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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

AUGUST 2022

AUGUST

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]	
Exports	\$65.4 billion (-2.9%) [+25.9%]	\$12.6 billion (+0.3%) [+15.9%]	\$78.0 billion (-2.4%) [+24.2%]	▼
Imports	\$63.9 billion (-1.7%) [+20.8%]	\$14.5 billion (+2.1%) [+26.2%]	\$78.4 billion (-1.0%) [+21.7%]	▼
Balance	+\$1.5 billion (-\$0.9 billion)	-\$1.9 billion (-\$0.3 billion)	-\$0.4 billion (-\$1.1 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.

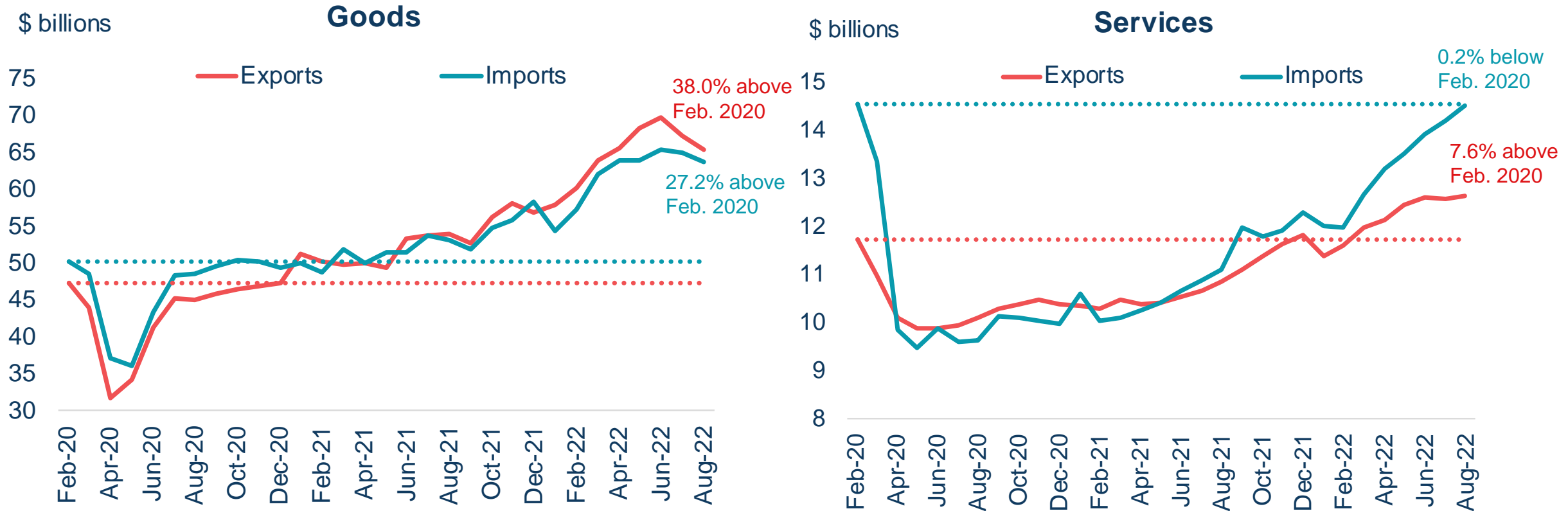
HIGHLIGHTS

- In August, exports of goods and services contracted by 2.4% to \$78.0 billion, mainly due to lower exports of energy products. Meanwhile, imports of goods and services decreased 1.0% to \$78.4 billion, mainly on decreased imports of motor vehicles and parts.
- Similar to July, the decrease in the exports of energy products was largely due to lower prices which coincided with increased global production and concerns about the future economic outlook. The average price of oil continued to decline, with the price of WTI decreasing from US\$101.62 in July to US\$93.76 in August.
- Services trade continued to recover in August. Service exports are now 7.6% above pre-pandemic levels while service imports are only 0.2% below pre-pandemic levels.
- Canadian exports had large increases of 17.5% and 9.4% to the EU and China, respectively. However, Canadian exports to the United States decreased 2.5% and Canadian exports to the rest of the world decreased 12.9% in August.
- Lower prices were a major factor in the decline of goods exports in August. In real (or volume) terms, the exports of goods decreased 1.3% from July, while the imports of goods decreased 0.7%.



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.

