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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

JULY 2021

JULY

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$53.7 billion (+0.6%) [23.3%]	\$9.7 billion (+1.2%) [-2.2%]	\$63.5 billion (+0.7%) ▲ [18.4%]
Imports	\$53.0 billion (+4.2%) [13.7%]	\$10.0 billion (+3.7%) [-13.2%]	\$63.0 billion (+4.1%) ▲ [8.5%]
Balance	\$0.8 billion (-\$1.8 billion)	-\$0.3 billion (-\$0.2 billion)	\$0.5 billion (-\$2.0 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

Both goods exports (+0.6%) and goods imports (+4.2%) reached record highs in July. Motor vehicles and parts were the driving factor behind both of the increases—motor vehicles and parts were responsible for two-thirds of the increase on the import side, and posted the largest increase on the export side.

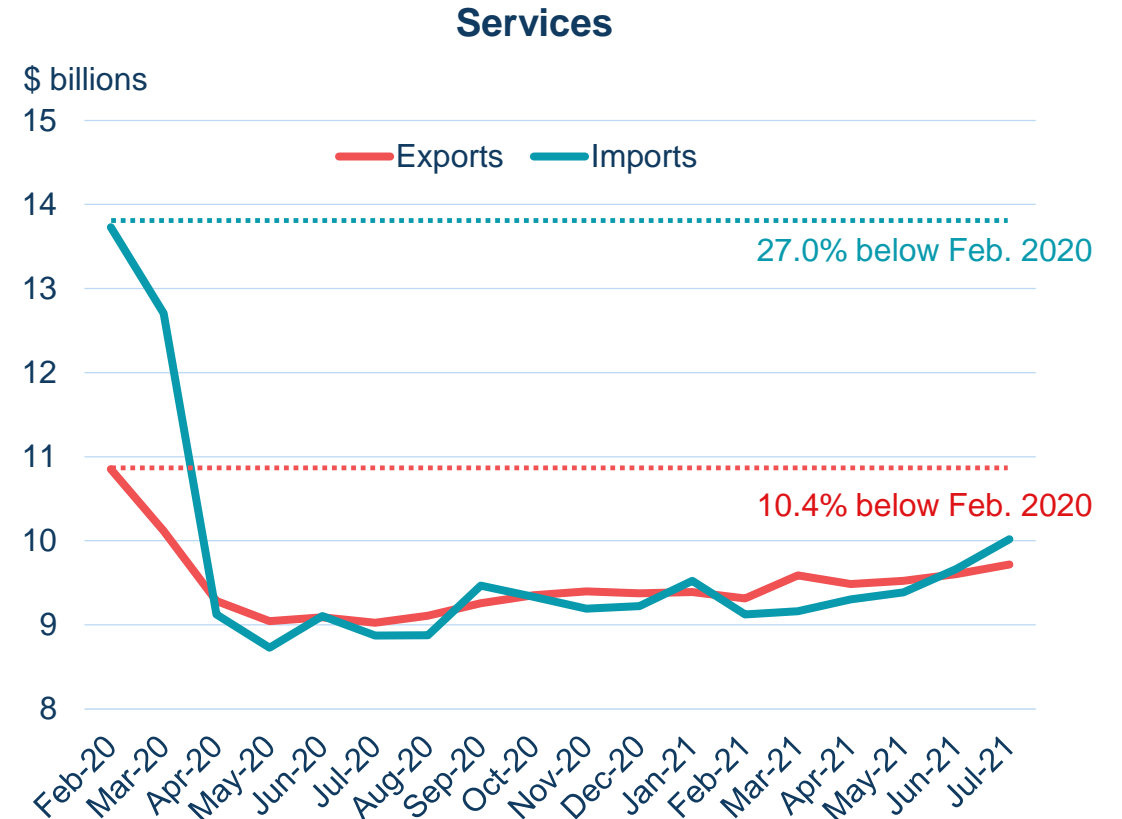
Prices played large role in July’s positive trade report. Goods export volumes were down 0.3% in July while import volumes were up only 2.0%.

Services exports and imports also increased in the month. Notably, travel imports (that is, Canadians travelling abroad) increased 74% month-over-month in July to the highest level since March 2020. While still far below pre-pandemic levels, travel services are starting to come back.

Combining goods and services trade, Canadian exports rose 0.7% and Canadian imports rose 4.1%. As a result, Canada’s total trade surplus with the world decreased from \$2.5 billion in June to \$477 million in July.

CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



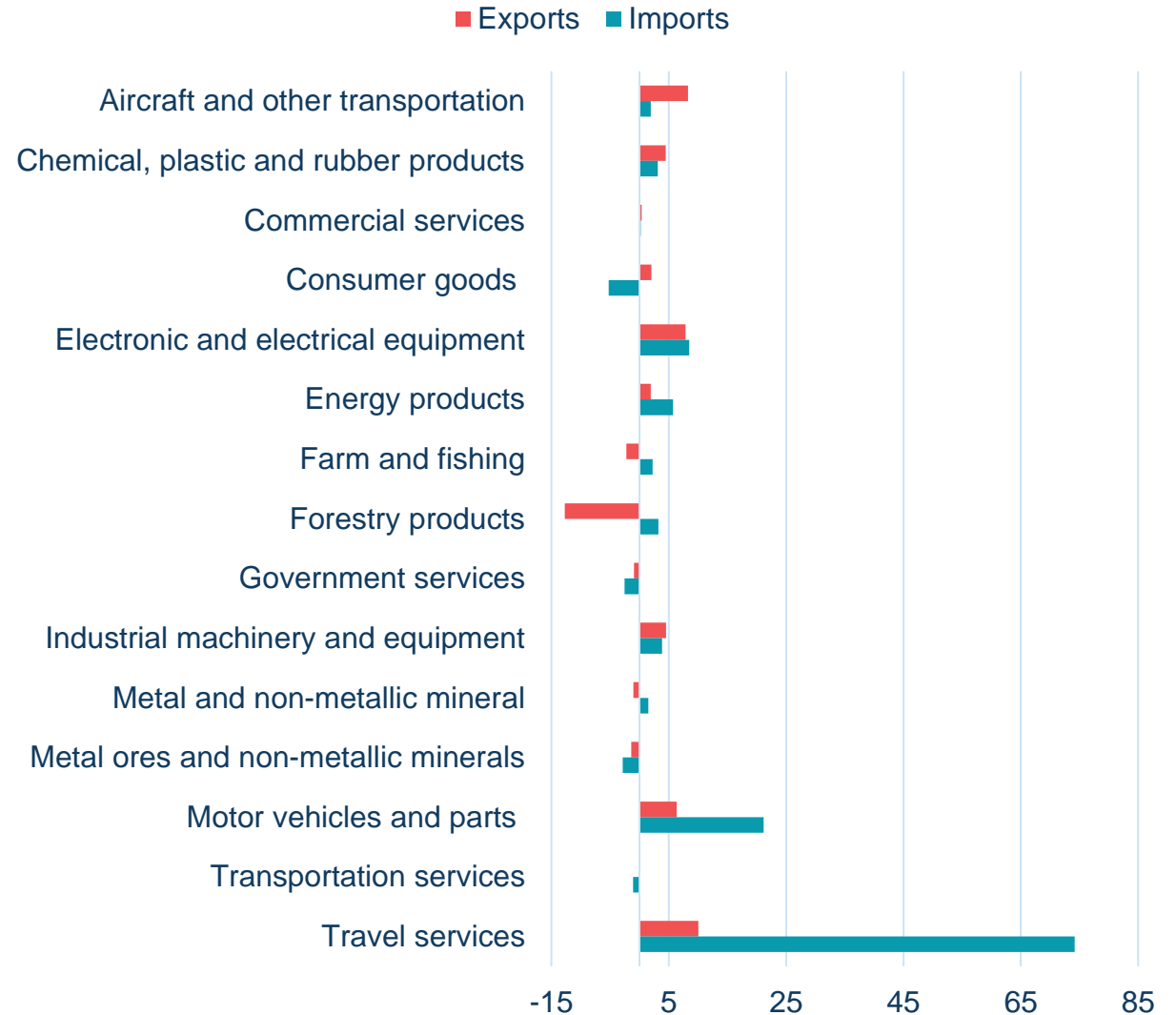
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

Exports increased in 7 of the 11 product categories for goods and in 3 of 4 services categories. Motor vehicles and parts contributed the most to the increase in total goods exports, growing by 6.4% in July—accounting for the largest contribution to growth in goods exports. Due to the production slowdown earlier this year caused by the lack of semiconductors, the effect of the annual July plant closures were less severe this year. Energy products built off of the strong growth they had in June, with crude oil and natural gas exports posting large increases, mainly due to higher prices. Heading the other direction, exports of forestry products and building and packaging materials decreased 12.7% month-over-month. The decrease is largely explained by prices—lumber and other wood product prices decreased 23% in the month, driven by a record monthly decrease of 37.7% in softwood lumber.

