicals and plastics fell by 14.4% to \$27.0 billion mainly as a result of volumes declining 10.6%. This was the first decrease in the value of imports of chemicals and plastics since 2003.

Machinery and equipment end 5-year streak of gains

Imports of machinery and equipment declined for the first time since 2003, reaching \$107.9 billion in 2009. Volumes fell 18.5% and led to a 12.0% decrease in Canada's largest import sector.

Representing nearly half of the decline in the sector, the 18.9% drop in industrial and agricultural machinery to \$27.8 billion was due entirely to lower volumes. Other industrial machinery, on the rise from 2005 to 2008, and excavating machinery accounted for most of the decline. Excavating machinery imports suffered from lower production levels in the petroleum sector.

Following five years of growth, imports of other machinery and equipment which include telecommunication equipment and electronic tubes and semi-conductors, contracted 7.7% to \$52.1 billion.

Imports of office machines and equipment, trending downward since 2006, fell a further 14.2% to \$12.4 billion in 2009 as volumes declined 17.1% while prices grew for the time since 1992.

Forestry products down

Forestry product imports continued on a downward path that began in 2005, dropping 16.8% to \$2.4 billion. This decline in value was the result of a 16.9% drop in volumes; prices remained relatively unchanged. Over 90% of the sector's decrease was due to falling imports of wood fabricated material, which totalled \$1.9 billion in 2009, the lowest value in over a decade.

Imports of other consumer goods edge down

Imports of other consumer goods edged down 0.1% to \$57.5 billion. The fall in apparel and footwear just offset the gain in miscellaneous consumer goods. This was the first decrease in imports of other consumer goods since 2003.

The sector's decline was driven by a 9.2% drop in volumes. It was the first time since 1992 that volumes of other consumer goods entering Canada declined.

Miscellaneous end products continued to make up the largest portion of the sector: imports totalled \$24.1 billion in 2009 on the strength of medicinal and pharmaceutical imports.

Agricultural and fishing products: The only growing sector in 2009

Imports of agriculture and fishing products increased a fifth straight year, rising 2.9% to \$29.3 billion. The widespread increase throughout the sector reflected higher prices for other agricultural and fishing products and gains in volumes of imported fruit and vegetables.

Most of the increase in other agricultural and fishing products came from cocoa and coffee related products, as well as other cereal and cereal preparations.

Canada's trading partners²

Canada's trade with the United States was largely affected by the fall in trade of energy and automotive products. As a result, the United States accounted for 63.0% of Canada's total trade, down from 71.1% in 2005.

Exports to countries other than the United States fell for the first time in seven years. However, the share of exports to these countries exceeded one quarter for the first time in 2009, compared to 16.2% in 2005.

Similarly, imports from countries other than the United States fell for the first time in eight years. Even with the declines, the share of imports from countries other than the United States rose to 48.8% from 43.5% in 2005.

United States

Declining prices for energy products and falling demand for automotive products pulled exports to the United States down 28.2% to \$269.5 billion, the lowest level since 1997.

Energy exports to the United States declined 39.8% in 2009, largely because of crude petroleum and natural gas, which fell 37.2% and 52.2% respectively.

In addition, weak demand for automotive products in the United States led to larger inventories in 2009. These increased inventories resulted in production cuts in Canada, and translated into a 29.0% drop in exports of automotive products to the United States. This decline was led by a 23.3% drop in exports of passenger autos. Motor vehicle parts fell 31.4% and trucks, 52.3%.

Similarly imports from the United States dropped 17.8% to \$186.7 billion, the lowest value since 1997. Leading the decline were automotive products, which fell 27.5%.

Mexico

After five years of growth, Canada's exports to Mexico fell 17.8% to \$4.8 billion. Canola exports suffered a decline in crop yield in 2009, and fell 43.0% to \$468.5 million. Also contributing to the decrease in exports were motor vehicle parts, which dropped 27.4%. Mitigating the decline were higher exports of telecommunication equipment.

