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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

AUGUST 2021

AUGUST

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$54.4 billion (+0.8%) [23.0%]	\$9.8 billion (+1.3%) [-1.3%]	\$64.2 billion (+0.9%) ▲ [18.4%]
Imports	\$52.5 billion (-1.4%) [13.1%]	\$10.1 billion (+3.7%) [-10.4%]	\$62.6 billion (-0.6%) ▼ [8.6%]
Balance	\$1.9 billion (\$1.2 billion)	-\$0.4 billion (-\$0.2 billion)	\$1.6 billion (\$1.0 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

Goods and services exports increased 0.9% to \$64.2 billion in August, while imports decreased 0.6% to \$62.6 billion.

August marked the third month of consecutive growth in goods exports (+0.8%), supported by energy products, while imports of goods dropped (-1.4%) after reaching a record high in July, mainly due to the continued supply issues affecting motor vehicles and parts trade.

Both imports (+3.7%) and exports (+1.3%) of services increased in August. Travel services posted the largest gains of all services categories as international travel picked up. Despite recent improvements, services trade— imports in particular—remains well below pre-pandemic levels.

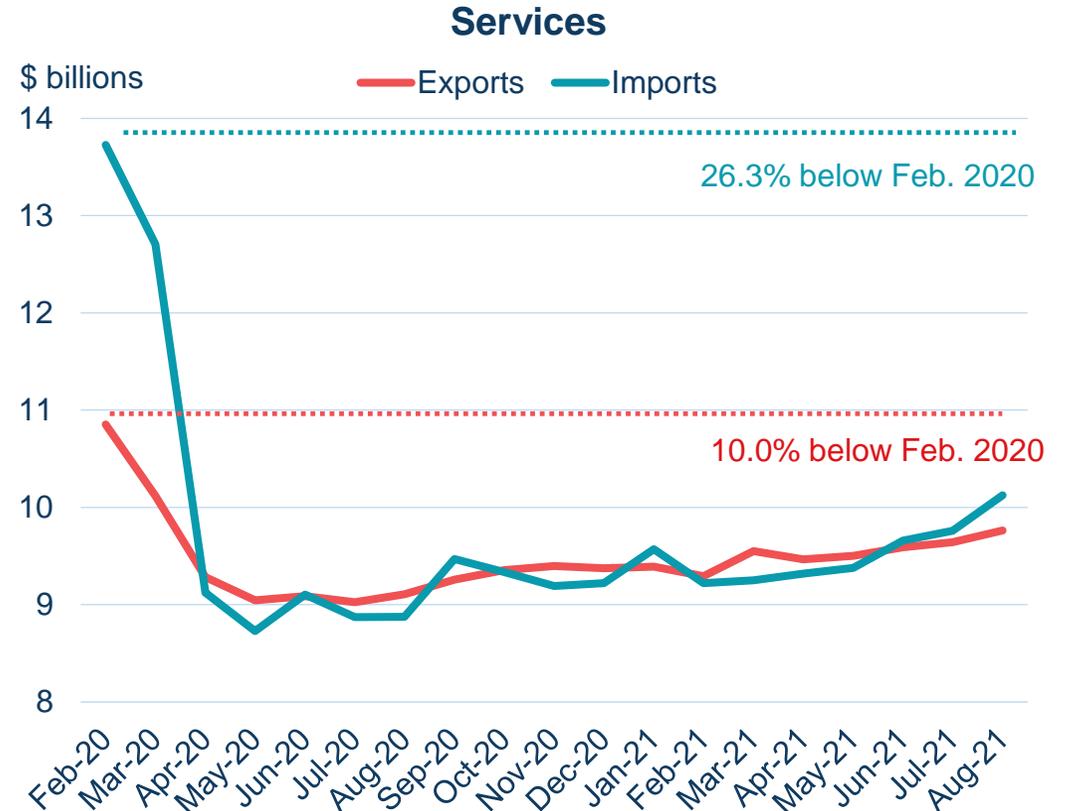
While goods trade with the U.S. in both directions declined in August, trade with non-U.S. countries surged, growing 5.5% for exports (Hong Kong having the largest growth), and 7.2% for imports (China having the largest growth).

