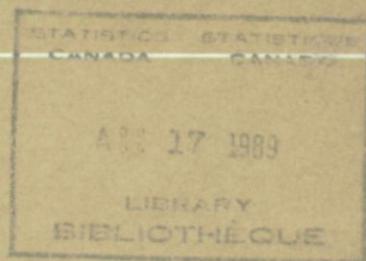




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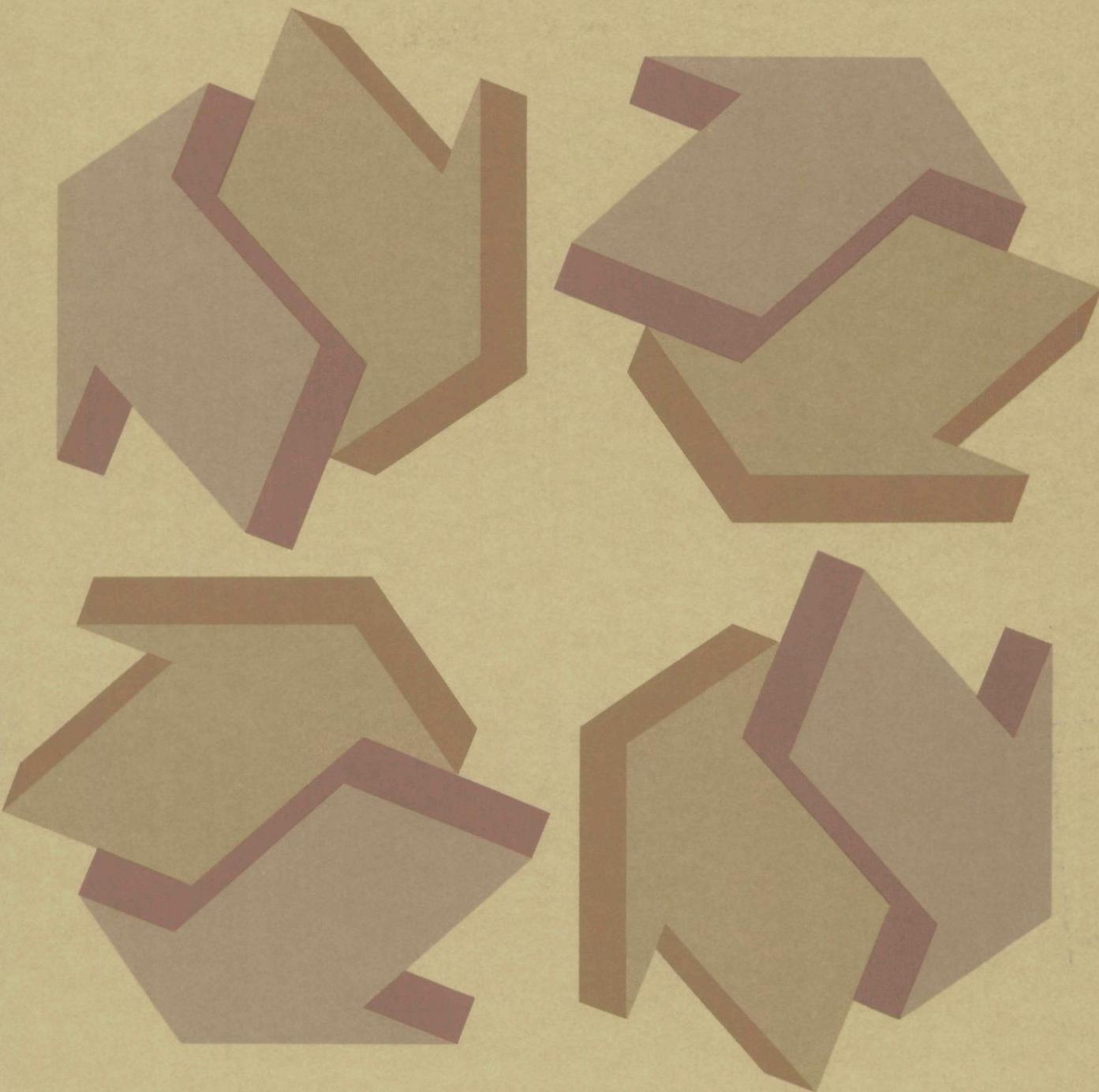


Preliminary Statement of Canadian International Trade

(H.S. Based)

June 1989

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Thursday, August 17, 1989



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Statistics Canada
International Trade Division

Preliminary Statement of Canadian International Trade (H.S. Based)

June 1989

Published under the authority of
the Minister of Regional Industrial Expansion

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and Services Canada 1989

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HIGHLIGHTS

- Exports fell in June to \$11.1 billion, their lowest level since July 1988. This reinforces the decreasing short-term trend recorded for the last three months.
- Imports were down \$914 million from May to \$11.0 billion. However, the short-term trend has continued to rise for almost a year.
- Canada's trade surplus declined to \$127 million following a larger decrease in exports than imports.
- Exports of automotive products were up \$495 million from the first quarter of 1988 and imports of automotive products were down sharply following a \$1.1 billion drop in imports of motor vehicle parts.
- The reconciled balance of merchandise trade between Canada and the United States totalled \$5.2 billion for the first six months of 1989, a decline of 21% compared to the same period of 1988.

This edition of the "Preliminary Statement of Canadian International Trade" contains a methodological note which provides a complete overview of the various balance of payments adjustments applied to convert customs-basis international trade statistics to a balance of payments basis.

For more detailed information on statistics, concepts and definitions, order the June 1989 issue of "Summary of Canadian International Trade (H.S. Based)" (65-001, \$17.30/\$173), which will be available the first week of September 1989, or contact Gordon Blaney (613-951-9647), Trade Information Unit, or Jean-Pierre Simard (613-951-1711) (for analysis information), or Denis Pilon (613-951-4808) (for price index information), or René Piché (613-951-9790) (for trade in automotive products information), Trade Measures and Analysis Section, International Trade Division.

Available on CANSIM: matrices 3633 to 3642, 3651, 3685 to 3713, 3718, 3719, 3887 to 3913.

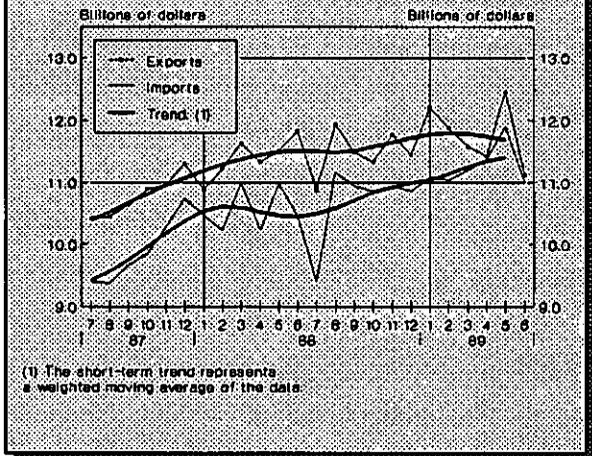
Monthly Summary

According to preliminary statistics adjusted for seasonal variations, Canada's international merchandise trade declined substantially in June, after posting major gains in May. Total exports were down more than \$1 billion, or almost 11%, from the previous month's level to total \$11.1 billion. This was the lowest level recorded since July of last year, when exports dropped sharply as a result of several temporary plant closures in the automotive manufacturing sector.

Given the volatility of the data on international merchandise trade, an examination of movements in the short-term trend provides a better indication of the real factors influencing international trade. Hence, the sharp upward movement noted in the May data appears, in the absence of any indicators of a sustained expansion of exports, to be the result of very short-term factors. In this regard, the June data are more comparable with those for late 1988 and early 1989 and are more in line with current economic conditions. After appreciating significantly at the end of 1988, the value of the Canadian dollar has remained stable since the beginning of 1989 at relatively high levels compared to the past five or six years. This strength of the Canadian dollar could, over the medium to long term, moderate American imports from Canada. Moreover, there are obvious signs of a slowdown in the growth of the U.S. economy, with the GNP growth rate declining from 0.9% in the first quarter to 0.4% in the second.

Exports to the United States fell \$984 million, losing ground gained in May, when they rose \$978 million. As

Merchandise Trade

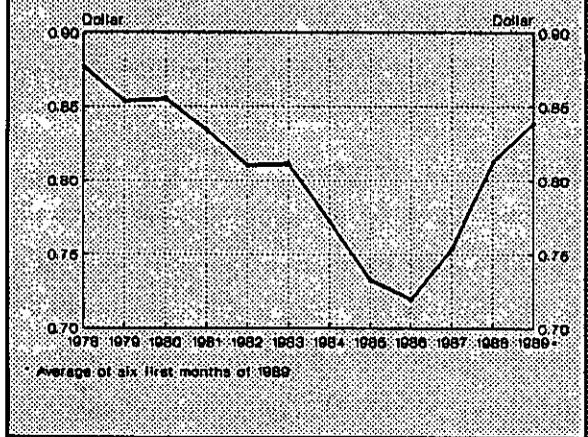


a result, exports to the United States fell to their lowest level of the past six months. The automotive sector, which rebounded in April following rebates offered by the Big Three car manufacturers, seems to be slowing down. Although the June decline involved all major trade sectors, exports of industrial goods and materials alone accounted for almost \$370 million, or just over a quarter of the total decline. Exports of forestry products and automotive products fell by \$185 million.

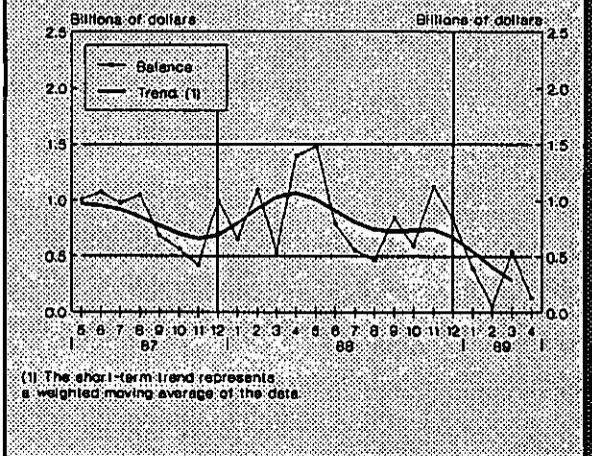
Imports, on the other hand, were down \$914 million or 8% from their May level. This decline contrasted with the \$532 million increase noted in May. Imports in June totalled \$11.0 billion, the lowest level of the past six months and the first substantial drop in imports since September 1988. Imports of machinery and

Exchange Rate

Canadian Dollar in U.S. Dollar



Trade Balance



equipment, which, buoyed by the relative strength of business investment in Canada, had been quite firm since September 1988, fell more than \$400 million in June. Imports of automotive products were down \$23 million. Despite the substantial drop in imports of machinery and equipment in June, the latest data on private and public investment intentions in Canada suggest a sustained increase in capital spending in 1989, which should be favourable to imports.

Imports from the United States posted the largest drop in value, \$646 million. Imports from Japan, on the other hand, declined the most in percentage terms, falling 15%, compared to 8% for imports from the United States. Canadian imports from Japan rose more than 22% in May to \$813 million, setting a new record and substantially exceeding the average for previous months.

