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ECONOMIST

# MONTHLY TRADE REPORT

## FEBRUARY 2023

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	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
<b>Exports</b>	\$65.0 billion (-2.4%) [+10.5%]	\$14.0 billion (-1.3%) [+13.6%]	\$79.0 billion (-2.2%) ▼ [+11.0%]
<b>Imports</b>	\$64.6 billion (-1.3%) [+15.0%]	\$16.2 billion (+0.4%) [+22.6%]	\$80.8 billion (-1.0%) ▼ [+16.4%]
<b>Balance</b>	+\$0.4 billion (-\$0.8 billion)	-\$2.2 billion (-\$0.2 billion)	-\$1.8 billion (-\$1.0 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.

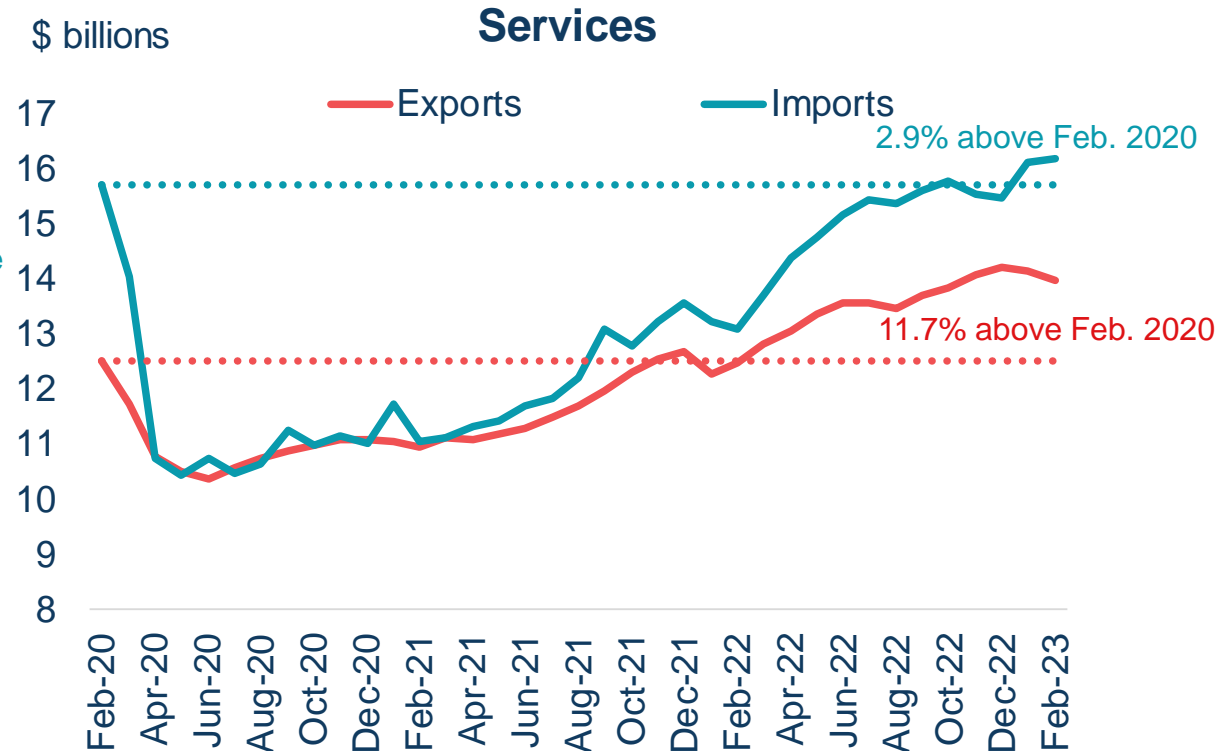
## HIGHLIGHTS

- Following strong performance in January, Canadian exports and imports of goods and services declined in February.
- Total exports of goods and services fell 2.2% to \$79.0 billion, weighed down by broad-based declines in most product sectors, with aircraft and other transportation equipment and parts leading the way. Meanwhile, total imports of goods and services were down 1.0% to \$80.8 billion, as auto-related imports and imports of industrial machinery, equipment and parts moderated.