Stripping out price impacts, export volumes increased 2.3% while import volumes were down 3.2%.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



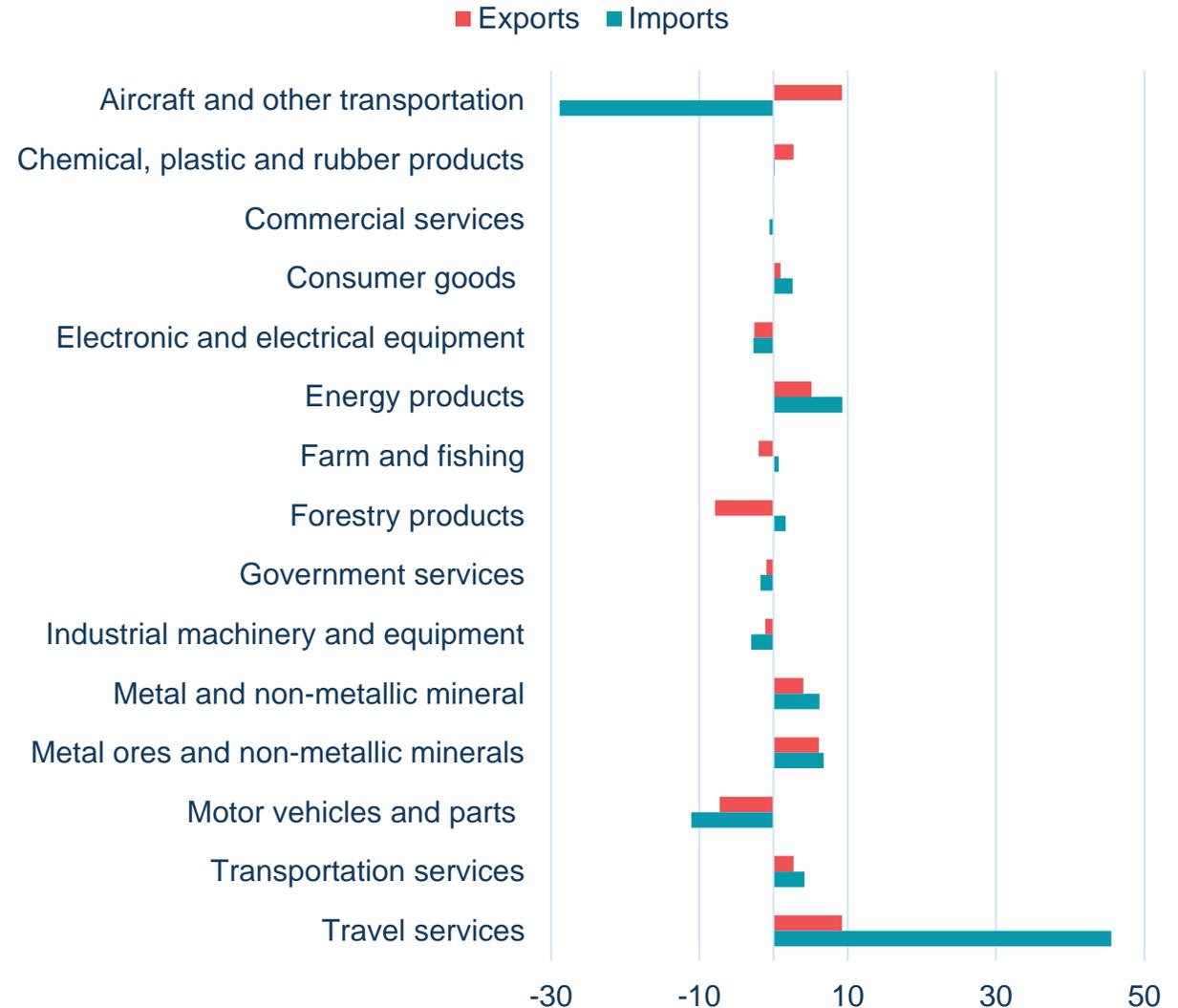
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

Export increases were observed in 6 of the 11 product categories for goods, and in 3 of the 4 service sectors. Energy products alone accounted for more than the total increase in goods exports, rising by 5.1% to reach \$12.0 billion, the highest value since March 2014. Increased exports of crude oil (volumes), coal (volumes and prices), and natural gas (prices) explained August's strong performance in energy products. Exports of metal and non-metallic mineral products (mainly copper, iron and steel, and aluminum) also reached a record high of \$6.9 billion, rising by 4.0% in August. Affected by production cuts due to issues in parts supply, exports of motor vehicles and parts fell 7.3% in August, more than offsetting July's increase. Travel services increased 9.2%—the largest gain of any service category, on the strength of more U.S. residents travelling to Canada.

