



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada

Because
Business
Matters.

Parce que les
affaires sont
importantes.

Overview of the Trade Landscape

Queen's Institute on Trade Policy

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November 15, 2021

Outline

The pandemic economy and global trade

Canada's trade performance

Prospects to grow & diversify Canada's trade



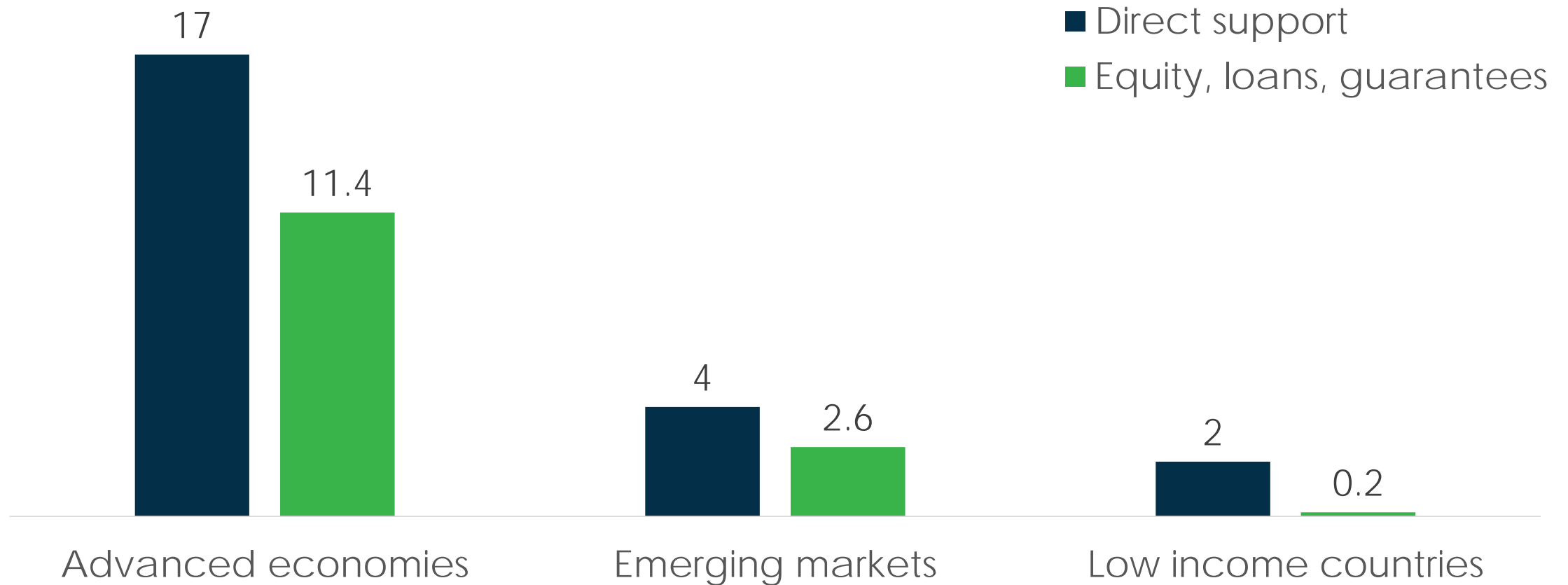
Unparalleled economic disruption

Net job loss in Canadian recessions
Thousands



Huge policy response in advanced economies

Fiscal policy response
% of GDP



Gov't transfers raised personal income

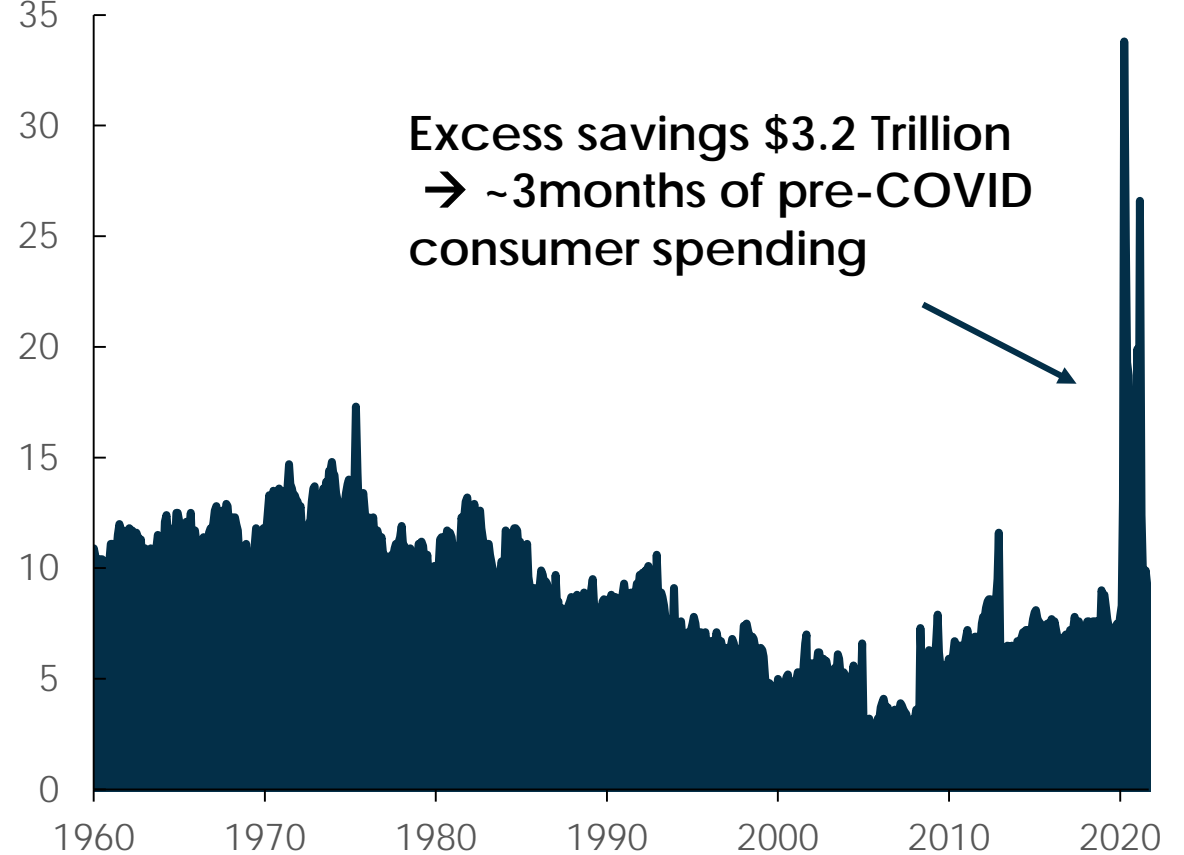
Monthly change in U.S. personal income components

Trillions, USD



Personal savings rate

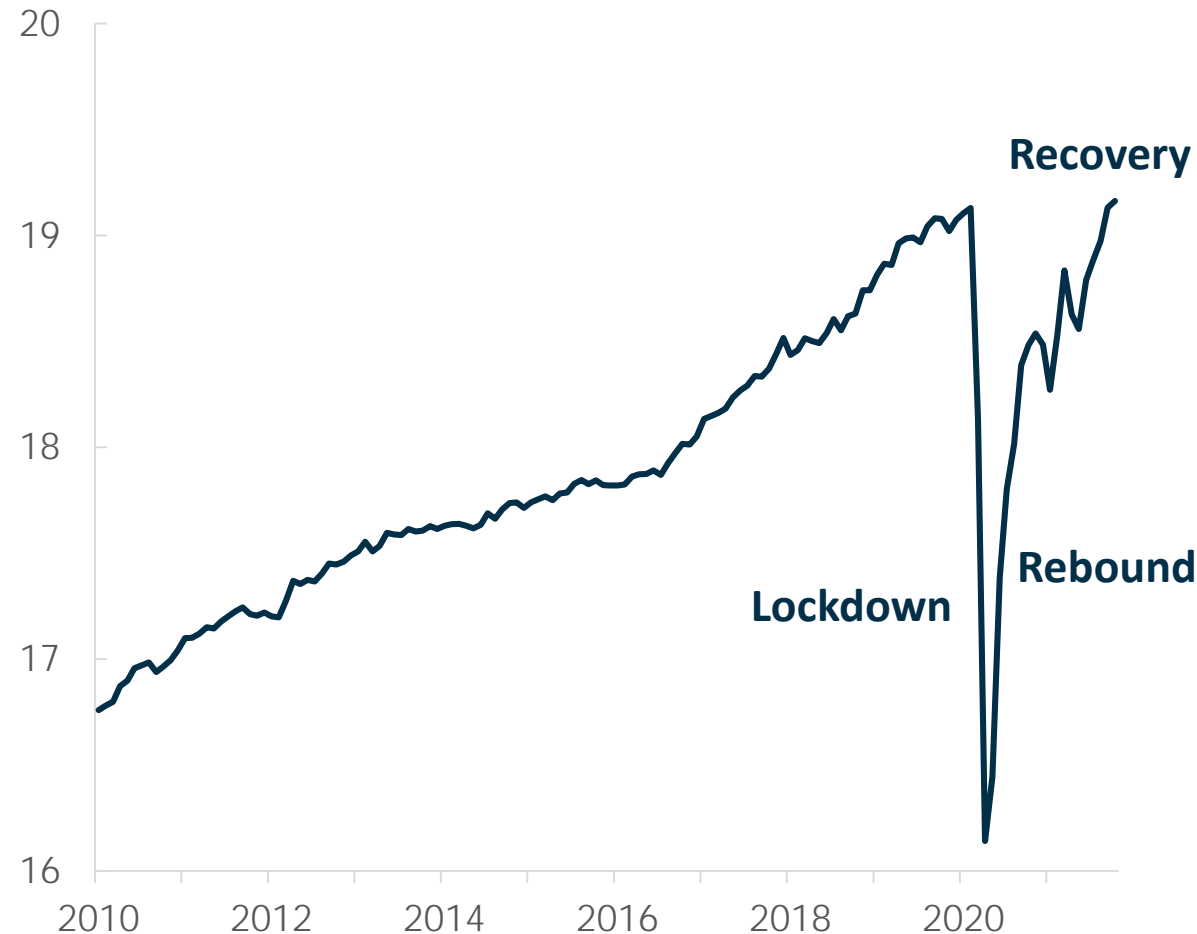
%



Canadian jobs back to pre-pandemic level, but big shifts across industries

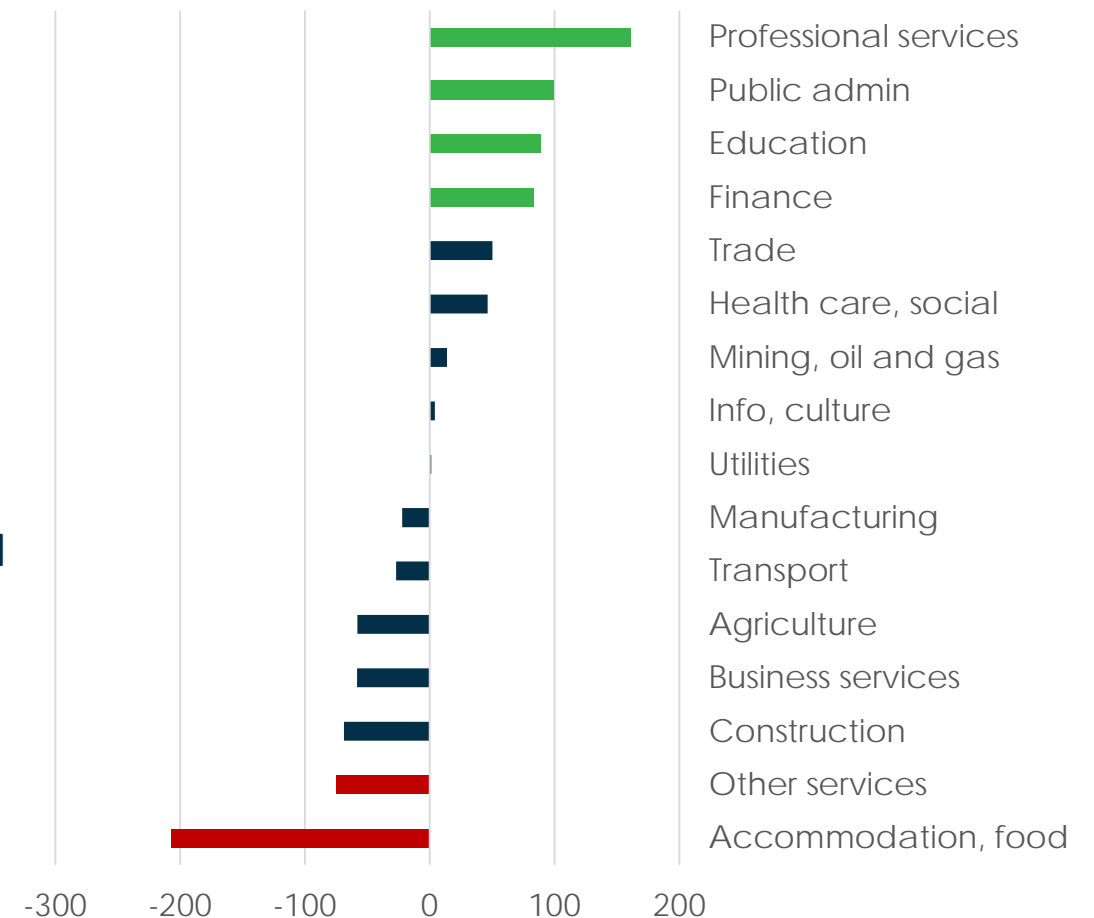
Total employment

Millions of jobs



Employment by industry

Change since Feb 2020



Global trade during COVID

Canada's trade performance

Prospects to grow & diversify Canada's trade





Dire initial predictions

"2020 will show a trade collapse far larger than 2008-09, since COVID is a demand and supply shock, while the great trade collapse was mostly a demand shock."

