Economic performance of canada?

\n[toc title="Table of Contents"]\n

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Canada is among the top ten trading nations in the world and its economy is dominated by service sector. It is one of the wealthiest nations and it's a member of organisation of economic cooperation and development (OECD) and G-8. The impressive growth of Canada's manufacturing, mining and service segments have transformed the North American nation from an agricultural economy to a highly industrial and modern economy (canada economic structure).

Canada's biggest trading partner is USA, 80% of its exports are to USA and imports 65% from USA (canada economy). Canada has experienced a high economic growth, even when a global economic crisis was affecting most economies of world (canada economic report)

The aims and objectives of this report are to evaluate the economic performance of Canada. The report discusses about the macroeconomic indicators and balance of payments from 2006 till today. The report also discusses about the future perspectives of Canada.

Gross Domestic Product can be defined as " the amount of goods and services produced by a country over time". Canada's economy is very highly developed. Foreign Trade is the foundation of Canadian economy. Foreign Trade is responsible for about 45% of Canada's Gross Domestic Product. Canada is one of those countries that are a major exporter of energy (trading economy 2010).

Canada's real GDP has grown by 0. 8% in the last quarter of 2010, led by exports. All major sections increased their output in the last quarter of 2010, except the manufacturing industry. The largest sector contributing to the GDP growth was the mining and oil and gas sector. Canada has seen so many ups and downs during the recession period. But 2009 has been the worst year for Canada in terms of economic growth as the GDP fell to -2. 46%. But Canada being a major exporter of so many products has somehow gained back its position as GDP rose to 3. 07%.

Canada is one country in the world that has seen a budget surplus when the recession was striking so many economies badly. But eventually in 2009-2010, Canada's surplus started shrinking and the country for the first time in last six years witnessed a deficit.

Although, Canada was in surplus for so many years still the % change in the figures as seen from the graph below was very less. The surplus growth in 2009 was only 0. 15% as compared to the previous year where the growth was 1. 96%. In 2010 the country faced a deficit and the growth rate went down to -0. 03.

Exchange rate is the price of one national currency such as Canadian dollar expressed in terms of in another currency, example US dollar or basket of currencies (Bank of canda).

Canada has flexible exchange rate system this can be shown from the following line graph. In 2006 it was 0. 88 which increased till 2008 and because of recession during 2009 it decreased.

Movement in Canadian dollar shows how domestic and external factors co relate with each other. These factors play an important role at different points of time. The factors are economic performance, interest rates, inflation rates, Canada's public debt, trade and current account balance etc (Bank of canda) .

Canada Balance Of Payments

Current Account

The balance of payments can be defined as " the economic transaction of the country's residents with the rest of the world "(fxwords) and the Trade is the " difference between the exports and imports (fxwords). " Canada has been in a trade deficit since past few years (2005-2009) because it has imported more than it exported. But in 2010, country's exports increased and ultimately it the trade balance started rising (from -27231 to -23309).

The above graphs are similar beacause there is a strong relationship between the trade balance and the current account balance. When the trade balance is decreasing the current balance is also decreasing and vice-versa. This means they are directly proportional to each other.

2. Capital and Financial Account

Canada's balance on capital and financial account has shown a continuous improvement as the figures went up from -22768 in 2006 to 55546 in 2010.

When a country has a positive capital and financial account, it has more debits than credits. It is said that a country should not have any constraints on capital movement because it attracts more Foreign Direct Investment. In Canada stock exchange volumes and capital market deregulation are encouraged by Portfolio Foreign Investments and the investors diversify their portfolio risk by investing in more than one market (investopedia).

Canada is a country full of natural resources, technology and many other means of production. Even banks and other financial institutions are stable in this country. Canada has been a country of low interest rate and low inflation rate. This is the reason why the nation has developed more than any other nation even after passing a bad phase of financial crisis (economy watch 2008).

Future GDP Estimates

There has been an increase in the GDP growth in the first quarter of 2011. The country has overcome with the recession at a faster rate than any other nation. At the end of 2009, Canada was in the number 10 position for world rankings. Forecasters expect that by the close of 2015, numbers will reach $1, 971. 44 billion in US dollars. Because the economy of Canada is a mixture of many things and with this country being one of the most vital of all suppliers of agricultural products, it is expected that the economy will remain strong (economy watch 2008).