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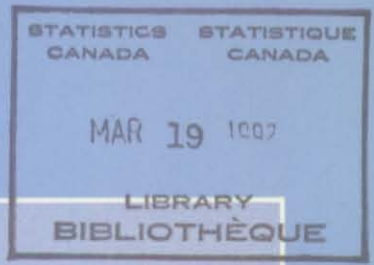
Catalogue 65-001P Monthly



Preliminary Statement of Canadian International Trade

January 1992

Not for release before 8:30 a.m.
Thursday, March 19, 1992



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Statistics Canada
International Trade Division

Preliminary Statement of Canadian International Trade

January 1992

Published by authority of the Minister
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March 1992

Price: Canada: \$10.00 per issue, \$100.00 annually
United States: US\$12.00 per issue, US\$120.00 annually
Other Countries: US\$14.00 per issue, US\$140.00 annually

Catalogue 65-001P, Vol. 8, No. 1

ISSN 0828-1998

Ottawa

Release Dates for the *Preliminary Statement of Canadian International Trade* - 1992

Month	Release Date (8:30 a.m.)
February - 1992	Thursday, April 16, 1992
March - 1992	Wednesday, May 20, 1992
April - 1992	Thursday, June 18, 1992
May - 1992	Friday, July 17, 1992
June - 1992	Wednesday, August 19, 1992
July - 1992	Thursday, September 17, 1992
August - 1992	Friday, October 16, 1992
September - 1992	Wednesday, November 18, 1992
October - 1992	Thursday, December 17, 1992
November - 1992	Friday, January 15, 1993
December - 1992	Thursday, February 18, 1993

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The paper used in this publication meets the minimum requirements of American National Standard for Information Sciences - Permanence of Paper for Printed Library Materials, ANSI Z39.48 - 1984.



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For more detailed information on statistics, concepts and definitions, order the January 1992 issue of *Summary of Canadian International Trade* (cat. no. 65-001, \$18.20/\$182), available the first week of April 1992, or contact Gordon Blaney (613-951-9647), Trade Information Unit, or Marlene Sterparn (613-951-1711) (for analysis information), or Denis Pilon (613-951-4808) (for price index information), Trade Measures and Analysis Section, International Trade Division.

Current Account data, which incorporate merchandise trade statistics as well as data concerning trade in services and capital account movements, are available on a quarterly basis in *Canada's balance of international payments* (cat. no. 67-001).

Available on CANSIM: matrices 3620 to 3629, 3651, 3685 to 3713, 3718, 3719, 3887 to 3913.

HIGHLIGHTS

- Following decreases of about \$100 million in November and December, total exports were up by \$621 million, reaching \$12.2 billion, their highest level since last August.
- The largest contributors to the upward movement were automotive products (\$216 million), and aircraft and other transportation equipment (\$193 million).
- Exports to most major trading partners were up in January, led by a \$390 million increase in exports to the United States.
- Imports rose by \$173 million, to reach \$11.1 billion.
- The most significant increases were noted for imports of industrial goods (\$164 million), automotive products (\$28 million) and machinery and equipment (\$18 million).
- Imports were up from all trading partners with the exception of the European Community.
- The stronger rise in exports compared to imports generated an increase in the trade balance from \$636 million to \$1.1 billion, the largest trade surplus since May 1991.

Note to Users

With the release of annual revisions in April 1992, the scope of the merchandise trade series will be enlarged to include a range of imports entering Canada by mail. This will be shown initially as an "Unallocated Balance of Payments Adjustment" pending further study to identify appropriate country and commodity detail.

Monthly Summary

(All figures are seasonally adjusted)

In contrast with the last few months, exports and imports both increased in January. Following decreases of \$107 million in November and \$106 million in December, total exports were up by \$621 million, reaching \$12.2 billion, their highest level since last August. Imports rose by \$173 million, but this was not enough to bring imports to former levels. At \$11.1 billion, total imports remained lower than the 1991 average.

The stronger rise in exports compared to imports generated an increase in the trade balance from \$636 million to \$1.1 billion, the largest trade surplus since May 1991. The trade balance has been rising since October, but until this month, the increases have been primarily due to declining imports.

Exports

Much of the upward movement in January stemmed from increased exports of those commodities which tend to display erratic month-to-month behaviour. Automotive products, for instance, were up by \$216 million, as increases were posted for all three product lines - cars rose by \$66 million, trucks by \$97 million and parts by \$52 million. Exports of aircraft and other transportation equipment rose by \$193 million to \$626 million, their highest level since August 1991 and twelve per cent above the 1991 average. And, agricultural and fishing products were up by \$93 million.

Among the more stable commodities, increases were noted for forestry products and industrial goods. In the case of forestry products, increases of \$117 million for lumber and sawmill products and \$21 million for

pulpwood were offset slightly by a continued decline for newsprint (-\$30 million).

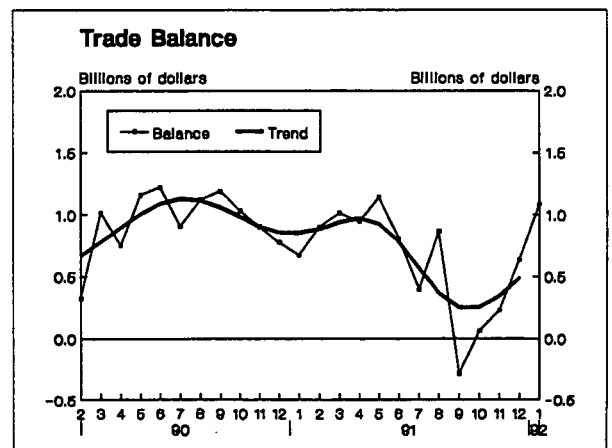
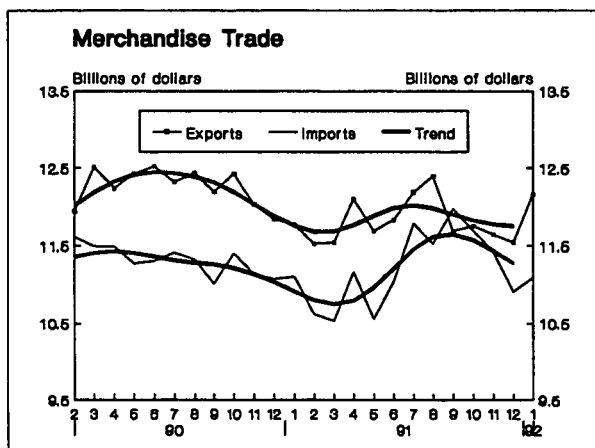
Moderating the overall increase in exports were declines for energy products (-\$94 million), machinery and equipment excluding aircraft and other transportation equipment (-\$15 million) and miscellaneous consumer goods (-\$17 million).

Exports to most major trading partners increased in January, the largest being a \$390 million hike in exports to the United States. Only exports to the United Kingdom and non-O.E.C.D. countries showed declines, and these were marginal.

Imports

The increase in imports came mostly from those commodities which exhibit relatively stable monthly movements. All three major components of the industrial goods and materials grouping rose in January - metal ores by \$102 million, chemicals and plastics by \$22 million and "other industrial goods" by \$40 million. Import levels were also higher for forestry products (+\$12 million), machinery and equipment excluding aircraft and other transportation equipment (+\$11 million), as well as miscellaneous consumer goods (+\$2 million). In contrast, agricultural and fishing products declined, falling by \$14 million in January.

Aircraft and other transportation equipment, as well as automotive products, both of which are considered more volatile in nature, increased slightly in January (up \$7 million and \$28 million respectively). Imports of cars and trucks fell, but their decline was more than offset



by a \$109 million increase for parts, which rose to \$1.4 billion, their highest level since last September. Energy products decreased by \$44 million, as crude petroleum imports dropped by \$64 million.

Imports were up from all trading partners with the exception of the European Community (-\$93 million). Increases of about \$50 million each were recorded for the remaining countries, including the United States (\$52 million).

Underlying Trends

Even after seasonal adjustment, merchandise trade figures tend to be irregular, making it difficult to discern the underlying trends. The following analysis is based on a further smoothing of the data by using moving averages. As a result, trend and seasonally adjusted series may occasionally move in opposite directions.

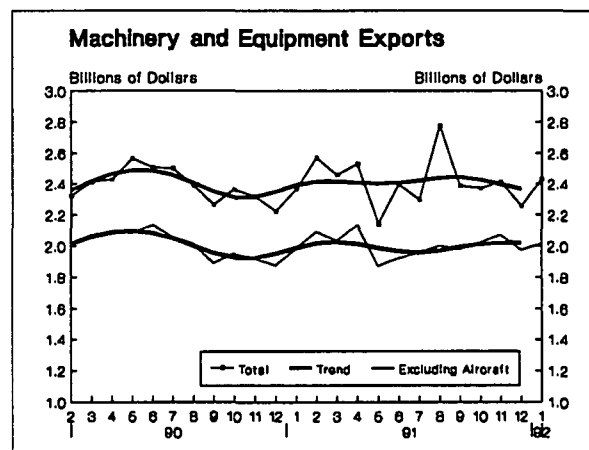
Exports

The overall export trend fell for the fifth month in a row, but at a slightly slower pace than last month. Total exports are now about two per cent lower than they were last summer.