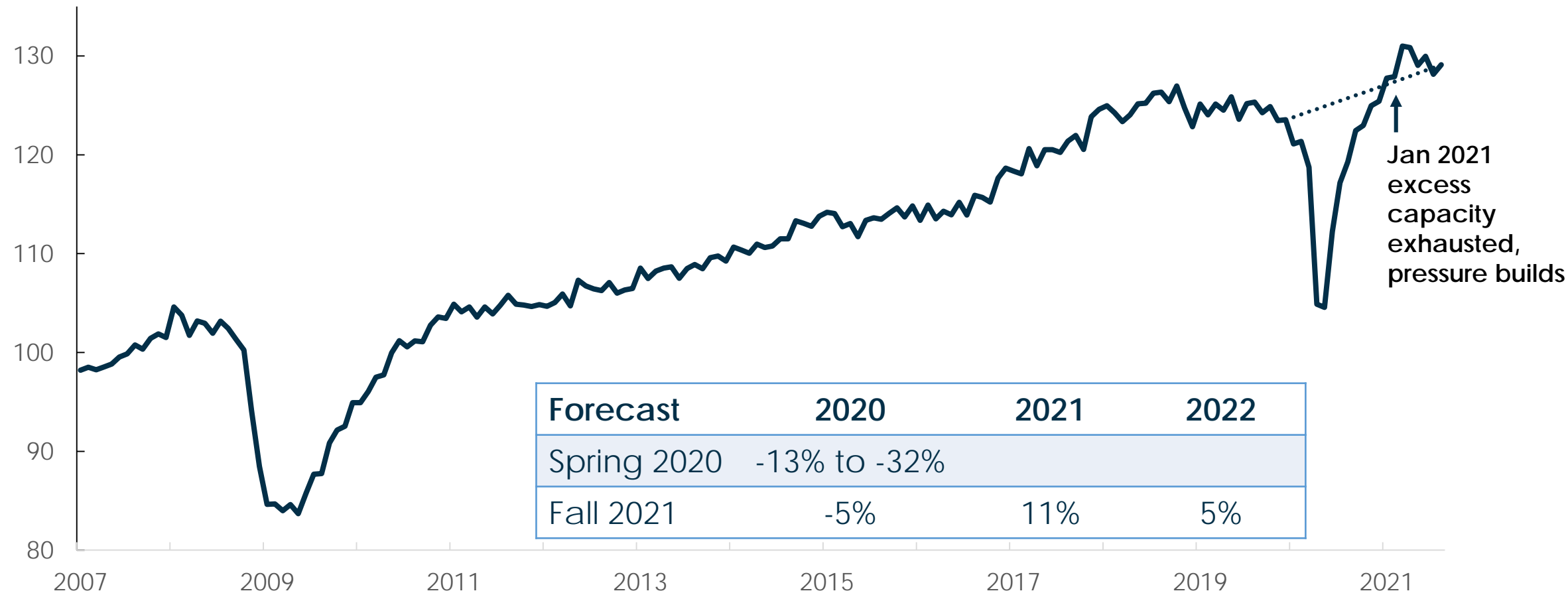
[Richard Baldwin, April 7, 2020](#)



Goods trade greatly exceeded expectations

Global merchandise trade volumes

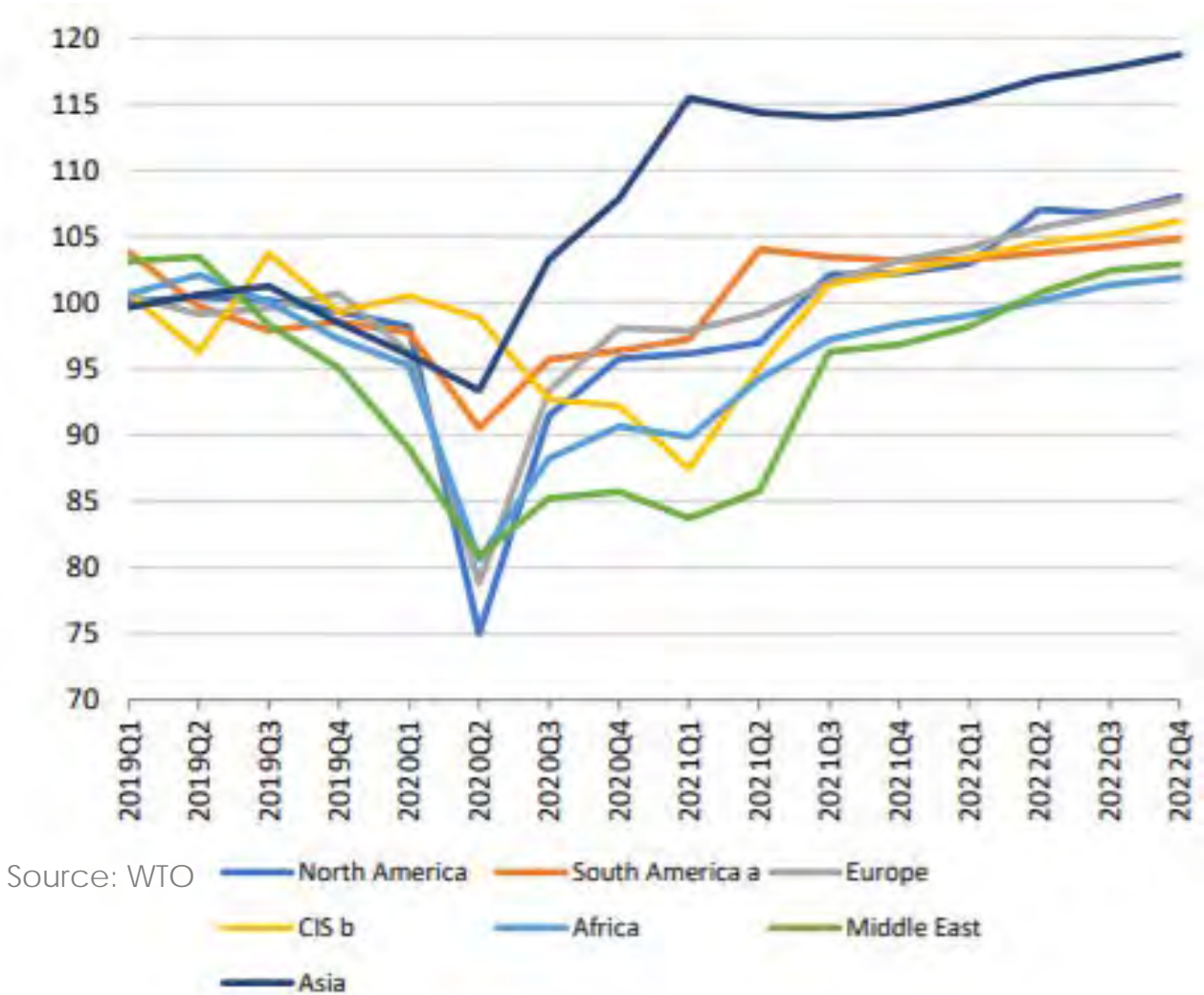
Index 2010=100



Led by Asian goods exports

Goods exports by region

Index 2019=100



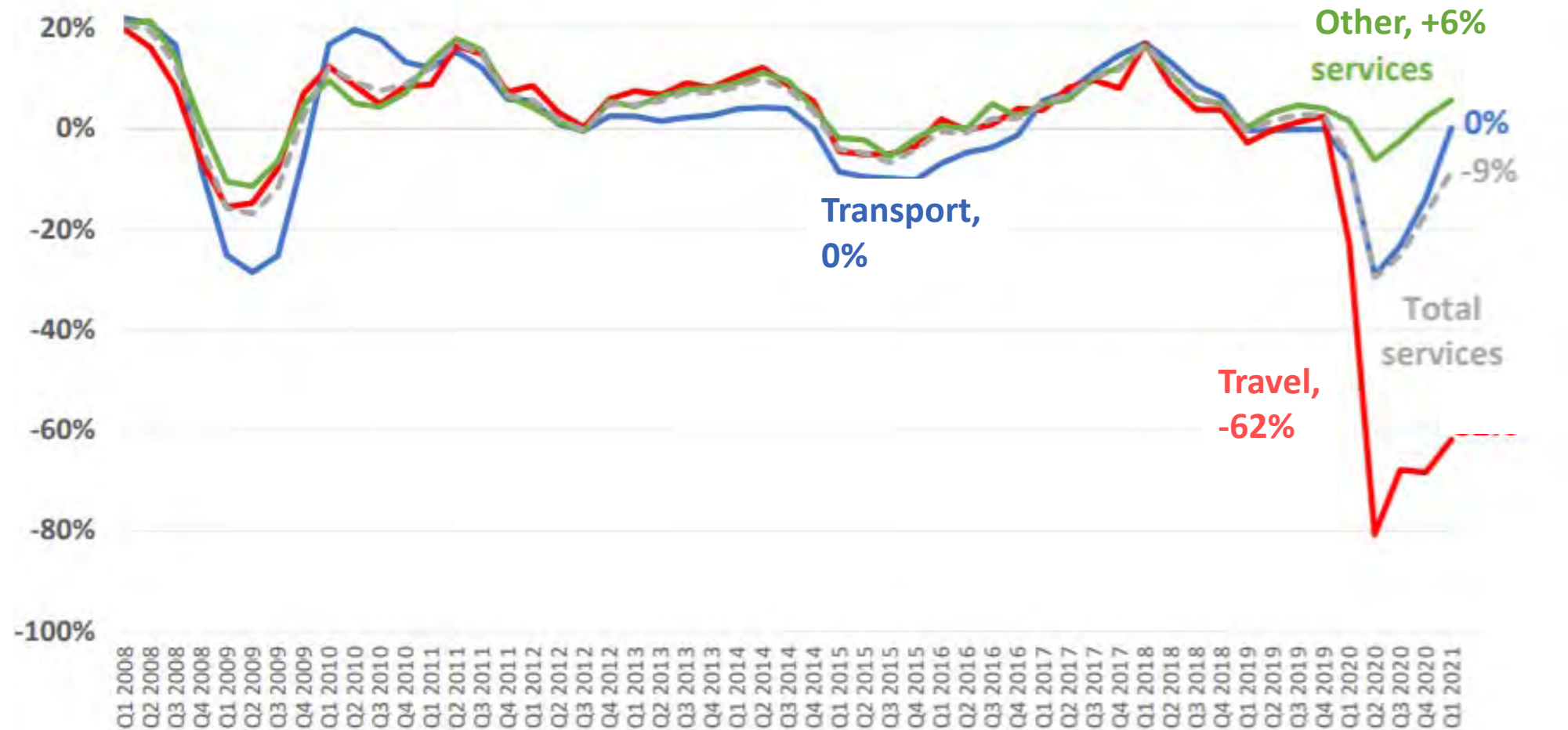
	Export growth 2019-2021, %
Asia	14.7
South America	2.2
Europe	1.0
North America	-0.6
Africa	-2.4
Middle East	-7.2



