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OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

OCTOBER 2023

OCTOBER

	Goods	Services	Total
Exports (\$ billions)	66.0	16.4	82.4
m/m	+0.1%	+0.3%	+0.1% ▲
YTD	-1.9%	+14.1%	+0.9%
Imports (\$ billions)	63.0	17.7	80.7
m/m	-2.8%	-0.5%	-2.3% ▼
YTD	+1.3%	+11.9%	+3.4%
Balance (\$ billions)	+3.0	-1.3	+1.7
m/m (\$ billions)	+1.8	+0.1	+2.0 ▲

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.

Data: Statistics Canada. Balance of payments basis, seasonally adjusted.

Source: Office of the Chief Economist, Global Affairs Canada.

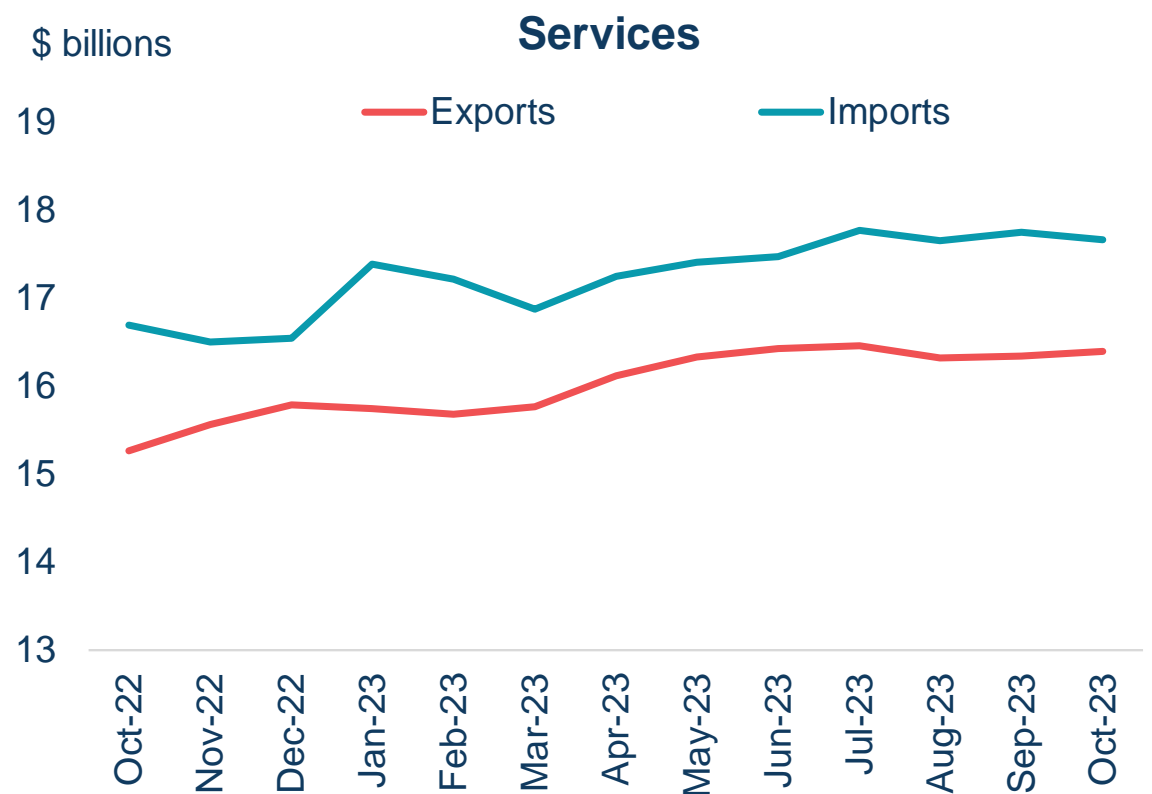
HIGHLIGHTS

- In October, Canada's exports edged up, driven by exports to countries other than the U.S. Meanwhile, imports fell due to lower gold and auto imports.
- Canada's goods and service exports rose 0.1%. Higher exports of aircraft and other transportation equipment offset lower energy and chemical exports. Service exports were up due to travel and transportation services.
- Meanwhile, goods and service imports fell 2.3%. Auto imports dropped for the first time in seven months, while decreased gold asset transfers in the banking sector led to lower gold imports. For services, higher travel service imports (Canadians travelling overseas) partially offset decreases in other categories.
- Both goods exports and imports to the U.S. fell, with imports dropping more than exports. Goods exports to countries outside the U.S. rose while imports, mostly from China, Japan, and Mexico, decreased.
- Excluding price effects, the volumes of goods exports edged down 0.2%, while import volumes fell 3.2%.