Continuing weakness in exports occurred mostly among those products which are considered volatile. For instance, aircraft and other transportation equipment fell for the fourth consecutive month, this time by over four per cent. Energy exports were down as well, and by more than they decreased last month. In the automotive sector, which declined for the fourth month in a row, the decrease of almost two per cent was caused by declining exports of cars and parts. Car exports are now about one-fifth lower than they were late last summer. On the other hand, exports of trucks continued the buoyancy they have shown over the last number of months, rising

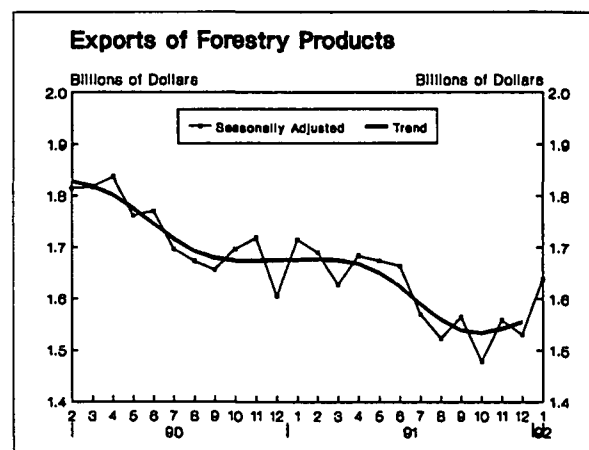
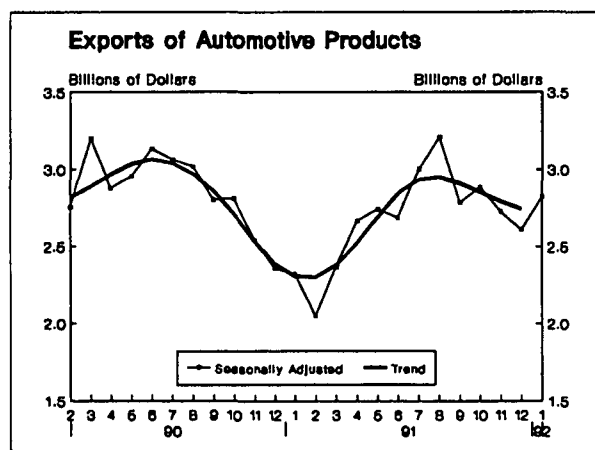
by a further four per cent to reach a level forty per cent higher than was observed last February, and preventing a further decrease for the automotive sector as a whole.

Among the erratic commodities, only agricultural and fishing products were up, increasing by over three per cent.



Within the broad grouping of stable commodities, machinery and equipment excluding aircraft was the only sector to mirror the general decrease in exports. "Other machinery and equipment", including such items as office machines, declined for the second month in a row. An increase of over three per cent for industrial and agricultural machinery brought these exports to a level almost ten per cent higher than in August, and prevented a more significant drop for the group as a whole.

Otherwise, trends for stable commodities were up, thus tempering somewhat the overall decrease in exports. The biggest turnaround has been in the industrial goods and materials group, which was up for the second month in a row (by just over one per cent this time) after



falling for over a year. Driven by increases for lumber and pulpwood, forestry exports rose for the second consecutive month. Newsprint exports, however, continued their downward movement which began early in 1991. Miscellaneous consumer goods were higher by almost two per cent, continuing the increases which occurred for most of the year.

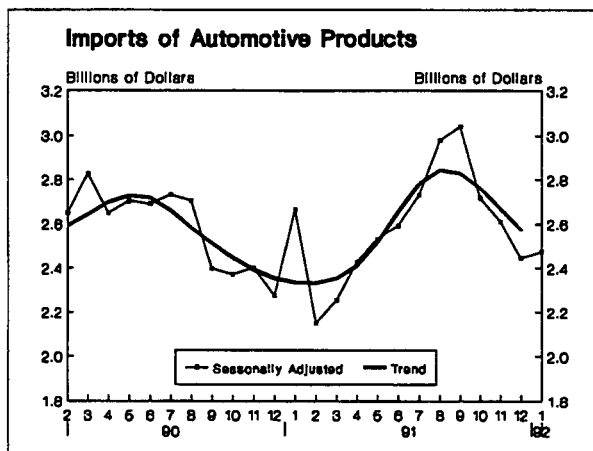
Exports to the United States and the European Community have been declining for a few months now. Exports to the United Kingdom rose for the first time since last May. Continued increases were recorded for exports to Japan and the "Other O.E.C.D." group of countries, the latter now almost thirty per cent higher than in September.

Imports

Despite the turnaround in the seasonally adjusted figures, total imports fell for the third consecutive month, and the rate of decline was slightly higher than that registered last month. Imports from all principal trading areas decreased.

Unlike exports, where a good portion of the decline was generated by the most erratic product groupings, the decrease in imports was generally widespread.

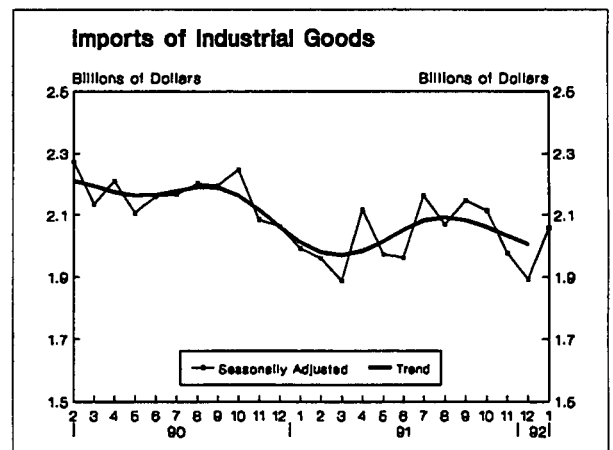
Automotive imports have fallen by almost ten per cent since August, with a third of the decrease occurring in December. All major components - cars, trucks and parts - showed the same rate of decrease. Aircraft and other transportation equipment showed an even sharper decline, with decreases averaging over four per cent a month for the last three months. Taken on their own, aircraft imports are now almost one quarter lower than they were last April.



Declines were also noted for imports of energy and agricultural products. In the case of the former, a steep drop of six per cent for crude petroleum was only slightly offset by a marginal increase for "other energy products". In the agricultural sector, the very small drop follows three months of increases.

Imports of machinery and equipment exclusive of aircraft and other transportation equipment were down just under one per cent, as all groups showed declines. Even office machines, which increased from July through November, were lower this month. Industrial and agricultural machinery fell for the fourth month in a row.

Industrial goods and materials, declining since last September, were down by a little bit more than one per cent, while forestry products fell by less than one per cent. Imports of miscellaneous consumer goods were flat, and tending to be negative, after having increased for most of 1991.



Price Movements

Exports

The current-weighted price index for total exports rose by 0.7% in January. This increase is mostly the result of higher prices for wheat (+13.9%). The index for forestry products moved up by 1.3% as prices for lumber and sawmill products increased by 13.2%. Prices for machinery and equipment rose slightly (+0.3%) as price movements for the components of this grouping were varied but remained quite stable. Energy products decreased by 0.9% mainly on lower prices from crude petroleum (-4.1%). The price index for automotive products dropped by 0.5%. The index for industrial goods and materials fell slightly (-0.1%). Other price movements were also noted, among them metals and alloys (-3.5%), metal ores (+7.3%), chemicals, plastics and fertilizers (+6.0%).

Imports

The import price index increased by 1.0%. Higher prices were recorded for automotive products (+1.3%) as the index for passenger autos and chassis moved up by 4.9%. The index for machinery and equipment rose by 2.4%. Prices for agricultural and fishing products increased by 2.1% due to higher prices for sugar and cocoa, coffee and tea and other preparations. Lower prices were registered for energy products (-6.5%), mostly because of lower prices for "other energy products" which include petroleum and other related products (-17.8%). The index for industrial goods and materials dropped by 0.4% as prices for metals and metals in ores dropped by 5.8%. The index for miscellaneous consumer goods decreased by 0.5% as a result of lower prices for apparel and footwear (-2.2%).

Terms of Trade

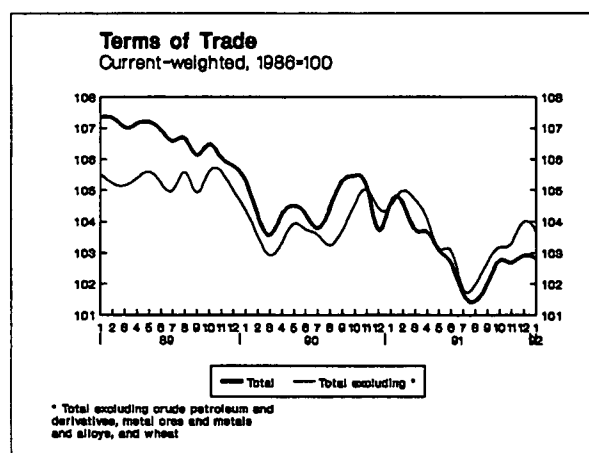
The terms of trade index is the ratio of export prices to import prices. A rising value of the index shows that imports are becoming relatively cheaper than exports, and is deemed to be an improvement in the terms of trade. A deterioration in the terms of trade occurs when we observe a decline in the value of the index, and implies that imports are more expensive than exports.

The terms of trade index fell by 1.4% in 1991, and by 2.2% in 1990. The major factors leading to these declines are two-fold. Firstly, the rise and subsequent fall in the price for crude petroleum as a result of the war in

the Persian Gulf tended to distort relative prices. Secondly, a general decline in world prices for primary commodities such as wheat and metals and alloys led to a decrease in the terms of trade index. Since Canada is a net exporter of these commodities, the decline in prices had a more significant impact on total export prices than on total import prices.

We have investigated the terms of trade excluding these three specific areas (crude petroleum and its derivatives, metal ores and metals and alloys, and wheat) to determine the performance of the terms of trade in the remaining commodity areas. Together, these three commodities accounted for 22.2% of exports and 9.2% of imports in 1991.

Excluding from the total the impact of price movements for crude petroleum and its derivatives, we observe a smaller deterioration in the terms of trade in 1990 of 1.9% compared with a 2.2% decline in the overall total. Import prices for crude petroleum increased at a faster rate than those for exports, leading to a deterioration in the terms of trade. In 1991, import prices for crude petroleum and its derivatives dropped at a faster rate than export prices and resulted in a more significant decline in the total excluding crude petroleum and its derivatives (-2.0% compared with -1.4% for the overall total).