Canada's trade surplus fell to \$127 million in June from the revised May level of \$543 million, following a larger decrease in exports than imports. The cumulative surplus for the first half of the year was \$3.1 billion, down sharply from the \$4.7 billion surplus recorded in the last six months of 1988. In the second quarter, the relative strength of imports reduced the surplus to \$719 million, the lowest quarterly surplus since the third quarter of 1977.

Canada, historically a net exporter of agricultural and fishing products, has seen its balance in this sector diminish slightly in 1989, particularly as a result of the collapse of wheat exports caused by the drought in the summer of 1988. For the first six months of 1989, Canada posted a surplus of \$1.5 billion in international trade of these products, while during the same period of 1988 the surplus was \$2.9 billion. The monthly surplus has gradually fallen from \$445 million in January 1989 to \$87 million in June.

Short-term trend

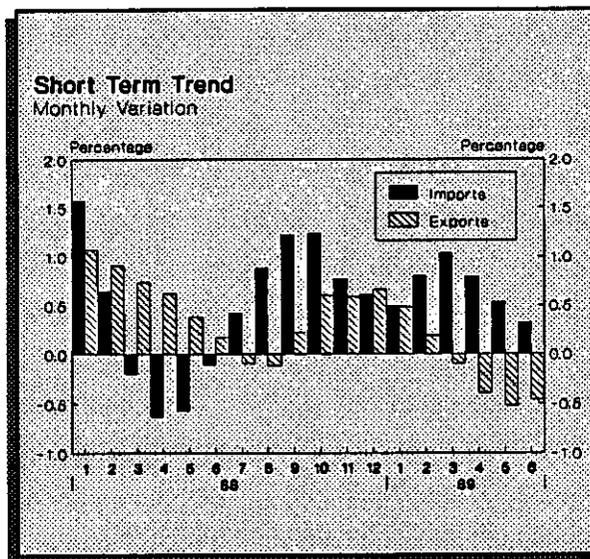
(excluding last month)

The short-term trend is the result of a weighted moving average of thirteen terms, and it is therefore possible that the seasonally-adjusted series may not point in the same direction as the short-term trend. In addition, the trend for the last month is not analysed since it frequently undergoes extensive change with the inclusion of data for the following month. (For further details on the methodology used to calculate the short-term trend, please refer to the January 1989 issue of this bulletin).

Exports

The short-term trend for exports decreased in May for the third consecutive month. The rate of decline increased from 0.4% in April (revised figure) to 0.5% in May. In March, the trend dropped 0.1%, while increases of 0.5% and 0.2% were recorded in January and February.

- The downward trend of wheat exports continued for the eleventh consecutive month and was the major cause of the overall decline in the food category. The rate of decline of wheat exports rose from 16% in April to 19% in May.
- The overall trend for exports of fabricated materials declined 1% in May, compared to decreases of 0.9% in April and 0.6% in March. The trend for lumber exports was the largest contributor to the decline in this sector in May. Metals such as aluminum, copper and nickel, which have been increasing for the past three months, also displayed downward trends. This coincides with recent decreases in the prices of these metals.
- After a period of growth between August 1988 and January 1989, the trend for exports of motor vehicle parts has continued to decline since February 1989 at a monthly rate of just over 1%.



Imports

The short-term trend for imports was up in May for the eleventh consecutive month. However, the rate of increase fell to 0.5% from the revised rate for April of 0.8%.

- The trend for crude petroleum imports contributed to the increase in total imports, rising 6.0% from the April level and continuing the upward trend noted since November 1988. Between February and May, however, the rate of increase declined by half.

- Total imports of fabricated materials grew 0.5% in May, the same rate of increase as in March and April. However, the trend for imports of fabricated materials rose more slowly on average in 1989 than during 1988.
- The trend for imports of motor vehicle parts reversed in March and has since posted increases. In May, the rate of increase was 1.4%, down slightly from the 1.6% figure recorded in April.

Detailed Analysis by Commodities and Trading Partners

Commodities

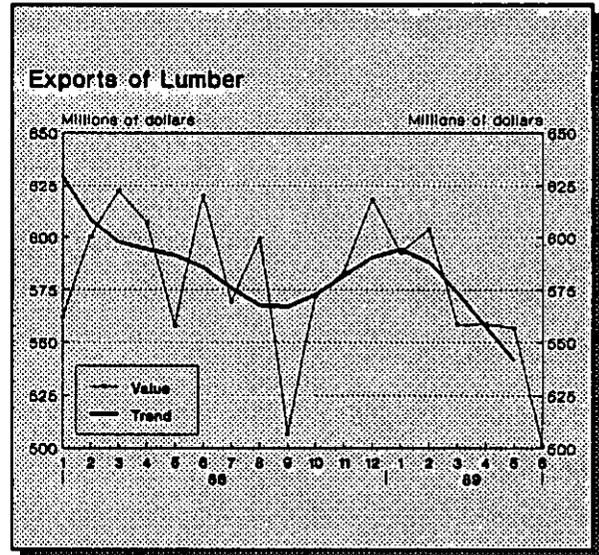
Exports fell \$1.3 billion between May and June. This sharp decline in exports involved all major commodity categories and all of Canada's major trading partners. Hence, the surge in exports observed in May appears to be the result of very short-term factors. The June data represent a return to the situation that prevailed between February and April, when exports posted a downward trend.

Exports of industrial goods and materials totalled \$2.4 billion in June, down \$368 million from the May level. Exports of metals decreased \$222 million to \$924 million and exports of metal ores were down \$116 million to total \$448 million. Exports of nickel ore alone, which rose \$131 million in May, fell \$121 million in June. This was the first time metal exports had dipped below the \$1 billion mark since December 1988.

Exports of aircraft and other transportation equipment dropped \$113 million to \$416 million. Although this was a substantial drop from the previous month, the level of exports for June was more in line with those prevailing between January and April 1989. Cumulative exports of aircraft and other transportation equipment have already exceeded by more than \$500 million the level recorded for the same period of last year.

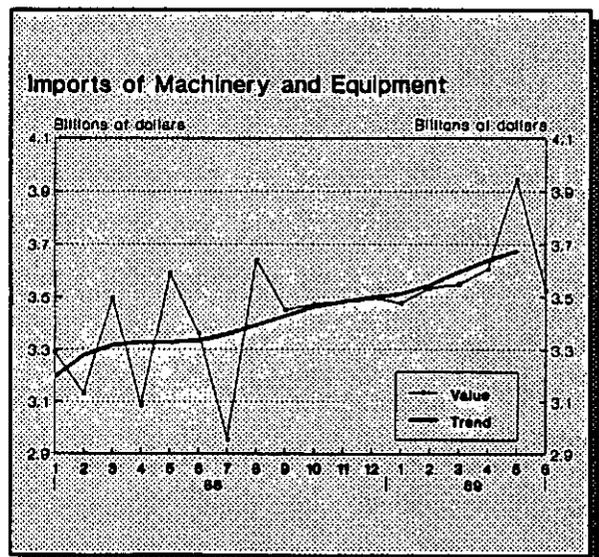
Total exports of forestry products were down \$96 million in June. Exports of lumber declined the most, falling \$53 million, while exports of newsprint were down \$36 million. The drop in lumber exports coincided with a weakening of the U.S. housing market observed since the beginning of 1989. In 1988, almost 65% of Canada's lumber exports went to the United States, illustrating the importance of this market for this Canadian industry.

Exports of machinery and equipment other than that indicated in the breakdown by summary category, up \$73 million, and natural gas exports, up \$72 million, were the only two commodity categories to post large increases.



Imports fell \$914 million in June, the largest decrease since the drop in imports recorded in July 1988. This decrease contrasted with the three months of expansion between March and May 1989. As in the case of exports, the decline involved all categories of imported commodities, notably machinery and equipment, which until now had been one of the major sources of strength of imports.

Imports of machinery and equipment fell to \$3.5 billion in June after reaching a peak of \$3.9 billion in May. Imports of aircraft and other transportation equipment alone were down \$110 million to \$454 million. Imports of industrial and agricultural machinery dropped \$88 million, the largest decrease since April 1988. Imports of office machines and equipment declined \$38 million.



The automotive products sector recorded an overall decline of \$233 million. The largest decrease was for imports of motor vehicle parts, which fell \$120 million. In May, imports of parts rose \$102 million. Imports of passenger automobiles and trucks were both down \$57 million in June. Following this decrease, imports of passenger automobiles totalled \$871 million, the lowest level of the past twelve months.

Total imports of energy products fell \$90 million in June, following a more moderate decrease of \$56 million in May. The June decline is attributable to a \$39 million drop in imports of crude petroleum and a \$54 million drop in imports of petroleum and coal products.

Trading Partners

Exports to the United States totalled \$8.6 billion, down \$984 million from the previous month. Revised data for May show an increase of \$978 million in exports to the United States. Hence, exports to the United States in June fell to a level below that prevailing at the beginning of 1989 and slightly higher than the monthly average for 1988. Between the second half of 1988 and the first half of 1989, exports to the United States rose \$2.4 billion.

Exports to "Other O.E.C.D. countries", Japan, the United Kingdom and "Other countries" also posted declines, falling to levels closer to those recorded in April. In the case of Japan, however, exports fell to \$587 million, the lowest level since June 1987.

Exports to E.E.C. countries with the exception of the United Kingdom, on the other hand, rose \$42 million between May and June, bringing the total to \$664 million.

Imports from the United States fell \$646 million in June, offsetting the cumulative increase of \$538 million observed between March and May. Imports from the United States totalled \$7.6 billion, the lowest level of the past seven months. Despite this substantial drop in June, imports from the United States for the first half of 1989 were nonetheless \$2.6 billion higher than in the second half of 1988.

Imports from the E.E.C., Japan and "Other countries" were down in June compared to May. Imports from the E.E.C. fell to \$1.1 billion in June compared to \$1.3 billion for the previous month.

Imports from "Other O.E.C.D. countries", on the other hand, were up \$81 million to total \$380 million.

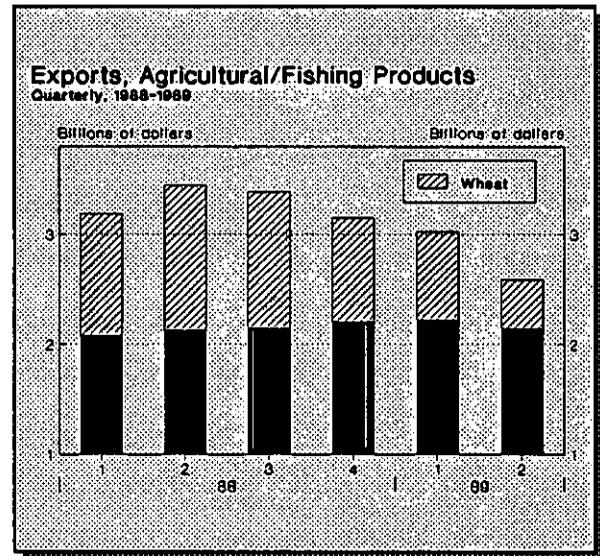
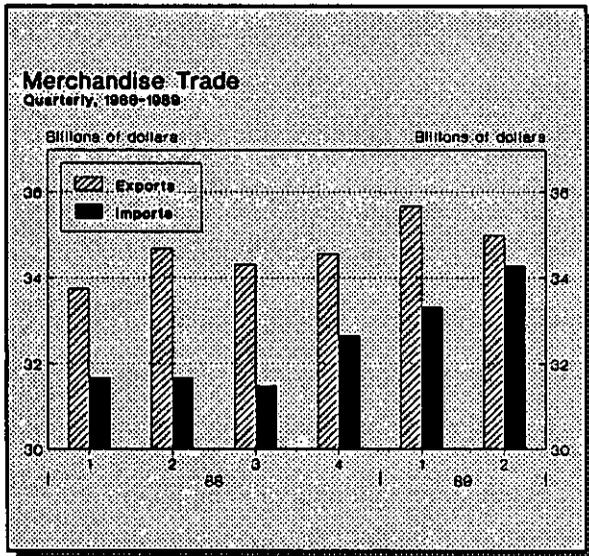
Quarterly Summary

Exports

Exports totalled \$35.0 billion in the second quarter, down \$684 million or 1.9% from the first quarter. The revised figures for the first quarter of 1989, on the other hand, indicate a \$1.1 billion increase over the fourth quarter of 1988. Exports of agricultural and fishing products were the largest contributors to the second quarter decline, with wheat exports falling more than \$400 million, from \$796 million in the first quarter to \$438 million in the second. Exports of industrial goods and materials also recorded a substantial decline of \$170 million, mainly attributable to lower exports of metals and alloys. Lumber exports were also down, by \$142 million.

