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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

SEPTEMBER 2022

SEPTEMBER

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$66.4 billion (+1.3%) [+25.9%]	\$12.9 billion (+2.3%) [+16.0%]	\$79.3 billion (+1.5%) ▲ [+24.2%]
Imports	\$65.2 billion (+0.4%) [+21.8%]	\$14.5 billion (+0.5%) [+25.3%]	\$79.7 billion (+0.5%) ▲ [+22.4%]
Balance	+\$1.1 billion (+\$0.6 billion)	-\$1.6 billion (+\$0.2 billion)	-\$0.4 billion (+\$0.8 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.

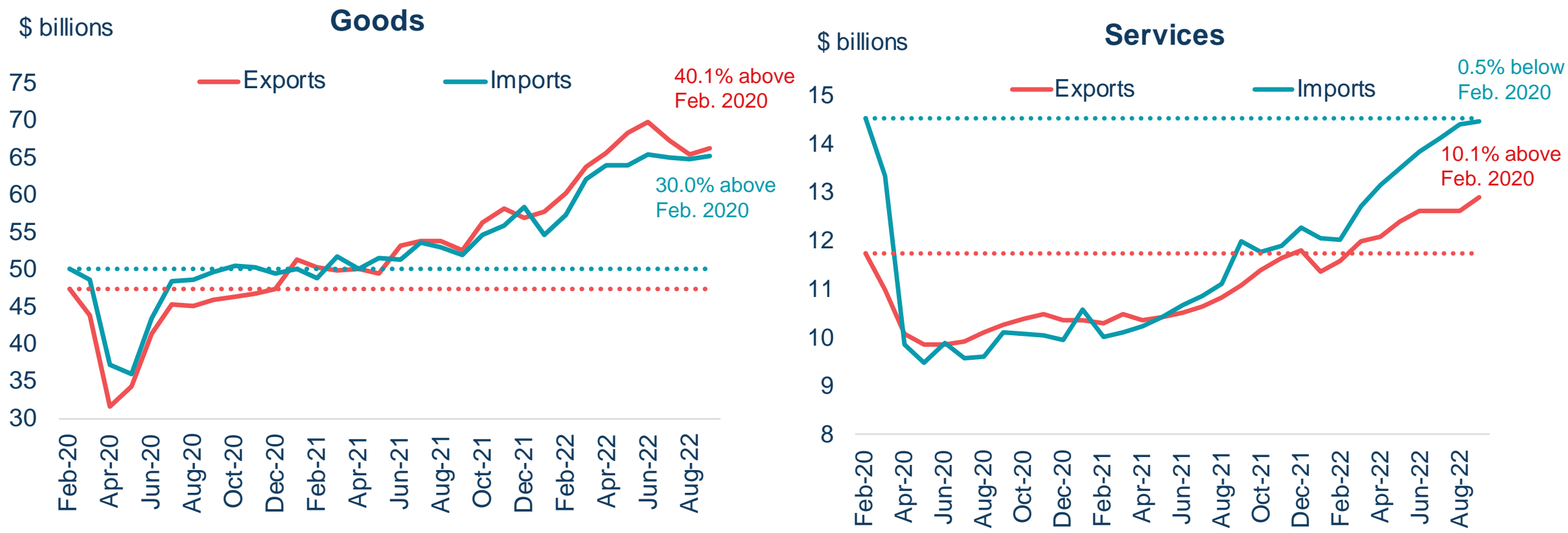
HIGHLIGHTS

- In September, exports of goods and services grew by 1.5% to \$79.3 billion, mainly due to higher exports of agriculture and agri-food. Meanwhile, imports of goods and services edged up 0.5% to \$79.7 billion, mainly on increased imports of pharmaceutical products. Canada's trade deficit with the world went from \$1.2 billion in August to \$416 million in September.
- The value of the Canadian dollar decreased 2.3 US cents in September compared with the average value in August, falling to 75.1 US cents. The depreciation of the dollar supported growth in exports while making imports more expensive. The average price of oil continued to decline, with the WTI decreasing from US\$91.48 in August to US\$83.8 in September.
- Services trade continued to recover in September. Service exports grew to 10.1% above pre-pandemic levels while service imports were only 0.5% below pre-pandemic levels.
- Canadian exports to the United States contracted 0.4% in September, while exports to the rest of the world posted a strong 7.0% rebound, the strongest increase since May 2022.
- Higher volumes supported the growth in goods exports in September. In real terms, the exports of goods increased by 1.7% from August, while goods imports fell by 0.8%.



CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



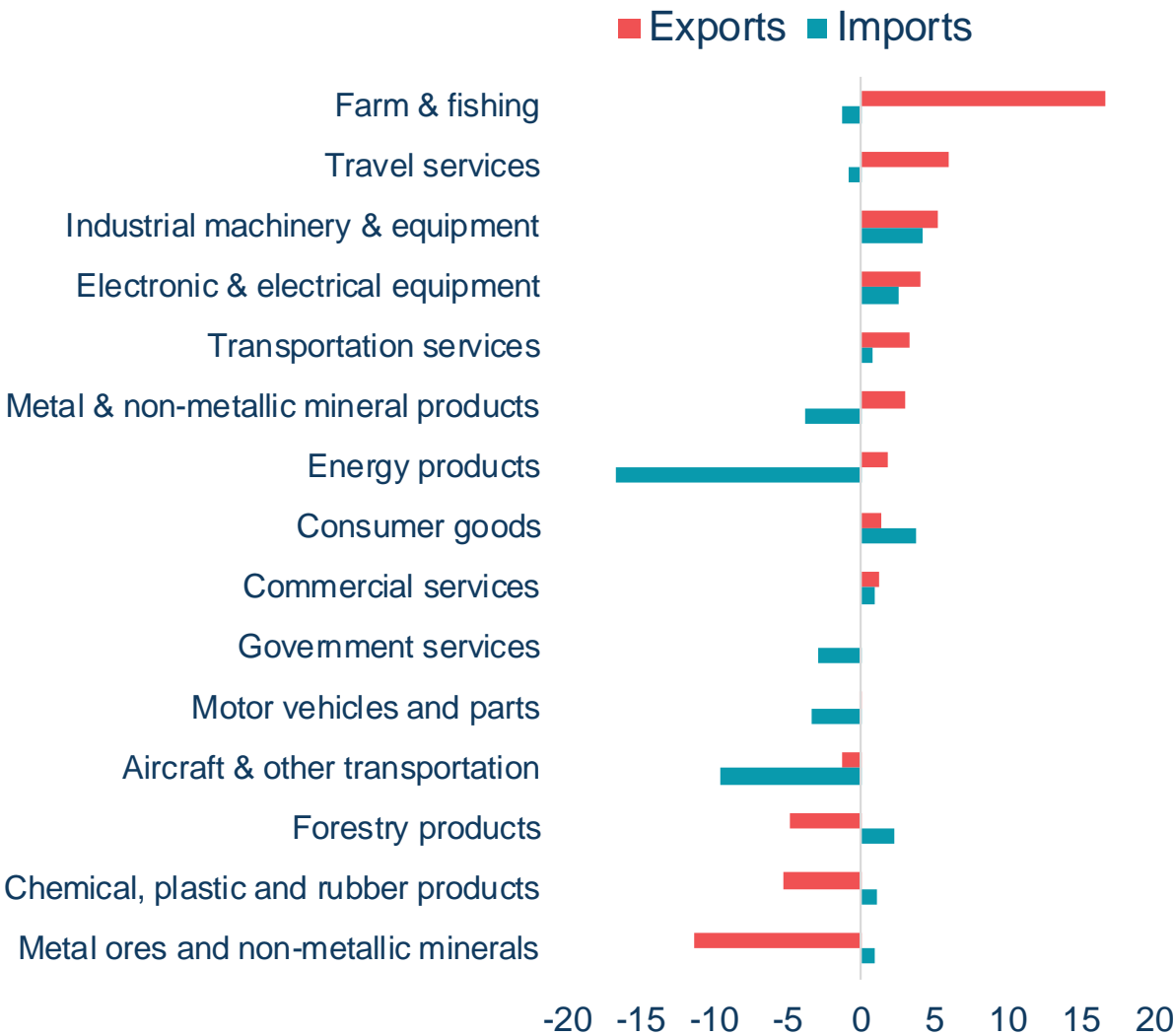
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

In September, **exports** rose in 6 of the 11 product sectors, and in 3 of the 4 service categories. Following two consecutive monthly decreases, goods exports rose 1.3% in September. Exports of farm, fishing and intermediate food products contributed the most to the overall increase. Wheat production is expected to increase by more than 50% in the 2022/23 crop year and this higher production began to show up in September's wheat exports. In addition, exports of canola nearly doubled in September. Exports of energy products increased 1.9%, following declines in July and August. Exports of crude oil were the main contributor to the growth, mainly due to higher volumes, as prices decreased for a fourth consecutive month. Lower exports of mining, forestry products, and building and packaging materials partially offset the overall increase. Service exports increased 2.3% in September on the strength of travel services, which rose 6.0% on stronger expenditures by both U.S. and overseas visitors. Exports of commercial services were up 1.2% and transportation services rose 3.3% due to increased air transport of goods and passengers.

