

# Canadian gdp 1600



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The output or GDP of Canada has increased from 1995 to 1999. This means that more people became employed or productivity has risen. With the GDP on the rise, Canada is able to buy more because people will have more money from work. This would appreciate the dollar because Canadians need the U. S. dollar to purchase our goods.

Demand, on the other hand, has somewhat stayed the same. There were periods when it was up and periods when it was down. When the demand for passenger cars was falling, Canadians were looking elsewhere to buy their cars. This factor would, most likely appreciate the dollar because, one again, the Canadians would need the U. S. dollar to buy our cars. When the demand was up, the opposite situation would happen.

The unemployment rate for Canada fell, possible because of increased advertisement. When the unemployment of a country is low, output and productivity are raising. I stated before, as output rises, imports will also rise. This is due to the increase of money in the country. The dollar will appreciate relative to the Canadian dollar.

Canada" s inflation has risen 7% in the last five years. As the price of Canada" s goods increase, the U. S. is looking elsewhere to buy its products. The supply of the U. S. dollar would decrease in Canada and the U. S. dollar would appreciate. In order to get an exact reading of the actions taken by Canada, we must look at their inflation compared to the U. S. I looked at [http://www. stls. frb. org/fred/data/cpi/cpiaucsl](http://www.stls.frb.org/fred/data/cpi/cpiaucsl), and I found that the U. S. had an 11% inflation rate. This means that product price of the U. S. has risen

faster to that of Canada. This means that Canada was possible taking there business elsewhere, causing the dollar to depreciate.

The interest rates of Canada are clearly on the downfall. Less people are putting their money into the investing sector. When the interest decreases, it is likely that Canada is putting their money into the U. S. This would appreciate the dollar because Canada would need the U. S. currency to invest in our country.

Canada is running a constant trade surplus. We must also look at the current account balance of Canada. It decreased drastically from 1996 to 1997. This, most likely, means their imports were greater than their exports. You would be able to see this on their goods and service balance. I would assume that they do have a merchandise trade deficit because Canada is getting money from investing income. I see this because there is little investing domestically. Therefore, Canada must be making their money abroad. This would appreciate the dollar because Canada is depending on our currency to buy our products.

The Pacific Exchange Rate graph shows the U. S. dollar appreciating. The exchange rate started at \$. 71 in 1995 and is currently around \$. 676. Most of the indicators show the dollar appreciating to the Canadian currency. One strong indication of the dollar appreciation is that of the financial market. You can see the share prices decrease. At the same time the dollar appreciated drastically. This could have been due to the flooding of U. S. markets for higher rates of return.