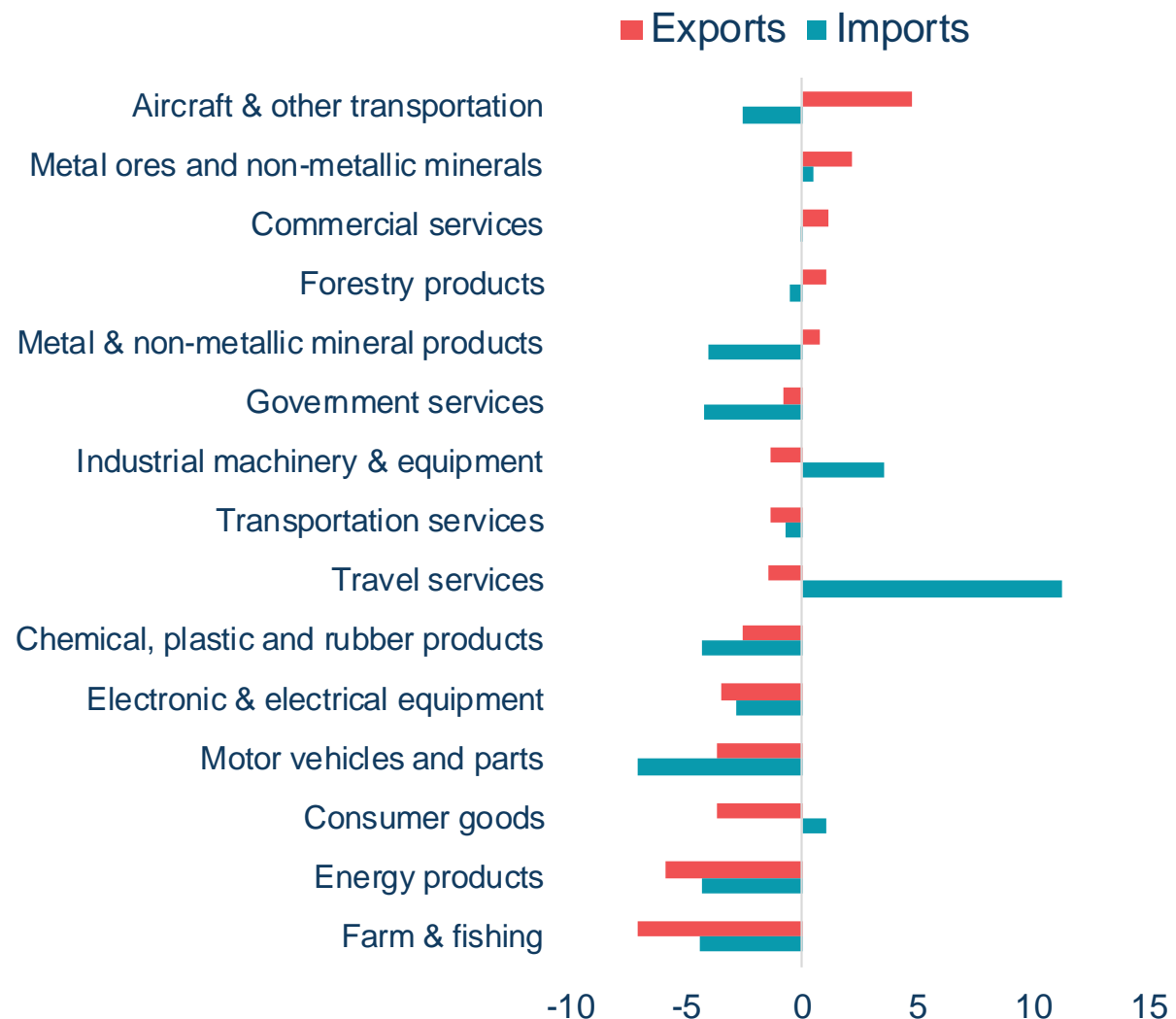
INDUSTRY VIEW

In August, **exports** declined in 7 of the 11 product sections, and in 3 of the 4 service categories. Exports decreased for the second month in a row, following six consecutive monthly increases to start the year.

Lower prices of energy products were the largest contributor to the decrease in exports. When the price of energy was at its peak in June, energy products accounted for an all-time high of 30.1% of Canadian goods exports; that proportion fell to 28.2% in August. Following poor harvests in the 2021-22 crop year, wheat production is expected to increase significantly in the 2022-23 crop year which began in August—however, wheat inventories were at historical lows which held back the amount that could be exported in August. The same is also true for canola which has very low inventory levels. Service exports increased 0.3% in August on the strength of Commercial services which increased 1.2% in the month. The decrease in transportation services can largely be attributed to lower shipments of goods.

