



Global Affairs
Canada

Affaires mondiales
Canada

Canada



OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

JULY 2022

JULY 2022

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]	
Exports	\$68.3 billion (-2.8%) [+27.0%]	\$12.7 billion (-0.1%) [+16.2%]	\$80.9 billion (-2.4%) [+25.2%]	▼
Imports	\$64.2 billion (-1.8%) [+20.6%]	\$14.4 billion (+3.7%) [+25.4%]	\$78.6 billion (-0.8%) [+21.4%]	▼
Balance	+\$4.1 billion (-\$0.8 billion)	-\$1.8 billion (-\$0.5 billion)	+\$2.3 billion (-\$1.4 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.

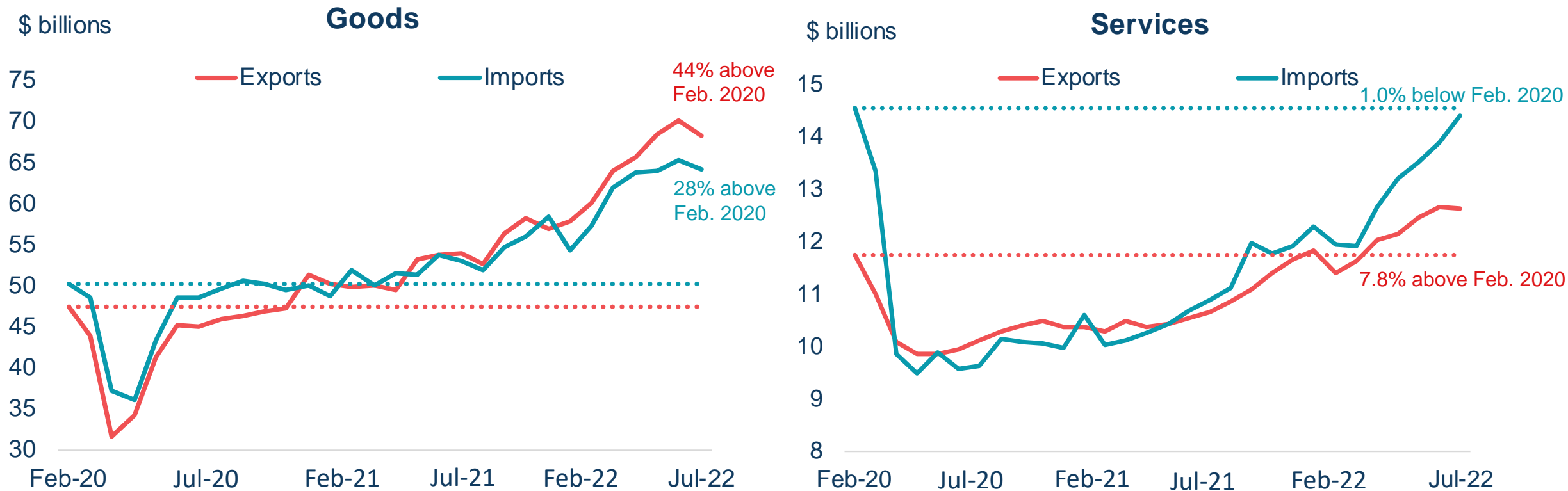
HIGHLIGHTS

- In July, exports of goods and services contracted by 2.4% to \$80.9 billion, mainly due to lower exports of consumer goods and energy products. Meanwhile, imports of goods and services edged down 0.8% to \$78.6 billion, as lower imports of consumer goods and energy products were partially offset by higher imports of motor vehicles and parts. Travel imports increased significantly in July but still remain far below pre-pandemic levels.
- Falling prices played a big role in the monthly movements, especially for resource sectors. The average West Texas Intermediate (WTI) crude oil price fell from US\$114.34 per barrel in June to US\$99.39 per barrel in July.
- Excluding prices, goods export volumes increased 1.7% in July, while goods import volumes decreased 1.4%.
- Canada's goods trade surplus with the United States narrowed in July, as exports fell mainly because of lower shipments of crude oil and pharmaceutical products.
- Canada's exports to and imports from non-U.S. countries decreased in July, falling by 4.8% and 5.7%, respectively.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



