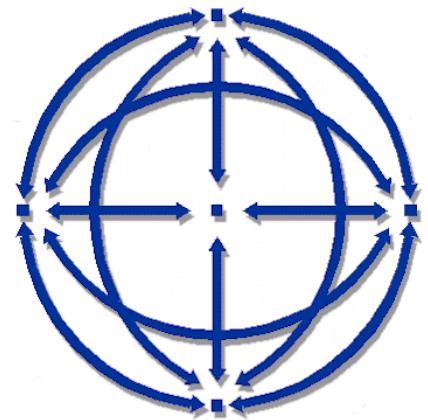


Latest Developments in the Canadian Economic Accounts

**Balance of Payments trade in goods
at Statistics Canada: Expanding
geographic detail to 27 principal trading
partners**



How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website, www.statcan.gc.ca.

You can also contact us by

email at STATCAN.infostats-infostats.STATCAN@canada.ca

telephone, from Monday to Friday, 8:30 a.m. to 4:30 p.m., at the following numbers:

- | | |
|---|----------------|
| • Statistical Information Service | 1-800-263-1136 |
| • National telecommunications device for the hearing impaired | 1-800-363-7629 |
| • Fax line | 1-514-283-9350 |

Depository Services Program

- | | |
|------------------|----------------|
| • Inquiries line | 1-800-635-7943 |
| • Fax line | 1-800-565-7757 |

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed standards of service that its employees observe. To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on www.statcan.gc.ca under "Contact us" > "Standards of service to the public."

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

Standard table symbols

The following symbols are used in Statistics Canada publications:

- . not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- p preliminary
- r revised
- x suppressed to meet the confidentiality requirements of the *Statistics Act*
- E use with caution
- F too unreliable to be published
- * significantly different from reference category ($p < 0.05$)

Published by authority of the Minister responsible for Statistics Canada

© Minister of Industry, 2014

All rights reserved. Use of this publication is governed by the Statistics Canada [Open Licence Agreement](#).

An [HTML version](#) is also available.

Cette publication est aussi disponible en français.



Balance of Payments trade in goods at Statistics Canada: Expanding geographic detail to 27 principal trading partners

1. Introduction

Beginning in November 2014, International trade in goods data will be provided on a Balance of Payments (BOP) basis for additional country detail. In publishing this data, BOP (Balance of Payments)-based exports to and imports from 27 countries, referred to as Canada's principal trading partners (PTPs), will be highlighted for the first time. In response to substantial demand for information on these countries in recent years, BOP (Balance of Payments)-based trade in goods data will be available for countries such as China and Mexico, Brazil and India, South Korea, and our largest European Union trading partners. Moreover, BOP (Balance of Payments) trade in goods data for these countries will be available alongside the now quarterly Trade in Services data as well as annual Foreign Direct Investment data for many of these principal trading partners. This will facilitate country-level international trade and investment analysis using fully comparable data.

In order to facilitate analysis on the substantial growth in trade as well as the diversifying of trade patterns over time, the Trade in goods time series for these 27 countries will run from 1997. To date, Canada's geographical trading patterns have been examined exclusively through analysis of Customs-based trade data with the exception of trade with the U.S. (United states), Japan, and the European Union, for which BOP (Balance of Payments)-based trade in goods data has been available for some time.

BOP (Balance of Payments)-based trade in goods statistics are calculated by applying BOP (Balance of Payments) concepts and corresponding adjustments to Customs-based international trade in goods data, in compliance with established international standards. One concept, central to the Balance of Payments data framework, is capturing the change in ownership of goods exchanged between countries. This can be stated alternately as from which country the product was purchased. This is in contrast to a central concept of Customs-based data, the country of origin, which focuses on where the product was grown or manufactured.

By focusing on with which countries Canada is doing business as opposed to where the good was produced, BOP (Balance of Payments)-based trade data enhances and facilitates analysis on Canada's trading patterns, offering a new perspective on Canada's trade relationships.

1

The objective of this article is to introduce these new measures.¹ This note will first walk users through the key BOP (Balance of Payments) concepts, most importantly the concept of change in ownership. This will serve to familiarize analysts with the Balance of Payments framework for analyzing country-level data, in contrast to Customs-based trade data. Second, some preliminary analysis will be reviewed to illustrate the concepts, with BOP (Balance of Payments)-based trade with China serving as the principal example. Lastly, we will outline the expansion of quarterly trade in services to generate new estimates of trade for the PTP (principal trading partners)s and discuss future work in trade statistics.²

2. Background

Much of the current analysis of Canada's global trade patterns is based on the understanding that Canada's trading partners are those countries that produce or process the goods that Canada imports, and that are the known destinations for goods that Canada exports. These key trade concepts, the country of origin for imports and the known final destination of exports, are conceptual norms which offer a structure for compiling statistics and analyzing data on the cross-border movements of goods. As these data reflect the manner in which they were collected in order to comply with border regulations, they are collectively referred to as Customs-based trade data.

However, other key concepts exist in regards to international trade flows and are growing in importance as the production of goods has dispersed more globally. One such concept, which provides a foundation for much of the global production statistical development that is underway in statistical agencies worldwide, is capturing the change in ownership of goods. This addresses from which country a company in Canada purchased the good, or the country of ownership. This is in contrast to where the product was produced or processed before importing the good into Canada.

