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OFFICE OF
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ECONOMIST

MONTHLY TRADE REPORT

JUNE 2021

JUNE

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$53.8 billion (8.7%) [24.3%]	\$9.3 billion (0.1%) [-5.2%]	\$63.0 billion (7.4%) ▲ [18.6%]
Imports	\$50.5 billion (-1.0%) [14.3%]	\$10.0 billion (3.5%) [-15.0%]	\$60.5 billion (-0.2%) ▼ [8.4%]
Balance	\$3.2 billion (\$4.8 billion)	-\$0.7 billion (-\$0.3 billion)	\$2.5 billion (\$4.5 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 goods exports rose significantly in June, up 8.7%, driven mostly by energy products but also motor vehicles and parts, and metal and non-metallic mineral products. This increase brought goods exports to a record high of \$53.8 billion. Over the same period, goods imports fell 1.0%, mainly on lower imports of consumer goods and motor vehicles and parts. Removing the effects of price changes, real goods exports (export volumes) grew 7.0% in June, while goods import volumes fell by 2.2%.

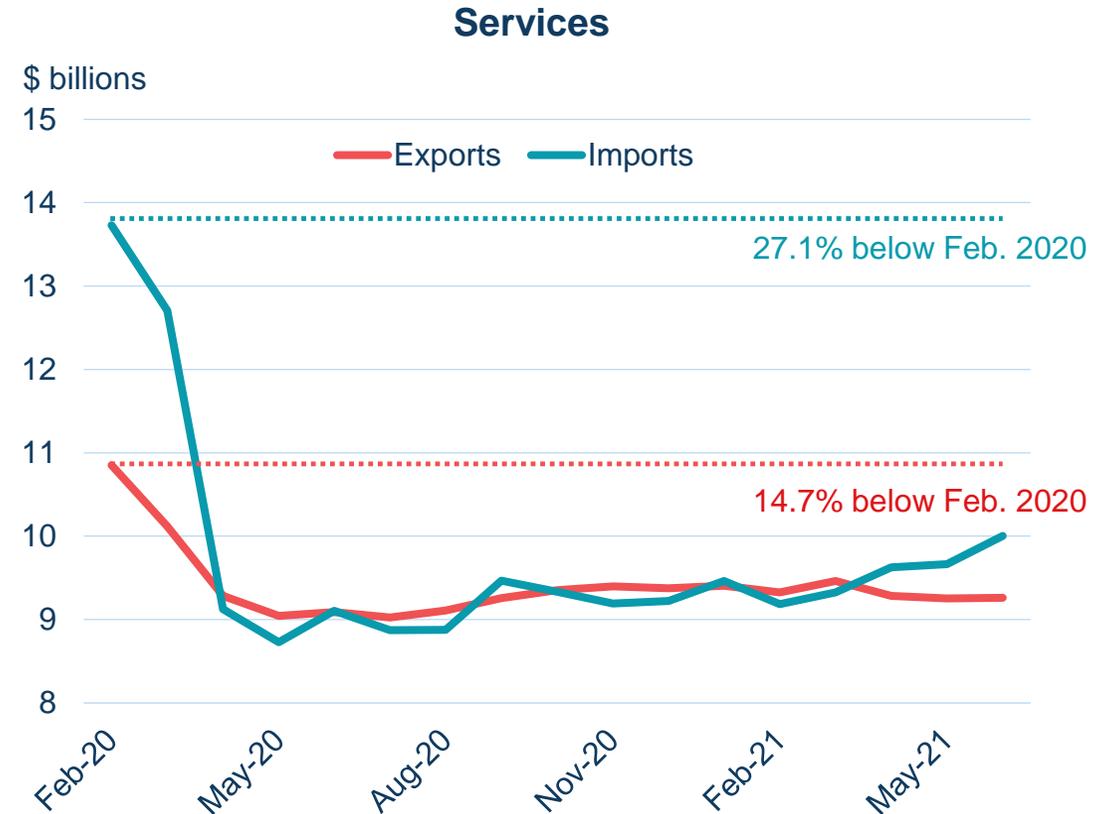
Canada's services trade showed the opposite picture. While total services trade still remains far below February 2020's pre-pandemic level of \$24.6 billion, services imports grew strongly in June, up 3.5% from May, as both commercial and travel services imports increased. However, services exports experienced little change, edging up only 0.1% in June.