CANADA'S MONTHLY TRADE PERFORMANCE

(International trade in goods and services)



Data: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.
Source: Office of the Chief Economist, Global Affairs Canada.

INDUSTRY VIEW—EXPORTS

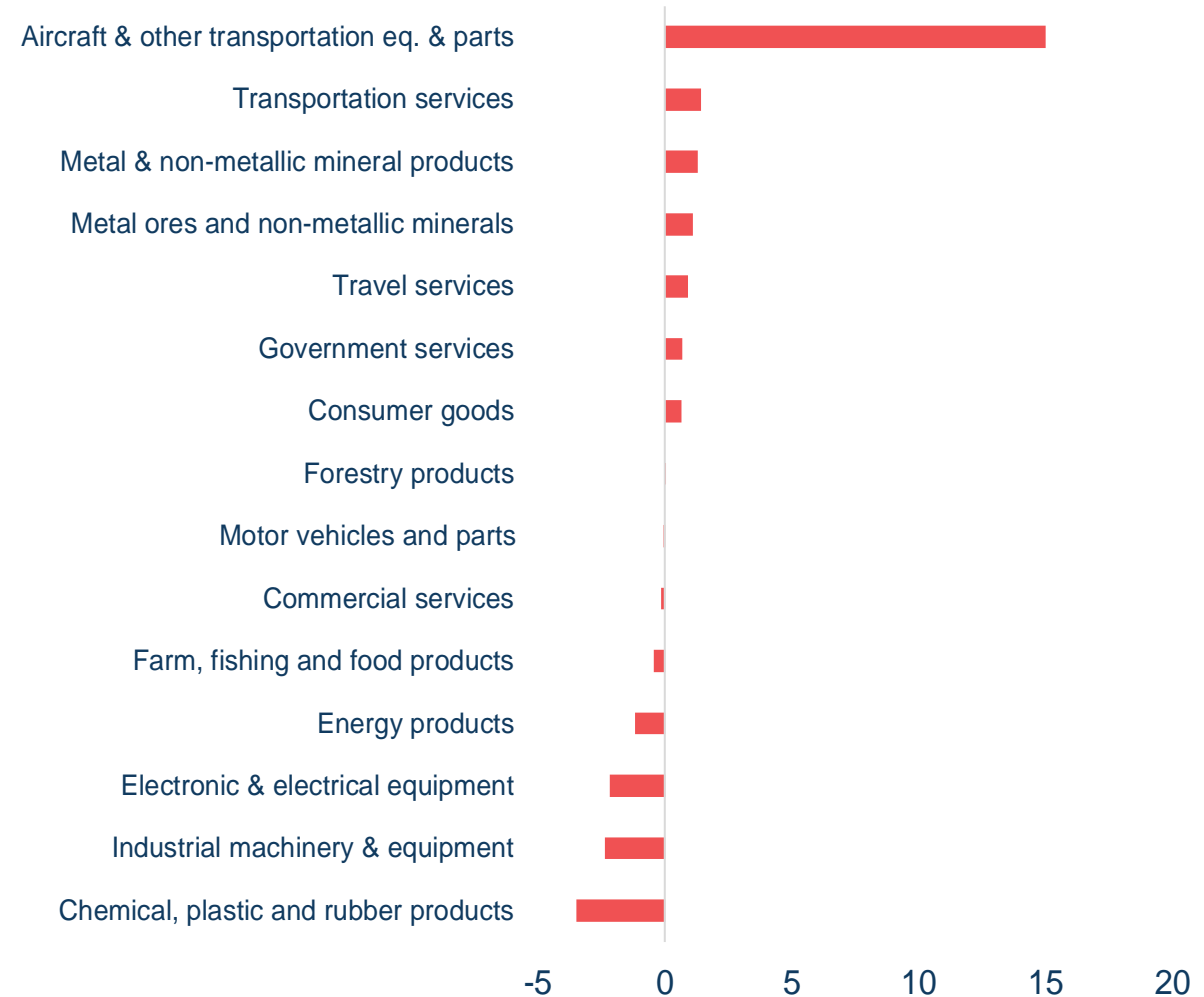
Exports increased month-over-month in 5 of the 11 goods categories, and 3 of the 4 service categories.