Regarding Canada's trade flows, the country of ownership is best approximated by examining the country that exported the product to the company in Canada, information that is provided (in addition to the country of origin of the product) on customs documentation for each product that is imported into Canada.³ In many instances, the country of ownership differs from the country of origin, reflecting the reality that production, ownership of production and international distribution for a particular good are no longer confined to individual companies. As one example, a product may be produced or assembled in China as a result of an order from a company in the United States or Japan or Germany. Therefore, on Canadian customs documentation, it will indicate that the country of origin is China as the good was produced there; however, the country of ownership will depend on with which country the Canadian company importing the product developed the business relationship—China, Japan, Germany or the United States—in order to purchase the product.

Therefore, in relation to Customs-based trade in goods data, the value of BOP (Balance of Payments) imports from a particular country, such as China, is (in conjunction with the other BOP (Balance of Payments) adjustments that will be discussed further on) the net effect of:

- subtracting the value of products that are produced in China but that Canada purchases from another country (such as, using the example, the United States, Japan or Germany); and,
- adding the value of products that are produced outside of China but that Canada purchases from a company in China.

For example, in 2013, Canada imported approximately \$50 billion of goods that have a country of origin of China. In contrast, Canada imported roughly \$30 billion worth of goods that have a country of ownership of China. When comparing the two sets of data, it becomes clear that about \$20 billion worth of goods for which China is reported as the country of origin were the result of Canada purchasing those goods through other countries, primarily from the United States but also Hong Kong. Therefore, the country of ownership of this \$20 billion worth of goods is not China but rather either the United States or Hong Kong.⁴ For the moment, the value of goods produced outside of China but that China purchases from China does not have a large impact. Therefore, the BOP (Balance of Payments)-based value for imports from China is very similar to the \$30 billion figure arrived at by examining country of ownership data.

In the case of exports, the movement from a company in Canada to its recipient, the known destination of the product (whether that product is an input to further production or a final product to be distributed) adequately captures the change to its new owner, and so there is no adjustment to account for regarding BOP (Balance of Payments)-based exports.

Ownership-based trade data is a key component of the conceptual framework of the International Balance-of-Payments and are referred to as Balance-of-Payments or BOP (Balance of Payments)-based exports and imports of goods.

3. Two distinct measures: customs-based and BOP (Balance of Payments)-based trade data

The geographical detail for Balance of Payments based trade in goods data will increase to 27 single-nation principal trading partners, which together account for 94% of Canada's total annual trade.⁵ Release of these new data will occur in November 2014. Prior to this data release, trade patterns with most of Canada's trading partners have been exclusively examined using Customs-based trade data.

It is therefore important to clarify that upon disseminating the new trade partner detail, there will be two distinct measures of Canada's trade in goods for each trading partner, one referred to as Customs-based trade data and the other as Balance-of-payments trade data.

3.1 Customs-based trade in goods data

Concepts

Customs-based trade in goods data (available for all countries) aims to capture any movement of merchandise across the Canadian border, both outgoing (exports), and incoming (imports). In other words, this approach measures the two-way physical flow of commodities crossing the border. This follows the guidelines of the International Merchandise Trade Statistics (IMTS).⁶

The key concepts for customs-based trade data are as follows. For exports, the final destination known to the company in Canada that is exporting a good, whether to a company in the United States, Germany or China, determines the trading partner. For imports, the country within which the good was extracted, produced or last processed, known as the country of origin, determines the trading partner for imports. Customs-based trade in goods data is jointly collected by Canadian Border Services Agency (CBSA), more generally referred to as Customs, and Statistics Canada. This customs data are then compiled and disseminated by Statistics Canada.

Commodity details

The customs trade in goods data is highly detailed. In addition to offering the quantity and value by the final destination of an exported product or the country of origin of an imported product for all of Canada's trading partners, the main characteristics of those products are identified. An eight digit code is assigned to exported goods and a ten digit code to imported goods. These codes are referred to as a commodity's HS (Harmonized System) code, and the characteristics of the product captured by the code become more specific with each addition of two digits.⁷ At the two digit level, a code of Chapter 85 assigned to a product indicates that it is within the 'electronics' domain; at the more detailed 4 digit level of 8528, part of 'televisions'; and, at the full ten digit level for imports (8528.7233.00), it refers to a color, high-definition, flat screen television.⁸ The mode of transport (road, rail, marine, pipeline, air mail) and the province of export or import are other examples of detail collected.⁹ The depth of detail available for customs trade in goods data makes it a rich and valuable tool.

Customs-based data is the key data source for examining where the products Canada imports are made, for informing trade negotiations which focus on rules of origin and country of origin, as well as for conducting commodity analysis by trading partner.

3.2 Balance of Payments (BOP) trade in goods data

Conceptual framework

Trade in goods data on a Balance of Payments or BOP (Balance of Payments) basis aims to capture the international movement of products among owners as sales (exports) or purchases (imports). These transactions are reflected in the BOP (Balance of Payments) Current Account and this change of ownership concept ties in closely to the financing flows associated with this activity as reflected in the BOP (Balance of Payments) Capital and Financial Account. This follows the 2008 System of National Accounts (SNA) manual and the Balance of Payments Manual, Sixth Edition (BPM6).¹⁰

Prior to November 2014, BOP (Balance of Payments) Trade in goods has been available for 3 countries (United States, United Kingdom, and Japan) and 3 regions (Other European Union countries, Other OECD countries, and Other countries). As a result, any analysis on BOP (Balance of Payments)-based trade data by trading partner has been limited and has notably excluded the examination of trade with China, Mexico and other emerging economies. This limitation has meant that the concepts that form the foundation of BOP (Balance of Payments) trade in goods have received little attention in country analysis. But with the addition of geographical detail, and because this is a foundation BOP (Balance of Payments) concept critical to measuring global production going forward, it becomes important to understand this aspect of BOP (Balance of Payments)-based trade. While customs-based trade data will continue to be invaluable for product-based analysis, BOP (Balance of Payments)-based trade in goods data have a purpose and place in regards to better understanding ownership, global production and overall macroeconomic performance in Canada.