Services trade hit harder, especially travel

Global services trade volumes

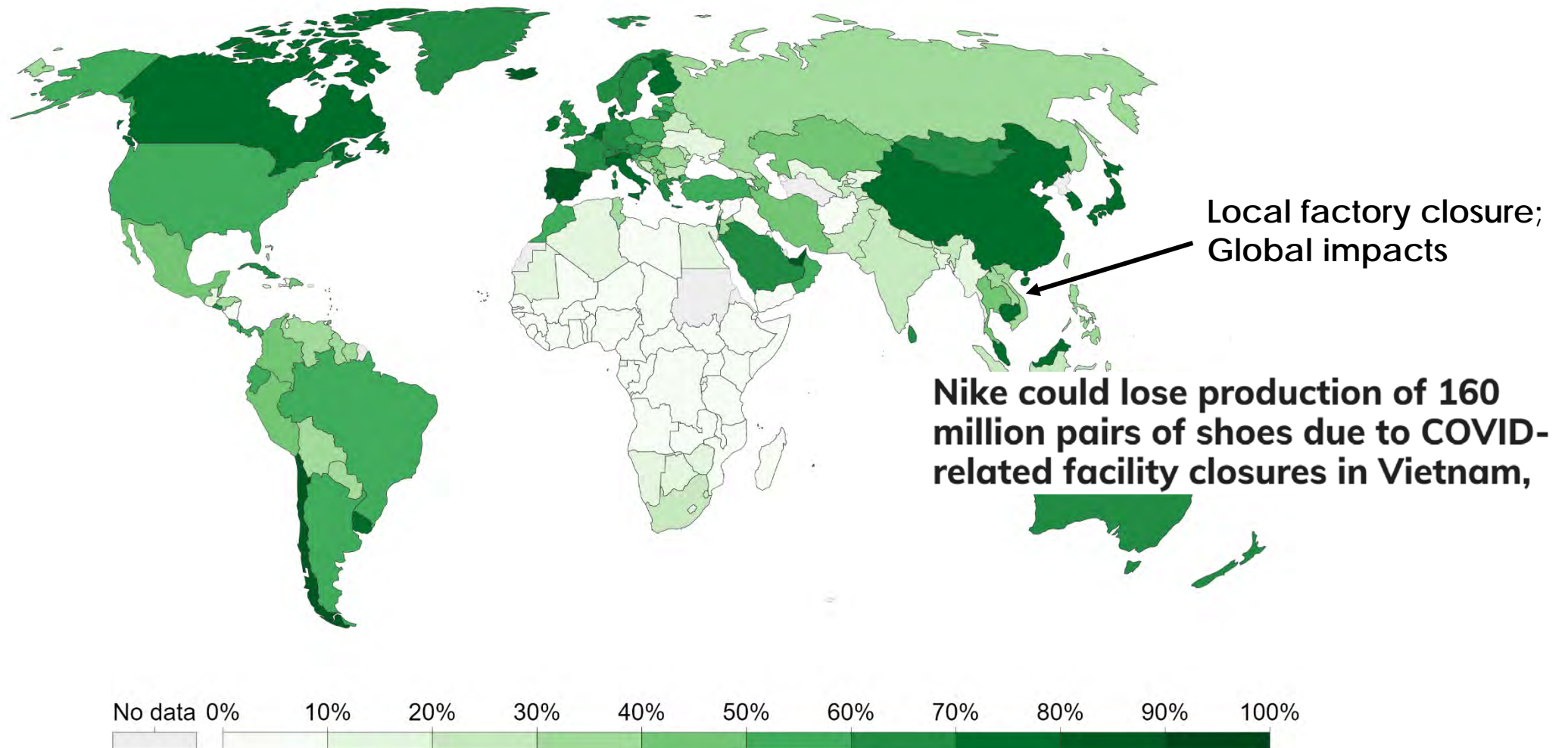
Year-over-year % change



Unequal progress exacerbates systemic fragility

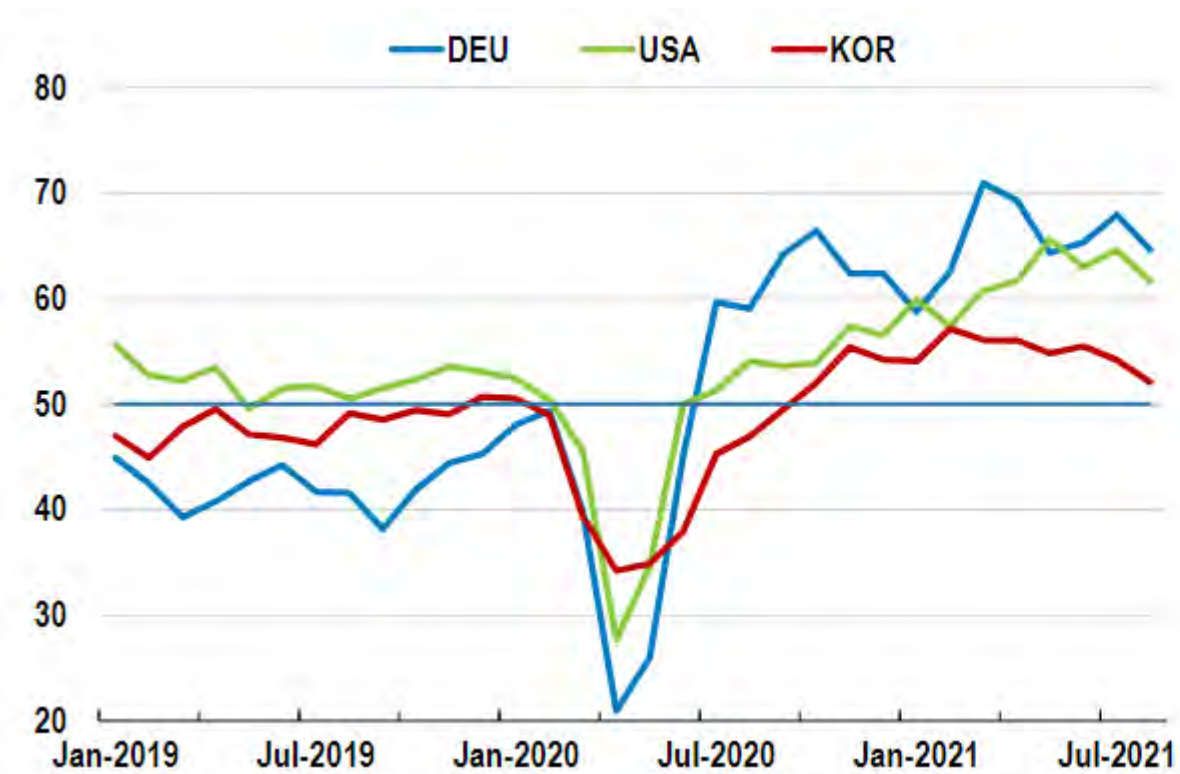
Share of population fully vaccinated against COVID

As of Nov 11, 2021

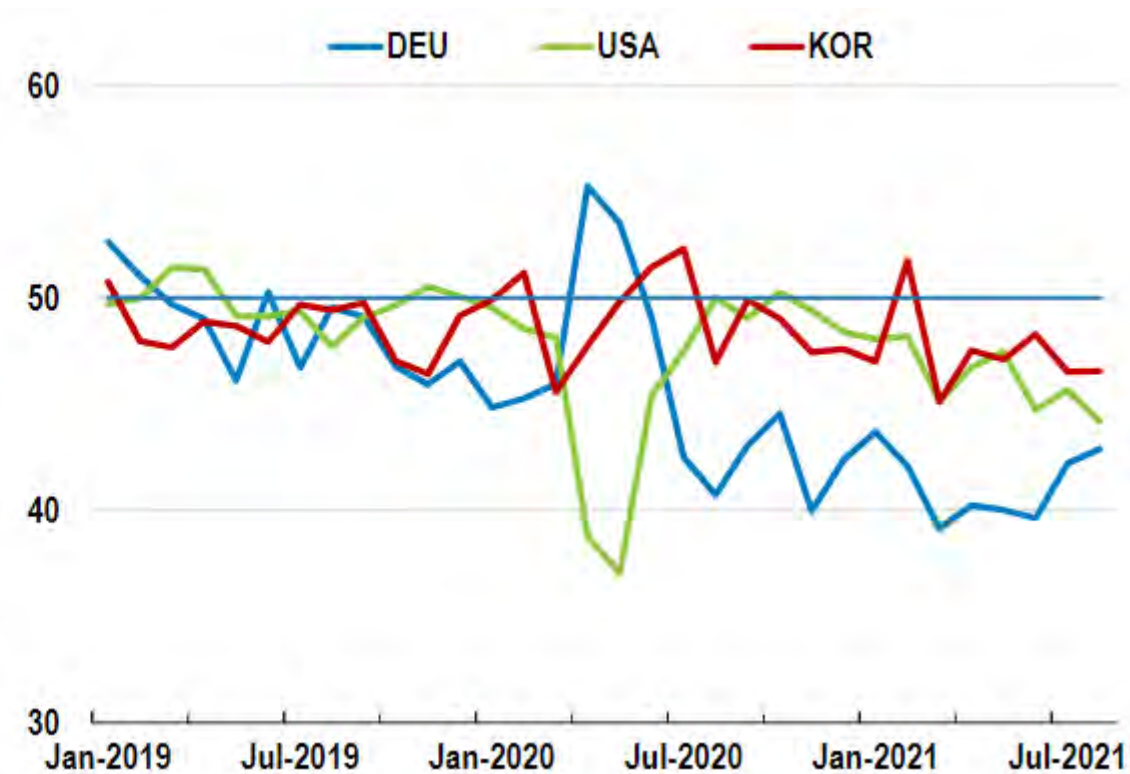


Global supply chain pressures now worse-than-expected

Purchasing Managers Indices,
Orders rising

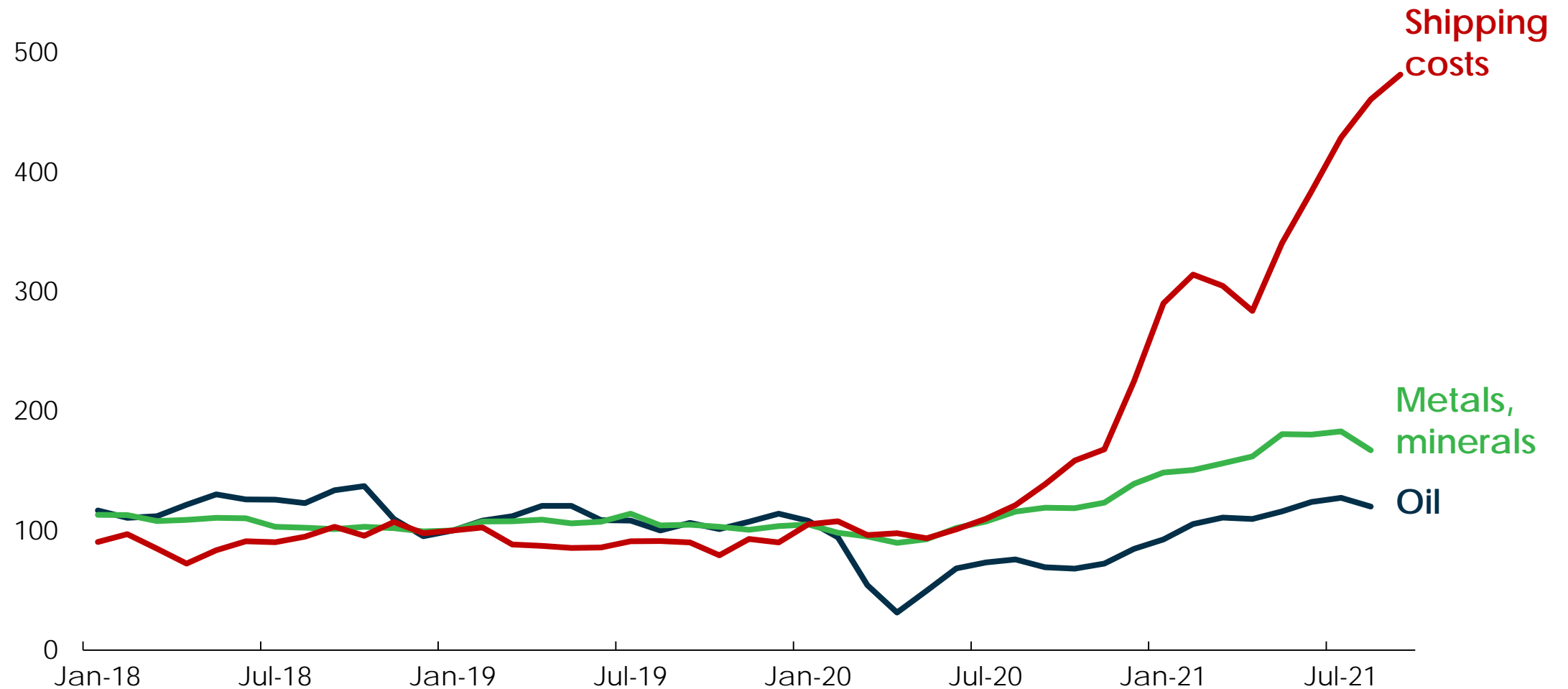


Inventories falling



Shipping costs explode

Price indices, Jan 2019 = 100



Sources: Canadian Chamber of Commerce; OECD.



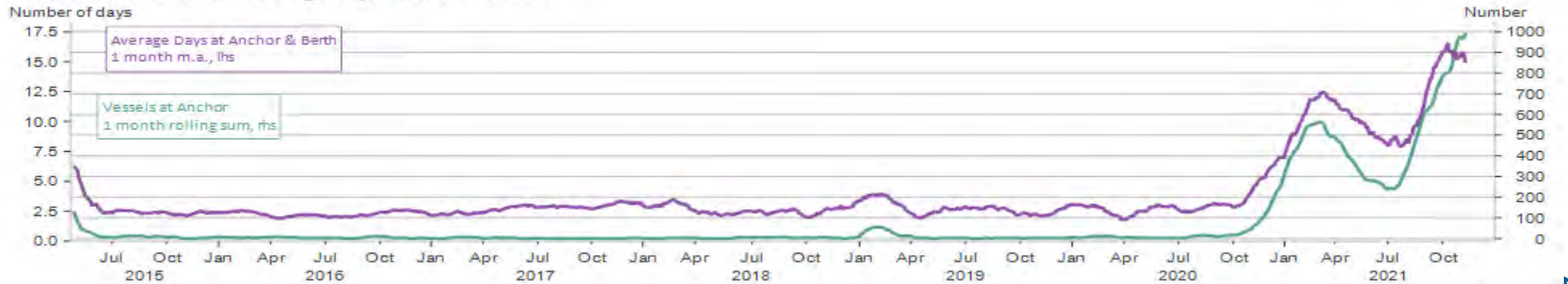
Record-high backlogs

U.S. Backlog of orders



Los Angeles port backed up

Vessels at Anchor and average days at anchor & berth



The pandemic economy and global trade

Canada's trade performance

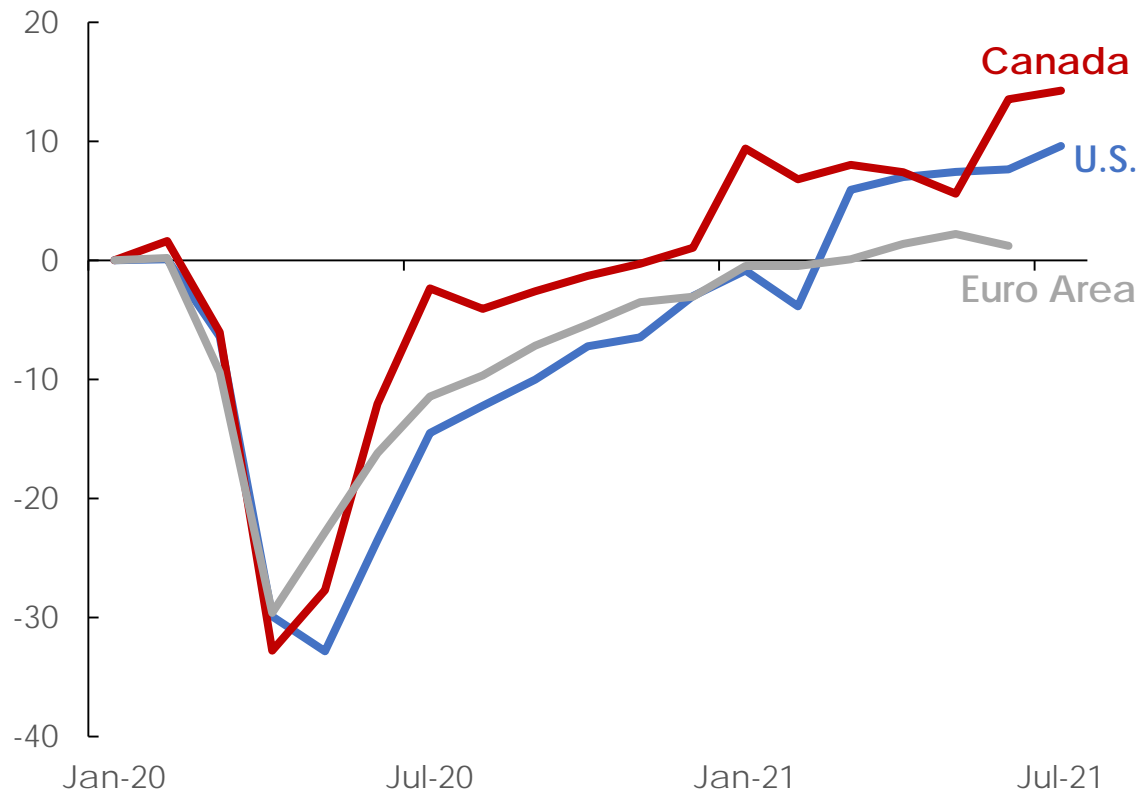
Prospects to grow & diversify Canada's trade



