

Canadian international trade in services, February 2020

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In February, Canada's monthly deficit in international trade in services edged down by \$23 million to \$1.7 billion. Overall, imports declined 0.5% to \$12.7 billion, while exports of services were down 0.3% to \$11.0 billion, although there was underlying volatility in both inward and outward flows.

Exports of travel services declined 5.8% to \$2.7 billion in February as the number of travellers coming to Canada fell. The decrease in the number of travellers was almost entirely attributable to a significant reduction in travellers from China due to COVID-19 related travel restrictions. Exports of commercial services rose 2.0% to \$6.6 billion in February, offsetting most of the decline in travel services.

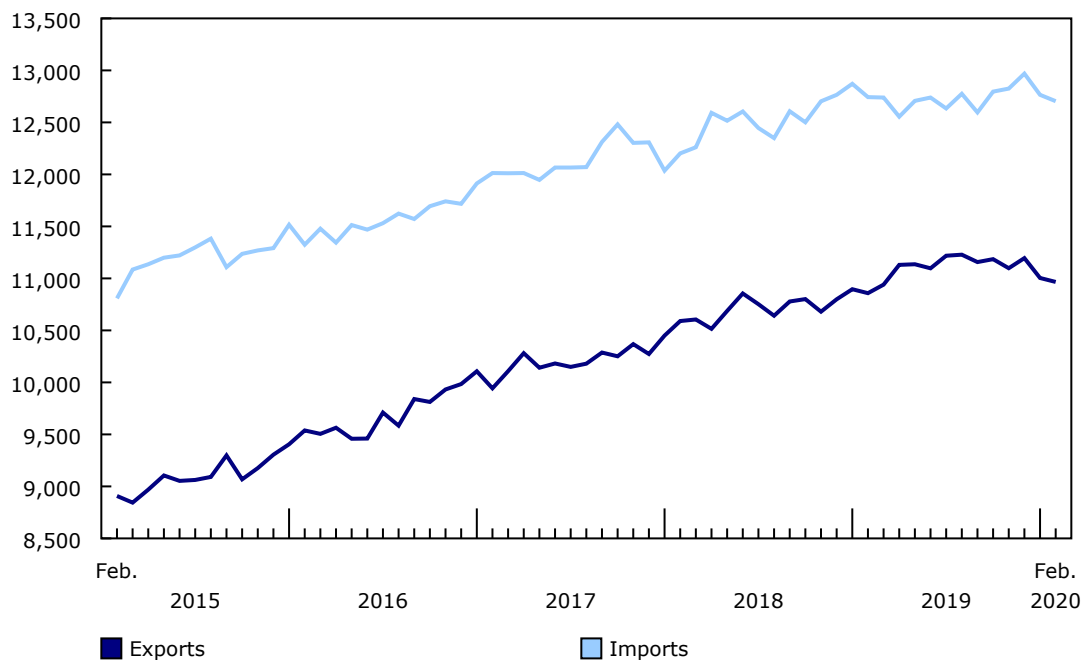
Imports of transportation services declined 3.8% to \$2.5 billion in February, reflecting lower imports of goods by water. This coincided with disruptions at several international ports as a result of new regulations related to COVID-19. Imports of travel services also declined (-2.3% to \$3.8 billion), as fewer Canadians travelled to countries other than the United States. Imports of commercial services increased 2.1% to \$6.2 billion in February, almost entirely offsetting the declines in transportation services and travel services.

The financial services' component of commercial services increased for both imports and exports on the strength of trading volumes in February. Stock markets in Canada, the United States, and Europe reached record highs in mid-February, and then experienced significant declines in the latter days of the month. In February, employment in the services sector—which was already being dampened by the absence of an agreement from the Organization of the Petroleum Exporting Countries on crude oil production levels, international trade tensions, and rail blockades in Canada—remained strong in both Canada and the United States amid concerns of the forthcoming impact of COVID-19.