Most notably, exports of aircraft and other transportation equipment and parts grew 15.0% to reach \$2.9 billion, its highest level since January 2021. Exports of metal ores and non-metallic minerals, and metal and non-metallic mineral products also rose by 1.1% and 1.3%, respectively.

In contrast, exports of energy products declined by 1.2%, as crude oil exports were lower in October after rising considerably in the third quarter. Exports of basic and industrial chemical, plastic and rubber products were down 3.5%, led by the decrease in exports of lubricants and other petroleum refinery products (-12.8%) due to lower prices.

In terms of service exports, travel services (+0.9%) and transportation services (+1.4%) were higher month-over-month, but exports of commercial services edged down 0.2%.

Exports by industry and sector (monthly % change)



Data: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.

Source: Office of the Chief Economist, Global Affairs Canada.

INDUSTRY VIEW—IMPORTS

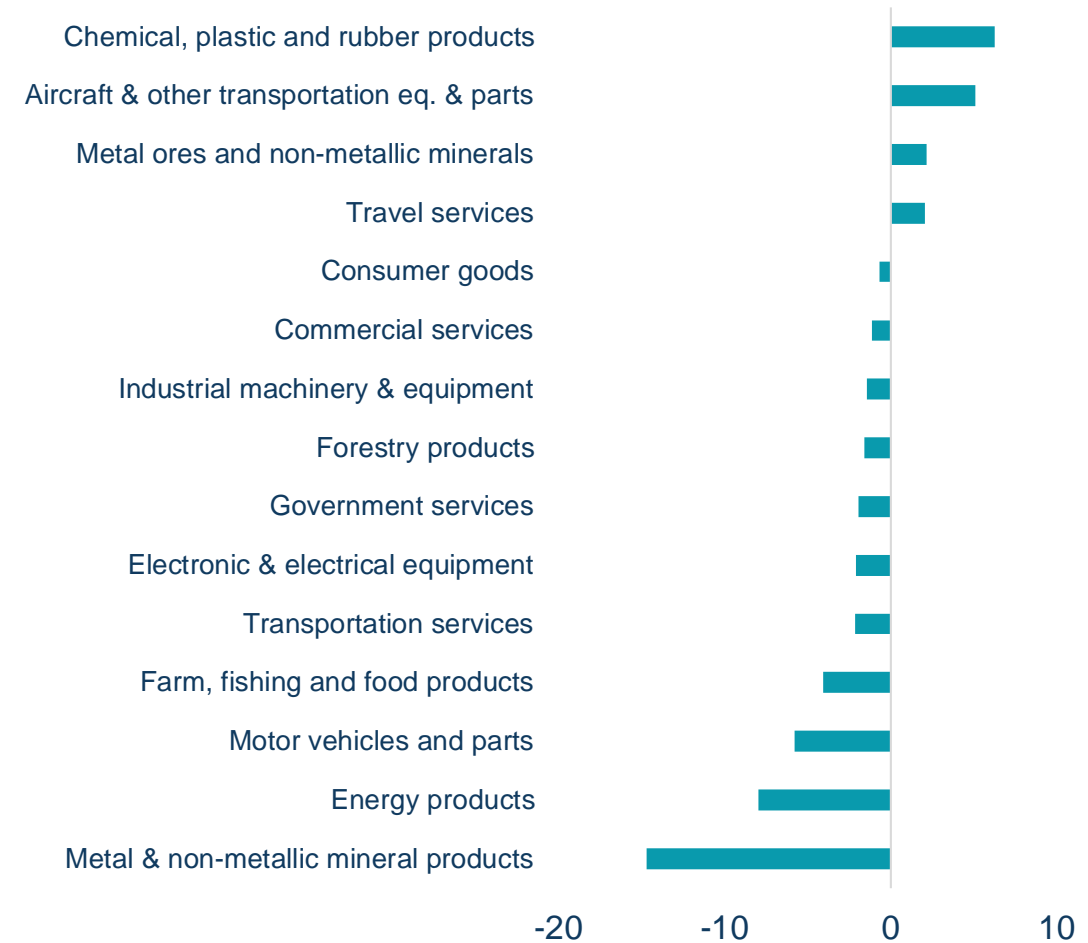
Imports decreased month-over-month in 8 of the 11 goods categories, and 3 of the 4 service categories.

