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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

JANUARY 2021

JANUARY

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$51.2 billion (+8.1%) [+8.6%]	\$9.3 billion (+0.5%) [-14.1%]	\$60.4 billion (+6.8%) ▲ [+4.4%]
Imports	\$49.8 billion (+0.9%) [-0.3%]	\$9.5 billion (+2.7%) [-32.6%]	\$59.3 billion (+1.1%) ▲ [-7.4%]
Balance	\$1.4 billion (+\$3.4 billion)	-\$0.2 billion (-\$203 million)	\$1.2 billion (+\$3.2 billion) ▲

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.

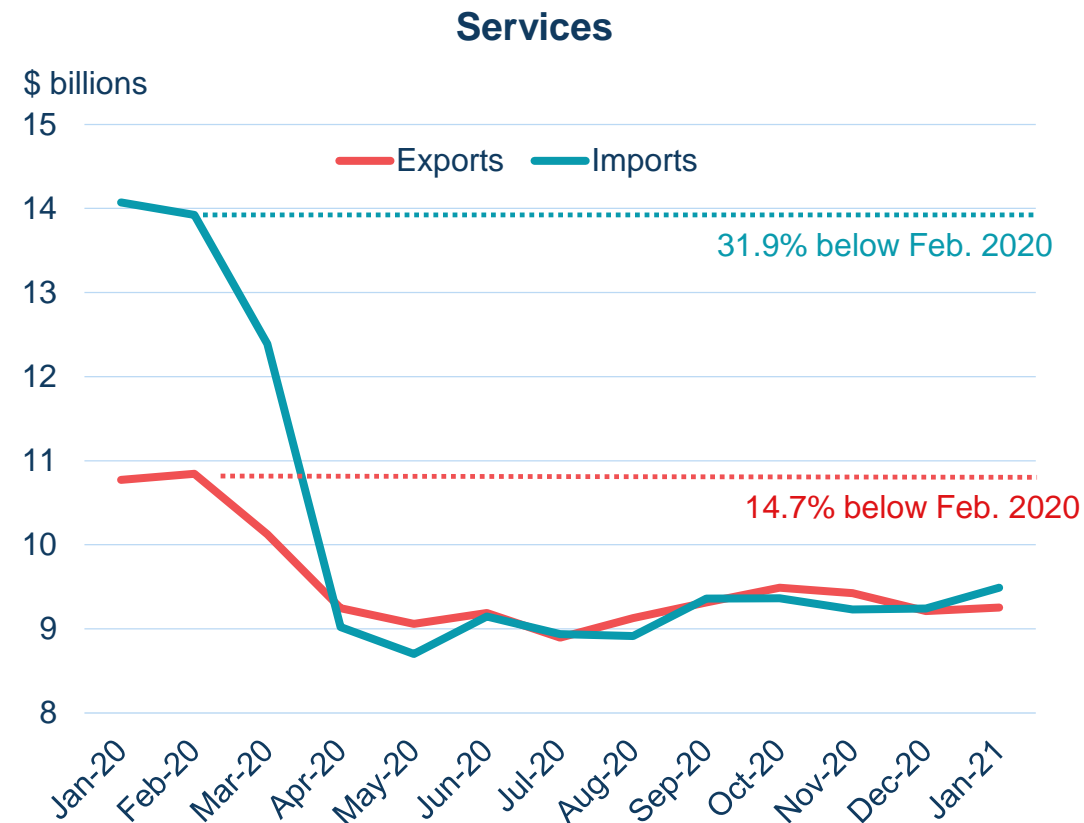
HIGHLIGHTS

Canada's trade saw a substantial increase in January, driven by higher exports of goods to the United States. With a slight increase in imports, Canada's goods trade balance posted its first surplus since May 2019.