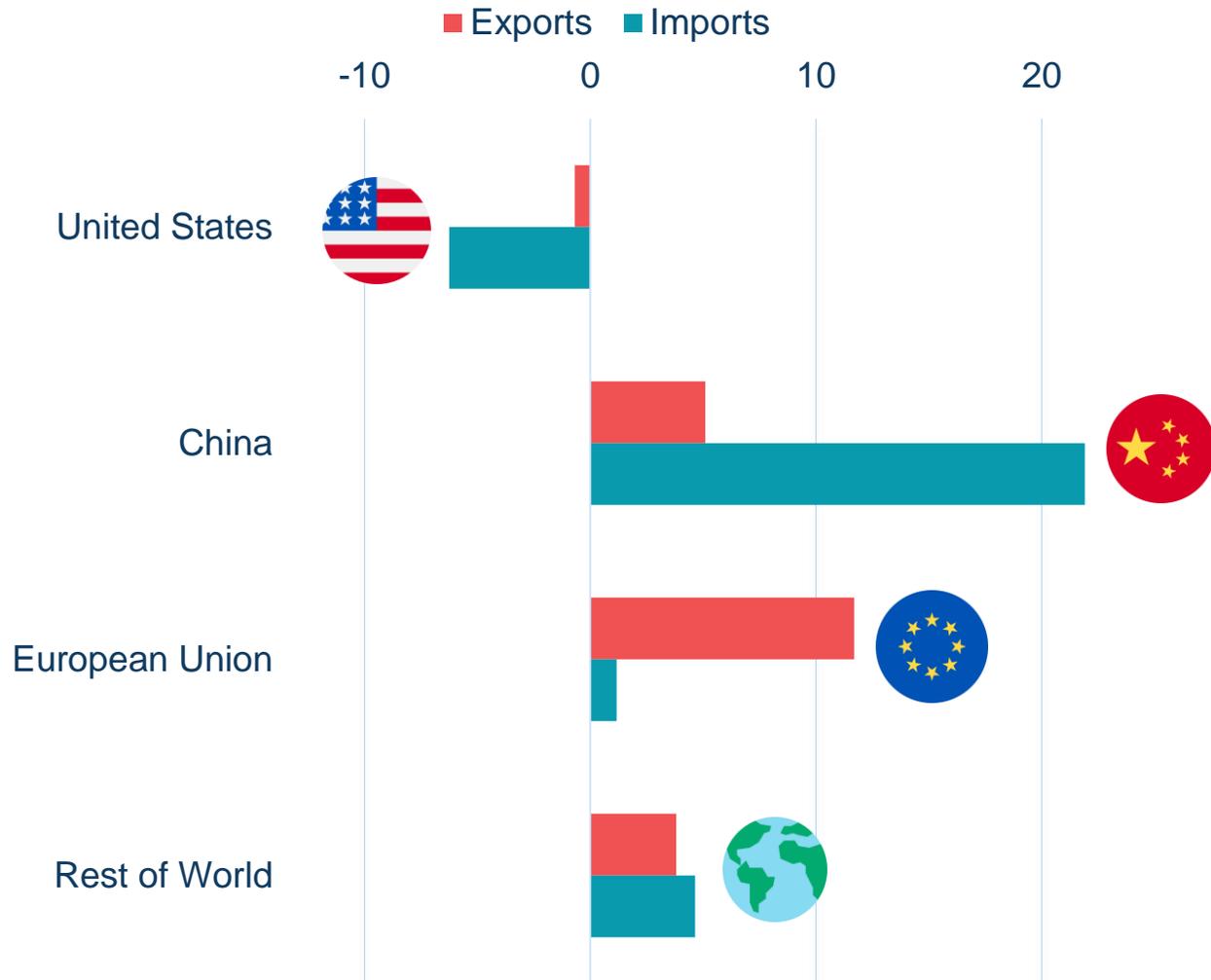
Import increases were observed in 7 of the 11 product categories for goods, and in 2 of the 4 service sectors. The decrease in goods imports was mostly driven by motor vehicles and parts (-11.1%), also affected by ongoing supply bottlenecks. August's decrease reversed almost two-thirds of July's gain. Imports of commercial aircraft, a sub-sector of aircraft and other transportation equipment and parts, paused in August following two months over which 11 aircraft were purchased, driving down imports of aircraft and other transportation equipment and parts by 28.8%. Travel services imports grew 45.5% in August, the fifth consecutive monthly growth, on the strength of Canadians returning home.