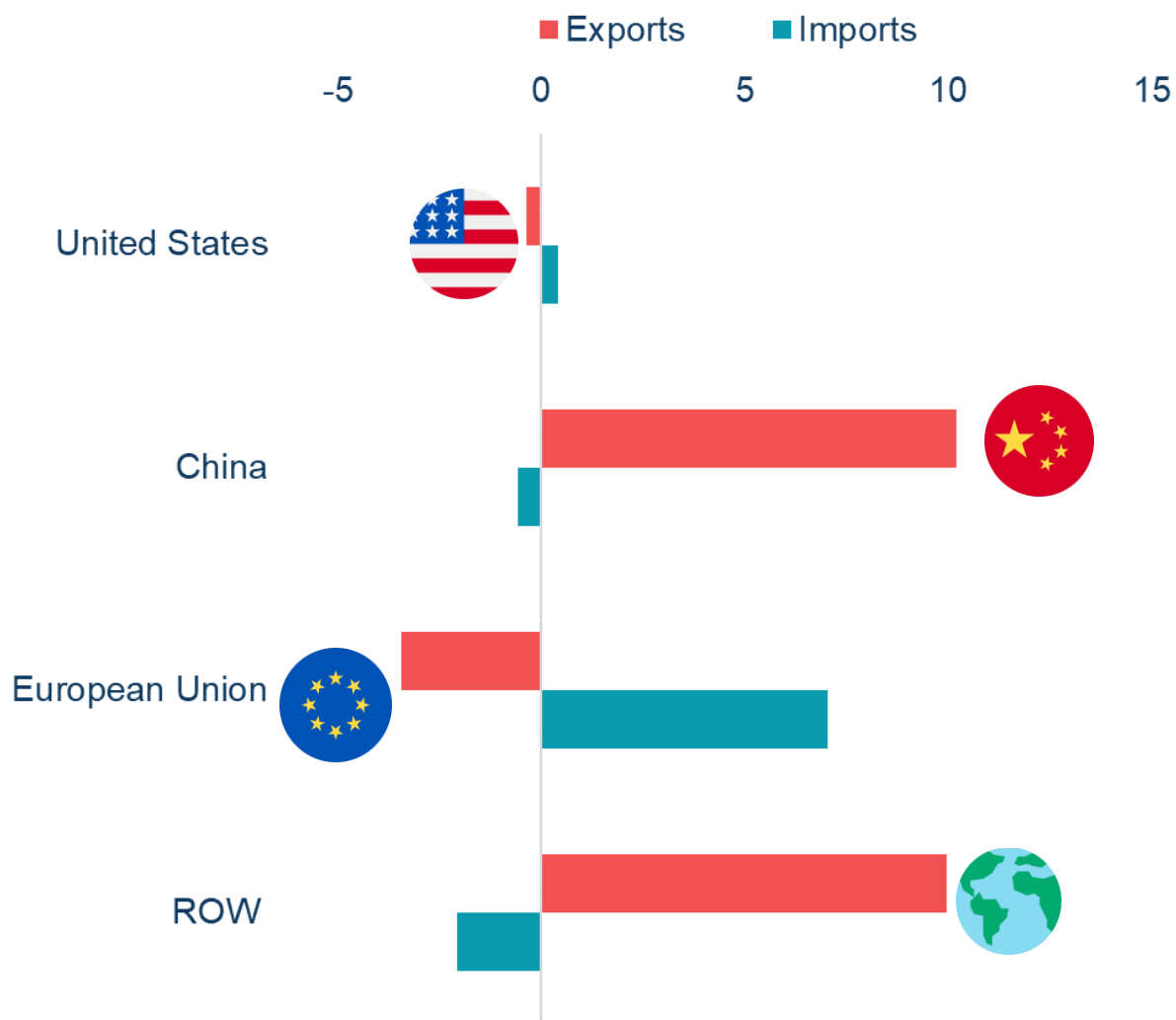
In September, **imports** rose in 6 of the 11 product sectors, and in 2 of the 4 service categories. Imports of consumer goods increased 3.7%, on higher imports of pharmaceutical products (vaccines). Imports of industrial machinery, equipment and parts rose 4.1%, reaching a record high of \$7.7 billion. Higher imports of logging, construction, mining, and oil and gas field machinery and equipment grew 17.4%. Imports of services edged up only 0.5%, with commercial services (0.9%) and transportation (0.8%) leading the growth. Imports of travel services (i.e. Canadians travelling abroad) were down 0.9%—the first decline after seven consecutive monthly increases. In September, imports of travel services remained 30.7% below February 2020.