- In January, goods exports rose 8.1% and imports edged up 0.9%. While all sectors supported the overall export growth, aircraft and other transportation equipment, consumer goods and energy products were the main drivers. The increase in imports was mainly driven by energy products.
- While goods exports surpassed pre-pandemic levels in January, standing 6.2% above February 2020 levels, imports remain 0.6% below that mark. Both services exports and imports remain well below February 2020 levels.
- Stripping out price impacts, goods export volumes rose 5.1%, while import volumes were up 1.0%.
- The trade balance for goods and services amounted to a \$1.2 billion surplus in January, up \$3.2 billion from a deficit of \$2.0 billion in December 2020.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS



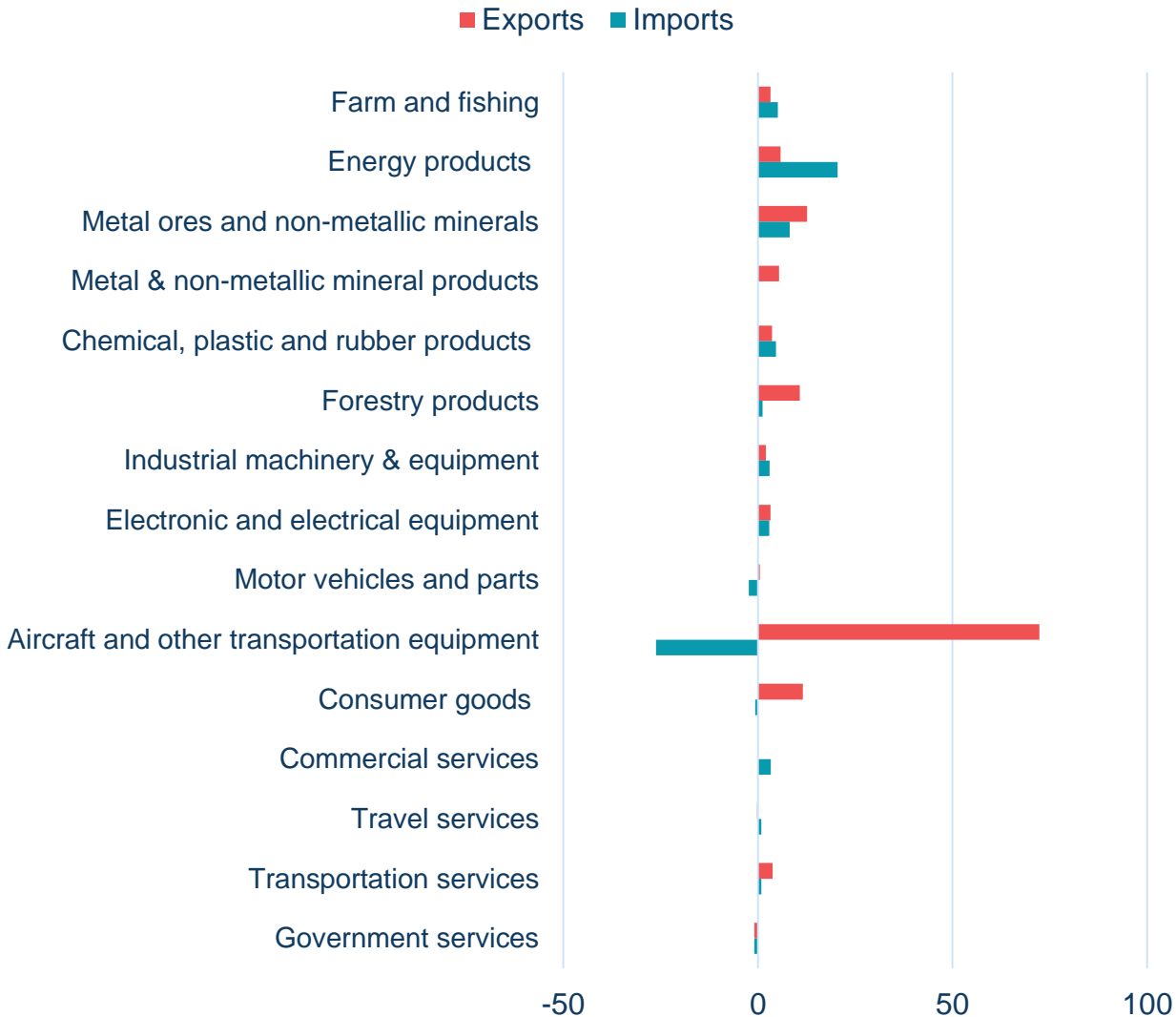
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

