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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

DECEMBER 2021

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	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]	
Exports	\$57.6 billion (-0.9%) [+22.0%]	\$11.8 billion (+0.4%) [+3.4%]	\$69.4 billion (-0.7%) [+18.4%]	▼
Imports	\$57.7 billion (+3.7%) [+12.2%]	\$12.2 billion (+2.3%) [+0.5%]	\$70.0 billion (+3.5%) [+10.0%]	▲
Balance	-\$0.1 billion (-\$2.6 billion)	-\$0.5 billion (-\$0.2 billion)	-\$0.6 billion (-\$2.8 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.

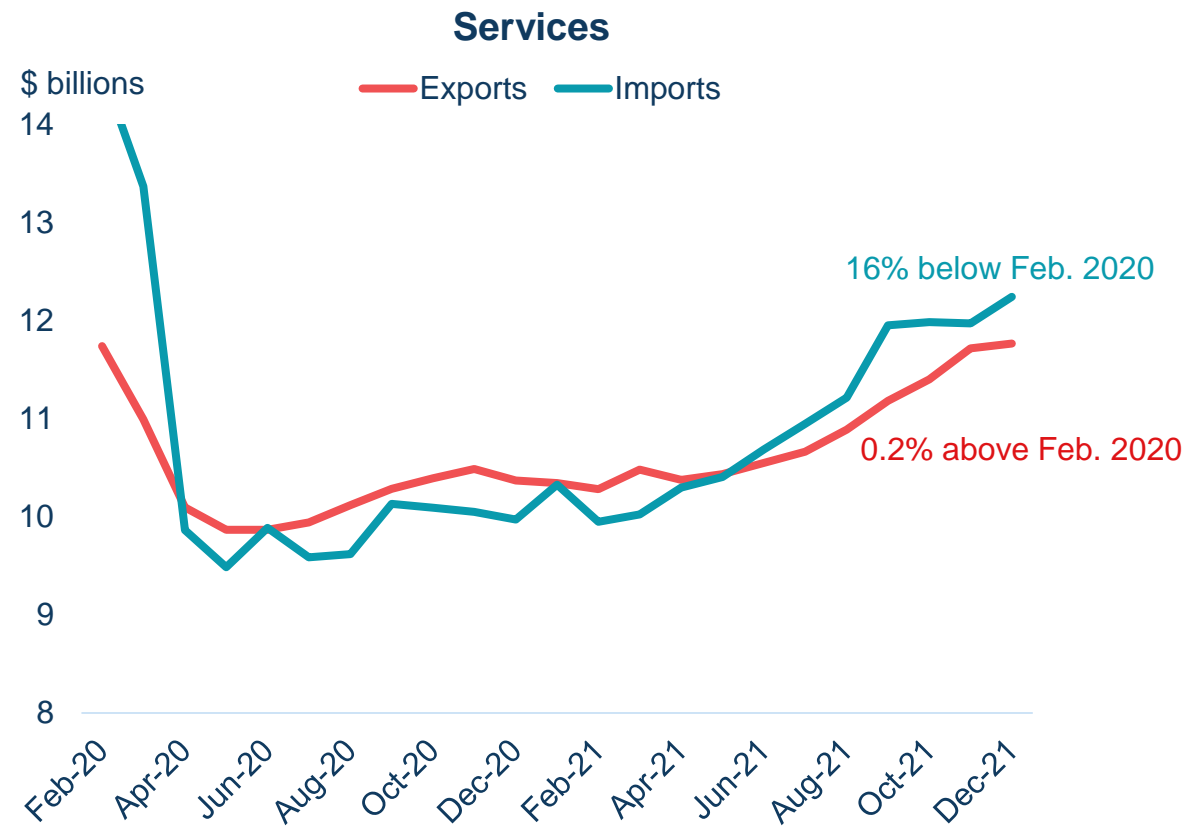
HIGHLIGHTS

- In December, goods exports were down 0.9% and goods imports rose 3.7%. The decrease in exports was mainly due to a decline in crude oil exports on a sharp fall in prices, while electronic and electrical equipment and parts mostly drove the increase in imports. This resulted in a small goods trade deficit amounting to \$137 million, a position considered to be essentially balanced. Canada's trade in services strengthened in December, with exports edging up 0.4% and imports growing 2.3%.