Imports

Imports continued to grow for the third consecutive quarter, rising \$950 million to total \$34.3 billion. The overall strength of imports was due primarily to firm growth in imports of machinery and equipment, up \$514 million, and of crude petroleum, up \$315 million. This increase boosted imports of machinery and equipment to \$11.1 billion, representing 32% of the total value of all goods imported into Canada. Imports of crude petroleum totalled \$1.1 billion, the highest quarterly level ever recorded.



Reconciliation Canada - United States

Reconciled year-to-date merchandise trade statistics are published on a quarterly basis. It should be noted that the starting point for the reconciliation program is raw customs data. A number of adjustments for non-response, transportation charges, and differences in trade and valuation definitions are then applied, using American imports from Canada as benchmarks to amend Canadian exports to the United States.

The cumulative value of Canadian exports to the U.S. on a reconciled basis totalled \$54.4 billion for the first six months of 1989, an increase of \$2.0 billion from the same period in 1988. Undercoverage of exports was 6.1% of the starting Customs figure. Imports for their part amounted to \$49.2 billion, up more than \$3.4 billion from the first half of 1988. As a result of these movements, the reconciled trade balance was \$5.2 billion, down \$1.4 billion or 21% from the first six months of 1988.

Data users please note that starting January 1990, as a result of a Memorandum of Understanding signed in June 1987, Canada and the U.S. will be exchanging counterpart import data to more precisely measure the flow of exported goods thus to replace export statistics.

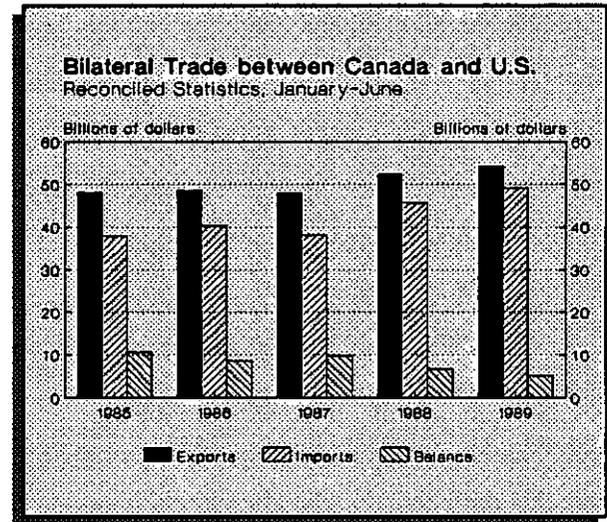


Table 2A
Reconciled Merchandise Trade between Canada and the United States

| | 1985 | 1986 | 1987 | 1988 | 1989 |
|---------------------------------|--------------------------------|----------|----------|----------|----------|
| | January to June \$ millions | | | | |
| Exports: | | | | | |
| Customs Basis Published total * | 47,247.8 | 47,601.6 | 47,005.5 | 52,254.4 | 52,288.2 |
| Reconciliation Adjustments | 1,077.3 | 1,157.2 | 1,008.8 | 132.4 | 2,117.8 |
| Reconciled Basis | 48,325.1 | 48,758.8 | 48,014.3 | 52,386.8 | 54,406.0 |
| Other B.O.P. Adjustments | -833.1 | -1007.2 | 48.4 | -339.3 | -206.0 |
| B.O.P. Basis | 47,492.0 | 47,751.6 | 48,062.7 | 52,047.5 | 54,200.0 |
| Imports: | | | | | |
| Customs Basis Published total * | 37,809.9 | 40,059.7 | 38,206.1 | 46,348.2 | 49,682.4 |
| Reconciliation Adjustments | -20.5 | 111.9 | -92.2 | -602.5 | -521.0 |
| Reconciled basis | 37,789.4 | 40,171.6 | 38,113.9 | 45,745.7 | 49,161.4 |
| Other B.O.P. Adjustments | -471.7 | -630.2 | 1,397.5 | -48.0 | -180.2 |
| B.O.P. Basis | 37,317.7 | 39,541.4 | 39,511.4 | 45,697.7 | 48,981.2 |
| Balance: | | | | | |
| Reconciled Basis | 10,535.7 | 8,587.2 | 9,900.4 | 6,641.1 | 5,244.6 |
| B.O.P. Basis | 10,174.3 | 8,210.2 | 8,551.3 | 6,349.8 | 5,218.8 |

* Including trade between Canada and Puerto Rico and the Virgin Islands.
Note: The data presented in this table are not seasonally adjusted

Table 1
Merchandise Trade of Canada
 June 1989
 Balance of Payments Basis

| | Exports (1) | Imports (1) | Exports Raw | Imports Raw | Exports S.A.(3) | Imports S.A.(3) | Balance S.A.(3) | Period-to-period change(2) | | |
|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|--------------------|-------------------------------|--------------------|--------------------|
| | | | | | | | | Exports S.A.(3) | Imports S.A.(3) | Balance S.A.(3) |
| | \$ millions | | | | | | | % | % | \$ millions |
| 1983 | 90,613 | 75,520 | 90,556 | 73,098 | 90,556 | 73,098 | 17,457 | 7.3 | 9.5 | -197 |
| 1984 | 112,384 | 95,460 | 111,330 | 91,493 | 111,330 | 91,492 | 19,838 | 22.9 | 25.2 | 2,381 |
| 1985 | 119,474 | 104,355 | 119,061 | 102,669 | 119,061 | 102,669 | 16,392 | 6.9 | 12.2 | -3,446 |
| 1986 | 120,670 | 112,511 | 119,865 | 110,079 | 119,865 | 110,079 | 9,787 | 0.7 | 7.2 | -6,606 |
| 1987 | 125,087 | 116,239 | 126,120 | 114,767 | 126,120 | 114,767 | 11,353 | 5.2 | 4.3 | 1,567 |
| 1988 | 138,150 | 131,664 | 137,294 | 127,486 | 137,294 | 127,486 | 9,809 | 8.9 | 11.1 | -1,545 |
| 1987 | | | | | | | | | | |
| First quarter | 29,714 | 27,776 | 30,273 | 27,357 | 30,794 | 27,673 | 3,122 | 1.4 | -0.1 | 449 |
| Second quarter | 31,687 | 29,578 | 31,832 | 29,221 | 30,686 | 27,810 | 2,876 | -0.4 | 0.5 | -245 |
| Third quarter | 29,628 | 27,814 | 30,071 | 27,475 | 31,487 | 28,422 | 3,065 | 2.6 | 2.2 | 189 |
| Fourth quarter | 34,057 | 31,071 | 33,944 | 30,714 | 33,152 | 30,862 | 2,290 | 5.3 | 8.6 | -776 |
| 1988 | | | | | | | | | | |
| First quarter | 34,172 | 35,337 | 33,397 | 32,530 | 33,747 | 31,681 | 2,066 | 1.8 | 2.7 | -224 |
| Second quarter | 36,399 | 33,711 | 36,142 | 32,957 | 34,684 | 31,663 | 3,022 | 2.8 | -0.1 | 956 |
| Third quarter | 32,221 | 30,518 | 32,392 | 30,026 | 34,305 | 31,487 | 2,817 | -1.1 | -0.6 | -205 |
| Fourth quarter | 35,358 | 32,098 | 35,363 | 31,972 | 34,558 | 32,655 | 1,904 | 0.7 | 3.7 | -914 |
| 1989 | | | | | | | | | | |
| First quarter | 34,480 | 33,841 | 35,228 | 33,480 | 35,676 | 33,324 | 2,352.2 | 3.2 | 2.1 | 449 |
| Second quarter | 35,743 | 36,384 | 36,255 | 35,955 | 34,993 | 34,274 | 718.8 | -1.9 | 2.8 | -1,633.5 |
| 1988 | | | | | | | | | | |
| January | 10,366 | 12,470 | 10,220 | 10,102 | 10,884 | 10,465 | 419 | -3.6 | -2.5 | -141 |
| February | 11,282 | 10,520 | 10,911 | 10,289 | 11,225 | 10,225 | 999 | 3.1 | -2.3 | 581 |
| March | 12,524 | 12,348 | 12,266 | 12,140 | 11,639 | 10,991 | 648 | 3.7 | 7.5 | -352 |
| April | 11,475 | 10,693 | 11,397 | 10,447 | 11,327 | 10,229 | 1,097 | -2.7 | -6.9 | 450 |
| May | 12,067 | 11,706 | 12,013 | 11,447 | 11,516 | 10,985 | 530 | 1.7 | 7.4 | -567 |
| June | 12,857 | 11,312 | 12,732 | 11,063 | 11,842 | 10,448 | 1,394 | 2.8 | -4.9 | 864 |
| July | 9,651 | 8,900 | 9,800 | 8,847 | 10,866 | 9,385 | 1,481 | -8.2 | -10.2 | 87 |
| August | 10,906 | 10,752 | 10,958 | 10,502 | 11,945 | 11,162 | 783 | 9.9 | 18.9 | -698 |
| September | 11,664 | 10,866 | 11,634 | 10,677 | 11,494 | 10,940 | 553 | -3.8 | -2.0 | -230 |
| October | 11,917 | 11,005 | 11,751 | 10,903 | 11,327 | 10,858 | 469 | -1.5 | -0.7 | -85 |
| November | 12,351 | 11,254 | 12,375 | 11,215 | 11,782 | 10,939 | 842 | 4.0 | 0.7 | 374 |
| December | 11,090 | 9,838 | 11,237 | 9,854 | 11,449 | 10,857 | 593 | -2.8 | -0.8 | -250 |
| 1989 | | | | | | | | | | |
| January | 11,318 | 10,612 | 11,694 | 10,564 | 12,211 | 11,089 | 1,122 | 6.7 | 2.1 | 530 |
| February | 11,183 | 11,047 | 11,461 | 10,888 | 11,878 | 11,042 | 836 | -2.7 | -0.4 | -286 |
| March | 11,979 | 12,181 | 12,073 | 12,028 | 11,588 | 11,193 | 394 | -2.4 | 1.4 | -442 |
| April | 11,615 | 11,914 | 11,607 | 11,756 | 11,423 | 11,375 | 49 | -1.4 | 1.6 | -345 |
| May | 12,237 | 12,601 | 12,861 | 12,410 | 12,450 | 11,907 | 543 | 9.0 | 4.7 | 494 |
| June | 11,891 | 11,869 | 11,786 | 11,789 | 11,120 | 10,993 | 127 | -10.7 | -7.7 | -416 |
| Year-to-date | | | | | | | | | | |
| 1988 | 70,571 | 69,049 | 69,539 | 65,488 | 68,432 | 63,344 | 5,088 | 11.3 | 14.2 | -910 |
| 1989 | 70,223 | 70,225 | 71,482 | 69,435 | 70,669 | 67,598 | 3,071 | 3.3 | 6.7 | -2,017 |

(1) Customs Basis

(2) Change over previous period

(3) Seasonally Adjusted.