January’s growth in goods exports was driven by increases in all 11 product sectors, while services exports grew in 2 of the 4 services sectors. **Aircraft and other transportation equipment** had the largest contribution to the increase, climbing 72.3% in January after a Canadian airline exported a large number of its retired aircrafts to the United States. **Consumer goods** rose 11.6%, driven mostly by higher exports of gold bars to the United States (these products were sold on the retail market to private investors). **Energy products** rose 5.9% in January, mainly on the strength of higher crude oil exports, and **commercial services** edged up 0.03%, after a decline in December. Exports of **transportation services** pushed overall services exports up, rising 3.8% in January, while still remaining 13.9% below pre-pandemic levels.

Imports rose in 7 of the 11 goods product sectors, and 3 of the 4 services sectors. Imports of **energy products** increased 20.5% in January, driving most of the growth in goods imports, mainly on demand for diesel fuel. **Electronic and electrical equipment** (+2.9%) also contributed to the increase in January, mostly on larger imports of electronic and electrical parts, and computers and computer peripherals. **Commercial services** increased 3.3%, largely driven by financial services. **Transportation services** were up 0.9% on higher payments of passenger fares by Canadians returning from non-U.S. destinations.

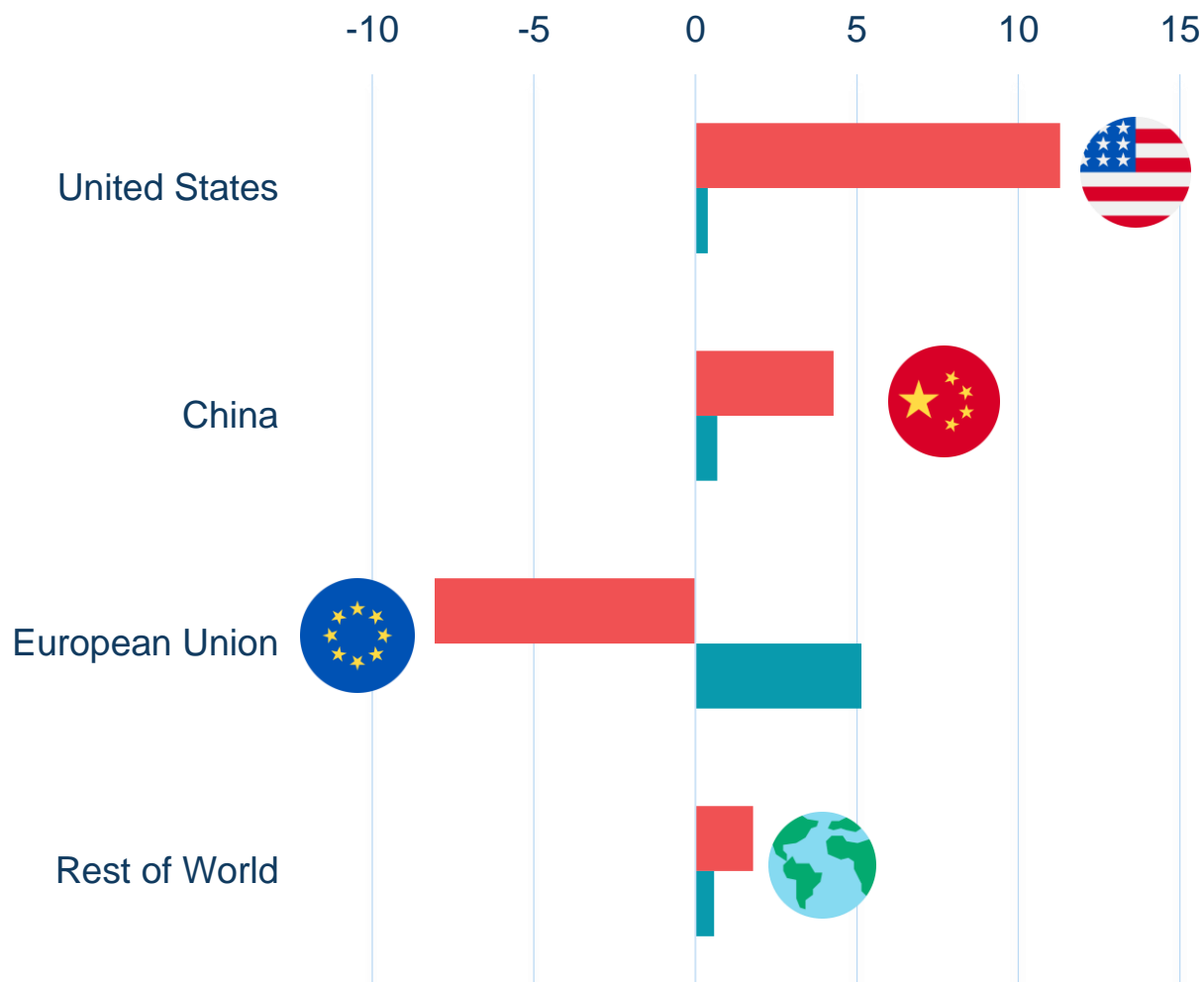
Trade by Industry and Sector (monthly % change)