Imports from Mexico dropped to \$16.5 billion in 2009, a 7.8% decline from 2008. The largest contributor to the decline was crude petroleum, which fell 53.2% to \$449.7 million. Companies also imported fewer passenger autos from Mexico, amounting to a 19.9% decline. As well, imports of other telecommunication and related equipment were down largely due to diminished imports of high-definition flat panel televisions.

Europe

Canada's exports to Europe fell 18.9% to \$32.3 billion in 2009. While the decline in shipments was spread across most of the continent, Norway, the Netherlands, Belgium, Germany, and the United Kingdom were responsible for 57.9% of the drop.

Canada lowered its exports of nickel ores to Norway by 40.7% and to the United Kingdom by 80.6%. The decline was in part the result of a drop in domestic production and slowing demand in these countries. Also contributing to the decline were lower exports of petroleum and coal products to France and the Netherlands.

² Customs based data were used in the analysis of Canada's trading partners.

Moderating the overall decline in Canada's exports to Europe were precious metals and alloys, namely gold, exported to the United Kingdom.

Crude petroleum imports from the North Sea fell drastically, pushing imports from Europe down to \$55.5 billion. Imports of crude petroleum from the United Kingdom fell 58.6% and from Norway, decreased 46.9%. Mitigating the decline was a surge in imports from Switzerland of antibiotics used in the manufacturing of medication.

China

China was Canada's only major trading partner to bring in more Canadian goods in 2009, up 6.6% to \$11.2 billion. The gain was fuelled by strong exports of Canola, iron ores as well as coal and other bituminous substances. Exports to China have been growing since 2002 and, China replaced Japan as Canada's third most important trading partner for exports in 2009.

Canola exports to China have increased in each of the past four years as part of a move towards more trans-fat free oils. As well, coal exports more than tripled, fuelling the production of steel in China.

Imports from China fell 7.0% to \$39.7 billion. The decrease in imports resulted mainly from declining imports of electronic computers as well as games, toys and children's vehicles. The declines were softened by gains in imports of telecommunication equipment.

Japan

Canada exported \$8.3 billion in goods to Japan in 2009, the lowest level since 2003 and a 25.0% decrease from 2008. More than 60% of the loss was attributable to declining exports of coal and other bituminous substances, Canola, copper ores, aluminium and wheat. Coal and other bituminous substances led the fall, dropping 21.2% to \$1.8 billion in 2009.

Similarly, Canada's imports from Japan stumbled in 2009, falling 19.2% to \$12.4 billion. Passenger autos were responsible for more than 40% of the decline in overall imports from Japan, dropping 25.5% to \$3.6 billion. Again, imports of passenger autos were hampered by the excess inventories held in Canada during part of the year. Lower imports of industrial machinery also added to the decline.

Data concepts and methods

Concepts: Understanding export and import values, volumes and prices

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

Export values refer to total exports, and are the dollar value of Canada's merchandise sales to other countries. Export values can be broken down into two components: export prices and export volumes.

Export prices are the prices charged for the merchandise sold. Export volumes are export values adjusted for price, also known as real exports or constant dollar exports. Constant dollar exports are calculated using the Paasche Price indices.

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.

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. Import volumes, or constant dollar imports, are import values adjusted for price. Constant dollar imports are calculated using the Paasche Price indices.

Methods: Analyzing international merchandise trade data

Statistics Canada derives import trade data primarily from administrative records compiled by the Canada Border Services Agency (CBSA). Canadian exports to the United States are compiled using United States import statistics while exports to other destinations are compiled by the International Trade Division from documents (Export Declaration - B13A) received via CBSA and from Summary Reports, Canadian Automated Export Declarations (CAED) and G7 Reports submitted directly to Statistics Canada.

This customs-based information undergoes certain adjustments in order 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.

Unless otherwise specified all trade values are on a balance of payment basis. Trade data for individual countries are available on a customs basis.