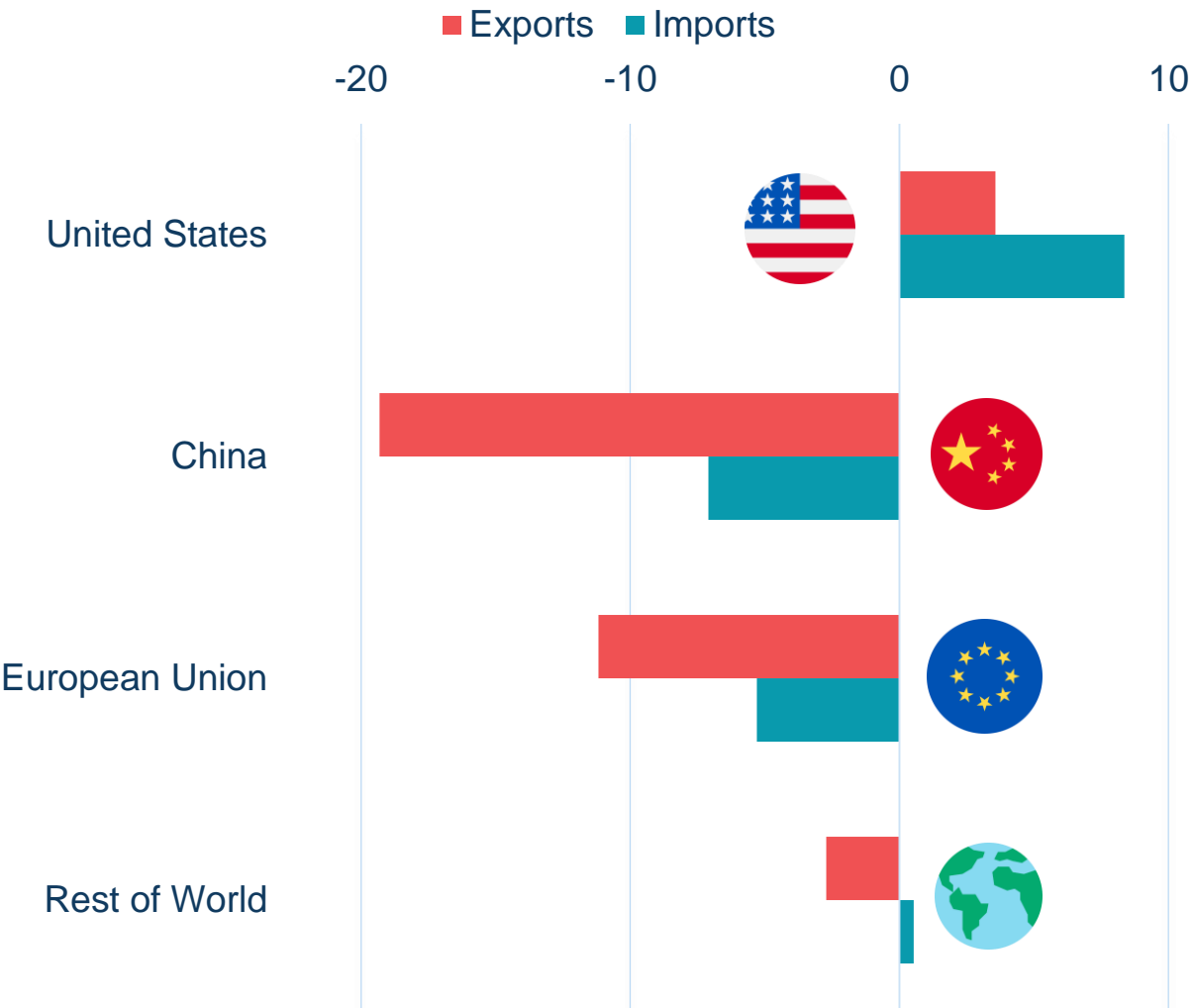
Imports increased in 9 of the 11 product categories and in 2 of the 4 services categories. Motor vehicles and parts were the big story on the import side, growing 21.1% in July—accounting for two-thirds of the total gain in goods imports. Imports of electronic and electrical equipment also increased due to higher imports of communication, and audio and video equipment (mainly cell phones) and imports of computer and computer peripherals (mainly laptops). The decreased imports of consumer goods can be explained by lower imports of pharmaceutical products—mainly “vaccines for human medicine other than for influenza” which includes the COVID vaccines. Despite the monthly decrease, this category is still nearly 10 times higher than July 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)



GLOBAL MARKETS

Imports from the United States increased 8.4%, to a record high of \$34.1 billion—while exports to the United States increased 3.6% to \$40.8 billion, also a record high. Both of these increases were largely attributable to the increased trade in motor vehicles and parts. Another factor supporting the record highs is the fact that the Canadian dollar depreciated 2.5% against the USD. Given that many transactions take place in USD, this results in higher trade values when reported in Canadian dollars (while having a muted impact on volumes in the short-term).

