



Global Affairs
Canada

Affaires mondiales
Canada

Canada



OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

DECEMBER 2020

DECEMBER

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$47.3 billion (+1.5%) [-12.3%]	\$9.2 billion (-1.9%) [-18.0%]	\$56.5 billion (+1.0%)▲ [-13.4%]
Imports	\$49.0 billion (-2.3%) [-8.6%]	\$9.4 billion (-0.8%) [-24.0%]	\$58.4 billion (-2.1%)▼ [-11.8%]
Balance	-\$1.7 billion (+1,895 million)	-\$0.2 billion (-107 million)	-\$1.8 billion (+1,788 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

In December, goods exports rose 1.5% and goods imports fell 2.3%. The increase in exports was mainly driven by energy products, and the decrease in imports was mainly driven by consumer goods. The rise in exports and decline in imports resulted in a narrowing of the trade deficit to \$1.7 billion—the smallest deficit since June 2020. Stripping out price impacts, goods export volumes rose 0.5% while goods imports fell 1.5%.

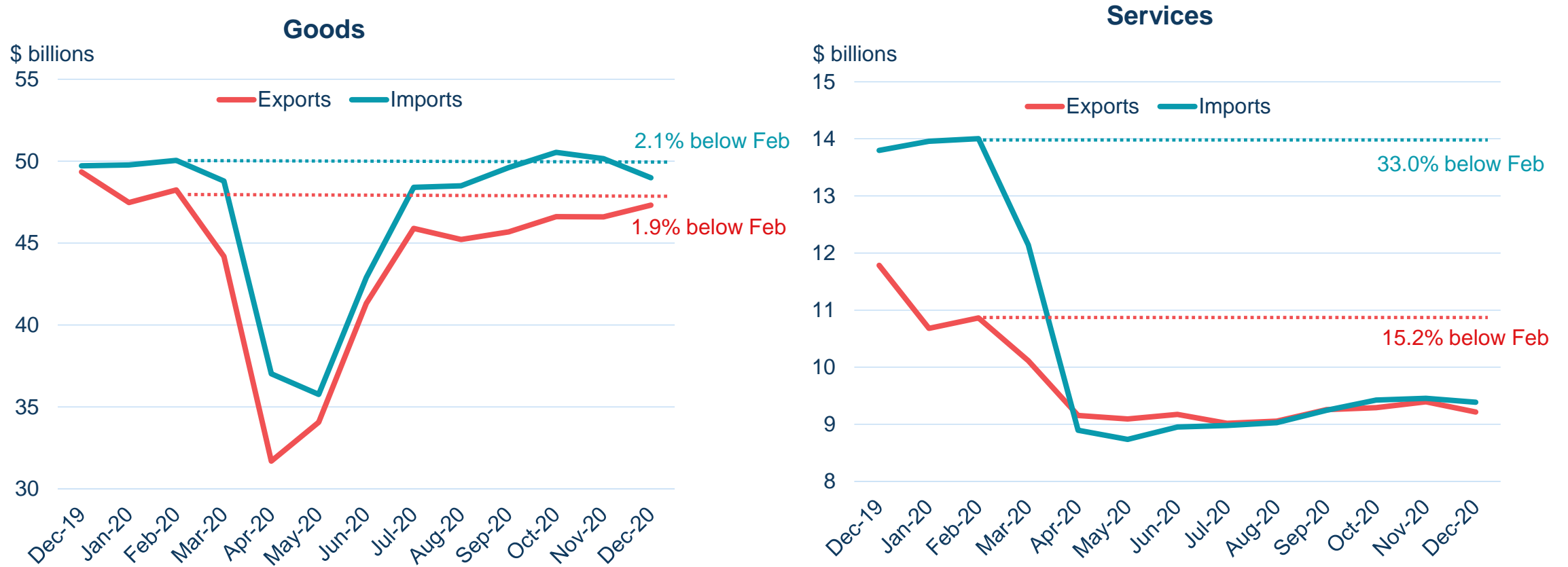
The rise in energy prices in December was a major boost for Canadian energy exports. Of note, average West Texas Intermediate (WTI) crude oil prices rose 14.9% in December, fueling the rise in exports.

The Canadian dollar rose by 1.6 cents U.S. in December, one of the strongest monthly appreciations in recent years. In U.S. dollar, Canadian goods exports rose 3.6% and imports fell slightly (0.4%).

For 2020 overall, goods exports fell 12.3% and goods imports were down 8.6%; much smaller than their respective declines following the global financial crisis, 24.6% and 15.7%, respectively. The pattern was reversed for services, however, as the declines in 2020 (18.0% for exports and 24.0% for imports) were much greater than the 2009 declines (2.2% for exports and 0.3% for imports).

CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



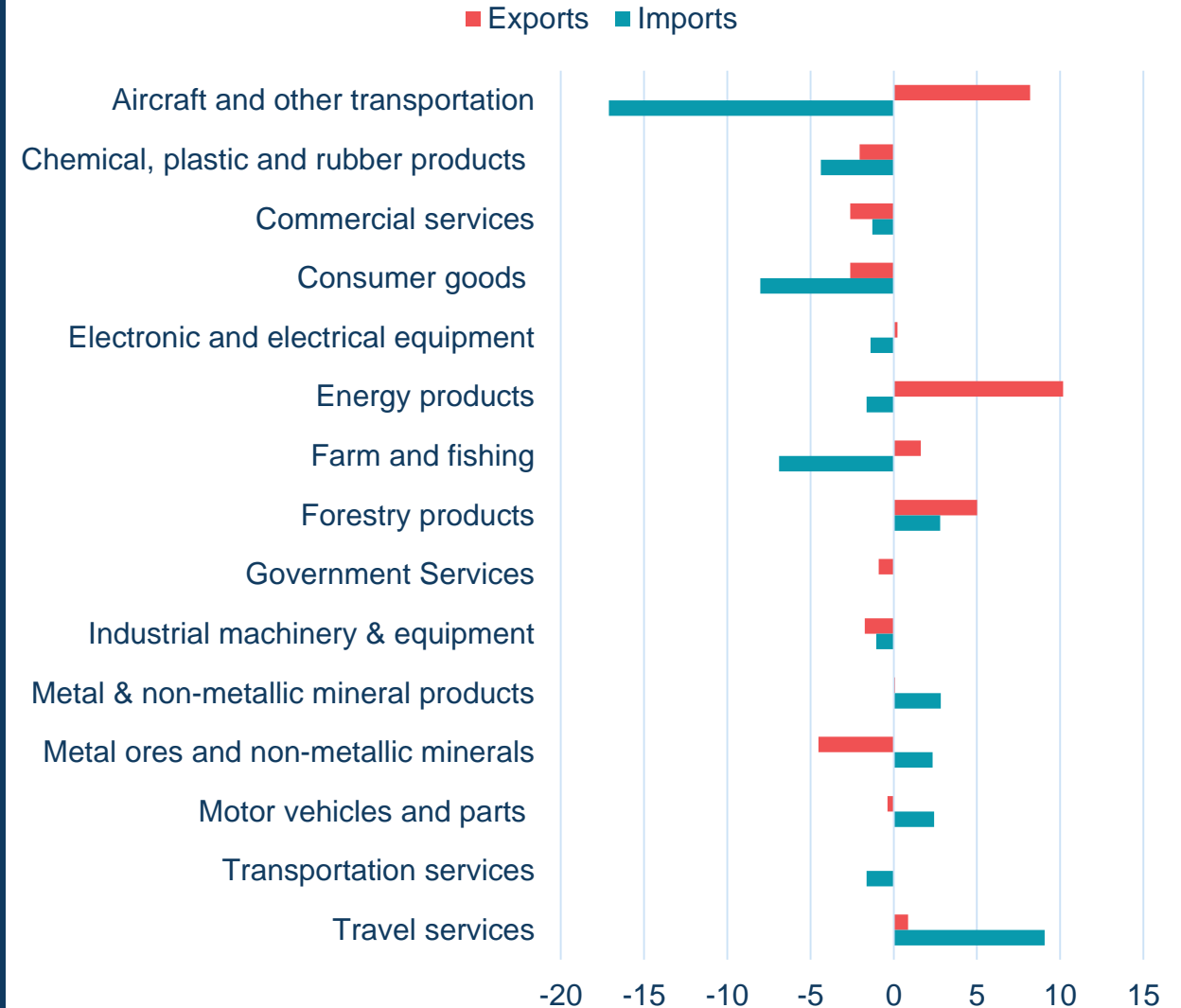
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

In December, exports rose in 6 of the 11 goods product sectors, and declined in 2 of the 4 services sectors. The growth in goods exports was mainly driven by energy products, which rose 10.2% on a monthly basis, while non-energy goods exports only edged up 0.1%. Higher oil prices were an important driver for the increase in energy products exports, but despite the strength in December, energy products exports are still 8.2% (\$670 million) below pre-pandemic (February) levels. For 2020, exports of energy products were down 36.5%, a similar decrease to the one observed in 2009. Exports of commercial services declined in December—the first decline since June—largely accounting for the decline in overall services exports. Despite a small increase in December, travel services exports continue to remain depressed, and were down 59% for the year 2020.

