

Canada

Change in 2006 from 2005:

U.S. trade deficit: Increased by \$0.5 billion (1 percent) to \$104.8 billion

U.S. exports: Increased by \$15.0 billion (8 percent) to \$198.2 billion

U.S. imports: Increased by \$15.5 billion (5 percent) to \$303.0 billion

For the first time in several decades, the U.S. trade deficit with Canada (the U.S.'s largest trading partner) remained largely unchanged from 2005 to 2006 (rising by less than 1 percent) as the \$15 billion increase in U.S. exports nearly matched the increase in U.S. imports from Canada. Canada's energy exports benefitted from rising world prices, but Canadian exports of transportation equipment (largely automobiles and parts) and forestry products declined. Four sectors—transportation equipment, energy products, chemicals, and forest products—accounted for about two-thirds of U.S. imports from Canada in 2006. Similarly, two-thirds of U.S. exports in 2006 to Canada were within four sectors—transportation equipment, chemicals, minerals and metals, and machinery.

The U.S. dollar depreciated relative to the Canadian dollar during the first half of 2006 by about 4 percent, but then recovered in the second half, ending up 1.5 percent for the full year.¹ Nevertheless, the slightly weakened U.S. dollar during that year aided U.S. exports to Canada and diminished Canadian goods' price advantage in the U.S. market. Other salient factors affecting bilateral trade in 2006 were the higher prices of petroleum, natural gas, coal, and electricity, which boosted the value of U.S. energy imports from Canada, and the heightened competitiveness of U.S. fully assembled autos (minivans, SUVs, and pickup trucks) sold in the Canadian market.

U.S. Exports

U.S. exports to Canada benefitted from a strong Canadian economy and buoyant consumer purchases in 2006 (with 2.8 percent GDP growth and a 6.2 percent rise in Canadian consumer sales),² as well as the slightly stronger Canadian dollar. U.S. exports to Canada rose by \$15.0 billion (8 percent) to \$198.2 billion in 2006.

U.S. exports of transportation equipment to Canada rose by \$4.6 billion (8 percent) to \$63.0 billion in 2006. These U.S. exports reflected a growth in sales of U.S. assembled SUVs, minivans, and pickup trucks in Canada.³ The North American auto industry is highly integrated, with manufacturing and assembly on both sides of the border.

¹ The U.S. dollar depreciated from CN\$1.1572 in January 2006 to CN\$1.1100 in May 2006, and then rose irregularly to CN\$1.1532 in December 2006, according to data of the U.S. Federal Reserve Bank.

² The change in final domestic demand from the 4th quarter 2005 to the 4th quarter 2006. Statistics Canada, *Gross Domestic Product, Expenditure-Based (Quarterly)*. The U.S. GDP growth rate was a preliminary 3.3 percent, and the growth rate in final U.S. domestic purchases was 2.5 percent. USDOC, BEA, *Gross Domestic Product: Fourth Quarter 2006 (Preliminary)*, February 28, 2007, tables 1 and 8.

³ See the Transportation Equipment chapter for more details.

U.S. minerals and metals exports rose by \$3.6 billion (19 percent) to \$22.7 billion. Higher prices for finished steel and other metals and expanding Canadian industrial production in 2006 led to higher U.S. exports of these intermediate inputs.⁴

U.S. Imports

About one-half of the \$15.5 billion increase in U.S. merchandise imports from Canada resulted from higher energy imports (table CANADA-1). U.S. imports of energy products from Canada increased by \$7.6 billion (12 percent) to \$73.7 billion in 2006. Natural gas was the leading energy product imported, followed by crude petroleum, refined petroleum, and electrical energy. In addition to the 20 percent increase in the price of petroleum, the volume of U.S. imports of crude petroleum from Canada increased by 12 percent to 1.8 million barrels per day in 2006, according to data of the U.S. Department of Energy.⁵

U.S. imports of mineral and metal products accounted for most of the other half of the \$15.5 billion increase in U.S. imports from Canada. U.S. imports of minerals and metals products from Canada rose by \$6.6 billion (26 percent) to \$32 billion in 2006. Higher prices for iron, aluminum, steel, copper and other metals substantially increased the unit values of these imports.

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⁴ See the Minerals and Metals chapter for more details.

⁵ Crude petroleum from Canada averaged \$60 per barrel in 2006; see the Energy and Related Products chapter for more details.

TABLE CANADA-1 Canada: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2002–06^a