Concentrating solely on goods, customs-based trade data remain separate from services and the rest of the economy. In addition, in their compilation, while transactions are verified, information from other data sources related to international trade in goods that could make the dataset more complete are not integrated. In order to tie international trade concepts to other macroeconomic frameworks and transform this administrative Customs-based data into the BOP (Balance of Payments) trade in goods statistical series, adjustments are made, which (i) reflect key BOP (Balance of Payments) concepts and (ii) supplement customs data with other data sources.

BOP (Balance of Payments)-based trade in goods data, in contrast, are integrated into the larger trade picture and the economy as a whole. Trade in goods along with trade in services and the other components of the current account combined with the capital and financial account, captures the sum of Canada's international transactions with the rest of the world.

BOP (Balance of Payments)-based trade in services

On the whole, Balance of Payments data offers a broad economic scope, tying trade in goods to the measure of the rest of Canada's economy. It situates trade in goods as one part of the overall macroeconomic statistical framework, specifically the rest of the balance of payments and to the System of National Accounts. The forthcoming dissemination of BOP (Balance of Payments) trade in goods data for 27 principal trading partners adds depth in terms of geographical detail to this macroeconomic statistical framework.

Originally, the project was solely focused on improving the availability of trade in goods data but it became clear that there would be immense value in providing quarterly estimates on total services for as many of the PTP (principal trading partners)s as possible. Annual data on trade in services are already available for 50 countries but quarterly data are only published for the three countries and three regions mentioned (these geographic entities are available for the whole of the Balance of Payments).¹¹ The availability of quarterly data was facilitated by the completion of the re-design project related to the collection process, an upgrade of the methodology, the increased use of supplementary data sources in recent years and the overall improvement in timeliness of the annual estimates. This led to increased coverage for the quarterly survey, providing the capability to produce more country detail in the quarterly BOP (Balance of Payments) release.

Of the 27, quarterly estimates on total services will be available for 24 of Canada's principal trading partners. This matching of availability of trade in goods and services for Canada's major trade partners will greatly improve the analysis of overall trade.

Overview of BOP (Balance of Payments) adjustment to goods

The adjustments that Canada applies to customs-based trade in goods data in order to produce the BOP (Balance of Payments) statistical series are relatively large and the process more intensive in comparison with many other countries. The main adjustment, as mentioned, is the one to reflect the change in ownership of the product, which results in a re-compilation of imports based on country of export instead of country of origin (with no adjustment for exports).

As well, in addition to 'pure' BOP (Balance of Payments) adjustments, such as adjusting for gold that does not cross borders, there are other Statistics Canada BOP (Balance of Payments) adjustments that result from data confrontation with alternative sources, which indicate that a unit or price measure or the placement of that transaction in a particular month could be improved. These actions ensure greater consistency with the rest of the National Accounts data. For example, crude petroleum export data from Customs documentation is replaced with quantity data from a Statistics Canada energy survey and price data from Canada's energy governance body, the National Energy Board (NEB).¹² A similar adjustment is made concerning for exports of grains. Therefore, in addition to adjusting Customs transactions by adopting country of ownership, BOP (Balance of Payments)-based trade in goods data is formed by adding transactions that cannot be captured within the Customs documentation. These adjustments are referred to as coverage (if the quantity of the good is modified) or valuation (if the price or value of the good is modified) adjustments.¹³

4. Extending BOP (Balance of Payments) adjustments to trade in goods to the new PTP (principal trading partners)s

BOP (Balance of Payments)-based exports and imports of goods data will be published on a monthly, quarterly and annual basis for Canada's top trading partners and selected aggregates (to reconcile to total trade)—with the time series extending back to 1997.¹⁴

The 27 PTP (principal trading partners)s account for the vast majority, about 94%, of Canada's BOP (Balance of Payments) trade in goods. They are listed below in alphabetical order:

Algeria	Netherlands
Australia	Norway
Belgium	Peru
Brazil	Russia
China	Saudi Arabia
France	Singapore
Germany	South Korea
Hong Kong	Spain
India	Switzerland
Indonesia	Taiwan
Iraq	Turkey
Italy	United Kingdom

4.1 BOP (Balance of Payments) adjustments to trade in goods

In order to produce the BOP (Balance of Payments)-based trade in goods figures for the 27 principal trading partners from 1997 onward, aside from that relating to the change in ownership, total BOP (Balance of Payments) adjustments had to be allocated to each partner. For coverage and valuation adjustments, every effort was made to locate the original source data and use country-level breakdowns offered by that source data. While seemingly straightforward, systems in the late 1990s were considerably different and the use of paper much more prevalent, and this was a labour-intensive process.

As one example of the process, exports of the variety of grains and legumes produced in Canada are best captured by the Canadian Grain Commission. By tracking down the reports of this agency back to 1997, Statistics Canada was able to recreate the adjustments, accomplished by finding the quantity difference between the CGC and customs data for each destination country and multiplying this difference by the customs price, on a monthly basis. The search for source data was very successful, with few adjustments requiring an alternative methodology. For these few, the adjustment tended to be spread among the countries involved in the trade of the particular commodity using a formula developed in order to reflect the distribution of trade in a typical year.