For metal ores and metals and alloys, the relative price decreased in 1990 and in 1991 as export prices decreased at a greater rate than imports. Exports of metal ores and metals and alloys accounted for approximately 11.3% of total exports in 1991, while imports of these commodities accounted for only 4.4% of total imports. As a result, the impact of the decrease in the relative price had two effects: 1) export prices dropped more rapidly

than import prices; and, 2) the decline in export prices had a more significant impact on the total index for exports than in the case for imports. The combination of these two effects results in a less significant deterioration in the terms of trade for the total excluding metals, the index falling by only 1.4% in 1990, compared with the decrease of 2.2% for the total index. In 1991, the terms of trade excluding metals fell by only 0.6% versus the decline of 1.4% in the total.

The price index for exports of wheat fell by 18.5% and 12.1% in 1990 and 1991 respectively. Although this commodity only accounted for 2.8% of total exports in 1991, price movements of this magnitude had a significant impact on the overall terms of trade index. Excluding wheat price movements, the terms of trade index fell by 1.9% in 1990 and by 1.1% in 1991. The exclusion of wheat resulted in a relative improvement in the terms of trade of 0.3% in both 1990 and 1991.

The three cases mentioned above are not considered the only important factors which influenced import and export price indexes and thus the terms of trade during 1990 and 1991. However, the cumulative effect of their price movements accounted for most of the decline in the overall terms of trade. Excluding exports of wheat, exports and imports of crude petroleum and its

derivatives, and imports and exports of metal ores and metals and alloys, the terms of trade deterioration changes from decreases of 1.4% in 1990 and 0.4% in 1991, compared with the 2.2% and 1.4% declines in the overall terms of trade index.

The price index for total exports has increased in three of the last four months, and grew by 0.7% in January. This suggests an end to its downward trend which began in December 1990. From a high in November 1990 to a low in September 1991, the index lost 9.2%, while since September 1991 has gained 1.6%. The import price index rose by 1.0% in January. The index has increased in two of the last three months, rising by 0.9% during that period.

As a result of these price movements, the terms of trade fell by 0.3% in January, although the current trend shows the terms of trade has started to reclaim some of the losses endured during 1990-91. From a low in August 1991, the terms of trade index has gained 1.5%. Moreover, excluding the price movements for crude petroleum and its derivatives, metal ores and metals and alloys, and wheat, we observe an even larger improvement in the terms of trade, as the index gained 2.2% during the last six months.

Table 1
Merchandise Trade of Canada
 January 1992

	Customs Basis		Balance of Payments Basis							
	Exports	Imports	Raw Values		Seasonally Adjusted			Period-to-period change		
			Exports	Imports	Exports	Imports	Balance	Exports	Imports	Balance
			\$ millions		%		\$ millions			
1986	120,670	112,511	120,318	110,374	120,317	110,374	9,943	1.1	7.5	-6,449
1987	125,087	116,239	126,340	115,119	126,340	115,119	11,222	5.0	4.3	1,279
1988	138,498	131,172	138,742	128,321	138,742	128,321	10,421	9.8	11.5	-801
1989	138,701	135,191	141,768	134,673	141,768	134,673	7,095	2.2	5.0	-3,326
1990	148,665	136,224	146,482	135,557	146,482	135,557	10,926	3.3	0.7	3,830
1991	145,281	135,284	141,701	134,323	141,701	134,323	7,378	-3.3	-0.9	-3,548
1990										
First quarter	36,181	35,171	35,579	34,944	36,037	34,166	1,871	2.7	1.5	432
Second quarter	39,239	35,852	38,761	35,576	37,186	34,058	3,128	3.2	-0.3	1,257
Third quarter	35,304	31,354	34,772	31,566	36,952	33,738	3,214	-0.6	-0.9	87
Fourth quarter	37,941	33,847	37,371	33,471	36,308	33,595	2,712	-1.7	-0.4	-502
1991										
First quarter	34,927	32,547	33,920	32,497	34,841	32,256	2,584	-4.0	-4.0	-128
Second quarter	38,321	34,937	37,308	34,463	35,630	32,742	2,888	2.3	1.5	304
Third quarter	35,104	33,283	34,445	33,271	36,276	35,299	977	1.8	7.8	-1,911
Fourth quarter	36,930	34,518	36,029	34,093	34,955	34,026	929	-3.6	-3.6	-48
1991										
January	11,669	11,001	11,325	10,904	11,774	11,103	671	-0.6	0.4	-107
February	11,264	10,330	10,919	10,410	11,524	10,624	900	-2.1	-4.3	229
March	11,994	11,216	11,676	11,183	11,542	10,530	1,013	0.2	-0.9	113
April	12,729	11,906	12,409	11,605	12,101	11,157	944	4.8	6.0	-69
May	13,086	11,778	12,654	11,595	11,694	10,556	1,138	-3.4	-5.4	194
June	12,506	11,252	12,245	11,263	11,835	11,030	806	1.2	4.5	-333
July	11,266	10,761	10,997	10,702	12,190	11,794	396	3.0	6.9	-410
August	11,968	11,098	11,741	11,198	12,393	11,525	868	1.7	-2.3	472
September	11,870	11,424	11,707	11,371	11,693	11,979	-287	-5.6	3.9	-1,154
October	13,090	12,883	12,807	12,787	11,758	11,699	60	0.6	-2.3	346
November	12,323	11,746	12,063	11,534	11,651	11,418	233	-0.9	-2.4	174
December	11,517	9,890	11,158	9,772	11,545	10,909	636	-0.9	-4.5	403
1992										
January	11,871	11,233	11,465	10,890	12,166	11,082	1,085	5.4	1.6	449
Year-to-date										
1991	11,669	11,001	11,325	10,904	11,774	11,103	671	1.7	0.4	143
1992	11,871	11,233	11,465	10,890	12,166	11,082	1,085	3.3	-0.2	414

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
 January 1992
 Balance of Payments Basis
 Seasonally Adjusted

	Dec.	Jan.	Period-to-period change				Year-to-date Total	Change over previous year	
			Dec.	Jan.	Dec.	Jan.		\$ millions	%
	\$ millions		%	%	\$ millions		\$ millions	%	\$ millions
Exports to:									
United States	8,723	9,113	-2.7	4.5	-238	390	9,113	1.9	171
United Kingdom	236	221	-2.0	-6.2	-5	-15	221	-14.5	-37
E.E.C. 86 excl. U.K.	630	682	-2.3	8.2	-15	51	682	-2.8	-20
Japan	567	607	7.3	7.1	39	40	607	9.1	51
Other O.E.C.D. 86 *	205	381	-16.1	85.9	-39	176	381	62.6	147
Other countries	1,184	1,162	14.7	-1.8	152	-21	1,162	7.5	81
Total	11,545	12,166	-0.9	5.4	-106	621	12,166	3.3	392
Imports from:									
United States	7,632	7,684	-1.9	0.7	-150	52	7,684	0.6	49
United Kingdom *	314	371	-1.0	18.3	-3	57	371	1.3	5
E.E.C. 86 excl. U.K.	804	711	0.3	-11.6	2	-93	711	-4.1	-30
Japan	716	772	-4.9	7.9	-37	56	772	6.8	49
Other O.E.C.D. 86 *	277	324	-36.4	17.0	-158	47	324	-22.9	-96
Other countries *	1,167	1,220	-12.2	4.5	-163	53	1,220	0.2	3
Total	10,909	11,082	-4.5	1.6	-509	173	11,082	-0.2	-21
Balance with:									
United States	1,092	1,429			-87	338	1,429		122
United Kingdom	-78	-150			-2	-72	-150		-42
E.E.C. 86 excl. U.K.	-174	-30			-18	144	-30		11
Japan	-149	-165			75	-16	-165		2
Other O.E.C.D. 86 *	-72	57			119	129	57		243
Other countries	17	-57			314	-74	-57		78
Total	636	1,085			403	449	1,085		413

* Raw series

Table 2A
Statistical Alignment of Canadian Exports to the United States with United States Imports from Canada
 Customs Basis
 January 1992

	\$ millions
Total Canadian exports to United States	8,773.5
Freight and other related charges incurred in bringing the merchandise to the Canadian border	-317.7
Canadian re-exports of goods of foreign origin to United States	-533.2
United States imports of goods of Canadian origin from other countries	19.7
Re-exports of U.S. goods returned through Canada and designated as Canadian origin by the U.S.	311.9
Monthly average exchange rate (\$US/\$Cdn)	1.1565
Total United States imports from Canada (Country of Origin and F.O.B. place of lading Basis)	US 7,137.3

Notes:

1. United States trade data includes Puerto Rico and Virgin Islands.
2. Totals may not add due to rounding.
3. Readers interested in aligning Canadian imports from United States to United States exports to Canada should refer to the *United States Department of Commerce News Release (FT900)* or contact International Trade Division Data Dissemination Section at 613-951-9647.

