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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

JANUARY 2022

JANUARY

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$56.6 billion (-0.2%) [+9.7%]	\$11.6 billion (-4.0%) [+11.7%]	\$68.2 billion (-0.8%) ▼ [+10.1%]
Imports	\$54.0 billion (-7.4%) [+8.0%]	\$11.9 billion (-2.8%) [+14.3%]	\$65.9 billion (-6.6%) ▼ [+9.1%]
Balance	\$2.6 billion (+\$4.2 billion)	-\$0.3 billion (-\$0.1 billion)	\$2.3 billion (+\$4.1 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

Broad-based declines led to an overall 6.6% fall in imports of goods and services in January. Exports edged down slightly (-0.8%) as increases in energy exports did not fully offset decreases elsewhere. The declines in both exports and imports were driven by volumes, while prices increased in January.

Supply constraints remained a problem in January and this was reflected in the declines in the trade of motor vehicles and parts (especially with the United States), and cell phones and computers (in trade with China), which have been affected by the global microchip and parts shortages. Large month-to-month variations in the trade of these products have occurred in recent months due to shifting supply constraints.

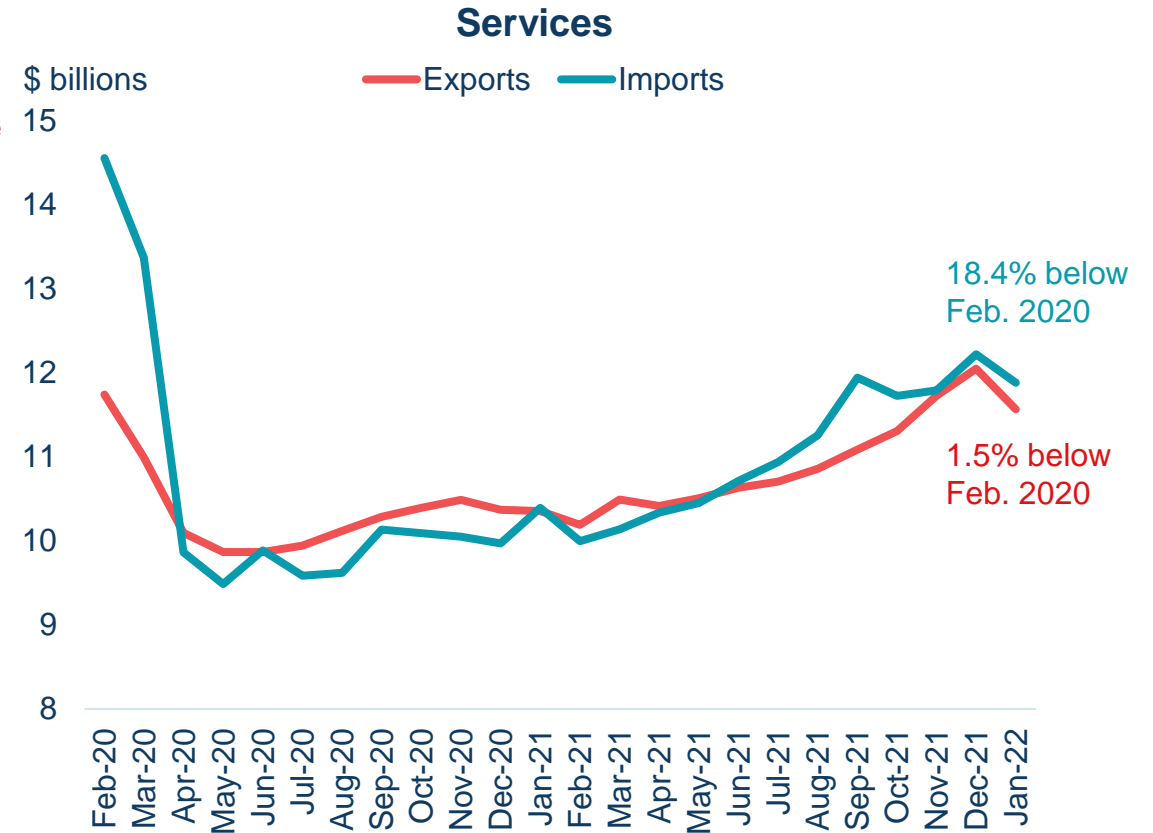
The Omicron wave caused increased border restrictions, and as a result, travel services exports (-10.9%) and imports (-15.4%) took a hit in January. Likewise, transportation services exports decreased 12.4% as fewer international travellers took to the skies.