- The average West Texas Intermediate (WTI) crude oil prices dropped 9.4% in December, causing the decrease in oil export values. If we exclude the impact of prices, goods export volumes declined 0.2% while goods imports gained 3.1%.
- For 2021 overall, goods exports increased 22.0% to reach a record \$637 billion and goods imports also reached a record \$631 billion, up 12.2% from 2020. This strength was driven by trade with the U.S. as exports increased 27.2% and imports grew by 12.1% compared to 2020. Trade with the European Union grew strongly as well (exports up 8.7% and imports up 11.8%), same for China, with 2021 exports up 13.3% and imports up 14.8%.
- Exports of services increased 3.4% in 2021 and imports edged up 0.5%. Compared with 2019, exports of goods and services combined increased 3.0%, while imports were down 2.4%.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



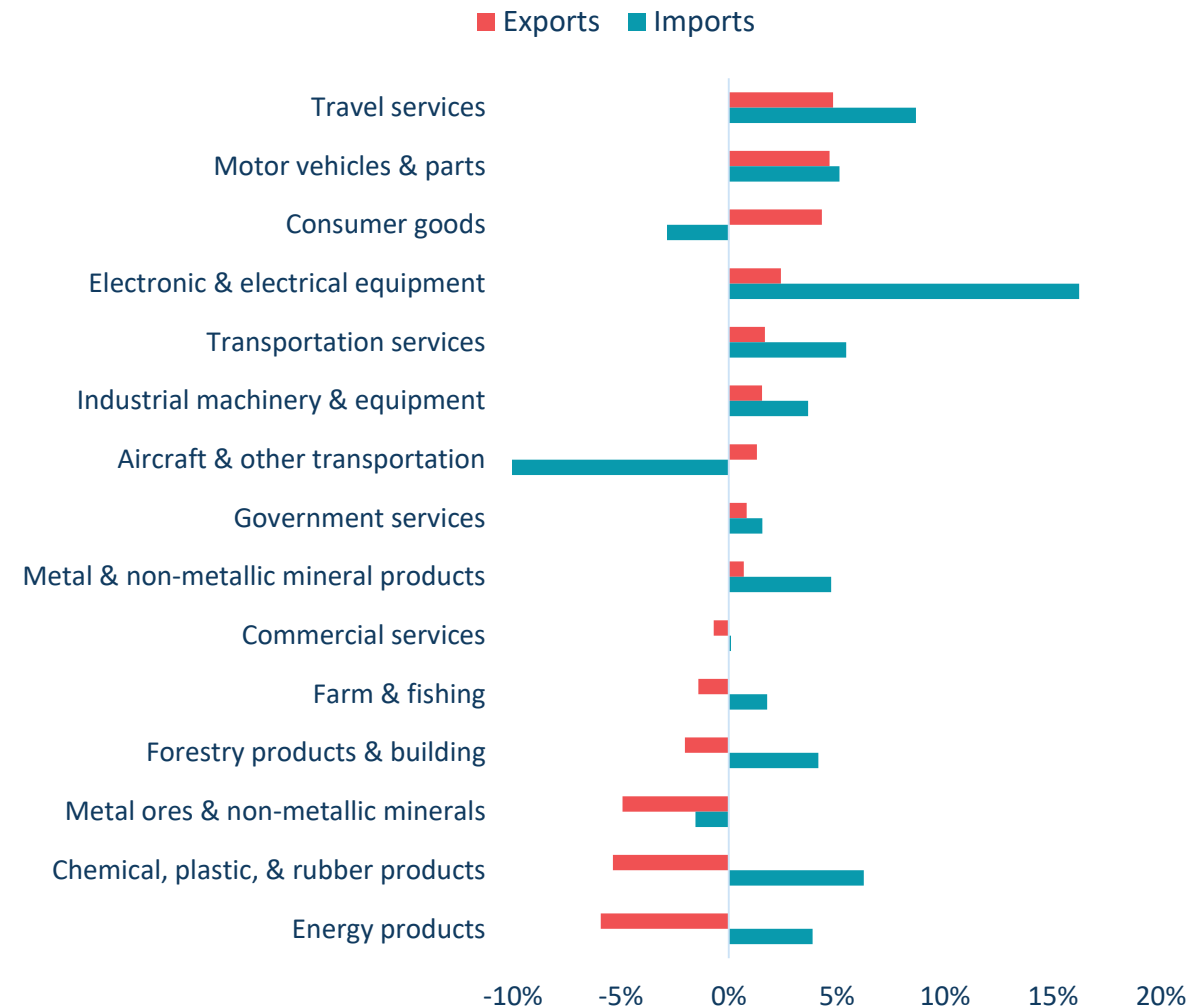
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

