available in 1987. The use of 1991 export data in a 1987 structured model usually requires inflation/deflation adjustments.[8] In addition, employment output ratios may change over time, altering the job creation results. In the period 1987 to 1991, export prices changed only nominally (less than minus two percent). Furthermore, it has been assumed that the economic slowdown during this time period stabilized employment output ratios. Consequently, the model utilized nominal 1991 export prices.

- **CONSTRAINTS**

By their very nature, the Input-Output accounts represent a static picture in time. Results are valid only for that period, i.e., each year represents a separate equilibrium. The model goes from one yearly equilibrium to another without any element of time. Unlike time-series analysis, the use of an Input-Output model implies instantaneous results (i.e., there are no leads, lags, or other time elements, every transaction and every result is instantaneous and simultaneous), unlimited capital and labour resources (i.e., resources are perfectly elastic), and a fixed industry structure with fixed levels of technology in each year.

The paper uses the 1987 input-output model structure which is the latest complete model currently in operation by Statistics Canada.[9] The results from this model are used to analyze the impact of exports generated in 1991 and are subject to modification if the industrial structures have changed or if there have been significant changes in technology or total factor productivity. This paper assumes no significant change in these parameters in the four year period between 1987 and 1991.

The input-output model was not "shocked" directly with service industries as merchandise trade on a customs basis was used. These data do not contain exports generated by the service sector.[10] Nevertheless, although the direct effects of the service sector are not included, secondary and other effects <u>are</u> captured, i.e., the job creation impact in the service sector caused by exports of goods.

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8 The use of different deflators can change the results substantially.

9 Statistics Canada has just released a 1989 version of their input-output model.

10 A small number of service industries were inadvertently included when the model was "shocked" with merchandise goods exports. These service industries represented 1.1% of total business exports, and accounted for an estimated 10,000 direct jobs. The inclusion of these direct service jobs is not statistically significant.