Imports from countries other than the United States decreased 2.6%, while exports decreased 7.6%. Imports from China were down 7.1% (product detail not available), while exports were down 19.3% due to copper and iron ore, and canola.

Imports from Mexico were down 9.3% (product detail not available). Imports from Japan were down 9.8% due to passenger cars and light trucks.

Of note, exports to and imports from the United Kingdom surged in July, both increased over 40%. However, no details on the increase were available at the time of writing.

*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

Price increases in both Canada and the United States continue to be a large part of the economic narrative half way through 2021. In July, Canada's year-over-year CPI inflation was 3.7% while the U.S. had inflation of 5.4%. The inflation unsurprisingly shows up in trade data as imports prices increased 2.2% month-over-month and export prices increased 0.9%. To make the year-over-year comparison with inflation, import prices have increased a moderate 4.3% year-over-year, while export prices have increased an astounding 19.3%.

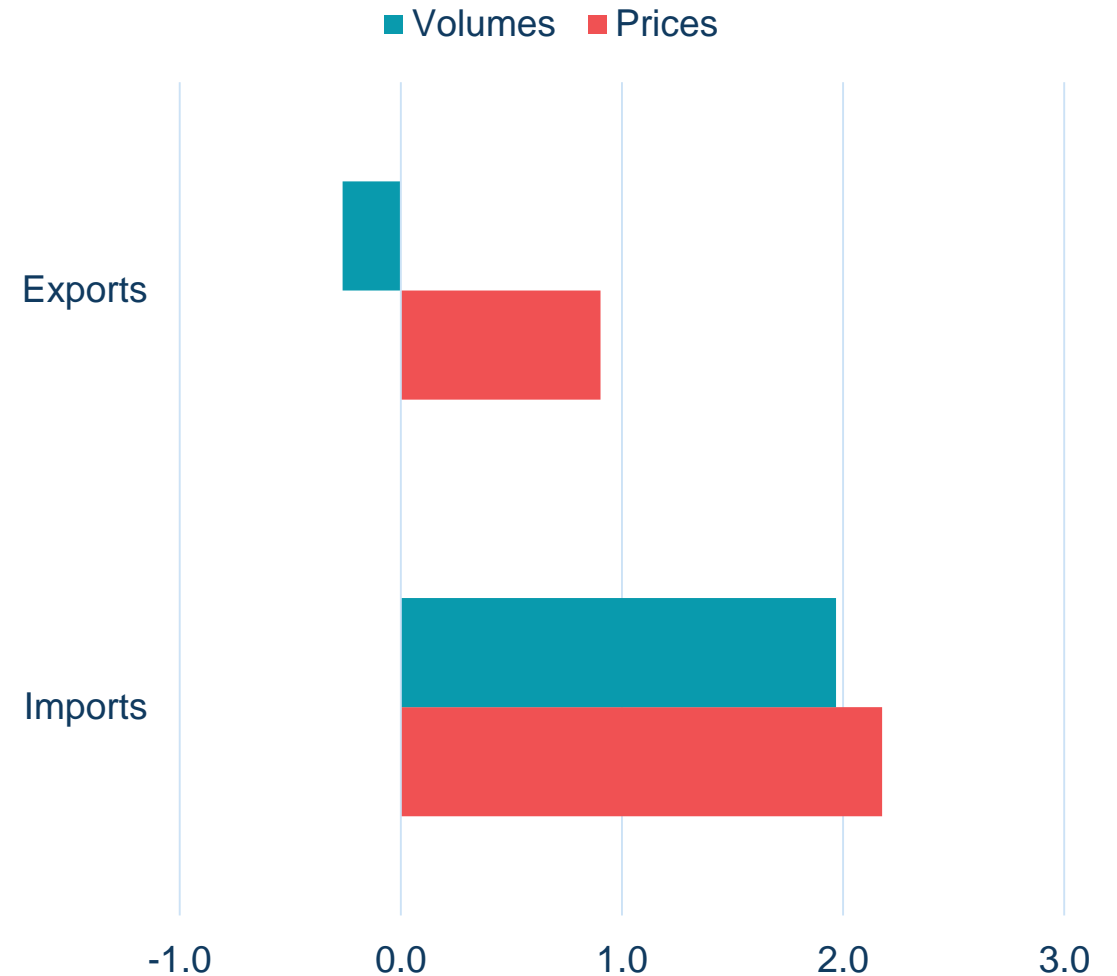
While prices pushed nominal exports into positive territory in July, export volumes declined 0.3%. Import volumes were much more balanced with prices as volumes rose 2.0% in the month.