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

Exports to the United States fell 0.4% in September—a third consecutive monthly decline—while imports were up 0.4%. As a result, Canada's trade surplus with the United States narrowed from \$10.2 billion in August to \$9.8 billion in September, the lowest surplus since December 2021.

Exports to countries other than the United States posted a strong 7.0% rebound in September, the strongest increase since May 2022. Exports to the UK (gold and crude oil), China (pulse, potash and grains) and Hong Kong (gold and crude oil) posted the largest gains. Meanwhile, imports from countries other than the United States rose 0.5%. Higher imports from Italy (industrial machinery), Mexico (various products) and Brazil (metal ores, iron and steel) were partially offset by the decrease in imports from Belgium (pharmaceutical products) and Switzerland (copper).

The trade deficit with countries other than the United States decreased for a second consecutive month, to \$8.7 billion in September.

*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

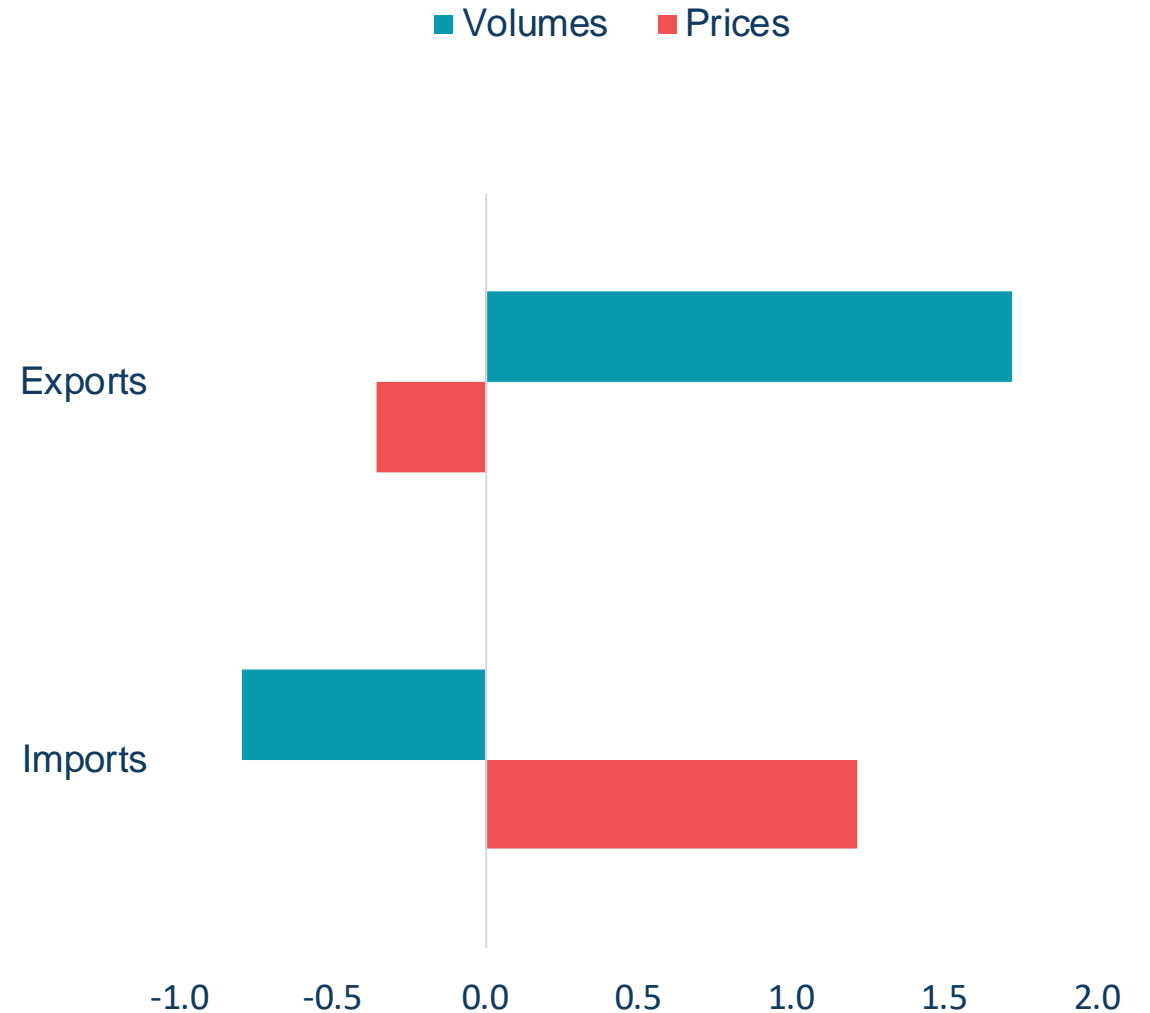
Goods export prices fell for a fourth consecutive month, edging down by 0.4% in September. Excluding prices, goods export volumes reached a new post-pandemic high, growing 1.7% in September, mainly supported by strong growth in farm, fishing and intermediate food products (+11.7%).