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

Goods imports from, and exports to, the United States decreased in August, with imports falling by 6.2%, the largest drop since the first half of 2020. Canada's trade surplus with the U.S. widened from \$6.8 billion to \$8.6 billion, the largest monthly surplus in 13 years. Exports decreased 0.7% in August, despite another fall in the value of the Canadian dollar relative to the U.S. dollar.

On the other hand, two-way trade with non-U.S. countries increased substantially, with imports rising 7.2%, and exports growing 5.5%.

Goods exports to the European Union increased by 11.7% in August, supported by exports of iron ore to Germany (+38.5%), while imports increased 1.2%.

Exports of gold to Hong Kong as well as coal to China and South Korea boosted exports to non-U.S. countries. Imports from China, Mexico and South Korea also supported the growth of non-U.S. imports.

*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 1.4% decrease in the value of goods imports was driven by a decline in import volumes. Stripping out the price effect, total volume of imports of goods decreased 3.2% in August.

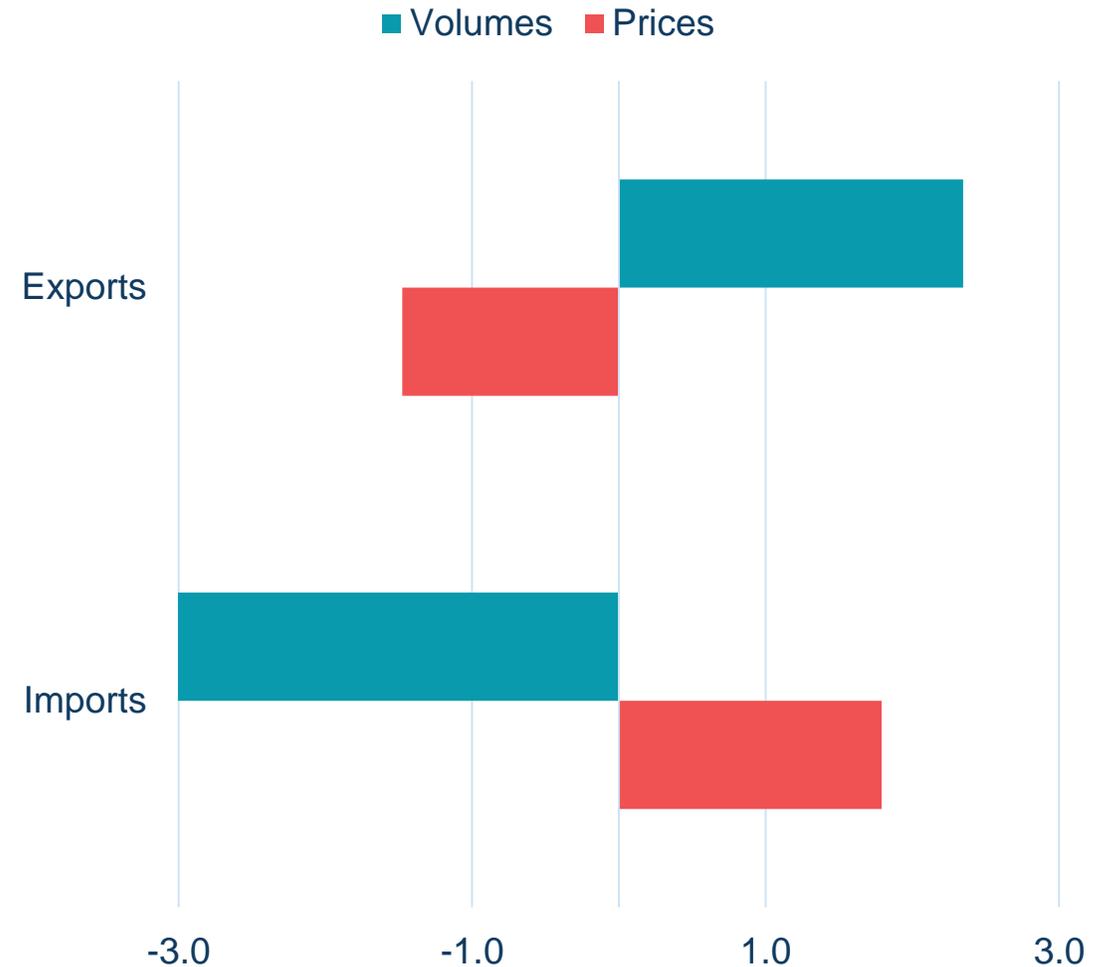
Volumes also drove the increase in goods exports, with volumes increasing 2.3% in August and more than compensated the decline in prices (-1.5%).