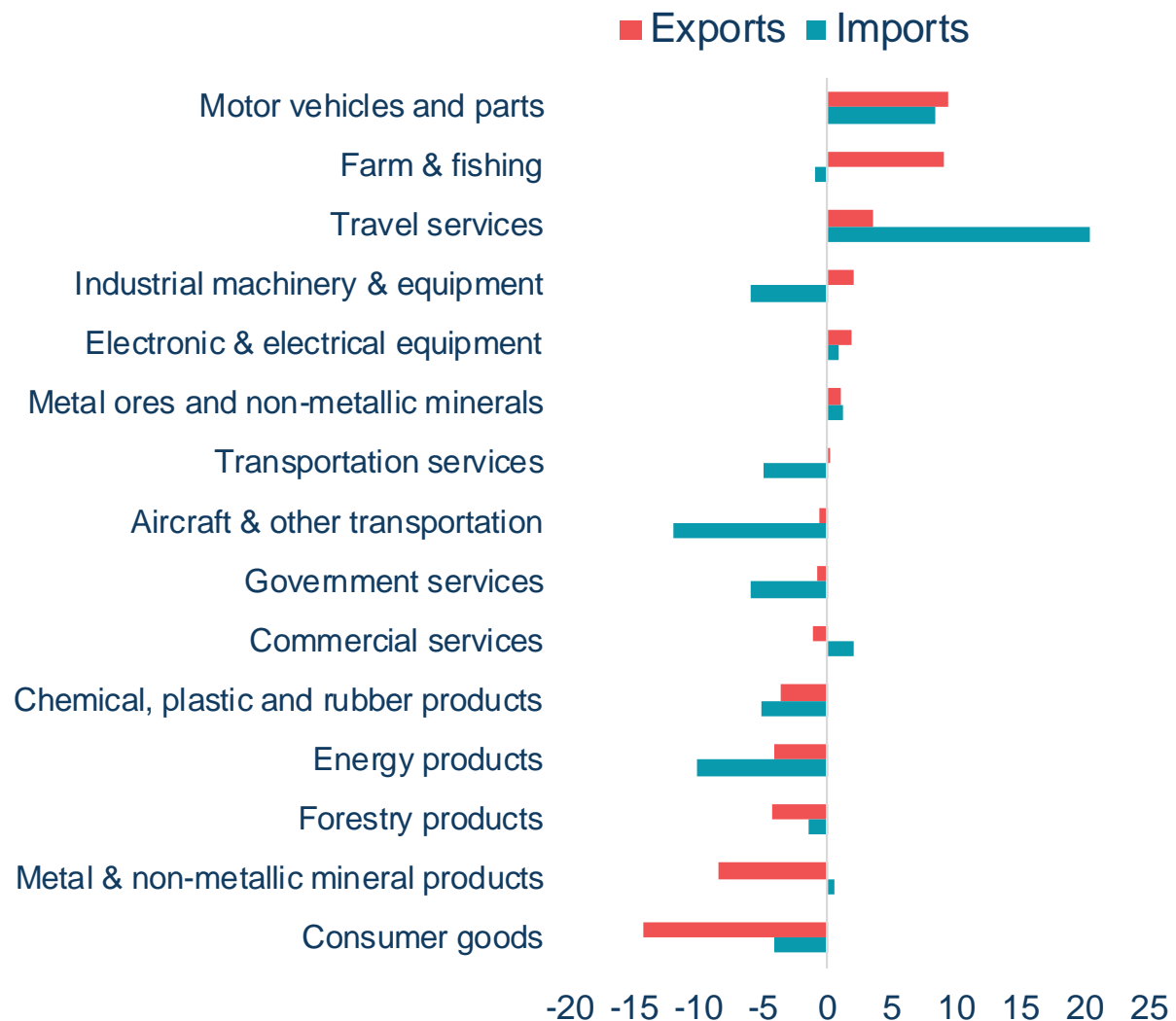
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

In July, **exports** declined in 6 of the 11 product sectors, and in 2 of the 4 services sectors. Following six consecutive monthly increases, the value of goods exports decreased 2.8% in July. By sector, consumer goods decreased the most, contracting by 14.3% in July with exports of pharmaceutical products falling sharply after a brief surge in shipments of COVID-19 medications in the previous month. Energy exports fell 4.2% in July, the first monthly decrease of the year, mainly due to lower exports of crude oil (prices were down substantially but export volumes increased for a second consecutive month) and natural gas (both volumes and prices fell). Exports of metal and non-metallic mineral products also decreased 8.4% in July, largely the result of lower exports of unwrought aluminum and aluminum products. Conversely, exports of farm, fishing and intermediate food products (+9.1%) partially offset the overall decrease in total goods exports in July, mainly because of higher exports of wheat. Exports of services edged down 0.1% in July, with declines in commercial and government services.