High energy prices have benefited Canadian energy exports (+8.7%), as both crude oil prices (WTI) and natural gas prices (Henry Hub) increased 16% in January. Western Canada Select (WCS), Canada's crude oil benchmark price, also increased 24% in January, but the gap between WCS and WTI (which widened in December 2021) remained higher than the average gap in 2021. The conflict in Eastern Europe is expected to keep energy prices even more elevated in the coming months.

Canada's trade balance swung back into a surplus position, going from a \$1.8 billion deficit in December to a \$2.3 billion surplus in January.

CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



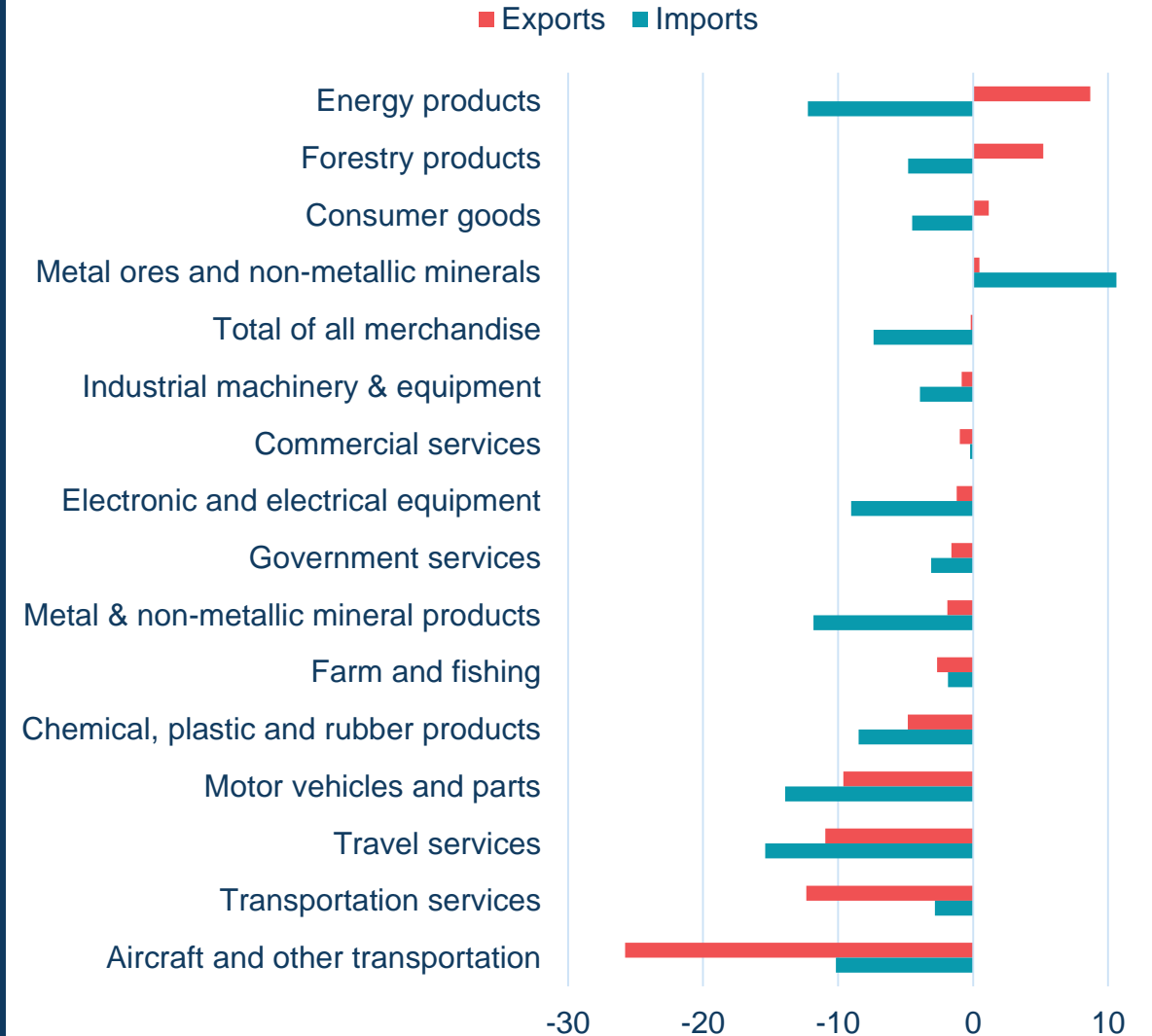
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