Combining goods and services trade, Canadian exports rose 7.4% and Canadian imports edged down 0.2%. As a result, Canada's total trade balance with the world went from a deficit of \$2.0 billion in May to a surplus of \$2.5 billion in June.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



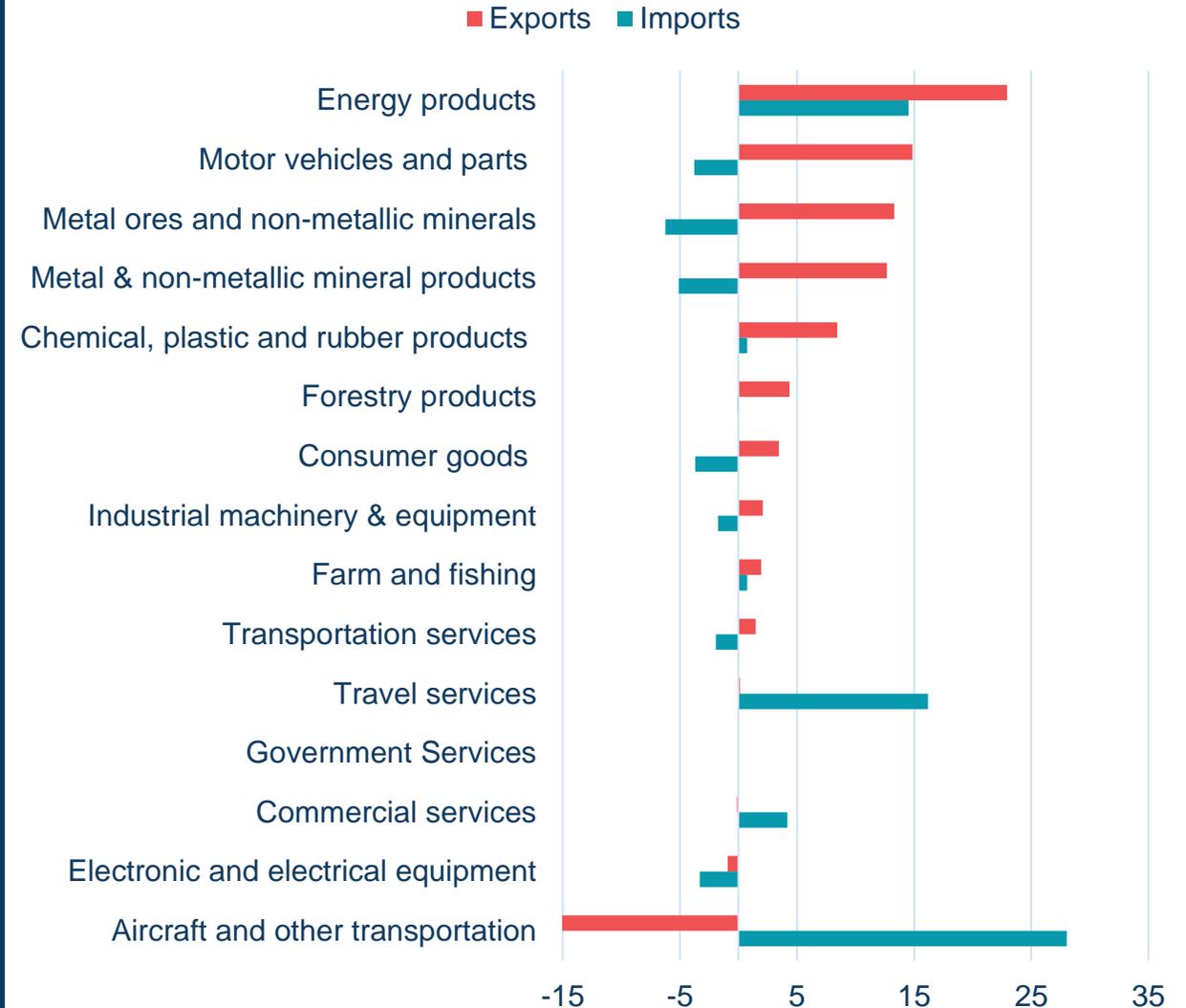
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

Exports increased in 9 of the 11 product categories for goods and in 2 of 4 services categories. Energy products contributed the most to the increase in total goods exports, growing by 22.9% in June—accounting for roughly half of the total gain in goods exports—to reach the highest level since March 2019. This growth was mostly supported by significant growth in crude oil exports as both prices and volumes increased. Exports of refined petroleum energy products and natural gas also grew in June. After several months of declines in exports of motor vehicles and parts due to supply shortages of semiconductors, exports of motor vehicles and parts rebounded in June, growing by 14.9%, supported by passenger cars and light trucks. However, the industry continues to suffer from semiconductor shortages and exports remain well below pre-pandemic levels. Exports of metal and non-metallic mineral products also advanced 12.7% in June to a record \$6.7 billion, mostly on higher exports of gold to Hong Kong and the United Kingdom.