Table 3
Exports by Commodity Groupings
 January 1992
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Nov.	Dec.	Jan.	Year-to-date		Percentage change		
				Value	% change	Jan.'92/ Jan.'91	Jan.'91/ Jan.'90	Jan.'90/ Jan.'89
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	1,090	1,166	1,258	1,258	23.5	24.9	-10.1	1.7
Wheat	307	394	421	421	46.3	49.7	-11.5	38.6
Other agricultural and fishing products	783	771	837	837	14.5	14.4	-9.5	-8.7
ENERGY PRODUCTS	1,236	1,184	1,089	1,089	-23.7	-23.1	23.2	12.2
Crude petroleum *	513	457	437	437	-35.7	-35.7	70.4	14.1
Natural gas	272	245	302	302	3.7	2.5	6.3	22.0
Other energy products	451	481	350	350	-23.2	-24.2	-0.8	5.5
FORESTRY PRODUCTS	1,558	1,530	1,637	1,637	-4.5	-6.5	-6.4	-5.6
Lumber and sawmill products	540	498	615	615	29.3	22.7	-17.9	-4.3
Woodpulp and other wood products	362	359	379	379	-18.0	-18.0	-18.2	-2.9
Newsprint and other paper and paperboard	656	673	643	643	-17.2	-16.3	12.1	-8.6
INDUSTRIAL GOODS AND MATERIALS	2,244	2,382	2,511	2,511	1.6	0.2	2.1	-13.5
Metal ores	341	450	350	350	-18.7	-24.3	-1.3	13.9
Chemicals, plastics and fertilizers	511	567	570	570	-4.6	-5.2	3.6	-7.5
Metals and alloys	968	895	1,146	1,146	13.5	12.1	8.7	-28.6
Other industrial goods and materials	424	470	444	444	2.7	2.8	-9.7	-1.2
MACHINERY AND EQUIPMENT	2,412	2,253	2,431	2,431	2.7	1.9	3.3	6.5
Industrial and agricultural machinery	477	557	507	507	12.8	9.3	-8.1	5.9
Aircraft and other transportation equipment	512	433	626	626	16.7	16.5	-3.4	22.9
Other machinery and equipment	1,423	1,263	1,298	1,298	-6.0	-5.9	10.8	1.0
AUTOMOTIVE PRODUCTS	2,727	2,607	2,823	2,823	21.4	18.2	-3.0	-23.1
Passenger autos and chassis	1,242	1,202	1,268	1,268	8.4	7.6	14.1	-22.9
Trucks and other motor vehicles	792	745	842	842	52.1	50.3	-16.5	-17.3
Motor vehicle parts	694	660	712	712	18.5	10.9	-14.1	-27.4
OTHER CONSUMER GOODS	270	279	262	262	9.3	10.0	6.4	-1.4
SPECIAL TRANSACTIONS TRADE	186	219	259	259	-5.0	-9.3	2.9	123.7
UNALLOCATED ADJUSTMENTS *	-73	-74	-103	-103	71.5	71.5	-9.8	24.3
TOTAL	11,651	11,545	12,166	12,166	3.3	1.2	1.5	-6.0

* raw series

Table 4
Imports by Commodity Groupings
 January 1992
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Nov.	Dec.	Jan.	Year-to-date		Percentage change		
				Value	% change	Jan.'92/ Jan.'91	Jan.'91/ Jan.'90	Jan.'90/ Jan.'89
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	763	764	750	750	7.8	5.5	0.1	8.0
Fruits and vegetables	255	263	255	255	5.9	4.8	-6.1	15.5
Other agricultural and fishing products	508	501	495	495	8.9	5.8	3.7	3.9
ENERGY PRODUCTS	563	493	449	449	-21.9	-25.8	-1.9	20.8
Crude petroleum	383	327	263	263	-31.0	-31.7	24.0	10.5
Other energy products	181	166	186	186	-3.9	-10.8	-35.8	37.5
FORESTRY PRODUCTS	107	96	107	107	10.6	10.5	-23.1	25.5
INDUSTRIAL GOODS AND MATERIALS	1,978	1,893	2,058	2,058	3.2	2.6	-10.0	3.6
Metals and metal ores	461	407	509	509	-5.9	-8.9	-14.6	-0.5
Chemicals and plastics	689	661	683	683	4.5	3.9	2.6	-2.5
Other industrial goods and materials	827	825	865	865	8.4	8.9	-15.9	11.4
MACHINERY AND EQUIPMENT	3,731	3,420	3,439	3,439	-3.7	-3.3	2.9	4.5
Industrial and agricultural machinery	1,007	863	895	895	-4.5	-3.2	-15.9	4.3
Aircraft and other transportation equipment	480	350	357	357	-13.4	-17.7	11.9	-18.8
Office machines and equipment	612	623	548	548	-14.3	-13.4	20.3	13.6
Other machinery and equipment	1,632	1,584	1,639	1,639	3.5	4.9	8.3	10.2
AUTOMOTIVE PRODUCTS	2,610	2,446	2,475	2,475	-7.1	-6.9	20.1	-21.6
Passenger autos and chassis	1,053	912	866	866	-26.4	-26.9	57.1	-24.9
Trucks and other motor vehicles	343	277	242	242	-24.6	-28.8	27.4	-15.5
Motor vehicle parts	1,214	1,257	1,366	1,366	17.1	14.7	-0.3	-21.0
OTHER CONSUMER GOODS	1,445	1,437	1,439	1,439	8.5	10.6	-2.1	18.7
Apparel and footwear	331	305	313	313	9.2	10.8	-14.2	32.8
Miscellaneous consumer goods	1,114	1,132	1,126	1,126	8.4	10.5	3.2	13.5
SPECIAL TRANSACTIONS TRADE	298	425	440	440	73.6	72.0	6.7	10.1
UNALLOCATED ADJUSTMENTS *	-77	-65	-74	-74	0.7	0.7	-1.7	-0.4
TOTAL	11,418	10,909	11,082	11,082	-0.2	-0.1	2.1	1.0

* raw series

Table 5
Merchandise Trade of Canada
 Constant Dollars, Laspeyres Price Indexes and Terms of Trade
 January 1992
 Seasonally Adjusted, Balance of Payments Basis

	Constant 1986 dollars (1)				Laspeyres price index (2)					
			Period-to-period change (4)		1986=100			Period-to-period change (4)		
	Exports	Imports	Exports	Imports	Exports	Imports	Terms of Trade(3)	Exports	Imports	Terms of Trade(3)
	\$ millions		%					%		
1986	120,317	110,374	100.0	100.0	100.0
1987	124,665	117,271	3.6	6.2	101.8	98.8	103.1	1.8	-1.2	3.1
1988	136,280	133,265	9.3	13.6	102.9	97.5	105.6	1.1	-1.4	2.5
1989	137,765	139,680	1.1	4.8	104.8	97.9	107.1	1.8	0.4	1.4
1990	143,995	139,159	4.5	-0.4	104.3	99.4	105.0	-0.5	1.5	-2.0
1991	144,931	141,523	0.7	1.7	100.7	98.2	102.5	-3.4	-1.2	-2.3
1989										
First quarter	35,393	34,506	4.2	2.1	105.7	97.4	108.6	1.3	-0.3	1.6
Second quarter	33,685	34,866	-4.8	1.0	106.2	98.2	108.1	0.4	0.9	-0.5
Third quarter	34,138	35,128	1.3	0.8	104.2	97.7	106.6	-1.9	-0.5	-1.4
Fourth quarter	34,549	35,181	1.2	0.2	103.8	97.6	106.3	-0.4	-0.1	-0.3
1990										
First quarter	35,428	35,007	2.5	-0.5	104.3	99.5	104.8	0.5	1.9	-1.4
Second quarter	37,119	35,502	4.8	1.4	102.9	98.5	104.6	-1.3	-1.0	-0.3
Third quarter	36,579	34,879	-1.5	-1.8	103.3	98.7	104.7	0.4	0.3	0.1
Fourth quarter	34,869	33,771	-4.7	-3.2	106.3	101.5	104.7	2.8	2.8	0.0
1991										
First quarter	34,478	33,318	-1.1	-1.3	103.2	99.3	103.8	-2.9	-2.1	-0.8
Second quarter	36,385	34,524	5.5	3.6	100.9	97.9	103.0	-2.2	-1.5	-0.8
Third quarter	37,673	37,243	3.5	7.9	99.5	97.5	102.0	-1.4	-0.4	-1.0
Fourth quarter	36,395	36,438	-3.4	-2.2	99.3	97.8	101.5	-0.2	0.3	-0.5
1991										
January	11,515	11,397	0.4	3.3	104.5	100.1	104.4	-0.9	-1.3	0.5
February	11,373	10,986	-1.2	-3.6	103.3	99.2	104.1	-1.2	-0.9	-0.3
March	11,590	10,935	1.9	-0.5	101.8	98.9	103.0	-1.4	-0.3	-1.1
April	12,243	11,731	5.6	7.3	101.4	98.3	103.1	-0.5	-0.6	0.1
May	11,959	11,110	-2.3	-5.3	100.9	97.9	103.1	-0.5	-0.4	-0.0
June	12,184	11,683	1.9	5.2	100.3	97.7	102.7	-0.6	-0.2	-0.4
July	12,574	12,343	3.2	5.7	100.3	97.8	102.6	-0.0	0.1	-0.1
August	12,820	12,083	2.0	-2.1	99.3	97.5	101.9	-1.0	-0.3	-0.7
September	12,278	12,818	-4.2	6.1	98.9	97.4	101.5	-0.4	-0.0	-0.4
October	12,229	12,538	-0.4	-2.2	99.3	97.3	102.0	0.4	-0.1	0.5
November	12,146	12,192	-0.7	-2.8	99.2	97.9	101.3	-0.1	0.5	-0.7
December	12,020	11,709	-1.0	-4.0	99.4	98.3	101.1	0.2	0.4	-0.2
1992										
January	12,577	11,779	4.6	0.6	99.5	97.9	101.6	0.1	-0.3	0.5
Year-to-date										
1991	11,515	11,397	1.2	-0.5						
1992	12,577	11,779	9.2	3.3						

(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 1986 trade and therefore reflects changes in price only.

(3) The Terms of Trade are the ratios of export price indexes to import price indexes, multiplied by 100.

(4) 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.

...figures not appropriate.