Chart 1
International trade in services

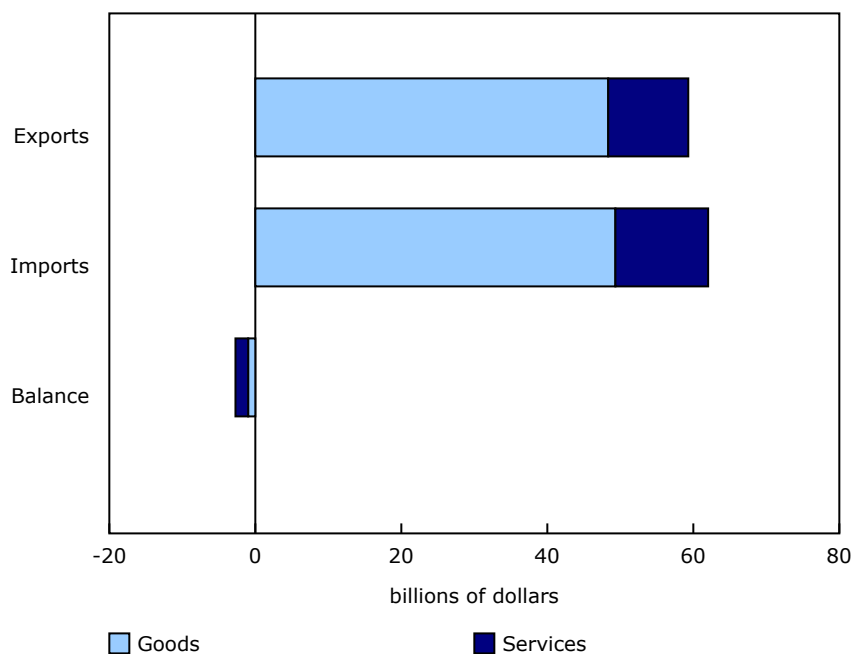
millions of dollars



Note(s): Data are seasonally adjusted.
Source(s): Table [12-10-0144-01](#).

In comparison, total imports of goods were \$49.3 billion in February, while total exports of goods were \$48.3 billion, resulting in a goods deficit of \$983 million. When combined, the trade balance for goods and services amounted to a deficit of \$2.7 billion in February, a decrease of \$696 million from January.

Chart 2
International trade in goods and services, February 2020



Note(s): Data are seasonally adjusted. Trade in goods data are on a balance of payments basis.

Source(s): Tables [12-10-0011-01](#) and [12-10-0144-01](#).

The services trade deficit for January, first reported at \$1.6 billion, was revised up by \$178 million with this month's release of February data. Exports of services for January were revised down by \$91 million, mainly on lower commercial services. Imports of services were revised up by \$87 million, due to higher travel services.

COVID-19 and Canada's international trade in services

In February, inward and outward travel restrictions continued in China and were starting to be imposed elsewhere (such as South Korea and Italy) in an effort to contain the novel coronavirus (also known as COVID-19), producing modest declines in Canada's exports of travel services. It is expected that March will show a much more pronounced drop in both exports and imports of travel services, as many countries, including Canada, closed their borders in order to limit the global spread of the virus.

Geographical distribution of Canada's international trade in services

While the United States is Canada's primary trading partner for both goods and services, the geographical distribution varies between the types of services. Travel services exports to Asia accounted for 31.4% of total travel services (according to the most recent trading partner data), a close second to the United States (37.1%), and nearly twice the share of Europe (16.2%). Spending by residents of China, India, South Korea and Japan traveling to Canada comprised the vast majority of these travel service exports to Asia. Travellers from Europe are much more concentrated in the third quarter of the year, while travellers from Asia to Canada are less prone to seasonality.

Transportation services exports and imports include passenger fares as well as freight and cargo handling charges on the movement of goods between Canada and other countries, by the various modes of transport (land, air, marine, pipeline). Transportation services exports to the United States and Europe accounted for 46.4% and 24.3%, respectively, of total transportation services, compared with 18.7% for Asia.

Commercial services exports flow primarily to the United States and Europe, and based on the most current data, accounted for 84.0% of the total value. Of the 24.3% accounted for by Europe, the United Kingdom, France and Germany were the principal export destinations.

While a large share of commercial services are traded across borders remotely, typically delivered digitally, and could continue to flow, certain services accompany traded goods (e.g., installation alongside the delivery of solar panels) or are embedded in goods (e.g., smart devices), the delivery of which may have faced disruptions. Other commercial services are delivered as clustered services such as flights, hotels, restaurants and tourist attractions, all of which have been severely affected starting in late February. Still other services rely on trust and the capacity for people to congregate, which has been compromised because of COVID-19.

Note to readers

Statistics Canada's approach to mitigating impacts of COVID-19 on production of Canadian international trade in services statistics

Circumstances surrounding COVID-19 pose issues for the production of the monthly international trade in services statistics, particularly for travel services and transportation services.

Travel services and the passenger fares component of transportation services are estimated using tourist and traveller counts as indicators of monthly movement. These data are not available on a timely basis and are projected for the reference month before being replaced by the actual values in the following month. This approach works in a typical month, but would not work in the current situation, where travel restrictions that reduce tourist and traveller numbers are being implemented very rapidly.