Item	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
<i>Million dollars</i>							
U.S. exports of domestic merchandise:							
Agricultural products	9,121	9,805	10,111	11,151	12,514	1,363	12.2
Forest products	7,502	7,960	8,536	9,111	9,846	735	8.1
Chemicals and related products	20,115	21,516	23,495	26,412	28,475	2,063	7.8
Energy-related products	2,889	4,296	5,754	8,487	8,953	466	5.5
Textiles and apparel	3,193	3,121	3,275	3,471	3,561	89	2.6
Footwear	65	57	59	65	73	8	12.8
Minerals and metals	13,447	13,820	16,835	19,110	22,687	3,577	18.7
Machinery	15,207	15,310	16,214	18,008	20,054	2,046	11.4
Transportation equipment	46,733	48,568	52,268	58,366	63,007	4,641	8.0
Electronic products	17,025	16,637	17,559	18,894	18,336	-558	-3.0
Miscellaneous manufactures	3,561	3,697	4,257	4,745	5,230	485	10.2
Special provisions	3,686	3,961	4,805	5,414	5,490	76	1.4
Total	142,543	148,749	163,168	183,235	198,226	14,992	8.2
U.S. imports of merchandise for consumption:							
Agricultural products	12,953	12,975	14,130	14,963	16,128	1,166	7.8
Forest products	22,311	22,640	27,584	28,224	26,717	-1,507	-5.3
Chemicals and related products	16,673	18,440	21,996	25,535	28,036	2,502	9.8
Energy-related products	29,903	41,579	49,278	66,116	73,748	7,633	11.5
Textiles and apparel	3,859	3,788	3,834	3,633	3,395	-238	-6.6
Footwear	68	64	77	94	79	-14	-15.3
Minerals and metals	17,797	18,003	22,636	25,590	32,155	6,565	25.7
Machinery	9,810	10,071	11,233	12,129	13,371	1,242	10.2
Transportation equipment	65,462	66,727	73,154	77,209	75,682	-1,526	-2.0
Electronic products	10,605	9,768	10,960	12,457	11,930	-526	-4.2
Miscellaneous manufactures	5,967	6,137	6,700	6,828	6,880	52	0.8
Special provisions	15,108	13,824	14,079	14,757	14,911	154	1.0
Total	210,518	224,016	255,660	287,534	303,034	15,500	5.4
U.S. merchandise trade balance:							
Agricultural products	-3,833	-3,170	-4,019	-3,811	-3,614	197	5.2
Forest products	-14,809	-14,680	-19,047	-19,113	-16,871	2,242	11.7
Chemicals and related products	3,442	3,076	1,499	878	439	-439	-50.0
Energy-related products	-27,014	-37,283	-43,524	-57,629	-64,796	-7,167	-12.4
Textiles and apparel	-666	-666	-559	-162	166	327	^(b)
Footwear	-3	-8	-18	-29	-6	23	78.8
Minerals and metals	-4,350	-4,183	-5,801	-6,480	-9,468	-2,988	-46.1
Machinery	5,396	5,240	4,981	5,879	6,684	805	13.7
Transportation equipment	-18,730	-18,159	-20,886	-18,842	-12,675	6,167	32.7
Electronic products	6,420	6,869	6,600	6,437	6,405	-31	-0.5
Miscellaneous manufactures	-2,406	-2,440	-2,443	-2,083	-1,650	433	20.8
Special provisions	-11,423	-9,863	-9,274	-9,343	-9,421	-78	-0.8
Total	-67,975	-75,267	-92,492	-104,299	-104,808	-509	-0.5

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

^aImport values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

^bNot meaningful for purposes of comparison.

TABLE CANADA-2 Leading changes in U.S. exports to and U.S. imports from Canada, 2002–06^a

Sector/commodity	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
<i>Million dollars</i>							
U.S. EXPORTS:							
Increases:							
Transportation equipment:							
Motor vehicles (ET009)	15,486	17,193	17,918	20,404	22,625	2,221	10.9
Construction and mining equipment (ET004)	1,249	1,524	1,926	2,650	3,441	791	29.9
Miscellaneous vehicles and transportation-related equipment (ET012)	1,279	1,498	1,838	2,366	3,005	639	27.0
Minerals and metals:							
Precious metals and non-numismatic coins (MM020)	568	658	1,131	802	1,563	761	94.9
Copper and related articles (MM036)	405	396	578	663	1,241	578	87.2
Petroleum products (CH005)	1,240	1,432	1,725	2,605	3,272	667	25.6
Electric motors, generators, and related equipment (MM091)	949	822	951	1,048	1,488	441	42.1
Decreases:							
Semiconductors and integrated circuits (ET033)	1,294	1,171	1,475	1,993	1,292	-701	-35.2
Natural gas and components (CH006)	523	1,285	2,176	3,171	2,532	-639	-20.2
All other	119,551	122,770	133,450	147,535	157,768	10,233	6.9
TOTAL	142,543	148,749	163,168	183,235	198,226	14,992	8.2
U.S. IMPORTS:							
Increases:							
Crude petroleum (CH004)	11,196	14,086	18,888	24,120	32,889	8,769	36.4
Minerals and metals:							
Unwrought aluminum (MM037)	2,658	3,008	3,507	4,197	5,874	1,678	40.0
Copper and related articles (MM036)	1,074	1,057	1,606	2,073	3,364	1,291	62.3
Zinc and related articles (MM040)	508	496	622	654	1,437	783	119.8
Medicinal chemicals (CH025)	1,326	1,946	2,228	2,500	3,618	1,118	44.7
Decreases:							
Natural gas and components (CH006)	12,647	20,043	21,535	29,357	27,039	-2,318	-7.9
Transportation equipment:							
Aircraft, spacecraft, and related equipment (ET013)	5,268	6,345	5,347	6,006	5,082	-924	-15.4
Certain motor-vehicle parts (ET010)	9,685	10,564	11,142	11,842	11,282	-559	-4.7

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See footnote(s) at end of table.

TABLE CANADA-2 Leading changes in U.S. exports to and U.S. imports from Canada, 2002–06^a—Continued

Sector/commodity	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
	<i>Million dollars</i>						
Wood veneer and wood panels (AG054)	2,219	3,152	4,286	4,087	3,292	-796	-19.5
Semiconductors and integrated circuits (ET033)	1,068	1,052	1,186	1,628	1,039	-589	-36.2
All other	162,869	162,266	185,313	201,070	208,117	7,047	3.5
TOTAL	210,518	224,016	255,660	287,534	303,034	15,500	5.4

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

^aImport values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

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