Imports fell in 7 of the 11 goods product sectors, and 2 of the 4 services sectors. Imports of consumer goods fell 8.0% in December after posting record highs in the past few months, and was a major driver for the decline in imports. This bucked overall 2020 trends which saw imports of consumer goods rising 1.1%, driven by increased imports of personal protective equipment and domestic retail sales. Within the consumer goods category, imports of clothing, footwear and textile products fell 21.5% in December, making it the main driver for the decline in consumer goods. Travel services imports rose 9.1% in December due to Canadians returning home but remained significantly below pre-pandemic levels. For 2020 overall, travel services imports declined 66%. Commercial services imports decreased 1.3% in December but rose 2.4% for the year 2020.

Trade by Industry and Sector (monthly % change)

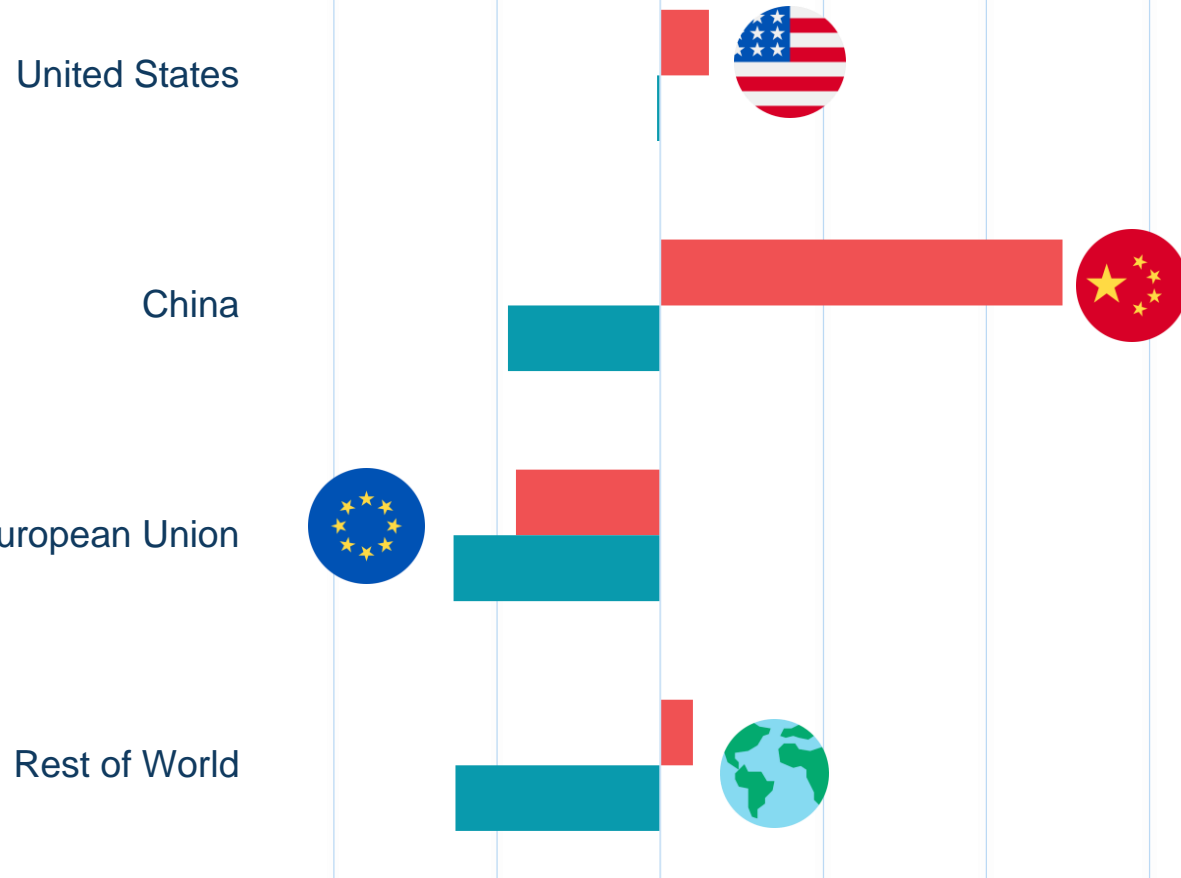


Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

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

■ Exports ■ Imports

-10 -5 0 5 10 15



TRADING PARTNERS

Goods exports to the United States rose 1.5% in December, driven mainly by the strength of energy products, as imports from the U.S. edged down 0.1%. For the year 2020, exports to the U.S. were down 15.6% and imports fell 11.0%, which is a larger contraction than the decline in trade with other countries. The difference hinges mainly on sector composition, where the two hardest hit sectors by the pandemic—automotive and energy—are the largest export categories to the U.S.