In December, exports increased in 6 of the 11 goods product sectors, and increased in 3 of the 4 services sectors. Despite the fact that increases were observed in a majority of product sectors, exports of energy products drove the overall decrease in exports. On a monthly basis, energy exports dropped 5.9%, on a sharp decline in prices; coal exports (-33.5%) also contributed to the decrease and this drop coincided with recent disruptions in freight transportation in Western Canada because of flooding in British Columbia. For 2021, exports of energy products were up 82.5%, the largest annual increase among all product sections. Travel services continued to recover in December with exports increasing 4.8% —despite recent increases, exports of travel services in December were still below their levels in February 2020, before the pandemic.

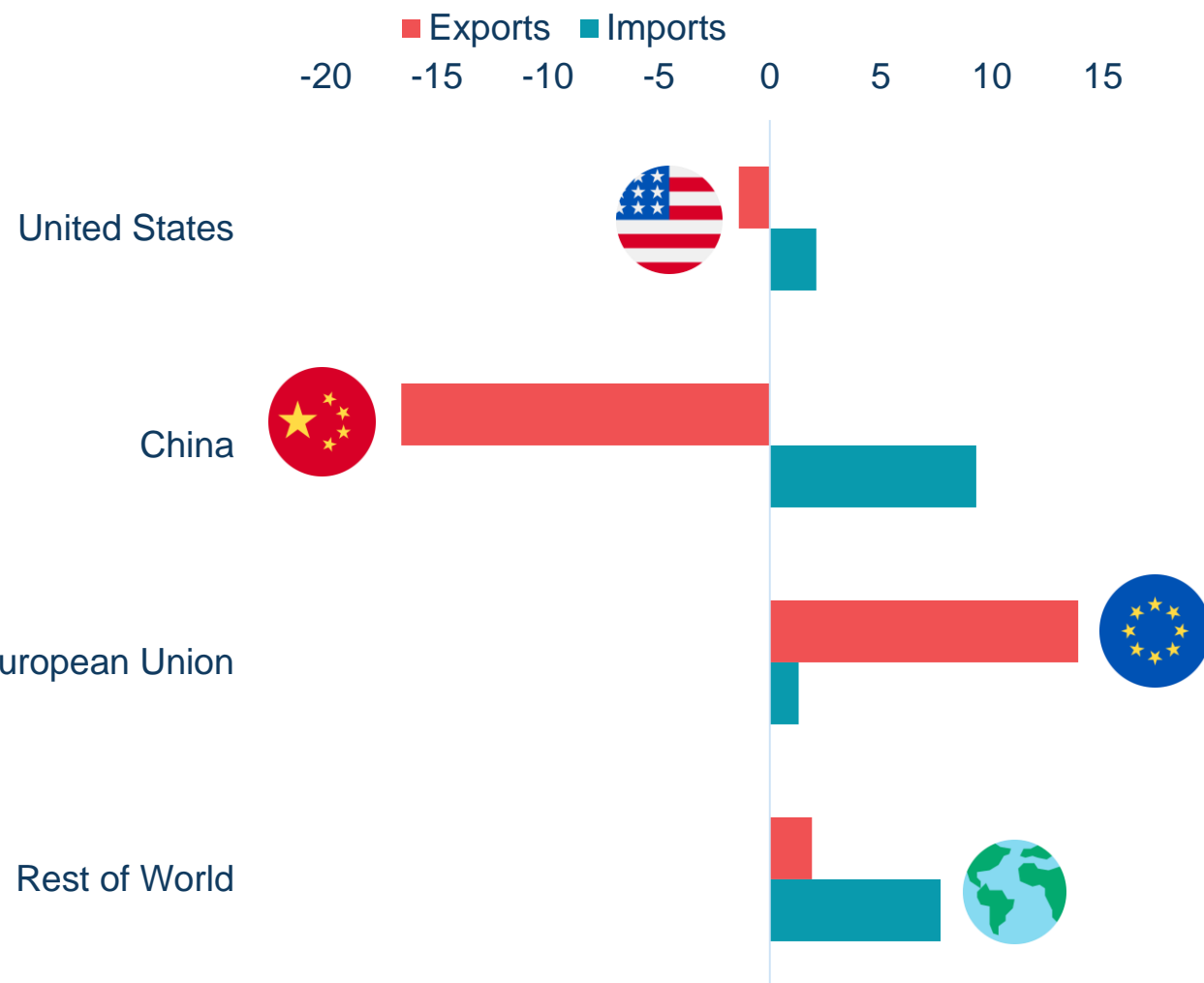
Imports rose in 8 of the 11 goods product sectors in December, and in all of the 4 services sectors. Imports of electronic and electrical equipment and parts posted the largest increase, rising 16.2% in December. Imports of communication, and audio and video equipment (largely composed of smartphones) contributed most to the increase (52.1%). Imports of motor vehicles and parts rose 5.1% in December, with imports of motor vehicles engines and parts (15.6%) contributing the most to the growth. Imports of basic and industrial chemical, plastic and rubber products rose 6.2%, a third consecutive monthly increase. Travel services imports rose 8.7% in December, the ninth consecutive monthly increase, despite the Government of Canada issuing an advisory on December 15 for all Canadians to avoid non-essential international travel due to the Omicron variant. Imports of transportation services were up 5.4% in December, mainly due to higher passenger fares related to air transportation. For 2021 overall, travel services imports edged up 0.5%.

Trade by Industry and Sector (monthly % change)



Sources: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

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



GLOBAL MARKETS

After gains in October and November, goods exports to the United States fell 1.4% in December as Canada's energy exports fell. However, imports from the U.S. increased for a third consecutive month, by 2.1%, in December. For 2021 overall, goods exports to the U.S. were up 27.2% and imports grew 12.1%.

Goods exports to the rest of the world increased 0.6% in December. Goods exports to the UK (gold), France (aircraft and crude oil) and India (copper ore) were partly offset by lower exports to China (canola and coal).

Imports from the rest of the world rose 6.6% in December with imports from China increasing 9.3% on higher imports of communication equipment and computers. Imports from Vietnam, Taiwan, South Korea and Mexico were also up.