Imports of metal and non-metallic mineral products fell 14.7%. This was driven by a sharp drop in imports of unwrought gold as gold asset transfers in the banking sector decreased. Meanwhile, imports of motor vehicles and parts (-5.8%) recorded their first monthly decline in seven months. The decrease was broad-based, with passenger cars and light trucks, the largest sub-category, falling by 5.2%.

These large monthly decreases were only partially offset by increases in imports of basic and industrial chemical, plastic and rubber products (+6.3%), as well as aircraft and other transportation equipment and parts (+5.1%).

For services, lower payments for maritime transport services related to goods imports contributed to the overall monthly decline in imports of transportation services (-2.1%). Commercial services also fell 1.1%. These decreases were partially offset by imports of travel services, which rose 2.1% as Canadians spent more on overseas travel.

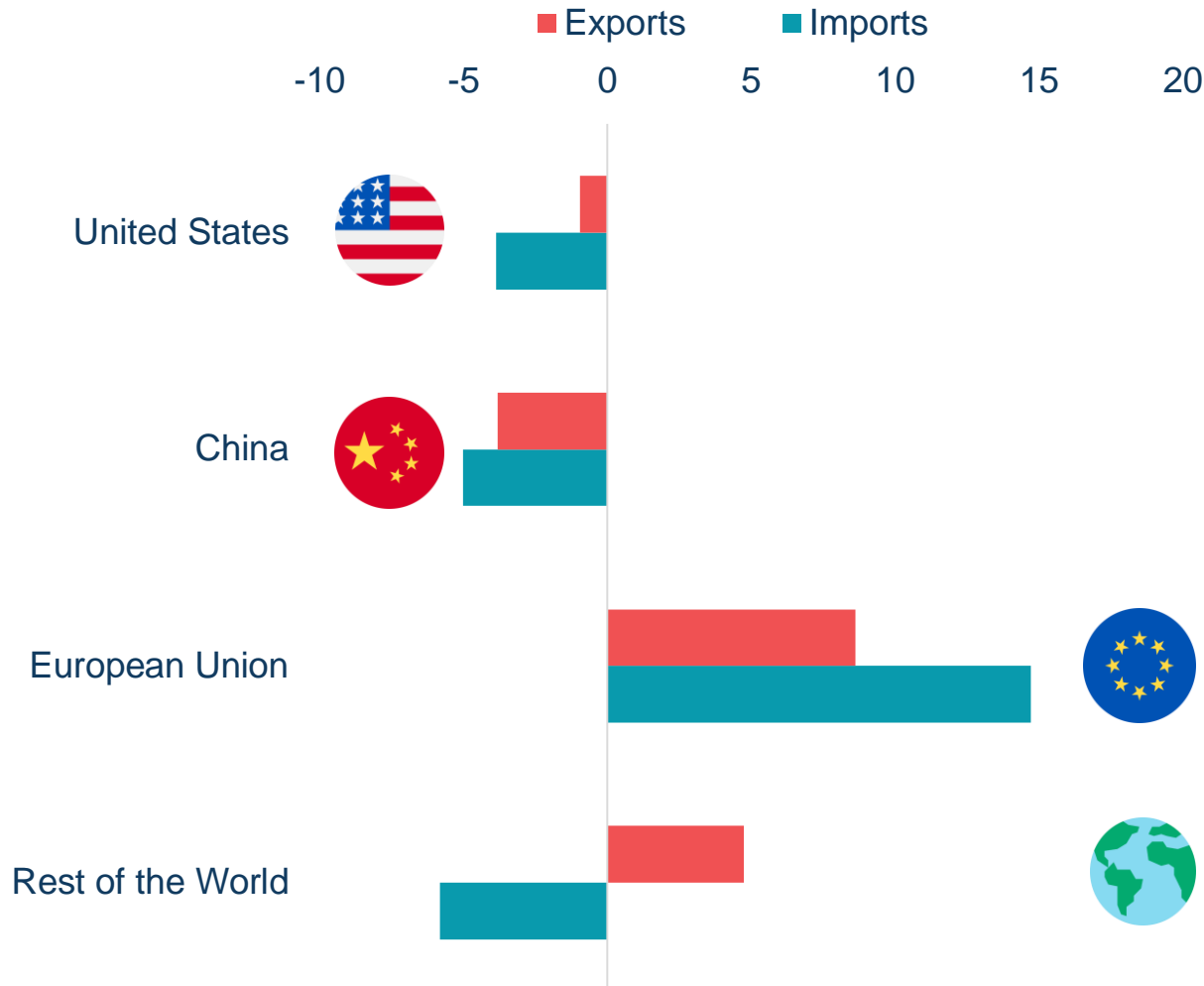
Imports by industry and sector (monthly % change)



