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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

OCTOBER 2020

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	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$46.5 billion (+2.2%) [-14.0%]	\$9.3 billion (+1.9%) [-15.4%]	\$55.8 billion (+2.1%) ▲ [-14.3%]
Imports	\$50.2 billion (+1.9%) [-10.7%]	\$9.4 billion (+1.7%) [-23.4%]	\$59.6 billion (+1.9%) ▲ [-13.3%]
Balance	-\$3.8 billion (+\$54 million)	-\$0.1 billion (+\$17 million)	-\$3.8 billion (+\$71 million) ▲

Note: "m/m" is the change from the previous month; "YTD" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.
Source: Statistics Canada. Balance of payments basis, seasonally adjusted.

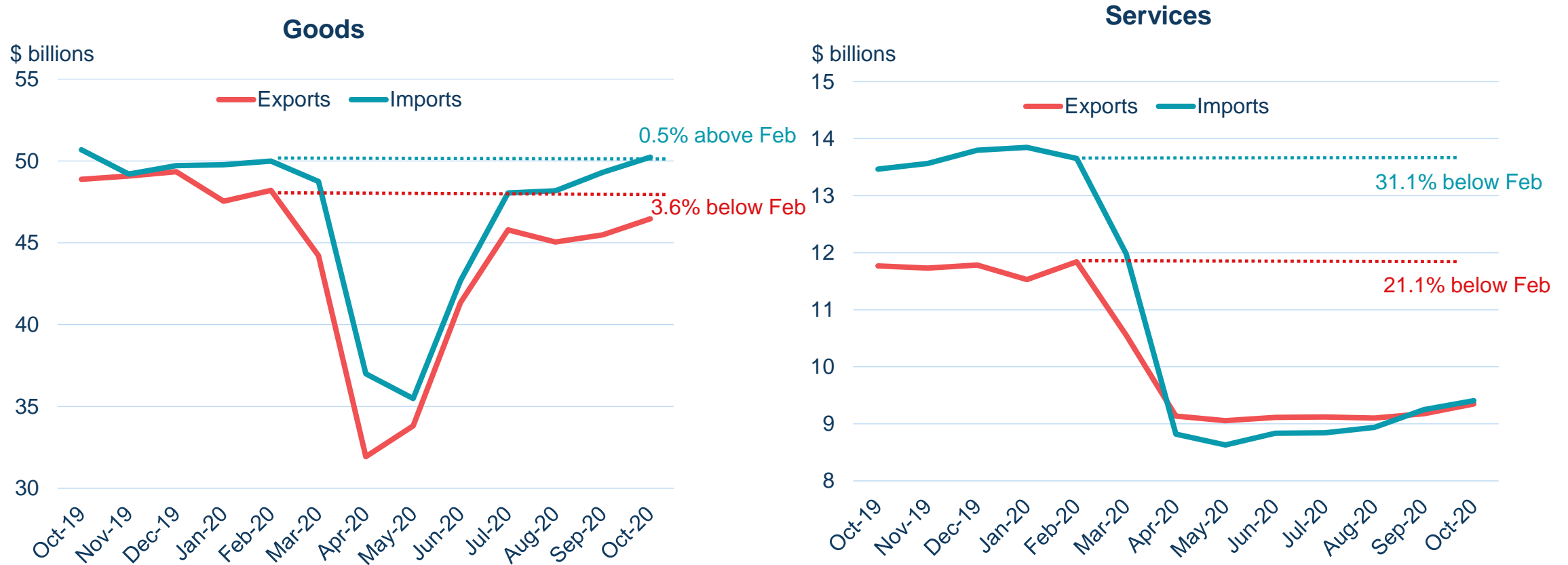
HIGHLIGHTS

Export and import growth accelerated in October following modest increases in September. Exports of goods and services increased 2.1%, driven partially by exports of consumer goods. Imports increased 1.9%, led by electronic and electrical equipment.

- Goods imports exceeded February's level for the first time since the pandemic began, while exports remained 3.6% below pre-pandemic (February) levels. Services trade continued to experience a slow recovery and remained well below pre-pandemic levels. Transportation and travel services continued to hold back the recovery in services.
- Goods export volumes rose 1.2%, while goods import volumes were up 1.7%.
- Canada's trade deficit remained mostly unchanged, at \$3.8 billion in October.

CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



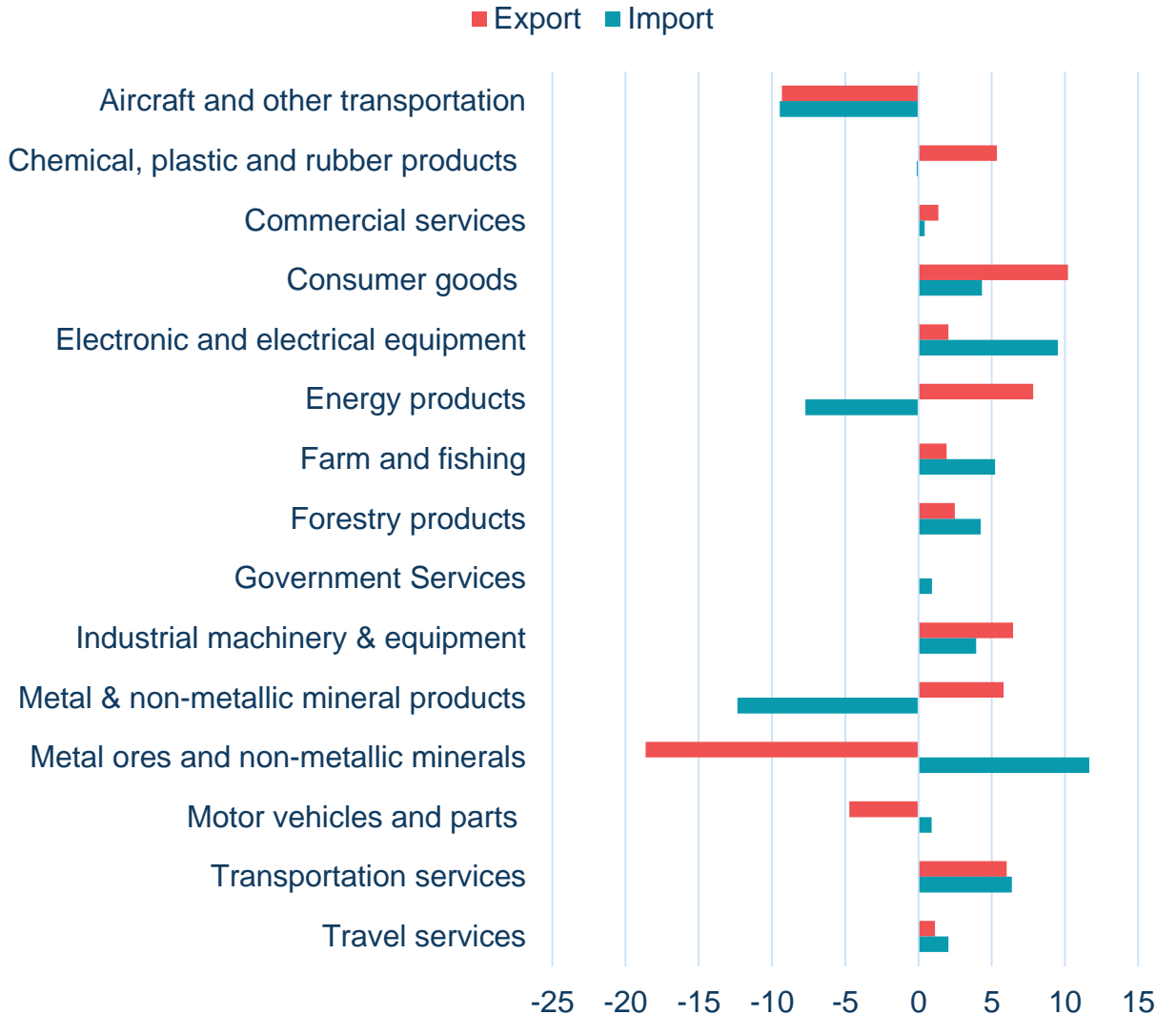
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

Export increases were observed in 8 of the 11 product categories for goods and in 3 of the 4 service sectors. Exports of consumer goods rose 10.2% after a sharp decrease in September. This was driven by a rebound in exports of pharmaceutical products (+39.0%), which had declined 28.2% in September. Exports of energy products rose 7.8% in October to \$6.7 billion, led by higher exports of crude oil and natural gas. While exports of commercial services remained resilient, having reached pre-pandemic levels in October, transportation and travel services were still 24% and 70% below February levels.