4.2 Ownership change adjustment for BOP (Balance of Payments) trade in goods for 27 PTP (principal trading partners)

While BOP (Balance of Payments) coverage and valuation adjustments can be substantial, especially for analysis of the most current reference months for which complete data has not been received, it is the change in ownership adjustment that results in the largest value changes for most countries relative to their customs-based trade values.

The change in ownership principle has always been reflected in Statistics Canada's BOP (Balance of Payments)-based trade in goods data, which has been available for total exports, total imports, and for the United States, United Kingdom, Japan and 3 regions, as noted above. However, given the opportunity to examine BOP (Balance of Payments)-based trade data for Canada's top-value trading partners, it becomes essential to clarify how the concept of ownership changes our interpretation of trade data with these key trade partners.

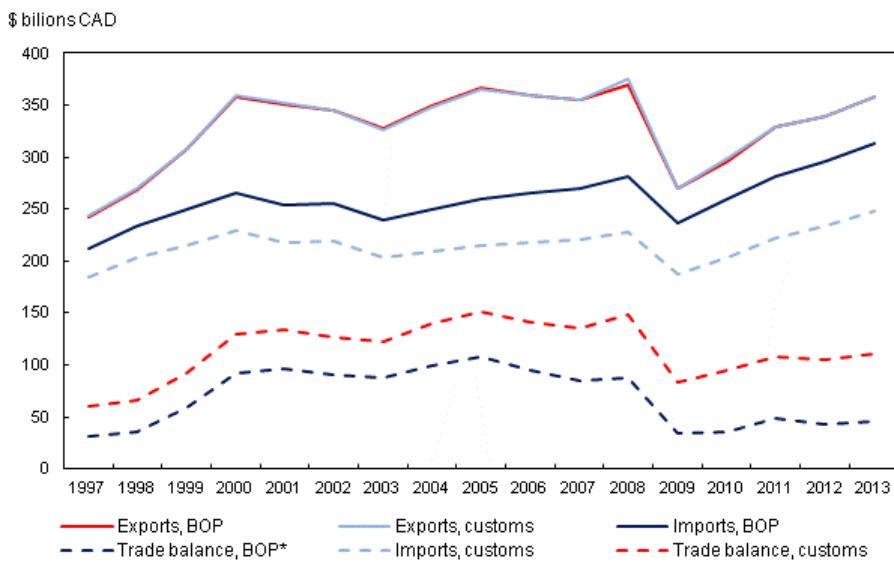
Regarding export data, exporters are asked to report the best-known final destination of their product, which is considered in line with the change in ownership principle. Therefore, there is no adjustment needed for exports in order to reflect change in ownership. Differences between customs and BOP (Balance of Payments) export values occur because of other adjustments but not as a result of change in ownership adjustments.

Regarding imports, it was evident that country of origin did not reflect changes in ownership. As a result to meet this BOP (Balance of Payments) principle, Statistics Canada adopted the country of export of each imported product and aggregated total BOP (Balance of Payments) imports by trading partner accordingly. Customs based import data, in contrast, aggregates according to the product's country of origin.

Country of export is a second variable captured on each Canadian customs document, with the importer in Canada indicating from which country they received the product. The country of export variable is therefore the selected proxy for reflecting country of ownership. The country in which the good was produced (or last received processing)—its country of origin—can be the same as the country from which Canada received the product—its country of export—in which case the transaction is allocated the same way for both customs and BOP (Balance of Payments) data. When they are different, it means that relative to customs data by country, there is a reallocation of a transaction value from one country to another.

This changes the value of trade with respective principal trading partners on a BOP (Balance of Payments) basis. As shown in Chart 1, the effect of compiling imports according to country of export moves Canada's imports from the U.S. (United states) from \$248 billion to \$313 billion in 2013, a difference of \$65 billion.

Chart 1
Canada's trade in goods with the U.S.
Customs basis and BOP basis, published figures



Source: Statistics Canada, International Accounts and Trade Division.

The result is a \$45 billion trade in goods surplus with the [U.S. \(United states\)](#) as opposed to \$110 billion, and Canada's trade deficit with the rest of the world is \$53 billion instead of \$114 billion in 2013. This reallocation reflects the role of the United States as the hub of North American production and distribution. Notwithstanding that many of the products imported are indeed 'Made in the World', Canada most often buys these products from the United States.¹⁵

4.3 Challenges accompanying the new PTP (principal trading partners) data

The additional geographical detail for [BOP \(Balance of Payments\)](#) trade in goods will highlight bilateral trade figures for Canada's principal trading partners, which are in some cases very different from that captured by the customs-based figures.

The differences between Canadian customs and [BOP \(Balance of Payments\)](#) figures for the 27 principal trading partners largely arise for imports and trade balances from modifying the customs-based trade in goods data, which is based on the physical flow of commodities, to reflect the change in ownership concept. And while it has no impact on total import figures, allocating imports by country of export can significantly change the geographical distribution of trade flows. In fact, it accounts for most of the differences between customs and [BOP \(Balance of Payments\)](#) imports from and trade balances with Canada's principal trading partners.