Goods exports to China in December rose 12.3%, driven by strength in iron ore and miscellaneous products. Imports from China fell 4.7%, mainly due to a decrease in cellphones imports.

Both goods exports and imports with the European Union declined in December as the European Union countries struggled with containing the second wave of Covid-19.

Exports to the rest of the world increased slightly in December as higher exports to Switzerland (refined gold and aircraft) was partially offset by lower exports to the U.K. (refined gold). Imports from the rest of the world fell, driven mainly by falling imports of pharmaceutical products from Switzerland.

*European Union does not include the United Kingdom.

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

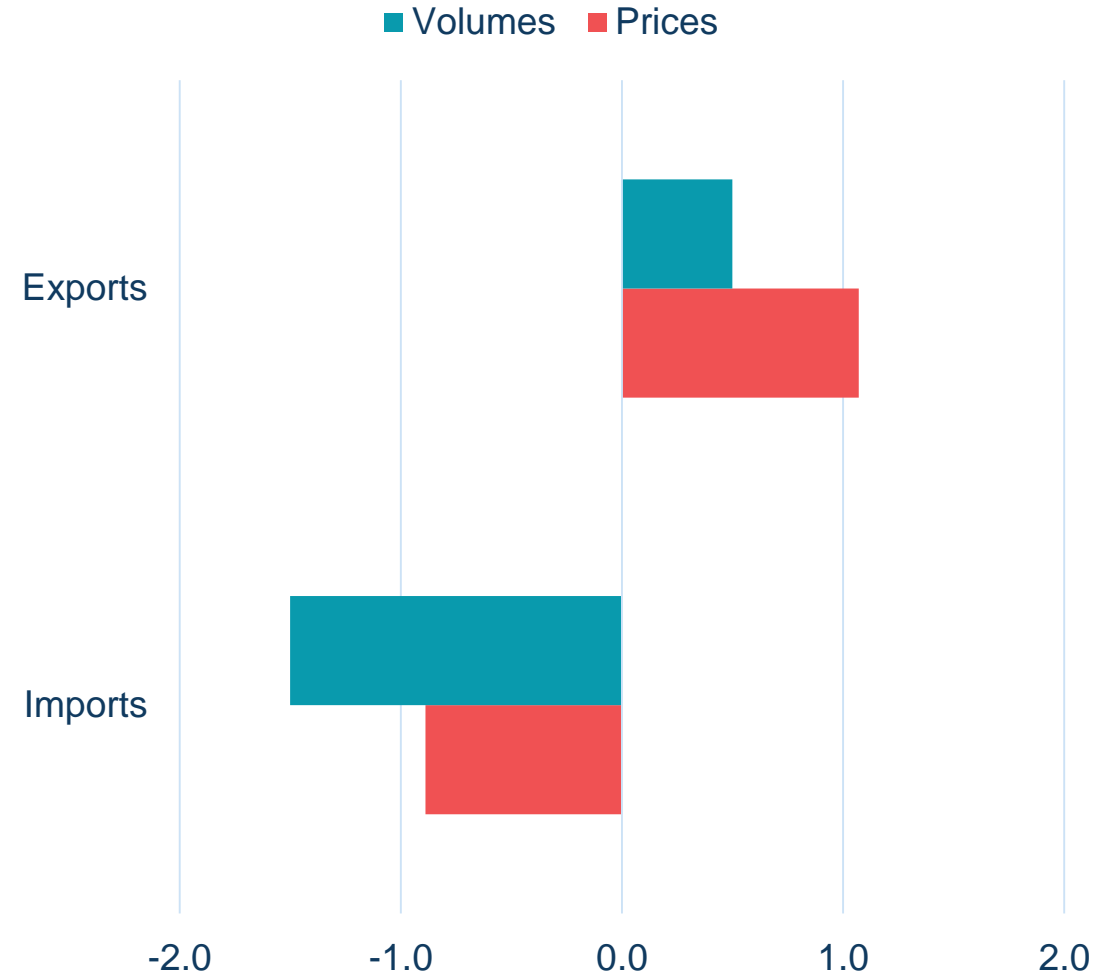
PRICES AND VOLUMES

Both export volumes and prices rose in December, mainly driven by energy products (volumes and prices). Of note, average West Texas Intermediate (WTI) crude oil prices rose 14.9% in December, but prices remain below pre-pandemic levels. Average Western Canadian Select oil prices also rose 18.2%, leaving the price gap between the major Canadian and U.S. oil price indices relatively stable.