Table 6
Exports by Commodity Groupings in 1986 Dollars
 January 1992
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Nov.	Dec.	Jan.	Year-to-date		Percentage change		
				Value	% change	Jan.'92/ Jan.'91	Jan.'91/ Jan.'90	Jan.'90/ Jan.'89
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	1,118	1,163	1,203	1,203	12.7	13.7	0.5	8.2
Wheat	326	392	367	367	14.9	17.3	15.6	62.3
Other agricultural and fishing products	792	771	836	836	11.7	12.0	-5.2	-3.8
ENERGY PRODUCTS	1,406	1,464	1,359	1,359	3.0	2.5	7.9	-0.8
Crude petroleum *	427	464	462	462	4.2	4.2	30.9	-12.1
Natural gas	474	440	476	476	15.4	13.6	11.2	17.8
Other energy products	505	560	421	421	-9.1	-9.4	-8.2	-5.3
FORESTRY PRODUCTS	1,640	1,580	1,670	1,670	4.1	2.4	-2.4	-3.4
Lumber and sawmill products	566	502	601	601	19.8	13.1	-13.6	-6.9
Woodpulp and other wood products	414	389	408	408	12.3	12.3	-2.0	0.1
Newsprint and other paper and paperboard	659	689	660	660	-10.5	-9.5	6.5	-2.1
INDUSTRIAL GOODS AND MATERIALS	2,426	2,581	2,724	2,724	13.1	11.8	0.8	-1.9
Metal ores	349	481	349	349	-15.2	-20.9	5.3	20.6
Chemicals, plastics and fertilizers	548	609	578	578	3.7	3.1	-5.9	2.0
Metals and alloys	1,068	976	1,295	1,295	33.6	32.1	13.0	-15.9
Other industrial goods and materials	461	515	502	502	6.8	7.3	-13.8	8.3
MACHINERY AND EQUIPMENT	2,446	2,241	2,411	2,411	5.6	5.0	2.9	5.3
Industrial and agricultural machinery	406	468	430	430	10.5	7.0	-10.2	1.7
Aircraft and other transportation equipment	453	384	556	556	16.8	16.3	-3.7	18.0
Other machinery and equipment	1,587	1,389	1,425	1,425	0.5	0.9	9.9	2.7
AUTOMOTIVE PRODUCTS	2,761	2,603	2,833	2,833	17.1	14.1	-4.2	-23.1
Passenger autos and chassis	1,259	1,190	1,274	1,274	3.6	2.7	12.4	-22.9
Trucks and other motor vehicles	801	749	843	843	45.6	43.8	-18.9	-17.2
Motor vehicle parts	700	663	716	716	17.3	9.7	-14.3	-27.9
OTHER CONSUMER GOODS	232	236	216	216	4.8	5.5	5.5	-6.4
SPECIAL TRANSACTIONS TRADE *	194	228	267	267	0.5	-3.5	2.2	127.7
UNALLOCATED ADJUSTMENTS *	-76	-77	-106	-106	81.4	82.6	-10.4	26.6
TOTAL	12,146	12,020	12,577	12,577	9.2	7.7	0.7	-4.4

* raw series

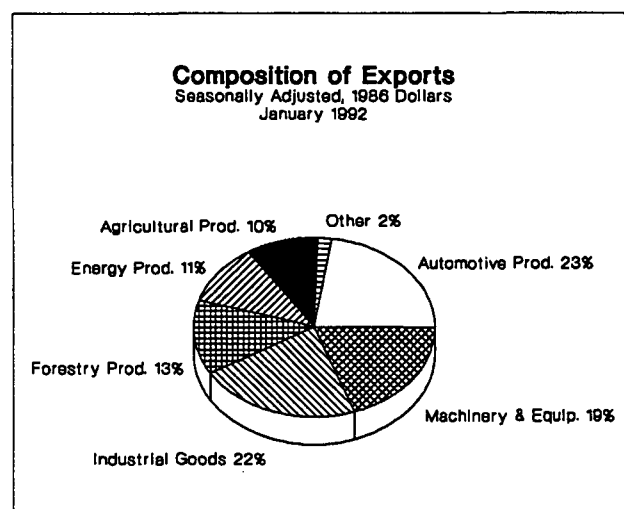
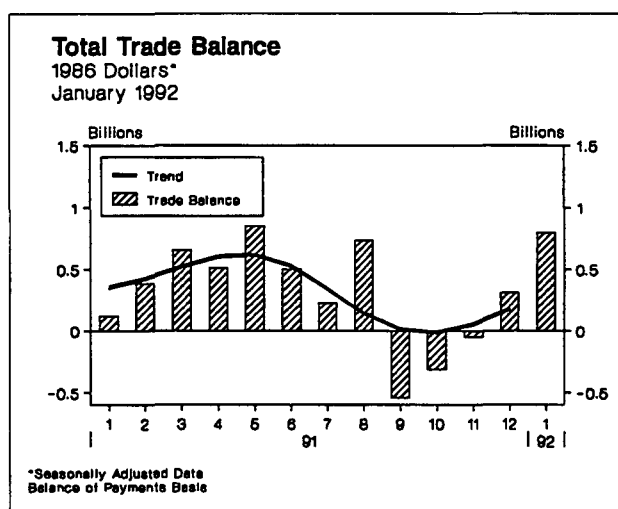
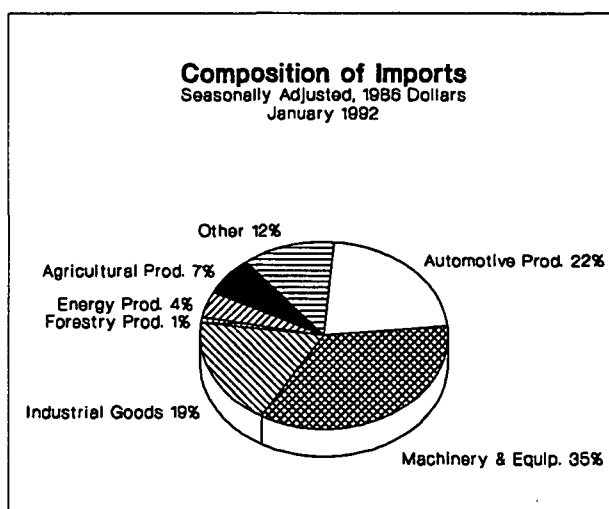
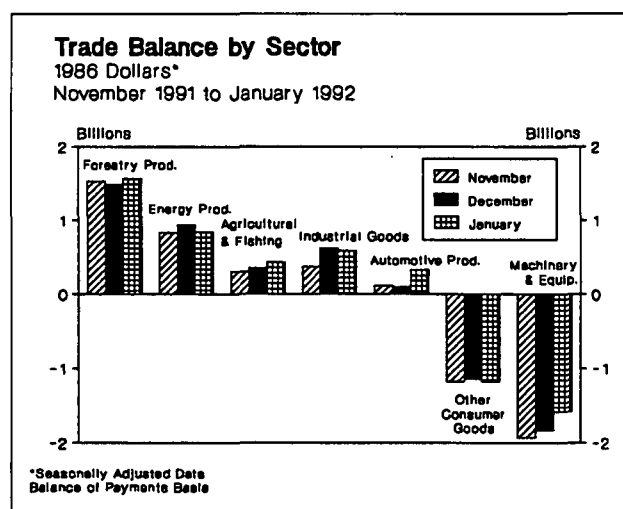