Canada's Imports from China – Example

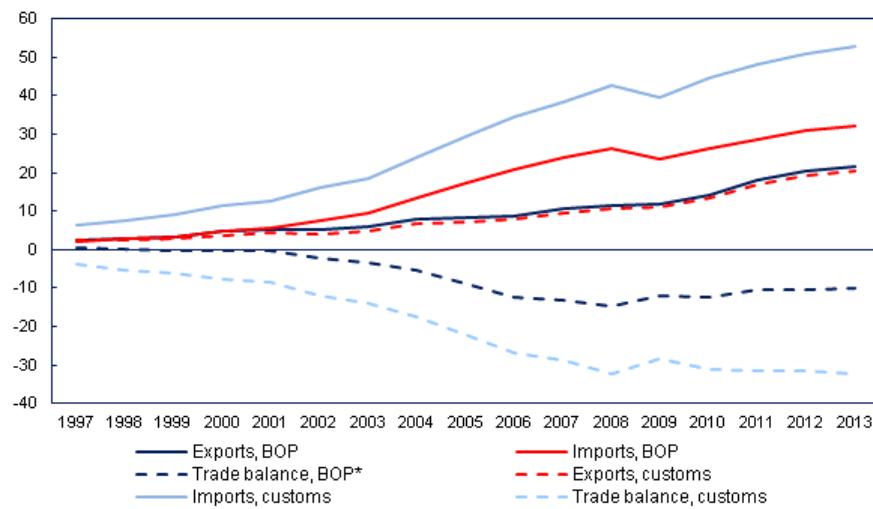
These differences between customs-based and [BOP \(Balance of Payments\)](#)-based imports, and resulting trade balances, can be best explained using Canada's trade with China as an example. In addition to being our second largest trading partner, it also is a country in which there are considerable numbers of manufacturing and processing facilities. In a significant number of cases, a company outside of China is coordinating the production and output carried out in China and/or the final sales of goods produced in China. Using [BOP \(Balance of Payments\)](#) figures for China, exports to China on a [BOP \(Balance of Payments\)](#) and customs basis in 2013 were similar. This result was expected given the similarity of concepts in both Customs and [BOP \(Balance of Payments\)](#) regarding the calculation of exports.¹⁶

However, as shown in Chart 2 and noted above, [BOP \(Balance of Payments\)](#) imports from China were approximately \$20 billion lower than customs imports, almost entirely the result of allocating imports by country of export instead of country of origin.

Chart 2

Canada's trade in goods with China
Customs basis, published figures, and BOP basis,
to be released November 27, 2014

\$billions CAD



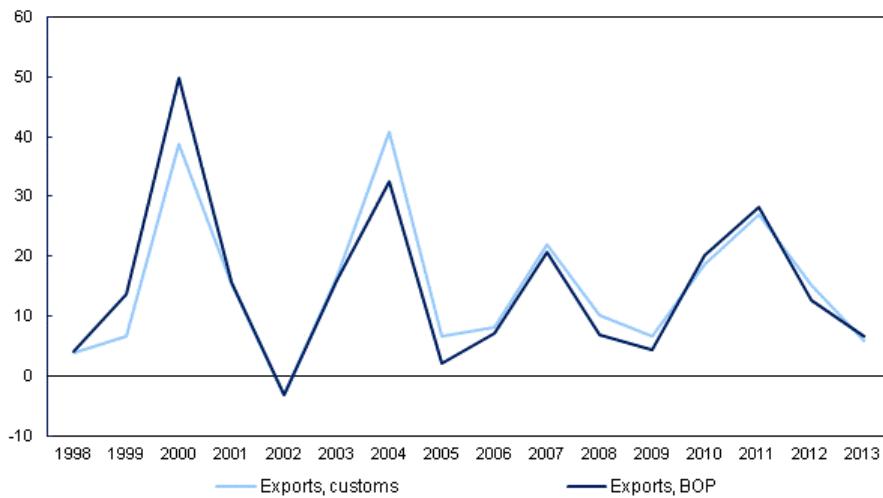
Source: Statistics Canada, International Accounts and Trade Division.

Of the \$20 billion difference, \$15 billion worth of goods had a country of origin of China but reported the U.S. (United states) as their country of ownership, indicating that they were purchased by Canada from the U.S. (United states). A further \$4 billion was accounted for by a country of export of Hong Kong, with \$1 billion spread among other countries. The resulting BOP (Balance of Payments) deficit in goods with China was about \$10 billion in 2013. The figure most often quoted for the Canada-China deficit in 2013 is customs-based at \$30 billion, as this was the only available data in the past.

Chart 3

Canada's trade in goods with China, exports
Customs basis, published figures, and BOP basis,
to be released November 27, 2014

% annual growth



Source: Statistics Canada, International Accounts and Trade Division.

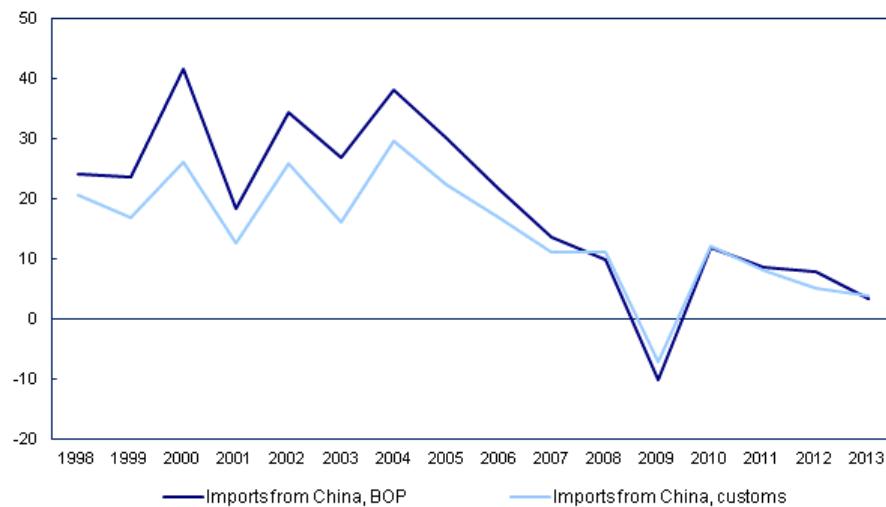
While BOP (Balance of Payments) trade in goods data on these 27 principal trading partners will offer alternative insights for trade, the preliminary BOP (Balance of Payments) data for China demonstrates that the trends may be consistent with our understanding from customs data. For example, regarding trade with China, exports on a customs and BOP (Balance of Payments) basis remain similar and export growth is nearly identical, as shown in Chart 3 (above).