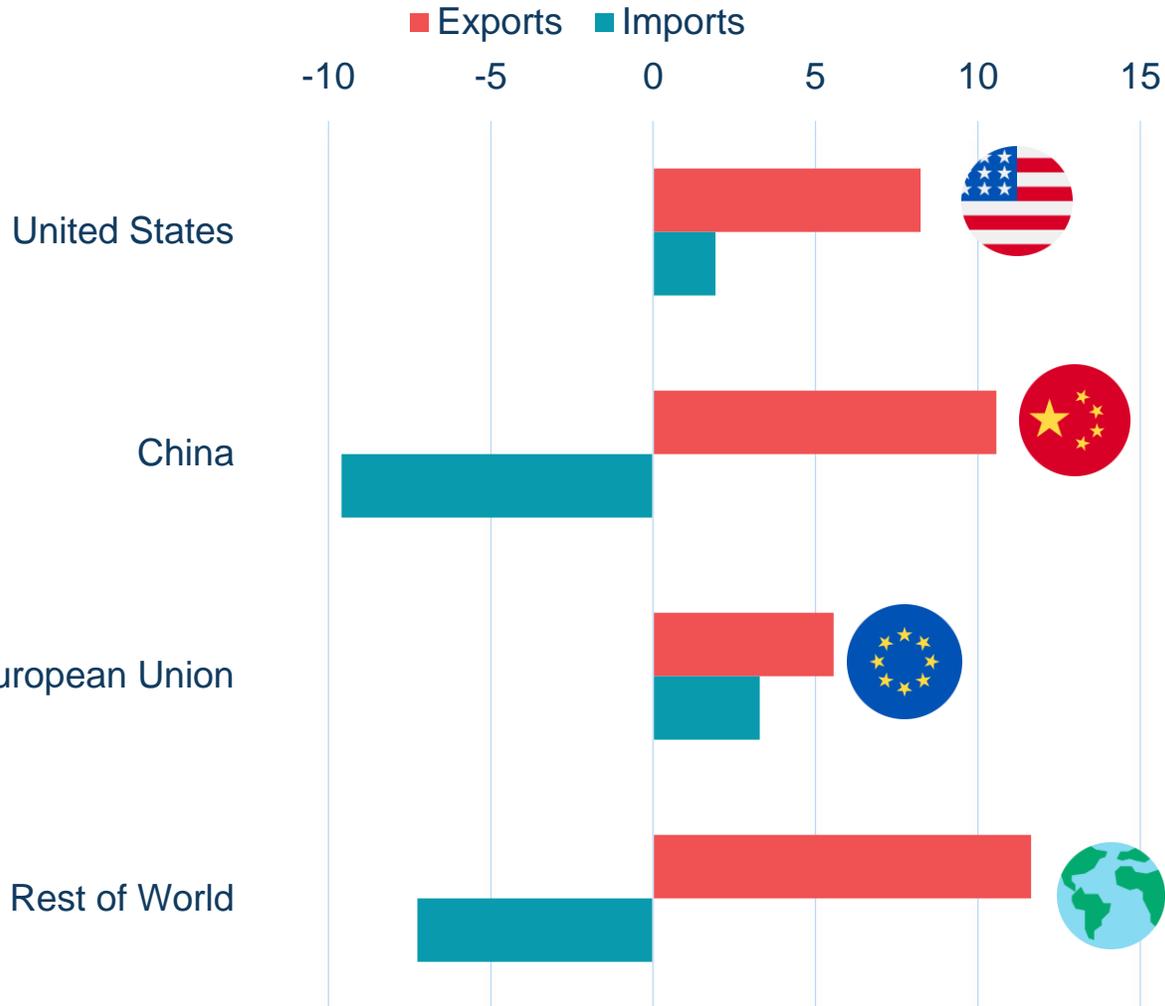
Imports declined in 7 of the 11 product categories and in 1 of the 4 services categories. Lower imports of consumer goods contributed the most to the overall decline in goods imports in June, falling by 3.7%. This was primarily due to lower imports of articles of precious metals and personal protective equipment. These declines were partially offset by higher imports of pharmaceutical and medicinal products as a result of higher imports of COVID-19 vaccines in this category. Imports of motor vehicles and parts also declined in June, mainly on lower imports of passenger cars and light trucks from countries other than the United States. Although both commercial and travel services imports increased significantly in June, total services imports still remained 27.1% below February 2020's pre-pandemic levels.