Data: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.

Source: Office of the Chief Economist, Global Affairs Canada.

Goods trade by main markets (monthly % change)



GLOBAL MARKETS

On falling energy exports, Canadian goods exports to the U.S. declined 1.0% in October after rising for the past three months. Goods imports dropped 3.9%. Lower auto imports contributed to this decline, as strikes by U.S. auto workers in October led to unstable supply. As imports fell faster than exports, Canada's goods trade surplus with the U.S. widened from \$11.0 billion in September to \$12.1 billion in October.

Offsetting the losses in goods exports to the U.S., exports to other countries rose 3.9% in October. This was driven by higher exports to Saudi Arabia (other transportation equipment), the Netherlands (iron ore), Italy (aircraft), and Switzerland (unwrought gold). Meanwhile, total goods imports from countries outside the U.S. fell 0.9%, as there were broad-based decreases in imports of various products from Japan and China. Imports of passenger cars from Mexico also fell in October after rising significantly in September.

With exports growing and imports edging down, Canada's goods trade deficit with countries outside the U.S. narrowed from \$9.9 billion in September to \$9.1 billion in October.

PRICES AND VOLUMES

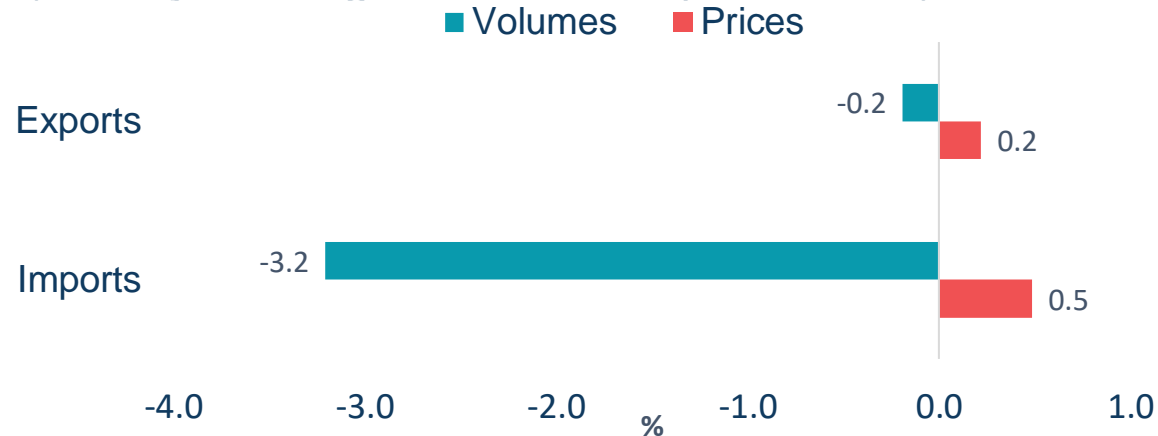
Goods exports and imports decreased in real terms in October. Export volumes edged down by 0.2%, while import volumes dropped by 3.2%.

