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OFFICE OF  
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ECONOMIST

# MONTHLY TRADE REPORT

## JANUARY 2023

# JANUARY

|         | Goods<br>(m/m change)<br>[YTD change] | Services<br>(m/m change)<br>[YTD change] | Total<br>(m/m change)<br>[YTD change] |   |
|---------|---------------------------------------|--|---------------------------------------|---|
| Exports | \$67.0 billion<br>(+4.2%)<br>[+15.7%] | \$14.0 billion<br>(-1.3%)<br>[+14.3%]    | \$81.1 billion<br>(+3.2%)<br>[+15.5%] | ▲ |
| Imports | \$65.1 billion<br>(+3.1%)<br>[+18.5%] | \$16.3 billion<br>(+5.2%)<br>[+23.3%]    | \$81.4 billion<br>(+3.5%)<br>[+19.5%] | ▲ |
| Balance | +\$1.9 billion<br>(+\$0.7 billion)    | -\$2.3 billion<br>(-\$1.0 billion)       | -\$0.4 billion<br>(-\$0.3 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.

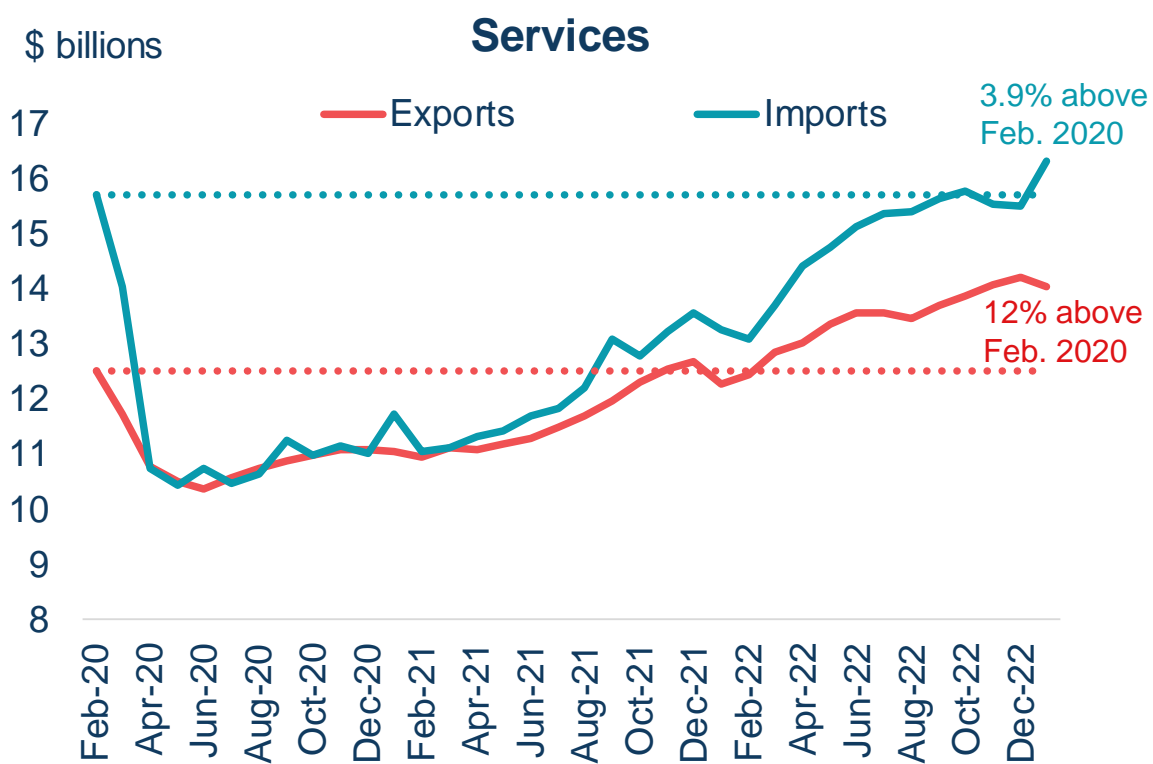
## HIGHLIGHTS

- January saw Canadian trade rebounding after relatively weaker performance in December 2022, as Canadian exports benefited from China's economic reopening and the continued resilience of U.S. consumption. Most notably, buckling the trend of recent months, goods export growth was entirely due to increased export volumes, while prices declined.