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)



GLOBAL MARKETS

In June, exports to the United States rose 8.2% to a record \$39.7 billion, supported by higher exports of crude oil and passenger cars and light trucks. Imports from the United States also increased 1.9%. As a result, Canada's goods trade surplus with the United States widened from \$5.9 billion in May to \$8.3 billion in June, the largest surplus since August 2008.

Goods exports to countries other than the United States increased 10.2% in June, supported by higher exports to Hong Kong (gold), the Netherlands (aluminum, iron ores and crude oil), China (copper ores and canola), and the United Kingdom (gold). Conversely, goods imports from countries other than the United States decreased 5.3% in June, with declines observed from most large Asian trading partners. As a result, Canada's goods trade deficit with countries other than the United States narrowed from a record \$7.5 billion in May to \$5.1 billion in June.

*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

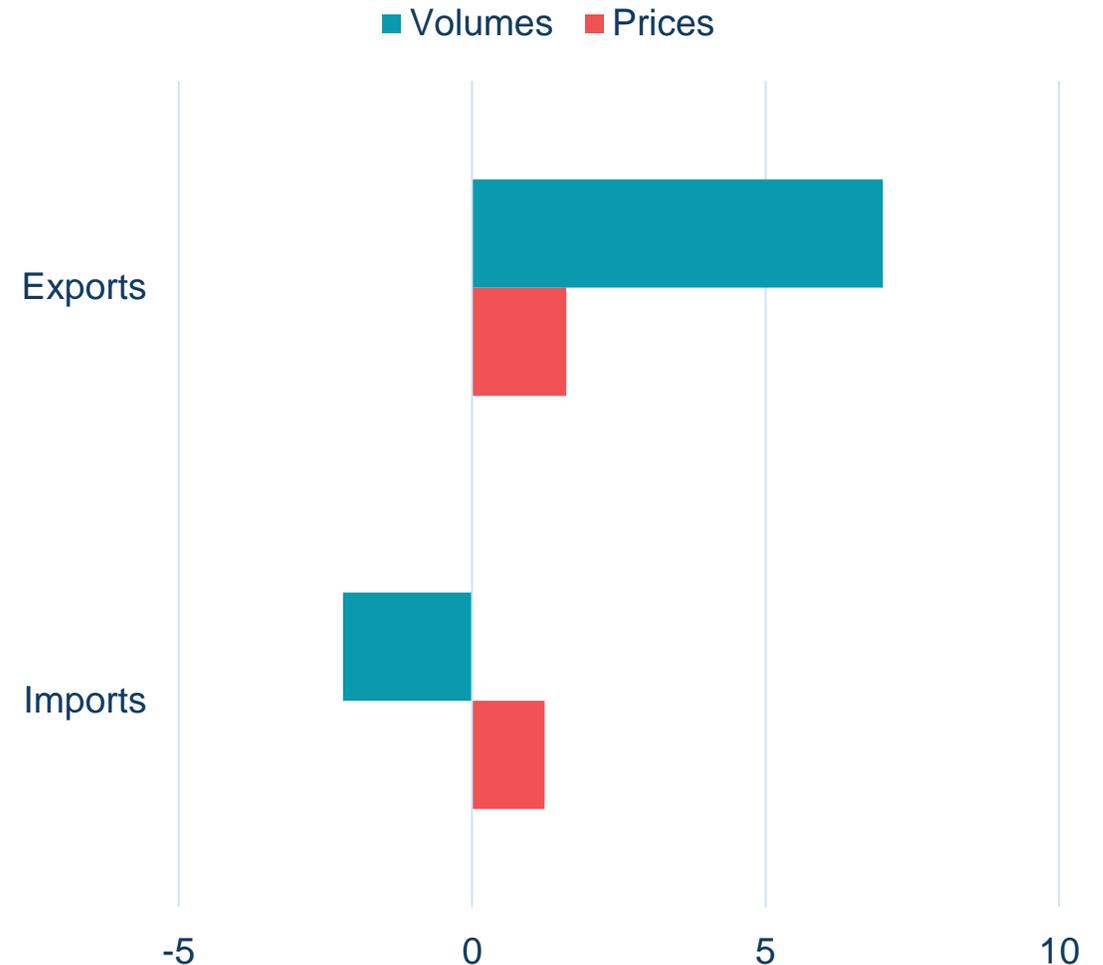
The surge in goods exports was largely driven by increased export volumes (7.0%), while export prices also rose 1.6%. Stripping out the price effect from goods imports, volumes actually declined 2.2%; prices helped to mitigate this drop by increasing 1.2% for a net effect of -1.0%.