- Exports of goods to the U.S. (-0.9%) and countries other than the U.S. (-7.2%) were down, as increases in exports to China (+4.7%) were offset by sharp declines in goods exports to the European Union (-7.6%), the UK (-33.3%), and India (-46.1%).
- Stripping out prices, goods export volumes were down 0.9% while goods import volumes decreased 0.8% in February.
- Canadian services imports rose 0.4% while services exports fell 1.3%. Exports and imports of travel services both increased, by 2.3% and 1.0% respectively, while lower receipts for transportation services (-4.3%) and commercial services (-2.0%) weighed on overall services exports.



# CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



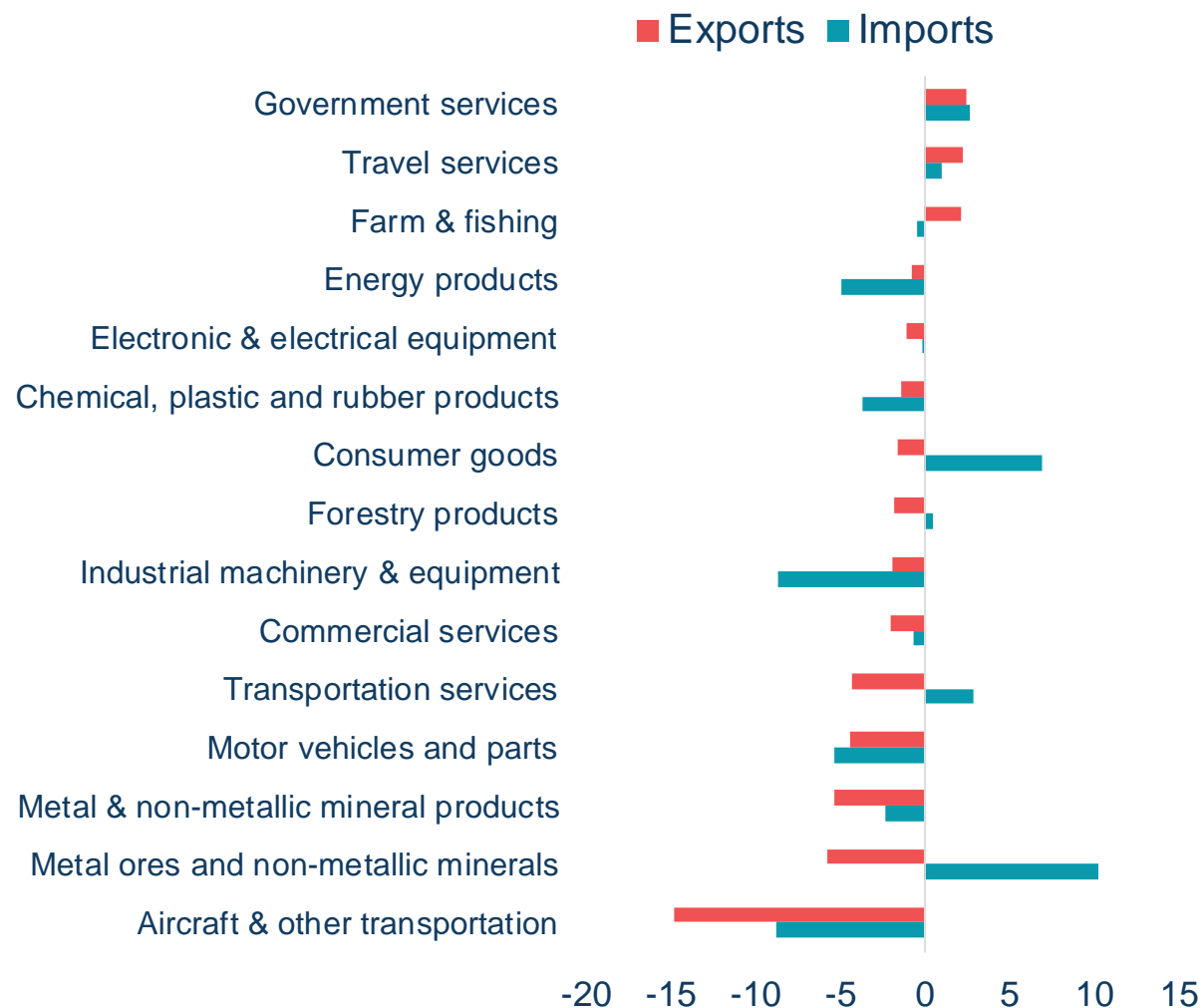
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.  
Balance of payments basis, seasonally adjusted.