PRICES AND VOLUMES

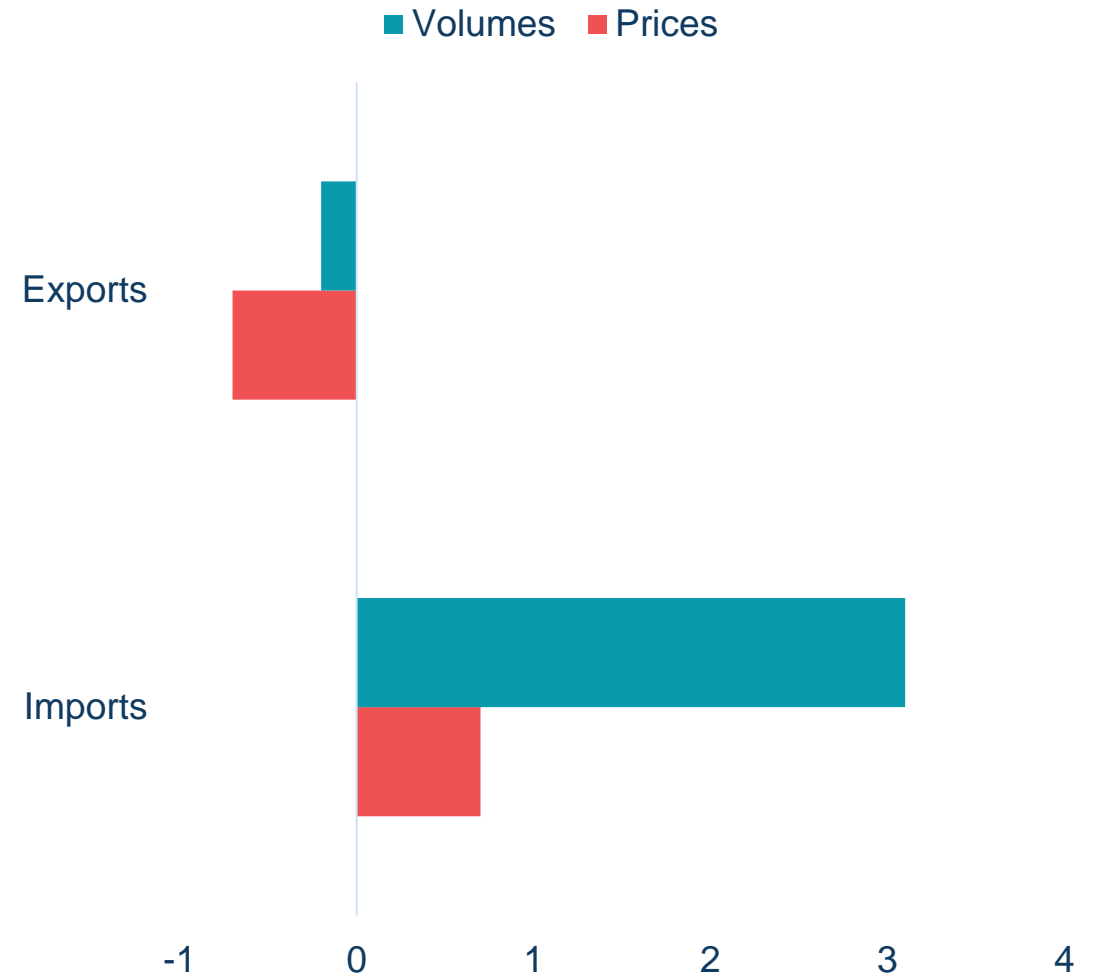
Both export volumes and prices decreased in December, mainly driven by energy products (volumes and prices). This followed the average West Texas Intermediate (WTI) crude oil prices that dropped 9.4% in December, for a second consecutive month, although the oil prices remained above pre-pandemic levels since January 2021.

Import volumes increased 3.1%, led by electronic and electrical equipment rising 20.2% in December. Import prices gained 0.7% as 7 out of 11 goods product sectors experienced price increases.