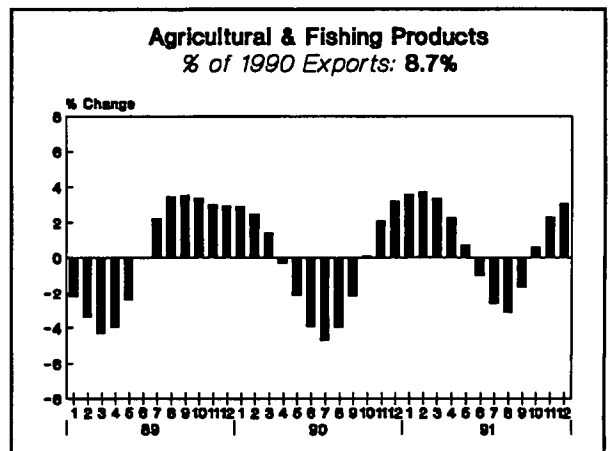
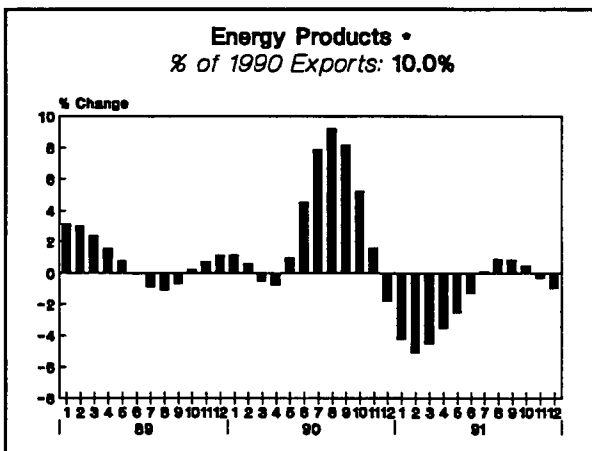
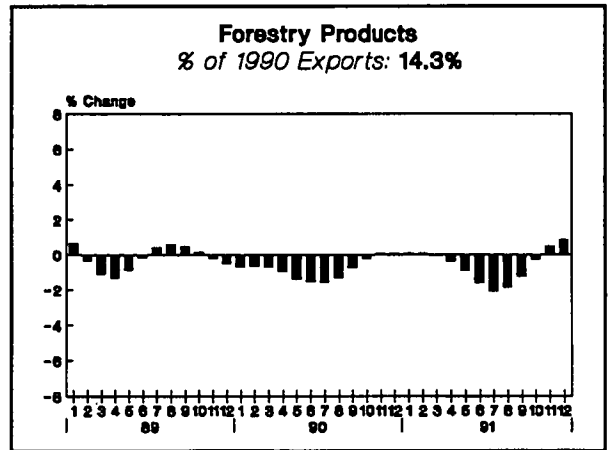
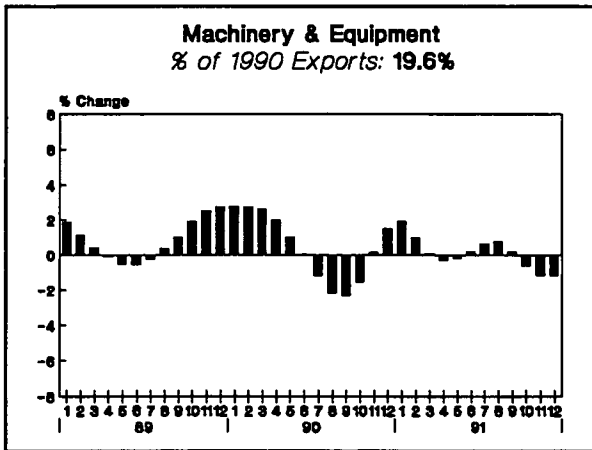
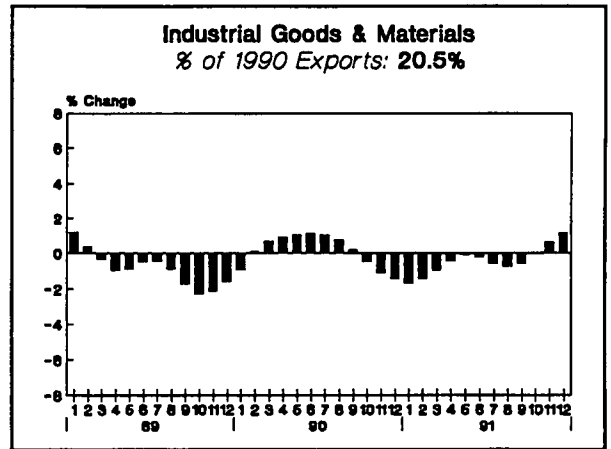
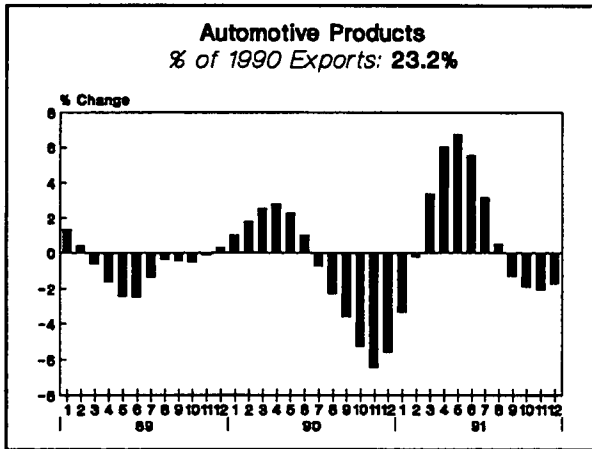
Table 7
Imports by Commodity Groupings in 1986 Dollars
 January 1992
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Nov.	Dec.	Jan.	Year-to-date		Percentage change		
				Value	% change	Jan.'92/ Jan.'91	Jan.'91/ Jan.'90	Jan.'90/ Jan.'89
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	813	802	767	767	5.9	4.7	-0.5	13.4
Fruits and vegetables	240	246	240	240	6.4	6.2	-8.2	15.2
Other agricultural and fishing products	572	556	527	527	5.7	4.1	3.4	12.5
ENERGY PRODUCTS	566	522	509	509	14.0	10.0	-26.7	-0.3
Crude petroleum	334	313	256	256	2.2	0.8	-13.4	-11.6
Other energy products	231	210	253	253	29.0	25.3	-41.7	16.7
FORESTRY PRODUCTS	101	90	97	97	8.9	8.8	-23.9	40.8
INDUSTRIAL GOODS AND MATERIALS	2,049	1,957	2,135	2,135	7.6	7.1	-8.7	7.0
Metals and metal ores	461	400	531	531	0.3	-2.2	-12.4	10.2
Chemicals and plastics	734	716	726	726	10.7	9.7	-0.4	1.8
Other industrial goods and materials	853	841	878	878	9.8	10.7	-12.5	9.3
MACHINERY AND EQUIPMENT	4,378	4,066	3,992	3,992	-1.5	-0.9	4.4	7.0
Industrial and agricultural machinery	1,051	890	917	917	-5.9	-4.6	-18.2	2.8
Aircraft and other transportation equipment	477	352	359	359	-14.2	-18.2	6.5	-17.2
Office machines and equipment	1,202	1,244	1,094	1,094	1.3	2.3	31.7	28.7
Other machinery and equipment	1,647	1,580	1,623	1,623	2.8	4.2	6.7	9.8
AUTOMOTIVE PRODUCTS	2,644	2,505	2,502	2,502	-5.7	-5.3	17.2	-23.4
Passenger autos and chassis	953	865	783	783	-25.4	-25.7	56.5	-27.8
Trucks and other motor vehicles	360	277	241	241	-28.9	-32.8	24.4	-17.2
Motor vehicle parts	1,331	1,362	1,477	1,477	16.8	14.5	-0.3	-22.6
OTHER CONSUMER GOODS	1,406	1,380	1,388	1,388	10.0	12.1	-3.8	13.8
Apparel and footwear	258	233	245	245	10.7	12.4	-14.4	18.6
Miscellaneous consumer goods	1,149	1,147	1,144	1,144	9.9	12.1	-0.1	12.3
SPECIAL TRANSACTIONS TRADE *	318	456	468	468	79.5	78.6	5.5	10.1
UNALLOCATED ADJUSTMENTS *	-82	-69	-79	-79	4.3	4.6	-2.8	-0.5
TOTAL	12,192	11,709	11,779	11,779	3.3	3.7	0.9	0.9

* raw series



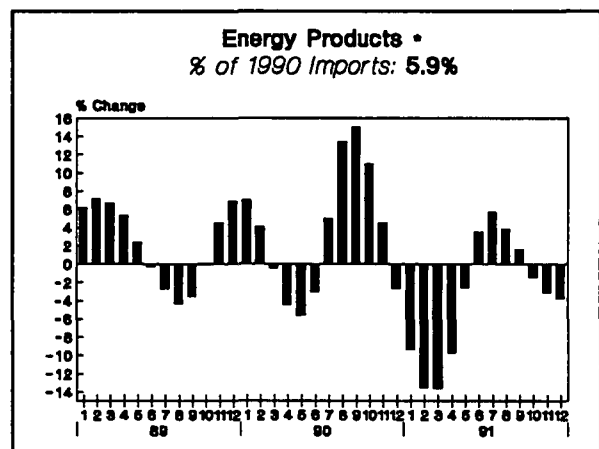
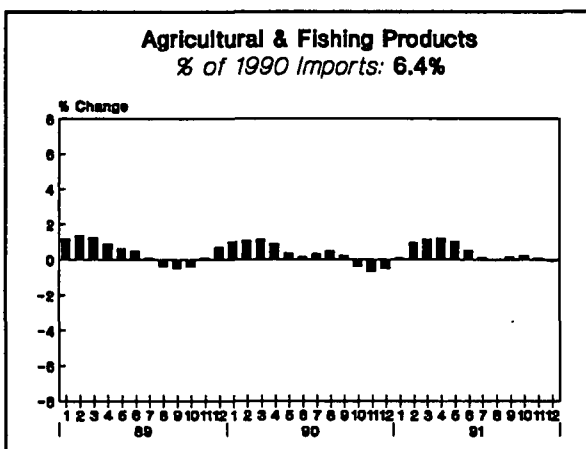
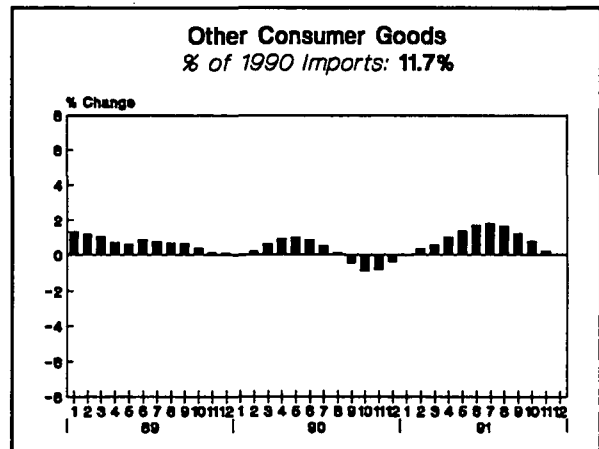
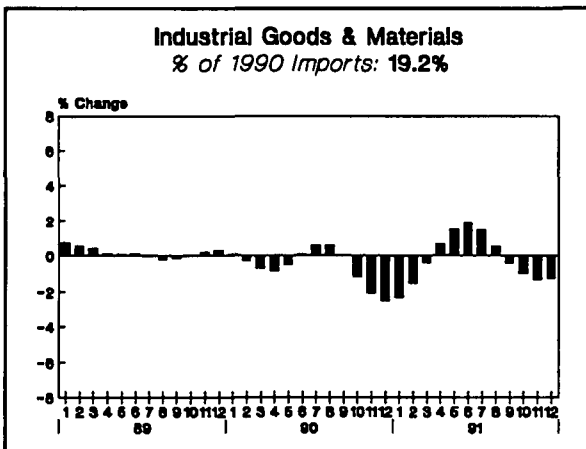
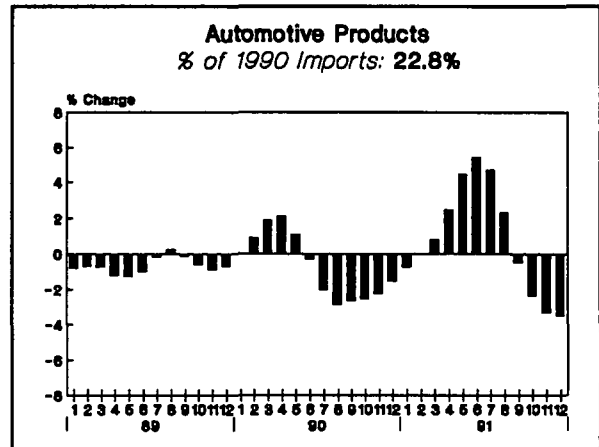
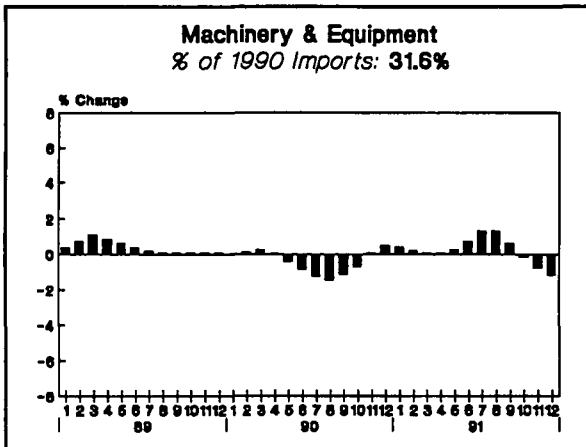
Export Trends by Commodity Groupings