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



*European Union does not include the United Kingdom.

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

TRADING PARTNERS

In January, goods exports to the **United States** rose 11.3%, surpassing February 2020 levels for the first time. Strong exports of aircraft, gold bars, crude oil and lumber contributed to the highest export value since September 2019. Imports inched up 0.4%, resulting in a trade surplus of \$6.2 billion in January, the largest September 2008.

Goods exports to the **European Union** decreased 8.1%, with large declines observed in the Italy (-25.9%), Netherlands (-20.1%), and France (-15.2%), and smoothed by a 19.2% increase in exports to Germany. Imports increased 5.1%, mainly driven by Germany.

Goods exports to the **United Kingdom** dropped 18.0%, mainly on lower exports of aircraft, oilseeds and gold; imports decreased 28.7% in January, reaching the lowest value since August 2019.

While imports from **China** were only up 0.7%, the increase was fuelled by industrial machinery & equipment as well as basic industrial chemicals & plastics which is a good sign for Canadian manufacturing activity.

Goods exports to the **rest of the world** increased 1.8% in January, continuing its upward trajectory since August 2020, pushed up by higher exports of transportation equipment to Saudi Arabia. Imports increased 0.6%, with Switzerland (gold) and Nigeria (crude oil) posted the largest increases.

PRICES AND VOLUMES

The increase in the value of exports observed in January was mostly driven by volume growth. Stripping out the price effects, which accounted for about one-third the export growth, exports were up 5.1% in January.