Canada's trade has been pretty strong

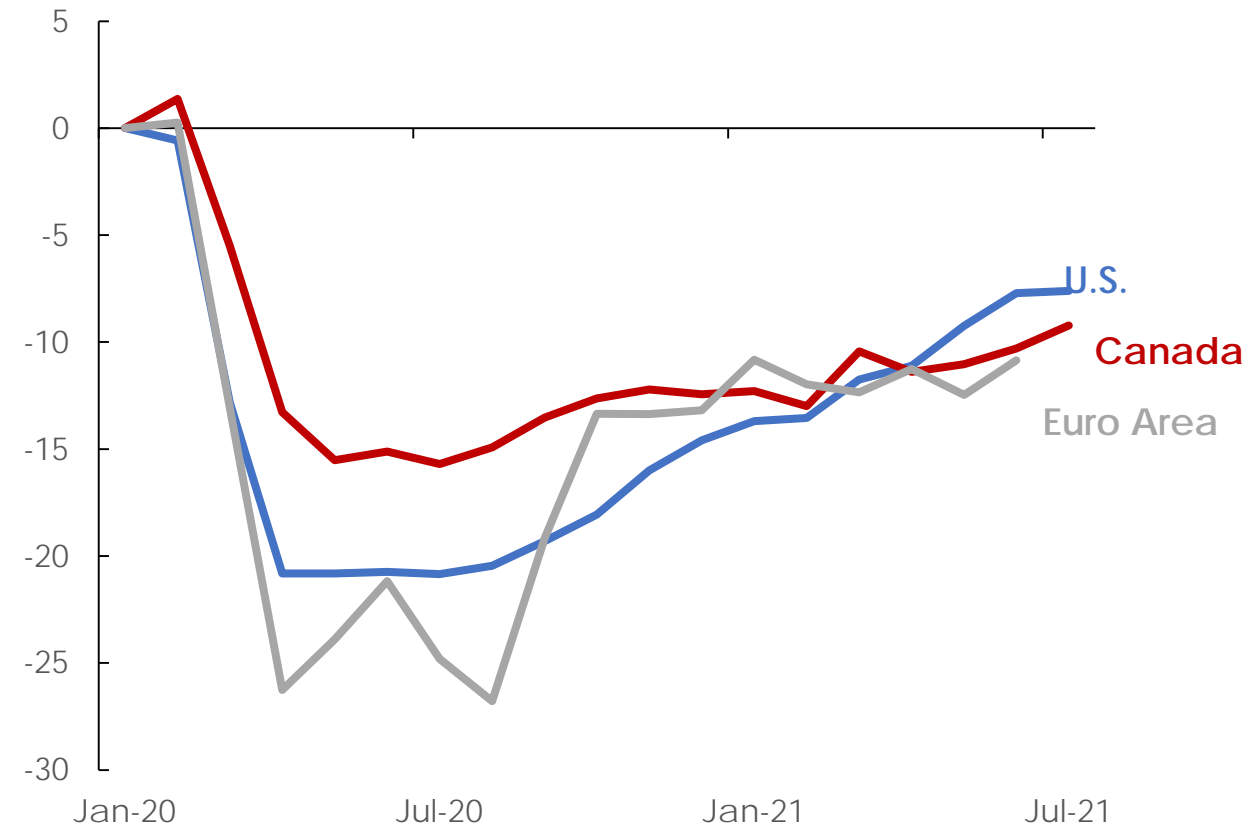
Merchandise exports

% change since Jan 2020



Services exports

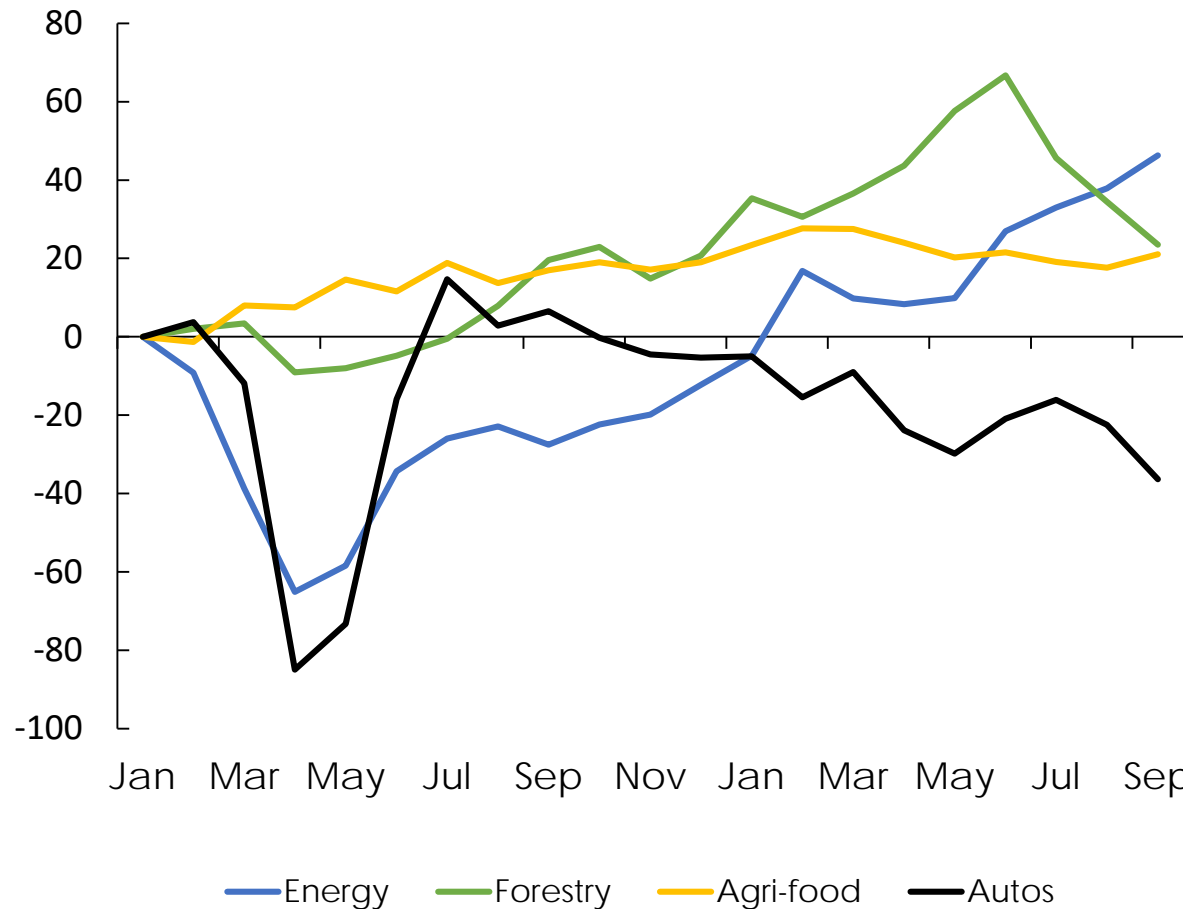
% change since Jan 2020



Uneven sectoral impacts

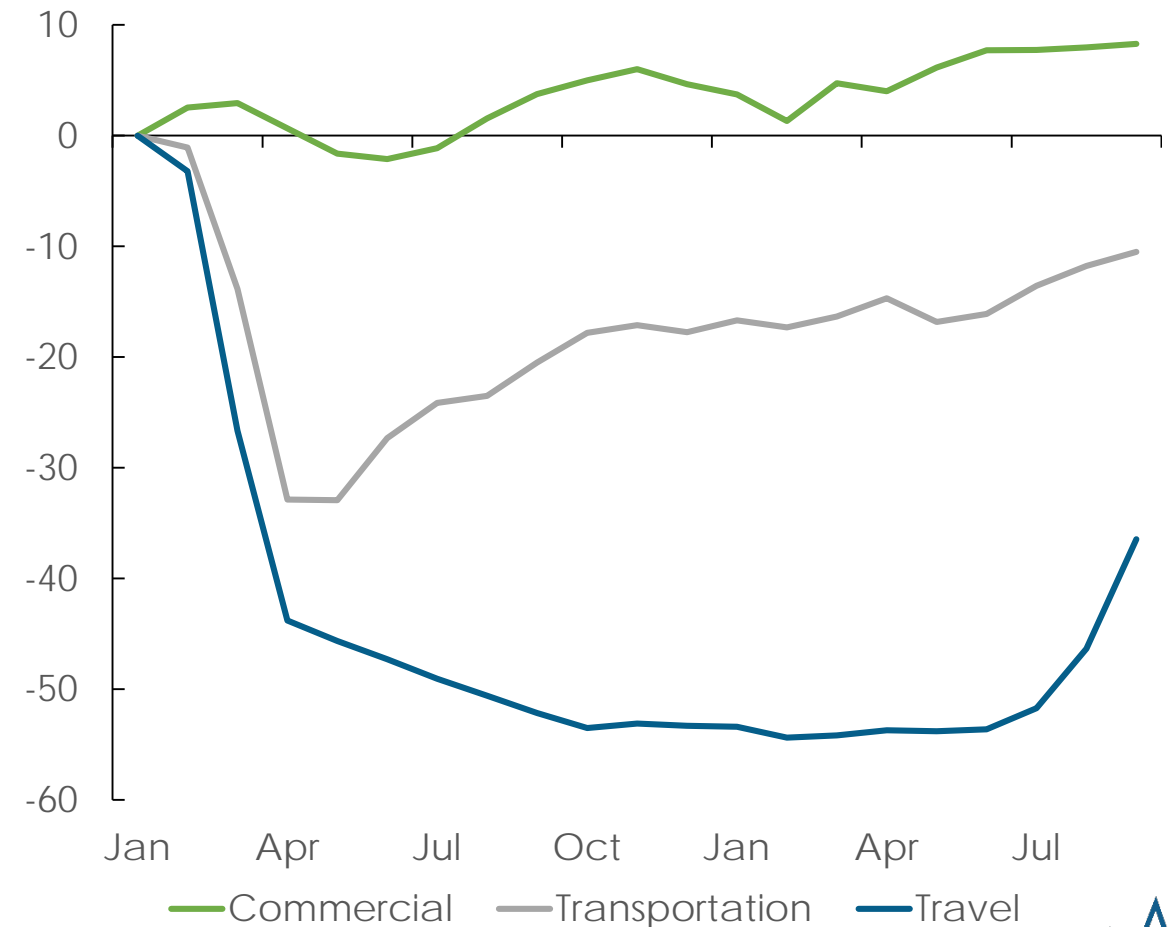
Canadian merchandise exports, key sectors

% change since Jan 2020



Canadian services exports, by component

% change since Jan 2020



Surveying the damage



Online capabilities mitigated sales losses

Report export sales declines of 50% or more

% of respondents

High online capabilities

33%

Low online capabilities

58%

Source: EDC Research Panel Survey, May 2020.

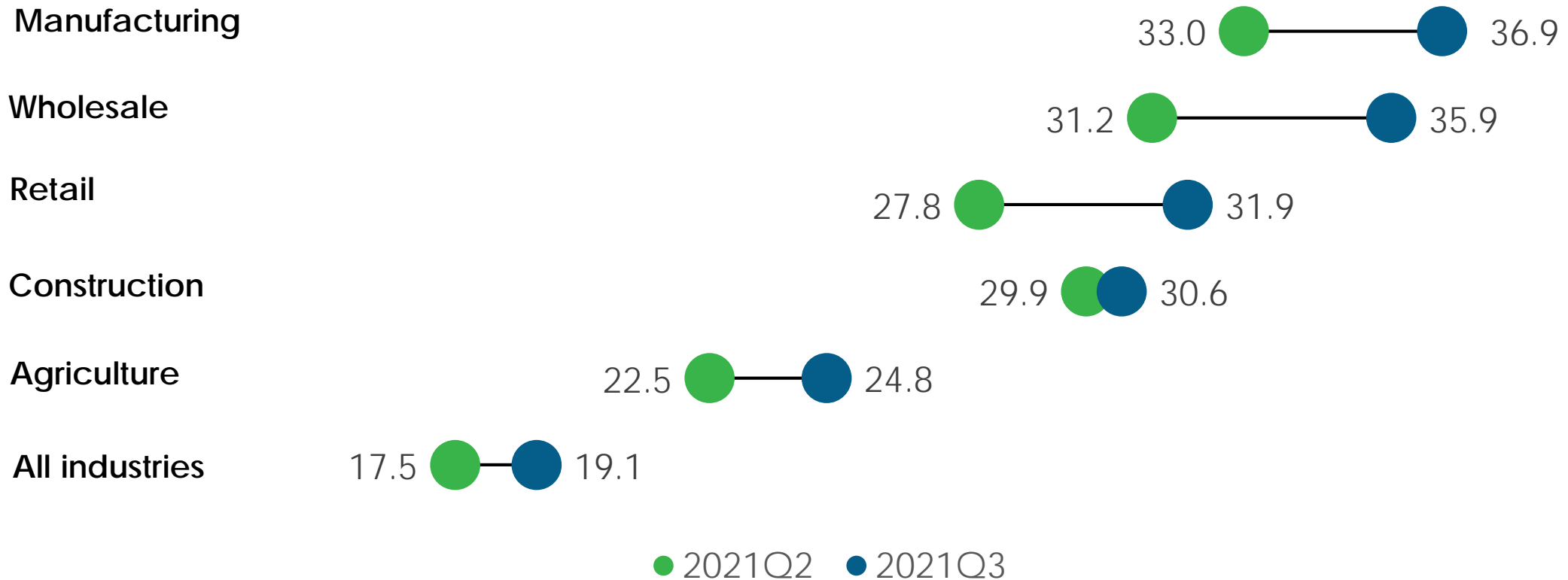
20 Note: "High online capabilities" can do over 50% of sales online; "low" can do <50% of sales online.