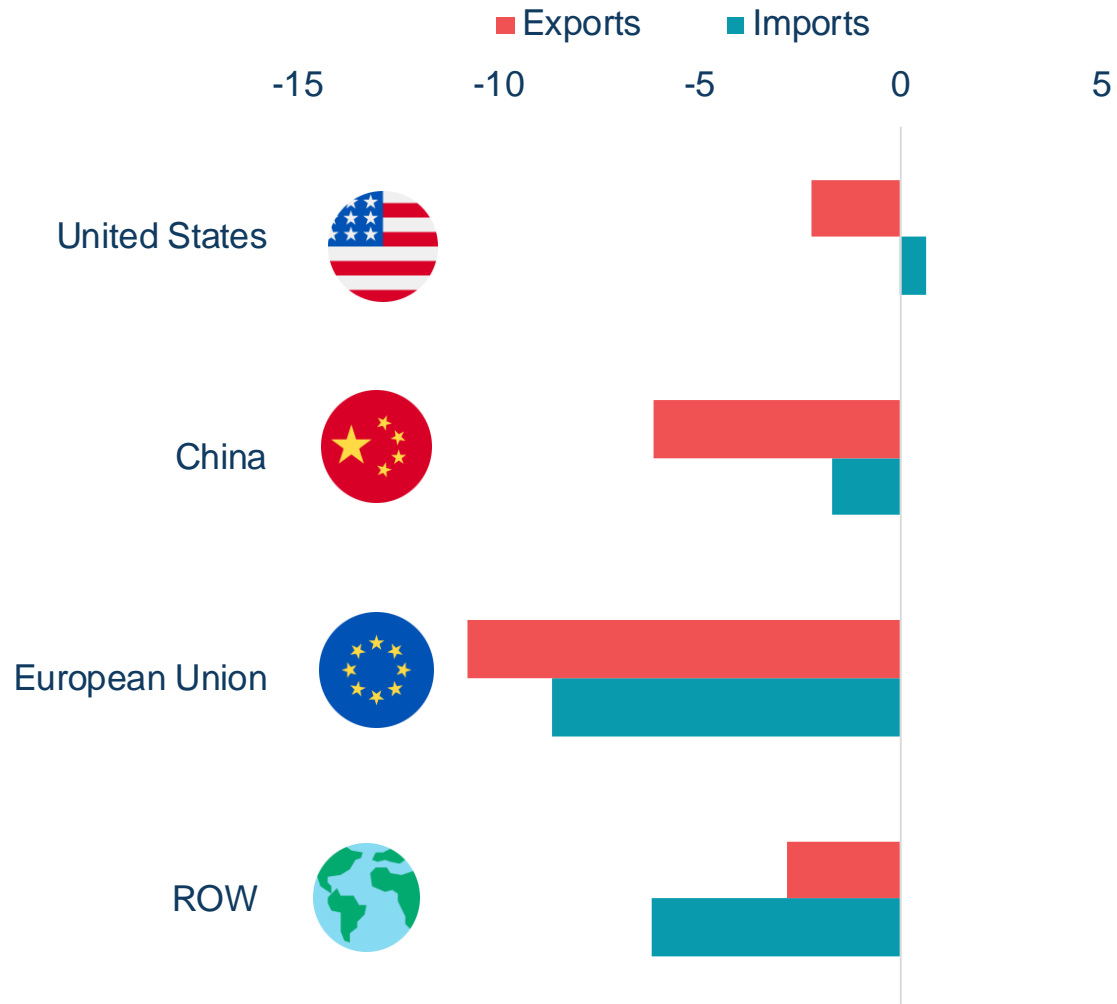
In July, **imports** decreased in 7 of the 11 product sectors, and in 2 of the 4 services sectors. Total goods imports fell 1.8% in July, the first decrease since January. Imports of consumer goods were down 4.2% in July, a third consecutive monthly decline, with decreases observed in most subcategories. Following a price-driven surge in June, imports of energy products fell 10.2% in July, with both prices and volumes decreasing. Lower imports of refined petroleum energy products were the main reason for the decline. Imports of industrial machinery, equipment and parts also decreased by 6.0% in July following a strong growth in the previous month. On the other hand, higher imports of motor vehicles and parts (+8.4%) partially offset the decrease in total goods imports. Imports of services increased 3.7% in July. Services imports grew 3.7% in July, putting them only 1.0% below pre-pandemic levels. Driving this was a 20.5% increase in travel services, which still have more room for growth.

