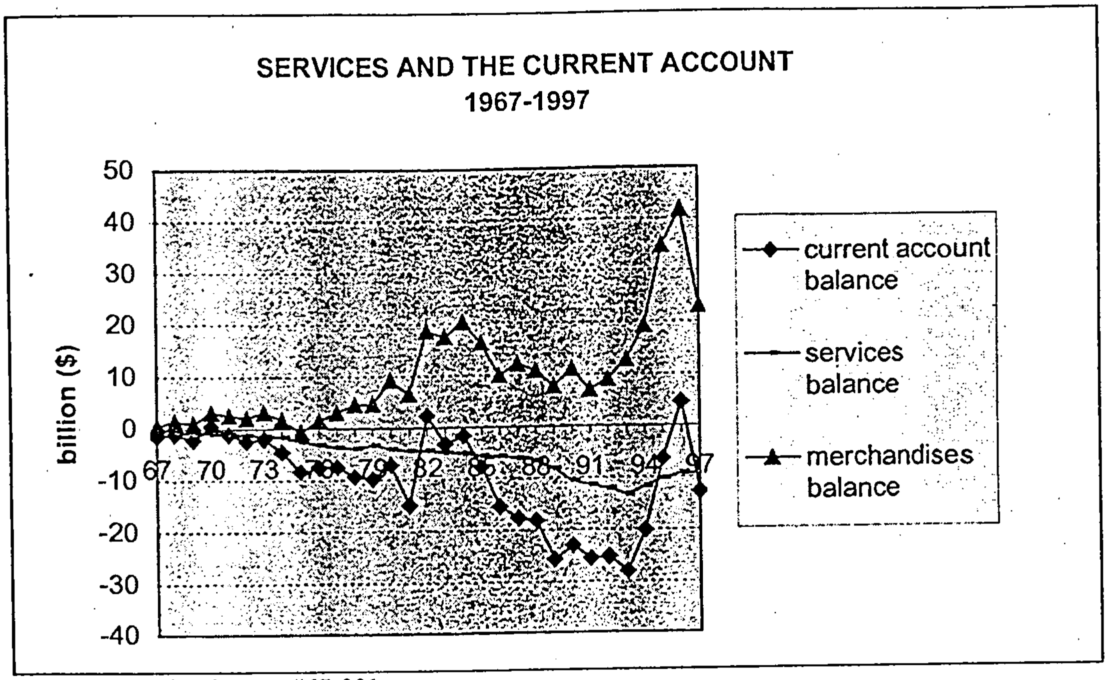
The current account allows comparison of Canada's services trade and merchandise goods balance to be made. Chart 7 illustrates a deterioration of Canada's balance of service trade at the end of the eighties, reaching its greatest deficit in 1993 with a trade deficit of 13.4 billion. The deficit in the investment income component has contributed the most to the overall deficit of the current account. This is in part attributable to the reimbursement of interests on our foreign debt.[93]

CHART 7



Source: Statistics Canada #67-001

Trends in trade in services in constant dollar terms[94] on Chart 8 show that a trade deficit started to grow progressively at the end of the eighties reaching a peak in 1991 before decreasing in the period following the recession. This can be explained by a higher growth of imports before 1991, and by a higher growth of exports after 1991. In 1997, Canada's real services trade deficit reached a low of 4.3 billion, which compares with the 1987 level of 4.8 billion. Exports and imports of services in constant prices represented 38 billion and 42 billion in 1997.[95]

93 There are three components in the current account: balance in goods and services, balance in investment income and balance of current transfer.
94 Real services figures were calculated by using a price index of non-merchandise and include investment income. By far, this is the best deflator that could be used to divide current dollar figures by a services price index.
95 In current prices, exports and imports represented $41.6 and $50.3 billion in 1997.