In order to better capture the effects of the COVID-19 pandemic, in February for the first time, Statistics Canada incorporated data from the Canada Border Services Agency's Primary Inspection Kiosks in the monthly international trade in services program. These are electronic customs declaration kiosks that are established in most major Canadian airports. While these data represent only a subset of total travellers, they provide relevant and timely insight.

Additionally, the methodology for the estimation of the monthly international trade in services statistics involves first projecting quarterly benchmark values and then dividing those quarterly values into monthly values using economic indicators. While the projected quarterly value was previously kept constant through the production of all three months of the quarter, with the volatility in February and March 2020 this particular element of the model was revisited so that the benchmark values could be adjusted based on the most current data.

Data availability

These monthly trade in services estimates are available on a raw basis and on a seasonally adjusted basis for four principal categories of international services at the total country level: commercial services, travel, transport and government services.

The purpose of this product is to provide more timely indicators on trade in services by supplementing the detailed quarterly and annual statistics on trade in services that are already included in the balance of payments. It will also provide a more comprehensive picture of Canada's overall international trade activity on a monthly basis, complementing the information on goods that has already been published.

Previously, data were released on an experimental basis: ["Experimental monthly estimates of international trade in services, September 2019."](#)

Methodology

Because several data sources used to compile the international trade in services program are only available on a quarterly or annual basis, the monthly statistics on Canada's international trade in services are generated using models when up-to-date information is not available. This follows the methodology used in many countries that produce monthly trade in services data.

In general, for most of the commercial services, travel, and some transport services, the modelling of monthly estimates follows a three-step approach. First, values for the upcoming quarter are estimated using statistical models (auto-regressive integrated moving average). Second, indicator series that proxy the monthly movement of trade in services are identified through relationships with other economic indicators, such as merchandise trade or gross domestic product by industry. Finally, a temporal disaggregation method (the Denton-Cholette method) is applied to distribute modelled quarterly services on a monthly basis, using the predicted values of monthly services generated in the second step. Adjustments are made each month as new information becomes available.

A more detailed description of estimation methodology for monthly trade in services is available upon request.

Table 1
International trade in services – Seasonally adjusted

	October 2019 ^r	November 2019 ^r	December 2019 ^r	January 2020 ^r	February 2020
	millions of dollars				
Total services, exports	11,185	11,098	11,195	11,004	10,966
Commercial services	6,489	6,478	6,492	6,446	6,576
Travel services	2,982	2,935	2,968	2,875	2,709
Transportation services	1,573	1,543	1,591	1,537	1,534
Government services	141	142	144	146	147
Total services, imports	12,796	12,825	12,969	12,765	12,704
Commercial services	6,163	6,189	6,182	6,088	6,217
Travel services	3,842	3,862	3,967	3,930	3,841
Transportation services	2,678	2,658	2,704	2,630	2,529
Government services	114	115	115	117	117
Total services, balances	-1,611	-1,727	-1,773	-1,761	-1,738
Commercial services	326	288	310	358	359
Travel services	-860	-927	-999	-1,055	-1,132
Transportation services	-1,105	-1,115	-1,113	-1,093	-996
Government services	27	28	29	29	30

^r revised

Source(s): Table [12-10-0144-01](#).

Table 2
International trade in goods and services – Seasonally adjusted

	October 2019 ^r	November 2019 ^r	December 2019 ^r	January 2020 ^r	February 2020
	millions of dollars				
Exports					
Goods	49,247	48,821	49,127	48,086	48,341
Services	11,185	11,098	11,195	11,004	10,966
Goods and services	60,432	59,919	60,322	59,090	59,307
Imports					
Goods	50,835	49,464	49,710	49,743	49,324
Services	12,796	12,825	12,969	12,765	12,704
Goods and services	63,631	62,289	62,679	62,508	62,028
Balances					
Goods	-1,588	-643	-584	-1,656	-983
Services	-1,611	-1,727	-1,773	-1,761	-1,738
Goods and services	-3,199	-2,370	-2,357	-3,417	-2,721

^r revised

Source(s): Tables [12-10-0011-01](#) and [12-10-0144-01](#).

Available tables: table [12-10-0144-01](#).

Definitions, data sources and methods: survey number [1536](#).

The updated [Canada and the World Statistics Hub \(13-609-X\)](#) is available online. This product illustrates the nature and extent of Canada's economic and financial relationship with the world, using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel between Canada and a number of countries, including the United States, the United Kingdom, Mexico, China, Japan, Belgium, Italy, the Netherlands and Spain.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available. This publication will be updated to maintain its relevance.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Alec Forbes (alec.forbes@canada.ca), International Accounts and Trade Division.