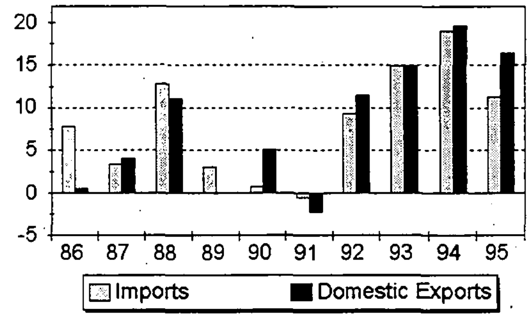
Imports: Growth Reflects International Integration

Growth in imports during the 1990s, measured on a customs basis, has basically mirrored that of exports, but at a slightly slower rate (Fig. 10). Imports have been strong over this period, showing average annual growth of 9 per cent from 1990 to 1995.[18] This slightly slower growth of imports (vis-à-vis exports) can be at least partially attributed to slow growth of domestic demand due to slow recovery from the early 1990s recession.

Fig. 10
Growth of Canadian Imports and Exports
(per cent)



Source: Statistics Canada

Like exports, imports have also been growing faster than GDP in the 1990s. It is evident that at least some of these imports are being used as inputs in the production of goods that are, in turn, exported. As noted, the import content of exported goods reflects international integration and Canada's position as a small, open economy. If Canadian exports contain a relatively high proportion of imported inputs, then the importance of exports implied by Canada's high ratio of exports to GDP could be over-stated when compared to that of other, less import-reliant countries.[19] It has been found that Canadian manufactures do rely more on imported inputs than manufacturers in France, Germany, Japan, the U.K. and the U.S..[20] However, taking import content into consideration, the ratio of merchandise exports to GDP, 33 per cent in 1995, would fall to around 28 per cent, still a significant figure.

[18]For the period 1990 to 1995, imports from the U.S. grew at a slightly higher average annual rate, 10 per cent, while imports from both the EU and Japan grew at slower average rates, 8 per cent and 4 per cent, respectively.

[19]It should be noted that although Canada's ratio of exports to GDP is the highest in the G-7, some smaller European countries' ratios are higher than Canada's. For example, in 1994, Canada's ratio of exports of goods and services to GDP was 33 per cent while that of Sweden was 37 per cent, Norway, 43 per cent and Finland, 35 per cent. Source: International Monetary Fund, *International Financial Statistics Yearbook*, 1995.

[20]J. McCormack, *op. cit.*, p. 15.