Both export and import prices were up slightly, by 0.2% and 0.5%, respectively. This was despite the weakness in crude oil prices. The Western Canada Select (WCS) oil price dropped to \$85.99 per barrel in October, from \$95.38 in September.

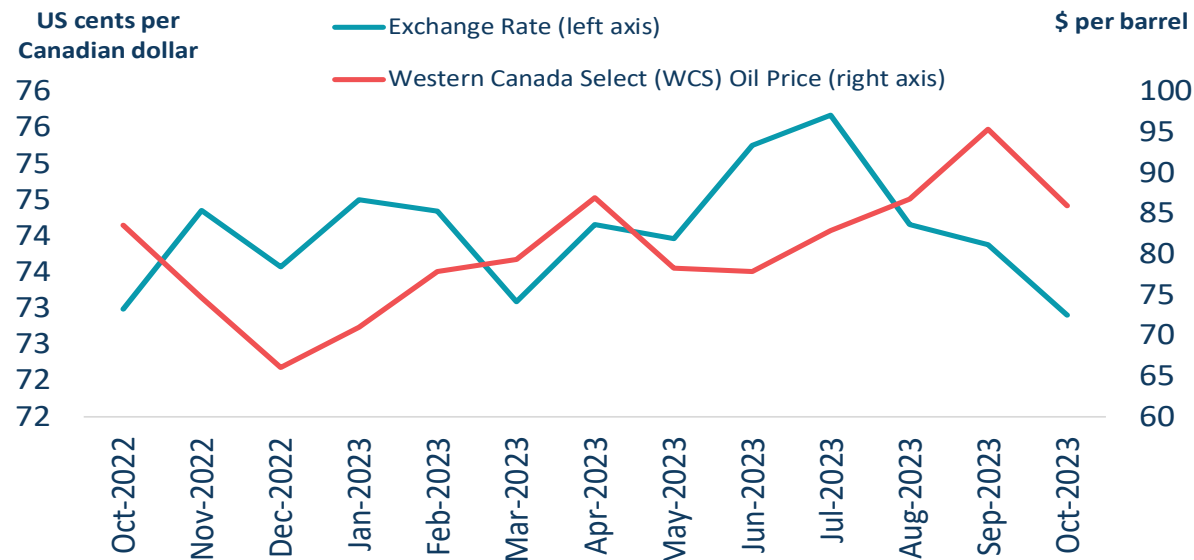
The Canadian dollar depreciated by 0.98 US cents to 72.90 US cents per Canadian dollar in October.

Goods trade

(monthly % change in volume and price indices)



Exchange rate & oil price



Data: Statistics Canada Table 12-10-0168-01. Balance of payments basis, seasonally adjusted.
 Bank of Canada Monthly Exchange Rate. Haver Analytics.
 Source: Office of the Chief Economist, Global Affairs Canada.

WHAT TO WATCH

- Canadian real GDP declined by 1.1% (annualized) in the third quarter, after increasing by 1.4% in Q2 (revised). Meanwhile, headline inflation slowed to 3.1% in October. While noting the progress in the fight against inflation, the Bank of Canada decided to hold its benchmark interest rate at 5% in December.
- Private-sector economists surveyed by the Department of Finance for the Fall Economic Statement expect Canada's growth to slow to 0.4% in 2024 as the base case. Under a "downside scenario" of sticky inflation and weaker global growth, Canada may enter a shallow recession, with real GDP contracting 1.7% from peak to trough.
- The outlook for the U.S. has turned more sanguine as headline CPI inflation slowed to 3.2% in October. A recession is no longer the base case, as forecasters surveyed by the Federal Reserve expect the U.S. economy to slow in 2024 but still grow by 1.3%.
- The IMF upgraded their GDP growth forecasts for China to 5.4% in 2023 and 4.6% in 2024. However, mixed high-frequency data suggest an uneven economic recovery. Retail sales accelerated in October, but manufacturing activity contracted based on official purchasing managers' index data. In addition, the property sector remains the largest drag on growth.