Note: Due to rounding monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

Table 2
Merchandise Trade by Principal Trading Areas
 June 1989
 Seasonally Adjusted, Balance of Payments Basis

| | May | June | Period-to-period change | | | | Year-to-date Total | Change over previous year | |
|----------------------|-----------------|-----------------|-------------------------|--------------|----------------|-----------------|-----------------------|---------------------------------|-----------------|
| | | | May | June | May | June | | % | \$ millions |
| | \$ millions | | % | % | \$ millions | | \$ millions | % | \$ millions |
| Exports to: | | | | | | | | | |
| United States | 9,537.4 | 8,553.7 | 11.4 | -10.3 | 977.9 | -983.7 | 53,182.6 | 4.6 | 2,331.7 |
| United Kingdom | 340.1 | 260.4 | 19.6 | -23.4 | 55.8 | -79.7 | 1,747.7 | 3.2 | 54.3 |
| E.E.C. 86 excl. U.K. | 622.2 | 663.7 | -2.2 | 6.7 | -13.8 | 41.5 | 3,903.5 | 13.5 | 464.2 |
| Japan | 729.2 | 586.5 | -5.2 | -19.6 | -39.7 | -142.6 | 4,463.4 | 11.1 | 447.7 |
| Other O.E.C.D. 86 * | 362.3 | 206.2 | 81.5 | -43.1 | 162.6 | -156.0 | 1,461.5 | -3.4 | -51.2 |
| Other countries | 858.6 | 849.1 | -11.9 | -1.1 | -116.4 | -9.5 | 5,910.3 | -14.6 | -1,009.1 |
| Total | 12,449.7 | 11,119.6 | 9.0 | -10.7 | 1,026.5 | -1,330.1 | 70,669.0 | 3.3 | 2,237.5 |
| Imports from: | | | | | | | | | |
| United States | 8,230.6 | 7,584.6 | 3.3 | -7.8 | 265.4 | -646.0 | 47,093.8 | 8.1 | 3,515.1 |
| United Kingdom | 368.1 | 347.2 | -26.9 | -5.7 | -135.8 | -20.9 | 2,403.0 | -3.8 | -96.2 |
| E.E.C. 86 excl. U.K. | 896.3 | 783.2 | 11.8 | -12.6 | 94.4 | -113.1 | 4,972.8 | -6.2 | -326.3 |
| Japan | 813.3 | 690.3 | 22.1 | -15.1 | 147.4 | -123.0 | 4,191.2 | 2.2 | 90.9 |
| Other O.E.C.D. 86 * | 298.7 | 380.1 | -16.5 | 27.2 | -58.9 | 81.3 | 2,011.1 | 11.4 | 206.2 |
| Other countries | 1,299.5 | 1,207.5 | 20.3 | -7.1 | 219.5 | -92.0 | 6,926.1 | 14.3 | 864.6 |
| Total | 11,906.5 | 10,992.8 | 4.7 | -7.7 | 532.0 | -913.8 | 67,598.0 | 6.7 | 4,254.3 |
| Balance with: | | | | | | | | | |
| United States | 1,306.8 | 969.2 | | | 712.5 | -337.7 | 6,088.7 | | -1,183.4 |
| United Kingdom | -28.0 | -86.8 | | | 191.6 | -58.8 | -655.2 | | 150.5 |
| E.E.C. 86 excl. U.K. | -274.1 | -119.6 | | | -108.2 | 154.6 | -1,069.3 | | 790.5 |
| Japan | -84.1 | -103.8 | | | -187.0 | -19.6 | 272.1 | | 356.8 |
| Other O.E.C.D. 86 * | 63.5 | -173.8 | | | 221.6 | -237.4 | -549.5 | | -257.4 |
| Other countries | -440.9 | -358.4 | | | -336.0 | 82.5 | -1,015.8 | | -1,873.7 |
| Total | 543.2 | 126.9 | | | 494.5 | -416.3 | 3,071.0 | | -2,016.8 |

* Series with no seasonality.

Imports for June 1989 by country of origin from the United States (including Puerto Rico and the U.S. Virgin Islands) amounted to \$7,930.6 million. This represents the starting figure from which the Canada/United States reconciliation takes place.

Table 3
Exports by Commodity Groupings
 June 1989
 Balance of Payments Basis

| | Seasonally adjusted | | | | | Raw values | | |
|---|---------------------|-----------------|-----------------|-----------------------|-------------|---------------------------------|-------------|------------|
| | | | | | | Percentage change | | |
| | Apr. | May | June | Year-to-date Value | % change | June'89/June'88/June'87/June'86 | | |
| | \$ millions | | | | | | | |
| AGRICULTURAL AND FISHING PRODUCTS | 947.1 | 845.0 | 791.7 | 5,606.4 | -15.4 | -37.8 | 27.8 | 10.3 |
| Wheat | 219.0 | 127.7 | 91.1 | 1,233.5 | -49.1 | -79.6 | 118.6 | -8.3 |
| Other agricultural and fishing products | 728.1 | 717.3 | 700.6 | 4,373.0 | 4.0 | -6.1 | -2.9 | 18.5 |
| ENERGY PRODUCTS | 1,000.3 | 1,056.4 | 1,074.2 | 6,025.8 | -4.1 | 1.5 | -4.2 | 36.2 |
| Crude petroleum * | 362.6 | 407.4 | 399.9 | 2,192.9 | -1.7 | 3.2 | -16.1 | 66.5 |
| Natural gas | 260.4 | 256.2 | 327.6 | 1,498.4 | 2.4 | 27.1 | 21.8 | 7.4 |
| Other energy products | 377.3 | 392.8 | 346.7 | 2,334.5 | -9.8 | -13.8 | -1.5 | 23.9 |
| FORESTRY PRODUCTS | 1,800.7 | 1,801.3 | 1,705.7 | 10,730.6 | 1.2 | -10.0 | 18.9 | 11.7 |
| Lumber and sawmill products | 558.9 | 553.7 | 501.0 | 3,369.1 | -5.6 | -21.4 | 12.0 | 0.8 |
| Woodpulp and other wood products | 603.0 | 564.2 | 557.0 | 3,469.8 | 14.6 | 4.9 | 21.3 | 40.3 |
| Newsprint and other paper and paperboard | 638.8 | 683.4 | 647.7 | 3,891.7 | -2.9 | -10.2 | 24.5 | 7.0 |
| INDUSTRIAL GOODS AND MATERIAL | 2,391.7 | 2,748.0 | 2,379.8 | 15,209.3 | 5.8 | -6.4 | 29.1 | 11.1 |
| Metal ores | 379.4 | 564.0 | 448.3 | 2,770.8 | 13.3 | 7.5 | 43.7 | -9.4 |
| Chemicals, plastics and fertilizers | 543.6 | 598.8 | 535.5 | 3,401.7 | -3.4 | -18.5 | 44.0 | 24.7 |
| Metals and alloys | 1,031.4 | 1,145.6 | 923.5 | 6,351.4 | 16.3 | -5.4 | 21.2 | 23.6 |
| Other industrial goods and materials | 437.4 | 439.5 | 472.5 | 2,685.4 | -8.8 | -5.1 | 18.7 | -2.5 |
| MACHINERY AND EQUIPMENT | 1,895.3 | 1,993.2 | 1,959.6 | 11,471.4 | 7.4 | 9.4 | 9.4 | 12.4 |
| Industrial and agricultural machinery | 459.5 | 435.9 | 441.9 | 2,687.1 | 8.4 | 9.0 | 5.1 | 9.0 |
| Aircraft and other transportation equipment | 393.9 | 528.9 | 416.4 | 2,592.5 | 25.9 | 17.6 | -1.8 | 14.0 |
| Other machinery and equipment | 1,041.9 | 1,028.3 | 1,101.3 | 6,191.8 | 0.8 | 6.5 | 16.4 | 13.4 |
| AUTOMOTIVE PRODUCTS | 2,814.7 | 2,988.9 | 2,899.8 | 17,613.9 | -1.6 | -4.7 | 18.6 | -11.7 |
| Passenger autos and chassis | 1,311.7 | 1,337.2 | 1,295.3 | 7,919.1 | -10.1 | -10.5 | 30.0 | -23.8 |
| Trucks and other motor vehicles | 561.8 | 682.2 | 712.6 | 4,005.4 | 7.1 | 6.5 | 30.3 | 1.2 |
| Motor vehicle parts | 941.2 | 969.6 | 892.0 | 5,689.4 | 6.4 | -3.5 | -3.1 | 1.1 |
| OTHER CONSUMER GOODS | 225.4 | 223.6 | 214.8 | 1,367.1 | -2.2 | -6.9 | 7.9 | 9.1 |
| SPECIAL TRANSACTIONS TRADE * | 60.5 | 64.1 | 73.2 | 387.9 | -2.0 | 12.9 | 68.3 | 48.0 |
| UNALLOCATED ADJUSTMENTS * | 287.6 | 729.3 | 20.7 | 2,256.3 | 1173.9 | -77.8 | -49.7 | 122.0 |
| TOTAL | 11,423.2 | 12,449.7 | 11,119.6 | 70,669.0 | 3.3 | -7.4 | 16.7 | 6.9 |

* Series has no seasonality.