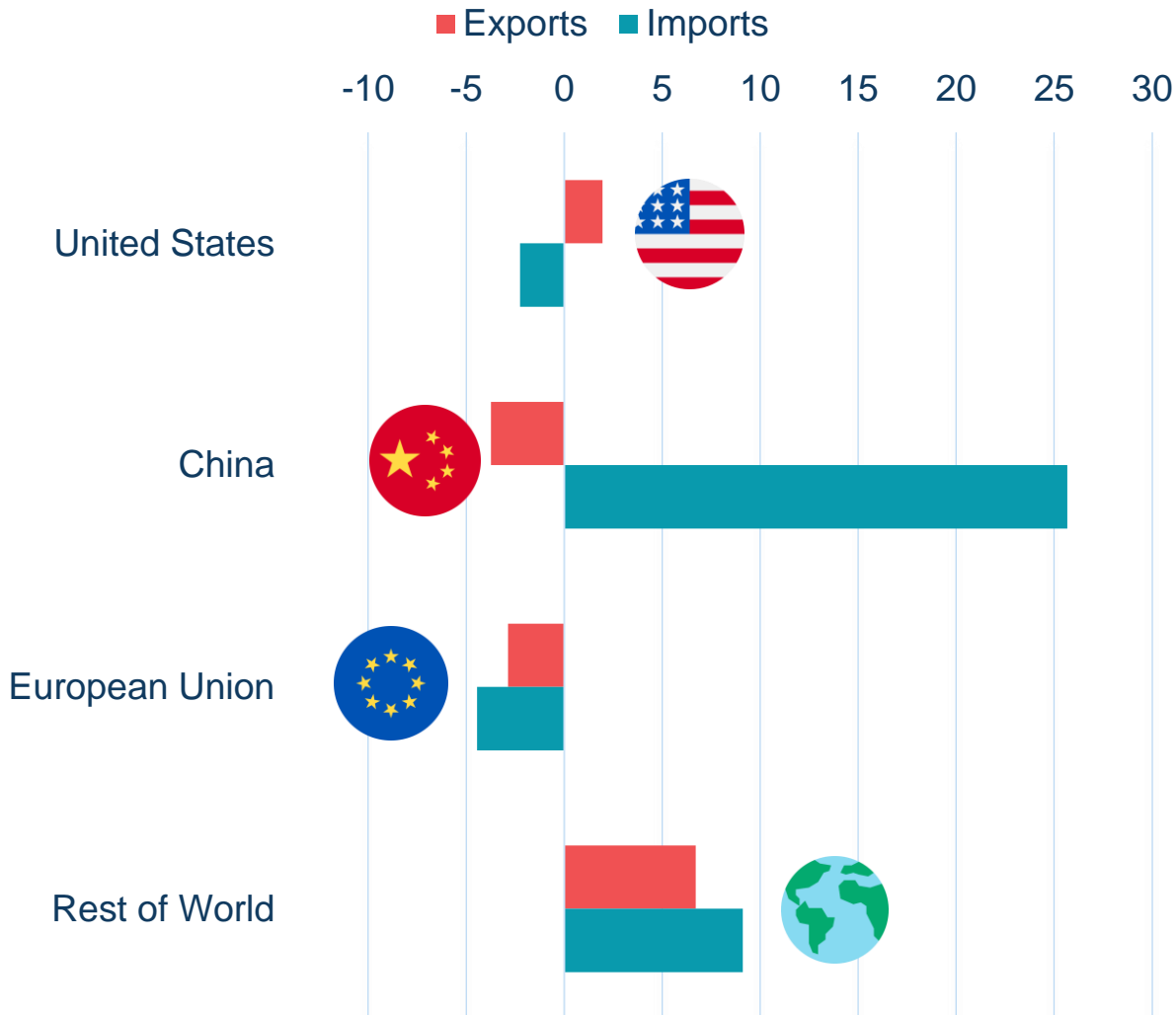
Import increases were observed in 7 of the 11 product categories and in all 4 categories of services. Imports of electronic and electrical equipment (+9.5%) were the main driver of the overall increase in imports. After a 37.8% decrease in September, imports of communication, and audio and video equipment rebounded by 41.3% in October due mainly to altered release schedules for new cell phone models. Imports of consumer goods rose 4.3% to a record \$11.6 billion in October, largely driven by imports of clothing, footwear and accessories. In services, imports of transportation services increased 6.4% to \$1.9 billion in October. Imports of travel and commercial services also increased, but at smaller rates.