Total **imports** fell a sharp 6.6% in January to \$65.9 billion, with widespread declines observed in 10 of the 11 goods sectors, and all services sectors. Imports of motor vehicles and parts decreased 13.9% in January, with passenger cars and light trucks falling 12.4% partly due to manufacturers prioritizing the U.S. market before exporting to Canada. Supply issues were also responsible for a drop in imports of engines and parts (-15.4%). Other goods sectors with notable declines include electronic and electrical equipment and parts (-9.0%), metal and non-metallic mineral products (-11.8%), and energy products (-12.2%). On the services side, imports of travel services were down 15.4% to \$1.3 billion as the Omicron wave and the increased requirements at the border discouraged international travel. Imports of transportation services were also down 2.8% to \$2.6 billion, mainly due to lower payments related to the marine shipment of goods.

Total **exports** fell a slight 0.8% in January to \$68.2 billion, with declines observed in 7 of 11 goods sectors, and all services sectors. Exports of motor vehicles and parts fell 9.6% in January, after three months of gains, as supply chain issues continued to force manufacturers to reduce production. Exports of aircraft and other transportation equipment and parts decreased 25.8% as fewer private jets and commercial aircrafts were exported. Higher exports of energy products (+8.7%) partially offset the declines in other goods. Higher exports of natural gas contributed the most to the gain, in part due to increased prices. On the services side, exports of travel services decreased 10.9% to \$1.8 billion due to the same factors affecting travel imports. Exports of transportation services also decreased 12.4% to \$1.2 billion, as fewer international travellers took to the skies.

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

-20 -15 -10 -5 0 5

United States



China



European Union



Rest of World



TRADING PARTNERS

Imports from the United States were down 4.7%, led by a decline in motor vehicles and parts as supply constraints persisted. Exports to the United States rose 1.2% in January, led by energy product exports which benefited from elevated prices. As a result, Canada's trade surplus with the United States widened to \$9.3 billion, the largest trade surplus since July 2008.

While exports to China increased 3.3%, imports declined 17.0%, led by lower imports of cell phones and computers. Imports of cell phones and computers have shown large variations in recent months, coinciding with disruptions in the global supply chain.

Both exports (-13.0%) and imports (-6.2%) to the European Union declined in January. The decline in exports was led by aircraft exports to France, while the decline in imports was led by passenger cars and light trucks from Germany.

Elsewhere, there was also a notable decline in exports to the United Kingdom (-9.8%), which was broad-based across several sectors.

PRICES AND VOLUMES

Both goods import and export volumes fell in January, while prices increased. Import volumes fell 8.5%, led by a 13.8% decline in imports of motor vehicles and parts, but there were also declines in 8 other goods sectors.