Import volumes decreased 1.5% as consumer goods imports, Canada's biggest category, declined 7.6%. Import prices decreased 0.9% as 8 out of 11 goods product sectors experienced declines.

In December, the average Canadian dollar rose 1.6 cents US relative to November, one of the strongest appreciations in recent years. Since most trades are completed in U.S. dollar and must be converted to Canadian dollar, a quick appreciation of the Canadian dollar can result in lower trade values in the short-term. In U.S. dollars, Canadian goods exports rose 3.6% in December and imports declined slightly at 0.4%.

Goods Trade Volumes and Prices (monthly % change in volume and price indices)



WHAT TO WATCH

- After a strong recovery in Canadian GDP in the second half of 2020, the Bank of Canada estimates an overall 5.5% decline for the full year (0.2 percentage points higher than its October forecast). While the re-imposition of restrictions in many provinces and the weak momentum from December are likely to push GDP into a decline in Q1 of 2021, a strong economic recovery in the medium term is expected due to the positive effects from vaccines and fiscal stimulus, stronger foreign demand, and higher commodity prices (+4.0% in 2021).
- The U.S. Bureau of Economic Analysis estimates that 2020 GDP declined 3.5% compared to 2019. Although U.S. consumer spending has rebounded, it is losing momentum with the worsening health situation and depressed employment weighing on it. Looking ahead, fiscal stimulus, immunizations and re-openings will likely regain momentum later in the year. The IMF forecasts a GDP recovery of 5.1% in 2021.
- There is a deteriorating health situation in many European countries due to new strains of the virus spreading as well as shortages and distribution bottlenecks in vaccine distribution. With the extension of COVID-19 restrictions and potential for more vaccination interruptions, forecasters are downgrading the economic outlook for the region.
- As one of the first countries to recover from the pandemic, China is expected to be the only major country to post a positive GDP growth in 2020, up 2.3% over 2019. In 2021, consumption and corporate investment are expected to further support growth, with the IMF forecasting a GDP growth of 8.1% for the full year.

Next Monthly Trade Release: Friday March 5th

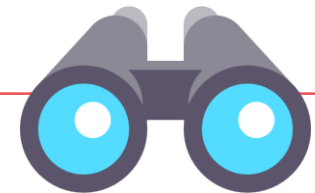


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	December-20	m/m %	YTD %	December-20	m/m %	YTD %
Goods	47,318	1.5	-12.3	48,983	-2.3	-8.6
Resource products	26,181	3.2	-12.4	14,718	-0.6	-3.6
Energy products	7,493	10.2	-36.5	1,688	-1.6	-38.7
Non-resource products	19,685	-0.5	-12.9	32,245	-3.4	-11.4
Industrial machinery & equipment	2,978	-1.7	-14.6	5,268	-1.0	-12.9
Electronic machinery & equipment	2,231	0.2	-12.1	5,913	-1.4	-5.9
Motor vehicles and parts	6,883	-0.4	-20.3	8,981	2.4	-24.0
Aircraft & other transportation equipment	1,787	8.2	-20.0	1,235	-17.1	-27.1
Consumer goods	5,805	-2.6	0.4	10,848	-8.0	1.1
Services	9,215	-1.9	-18.0	9,385	-0.8	-24.0
Transportation	1,153	0.0	-26.8	1,863	-1.6	-28.0
Travel	938	0.9	-59.4	553	9.1	-65.8
Commercial	7,014	-2.6	2.9	6,864	-1.3	2.4
Government	109	-0.9	-19.1	110	0.0	-11.5
Total Goods and Services	56,533	1.0	-13.4	58,368	-2.1	-11.8

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		
	December-20	m/m %	YTD %	December-20	m/m %	YTD %
United States	33,430	1.5	-15.6	30,668	-0.1	-11.0
Mexico	652	-0.4	-16.5	1,736	1.0	-17.6
European Union	2,712	-4.4	-2.1	4,268	-6.3	-12.0
Germany	451	-27.3	0.8	1,215	2.1	-13.5
France	298	-5.3	2.0	402	-3.4	-12.5
United Kingdom	2,500	-13.7	4.4	796	0.6	11.4
India	275	-9.6	-23.8	332	-13.0	-6.0
China	2,401	12.3	7.2	4,477	-4.7	5.6
Japan	987	-8.6	-2.4	958	-6.1	-19.1
South Korea	516	35.9	-15.9	743	-1.5	-10.0
Rest of the world	3,846	14.0	-4.9	5,005	-9.7	0.9
Total Goods Trade	47,318	1.5	-12.3	48,983	-2.3	-8.6

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.