In contrast to exports, goods import prices rose 1.2% and volumes fell by 0.8% in September.

The Canada-US exchange rate posted significant movements in September, with the average value of the Canadian dollar falling by 2.3 US cents compared to August, to US\$0.751. This was the largest monthly decrease since March 2020 and the lowest valued Canadian dollar since July 2020. The Canadian dollar further depreciated in October which will be reflected in the next Monthly Trade Report.

Goods Trade

(monthly % change in volume and price indices)





WHAT TO WATCH

- Economic activity is slowing globally and more sharply than expected, with inflation higher than it has been in decades. This has contributed to the IMF forecasting a slowdown in global growth from 6.0% in 2021 to 3.2% in 2022. The Bank of Canada has revised Canadian GDP growth down by about 0.25 percentage points to 3.25% for 2022 and to just under 1% in 2023.
- U.S. growth in household spending and residential investment has fallen markedly. As they are important drivers of demand for Canadian goods, this could result in a downward pressure on Canada's export growth, only partially offset by a depreciation of the Canadian dollar.
- After peaking in June, energy prices have fallen due to a variety of reasons, including tightening monetary policies worldwide and reduced demand in China (Bank of Canada). The West Texas Instrument (WTI) oil price fell 23.4% between June and October. In Europe, natural gas prices have become more volatile; Russia's threat to cut off gas supplies this coming winter led to a price pike in August, only to fall after gas storage facilities in the region were filled ahead of schedule.
- In Canada and the U.S., employment is higher than before the shock of the COVID-19 pandemic. In September, total U.S. nonfarm payroll employment increased by 263,000, and the unemployment rate edged down to 3.5%. In Canada, total employment increased by 21,100 in September, while the unemployment rate dropped 1.3 percentage points to 4.7%.

Next Monthly Trade Release: Tuesday, December 6

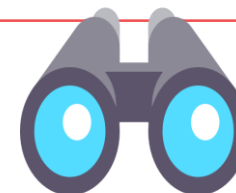


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	September, 2022	m/m %	YTD %	September, 2022	m/m %	YTD %
Goods	66,367	1.3	25.9	65,228	0.4	21.8
Resource products	42,102	1.1	34.9	21,685	-3.7	28.8
Energy products	18,844	1.9	77.5	3,761	-16.7	68.0
Non-Resource products	22,521	1.7	12.9	40,401	1.1	18.4
Industrial machinery & equipment	3,988	5.2	18.5	7,732	4.1	22.4
Electronic & electrical equipment	2,711	4.1	17.8	7,426	2.6	16.2
Motor vehicles and parts	6,779	-0.1	14.6	9,542	-3.4	19.0
Aircraft & other transportation	2,058	-1.2	-10.4	1,973	-9.6	19.1
Consumer goods	6,985	1.4	14.4	13,728	3.7	17.1
Services	12,922	2.3	16.0	14,476	0.5	25.3
Commercial services	8,753	1.2	6.3	8,163	0.9	1.2
Travel services	2,383	6.0	67.0	3,138	-0.9	281.7
Transportation services	1,668	3.3	29.8	3,044	0.8	43.5
Government services	118	0.0	3.1	131	-3.0	13.8
Total Goods and Services	79,289	1.5	24.2	79,704	0.5	22.4

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		
	September, 2022	m/m %	YTD %	September, 2022	m/m %	YTD %
United States	50,279	-0.4	30.4	40,461	0.4	21.7
Mexico	826	7.2	9.0	2,243	8.8	25.2
European Union	3,185	-3.5	15.9	6,366	7.0	21.3
Germany	716	-18.5	4.2	1,746	8.4	17.8
France	383	40.0	0.7	496	-1.1	8.8
United Kingdom	1,683	20.2	13.0	752	8.3	-0.4
India	457	12.0	68.0	606	9.8	41.3
China	2,671	10.2	-6.7	6,225	-0.6	27.3
Japan	1,529	8.5	26.1	917	-11.9	3.0
South Korea	481	-19.2	47.5	914	3.6	29.4
Rest of the world	5,255	11.3	11.8	6,746	-6.3	21.3
Total Goods Trade	66,367	1.3	25.9	65,228	0.4	21.8

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.