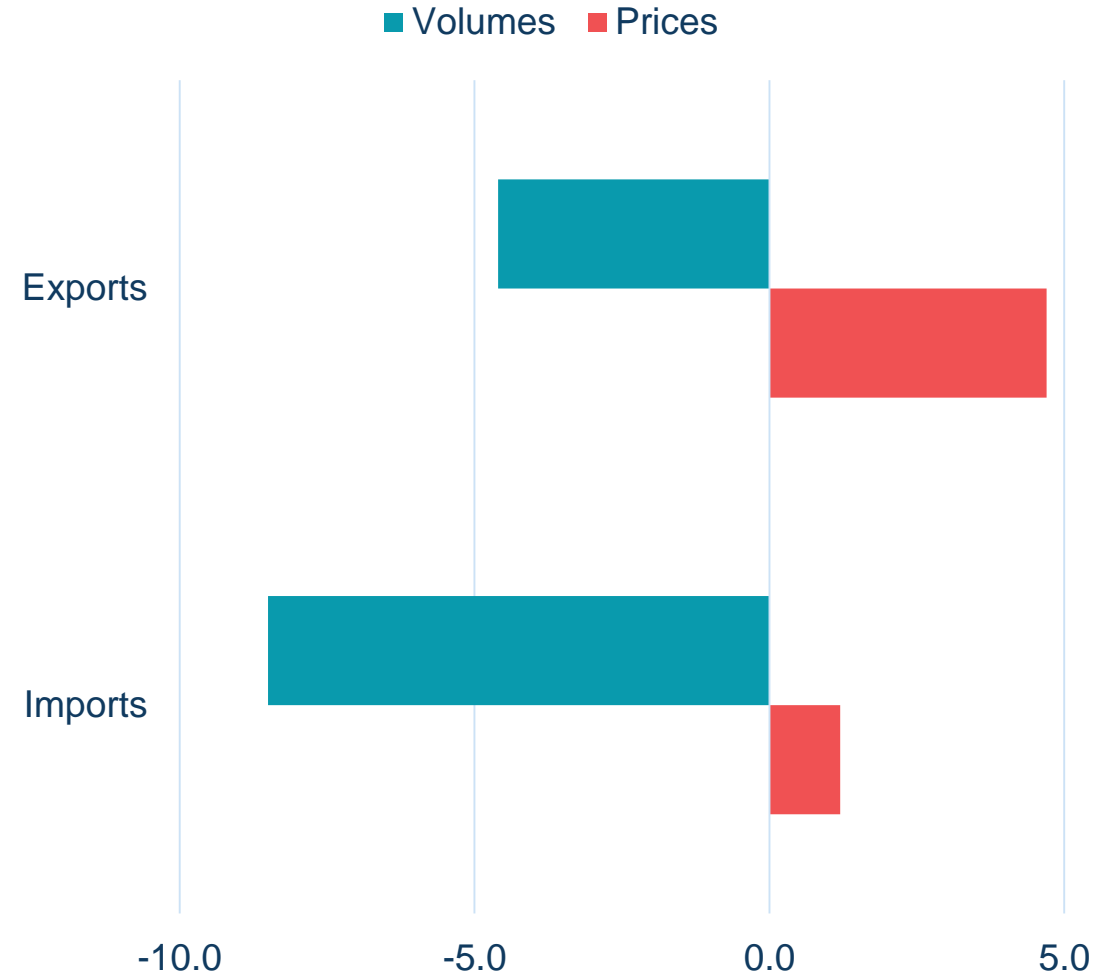
Export volumes fell 4.6%, with large declines in aircraft and other transportation equipment and parts, basic and industrial chemical materials, plastic and rubber products, and motor vehicles and parts. Energy prices were the main driver of the 4.7% growth in export prices.

Energy prices remained elevated as crude oil prices (WTI) increased 16% in January to average \$US 83.22 per barrel. Likewise, the Henry Hub natural gas spot price also increased 16% to average \$US 4.38 per Million Btu. Western Canada Select (WCS), Canada's crude oil benchmark price, also increased 24% in January, but the gap between WCS and WTI (which widened in December 2021) remained higher than the average gap in 2021.