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

Goods exports to the United States decreased for the first time in seven months, falling by 2.2% in July, partly because of lower exports of crude oil and pharmaceutical products. At the same time, goods imports from the U.S. edged up 0.7%. As a result, Canada's goods trade surplus with the United States narrowed from \$13.3 billion in June to \$11.8 billion in July.

Goods exports to non-U.S. destinations contracted by 4.8% in July. Lower exports to the United Kingdom (gold and crude oil), the Netherlands (pharmaceutical products and iron ore), Australia (pharmaceutical products), Peru (diesel and wheat), and China (coal and copper) were partially offset by higher exports to Hong Kong (gold) and South Korea (crude oil, coal and potash). Imports from countries other than the U.S. decreased 5.7% in July, with lower imports from the Netherlands (motor gasoline), Switzerland (non-ferrous metals), the United Kingdom (motor gasoline), and India (various products). Consequently, the goods trade deficit with non-U.S. countries narrowed from \$8.4 billion in June to \$7.8 billion in July, the lowest recorded deficit since January.

*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

In July, the contraction in goods export values were entirely due to a 4.4% decline in export prices. There were notable declines in the export prices for resource sectors, primarily energy products (-12.4%) and metal ores and non-metallic minerals (-8.5%). Excluding prices, goods export volumes rose by 1.7%, a third consecutive monthly increase.

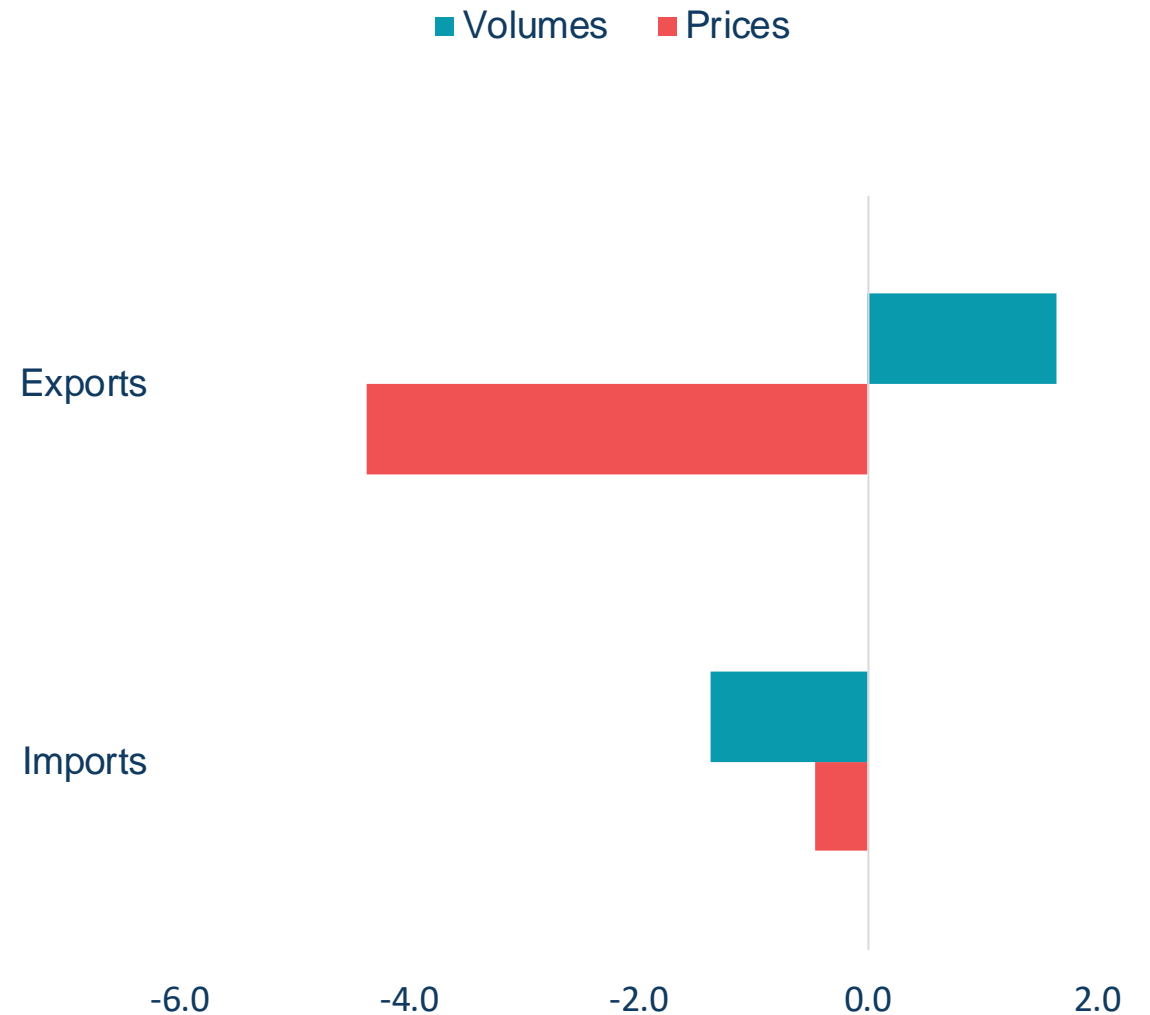
In contrast to exports, both goods import prices (-0.5%) and volumes (-1.4%) fell in July.