# INDUSTRY VIEW

In February, exports decreased in 10 of the 11 goods product sectors, and 2 of the 4 services sectors. Farm, fishing and intermediate food products was the only goods product sector that saw an increase in February (+2.1%). In contrast, exports of aircraft and other transportation equipment and parts recorded the largest decline (-14.9%), driven by lower exports of private jets and commercial aircrafts. Exports of motor vehicles and parts fell 4.4%, led by a decrease in the exports of passenger cars and light trucks (-7.3%), even so, two-way trade for this product category during the first two months of 2023 was still much higher than the same period of 2022. While supply chain issues are improving significantly, they are still resulting in monthly swings in auto-related trade. Exports of transportation (-4.3%) and commercial services (-2.0%) both decreased, while travel services exports rose 2.3%.

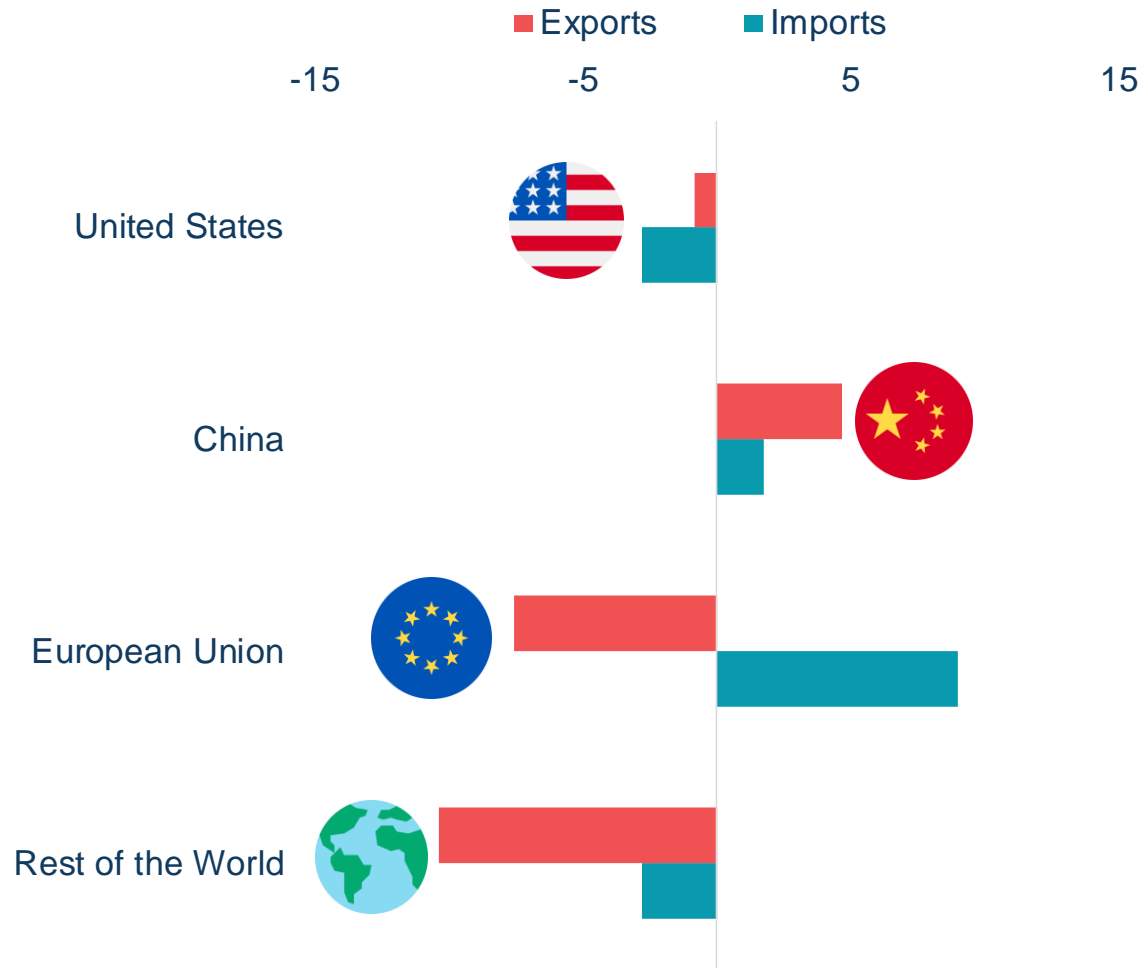
Imports decreased in 8 out of 11 goods product sectors in February, but only in 1 out of 4 services sectors. Imports of industrial machinery, equipment and parts fell 8.7% in February, following a record high in January. Irregular deliveries of modules and parts for the new liquefied natural gas terminal construction project in British Columbia continued to drive significant swings in monthly import values for this product group. Meanwhile, a slowdown in vehicle production in February led to a drop in -imports of motor vehicles and parts (-5.3%). On the other hand, imports of consumer goods gained 6.9% in February, largely on pharmaceutical products. Imports of commercial services edged downward (-0.7%), while imports of transportation services (+2.9%) and travel services (+1.0%) both increased.