The Canadian dollar appreciated to reach 79.3 U.S. cents on average in January, up from 78.2 U.S. cents in December.

Goods Trade Volumes and Prices

(monthly % change in volume and price indices)





WHAT TO WATCH

- Many issues that weighed on the global and Canadian economy in the latter part of 2021 carried over into 2022. The Omicron wave that began late in 2021 saw an explosion of cases and increased containment measures in January, but Omicron passed as quick as it arrived and is not expected to be a major drag on the global economy going forward.
- Supply chain challenges continued into January, including transportation bottlenecks, labour shortages, and difficulty in sourcing important inputs resulting in reduced hours, production slowdowns, and delayed/cancelled sales. These supply constraints, combined with high energy prices and rising food costs, have contributed to more persistent inflation (in January it stood at 5.1%) and are becoming a drag on economic and trade growth.
- The situation in Eastern Europe is rapidly evolving. Canada has responded with sanctions and restrictions on Russia and Belarus in coordination with many other like-minded countries. The Russian attack on Ukraine, and subsequent sanctions, are expected to add further upward pressure to already elevated energy prices and inflation globally; however, Canada does not have strong links to these economies so direct impacts on businesses and trade for Canada is expected to be modest.

Next Monthly Trade Release: Tuesday April 5th

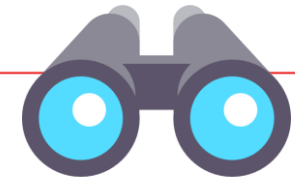


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	January-22	m/m %	YTD %	January-22	m/m %	YTD %
Goods	56,618	-0.2	9.7	54,000	-7.4	8.0
Resource products	34,258	2.8	21.6	18,546	-7.4	17.6
Energy products	13,755	8.7	66.6	2,911	-12.2	32.7
Non-resource products	20,793	-4.9	-5.4	33,139	-7.9	2.8
Industrial machinery & equipment	3,313	-0.8	7.1	5,864	-3.9	6.1
Electronic machinery & equipment	2,398	-1.2	7.2	6,423	-9.0	3.7
Motor vehicles and parts	6,168	-9.6	-10.4	7,750	-13.9	-9.6
Aircraft & other transportation equipment	1,308	-25.8	-62.3	1,548	-10.2	39.4
Consumer goods	7,607	1.2	20.8	11,554	-4.5	6.6
Services	11,565	-4.0	11.7	11,880	-2.8	14.3
Transportation	1,220	-12.4	4.5	2,581	-2.8	30.1
Travel	1,839	-10.9	57.0	1,324	-15.4	143.4
Commercial	8,383	-1.0	6.1	7,850	-0.2	1.3
Government	123	-1.6	7.9	125	-3.1	5.0
Total Goods and Services	68,183	-0.8	10.1	65,880	-6.6	9.1

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 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		
	January-22	m/m %	YTD %	January-22	m/m %	YTD %
United States	43,861	1.2	16.7	34,581	-4.7	11.0
Mexico	848	10.2	11.5	1,677	-6.9	1.3
European Union	2,524	-13.0	1.7	4,695	-6.2	2.8
Germany	427	-26.2	-19.9	1,212	-13.8	-7.1
France	204	-63.3	-21.2	464	6.1	14.0
United Kingdom	1,529	-9.8	-24.7	685	-13.9	9.2
India	265	-30.9	27.0	444	7.1	15.4
China	2,151	3.3	-17.4	4,484	-17.0	-2.0
Japan	1,453	34.5	32.6	879	-2.5	-7.5
South Korea	583	64.6	42.0	882	4.2	21.9
Rest of the world	3,405	-17.0	-22.9	5,675	-17.2	5.6
Total Goods Trade	56,618	-0.2	9.7	54,000	-7.4	8.0

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.

*European Union does not include the United Kingdom

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