For imports, while the values are very different, they retain a similar pattern such that the trend in the growth rates is similar (see Chart 4).

Chart 4

**Canada's trade in goods with China, imports
Customs basis, published figures, and BOP basis,
to be released November 27, 2014**

% annual growth



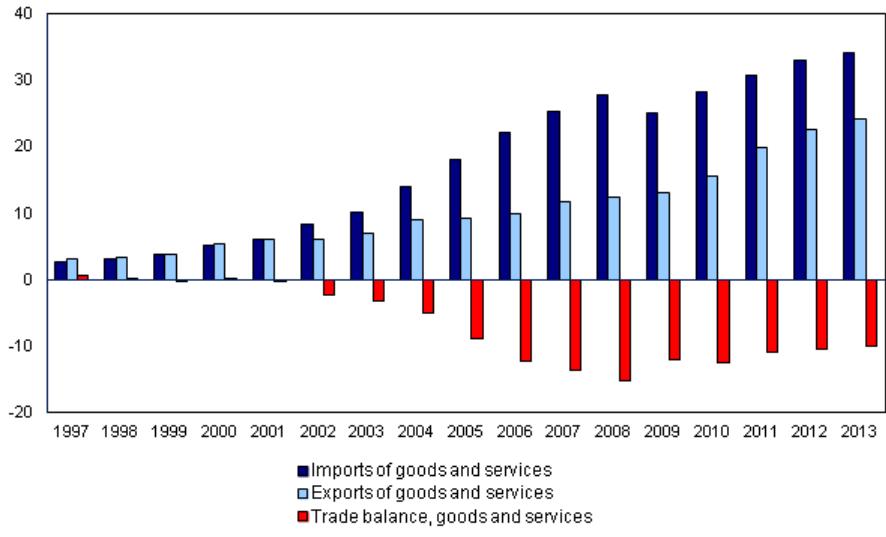
SOURCE: Statistics Canada, International Accounts and Trade Division.

As well, trade in services for China, as one example, can be examined in order to highlight Canada's total trade in goods and services (see Chart 5).

Chart 5

**Canada's trade in goods and services with China, BOP basis,
to be released November 27, 2014**

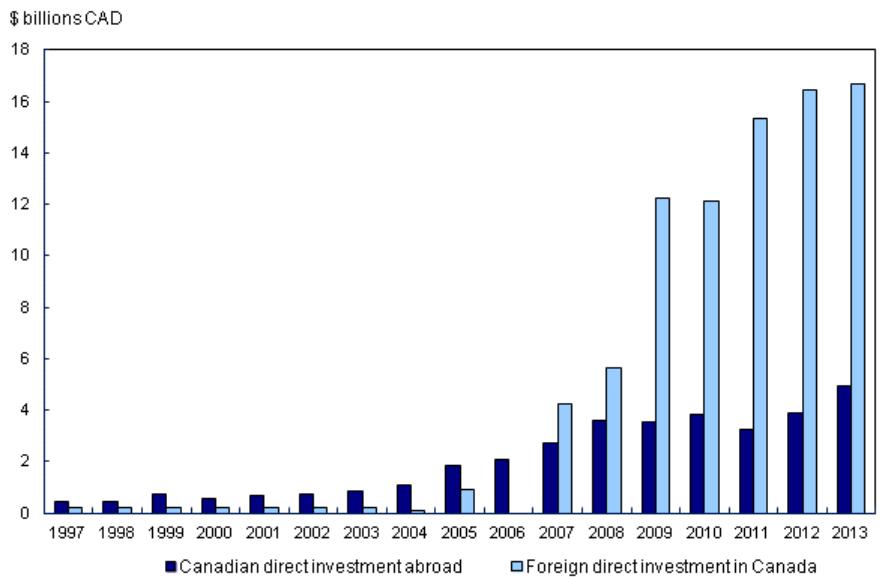
\$ billions CAD



SOURCE: Goods (CANSIM 376-0110), Services (376-0111).

Finally, investment positions are also available for many principal trading partners. Continuing with our example of China, with all data compiled using the Balance of Payments standards, both trade and investment over time can be analyzed (Chart 6).

Chart 6
Canada-China investment, BOP basis



Source: CANSIM 376-0051.