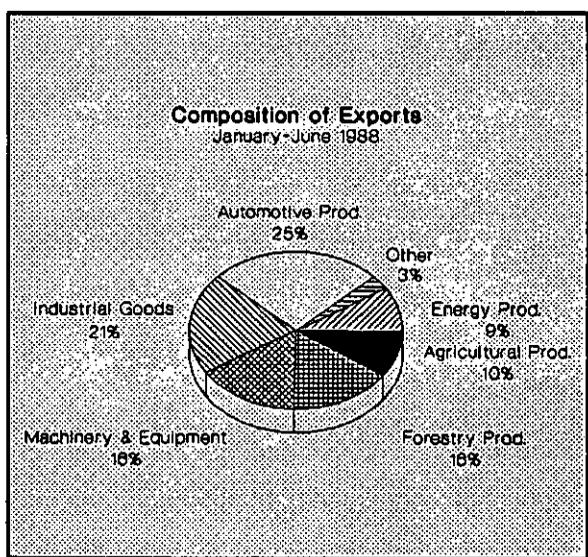
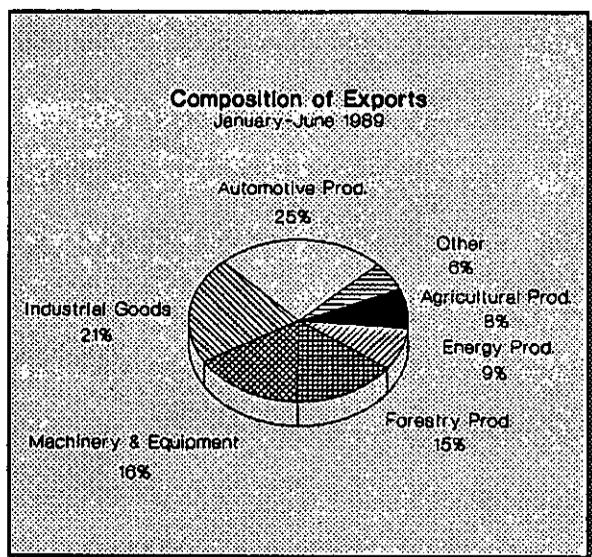


Table 4
Imports by Commodity Groupings
 June 1989
 Balance of Payments Basis

| | Seasonally adjusted | | | | | Raw values | | |
|---|---------------------|-----------------|-----------------|-----------------|------------|---------------------------------|------------|-------------|
| | Year-to-date | | | | | Percentage change | | |
| | Apr. | May | June | Value | % change | June'89/June'88/June'87/June'88 | June'87 | June'86 |
| | \$ millions | | | | | | | |
| AGRICULTURAL AND FISHING PRODUCTS | 673.6 | 723.0 | 704.6 | 4,124.5 | 11.4 | 11.7 | -5.3 | 24.8 |
| Fruits and vegetables | 221.8 | 245.6 | 231.2 | 1,381.5 | 10.3 | 14.7 | -16.7 | 32.7 |
| Other agricultural and fishing products | 451.9 | 477.4 | 473.4 | 2,743.0 | 11.9 | 10.0 | 2.9 | 19.6 |
| ENERGY PRODUCTS | 661.6 | 605.4 | 515.7 | 3,184.7 | 18.1 | 26.6 | -16.3 | 27.2 |
| Crude petroleum | 412.3 | 367.3 | 328.7 | 1,901.6 | 12.9 | 39.1 | -12.7 | 23.3 |
| Other energy products | 249.4 | 238.1 | 186.9 | 1,283.2 | 26.8 | 11.1 | -20.4 | 31.8 |
| FORESTRY PRODUCTS | 111.8 | 112.5 | 114.0 | 673.5 | 0.5 | 3.7 | 18.1 | 32.5 |
| INDUSTRIAL GOODS AND MATERIALS | 2,149.5 | 2,267.0 | 2,224.0 | 13,292.1 | 11.2 | 9.7 | 18.6 | 13.8 |
| Metals and metal ores | 615.8 | 636.7 | 613.7 | 3,836.3 | 12.7 | 6.7 | 29.8 | -4.7 |
| Chemicals and plastics | 649.2 | 672.0 | 697.2 | 4,080.1 | 14.2 | 15.5 | 11.4 | 21.1 |
| Other industrial goods and materials | 884.6 | 958.3 | 913.1 | 5,375.7 | 8.1 | 7.8 | 16.4 | 24.1 |
| MACHINERY AND EQUIPMENT | 3,607.0 | 3,943.7 | 3,526.4 | 21,640.4 | 8.4 | 7.6 | 19.9 | 13.9 |
| Industrial and agricultural machinery | 1,152.4 | 1,182.7 | 1,094.9 | 6,766.5 | 7.1 | 5.5 | 7.6 | 10.4 |
| Aircraft and other transportation equipment | 528.7 | 564.1 | 454.3 | 2,984.6 | -0.3 | 12.8 | 19.2 | 0.4 |
| Office machines and equipment | 532.6 | 548.8 | 510.7 | 3,204.6 | 12.0 | 2.0 | 13.3 | 34.2 |
| Other machinery and equipment | 1,393.2 | 1,648.2 | 1,466.4 | 8,684.7 | 11.6 | 9.9 | 36.1 | 14.9 |
| AUTOMOTIVE PRODUCTS | 2,805.1 | 2,732.4 | 2,499.7 | 16,333.0 | -3.4 | -2.5 | -13.0 | 0.1 |
| Passenger autos and chassis | 1,117.1 | 927.4 | 870.9 | 6,177.1 | 5.4 | 0.3 | -26.4 | -0.9 |
| Trucks and other motor vehicles | 304.0 | 318.7 | 262.0 | 1,837.4 | 1.7 | -6.1 | -24.7 | 29.7 |
| Motor vehicle parts | 1,384.0 | 1,486.3 | 1,366.8 | 8,318.5 | -10.0 | -3.5 | 1.7 | -4.7 |
| OTHER CONSUMER GOODS | 1,224.6 | 1,326.9 | 1,199.8 | 7,417.0 | 11.2 | 8.5 | 6.6 | 19.8 |
| Apparel and footwear | 277.4 | 312.9 | 266.0 | 1,681.3 | 7.1 | 5.4 | 3.5 | 35.8 |
| Miscellaneous consumer goods | 947.2 | 1,014.0 | 933.8 | 5,735.7 | 12.5 | 9.4 | 7.6 | 15.7 |
| SPECIAL TRANSACTIONS TRADE * | 222.9 | 281.4 | 290.0 | 1,414.8 | 13.5 | 8.9 | 46.2 | 29.7 |
| UNALLOCATED ADJUSTMENTS * | -81.8 | -85.9 | -81.6 | -482.3 | 4.6 | 1.9 | 11.4 | 9.5 |
| TOTAL | 11,374.5 | 11,906.5 | 10,992.8 | 67,598.0 | 6.7 | 6.6 | 5.1 | 11.4 |

(*) Series has no seasonality.

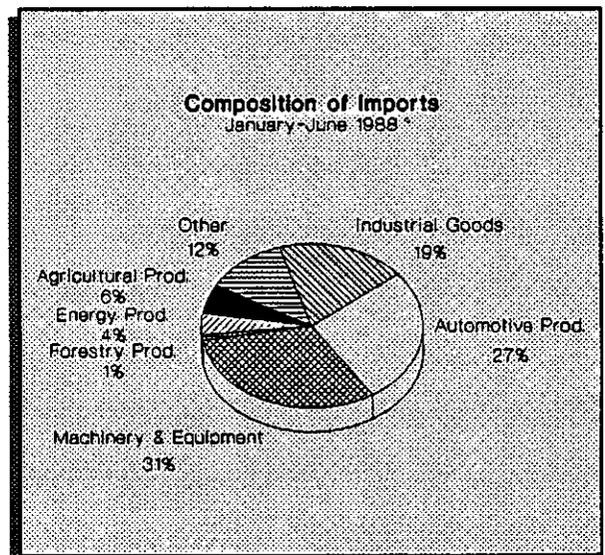
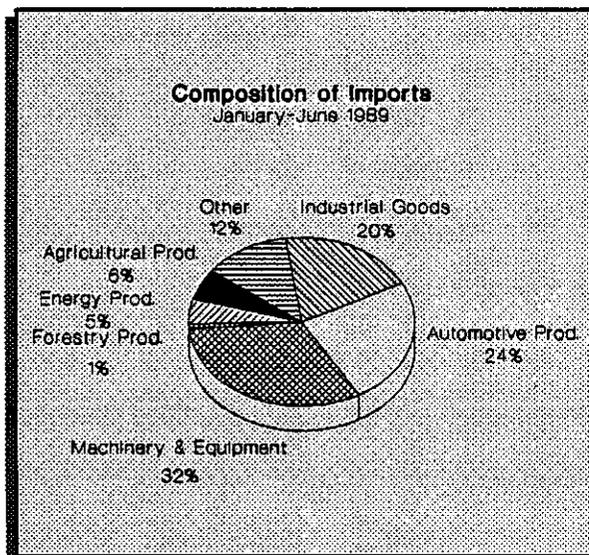


Table 5
Merchandise Trade of Canada
 Constant Dollars and Laspeyres Price Indexes
 June 1989
 Seasonally Adjusted, Balance of Payments Basis

| | Constant dollars (1981) (1) | | | | Laspeyres price index (2) | | | |
|----------------|-----------------------------|---------|----------------------------|---------|---------------------------|-------|-----------------------------|---------|
| | Exports Imports | | Period-to-period change(3) | | Exports Imports | | Period-to-period change (3) | |
| | | | Exports | Imports | | | Exports | Imports |
| | \$ millions | | % | | | | % | |
| 1984 | 106,931 | 85,581 | 18.6 | 19.7 | 105.0 | 109.6 | 4.2 | 5.7 |
| 1985 | 113,822 | 94,442 | 6.4 | 10.4 | 106.0 | 113.4 | 1.0 | 3.4 |
| 1986 | 117,822 | 101,513 | 3.5 | 7.5 | 104.0 | 112.8 | -1.9 | -0.5 |
| 1987 | 126,399 | 110,707 | 7.3 | 9.1 | 105.1 | 112.2 | 1.1 | -0.5 |
| 1988 | 139,052 | 126,877 | 10.0 | 14.6 | 107.8 | 110.5 | 2.6 | -1.6 |
| 1987 | | | | | | | | |
| First quarter | 30,939 | 26,432 | 2.5 | 2.0 | 102.9 | 111.6 | -1.0 | -1.0 |
| Second quarter | 30,810 | 26,745 | -0.4 | 1.2 | 104.8 | 112.2 | 1.9 | 0.6 |
| Third quarter | 31,558 | 27,533 | 2.4 | 2.9 | 105.7 | 112.6 | 0.8 | 0.3 |
| Fourth quarter | 33,093 | 29,997 | 4.9 | 8.9 | 106.7 | 113.2 | 1.0 | 0.6 |
| 1988 | | | | | | | | |
| First quarter | 34,379 | 31,100 | 3.9 | 3.7 | 106.2 | 111.3 | -0.5 | -1.7 |
| Second quarter | 35,363 | 31,514 | 2.9 | 1.3 | 106.4 | 110.1 | 0.1 | -1.0 |
| Third quarter | 34,670 | 31,530 | -2.0 | 0.1 | 108.6 | 110.1 | 2.1 | 0.0 |
| Fourth quarter | 34,640 | 32,734 | -0.1 | 3.8 | 109.8 | 110.4 | 1.2 | 0.3 |
| 1989 | | | | | | | | |
| First quarter | 34,967 | 33,625 | 0.9 | 2.7 | 111.3 | 110.6 | 1.3 | 0.2 |
| Second quarter | 34,694 | 34,691 | -0.8 | 3.2 | 111.7 | 111.5 | 0.4 | 0.8 |
| 1988 | | | | | | | | |
| January | 11,076 | 9,962 | 0.2 | -5.0 | 106.7 | 112.0 | -0.8 | -1.1 |
| February | 11,448 | 10,105 | 3.4 | 1.4 | 106.5 | 110.6 | -0.2 | -1.3 |
| March | 11,855 | 11,032 | 3.6 | 9.2 | 105.7 | 109.8 | -0.8 | -0.8 |
| April | 11,544 | 10,175 | -2.6 | -7.8 | 106.0 | 109.8 | 0.3 | 0.1 |
| May | 11,762 | 10,862 | 1.9 | 6.7 | 106.3 | 109.8 | 0.2 | 0.0 |
| June | 12,057 | 10,477 | 2.5 | -3.5 | 106.9 | 109.5 | 0.6 | -0.3 |
| July | 11,185 | 9,530 | -7.2 | -9.0 | 107.5 | 109.1 | 0.6 | -0.4 |
| August | 11,870 | 11,050 | 6.1 | 15.9 | 108.9 | 109.9 | 1.3 | 0.8 |
| September | 11,615 | 10,950 | -2.1 | -0.9 | 109.2 | 110.3 | 0.3 | 0.4 |
| October | 11,393 | 10,824 | -1.9 | -1.1 | 108.9 | 109.7 | -0.3 | -0.6 |
| November | 11,844 | 10,971 | 4.0 | 1.4 | 110.4 | 110.9 | 1.4 | 1.1 |
| December | 11,403 | 10,938 | -3.7 | -0.3 | 110.1 | 109.7 | -0.3 | -1.0 |
| 1989 | | | | | | | | |
| January | 11,939 | 11,138 | 4.7 | 1.8 | 111.7 | 110.4 | 1.4 | 0.6 |
| February | 11,544 | 11,142 | -3.3 | 0.0 | 111.4 | 110.4 | -0.3 | 0.1 |
| March | 11,483 | 11,345 | -0.5 | 1.8 | 112.0 | 110.6 | 0.5 | 0.1 |
| April | 11,279 | 11,522 | -1.8 | 1.6 | 111.9 | 111.6 | -0.1 | 0.9 |
| May | 12,264 | 12,006 | 8.7 | 4.2 | 112.1 | 111.7 | 0.2 | 0.1 |
| June | 11,150 | 11,163 | -9.1 | -7.0 | 111.8 | 111.3 | -0.3 | -0.4 |
| Year-to-date | | | | | | | | |
| 1988 | 69,742 | 62,614 | 12.9 | 17.7 | | | | |
| 1989 | 69,661 | 68,315 | -0.1 | 9.1 | | | | |