- Total exports of goods and services increased 3.2% to \$81.1 billion in January, driven by broad-based growth in exports of most product sectors. This was only partially offset by declines in exports of energy products and services. Meanwhile, total imports of goods and services were up 3.5% to \$81.4 billion in January.
- Exports of goods to both the U.S. (+3.3%) and countries other than the U.S. (+7.2%) were up. Exports to China saw significant growth at 20.7% following China's economic reopening.
- Stripping out prices, goods export volumes were up 5.3% in January while goods import volumes increased 4.1%. The rise in both import and export volumes was driven by strength in the motor vehicles and parts product sector.
- Canadian services imports rose 5.2% while services exports were down 1.3%, leading the services trade deficit to widen from \$1.3 billion in December to \$2.3 billion in January.



# CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



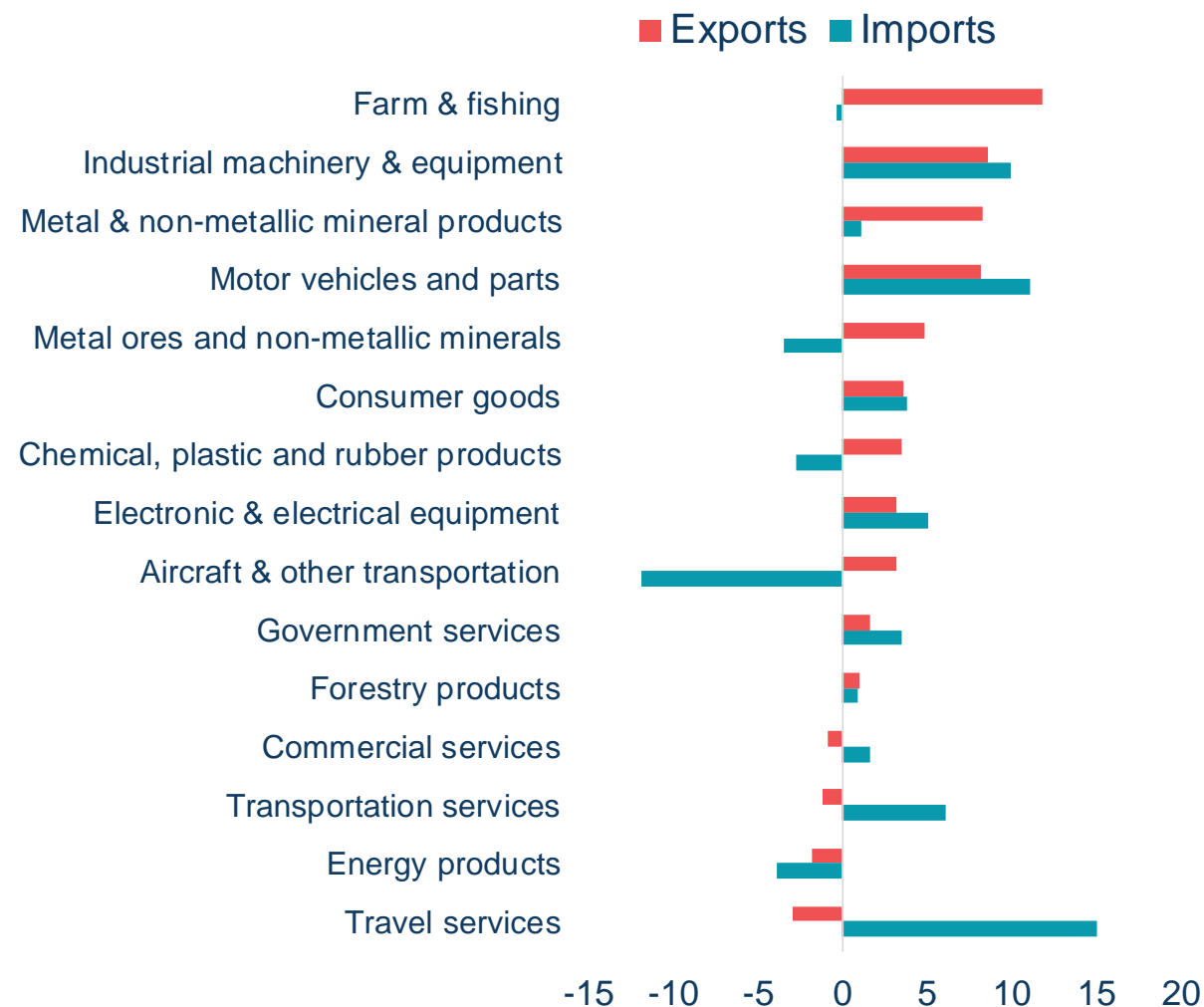
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.  
Balance of payments basis, seasonally adjusted.