Six groupings accounted for 96.3% of Exports in 1990

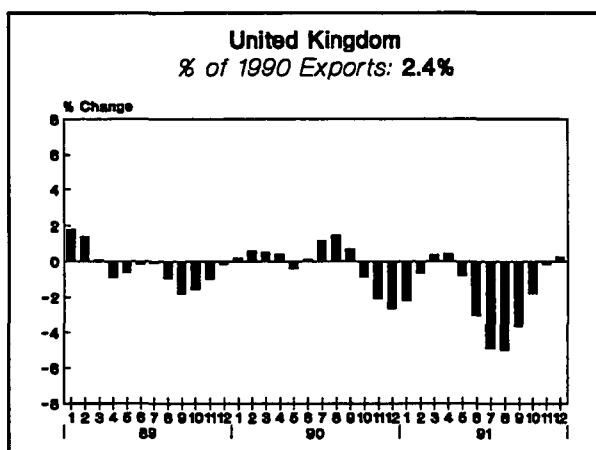
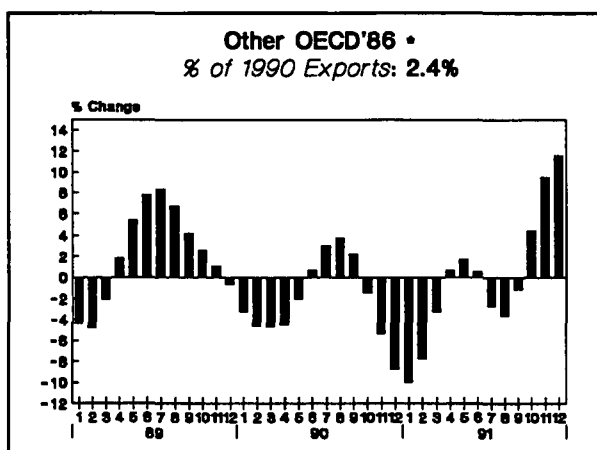
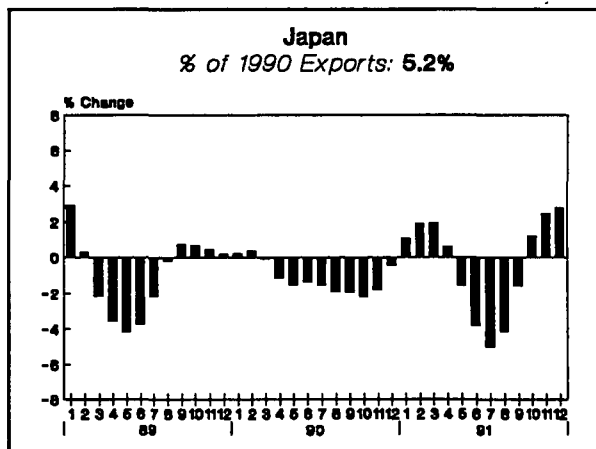
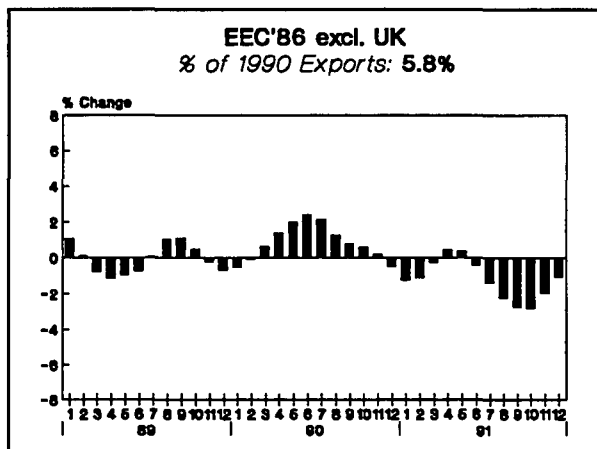
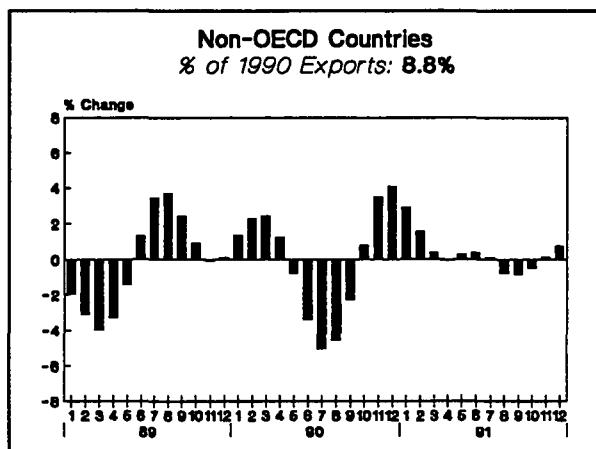
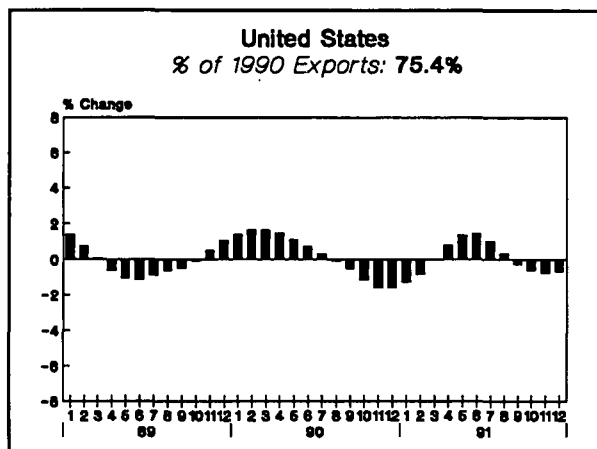
* Note: Scales vary to accommodate wider ranges in data

Import Trends by Commodity Groupings



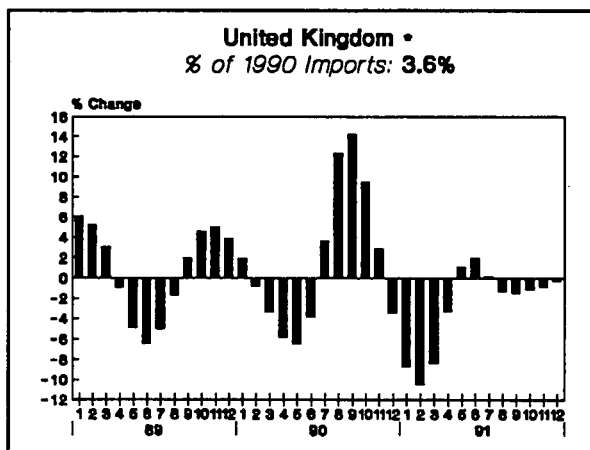
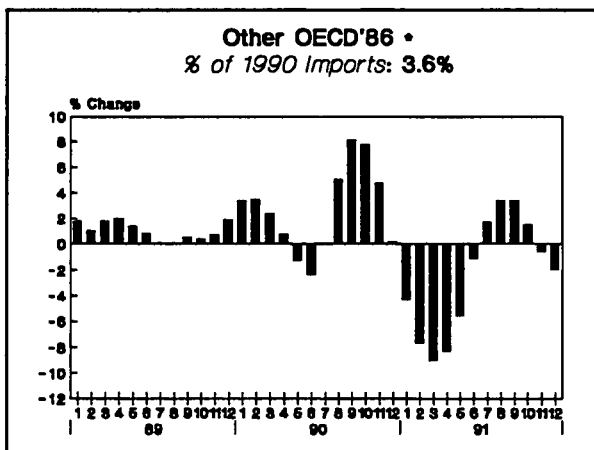
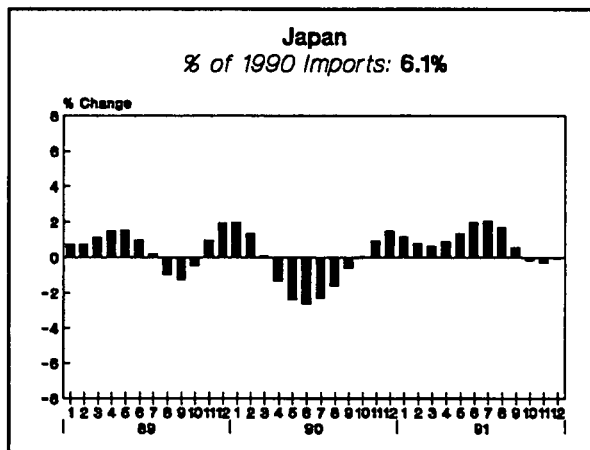
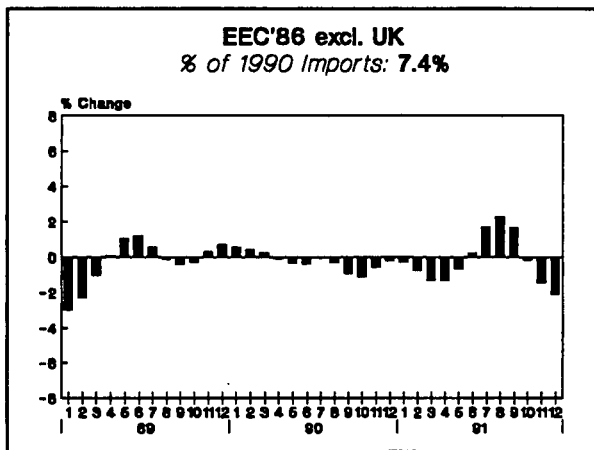
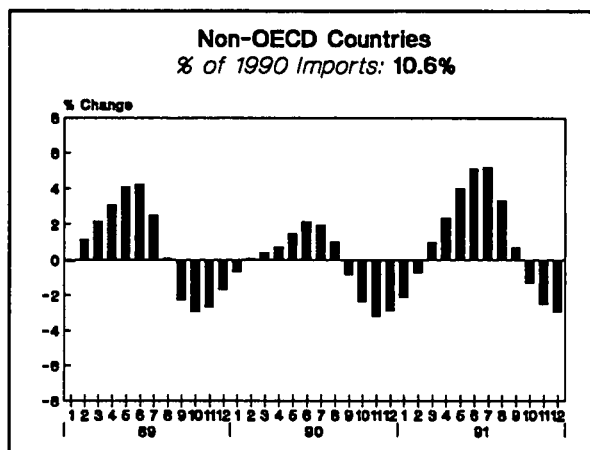
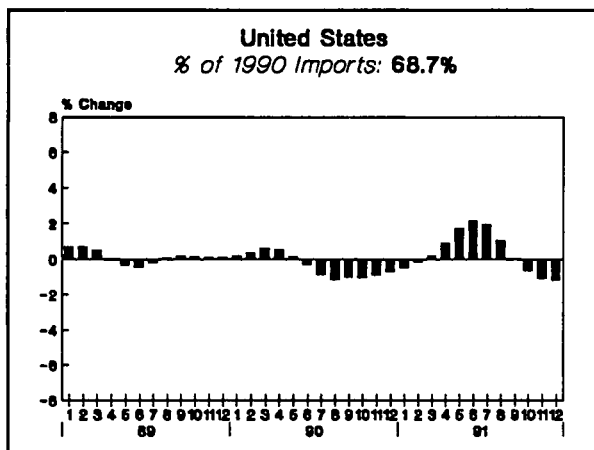
Six groupings accounted for 97.6% of Imports in 1990
 * Note: Scales vary to accommodate wider ranges in data

