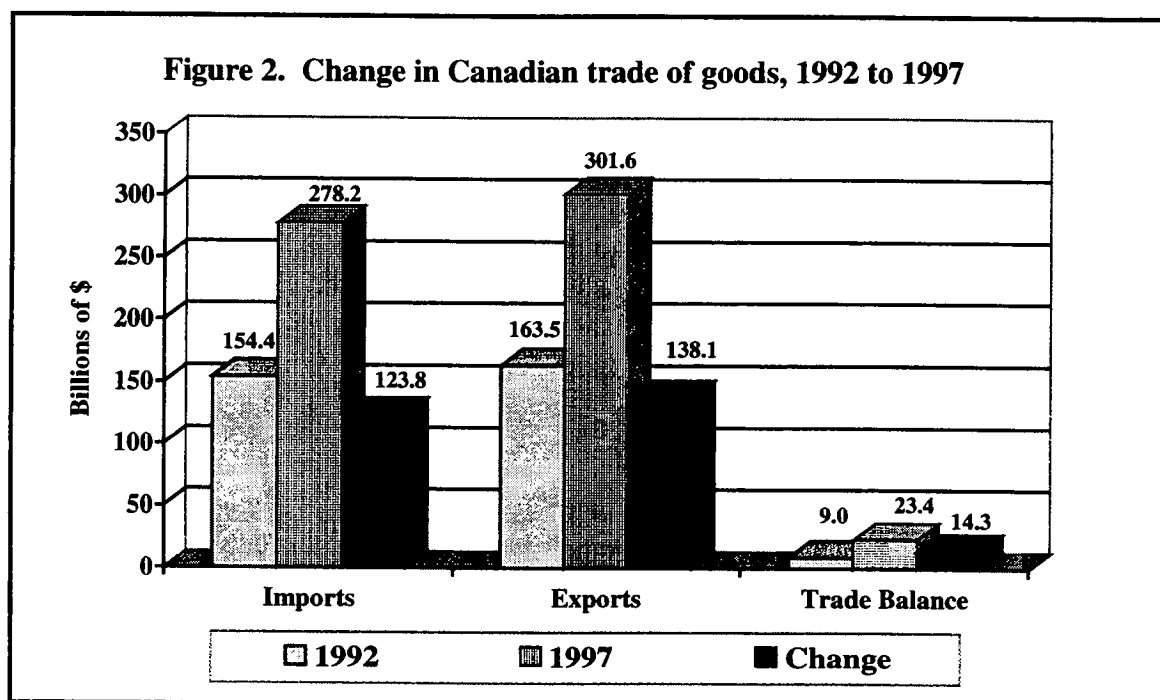


Industrial goods: The strong domestic demand for industrial materials in Canada has contributed to import growth of 16.8%, outpacing export growth of 6.4% in 1997. Canadian exports of industrial goods have grown since 1992, despite the changing world demand for industrial materials and increasing technological complexity in that sector.

Merchandise trade balance

In 1997, both exports and imports finished at record levels. However, imports outpaced exports for the first time since 1992, resulting in a drop of the trade surplus by \$17.6 billion, from the record trade surplus of \$41 billion in 1996 to \$23.4 billion in 1997 (see Figure 2).



Canada's Trade in Services

Total trade in services consists of (a) travel services, (b) transportation services, (c) government services, and (d) commercial services. Since 1992, the total imports and exports of services have risen at a steady pace and Canada has consistently run a deficit on service trade account as illustrated in Figure 3. However, Canada's trade deficit in services has been narrowing since 1994, primarily due to lower commercial service deficits.