Trade by Industry and Sector (monthly % change)



Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

Goods Trade, by Major Trading Partner (monthly % change)



TRADING PARTNERS

Canadian goods trade with countries other than the United States has increased much faster than goods trade with the United States since July.

In October, goods imports (+9.1%) and exports (+2.7%) with countries other than the United States continued growing. This was the fifth consecutive monthly increase for imports and the fourth increase in the last five months for exports.

Import growth was led by China (cell phones and various products) and South Korea (various products), while exports were driven by the United Kingdom (gold and crude oil) and the Netherlands (oilseeds).

Consequently, Canada's goods trade deficit with countries other than the United States widened from \$5.5 billion in September to \$6.8 billion in October.

Goods exports to the United States rose 2.0% in October, while imports fell 2.3%. As a result, Canada's goods trade surplus with the United States widened from \$1.7 billion in September to \$3.0 billion in October.

*European Union does not include the United Kingdom.

Source: Statistics Canada Table 12-10-0011-01. Balance of payments basis, seasonally adjusted.

PRICES AND VOLUMES

While the increase in goods exports was due to a somewhat balanced effect of both volume and price increases, the growth in imports was largely dominated by increases in volumes.

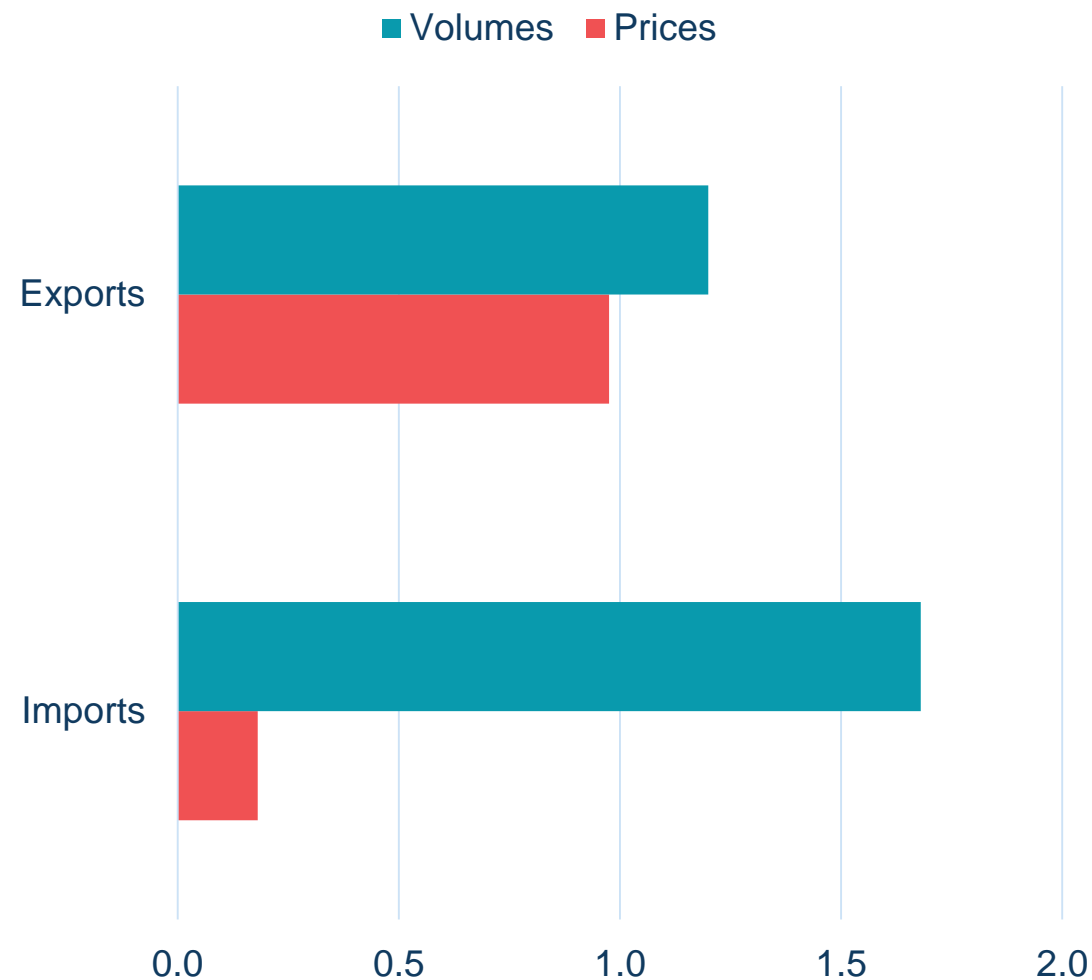
For exports, the volume effect (+1.2%) was a modestly larger contributing factor to the overall increase than the price effect (+1.0%). Both crude oil and natural gas exports saw gains in volumes and prices in October.