# INDUSTRY VIEW

In January, exports increased in 10 of the 11 goods product sectors, but decreased in 3 of the 4 services sectors. Exports of farm, fishing and intermediate food products grew the fastest by 11.9% month-over-month, driven by growth in the exports of wheat, canola oil, and soybeans. Building on the momentum observed last month, exports of motor vehicles and parts rose by 8.2% in January. Export gains in most goods product sectors were partially offset by a contraction in exports of energy products (-1.8%), driven largely by natural gas exports (-32.9%). Travel services exports were down 2.9% while commercial services exports decreased 0.9%.

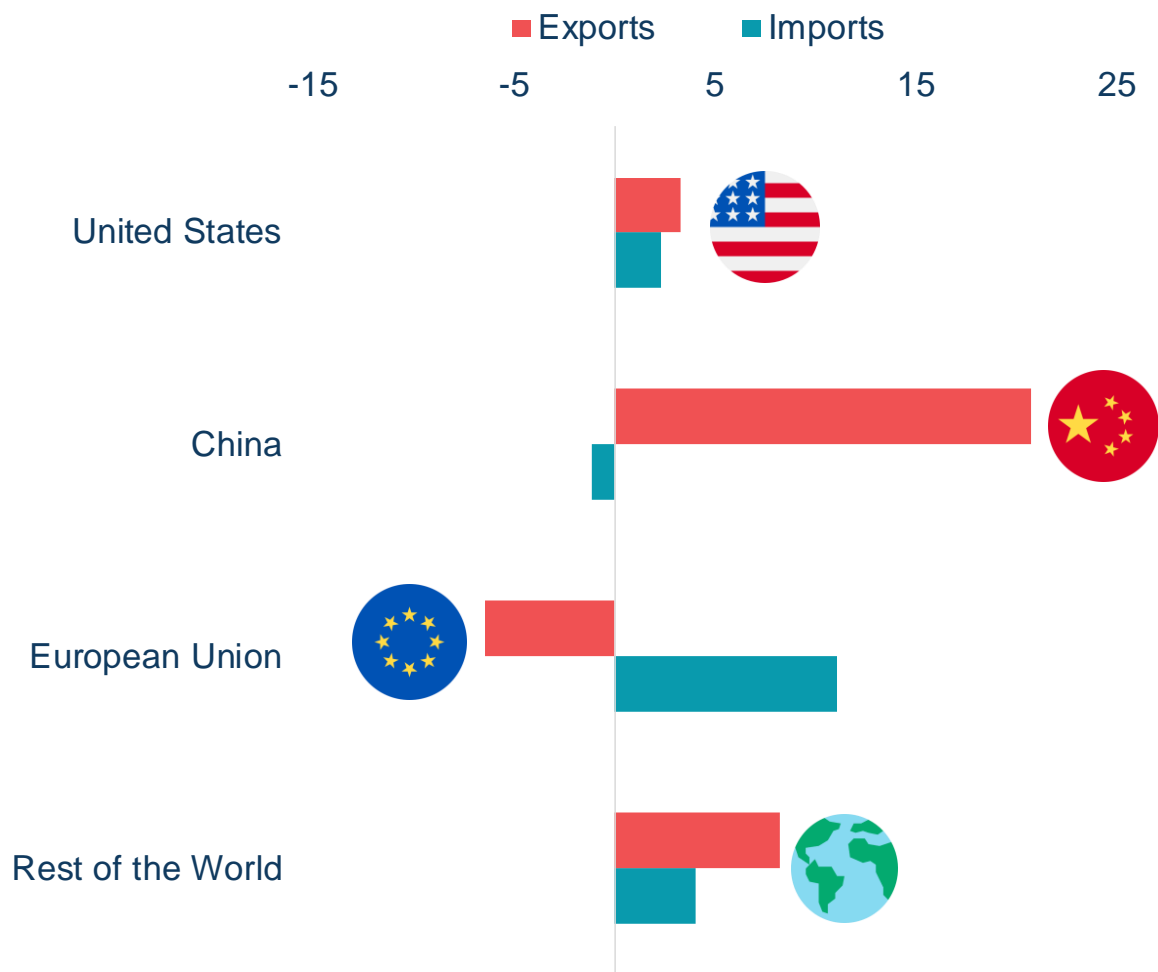
Imports increased in 6 of the 11 goods product sectors in January, and in all of the services sectors. With Canadian auto production recovering to pre-pandemic levels following years of supply disruptions and January auto-sales coming in above-average, imports of motor vehicles and parts rose 11.1%, driven by imports of engines and parts (+13.1%) and passenger cars and light trucks (+8.4%) . Imports of industrial machinery, equipment and parts increased 10.0%. Consumer goods also contributed to the rise in goods imports, growing 3.8% after three consecutive months of decline. Meanwhile, travel services imports rose 15.0% in January, as Canadian resident travellers returned from U.S. destinations after severe weather conditions in December led to flight cancellations and delays.