(1) The Paasche current weighted price index used to calculate constant dollars can be derived by dividing current values by the constant dollars above.

(2) The Laspeyres price index uses fixed weights based on 1981 trade and therefore reflects changes in price only.

(3) Change over previous period.

Note: Due to rounding, monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

Canada's Foreign Trade in Automotive Products

January - March 1989

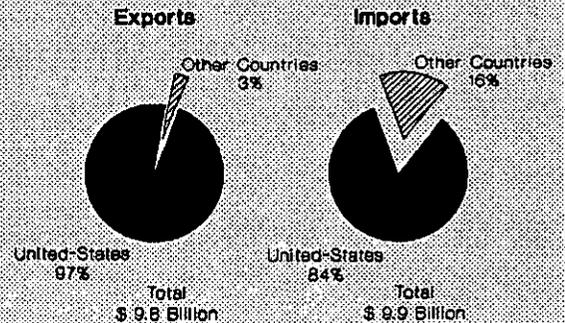
Trade with All Countries, Reconciled Basis (Table 1)

Statistics on foreign trade in automotive products (which include passenger automobiles, trucks and other motor vehicles, parts, tires and tubes) are now available for the first three months of 1989.

Exports of all automotive products totalled \$9.8 billion, up \$495 million or 5.3% compared to the first three months of 1988. Exports of automobiles, however, were down 7.8% or \$342 million to \$4.0 billion. This sharp drop in exports coincided with an 11.1% decline in sales of North American cars in the United States during the first quarter of 1989. Exports of trucks and other vehicles, on the other hand, rose \$272 million to \$2.1 billion. Exports of trucks now represent a third of total vehicle exports. Exports of parts also posted a substantial increase, rising 15.2% or \$453 million to \$3.4 billion.

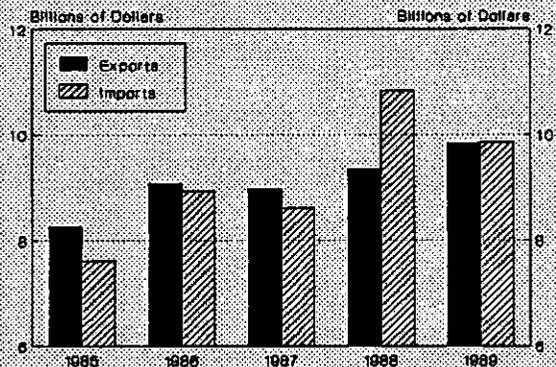
During the first quarter of 1989, imports fell 9.0% or \$976 million to \$9.9 billion. The largest decrease was for imports of parts, down \$1.1 billion or 16.5% to \$5.6 billion. However, the figures for the first quarter of 1988 were unusually high and exceeded the annual average for 1988 by more than \$1 billion. Imports of passenger automobiles rose \$236 million to \$3.3 billion, while imports of trucks and other vehicles fell \$112 million to \$859 million.

Trade in Automotive Products: Countries Share, First Quarter 1989



Canada ran a slight deficit, \$11 million, in international trade of automotive products, contrasting with the \$1.5 billion deficit recorded for the first three months of 1988. The largest gain was in trade of motor vehicle parts, with the deficit falling from \$3.7 billion for the first three months of 1988 to \$2.1 billion for the same period of 1989. However, the trade surplus for passenger automobiles declined by \$578 million to \$764 million, although the trade surplus for trucks and other vehicles was up \$384 million to \$1.2 billion.

Trade in Automotive Products, First Quarter, 1985-89



Canadian Exports of Cars, First Quarter, 1981-89

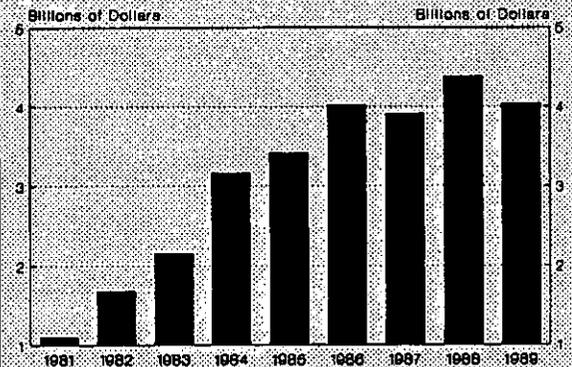


Table 1
Total Canadian Trade in Automotive Products (Reconciled Basis)
 First three months 1988 and 1989

| | Annual | | First three months | | Change between the | | |
|---------------------------------|---------------|---------------|--------------------|--------------|--------------------|------------------|---|
| | 1987 | 1988 | 1988 | 1989 | first three months | of 1988 and 1989 | |
| | (\$ millions) | | | | | | % |
| Canadian Exports | | | | | | | |
| Cars | 13,565 | 16,481 | 4,385 | 4,043 | -342 | -7.8 | |
| Trucks and other motor vehicles | 6,965 | 7,510 | 1,780 | 2,052 | 272 | 15.3 | |
| Parts | 11,962 | 12,099 | 2,983 | 3,436 | 453 | 15.2 | |
| Tires and tubes | 692 | 549 | 141 | 181 | 40 | 28.4 | |
| Re-exports | 195 | 239 | 63 | 135 | 72 | 114.3 | |
| Total | 33,379 | 36,878 | 9,352 | 9,847 | 495 | 5.3 | |
| Canadian Imports | | | | | | | |
| Cars | 12,346 | 12,179 | 3,043 | 3,279 | 236 | 7.8 | |
| Trucks and other motor vehicles | 3,706 | 3,444 | 971 | 859 | -112 | -11.5 | |
| Parts | 18,228 | 22,082 | 6,664 | 5,564 | -1,100 | -16.5 | |
| Tires and tubes | 570 | 594 | 156 | 156 | 0 | 0.0 | |
| Total | 34,850 | 38,299 | 10,834 | 9,858 | -976 | -9.0 | |
| Balance | | | | | | | |
| Cars | 1,219 | 4,302 | 1,342 | 764 | -578 | | |
| Trucks and other motor vehicles | 3,259 | 4,066 | 809 | 1,193 | 384 | | |
| Parts | -6,266 | -9,983 | -3,681 | -2,128 | 1,553 | | |
| Tires and tubes | 122 | -45 | -15 | 25 | 40 | | |
| Re-exports | 195 | 239 | 63 | 135 | 72 | | |
| Total | -1,471 | -1,421 | -1,482 | -11 | 1,471 | | |

Trade with the United States, Reconciled Basis (Table 2)

After reconciliation, exports of automotive products to the United States totalled \$9.5 billion, an increase of \$418 million over the level for the first three months of 1988. Imports from the United States were down \$837 million to \$8.2 billion.

Exports of passenger automobiles fell 7.6% to \$4.0 billion, coinciding with an 11.1% drop in sales of North American cars in the United States during the first three months of 1989. Exports of trucks and other vehicles, on the other hand, rose \$269 million to \$2.0 billion, and exports of parts were up \$441 million to \$3.3 billion.

Imports of automobiles from the United States were up 12.4% or \$262 million to \$2.4 billion. Imports of trucks and other vehicles were down \$71 million to \$794 million. The largest change was for imports of parts, which fell \$1.0 billion to \$5.0 billion for the first quarter of 1989.

Compared to the first quarter of 1988, the trade surplus for automobiles fell \$593 million to \$1.6 billion, while the trade surplus for trucks rose \$340 million to \$1.2 billion. In both cases, these surpluses were almost identical to those recorded during the fourth quarter of 1988. The deficit for trade in automotive parts, on the other hand, fell \$1.5 billion to \$1.6 billion. Overall,

the balance of trade in automotive products with the United States was \$1.3 billion in Canada's favour, a substantial increase compared to the \$43 million surplus recorded for the first three months of 1988.

Trade with Overseas Countries, Customs Basis (Table 3)

Exports to overseas countries totalled \$311 million, an increase of \$77 million compared to the first three months of 1988. However, this increase was essentially due to a \$72 million surge in re-exports, which rose to \$135 million. Exports of automobiles totalled \$37 million, truck exports totalled \$32 million and exports of parts, tires and tubes totalled \$107 million.

Imports of automobiles from overseas totalled \$910 million, the level at which they have been fluctuating since 1987, except for a decline in the third quarter of 1988. Imports of trucks fell by \$41 million or 39% to \$65 million, while imports of parts dropped \$71 million to \$586 million. Total imports were down \$140 million or 8% compared to the first quarter of 1988, to \$1.6 billion.

The deficit with overseas countries for the first quarter of 1989 totalled \$1.3 billion, down \$217 million from the same period a year earlier. There were declines in the deficits for all components, but the deficit for parts declined the most, falling \$83 million to \$487 million, while the deficit for trade in automobiles stood at \$873 million.