On the imports side, the volume effect (+1.7%) had a much larger impact than the price effect (+0.2%) in October.

The CAD/US exchange rate was stable on a monthly basis in October compared to September.

Goods Trade Volumes and Prices

(monthly % change in volume and price indices)



WHAT TO WATCH

- With rising Covid-19 cases and reintroductions of lockdowns around the world, the global economic recovery will likely slow down in the coming months. Indeed, Canadian forecasters have downgraded their GDP outlooks for 2020 down 0.2 percentage points to -5.5%. However, recent encouraging news regarding vaccine development provides some much-needed upside “risk” to economic predictions as the pandemic’s end becomes more certain.
- Recent positive vaccine news is expected to boost hopes for a quick recovery in the U.S. However, the expiry of safety nets at the end of this year means bleak near-term outlook for many, and a change in Administration may add some uncertainty.
- The passing of the EU’s historic stimulus bill has been delayed, injecting additional uncertainty into the recovery. Its long-term budget includes a €750 billion stimulus package - the largest ever financed through the EU budget – that would provide immediate help in repairing economic and social damages brought on by the pandemic.
- Like many others around the world, China has seen some signs of a resurgence in Covid-19 cases even though the number of new cases remains relatively low. Nevertheless, economic recovery is expected to continue in the fourth quarter, mainly supported by a growth in household consumption which lagged the recovery until recently.

Next Monthly Trade Release: Thursday January 7th



Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	October-20	m/m %	YTD %	October-20	m/m %	YTD %
Goods	46,467	2.2	-14.0	50,230	1.9	-10.7
Resource products	24,461	3.1	-14.7	14,950	-2.4	-4.8
Energy products	6,653	7.8	-38.3	1,867	-7.7	-37.5
Non-resource products	20,669	1.4	-13.7	33,282	3.7	-13.8
Industrial machinery & equipment	3,063	6.5	-15.6	5,506	3.9	-14.7
Electronic machinery & equipment	2,299	2.0	-12.9	6,128	9.5	-7.6
Motor vehicles and parts	7,289	-4.7	-22.5	8,797	0.9	-28.1
Aircraft & other transportation equipment	1,706	-9.3	-19.2	1,215	-9.5	-26.9
Consumer goods	6,311	10.2	0.9	11,636	4.3	-0.7
Services	9,349	1.9	-15.4	9,404	1.7	-23.4
Transportation	1,162	6.0	-24.1	1,934	6.4	-28.5
Travel	890	1.1	-51.1	448	2.1	-63.0
Commercial	7,187	1.4	3.0	6,913	0.4	1.6
Government	110	0.0	-18.0	109	0.9	-10.7
Total Goods and Services	55,816	2.1	-14.3	59,634	1.9	-13.3

Note: "m/m %" is the change from the previous month; "YTD %" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.
Source: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.

Table 2: Goods Trade by Trading Partner
(\$ millions)

	Exports			Imports		
	October-20	m/m %	YTD %	October-20	m/m %	YTD %
United States	33,758	2.0	-17.1	30,710	-2.3	-12.9
Mexico	619	-0.1	-19.5	1,591	4.0	-22.6
European Union	2,557	-2.9	-3.5	4,413	-4.4	-12.6
Germany	573	-21.0	5.3	1,294	-1.5	-14.9
France	334	-14.9	7.2	410	-0.7	-14.8
United Kingdom	1,928	12.8	-3.7	702	-13.1	11.1
India	303	-5.3	-23.6	413	17.5	-7.9
China	2,262	-3.7	6.0	4,792	25.7	1.7
Japan	1,063	7.1	-0.8	1,083	-0.3	-22.2
South Korea	315	-16.4	-21.5	881	40.7	-16.7
Rest of the world	2,753	22.0	-9.2	3,942	18.5	6.5
Total Goods Trade	46,467	2.2	-14.0	50,230	1.9	-10.7

Note: "m/m %" is the change from the previous month; "YTD %" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.

*European Union does not include the United Kingdom

Source: Statistics Canada Table 12-10-0011-01. Balance of payments basis, seasonally adjusted.