

accounts.⁸ The input-output approach is the only way to study inter-industry relationships in terms of how industries source their inputs and dispose of their output.

A few basic tables make up the standard I-O framework: gross output of commodities by industry; industry use of commodities and primary inputs such as capital and labour; and consumption and investment of final demand sectors. Several important economic aggregates emerge: the total supply of commodities; the total use of commodities divided between industry (intermediate inputs) and final demand sectors; and an income based estimate of gross domestic product.

For the purposes of this Paper, the supply of inputs in the production process is one of the data series of specific interest. The model is able to separate commodity inputs into those sourced domestically and those imported. In separating the human, material and technological resources used in the production process, inter-industry dependence and international dependence are revealed.

4.1 The Use of the Model

In order to gain a better understanding of the domestic impact of Canadian merchandise exports to specific markets, the I-O model was run five times isolating the following regions:

- the United States;
- the European Union (the EU)⁹;

⁸ For more descriptive explanations of the workings of the I-O model, see E. Poole, *A Guide to Using the Input-Output Model of Statistics Canada*, Statistics Canada Input-Output Division Technical Series No. 58-E, Ottawa, June 1993; P. Mercier, R. Durand and A. Diaz, *Specification of Parameters for the National Input-Output Model*, Statistics Canada Input-Output Division Technical Series No. 18(E), Ottawa, December 1991; and Statistics Canada, *Statistics Canada's Input-Output Model: General Description, Critical Analysis of Partially Closed Version and Alternative Solutions*, Statistics Canada Input-Output Division Technical Series No. 52-E, Ottawa, June 1991.

⁹ EU member countries are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain and the United Kingdom.