Table 2
Canada-United States Trade in Automotive Products (Reconciled Basis)
 First three months 1988 and 1989

| | Annual | | First three months | | Change between the | | |
|---|---------------|---------------|--------------------|--------------|--------------------|------------------|---|
| | 1987 | 1988 | 1988 | 1989 | first three months | of 1988 and 1989 | |
| | (\$ millions) | | | | | | % |
| Exports (United States Imports from Canada) | | | | | | | |
| Cars | 13,505 | 16,326 | 4,338 | 4,007 | -331 | -7.6 | |
| Trucks and other motor vehicles | 6,838 | 7,363 | 1,751 | 2,020 | 269 | 15.4 | |
| Parts | 11,579 | 11,752 | 2,896 | 3,337 | 441 | 15.2 | |
| Tires and tubes | 661 | 520 | 134 | 173 | 39 | 29.1 | |
| Total | 32,583 | 35,961 | 9,119 | 9,537 | 418 | 4.6 | |
| Imports (Canadian Imports from the United States) | | | | | | | |
| Cars | 8,691 | 8,608 | 2,106 | 2,368 | 262 | 12.4 | |
| Trucks and other motor vehicles | 3,282 | 3,078 | 865 | 794 | -71 | -8.2 | |
| Parts | 16,397 | 19,956 | 6,007 | 4,978 | -1,029 | -17.1 | |
| Tires and tubes | 310 | 351 | 98 | 99 | 1 | 1.0 | |
| Total | 28,680 | 31,993 | 9,076 | 8,239 | -837 | -9.2 | |
| Balance | | | | | | | |
| Cars | 4,814 | 7,718 | 2,232 | 1,639 | -593 | | |
| Trucks and other motor vehicles | 3,556 | 4,285 | 886 | 1,226 | 340 | | |
| Parts | -4,818 | -8,204 | -3,111 | -1,641 | 1,470 | | |
| Tires and tubes | 351 | 169 | 36 | 74 | 38 | | |
| Total | 3,903 | 3,968 | 43 | 1,298 | 1,255 | | |
| Excluded: adjustments to values of imported parts for special tooling charges | 468 | 508 | 152 | 127 | | | |

Table 3
Canada-Overseas Countries Trade in Automotive Products (Customs Basis)
 First three months 1988 and 1989

| | Annual | | First three months | | Change between the | | |
|---------------------------------|---------------|---------------|--------------------|---------------|--------------------|------------------|---|
| | 1987 | 1988 | 1988 | 1989 | first three months | of 1988 and 1989 | |
| | (\$ millions) | | | | | | % |
| Domestic Exports | | | | | | | |
| Cars | 60 | 155 | 47 | 37 | -10 | -21.3 | |
| Trucks and other motor vehicles | 127 | 147 | 30 | 32 | 2 | 6.7 | |
| Parts | 382 | 347 | 87 | 99 | 12 | 13.8 | |
| Tires and tubes | 32 | 29 | 7 | 8 | 1 | 14.3 | |
| Re-exports | 195 | 239 | 63 | 135 | 72 | 114.3 | |
| Total | 795 | 917 | 234 | 311 | 77 | 32.9 | |
| Imports | | | | | | | |
| Cars | 3,656 | 3,571 | 937 | 910 | -27 | -2.9 | |
| Trucks and other motor vehicles | 424 | 365 | 106 | 65 | -41 | -38.7 | |
| Parts | 1,831 | 2,126 | 657 | 586 | -71 | -10.8 | |
| Tires and tubes | 261 | 243 | 58 | 57 | -1 | -1.7 | |
| Total | 6,171 | 6,305 | 1,758 | 1,618 | -140 | -8.0 | |
| Balance | | | | | | | |
| Cars | -3,596 | -3,416 | -890 | -873 | 17 | | |
| Trucks and other motor vehicles | -297 | -218 | -76 | -33 | 43 | | |
| Parts | -1,449 | -1,779 | -570 | -487 | 83 | | |
| Tires and tubes | -229 | -214 | -51 | -49 | 2 | | |
| Re-exports | 195 | 239 | 63 | 135 | 72 | | |
| Total | -5,376 | -5,388 | -1,524 | -1,307 | 217 | | |

Table 4
Canadian Passenger Car Imports (Customs Basis)
 First three months 1988 and 1989

| | Number of Units | | | | Import Share | | Average Price | | Change | Exchange |
|----------------------|-----------------|--------------|-------------|------------|--------------|--------------|---------------|---------------|------------|-------------|
| | 1988 | 1989 | Change | | 1988 | 1989 | 1988 | 1989 | 89/88 | Rate * |
| | '000 | '000 | '000 | % | % | % | \$ | \$ | % | % |
| United States | 166.5 | 183.5 | 17.0 | 10.2 | 63.9 | 66.0 | 12,652 | 12,908 | 2.0 | -6.0 |
| Overseas Countries | 94.2 | 94.6 | 0.5 | 0.5 | 36.1 | 34.0 | 9,935 | 10,019 | 0.8 | --- |
| Japan | 72.3 | 73.6 | 1.3 | 1.8 | 27.7 | 26.5 | 9,078 | 9,172 | 1.0 | -6.3 |
| West Germany | 7.0 | 4.6 | -2.3 | -33.5 | 2.7 | 1.7 | 23,090 | 22,474 | -2.7 | -14.9 |
| United Kingdom | 0.7 | 0.2 | -0.5 | -68.4 | 0.3 | 0.1 | 36,051 | 49,333 | 36.8 | -8.6 |
| France | 0.0 | 0.1 | 0.1 | --- | 0.0 | 0.0 | 0 | 14,139 | --- | -15.3 |
| Sweden | 1.1 | 1.3 | 0.2 | 16.5 | 0.4 | 0.5 | 17,098 | 18,446 | 7.9 | -10.5 |
| Italy | 0.1 | 0.0 | -0.1 | -82.2 | 0.0 | 0.0 | 30,133 | 102,250 | 239.3 | -14.4 |
| Other Countries | 12.9 | 14.8 | 1.8 | 14.3 | 5.0 | 5.3 | 5,954 | 6,258 | 5.1 | --- |
| All Countries | 260.6 | 278.1 | 17.5 | 6.7 | 100.0 | 100.0 | 11,701 | 11,788 | 0.7 | -9.6 |

* Minus sign (-) indicates depreciation in the value of the currency of the country against the Canadian dollar. Rate for all countries is the rate against the Canadian dollar of the SDR (Special Drawing Rights), a weighted average of 16 world currencies, by the International Monetary Fund.

Automobile Imports in Number of Units, Customs Basis (Table 4)

Canada imported 278,100 automobiles during the first three months of 1989, an increase of 6.7% (17,500 units) compared to the same period a year earlier. The number of automobiles imported from the United States increased by more than 10%, raising the American share of the Canadian market by two percentage points over the level of the previous year to 66.0%. Imports from West Germany fell 33.5% to 4,600 units and now account for only 1.7% of the imported automobile market. In spite of a slight increase in the number of units imported, the share of imports from Japan declined from 27.7% to 26.5%.

The average price of automobiles imported from the United States was \$12,908, an increase of 2.0% compared to the same period a year earlier, while the U.S. dollar depreciated 6.0% against the Canadian dollar during the first three months of 1989. The average price of automobiles imported from Japan is \$9,172, an increase of 1.0%. The average price of all imported automobiles rose slightly to \$11,788.

IMPORTANT REVISION TO 1988 DATA

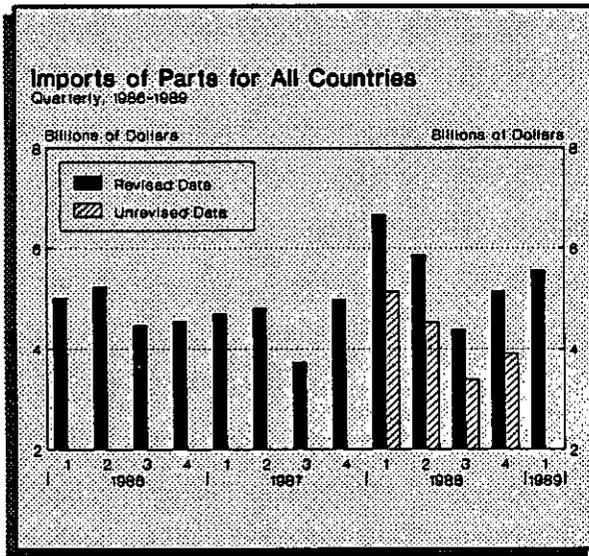
The 1988 data have been subjected to a thorough review on the basis of the Harmonized System (H.S.) classes and the annex codes used to identify automotive product imports.

This revision, primarily related to the annex codes identifying products intended for Canadian motor vehicle manufacturers, made it possible to update more than 2,000 H.S. classes representing parts imports intended for motor vehicle production.

The revised data show parts imports totalling \$20.0 billion from the United States, while Canadian exports of motor vehicles totalled \$23.7 billion. In 1986, exports of vehicles totalled \$22.2 billion and imports of parts totalled \$17.5 billion. Canadian exports of parts have remained stable and Canadian production rose from \$12.9 billion to \$13.7 billion between 1986 and 1988. Taken as a whole, these facts indicate a probable break in the series of parts imports since the revision of data on the basis of the new annex codes will henceforth permit a greater number of motor vehicle parts imports to be identified than in the past. Prior to 1988, certain imported products intended for motor vehicle manufacture were classified under such categories as "Semi-finished rubber products" or "Other iron and steel products" etc. without being associated with automotive products trade.

Table 5
Trade in Automotive Products, All Countries (Reconciled Basis)
Quarterly Data, 1987-1989

| | 1987 | | | | 1988 | | | | 1989 |
|---|---------------|---------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|
| | I | II | III | IV | I | II | III | IV | I |
| | (\$ millions) | | | | | | | | |
| Exports (United States Imports + Exports to Other Countries) | | | | | | | | | |
| Cars | 3,912 | 3,396 | 2,160 | 4,097 | 4,385 | 4,867 | 3,237 | 3,992 | 4,043 |
| Trucks and other motor vehicles | 1,629 | 1,813 | 1,677 | 1,846 | 1,780 | 2,017 | 1,671 | 2,041 | 2,052 |
| Parts, tires, tubes and re-exports | 3,439 | 3,436 | 2,719 | 3,255 | 3,188 | 3,405 | 2,789 | 3,506 | 3,752 |
| Total | 8,980 | 8,645 | 6,556 | 9,198 | 9,353 | 10,289 | 7,697 | 9,539 | 9,847 |
| Imports (From U.S. + Imports from Other Countries) | | | | | | | | | |
| Cars | 2,905 | 3,661 | 2,472 | 3,309 | 3,043 | 3,465 | 2,486 | 3,185 | 3,279 |
| Trucks and other motor vehicles | 881 | 1,034 | 786 | 1,005 | 971 | 905 | 715 | 853 | 859 |
| Parts, tires and tubes | 4,837 | 4,953 | 3,871 | 5,138 | 6,820 | 6,013 | 4,539 | 5,305 | 5,719 |
| Total | 8,623 | 9,648 | 7,129 | 9,452 | 10,834 | 10,383 | 7,740 | 9,343 | 9,857 |
| Balance | 358 | -1,003 | -573 | -254 | -1,481 | -93 | -43 | 196 | -10 |



Canada-United States trade in automotive products, shown in this special release, is measured by comparing the import statistics of each country. U.S. statistics on imports from Canada (converted to Canadian dollars) are used to represent Canadian exports since it allows a more exact comparison of the two trade flows. This greater exactness results from several factors. Customs revenue is collected on the basis of import documentation and consequently, the filing and scrutiny of import documents is more rigorous. The use of H.S. classification number along with the annex code allows assignment of the trade of certain commodities to the automotive sector. Examples of such commodities are tires, hardware, fabric, glass, etc. which may or may not be related to production of automobiles. As a result, the data in this release, for automotive trade with the U.S. differ significantly from data released in all other Statistics Canada trade reports. For the first quarter of 1989, export data to the United States were compiled by Statistics Canada using U.S. import tapes. The U.S. has recently converted to the Harmonized System of classification and some definitional problems still remain. Therefore, data is subject to revision.