Interestingly, the recovery in trade has different sources for imports and exports. Since April 2020, import prices have only increased a modest 4.4% while import volumes have increased 36.9%. On the other hand, exports volumes have increased a respectable 16.6% while export prices have surged an incredible 45.8%.

The Canadian dollar depreciated 2.5% against the USD in July, with the average value of a Canadian dollar sitting at 79.8 cents US.

Goods Trade

(monthly % change in volume and price indices)



WHAT TO WATCH

- Following a second quarter where GDP (-0.3%) fell well below consensus expectations (+0.6%), preliminary data suggests that GDP by industry will contract an additional 0.4% in July.
- After reaching a peak in May 2021, commodity prices for forestry products fell by over half in June and July. While this is enough to push the overall commodity price index lower, all other commodities in the index are continuing to trend up. The strength of commodity prices was a key driver of Canada's second quarter current account surplus as the volume of exports actually decreased.
- For the first time since the Bank of Canada began targeting inflation in 1992, one of its preferred measures of core inflation exceeded the target range of 1-3%. High levels of inflation may persist as supply bottlenecks and the overall economic recovery will put upward pressure on prices for some time.
- While the US is experiencing a strong economic recovery, the Delta variant is a major threat (especially in regions with lower vaccination rates) and businesses are struggling to find workers. Job openings are at an all time high but many workers have changed industries or job preferences during the last 1.5 years.

Next Monthly Trade Release: Tuesday, October 5

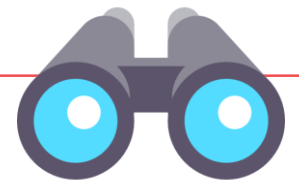


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	July-21	m/m %	YTD %	July-21	m/m %	YTD %
Goods	53,749	0.6	23.3	52,971	4.2	13.7
Resource products	31,876	-1.6	35.9	17,734	2.5	13.8
Energy products	10,970	1.9	69.6	2,562	5.7	13.6
Non-resource products	20,435	5.0	9.3	33,038	5.1	12.8
Industrial machinery & equipment	3,127	4.5	3.9	5,866	3.8	15.2
Electronic machinery & equipment	2,384	7.9	4.1	6,200	8.5	10.4
Motor vehicles and parts	6,333	6.4	10.5	8,310	21.1	23.4
Aircraft & other transportation equipment	1,992	8.3	18.1	1,982	1.9	-10.5
Consumer goods	6,600	2.0	10.0	10,681	-5.3	10.4
Services	9,718	1.2	-2.2	10,019	3.7	-13.2
Commercial	7,502	0.4	5.5	7,199	0.2	3.1
Travel	931	10.0	-40.5	850	74.2	-73.9
Transportation	1,178	0.1	3.0	1,855	-1.1	-9.2
Government	107	-0.9	-13.9	115	-2.5	-4.8
Total Goods and Services	63,467	0.7	18.4	62,990	4.1	8.5

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		
	July-21	m/m %	YTD %	July-21	m/m %	YTD %
United States	40,802	3.6	28.1	34,130	8.4	14.1
Mexico	873	6.3	44.2	1,411	-9.3	22.2
European Union	2,458	-11.2	11.4	4,771	-5.3	11.6
Germany	521	-21.3	6.9	1,318	-6.2	14.1
France	470	42.8	2.1	465	-2.9	16.6
United Kingdom	1,799	40.6	1.0	1,210	40.1	10.4
India	310	33.4	-30.2	375	6.8	24.1
China	2,212	-19.3	16.9	3,906	-7.1	17.3
Japan	1,459	16.5	11.8	936	-9.8	30.6
South Korea	431	13.3	10.3	689	10.1	28.5
Rest of the world	3,407	-25.0	11.1	5,543	-2.4	5.0
Total Goods Trade	53,749	0.6	23.3	52,971	4.2	13.7

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