Growing supply chain challenges in Canada

Supply chain obstacles* expected over the next three months

% of respondents



* Difficulty acquiring inputs (domestically or internationally); maintaining inventory; and transportation costs.

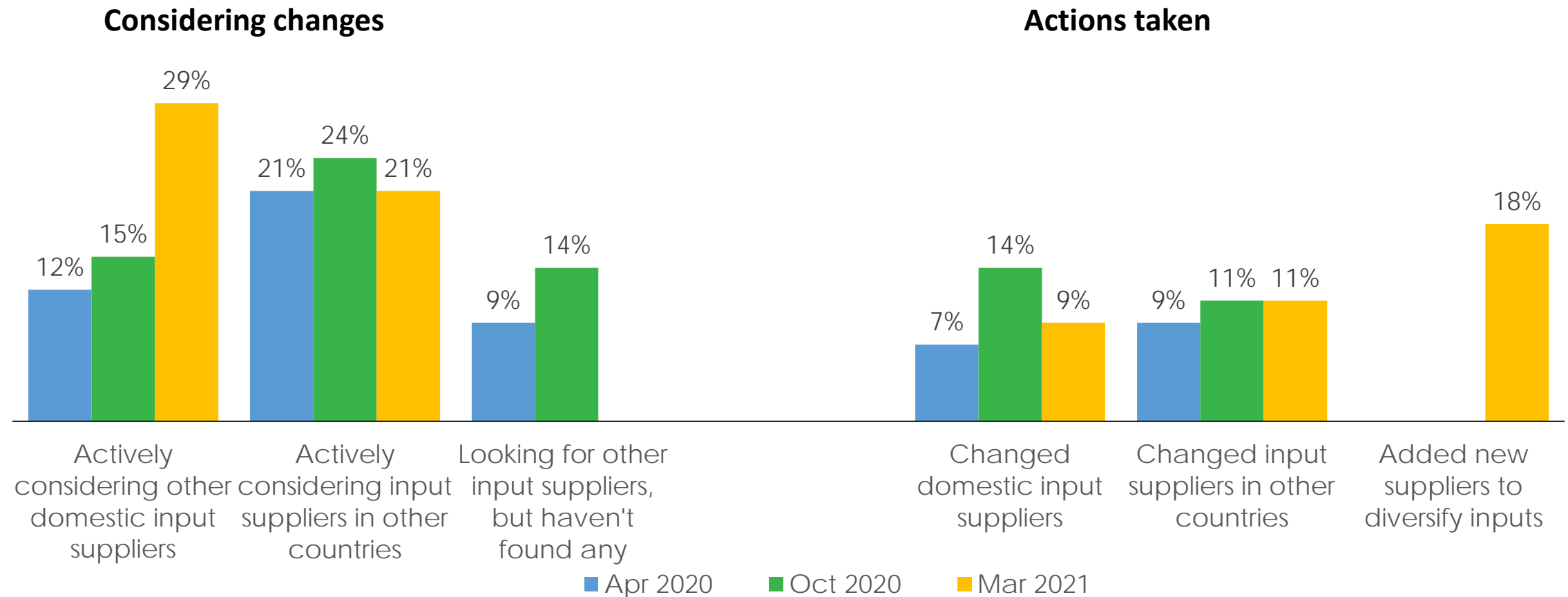
Sources: Statistics Canada, Canadian Survey on Business Conditions; Canadian Chamber of Commerce.



Firms adjusting supply chains

Are you adjusting the countries or suppliers from which you source your inputs?

% of respondents



The pandemic economy and global trade

Canada's trade performance

Opportunities to grow Canada's trade



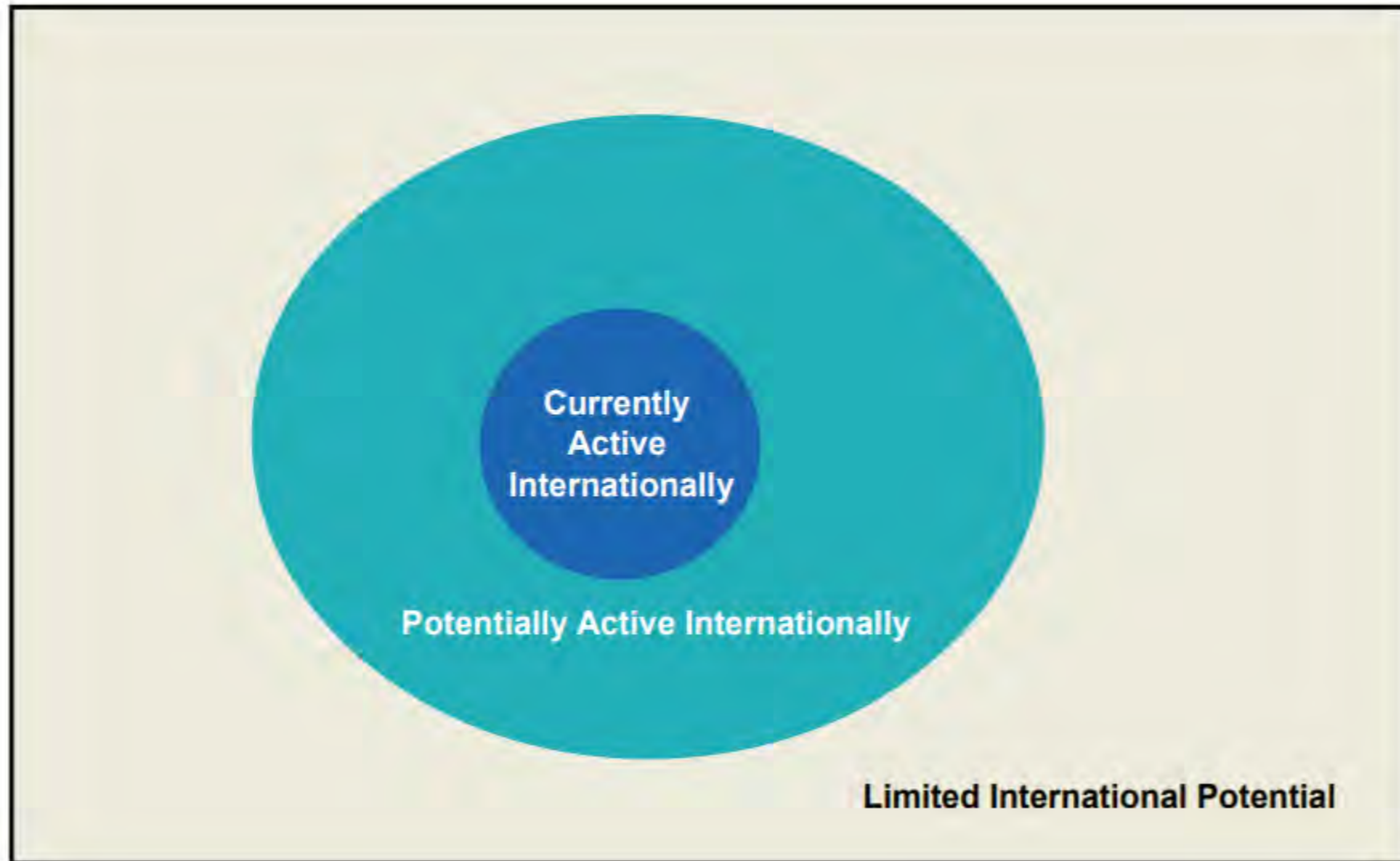
How many potential exporters in Canada?

Motivations: Better economic performance; more inclusive trade

Past approaches: Firm surveys. But how reliable?

Our approach: Use big data to infer potential exporters based on observables

Universe of firms operating in Canada



Findings

Good news: Lots of potential exporters in Canada 18,000–55,000
→ Considerable potential to grow exports (+20-75%)

Potential exporters: small-scale; Canadian-owned; importers;
employ immigrants; higher capital; lower debt; no outward FDI



The pandemic economy and global trade

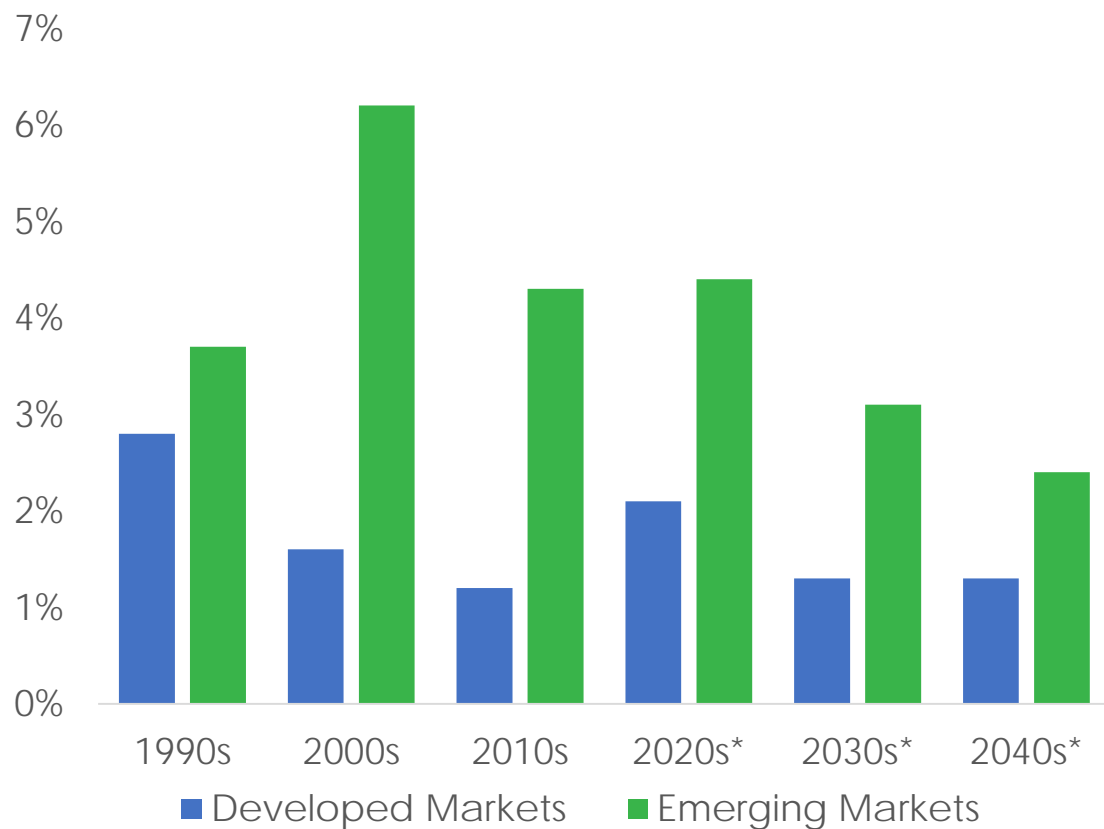
Canada's relative performance

Markets of future opportunities for Canadian companies

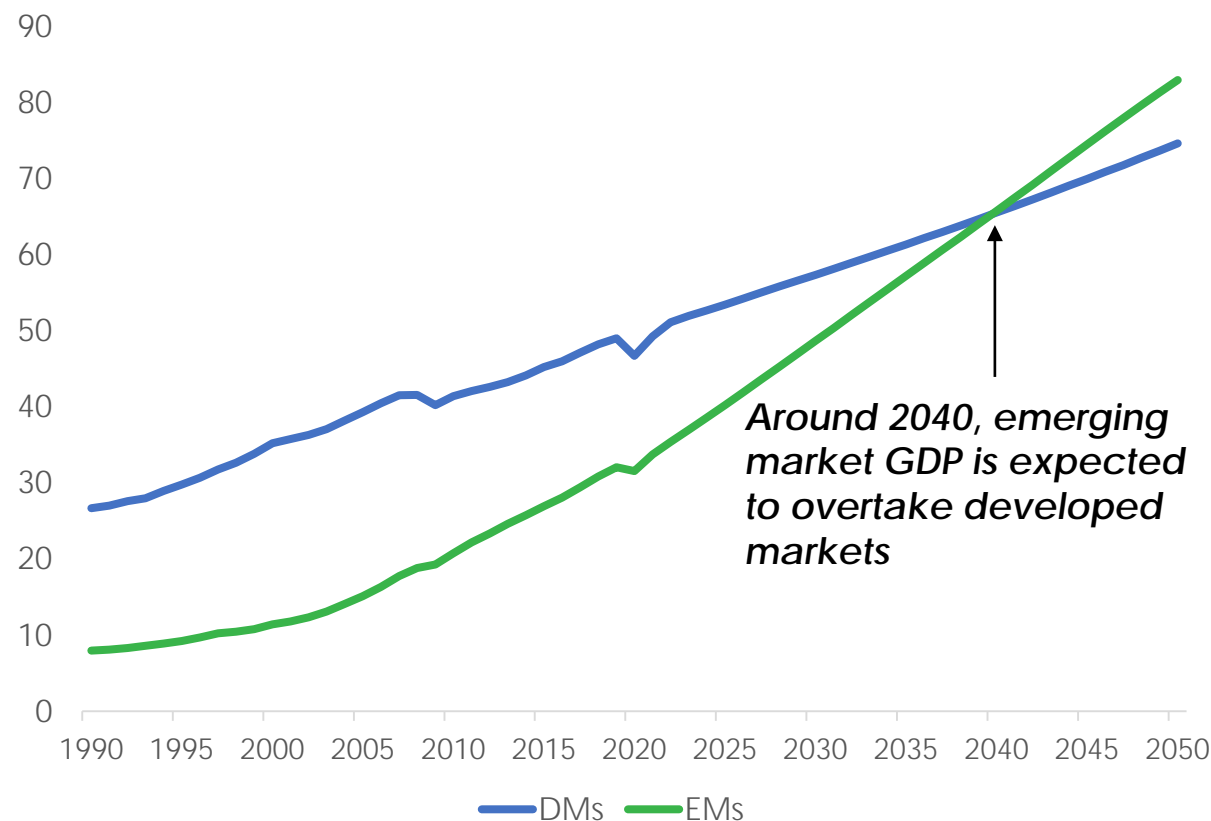


Emerging markets growing faster

Real GDP average annual growth, by decade



Real GDP, Trillions of U.S. dollars



* denotes forecast

Sources: EDC Economics; Oxford Economics



Where are the key markets for Canada?