The data published in Table 2 of this release also appear in the Annual Report of the President to the (U.S.) Congress on the operation of the Automotive Products Trade Act of 1965, and are accepted in both countries as the official measure of trade in automotive products.

Exports to all countries except the United States are measured using Canadian export statistics, and not the counterpart country import statistics.

METHODOLOGY NOTES ON BALANCE OF PAYMENTS ADJUSTMENTS (R. Piché)

INTRODUCTION

Customs-based data on international merchandise trade are adjusted to conform with balance of payments concepts. These adjustments are produced monthly by the International and Financial Economics Division and the International Trade Division.

Imports are available on two bases: country of origin and country of export (or last shipment). On a balance of payments basis, imports are compiled according to the country of export, a concept related to National Accounts practices.

The data on a balance of payments basis are derived by major commodity groups (62 export groups and 61 import groups) and by O.E.C.D. countries broken down into six principal trading areas: the United States, the United Kingdom, the E.E.C., Japan, Other O.E.C.D. and other non-O.E.C.D. countries. However, data by major group are available only for trade with all countries.

Balance of payments adjustments can be classified into four categories:

- 1) valuation;
- 2) coverage;
- 3) timing; and
- 4) others.

VALUATION ADJUSTMENTS

Freight and Shipping

Historically, balance of payments data are published FOB Canadian plant for exports and FOB foreign plant for imports. Since international trade data are valued FOB port of exit from the country of origin (i.e. at the border), the cost of shipping the goods from the factory to the port of exit must be subtracted from the value of exports and imports. There is one important exception to this policy of valuation of goods at the port of exit. Goods shipped to or from the United States are valued FOB plant and do not need to be adjusted to conform with balance of payments principles.

However, some raw materials are not covered by this policy and must be corrected.

Exports

Raw Materials and Newsprint

Separate freight and shipping adjustments are made for five raw materials: coal, sulphur, asbestos, iron ore and potash as well as for newsprint. The adjustment value is based on the receipts reported by rail carriers (by commodity) for the shipment of exports by rail.

Other Exports

The purpose of this adjustment is to estimate the freight and shipping charges included in the overall export value, excluding the above raw materials and exports to the United States (valued FOB Canadian plant). Freight and shipping charges are based on the valuation methods reported by the major Canadian exporters and importers. A percentage of the total value of exports is deducted to represent the freight and shipping charges included in the customs-based data.

Imports

All Commodities

Freight and shipping charges represent a percentage of the total imports from overseas countries. These deductions represent the cost of shipping goods from the foreign factory to the port of exit, assuming that these costs are included in the value of imports. No adjustment is needed to measure the freight and shipping charges from the port of exit to the destination as Canadian imports are valued FOB port of exit.

Discounts and Other Charges

Exports

Newsprint, Woodpulp and Asbestos

The discount offered to buyers upon payment of deliveries is not deducted from the value shown on the export documents. Discounts for exports of newsprint and woodpulp are estimated on the basis of the difference in unit prices between Census of Manufacturers data and international trade data. A variable discount rate was applied to asbestos exports until the first quarter of 1987. Subsequently, the organization responsible for asbestos exports decided to indicate

TABLEAU 1 Value of Balance of Payments Adjustments (in millions of dollars)

| | Exports | | Imports | | Balance | |
|-----------------|---------|------|---------|--------|---------|-------|
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| United States | 2,076 | 665 | -956 | -1,231 | 3,032 | 1,895 |
| United Kingdom | 0 | -83 | 155 | 95 | -155 | -178 |
| E.E.C. | -237 | -219 | -109 | 19 | -128 | -238 |
| Japan | -295 | -481 | -54 | -62 | -241 | -419 |
| Other O.E.C.D. | 223 | 41 | -3 | -157 | 226 | 198 |
| Other Countries | -733 | -778 | -504 | -378 | -229 | -400 |

the net value of exports on customs documents, making any adjustment superfluous.

In addition, certain handling charges, other than freight and shipping charges, are included in the value of newsprint exports and must be subtracted.

Automotive Products

Exports

Price Adjustment

A price adjustment is carried out on exports of cars and trucks. The purpose of this adjustment is to correct the initial value estimated by the company for the export price of its vehicles. The other components of the adjustment represent the costs of introducing a new model, vehicle warranties, depreciation for obsolescence and design of new models.

Imports

Tooling

The customs basis data on imports of motor vehicle parts include various tooling costs. These tooling costs represent the limited lifespan of certain items of equipment (patterns, molds, gauges, templates, etc.) whose life expectancy is directly related to the model of car produced. The amounts deducted from imports are recorded as service payments in the non-merchandise account of the "Canadian balance of international payments". The exact values of the adjustment are received after production of a model year is completed, while the current adjustment is estimated on the basis of previous years.

COVERAGE ADJUSTMENTS

Precious Metals

The coverage adjustments carried out on international transactions of precious metals can be divided into two categories: addition to trade data of international transactions which do not generate customs documents (i.e. transactions between residents and non-residents which do not entail the movement of goods across the border) and subtraction from trade data of imports and exports related to refining operations when the owner of the commodity in question is a non-resident.

Gold: Exports - Imports

International Transactions within Canada

Canada is a major gold producer and, hence, numerous transactions involving foreign interests take place, without the gold necessarily leaving the country. However, these international transactions constitute exports and imports according to balance of payments concepts. A transfer of ownership of gold owned by a resident to a non-resident is an addition to exports and vice-versa for imports.

Detailed information on these transactions is provided by financial institutions, gold refiners and producers and the Bank of Canada. This information is collected monthly from the institutions concerned.

Refining Operations

Exports and imports resulting from refining operations carried out on behalf of non-residents are deducted from international trade data.

Non-residents import gold into Canada for refining purposes, and then re-export this gold to the country of origin or store it in Canada. However, the exports and imports resulting from these operations do not involve any change of ownership and therefore do not constitute international transactions according to balance of payments concepts. Such operations are reported on an overall basis by gold refineries and require close monitoring to ensure that adjustments are made only for actual trans-border movements of gold on behalf of non-residents.

Monetary Gold

Monetary gold is held at the Bank of Canada. For the purpose of balance of payments adjustments, monetary gold is considered gold held in Canada by non-residents. Therefore, purchases of monetary gold in Canada by residents constitute an addition to imports and vice-versa for exports. However, if gold is imported into Canada to increase Canadian monetary gold reserve, this import must be deducted if it appears in the international trade data, since there is no change of ownership between a non-resident and a resident of Canada. The same reasoning applies for exports of monetary gold.

Uranium: Exports - Imports

International Transactions within Canada

Canada is a major producer of uranium. A portion of uranium production is sold directly to non-residents who have the ore shipped to a Canadian refiner before exporting it. According to balance of payments concepts, the transaction occurs when the ore is sold to a non-resident and not when the refined product is exported. Uranium producers submit a monthly report indicating the quantities and values of uranium sold to non-residents when such sales do not immediately generate export documents (i.e. ore sold for refining purposes). The value thus reported constitutes a positive adjustment to ore exports.

Refining Operations

Imports and exports of uranium on behalf of non-residents as a result of refining operations must be deducted from international trade data since they do not result in a change of ownership between a resident and a non-resident.

Other**Exports****Tourist Exports**

The purpose of the adjustment for exports by tourists is to subtract goods purchased by tourists from the value of exports. The annual value of the adjustment is very low.

Crown Property

Goods leaving Canada for Canadian embassies and military bases abroad and foreign goods entering Canada for foreign embassies are not counted as exports or imports according to the concepts developed by the International Monetary Fund. However, if goods owned by Canadian embassies or military bases are sold to foreigners, a positive adjustment must be made to exports since such a sale, carried out abroad, does not entail the production of a customs document, although according to these concepts it constitutes an export or an import. Information on these adjustments is provided directly by the sources concerned.

Imports**Advertising Material**

This adjustment represents an estimate made in order to deduct from the value of imports any folders, brochures, pamphlets, bulletins or other advertising material whose value is already included in the non-merchandise account of the balance of payments. The total value of this adjustment is less than \$20 million a year.

TIMING ADJUSTMENTS**Progress Payments**

The adjustment for progress payments is a continuous timing adjustment. This adjustment is made in order to meet the requirements of the System of National Accounts. The importers and exporters of aircraft, ships, telecommunications equipment, etc. are bound by payment contracts with their foreign customers and suppliers. Under these contracts, ownership of the property is transferred as progress payments are made and not when the finished product crosses the border. The goods for which a progress payment adjustment is recorded are normally products having very high unit values (more than \$25 million on average).

Energy Products**Exports**

Documents for exports of crude petroleum, natural gas and electricity are not available in time for inclusion in the customs-based figures for the current month. Last month's figures are used in the customs-based data. On a balance of payments basis, an estimate derived from information obtained by industry

surveys and other federal departments replaces the customs-based estimate.

Imports

Adjustments for imports are applied only to crude petroleum imports. The adjustments for the current month are calculated using upcoming oil company import contracts. The following month, the customs basis data on imports by pipeline from the United States are replaced by import data reported by the pipeline companies.

Grains

The purpose of the adjustment for grain exports is to replace, on a continuous basis, the export data obtained from customs documents with data from the Canadian Grain Commission on grain sales and shipments. This adjustment is made because of the lag, caused by shipping and storage delays, between the time the customs document is produced and the transfer of ownership of the commodity. Separate adjustments are made for each of the following types of grain: wheat, durum wheat, oats, rye, corn, barley, flaxseed and rapeseed.

Gold Coins

The adjustment for gold coins is similar to that for grains: originally designed as a permanent timing adjustment (the export occurs at time of sale and not at time of delivery), this adjustment also serves as an adjustment of under-coverage and to correct certain problems related to geographical classification. The adjustment constitutes the difference between the international sale reports received from the producers of gold coins and their exports customs documents. The total annual adjustment is always positive, indicating a problem of under-coverage in the customs-based data.

OTHER ADJUSTMENTS**Canada-U.S. Reconciliation**

The purpose of the reconciliation of international merchandise trade data between the two countries is to eliminate gaps in both countries' trade statistics as published by their respective statistical agencies. Import data are used as a reference basis in order to correct the errors and under-coverage of documents for export data. The import data are more complete since they are used to generate customs revenue and are more strictly controlled by customs personnel. Thus, the main adjustments are to export data (75% of which, in absolute value, is accounted for by under-coverage of documents). A number of adjustments are also made to import data.

Geographic Distribution**Puerto Rico, Virgin Islands: Exports - Imports**

This adjustment is made in order to comply with the balance of payments definition of trading areas. This definition includes American possessions as part of the United States. The value of international trade with these two regions is derived during the production of data by major trading partners. This value is recorded separately as a balance of payments adjust-

ment (positive adjustment to data on trade with the United States and negative adjustment of equal value with "Other countries"). The value of the adjustment is not recorded directly on a customs basis as part of trade with the United States, so as not to interfere with the process of reconciliation of trade data with the United States, since the latter do not consider these two regions as part of the United States.