The average West Texas Intermediate (WTI) crude oil price fell sharply, down from US\$114.34 per barrel in June to US\$99.39 per barrel in July.

After a slight appreciation in June, the Canadian dollar resumed its downward trend in July, losing just under 1 cent relative to the US dollar, to US\$0.773—its lowest value since late 2020.

Goods Trade

(monthly % change in volume and price indices)



WHAT TO WATCH

- Despite softer than expected 2nd quarter Canadian GDP data, the Bank of Canada continued its monetary policy with another oversized rate hike today of 75 basis points to a policy rate of 3.25%. This rate breached the 3% mark, putting it into restrictive monetary policy territory.
- Forecasters are revising down China's 2022 growth projections as its dynamic zero-COVID policy continues to limit private sector growth. Additionally, its export momentum fell further amid signs that global consumer demand is softening.
- Commodity prices fell slightly during the pandemic but went into overdrive with Russia's invasion. However, prices for many commodities have or are starting to return to pre-invasion levels. The Bank of Canada's monthly Commodity Price Index fell from a high of 872 in March to 731 in August.
- The Economist Intelligence Unit has warned that Europe will be facing an energy supply crunch this winter. The risk of a widespread cut-off of gas supplies may lead to a technical recession for the Euro Area this winter and near zero growth in 2023.

Next Monthly Trade Release: Wednesday, October 5

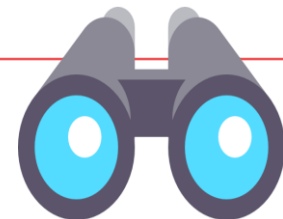


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	July, 2022	m/m %	YTD %	July, 2022	m/m %	YTD %
Goods	68,250	-2.8	27.0	64,198	-1.8	20.6
Resource products	43,794	-3.4	37.6	22,939	-3.6	31.0
Energy products	20,402	-4.2	88.6	4,693	-10.2	73.6
Non-Resource products	22,777	-1.9	12.0	38,695	-1.1	15.6
Industrial machinery & equipment	3,854	2.1	17.7	6,936	-6.0	19.8
Electronic & electrical equipment	2,706	1.9	17.3	7,287	0.8	15.6
Motor vehicles and parts	7,184	9.4	10.9	9,880	8.4	14.1
Aircraft & other transportation	2,036	-0.7	-15.1	2,052	-11.9	14.5
Consumer goods	6,997	-14.3	17.7	12,541	-4.2	14.7
Services	12,651	-0.1	16.2	14,407	3.7	25.4
Commercial services	8,566	-1.1	6.2	8,184	2.1	1.1
Travel services	2,338	3.6	73.0	3,055	20.5	333.0
Transportation services	1,628	0.1	28.8	3,028	-4.9	47.2
Government services	120	-0.8	4.9	141	-6.0	16.4
Total Goods and Services	80,901	-2.4	25.2	78,605	-0.8	21.4

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		
	July, 2022	m/m %	YTD %	July, 2022	m/m %	YTD %
United States	52,736	-2.2	32.3	40,892	0.7	20.3
Mexico	771	-8.4	5.1	2,047	4.6	24.7
European Union	2,802	-10.8	14.7	5,442	-8.7	18.0
Germany	517	-15.4	3.5	1,482	-3.3	12.6
France	348	-20.8	3.5	466	-2.3	6.7
United Kingdom	1,718	-23.8	13.9	925	-16.6	7.9
India	290	-11.1	76.7	543	-23.3	37.5
China	2,134	-6.1	-12.2	5,655	-1.7	25.5
Japan	1,637	-3.7	34.2	995	0.9	0.4
South Korea	1,084	36.8	65.5	860	-3.0	28.8
Rest of the world	5,078	2.2	8.2	6,839	-7.2	22.5
Total Goods Trade	68,250	-2.8	27.0	64,198	-1.8	20.6

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