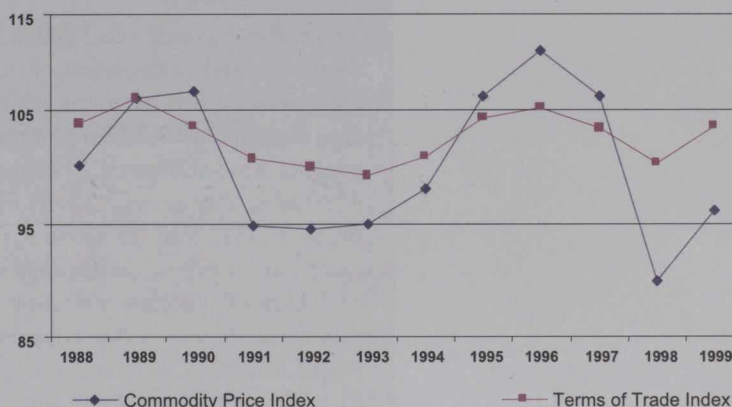


**Figure 2: Canada's Commodity Price Index and Terms of Trade, 1988-1999**



Source: Bank of Canada, *Banking and Financial Statistics* (various issues).

### *The Rising Import Content of Exports: Some Implications*

With the deepening of integration of production across borders, an increasing proportion of Canada's export-oriented production is composed of imported intermediate products. This has profound implications for the interpretation of the impact of exports on the economy, as discussed in Box 4.

#### **Box 4: Import Content of Exports: Implications for Jobs and Growth**

Reflecting the continued integration of Canada into the global economy, domestic production of goods and services for export as well as for domestic final consumption has increasingly relied on imported intermediate goods — in other words, the import content of exports has been growing. In Canada, the import content of exports is estimated to have grown from 27.6 percent in 1986 to 31.7 percent in 1996.<sup>7</sup> This is a widespread phenomenon across industries, with most industries showing an increase in import content.<sup>8</sup> This has several implications for the interpretation of trade performance.

First, this trend tightens the relationship between export and import growth, as export growth leads to increased demand for imported inputs. Part of the strength of import growth in recent years can be traced to Canada's strong export performance rather than to the strength of domestic demand alone.

<sup>7</sup> Source: Statistics Canada, Input-Output Division.

<sup>8</sup> Source: Cameron, G. and Cross P., "The Importance of Exports to GDP and Jobs," *Canadian Economic Observer*, November 1999. The Cameron-Cross study found that 17 of the 20 commodity groups studied registered an increase the import content of exports over the period 1986-1995.