## 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 U.S. increased 3.3% in January as imports grew 2.3%. The growth in motor vehicles and parts trade drove the gains in trade with the U.S. The net result was that the Canadian goods trade surplus with the U.S. widened to \$9.0 billion in January from \$8.4 billion in December.

Goods exports to countries other than the U.S. were up 7.2% in January. A decline in exports to the EU (-6.4%) was offset by the surge in exports to China (+20.7%), driven mainly by canola oil and coal amid the reopening of the Chinese economy, as well as growth in exports to the rest of the world, with a notable increase of gold to the United Kingdom.

Goods imports from countries other than the U.S. rebounded in January following a decline in December, up 4.6% month-over-month. The increase was led by growth in imports from Mexico (trucks) and Switzerland (pharmaceutical products). Overall, Canada's trade deficit with countries other than the U.S. narrowed for a fifth consecutive month to \$7.1 billion in 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

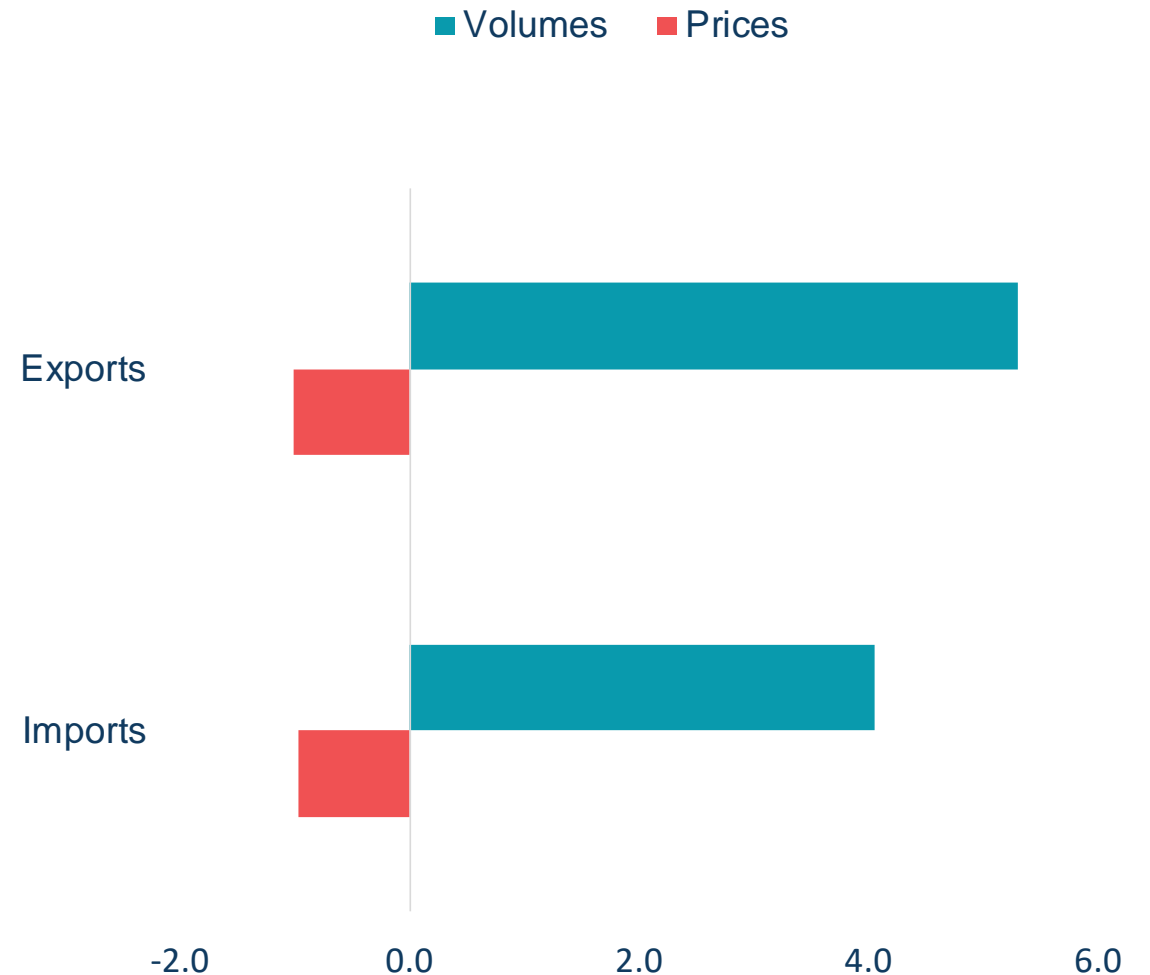
Goods export volumes were up 5.3% in January, the largest monthly increase since the summer of 2020. There was growth in all major product groups with notable growth of 6.7% in motor vehicles and parts, following a 22.5% growth in the previous month. The rebound is of note as motor vehicles and parts have been struggling in recent months due to supply chain issues, and export volumes are now close to reaching February 2020 (i.e. pre-pandemic) levels. Goods export prices declined 1.0%, as the prices of energy products export decreased 5.9%.

Goods import volumes increased 4.1%, the first increase since August 2022, with a notable 10.0% increase in volumes of motor vehicles and parts. Meanwhile, goods import prices decreased 1.0%, with a notable 6.1% decline in the prices of imports of farm, fishing and intermediate food products.