Typical approach: Observe stronger in emerging markets.

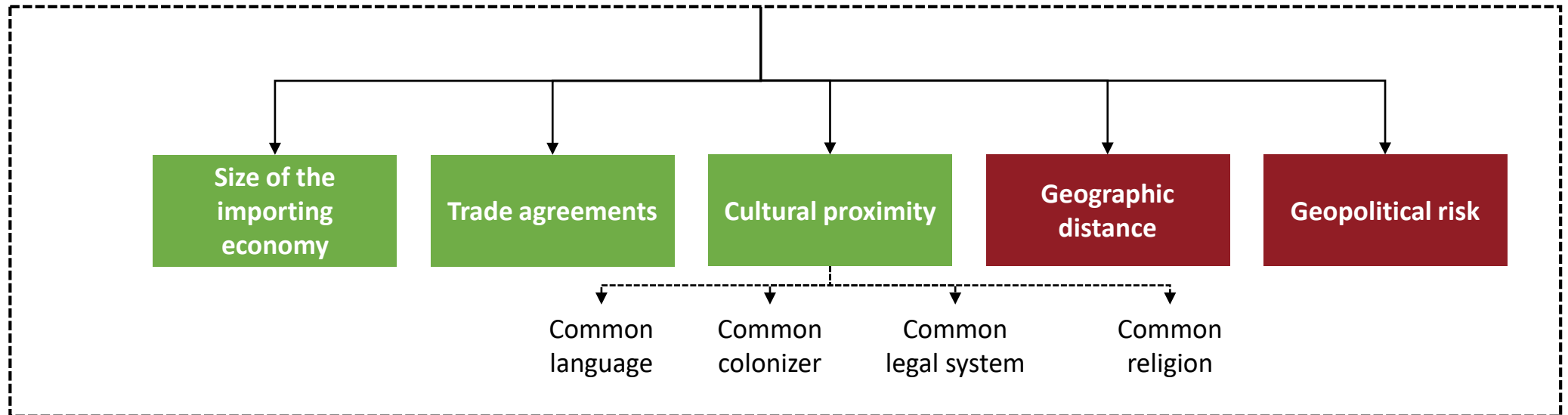
Advice → Go for growth!

Our approach: Gravity model to incorporate other factors that influence trade.

Gravity model

Factors impacting trade

Factors in the model that **help** trade **hinder** trade



Potentially-relevant factors not captured in the model



Room to grow now: Canada's current export potential

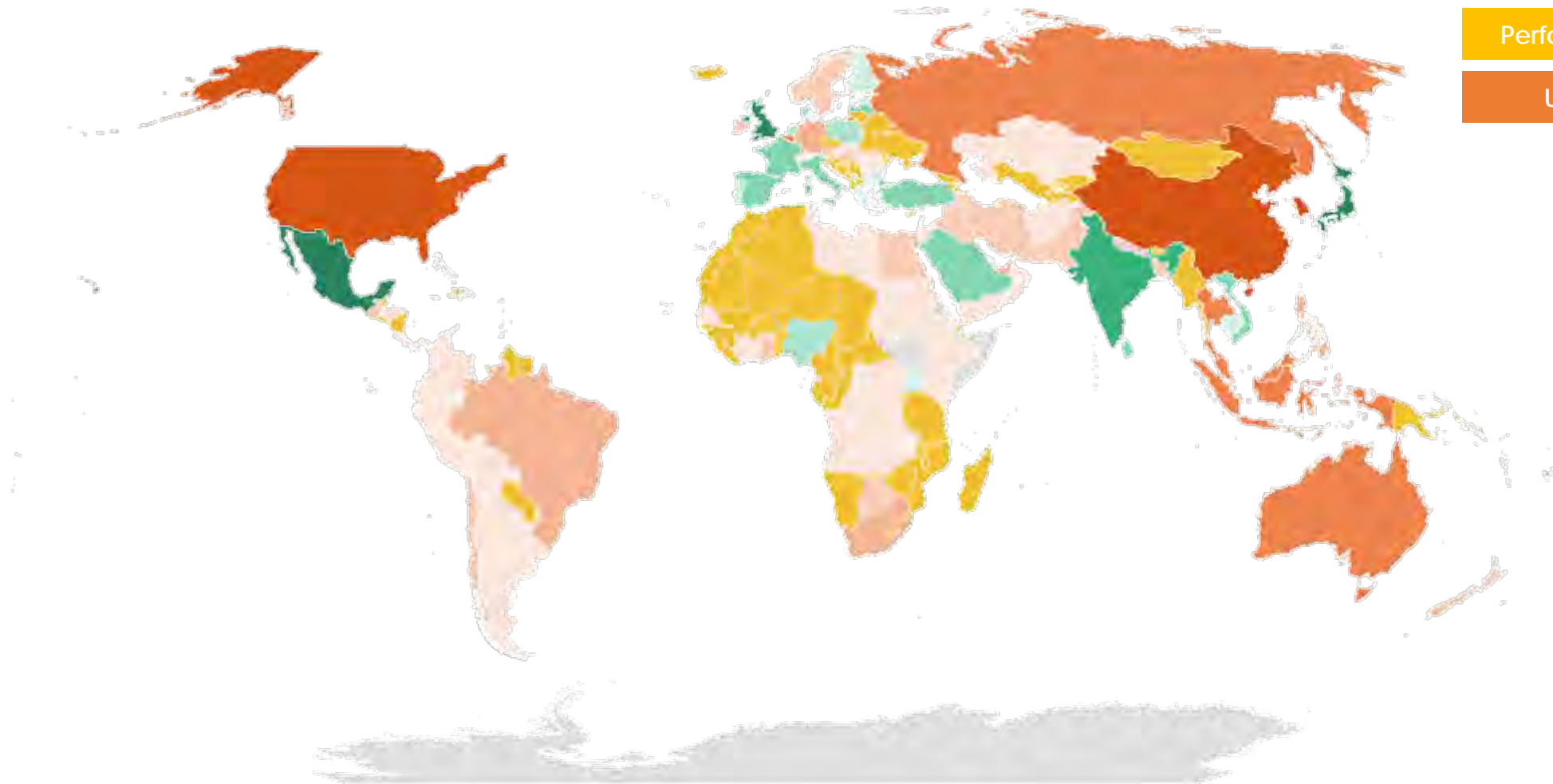
Each year Canada leaves \$39 billion on the table by not realizing its full export potential.

Color spectrum

Overperforming

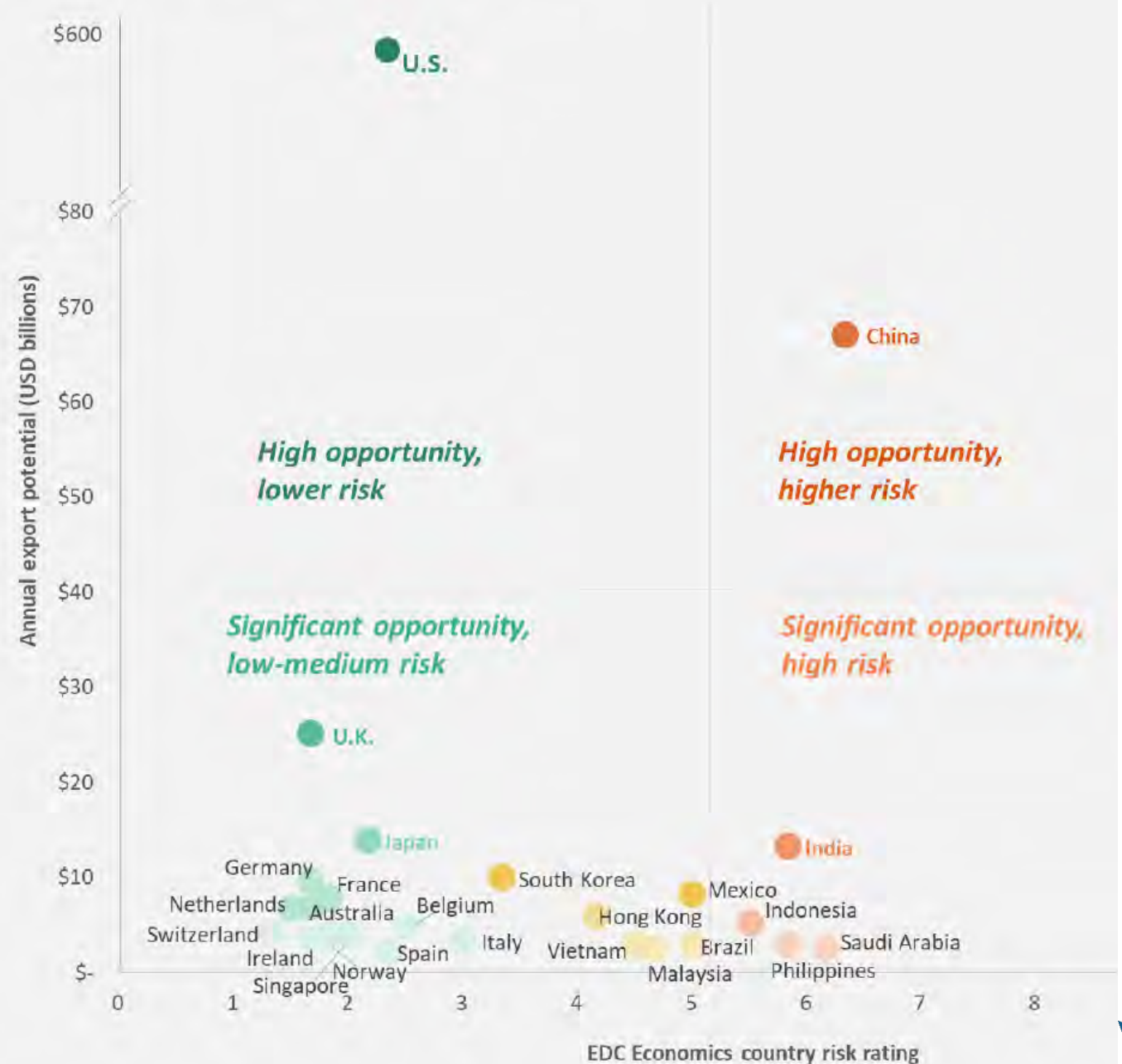
Performing as expected

Underperforming

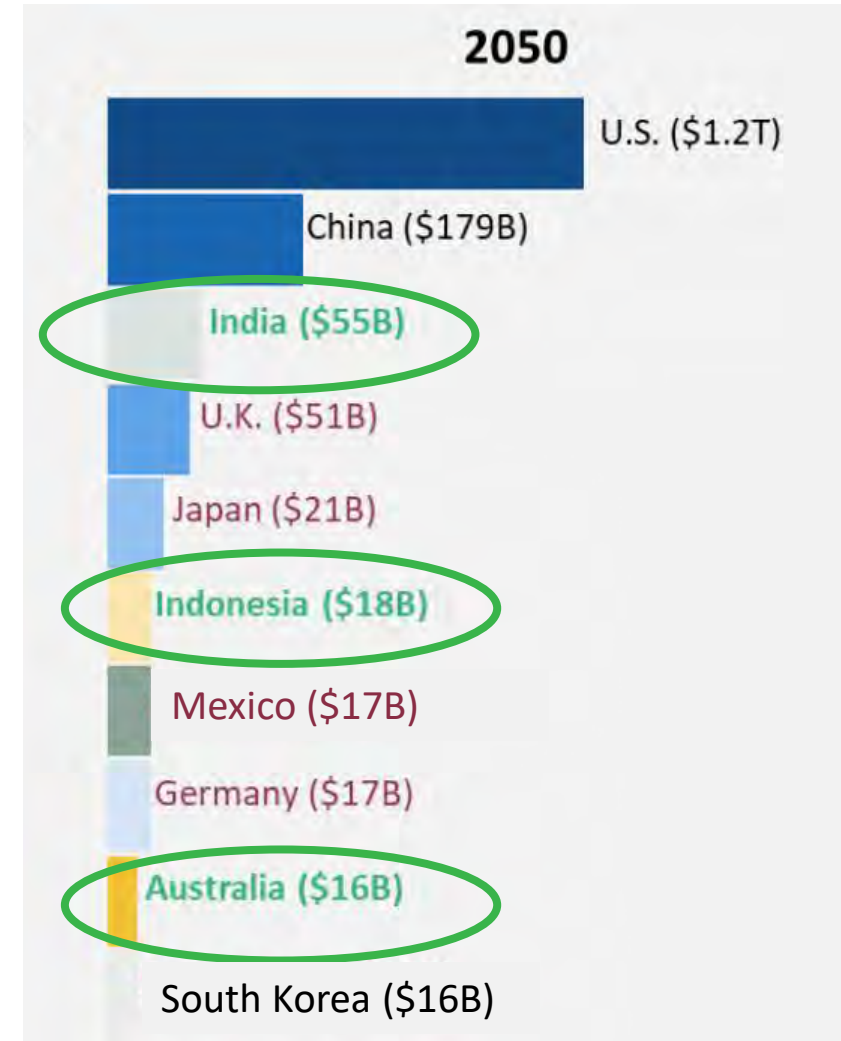
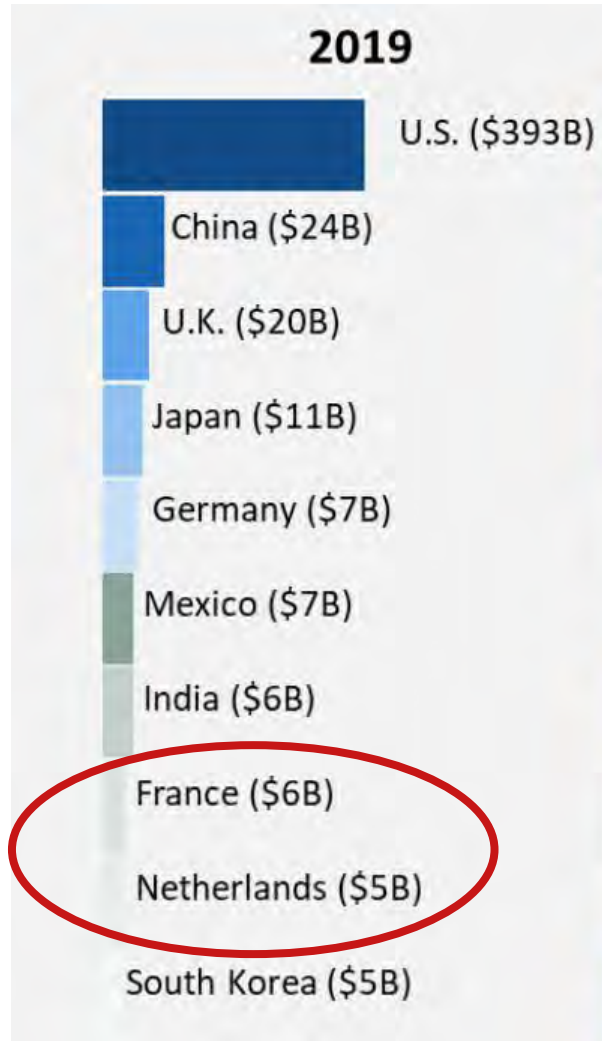