Country of ownership and coherence with partner country data

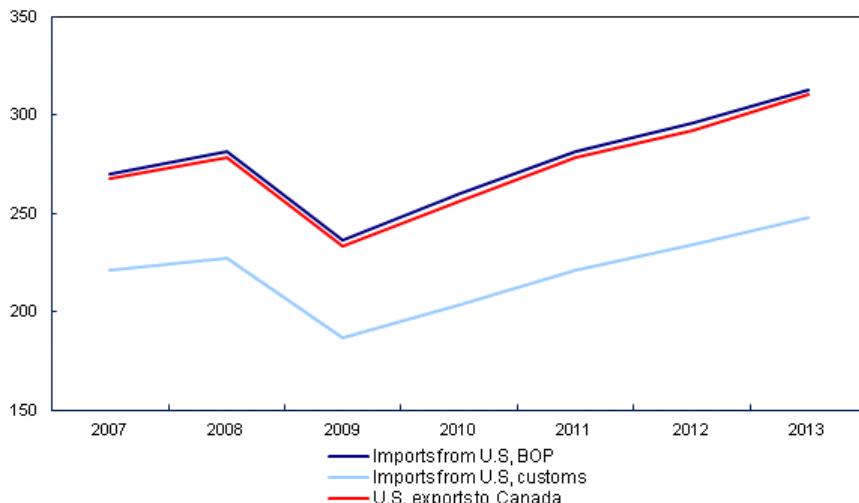
In the international trade community, the asymmetries between what Canada reports as trade figures and the trade flows reported by our trade partners is a source of confusion. The main culprits are differences in concepts, methods, source data and compilation practices—all of which have the same influence, adding complexity to following the flow of trade.

In developing the BOP (Balance of Payments)-based trade data for the 27 principal trading partners, it became evident that by adopting the country of ownership, using the country of export proxy, there was a reduction in trade asymmetries between what Canada reports as imports from its trade partners and what our trade partners report as exports to Canada. It has been observed that Canada's import values aggregated by the country of export much more closely follow the flow of goods as interpreted by Canada's major trading partners, in particular, the United States and China.

There is a large difference between Canada's imports from the U.S. (United states) and U.S. (United states) exports to Canada in the reported customs-based figures.¹⁷ This is a source of confusion for data users as Canada's imports from the U.S. (United states) and U.S. (United states) exports to Canada are expected to match, more so as a result of the data exchange.¹⁸ On a BOP (Balance of Payments) basis, which captures imports by country of ownership, there is a greater coherence between Canadian import data and U.S. (United states) export data (see Chart 7).

Chart 7
U.S. exports to Canada and Canada's imports from the U.S.
Customs basis, published figures and BOP basis

\$ billions CAD

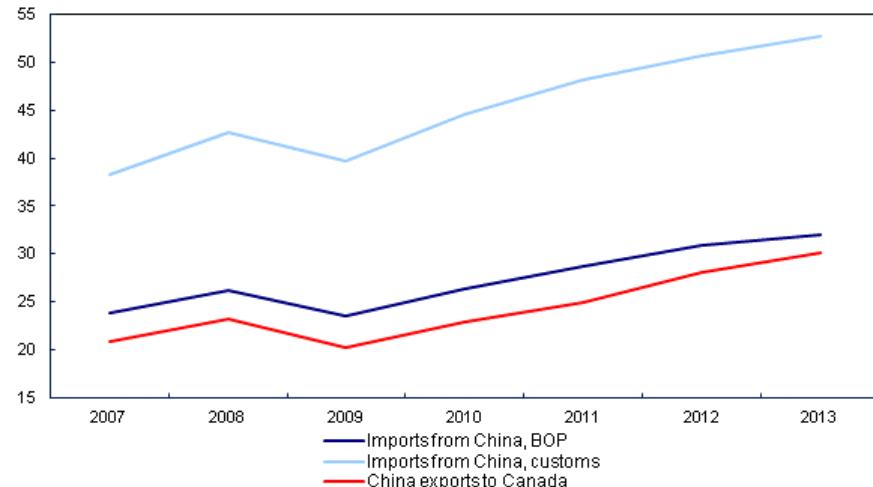


SOURCE: Canada (Statistics Canada, International Accounts and Trade Division); United States (FRED U.S. Federal Reserve).

As another example, consider Canada's trade with China (see Chart 8), a major trade partner with which there has always had a large asymmetry.

Chart 8
China's exports to Canada and Canada's imports from China
Customs basis, published figures and BOP basis, to be released
November 27, 2014

\$ billions CAD



SOURCE: Canada (Statistics Canada, International Accounts and Trade Division); China (WISER TRADE).

It seems that by adopting country of export, Canada and China are viewing their trade flows in a similar fashion. This may be the case as the company in China is aware of the U.S. (United states) company as being the final destination for the product and the Canadian company as the final destination only being known to the U.S. (United states) company. The adoption of country of ownership thereby reinforces a logical flow of goods and how the transaction is being captured in the data for all of the trade partners involved.

It should be noted that the country of export measure is not a perfect proxy for ownership changes. However, at Statistics Canada, given Canada's integration with the United States and the role that U.S. (United states) companies play in the distribution of goods, it is considered superior to the country of origin. The increased coherence of partner data strongly supports the country of export adjustment.

5. Conclusion

Adopting country of ownership and applying it to 27 of Canada's principal trading partners moves Canadian trade statistics in the right direction. Differentiating between trade from owner-to-owner is the new frontier of international standards for BOP (Balance of Payments)-based international trade statistics. As part of the release of this new PTP (principal trading partners) data, in addition to explaining BOP (Balance of Payments) concepts and reviewing preliminary figures, there is an opportunity to discuss with stakeholders moving away the idea of 'one trade number', highlighting that there is room for customs and BOP (Balance of Payments) figures, each having their particular nuances and their place in trade analysis.

Statistics Canada will be providing trade in goods data for 27 of Canada's principal trading partners on a Balance-of-Payments basis starting in November 2014. This marks a substantial advancement in detail of a data series that facilitates the integration of international trade statistics into the larger framework of the Canadian economy. This additional geographic detail will highlight differences in trade with our principal trading partners compared to the customs data that the international trade community is accustomed to analyzing.