The WTI price of oil held steady at \$US78.12 per barrel in January, up slightly from \$US76.44 in December, but is significantly below the recent peak of \$US114.84 in June. The Canadian dollar appreciated 1.3% to reach 74.50 US cents on average in January, highest since September of last year.

## Goods Trade

(monthly % change in volume and price indices)







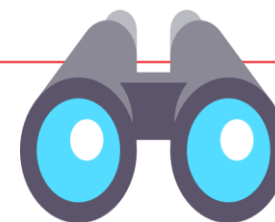
## WHAT TO WATCH

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- The Canadian economy stagnated in Q4 2022 after five consecutive quarters of expansion. Improved net trade and higher household and government spending were offset by slower inventory accumulations and declines in investments. On the bright side, progress was made in the fight to tame inflation as headline annual consumer inflation eased to 5.9% in January 2023. Noting the disappointing Q4 GDP growth, the Bank of Canada held interest rates at 4.5% on March 8, after raising rates at its last eight meetings.
- U.S. consumers remain resilient. Personal consumption expenditures surged by 1.8% month-over-month in nominal terms, or 1.1% in real terms, and retail sales data blew past expectations in January 2023. Canadian exports have benefited from the strength of U.S. consumption. However, this positive influence may moderate going forward as economic slowdown is still expected for the U.S. later this year.
- The Chinese economy continues to rebound following the lifting of COVID-19 restrictions. The official purchasing managers' index (PMI) for manufacturing hit 52.6 in February 2023, the highest level in more than a decade. Readings above 50 indicate expansion. While China has announced a relatively modest growth target of 5% this year, ongoing economic recovery is expected to boost demand for commodities which may benefit Canada.