## 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

Canada-U.S. bilateral trade in goods weakened in February, with imports falling more than exports (-2.8% vs -0.9%, respectively). As a result, Canada's goods trade surplus with the U.S. recorded a third consecutive monthly increase, reaching \$9.3 billion in February.

Goods exports to countries other than the U.S. decreased 7.2% in February. The decline was driven by a 33.3% drop in exports to the UK largely due to decreased gold exports, and lower exports to India (-46.1%) in miscellaneous products. An exception to the overall drop was exports to China, which posted a monthly gain (+4.7%) mainly on higher exports of agricultural products and coal.

In contrast, goods imports from countries other than the U.S. rose 1.3%. Even though imports of pharmaceutical products from Switzerland and Belgium declined, total imports for this product sector still increased sharply in February, driven by large shipments of drugs unrelated to COVID-19 from Ireland. On the other hand, imports of industry-specific manufacturing machinery from Italy fell. Overall, the Canadian goods trade deficit with countries other than the U.S. widened to \$8.9 billion in February.

\*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

Canada's trade in goods fell in terms of both volumes and prices in February.

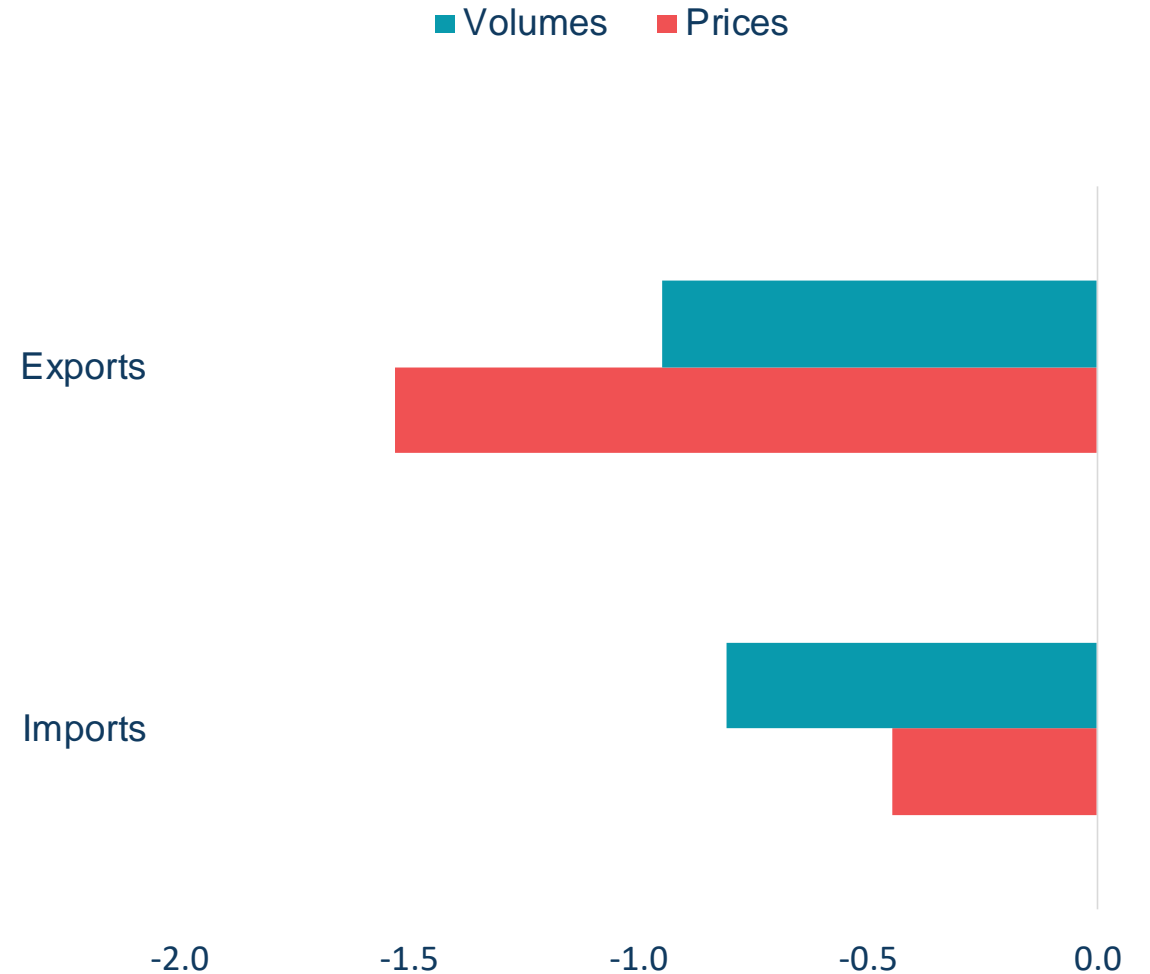
After the recent high in January, good export volumes fell by 0.9% in February. Prices of good exports fell by a total of -1.5%, with declines observed in every product category except for metal ores and non-metallic mineral products.

Following a 4.7% gain in the previous month, good import volumes fell by 0.8% in February. The import volumes of consumer goods proved to be resilient, rising by 10.1% on a monthly basis. Good import prices fell by 0.4% in February, with the price of energy product imports (-5.8%) representing the largest decline by product sector.

The WTI price of oil dipped 1.7% to \$US76.83 per barrel in February, and remains significantly below its peak of \$US114.84 in June. After appreciating in January, the Canadian dollar dipped slightly, down -0.2% to 74.35 US cents on average in February.