Key markets in 2030: Risks and rewards

Canada's Top 25 future export markets and risks: 2030
(Forecasted annual exports in USD billions)



Changing rankings: Canada's top trading partners



* \$USD, Green indicates countries that moved up the rankings; red indicates countries that moved down.



Conclusions

- Huge pandemic shock and policy response. Incomplete unequal recovery underway, 🇨🇦 doing pretty well.
- Global trade outperformed in 2020, but big supply chain challenges in 2021 into 2022.
- Scope to grow Canadian trade, diversification likely an evolution following global trends, not revolution.





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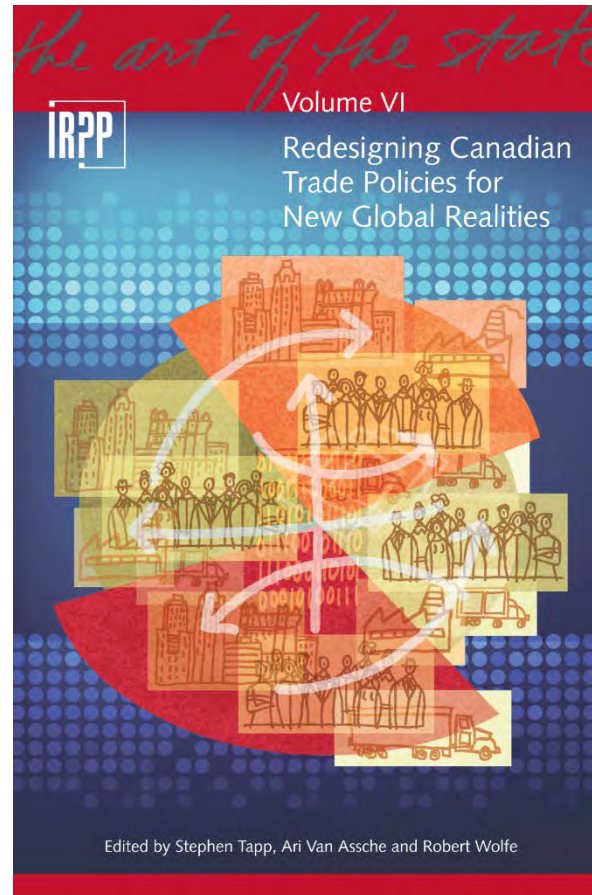
[@Stephen_Tapp](https://twitter.com/Stephen_Tapp)



Recommended resources

Podcasts

- [Trade Talks](#)
- [Trade Guys](#)



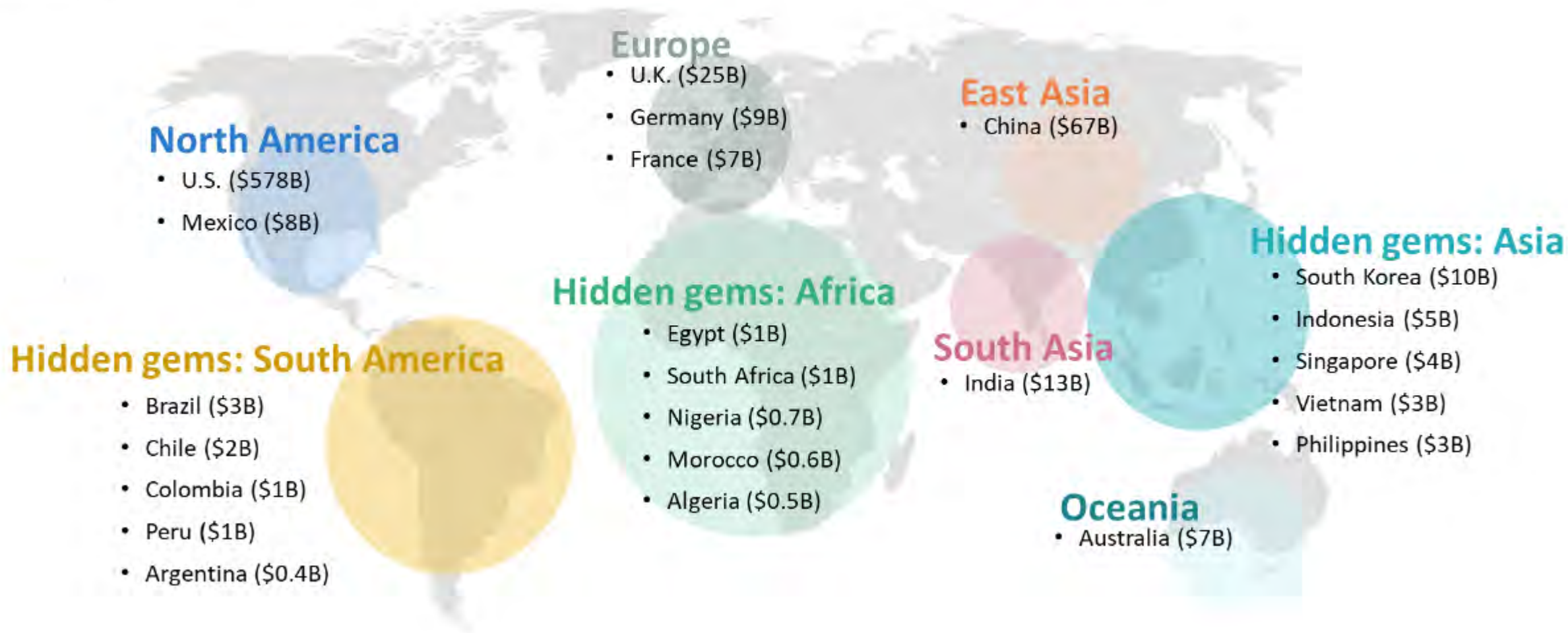
Lots of free reports here
<https://irpp.org/research/trade/>

Additional material



Markets of the future: Canada's top trading partners

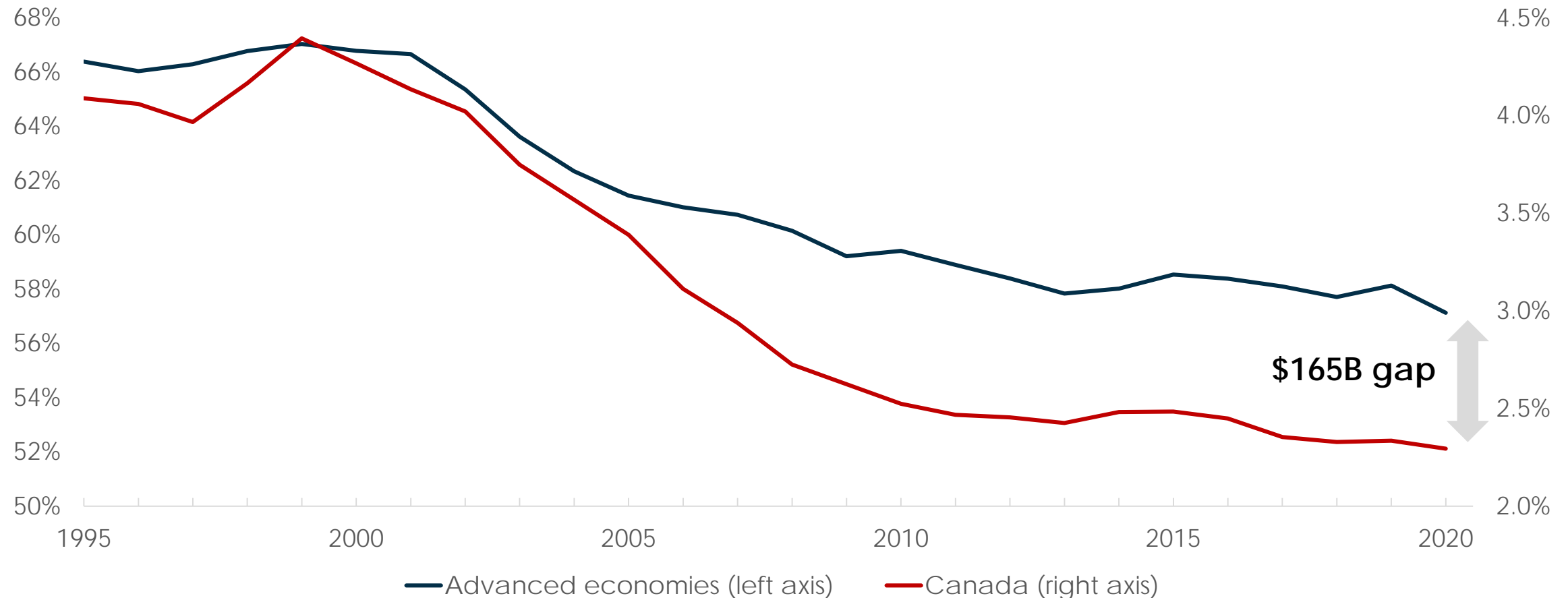
Annual Canadian exports opportunity (goods and services), 2030
(USD billions)



Canada's trade has also fallen behind other advanced economies over the past two decades

Export volumes

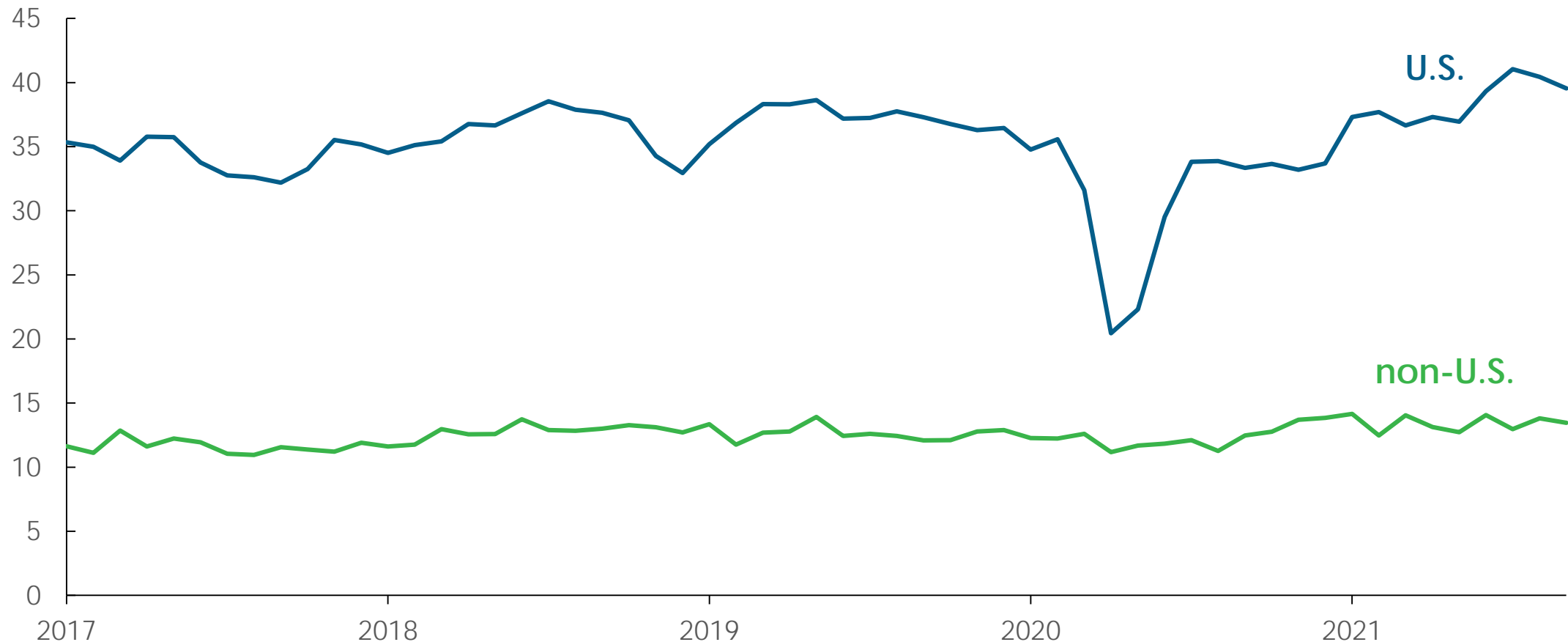
Goods and services, % of global total



More volatile, slower-growing trade with the U.S. including in the pandemic (e.g. autos, energy)

