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Canadian International Trade Statistics on a Customs Basis versus Balance of Payments Basis

As two different trade data concepts are used in the attached documents, the following note explains the differences and the concept that should be used.

Exports and imports merchandise trade statistics are compiled on two different bases: customs based (BOP). Customs based trade statistics reflect information reported on forms filed with Revenue Canada - Customs and Excise when goods are imported into or exported from Canada. It is required to file these declarations with Customs, such as the description and value of the goods, origin and port of destination and the mode of transport.

The principal difference between these two trade concepts is that Customs based merchandise trade statistics cover the physical movement of goods as they are reflected on customs documents, while Balance of Payments trade data are intended to cover all economic transactions between residents and non-residents which involve merchandise trade. Balance of Payments trade data are important components in the calculation of Canadian GDP estimates and Canada's balance of international payments, that is, current account and capital account balances. BOP trade data are available on an aggregate basis for the U.S., the U.K., the E.E.C. excluding the U.K., Japan and "other" countries. In addition, BOP trade data are the internationally accepted basis for the analysis of trade performances and are utilized by such organizations as the OECD, IMF and World Bank.

Balance of Payments trade data are compiled from Customs based trade data, adjusted to be consistent with National Accounts concepts and definitions. Balance of Payments based trade data:

- include progress or interim payments for large military goods;
- provide for adjustments for selected commodities (gold, uranium) to reflect ownership changes between residents of Canada and all other countries;
- include mail order purchases;
- exclude freight charges to the border;
- adopt more precise Statistics Canada information on the value for Canadian exports of natural gas and crude petroleum as opposed to U.S. import data for the same products;
- take into account timing and discount/handling charges; and,
- make other miscellaneous adjustments for timing, coverage and technical valuation differences, as required.

For consistency purposes, CPE advises and strongly prefers that BOP (rather than Customs based) trade data be used for speeches, press releases and other public information documents, especially when GDP and trade balance data are also cited and comparisons made. However, when trade data analysis on a commodity or sector basis or on a country-by-country comparison (apart from the Quad members) is being cited, then customs based data are appropriate, as BOP data are not available in such detail. When using this trade data, the end-user should always indicate whether BOP or customs based data are quoted.