

major currencies. This prompted several rounds of concerted intervention to offset market pressures, which were deemed by authorities as inconsistent with adjustment in external imbalances. The Deutsche Mark posted dramatic gains during the final quarter of the year, as capital inflows increased in response to the significant tightening of German monetary policy in October and West Germany's enhanced economic prospects following the opening of the Berlin Wall in November. The Japanese yen remained weak throughout the year.

The year 1989 saw an intensification of inflationary pressures as capacity limits were strained in a number of countries. Several countries, including Japan, West Germany and Italy, also experienced tax-related increases in inflation. Consumer prices in the seven major industrial countries rose from

3.3 per cent in 1988 to 4.4 per cent in 1989. Authorities in several Group of Seven Finance Ministers and Central Bank Governors (G-7) countries tightened monetary policy significantly throughout the year to counter inflationary pressures.

In developing countries, growth slowed from 4.2 per cent in 1988 to 3 per cent in 1989. The major factor contributing to this decline was a slowing in Asian growth from 9 to 5 per cent, and further slowing of growth in countries with recent debt-servicing problems. The debt-service ratio for developing countries as a group declined to 16 per cent of exports in 1989, compared to 19.4 per cent in the previous year. For countries with recent debt-servicing difficulties, the ratio declined to 25.6 per cent from 33.2 per cent in 1988.

B. TRENDS IN CANADA'S INTERNATIONAL TRADE

After recording the second-highest level of economic growth and the highest level of trade growth over the decade in 1988, global economic and trade growth slowed significantly in 1989. Canadian economic and trade growth reflected this worldwide slowdown as exports increased marginally with import growth stronger. This resulted

in a further narrowing of Canada's trade balance in 1989. Exports rose \$825 million, or 0.6 per cent, to reach \$138.3 billion. Imports rose \$3.8 billion, or 2.9 per cent, to reach a total of \$135 billion. Adjusted for price changes the volume of Canadian exports increased by 0.8 per cent (compared with 9.3 per cent in 1988) and the