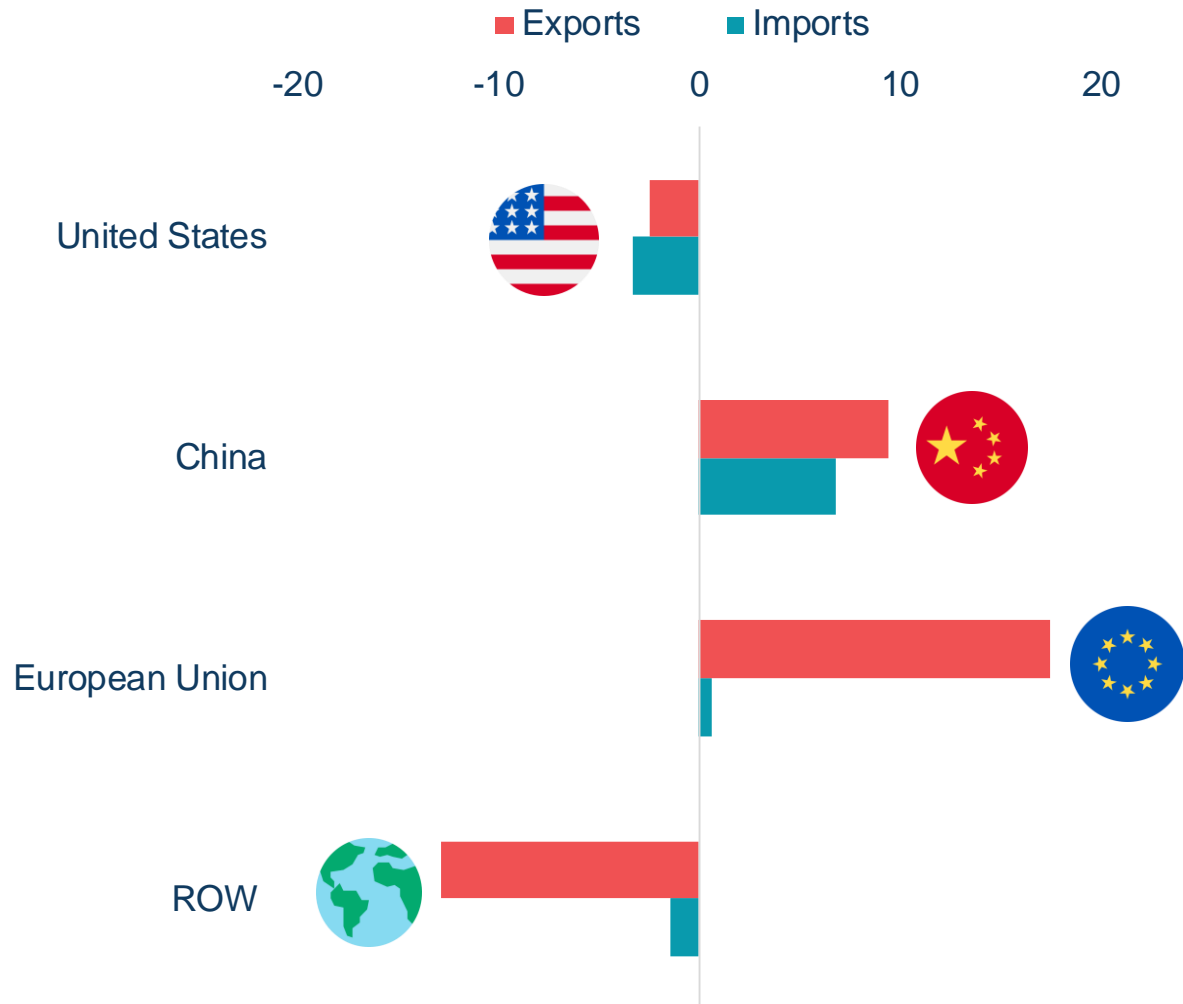
In August, **imports** declined in 8 of the 11 product sections, and in 2 of the 4 service categories. Following a 12.3% increase in July, imports of motor vehicles and parts fell 7.1% in August. Lingering supply chain issues held back the standard August rebound in motor vehicle production. The imports of travel services (that is, Canadians travelling to other countries) increased 11.3% month-over-month and has increased 308% year-to-date compared to the same period in 2021. Despite the increase, imports of travel services remain 28.6% below February 2020 levels.

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

Trade with the United States declined in August. For exports, it was partly due to lower energy prices and resultantly lower value of crude oil exports. For imports, a decline in motor vehicles and parts was responsible for part the decrease.