## Goods Trade

(monthly % change in volume and price indices)



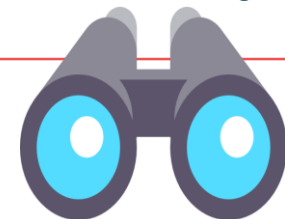
# WHAT TO WATCH

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- Early indications suggest that Canada has demonstrated economic resiliency in the start of 2023. Real GDP grew by 0.5% in January, and 0.3% growth is estimated for February. Meanwhile, employment and wage growth have held up well. These developments are encouraging, especially against a backdrop of decelerating inflation.
- The federal budget, tabled on March 28th, projects a \$40B deficit in 2023-24 amidst a projected deceleration in economic growth and increased spending on priorities such as health care and living costs. It also unveiled new tax credits for investments into green industries, such as hydrogen and clean-tech manufacturing, which could make Canada better positioned to meet the growing global demand for clean technology. From 2012 to 2021, Canada's clean-tech exports increased by over 108%.
- Following bank collapses in the U.S. and the emergency takeover of Credit Suisse, economists are expecting tighter credit conditions in the U.S. and Europe. A dampening of economic activities, such as decreased business investment, may result in spillover effects on trade.
- On April 2nd, OPEC+ announced unexpected cuts to oil output targets. Oil prices surged in response, which may boost Canada's oil exports in the short run. However, the sustainability of higher oil prices will also depend on demand dynamics. Some analysts have called OPEC+'s move a pre-emptive step in case of possible demand reductions from weaker global growth.

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**Next Monthly Trade Release:** Thursday, May 4



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

	Exports			Imports		
	February, 2023	m/m %	YTD %	February, 2023	m/m %	YTD %
<b>Goods</b>	<b>65,034</b>	<b>-2.4</b>	<b>10.5</b>	<b>64,611</b>	<b>-1.3</b>	<b>15.0</b>
Resource products	38,827	-1.7	5.9	21,033	-1.6	7.3
Energy products	15,136	-0.8	-3.2	4,035	-4.9	29.4
Non-Resource products	24,447	-3.7	18.5	41,079	-1.4	19.5
Industrial machinery & equipment	4,225	-1.9	25.3	7,507	-8.7	27.8
Electronic & electrical equipment	2,873	-1.1	16.9	7,451	-0.1	11.5
Motor vehicles and parts	7,895	-4.4	31.9	10,354	-5.3	33.0
Aircraft & other transportation	1,935	-14.9	22.1	1,959	-8.8	25.6
Consumer goods	7,518	-1.6	3.8	13,808	6.9	10.0
<b>Services</b>	<b>13,971</b>	<b>-1.3</b>	<b>13.6</b>	<b>16,188</b>	<b>0.4</b>	<b>22.6</b>
Commercial services	9,076	-2.0	2.5	9,283	-0.7	4.0
Travel services	3,178	2.3	60.5	3,580	1.0	149.0
Transportation services	1,589	-4.3	19.5	3,172	2.9	18.3
Government services	127	2.4	5.5	153	2.7	3.4
<b>Total Goods and Services</b>	<b>79,005</b>	<b>-2.2</b>	<b>11.0</b>	<b>80,799</b>	<b>-1.0</b>	<b>16.4</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		
	February, 2023	m/m %	YTD %	February, 2023	m/m %	YTD %
United States	49,526	-0.9	8.5	40,235	-2.8	15.3
Mexico	864	12.7	-1.7	2,226	-6.7	30.0
European Union	2,799	-7.6	8.2	6,947	9.0	29.8
Germany	519	-25.0	30.9	1,850	-0.5	43.6
France	445	10.9	63.2	502	-11.8	18.4
United Kingdom	1,155	-33.3	-16.7	830	-17.8	19.4
India	239	-46.1	-8.8	501	2.3	5.0
China	3,150	4.7	47.1	5,332	1.7	5.1
Japan	1,504	-0.3	-1.0	1,018	-3.7	9.8
South Korea	535	-4.9	-22.4	976	11.6	3.3
Rest of the world	5,262	-6.9	43.2	6,546	-1.2	7.0
<b>Total Goods Trade</b>	<b>65,034</b>	<b>-2.4</b>	<b>10.5</b>	<b>64,611</b>	<b>-1.3</b>	<b>15.0</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.