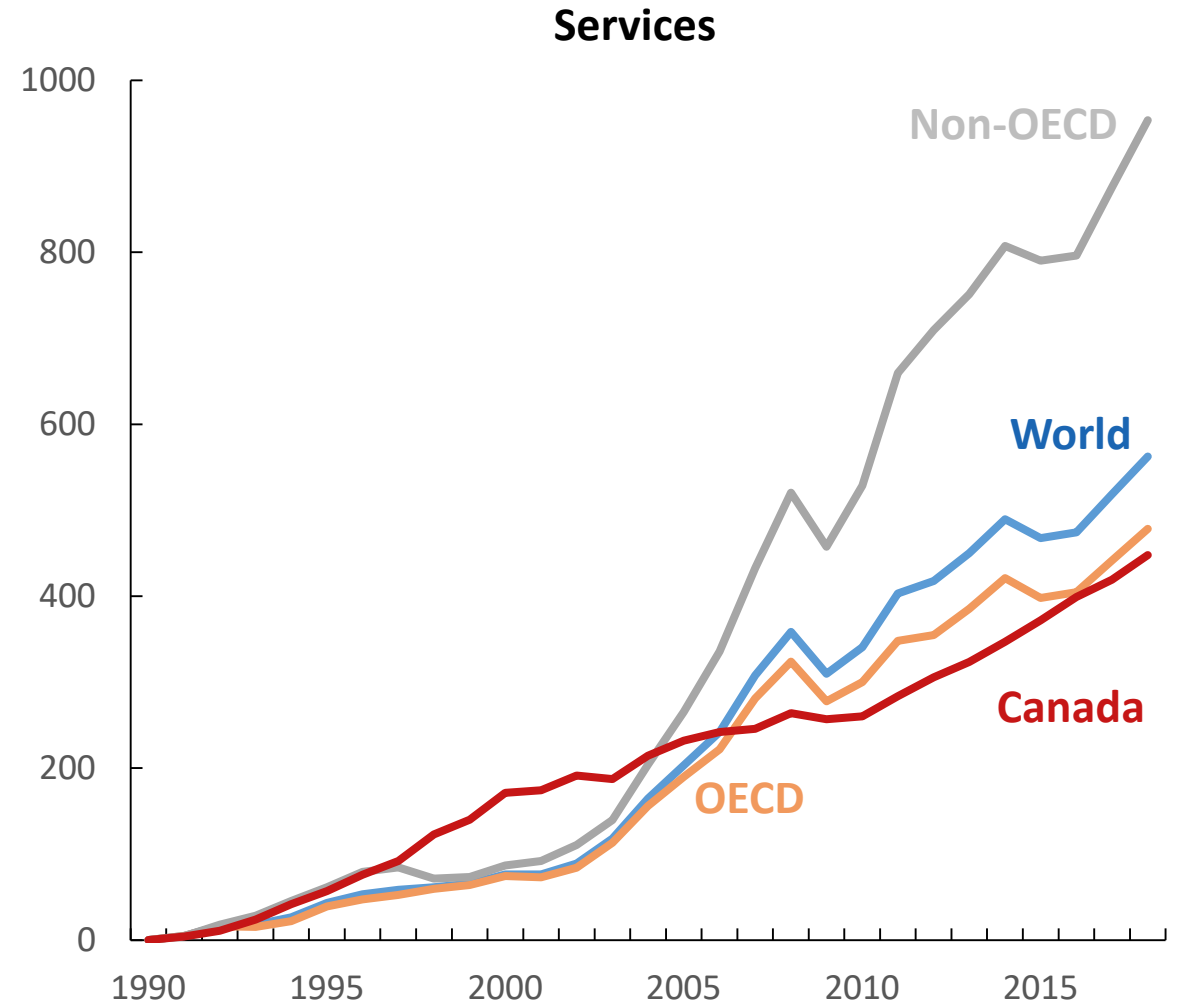
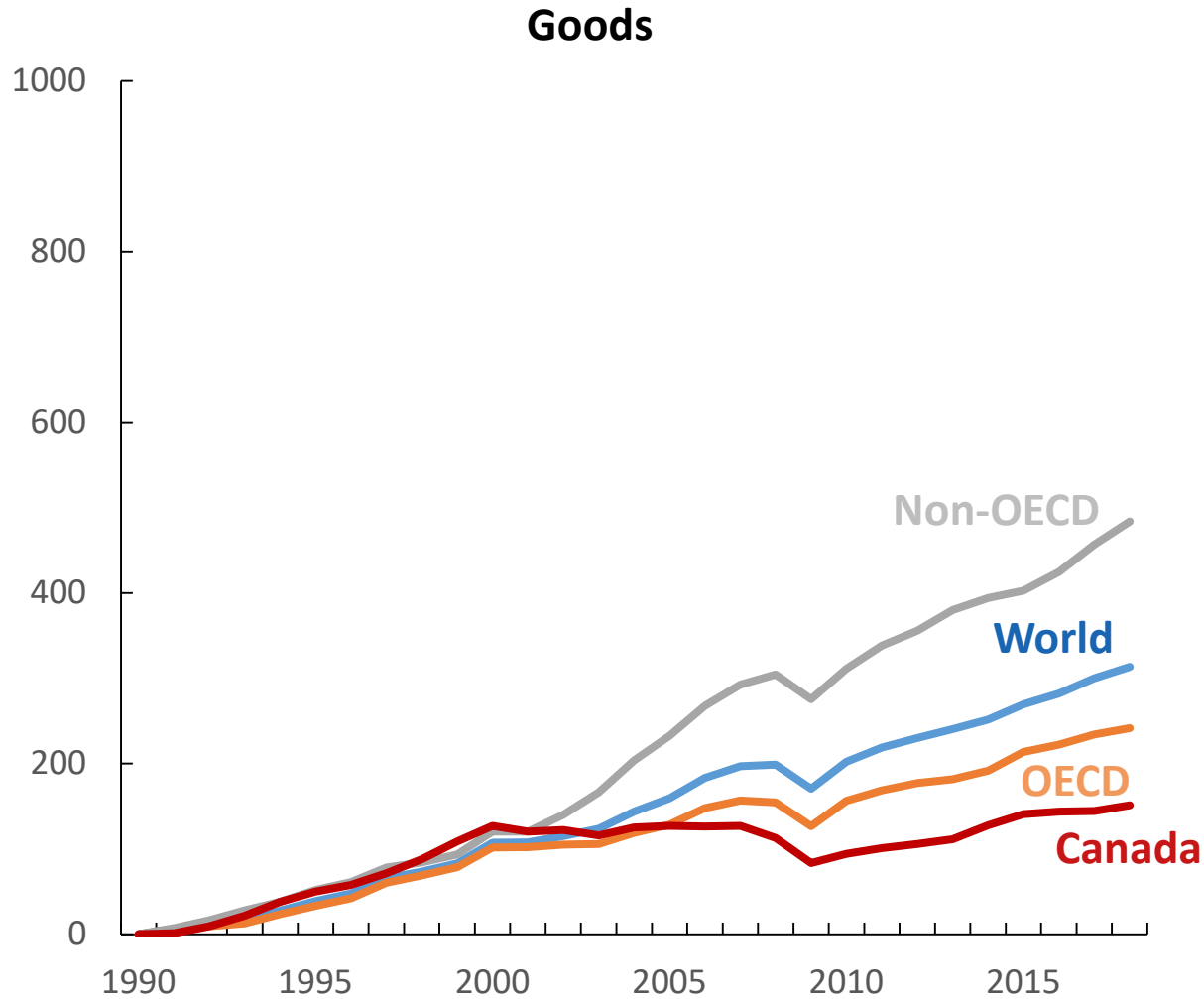
Canada's merchandise exports

Billions of Canadian dollars



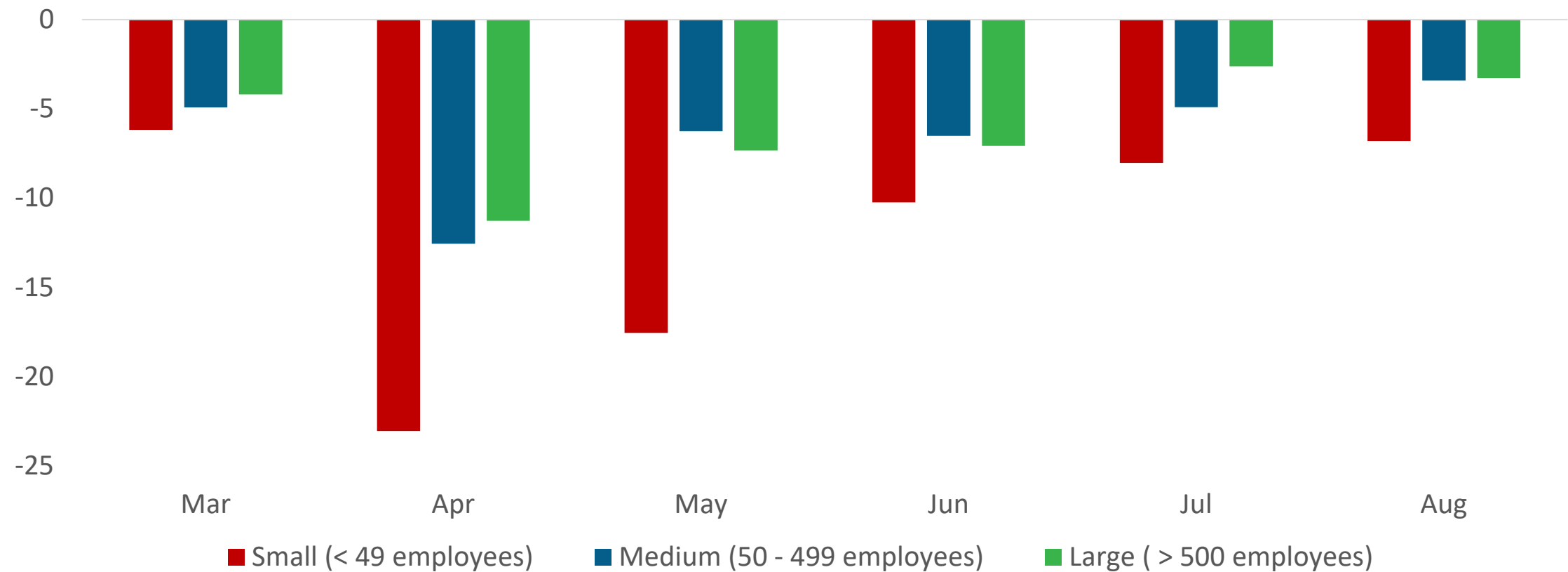
Canada-OECD gap in goods, not service exports

Cumulative percent growth



Small exporter counts hit harder

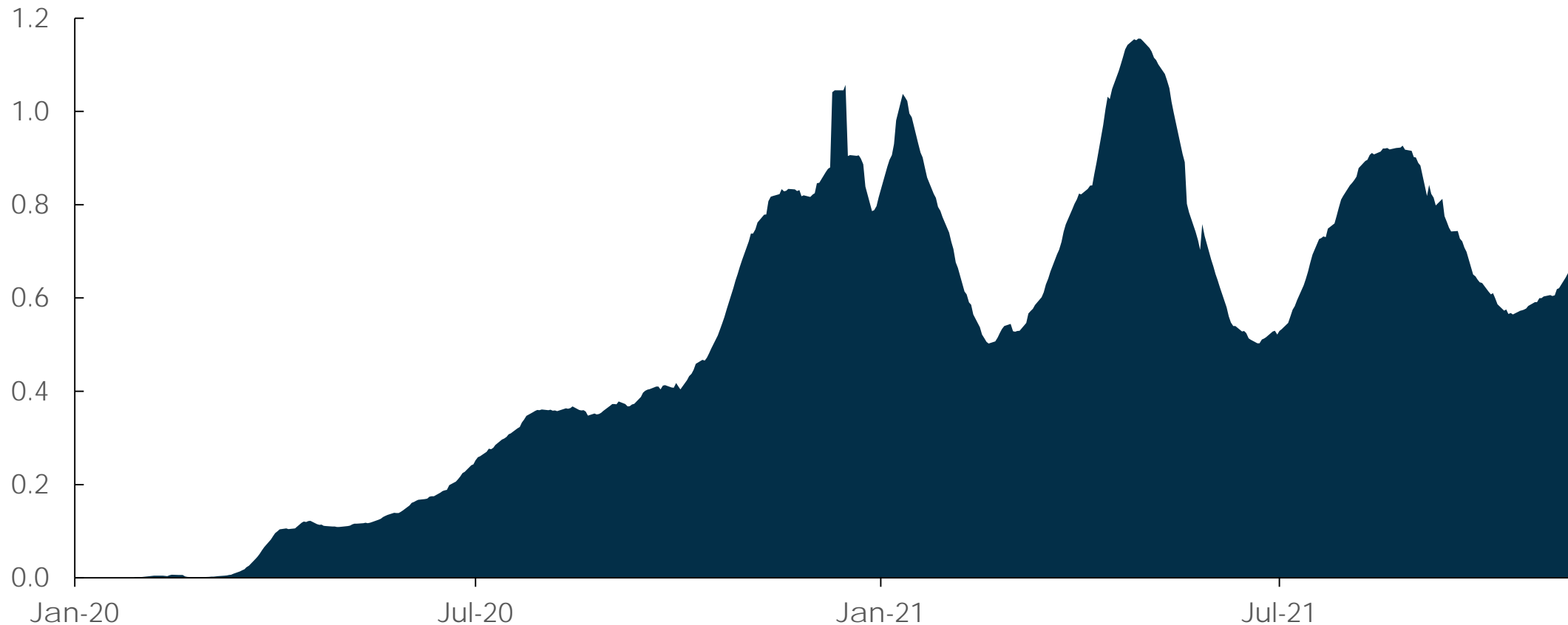
Number of Canadian goods exporters, by firm size
% change since Feb 2020



Delta variant keeps threat level elevated

Global confirmed new COVID-19 cases

Daily change, millions, weekly average





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