Canada's exports to the European Union reached a record high since the UK stopped being included in the trade stats (January 2021). Exports to Germany accounted for over 70% of the total increase in exports to the EU. It was a strong month for Chinese exports which are at the highest level since October 2021. At the time of writing, no product details were available for the reason behind the increase in exports to China or the European Union. The increase in imports from China was widespread across various products.

For the rest of the world, exports to Hong Kong (gold), South Korea (coal and crude oil), the UK (crude oil and gold) and Japan (wheat, canola, and copper) posted the largest declines. A decrease in imports from South Korea (light trucks and passenger cars) was partly responsible for the decrease in imports from the rest of the world.

The trade deficit with countries other than the United States increased for the first time in four months.

*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

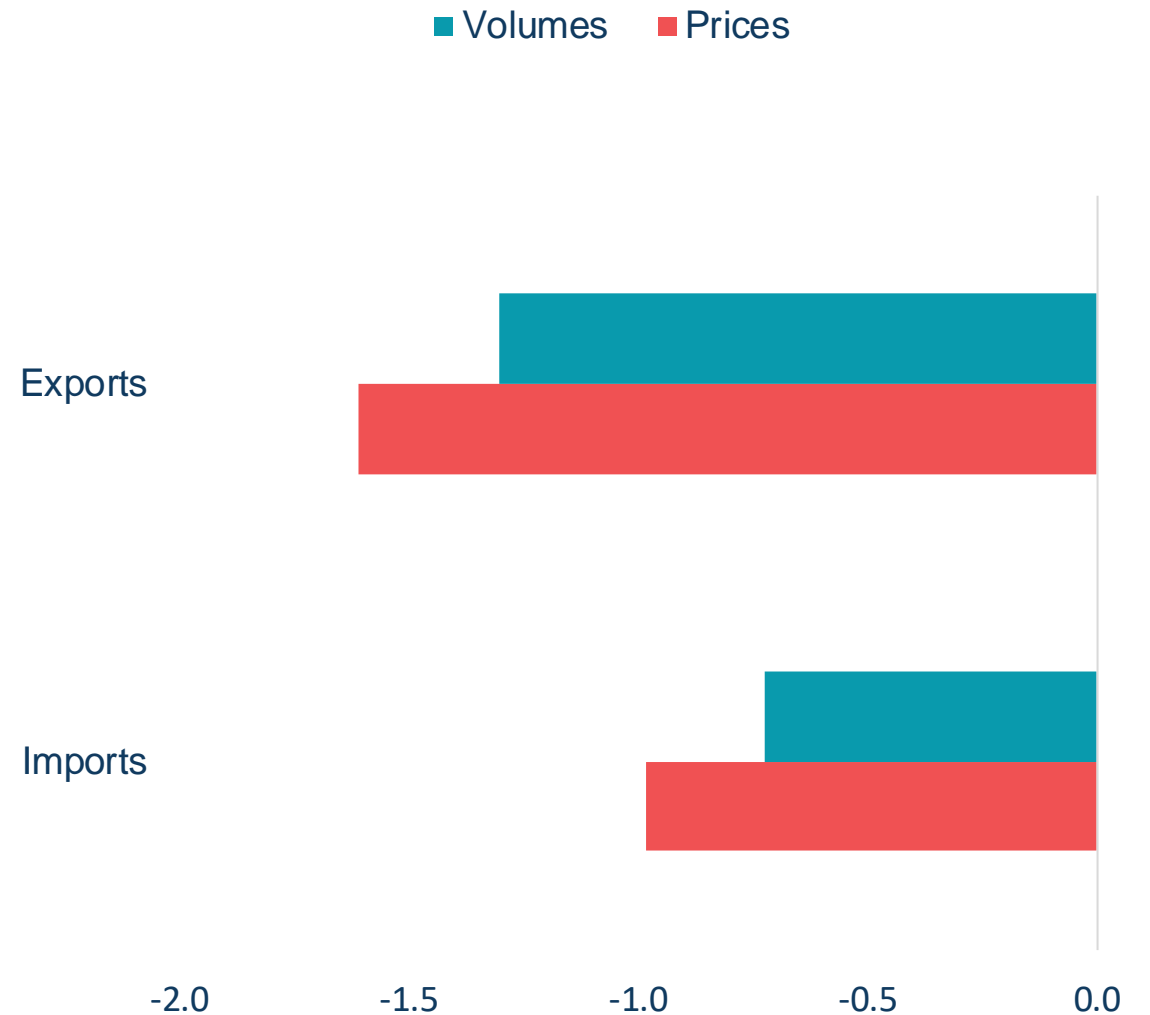
After reaching record high export prices in May, export prices continued their summer decline in August and decreased 6.8%. However, to keep things in perspective, export prices in August 2022 were 15.9% higher than they were in August 2021. Likewise import prices were 1.5% lower in August than they were at their record high in June; but were 9.8% higher than August 2021.