Reflecting recent declines in oil prices, the Canadian dollar continued its downward trajectory relative to the U.S. dollar. In December 2021, its value lost 1.4 cents, finishing the month at \$0.78/USD—its lowest level in 2021 and the sharpest decline since March 2020. Overall in 2021, the Canadian dollar increased 5.2 cents compared to the previous year and relative to the U.S. dollar with an average level of \$0.80/USD.

Goods Trade

(monthly % change in volume and price indices)





WHAT TO WATCH

- Canadian GDP growth is expected to come in at 4.5% in 2021. Looking ahead to 2022, economic activity is expected to remain robust and grow 4% (Bank of Canada), although this is a slight downward revision due to a less rosy U.S. outlook. Spending on personal services should rebound, especially in the second half of 2022, and businesses are poised to resume investment, restarting plans that were put on hold due to the pandemic.
- The U.S. 2022 forecast was revised down significantly, to 4.0% (The Federal Reserve; IMF), due to the removal of the Build Back Better Framework from the baseline (US\$1.75 trillion in spending on infrastructure, social services and welfare), an anticipated withdrawal of monetary accommodation (leading interest rates to increase in 2022), and continued supply chain disruptions.
- The IMF also reduced its latest forecast for China by 0.8 percentage points, and real GDP is expected to grow 4.8% in 2022, underlying sluggish domestic demand, an overleveraged real-estate sector and the country's zero-COVID policy, which may force major cities into frequent lockdowns and border closures.
- The main downside risks to the economic forecasts are the threat of Omicron and other variants, as well as persistent high inflation and ongoing supply chain disruptions, which would dampen the economic recovery.

Next Monthly Trade Release: Tuesday, March 8

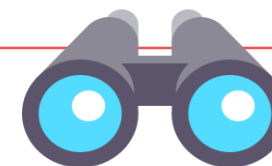




Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	Dec-21	m/m %	YTD %	Dec-21	m/m %	YTD %
Goods	57,612	-0.9	22.0	57,749	3.7	12.2
Resource products	34,318	-3.6	37.2	19,843	4.1	18.9
Energy products	13,619	-5.9	82.8	3,285	3.9	37.7
Non-resource products	21,782	3.5	4.9	35,551	3.1	8.5
Industrial machinery & equipment	3,323	1.5	5.5	6,039	3.7	13.7
Electronic machinery & equipment	2,411	2.4	4.9	7,000	16.2	8.8
Motor vehicles and parts	6,696	4.7	-4.3	8,885	5.1	8.1
Aircraft & other transportation equipment	1,822	1.3	7.2	1,629	-10.2	0.8
Consumer goods	7,530	4.3	13.9	11,998	-2.9	7.2
Services	11,767	0.4	3.4	12,243	2.3	0.5
Commercial	8,364	-0.7	5.1	7,901	0.1	3.1
Travel	1,888	4.8	-9.1	1,555	8.7	-40.6
Transportation	1,394	1.7	8.6	2,656	5.4	14.9
Government	122	0.8	3.4	131	1.6	7.6
Total Goods and Services	69,379	-0.7	18.4	69,992	3.5	10.0

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		
	Dec-21	m/m %	YTD %	Dec-21	m/m %	YTD %
United States	44,283	-1.4	27.2	36,176	2.1	12.1
Mexico	754	4.5	32.3	1,789	6.6	15.2
European Union	2,844	13.9	8.7	4,791	1.3	11.8
Germany	577	14.4	7.0	1,344	-2.3	11.3
France	553	63.4	9.2	432	-8.3	13.3
United Kingdom	1,691	18.1	-14.4	792	0.6	6.5
India	392	76.6	-19.5	408	5.7	18.3
China	2,104	-16.6	13.3	5,221	9.3	14.8
Japan	1,122	-6.9	16.5	892	-8.0	11.4
South Korea	348	-47.6	20.6	828	15.8	17.0
Rest of the world	4,075	2.4	12.8	6,853	10.6	10.5
Total Goods Trade	57,612	-0.9	22.0	57,749	3.7	12.2

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.