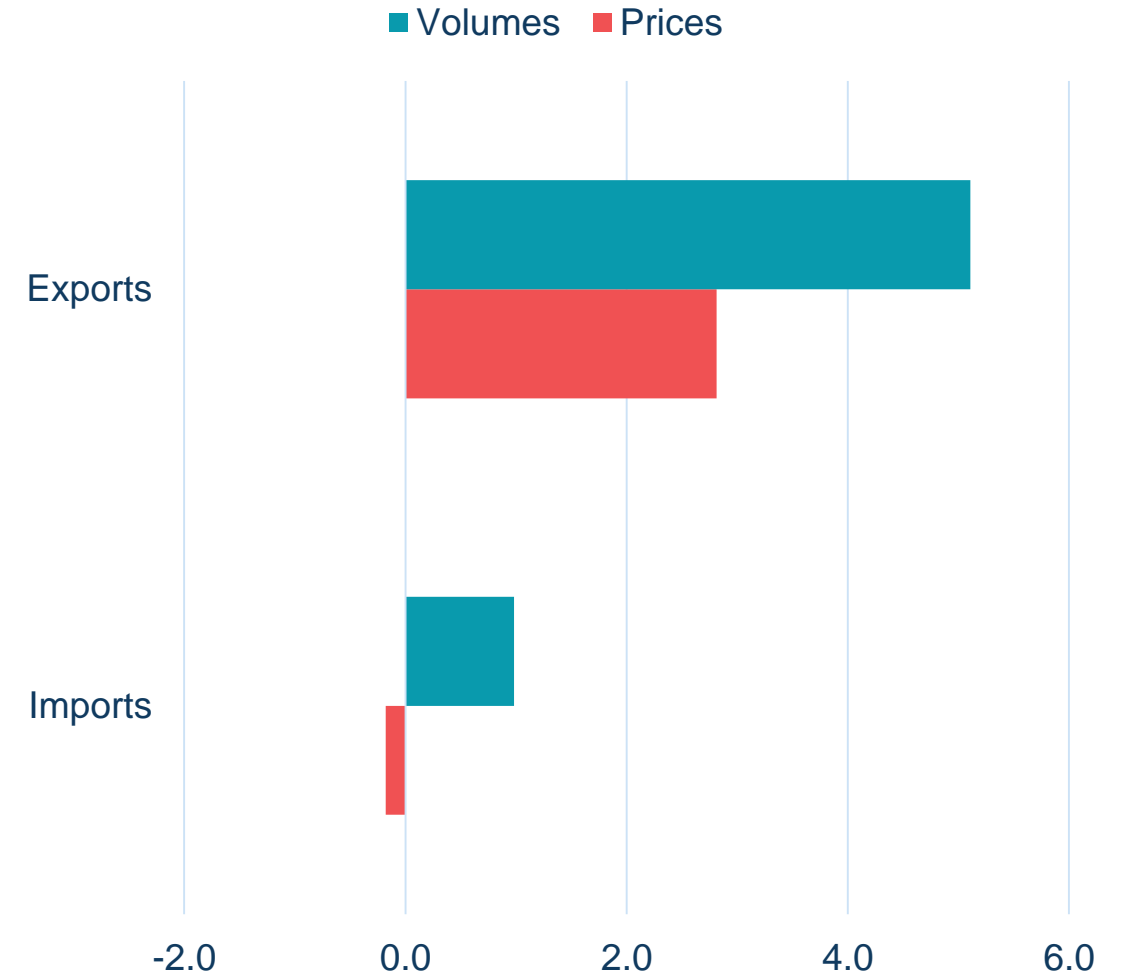
On the imports side, the increase was driven by volumes, which went up 1.0%, while prices declined 0.2% in January.

The oil price rose 10.6% month-over-month, to \$66.2/barrel in January. Increasing demand has supported 3 months of consecutive growth, and partially reflects the growth in energy exports as volumes also rose.

Reflecting recent increases in oil prices, the Canadian dollar continued its upward trajectory relative to the U.S. dollar in January, after a substantial increase in December, finishing off the first month of the year at \$0.79/USD.

Goods Trade

(monthly % change in volume and price indices)



Source: Statistics Canada Table 12-10-0128-01.
Balance of payments basis, seasonally adjusted.