Next Monthly Trade Release: Tuesday, January 9

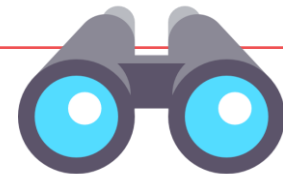




Table 1: Trade by industry sector
(\$ millions)

	Exports			Imports		
	Oct. 2023	m/m %	YTD %	Oct. 2023	m/m %	YTD %
Goods	65,981	0.1	-1.9	63,013	-2.8	1.3
Primary products	38,198	-0.6	-11.0	19,709	-4.5	-7.4
Energy products	15,895	-1.2	-22.1	3,330	-8.0	-13.5
Non-primary products	26,007	1.0	14.5	40,779	-2.4	6.3
Industrial machinery & equipment	4,272	-2.4	13.4	7,153	-1.4	9.3
Electronic & electrical equipment	2,745	-2.2	9.4	6,849	-2.1	0.6
Motor vehicles and parts	8,817	-0.1	27.0	12,389	-5.8	20.9
Aircraft & other transportation eq. & parts	2,854	15.0	24.8	2,084	5.1	12.2
Consumer goods	7,319	0.6	2.2	12,304	-0.7	-4.1
Services	16,390	0.3	14.1	17,663	-0.5	11.9
Commercial services	10,457	-0.2	9.0	10,326	-1.1	6.8
Travel services	4,133	0.9	36.2	4,405	2.1	44.5
Transportation services	1,650	1.4	5.2	2,779	-2.1	-4.1
Government services	150	0.7	8.0	154	-1.9	5.4
Total goods and services	82,371	0.1	0.9	80,676	-2.3	3.4

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.

Data: Statistics Canada Tables 12-10-0163-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.

Source: Office of the Chief Economist, Global Affairs Canada.

Table 2: Goods trade by main markets
(\$ millions)

	Exports			Imports		
	Oct. 2023	m/m %	YTD %	Oct. 2023	m/m %	YTD %
United States	51,361	-1.0	-1.2	39,271	-3.9	2.7
Mexico	776	-9.0	0.6	2,425	-6.3	17.2
European Union	3,062	8.6	-3.7	6,384	14.7	7.7
Germany	543	-4.9	-8.5	1,792	3.7	16.7
France	310	-25.6	10.6	466	-3.5	6.7
United Kingdom	1,084	-2.3	-28.4	708	10.2	9.8
Indo-Pacific region	5,874	-3.7	-3.2	8,799	-8.8	-9.4
China	2,535	-3.8	8.9	4,919	-5.0	-15.1
Japan	1,151	-1.4	-14.3	1,307	-18.4	22.4
Hong Kong SAR	320	-50.0	46.3	285	-10.9	-21.2
South Korea	620	2.2	-24.2	1,073	-1.7	-0.7
India	423	8.0	-2.0	395	-26.3	-14.0
Australia	268	22.3	-4.2	216	-8.5	18.4
Taiwan	177	10.8	-21.6	342	-11.5	-20.4
Indonesia	245	52.7	-29.4	131	-8.0	-20.7
Singapore	137	10.8	9.0	133	-11.4	15.7
Rest of the world	3,824	20.0	3.8	5,427	-1.6	-3.4
Total goods trade	65,981	0.1	-1.9	63,013	-2.8	1.3

Notes: The Indo-Pacific region total includes only the 9 markets for which data are available. "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.

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

Source: Office of the Chief Economist, Global Affairs Canada.