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**Next Monthly Trade Release:** Wednesday, April 5





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

|                                   | Exports       |             |             | Imports       |            |             |
|-----------------------------------|---------------|-------------|-------------|---------------|------------|-------------|
|                                   | January, 2023 | m/m %       | YTD %       | January, 2023 | m/m %      | YTD %       |
| <b>Goods</b>                      | <b>67,024</b> | <b>4.2</b>  | <b>15.7</b> | <b>65,101</b> | <b>3.1</b> | <b>18.5</b> |
| Resource products                 | 39,801        | 3.2         | 12.4        | 21,355        | -1.4       | 12.6        |
| Energy products                   | 15,459        | -1.8        | 3.7         | 4,256         | -3.9       | 41.9        |
| Non-Resource products             | 25,461        | 5.8         | 21.7        | 41,384        | 6.2        | 22.4        |
| Industrial machinery & equipment  | 4,293         | 8.6         | 28.6        | 8,241         | 10.0       | 36.8        |
| Electronic & electrical equipment | 2,901         | 3.2         | 20.6        | 7,427         | 5.1        | 13.2        |
| Motor vehicles and parts          | 8,267         | 8.2         | 35.4        | 10,957        | 11.1       | 43.1        |
| Aircraft & other transportation   | 2,294         | 3.2         | 67.2        | 1,969         | -11.9      | 19.0        |
| Consumer goods                    | 7,705         | 3.6         | 0.0         | 12,790        | 3.8        | 7.4         |
| <b>Services</b>                   | <b>14,036</b> | <b>-1.3</b> | <b>14.3</b> | <b>16,337</b> | <b>5.2</b> | <b>23.3</b> |
| Commercial services               | 9,224         | -0.9        | 2.9         | 9,442         | 1.6        | 2.9         |
| Travel services                   | 3,044         | -2.9        | 62.7        | 3,608         | 15.0       | 158.8       |
| Transportation services           | 1,643         | -1.1        | 24.2        | 3,138         | 6.1        | 23.7        |
| Government services               | 124           | 1.6         | 3.3         | 149           | 3.5        | 1.4         |
| <b>Total Goods and Services</b>   | <b>81,060</b> | <b>3.2</b>  | <b>15.5</b> | <b>81,438</b> | <b>3.5</b> | <b>19.5</b> |

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, 2023 | m/m %      | YTD %       | January, 2023 | m/m %      | YTD %       |
| United States            | 50,316        | 3.3        | 11.8        | 41,282        | 2.3        | 17.6        |
| Mexico                   | 754           | -23.2      | -8.9        | 2,344         | 25.3       | 37.8        |
| European Union           | 3,034         | -6.4       | 16.5        | 6,350         | 11.1       | 28.2        |
| Germany                  | 692           | 51.8       | 61.4        | 1,854         | 9.1        | 46.0        |
| France                   | 394           | 13.7       | 79.1        | 563           | 8.1        | 24.1        |
| United Kingdom           | 1,732         | 36.0       | 13.3        | 989           | 7.5        | 44.8        |
| India                    | 480           | -39.2      | 48.6        | 471           | -18.0      | -2.3        |
| China                    | 3,019         | 20.7       | 51.3        | 5,198         | -1.2       | 18.3        |
| Japan                    | 1,512         | 5.0        | 3.7         | 1,043         | 2.1        | 15.5        |
| South Korea              | 555           | -9.3       | -22.7       | 860           | 10.8       | -5.9        |
| Rest of the world        | 5,622         | 18.3       | 62.7        | 6,566         | -1.1       | 13.2        |
| <b>Total Goods Trade</b> | <b>67,024</b> | <b>4.2</b> | <b>15.7</b> | <b>65,101</b> | <b>3.1</b> | <b>18.5</b> |

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.