WHAT TO WATCH

- While the effects of returning restrictions in many provinces of **Canada** will weigh on GDP in the first quarter of 2021, Oxford Economics expects a strong rebound in the next few months with 2.2% growth expected in Q2. Growth of 4.4% is projected for 2021, sustained by vaccination rollout, continued fiscal stimulus, and stronger foreign demand.
- With a slow start projected for Q1 2021, **U.S.** economic activity is expected to accelerate over the year, supported by the solid pace of its immunization program (which is expected to reach 60% of the population by mid-July), and strong consumer spending, fueled in part by the stimulus package currently being negotiated. Potential expansions of Buy America requirements could have negative impacts on Canadian infrastructure suppliers, posing a downside risk.
- In **Europe**, the grim health situation in several countries and tighter restrictions to curb the new strains of the virus set a negative prospect for Q1. Recovery is expected over the course of 2021, boosted by a flow of recovery funds to member states. In the **U.K.**, despite the expected extension of lockdowns, its aggressive approach to vaccinations will help to support a strong recovery over the next quarter.
- After posting positive growth in 2020, economic growth in **China** is expected to temporarily slowdown in Q1 due to the latest coronavirus outbreak, which compelled travel restriction calls during the Chinese New Year, known as the world's largest human migration. In Q2, activity is expected to rebound, with strong exports and household consumption.
- The growth in exports observed in January is above market expectations and puts **Canada** in a good position for meeting the average growth forecasted for the first quarter of the year.

Next Monthly Trade Release: Wednesday April 7th

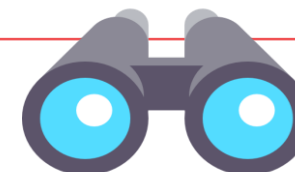




Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	Jan.-21	m/m %	YTD %	Jan.-21	m/m %	YTD %
Goods	51,185	8.1%	8.6%	49,779	0.9%	-0.3%
Resource products	27,908	6.4%	12.2%	15,623	4.9%	-2.2%
Energy products	7,901	5.9%	-6.9%	2,035	20.5%	-39.0%
Non-resource products	21,838	10.9%	4.9%	32,175	-0.9%	0.1%
Industrial machinery & equipment	3,053	2.1%	-6.3%	5,476	3.0%	0.8%
Electronic machinery & equipment	2,304	3.2%	0.5%	6,137	2.9%	8.5%
Motor vehicles and parts	6,876	0.5%	-4.9%	8,722	-2.3%	-5.1%
Aircraft & other transportation equipment	3,144	72.3%	48.5%	981	-26.1%	-47.8%
Consumer goods	6,461	11.6%	9.2%	10,859	-0.7%	8.7%
Services	9,253	0.5%	-14.1%	9,489	2.7%	-32.6%
Commercial	7,005	0.0%	0.4%	6,942	3.3%	0.9%
Travel	934	-0.2%	-58.5%	556	0.9%	-87.5%
Transportation	1,203	3.8%	-14.2%	1,882	0.9%	-28.4%
Government	111	-0.9%	-22.9%	109	-0.9%	-16.2%
Total Goods and Services	60,438	6.8%	4.4%	59,268	1.1%	-7.4%

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		
	Jan.-21	m/m %	YTD %	Jan.-21	m/m %	YTD %
United States	37,198	11.3%	6.6%	31,031	0.4%	-3.5%
Mexico	786	20.0%	16.6%	1,662	-5.3%	-0.5%
European Union	2,508	-8.1%	11.0%	4,545	5.1%	2.0%
Germany	537	19.2%	11.7%	1,299	4.3%	-2.4%
France	253	-15.2%	-31.9%	403	-1.0%	4.6%
United Kingdom	2,049	-18.0%	4.0%	597	-28.7%	-6.0%
China	2,529	4.3%	32.7%	4,527	0.7%	32.3%
Japan	1,082	8.8%	1.4%	926	-3.9%	-12.7%
South Korea	397	-22.3%	20.1%	785	5.0%	12.6%
India	195	-27.5%	-43.5%	394	18.3%	22.9%
Rest of the world	4,441	14.9%	21.4%	5,313	6.6%	-3.4%
Total Goods Trade	51,185	8.1%	8.6%	49,779	0.9%	-0.3%

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.

*European Union does not include the United Kingdom

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