Inflation in Canada slowed somewhat in June, to 3.1% on a year-over-year basis, down from 3.6% in May. However, base-year effects had a downward impact on inflation in June 2021 because of price increases in the same period last year. In comparison, inflation in the United States reached 5.4% in June on a year-over-year basis, representing the largest monthly increase since August 2008. Although inflation in Canada and the U.S. continues to be above the 3% upper bound of the inflation targets, the current high level of inflation is likely transitory and should subside in the coming months.

The Canadian dollar lost 0.7 US cents relative to the American dollar in June, with the average value of a Canadian dollar sitting at \$0.82 US.

Goods Trade

(monthly % change in volume and price indices)



WHAT TO WATCH

- There are several threats to stable global economic growth going forward including the Delta variant, supply shortages (e.g. semiconductors), and elevated inflation which may point to a bumpier path to economic recovery than previously predicted. Nevertheless, many forecasts, including the IMF's recent July forecast, are expecting strong growth—upwards of 6.0%—for the global economy in 2021 and another 4.9% in 2022.
- Following a 0.5% decline in April, Canada's real GDP contracted once again in May, falling 0.3%, as both services-producing and goods-producing industries contracted. Total economic activity was approximately 2% below February 2020's pre-pandemic levels. Preliminary information points to a 0.7% increase in real GDP for June, supported by retail trade and accommodation and food services as public health measures eased in many provinces.
- Due to limited access to vaccines and proliferation of the Delta variant, ASEAN economies have been hit especially hard by fresh COVID-19 outbreaks. As a result, Indonesia's Manufacturing Purchasing Managers' Index (PMI) plummeted in July and activity remained depressed in Malaysia, Thailand, and Vietnam.

Next Monthly Trade Release: Thursday September 2nd



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

	Exports			Imports		
	June-21	m/m %	YTD %	June-21	m/m %	YTD %
Goods	53,762	8.7	24.3	50,531	-1.0	14.3
Resource products	32,912	12.6	35.3	17,189	0.0	12.0
Energy products	11,304	22.9	69.3	2,396	14.5	6.3
Non-resource products	19,308	2.8	12.1	31,096	-1.8	14.5
Industrial machinery & equipment	2,974	2.1	3.1	5,585	-1.8	14.8
Electronic machinery & equipment	2,199	-0.9	2.7	5,674	-3.3	12.0
Motor vehicles and parts	5,880	14.9	19.3	6,740	-3.8	29.2
Aircraft & other transportation equipment	1,842	-20.7	23.9	1,869	28.0	-15.9
Consumer goods	6,413	3.4	10.3	11,229	-3.7	12.4
Services	9,262	0.1	-5.2	10,002	3.5	-15.0
Commercial	7,122	-0.1	2.7	7,516	4.2	4.7
Travel	854	0.1	-43.9	524	16.2	-79.2
Transportation	1,175	1.5	0.9	1,837	-1.9	-11.6
Government	110	0.0	-14.1	126	0.0	-0.8
Total Goods and Services	63,024	7.4	18.6	60,533	-0.2	8.4

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		
	June-21	m/m %	YTD %	June-21	m/m %	YTD %
United States	39,713	8.2	29.3	31,381	1.9	14.8
Mexico	824	11.1	42.9	1,552	-4.7	29.0
European Union	2,783	5.6	12.1	4,884	3.3	10.5
Germany	662	15.4	7.3	1,312	3.5	11.6
France	335	16.2	-4.2	468	1.7	13.5
United Kingdom	1,280	18.7	-1.0	832	9.4	-1.3
India	230	4.5	-35.4	347	-11.3	21.9
China	2,727	10.6	21.2	4,219	-9.6	23.0
Japan	1,223	10.3	7.5	1,052	-5.4	27.8
South Korea	380	-32.3	9.1	604	-16.8	30.3
Rest of the world	4,601	16.9	14.1	5,660	-8.9	3.8
Total Goods Trade	53,762	8.7	24.3	50,531	-1.0	14.3

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 Table 12-10-0011-01. Balance of payments basis, seasonally adjusted.