In fact, energy prices dropped 5.4% in August, the most substantial monthly drop since April 2020. Forestry products prices continued its downward trend, diving 18.6% in August, after a 36.0% decline in July, according to Bank of Canada's commodity price index.

In August, the Canadian dollar depreciated 0.6% against the USD, reaching 79.3 cents per USD and marking the third consecutive monthly decrease.

Goods Trade

(monthly % change in volume and price indices)



WHAT TO WATCH

- Canada's economic activity slowed down, with GDP declining by 0.1% in July after increasing 0.6% in June. Strong growth in accommodation and foods services was more than offset by declines in agriculture, manufacturing and wholesale trade. Total economic activity in July was about 2% below the February 2020 (pre-pandemic) mark.
- The World Trade Organization (WTO) has recently updated its 2021 world merchandise trade forecast growth to 10.8%, up substantially from the 8.0% that was forecasted in March. The WTO sees COVID-19 as posing the largest downside risk to their forecast, whereas supply chain challenges are expected to be concentrated and therefore unlikely to affect global aggregate numbers.
- After managing to recover the output losses induced by the pandemic, the U.S. economic recovery has also slowed down. The Delta variant exacerbated constraints in the capital and labour markets. As such, Oxford Economics recently revised down its U.S. GDP growth forecast for 2021 to 6.1%, from 7.0%.

Next Monthly Trade Release: Thursday, November 4

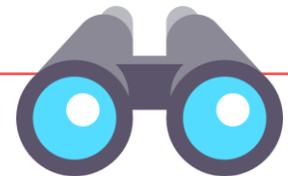


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	August-21	m/m %	YTD %	August-21	m/m %	YTD %
Goods	54,445	0.8	23.0	52,506	-1.4	13.1
Resource products	33,035	1.9	37.1	18,453	3.9	15.3
Energy products	12,010	5.1	72.4	2,830	9.3	20.8
Non-resource products	19,894	-1.4	7.4	31,800	-4.7	11.1
Industrial machinery & equipment	3,098	-1.1	4.2	5,716	-3.0	15.5
Electronic machinery & equipment	2,319	-2.6	4.4	6,112	-2.7	9.0
Motor vehicles and parts	5,619	-7.3	3.6	7,535	-11.1	18.1
Aircraft & other transportation equipment	2,188	9.2	18.4	1,429	-28.8	-8.8
Consumer goods	6,671	1.0	10.4	11,008	2.6	9.1
Services	9,763	1.3	-1.3	10,124	3.7	-10.4
Commercial	7,461	0.1	5.4	7,039	-0.5	3.6
Travel	983	9.2	-37.4	1,029	45.5	-68.4
Transportation	1,212	2.7	4.1	1,943	4.2	-6.5
Government	106	-0.9	-13.0	113	-1.7	-4.9
Total Goods and Services	64,207	0.9	18.4	62,630	-0.6	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.
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		
	August-21	m/m %	YTD %	August-21	m/m %	YTD %
United States	40,773	-0.7	27.0	32,152	-6.2	12.7
Mexico	690	-23.3	41.5	1,719	17.0	22.1
European Union	2,746	11.7	13.4	4,966	1.2	14.0
Germany	737	38.5	10.5	1,287	-8.9	14.4
France	383	-15.3	3.6	417	-10.8	16.2
United Kingdom	1,196	-33.5	-1.5	969	-21.2	9.7
India	261	-14.3	-29.3	404	6.1	23.4
China	2,352	5.1	15.4	4,672	21.9	15.8
Japan	1,408	-2.4	16.0	794	-8.1	26.7
South Korea	564	31.0	16.5	896	27.1	29.2
Rest of the world	4,455	31.6	14.7	5,935	6.1	6.4
Total Goods Trade	54,445	0.8	23.0	52,506	-1.4	13.1

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.