Export volumes reached a post-pandemic high in July, and receded 1.3% in August. Export volumes in August were 4.6% higher than they were in August 2021. Import volumes decreased 0.7% in August, but were 9.5% higher than August 2021.

The Canada-US exchange rate had little movement in August, with the Canadian dollar only appreciating 0.1 US cents relative to the US dollar. However, the Canadian dollar has since had a large depreciation against the US dollar which will be reflected in the September Monthly Trade Report.

Goods Trade

(monthly % change in volume and price indices)



WHAT TO WATCH

- Two recent trends from the United States will have opposing effects on Canadian exports. The first is that with the revision of GDP data in late September, the U.S. is now technically in a recession (two consecutive quarters of negative GDP growth), which can decrease the demand for Canadian exports. The other trend is that the U.S. dollar has recently appreciated against all other major currencies, including Canada's. This makes Canadian goods and services relatively cheaper for Americans. Which of these effects is stronger remains to be seen.
- The price of crude oil and gasoline have risen recently with gasoline prices at a 5-week high. Market expectations are for OPEC+ to cut its production targets when it meets on Wednesday October 5th, putting further upward pressure on oil and gasoline prices.
- Both the Canadian and American employment data for September come out on Friday October 7th. Since reaching record high employment levels in May this year, Canada's employment levels decreased in every month of the summer.
- Food prices have been dropping for several months but still remain at high levels by historical standards. Natural gas prices remain a key concern for Europe as they head into the winter months and are facing the potential for gas shortages.

Next Monthly Trade Release: Thursday, November 3

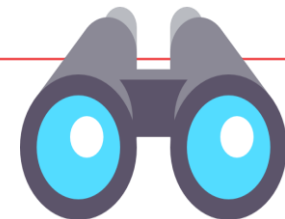


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	August, 2022	m/m %	YTD %	August, 2022	m/m %	YTD %
Goods	65,383	-2.9	25.9	63,864	-1.7	20.8
Resource products	41,554	-3.3	35.7	22,164	-3.4	29.4
Energy products	18,426	-6.0	82.4	4,468	-4.3	70.2
Non-Resource products	22,122	-2.5	11.9	39,026	-1.6	16.7
Industrial machinery & equipment	3,778	-1.3	18.1	7,265	3.6	21.3
Electronic & electrical equipment	2,607	-3.5	17.0	7,117	-2.9	15.5
Motor vehicles and parts	6,800	-3.7	11.6	9,500	-7.1	15.8
Aircraft & other transportation	2,111	4.8	-12.6	2,109	-2.6	18.3
Consumer goods	6,827	-3.7	15.6	13,035	1.0	15.5
Services	12,634	0.3	15.9	14,522	2.1	26.2
Commercial services	8,675	1.2	6.3	8,163	0.0	1.7
Travel services	2,231	-1.5	69.1	3,233	11.3	307.7
Transportation services	1,611	-1.3	29.2	2,992	-0.8	46.2
Government services	118	-0.8	3.9	134	-4.3	15.1
Total Goods and Services	78,017	-2.4	24.2	78,386	-1.0	21.7

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 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, 2022	m/m %	YTD %	August, 2022	m/m %	YTD %
United States	50,460	-2.5	30.8	39,726	-3.3	20.3
Mexico	736	-6.1	6.0	2,010	-3.7	23.1
European Union	3,308	17.5	15.7	5,884	0.6	20.0
Germany	878	69.3	6.2	1,573	-0.3	14.8
France	275	-21.3	-0.9	497	6.4	8.4
United Kingdom	1,400	-18.5	14.3	695	-15.9	0.9
India	376	31.9	72.6	540	-1.3	38.4
China	2,392	9.4	-9.8	6,199	6.8	27.0
Japan	1,403	-12.4	28.0	1,027	-1.3	4.3
South Korea	595	-44.5	53.9	683	-25.1	25.7
Rest of the world	4,712	-8.1	8.3	7,101	4.2	22.2
Total Goods Trade	65,383	-2.9	25.9	63,864	-1.7	20.8

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.