

the increased imports were mainly industrial commodities including crude petroleum.

The Commodity Composition of Canadian Trade

Trade in automotive products remains the most important component of Canada's international trade in manufactured products, and represents approximately one-quarter of Canada's total trade. Due to sluggish sales in the U.S. and Canadian markets, motor vehicle product exports registered virtually no growth while imports declined overall in 1989. This resulted in a surplus on automotive trade of \$1.7 billion.

Among the export categories that grew strongly in 1989 were mineral ores, wood pulp, iron and steel, copper, zinc, electrical machinery and equipment, aircraft and parts, and railway stock. The largest declines occurred in exports of wheat, nickel, and motor vehicles, reflecting the drought conditions of 1988, falling prices for certain commodities over the second half of the year and a weak U.S. automobile market. The impact of these changes was offsetting, such that total exports increased marginally in 1989 by \$0.8 billion, or 0.6 per cent.

Imports of consumer goods other than automobiles increased significantly, reflecting strong domestic demand and the appreciation of the Canadian dollar. Imports of machinery and equipment rose substantially in 1989 as in the previous year, reflecting strong investment growth in Canada and a strong demand for computers and office equipment for office modernization. The \$1.3 billion increase in crude petroleum imports was due to a rise in prices and import volumes. Imports grew by \$3.8 billion, or 2.9 per cent.

Canada's terms of trade continued to improve in 1989, although at a slower pace than in previous years. The 1988 drought caused grain prices to remain high in the early part of 1989 due to the uncertainty of future harvests. However, grain prices began to ease as the harvest proved to be better than estimated. Crude petroleum prices began to rise in the first few months of 1989 reflecting market uncertainty due to the Valdez oil spill disaster and other supply disruptions. An unusually cold start to winter in the last part of 1989 also boosted demand for energy and energy prices. Lumber and wood pulp prices rose in 1989, while newsprint prices fell. In the beginning of the year, the strong demand for