Export Trends by Principal Trading Areas



* Note: Scales vary to accommodate wider ranges in data

Import Trends by Principal Trading Areas



* Note: Scales vary to accommodate wider ranges in data

Canada - U S Merchandise Trade: Reconciliation or Statistical Alignment ?

Canada's largest trading partner is the United States. Imports from the US account for over two-thirds of our total imports, and exports to the US represent three-quarters of total Canadian exports. Although the proportions are smaller, Canada figures prominently in the American trade picture, buying about one-fifth of total US exports and supplying the United States with seventeen per cent of their total imports.

Because of their relative importance to each other's merchandise trade, there has always been an interest in examining the pattern of Canada-US bilateral trade over time. But, undertaking an analysis of this sort is not possible without first making certain adjustments to both countries' data in order to place Canadian and American trade data in the same context.

The most obvious adjustment is the conversion of published figures into a common currency. However, differences also exist between how the US and Canada value their merchandise trade. These differences in coverage, definition and valuation must be determined and accounted for before any conclusions can be drawn about the nature of bilateral trading patterns.

Undercoverage of exports, as well as trade valuation differences between the two countries, have traditionally been resolved through a program of "reconciliation", which entailed adjusting both Canadian and US data to account for these differences. Beginning in January 1990, the need for "reconciliation" disappeared with the implementation of a data exchange between the United States and Canada, whereby it was agreed that each country's exports would be replaced by the other country's imports. However, because of conceptual differences in how trade is valued (for example, at the border or at the point of origin), a "statistical alignment" must be performed and this is presented each month in Table 2A of this publication.

This article describes some important differences between the "reconciliation" process which occurred until December 1989 and the "statistical alignment" which began with publication of the January 1990 data.

Reconciliation

The systematic adjustment of the bilateral trade data, known as "reconciliation", formed an integral part of published Canadian international trade figures until December 1989.

Historically, the largest discrepancy between Canadian and US trade data was found to be an underestimate of the level of one country's exports to the other when compared to the other country's import statistics. For instance, in 1989, when Canadian exports to the United States (compiled by Canada) were compared to US imports from Canada (compiled by the US), there was a negative difference of almost five per cent. A similar situation existed when Canadian imports from the United States (Canadian figures) were compared to US exports to Canada (American figures).

Recognizing the fact that import documentation tends to be more accurate than export documentation, US imports from Canada were used as a benchmark for the value of Canadian exports to the US, thus effectively eliminating the undercoverage. However, other adjustments were also necessary to neutralize differences between the two countries' reported statistics. These adjustments are shown in Text Table 1, using 1988 and 1989 as reference years.

Published Canadian exports to the US (item (1) of table) are taken from "Exports Merchandise Trade", Catalogue No. 65-202, and reflect the most recent historical revisions (April 1991). The figures do not include Puerto Rico or the Virgin Islands, as these were not at the time considered part of the United States on Canadian export documents. To reconcile published Canadian and American figures, exports to Puerto Rico and the Virgin Islands must be added to published Canadian customs figures as they are included in US import figures (item (2) of table).

"Other Reconciliation Adjustments" (item (3) of table) were made in order to account for undercoverage due to non-receipt of export documents, differences in trade definition, valuation, pricing and transportation. The 1988 figure was originally published in the December 1989 "Preliminary Statement of Canadian International Trade" as \$1.2 billion, and the 1989 figure as \$3.0

Text Table 1	Reconciliation	
	Canadian Exports - US Imports	
	1988 - 1989	
	1988	1989
	(\$ billions)	
Published Canadian Exports to US, Cdn \$ ¹	100.9	101.6
Exports to Puerto Rico, Virgin Islands ²	0.3	0.2
Other Reconciliation Adjustments ³	0.4	2.4
Reconciled Canadian Exports to US, Cdn \$	101.6	104.2
Average Annual Exchange Rate	1.2302	1.189
Reconciled Canadian Exports to US, US \$	82.6	88.0
Published US Imports from Canada, US \$ ⁴	81.4	88.0
Reconciliation Adjustments ⁵	1.2	-
Reconciled US Imports From Canada	82.6	88.0

billion. However, revisions to the Customs data which were effected in April 1990 and April 1991 reduced the amount of the reconciliation adjustment to \$0.4 billion and \$2.4 billion respectively.

Data on US imports from Canada for 1988 and 1989 (item (4) on table) are taken from the US Department of Commerce News (FT-900), February 16, 1990. The US reconciliation adjustments (item (5)), taken from the same publication, cover differences in trade definition, valuation, transportation charges timing and minor errors.

As can be seen in the table, once the reconciliation adjustments are made to both US and Canadian data, and the appropriate exchange rates applied, the value of Canadian exports to the United States becomes equal to the value of US imports from Canada.

Statistical Alignment

As mentioned previously, in January 1990 a Memorandum of Understanding on the Exchange of Import Data between Canada and the United States (MOU) was implemented. This agreement entails the exchange of each country's import data to measure exports to the other country instead of compiling statistics based on export documents. A principal objective of the

MOU was to eliminate the undercoverage of exports described in the foregoing section on reconciliation.

In general, data derived from import documents are more accurate and complete than those based on export documents because they are used for the management of tariffs and compliance with trade agreements. Export documents are not subject to the same rigorous control. Implementation of the MOU had the expected effect of producing higher values for Canadian exports to the United States and reduced the data adjustment necessary to compare Canadian and US trade data over time.

With the implementation of the data exchange, no reconciliation adjustments need to be made for undercoverage. However, undercoverage was not the only area of divergence between published Canadian and American trade statistics. As a result, despite the introduction of the MOU, there still exist differences between what Canada publishes as exports to the US and what the US publishes as imports from Canada (even though Canadian exports to the US are, in fact, compiled by the US).

Text Table 2 shows the "statistical alignment" which must be performed since the implementation of the MOU in order to arrive at mutually agreed upon figures.

Text Table 2	Statistical Alignment	
	Canadian Exports - US Imports	
	1990 - 1991	
	1990	1991
	(\$ billions)	
Published Canadian Exports to US, Cdn \$ ¹	111.3	109.5
Freight incurred in bringing merchandise to Canadian border ²	-2.8	-3.2
Canadian re-exports of goods of foreign origin to US ³	-6.1	-6.0
US Imports of goods of Canadian origin from other countries ⁴	0.2	0.2
Re-exports of US goods returned through Canada and designated as Canadian origin by the US ⁵	4.0	3.9
Aligned Canadian Exports to US, Cdn \$	106.6	104.4
Average Annual Exchange Rate	1.1668	1.1458
Aligned, Canadian Exports to US, US \$	91.4	91.1
Published US Imports from Canada ⁶	91.4	91.1

Published Canadian exports to the US (item (1)) are derived from Table 2A of this publication. Exports to Puerto Rico and the Virgin Islands are included in these figures and, therefore, the adjustment made for reconciliation purposes is no longer necessary.

With implementation of the MOU, exports began to be valued on an F.O.B. port of exit basis (the same method of valuation used for Canada's other trading partners), and hence include an amount equivalent to freight from the plant to the border. Because Canadian figures for 1990 include freight to the Canadian border, this amount must be removed in order to align Canadian with US data (item (2)). On the other hand, prior to 1990, exports were valued F.O.B. place of lading. Because freight to the Canadian border was not included in export figures, no reconciliation adjustment was necessary to align Canadian and US figures (see Text Table 1).

Canadian export figures include re-exports of goods of foreign origin to the US (item (3)). These goods would be shown as imports from the foreign country, not Canada, on US import documents, and therefore, this value must be removed from the total to align the figure to US data.

A further alignment entails the addition of US imports of goods of Canadian origin from other countries (item (4)). These goods would not be included in Canadian exports to the US, but rather would be included in Canadian exports to a third country.

Item (5) is the addition of re-exports of US goods returned through Canada and designated as Canadian origin by the US. This amount is part of Canadian re-exports (item (3) above), and therefore appears in the Canadian export total. It is added back into the equation because the US considers the country of origin to be Canada.

Data on US imports from Canada for 1990 and 1991 (item (6) on table) are taken from the US Department of Commerce News (FT-900), February 15, 1991.

While there is no need to perform a "reconciliation", given the exchange of data, the foregoing description underlines the need to "align" the Canadian and American data to remove known discrepancies caused by definitional differences. Readers should, therefore, be cautious when making comparisons between US and Canadian published figures over time.