The concept of reflecting changes in ownership is integral to the balance of payments and the associated adjustment accounts for the majority of the differences between Canada's BOP (Balance of Payments) and customs trade in goods data. Aggregating imports by country of export—adopted as the best proxy of change in ownership—has ramifications for both the calculation of imports from and total trade with these trading partners. Notably, it reduces asymmetries with our major trading partners by more closely tracking what is captured by those partners; and it is in line with international recommendations regarding the recording of trade flows on a BOP (Balance of Payments) basis.

In addition, it enhances our analytical capabilities, with trade in goods, trade in services and international investment by principal trading partner being examined for the first time on a comparable basis for many trading partners, notably China and Mexico.

Moving forward, analysts will select which trade figures are most suitable for their needs, choosing customs-based trade in goods data when analysis requires the rich detail offered by this data and when the country in which the product was grown or manufactured is of greatest importance. Balance-of-payments based trade in goods data will, in contrast, be the focus when the analysis focuses on global production arrangements, linkages to other macroeconomic measures such as gross domestic product, or to ownership of products.

Notes

-
- 1 This work was initiated in 2008 by Angela Yuan-Wu, Head of research in the Foreign Direct Investment section, and Denis Caron, Chief of the BOP Current Account Section within the International Accounts and Trade Division.
 - 2 The author of this article is Diana Wyman, Chief of Projects and Liaison, International Accounts and Trade Division.
 - 3 Approximated in the sense that the country of export measure may capture cases where the transaction represents a distribution or logistics decision rather than a change in ownership.
 - 4 The other BOP (Balance of Payments) adjustments that will be discussed later are ignored in this section, for simplicity's sake. We will see later on that when at the level of tens of billions of dollars, they do not have an impact on the annual analysis.
 - 5 These 27 were selected as they were the top trading partners in 2012 and they had maintained their placement as top exporters (though in a different order each year) over multiple years.
 - 6 "International Merchandise Trade Statistics: Concepts and Definitions 2010", United Nations (New York, 2010).
 - 7 The Harmonized System (HS) is an International standard for which each signatory country uses the same 6-digit HS (Harmonized System) code as the basis for their data collection. This is one reason why customs-based trade data is such a rich data source. For example, a product exported by Canada attributed to a certain HS (Harmonized System) code will likely be attributed to that same HS (Harmonized System) code by other countries that export that same product. Similarly, Canada's trade partner will likely attribute the imported product to the equivalent import HS (Harmonized System) code.

- 8 In addition to the Harmonized System (HS), there is the North American Product Classification System (NAPCS), the Mexico-United States-Canada negotiated standard, which establishes a classification for both goods and services. The standard classification structure of NAPCS (North American Product Classification System) Canada 2012 comprises four levels: group (3 digit), class (5 digit), subclass (6 digit), and detail (7 digit). More information on NAPCS (North American Product Classification System).
- 9 The province of export can be different than the province in which the product was extracted, produced or processed. It is not the province of origin, it is the province of the company location from which the product was exported. Similarly, for imports, the province of clearance does not reflect where the product was used as an input or consumed.
- 10 The majority of the standards laid out in these manuals have been adopted at Statistics Canada, with the exception of several new standards, such as measuring merchanting and goods for processing, which were larger in scope. Canada is currently in consultation with other countries such as the U.S. (United states) regarding these standards.
- 11 Trade in goods by PTP (principal trading partners) will be available on a monthly basis in new CANSIM Table 228-0069 (as of December 5th 2014) and on a quarterly basis in new CANSIM table 376-0110 (as of November 27th 2014). Trade in services by country on a quarterly basis will be available in new CANSIM table 376-0111 (as of November 27th 2014). As well, the International Investment Position (IIP) by country will continue to be available in CANSIM 376-0051. At this time, the Balance of Payments accounts as a whole will continue to be available only for 6 geographic entities (U.S. (United states), United Kingdom, Japan, Other EU, Other OECD, All other countries).
- 12 There is a lag before the BOP (Balance of Payments) crude petroleum export data reflects both the NEB price data and Statistics Canada Environment, Energy, and Transportation Division's (EETSD) volume data.
- 13 A specific coverage adjustment is applied to exports to all countries except for the United States in order to compensate for under-coverage, or unreported transactions to Canadian customs, the Canadian Border Services Agency (CBSA). There is no under-coverage adjustment for the United States as a result of the data sharing agreement, in which Canada and the United States share their respective import data to be used by the other country as its export data.
- 14 The list of 27 countries is comprised of Canada's top 27 single-nation trading partners, by share of total goods trade in 2012, with imports calculated on a country of export (as opposed to country of origin) basis. Facing processing and systems limitations of 27 countries, Statistics Canada opted to publish the data of all 27 countries.
- 15 The Made in the World Initiative is a joint WTO-OECD project facilitating collaboration on tracking value-added trade. This expression "Made in the World" highlights the need for concepts beyond country of origin in an effort to capture the reality of global production in which products are no longer produced in one place and shipped for consumption in another. For more information
- 16 Differences between customs and BOP (Balance of Payments) export values occur because of coverage, valuation and timing adjustments but not as a result of change in ownership adjustments. The coverage adjustment is the main adjustment for exports large enough to be apparent in annual figures.
- 17 Inland freight also contributes to this discrepancy, as Canadian imports from the U.S. (United states) are evaluated at the last point of direct shipment while U.S. (United states) exports to Canada are evaluated at the border.
- 18 Since 1990, Canada has had a data exchange for trade in goods with the U.S. (United states), meaning that each country provides their import data so that the other partner can use it as their export data.