

Canadian international trade in services, March 2020

Released at 8:30 a.m. Eastern time in The Daily, Tuesday, May 5, 2020

In March, Canada's monthly deficit in international trade in services decreased by \$665 million to \$1.0 billion. Overall, imports fell 11.5% to \$11.4 billion, while exports of services declined 7.2% to \$10.4 billion. For imports, this was the lowest level observed since April 2016, and for exports, the lowest level since December 2017.

Activity in travel services and transportation services was curtailed in Canada and among its main trading partners as part of the global effort to contain COVID-19.

Imports of travel services were down 32.6% to \$2.7 billion in March as the COVID-19 pandemic and related travel restrictions drastically reduced the number of Canadian tourists travelling abroad. On March 13, the Government of Canada advised all Canadians to avoid all non-essential travel abroad. Further restrictions were put in place the following week and Canadians were urged to return home, either by commercial means or via repatriation with help from the Government of Canada.

These travel restrictions also had a large impact on the passenger fares' component of transportation services. Imports of transportation services declined 12.7% to \$2.3 billion in March.

Meanwhile, commercial services increased 2.2%, largely due to higher payments of financial services, in the form of commissions. Activity in the financial markets increased sharply in March as volatility intensified.

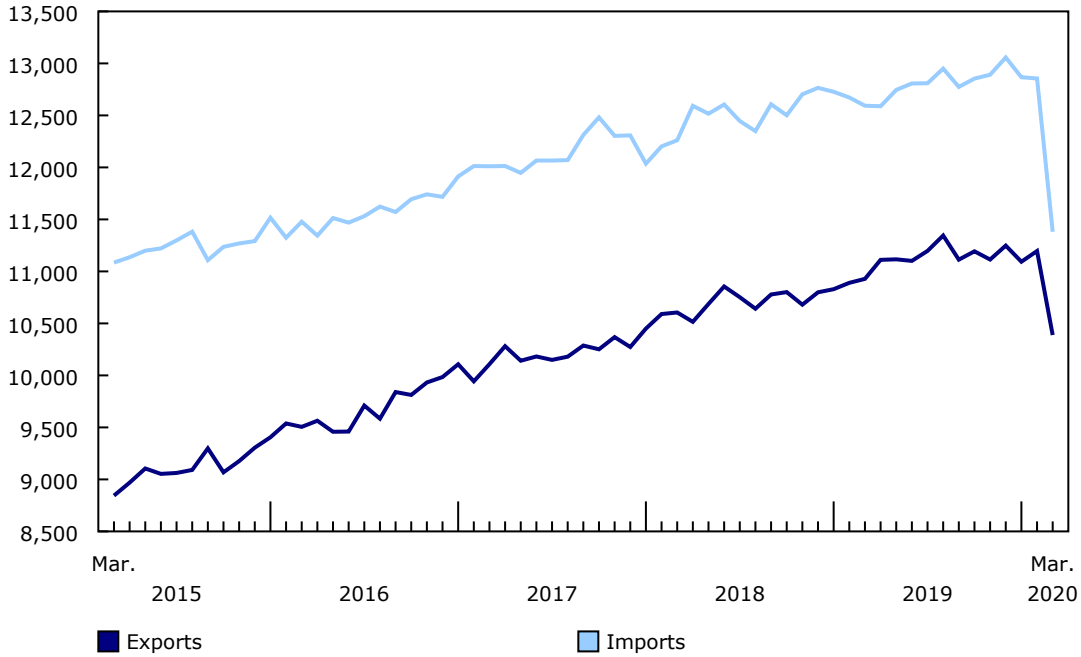
Exports of travel services fell 21.2% to \$2.3 billion in March, and transportation services declined 16.0% to \$1.3 billion. As in the case of imports, these declines occurred because of significant decreases in the number of tourists coming to Canada due to the COVID-19 pandemic and related travel restrictions. The Government of Canada's restrictions on entry into the country by non-residents other than those of the United States came into effect on March 18, and were extended to United States residents on March 20.

A decline in passenger fares was the main contributor to the drop in exports of transportation services. Reduced transport of goods by both water and air also dampened March export values. Exports of commercial services were up 0.9% to \$6.7 billion, due to an increase in financial services.



Chart 1
International trade in services

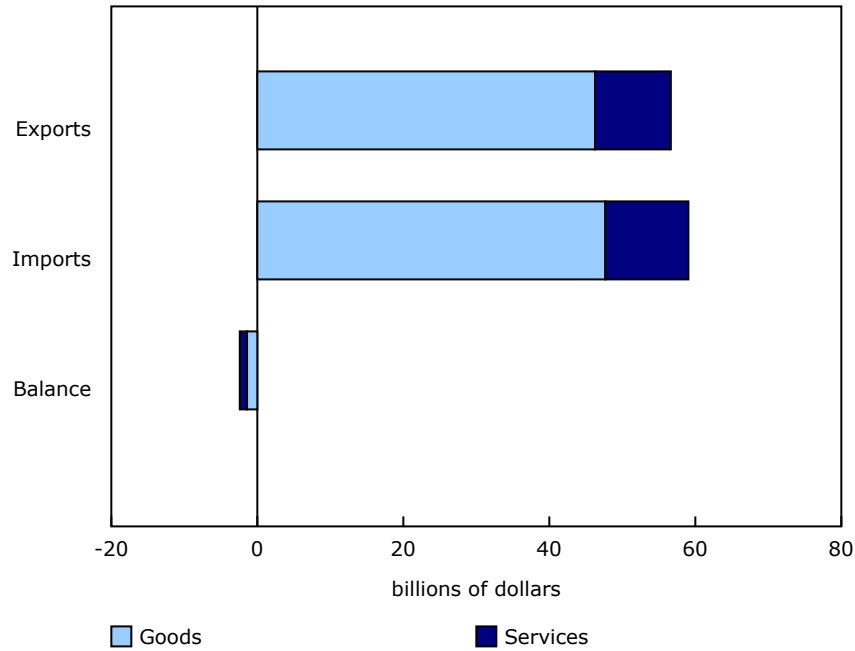
millions of dollars



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

In comparison, total imports of goods were down 4.7% to \$47.7 billion in March, while total exports of goods declined 3.5% to \$46.3 billion, resulting in a goods deficit of \$1.4 billion. When combined, the trade balance for goods and services amounted to a deficit of \$2.4 billion in March, a decrease of \$148 million from February.

Chart 2
International trade in goods and services, March 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 February, first reported at \$1.7 billion, was revised down by \$80 million with this month's release of March data. Exports of services for February were revised up by \$230 million, mainly on higher travel services. Imports of services were revised up by \$151 million, due to higher travel services and transportation services.

COVID-19 and Canada's international trade in services

In March, inward and outward travel restrictions were implemented in Canada and continued to be imposed elsewhere in an effort to contain the novel coronavirus. These restrictions led to significant declines in Canada's imports and exports of travel services and transportation services. It is expected that April will show another reduction in both exports and imports of these service categories as the travel restrictions and the subsequent declines in travellers only came into force in Canada in the middle of the month of March.

More detailed information on traveller numbers can be found in the [Leading indicator of international arrivals to Canada by air](#), and the [Leading indicator of cross-border traveller volume](#) releases.

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 worked in a typical month, but would not work in the current situation, where travel restrictions that reduce tourist and traveller numbers have been implemented very rapidly.

In order to better capture the effects of the COVID-19 pandemic, Statistics Canada is incorporating 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 current volatility, this particular element of the model was revisited and the benchmark values are being adjusted based on the most current data, as needed.

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

	November 2019 ^r	December 2019 ^r	January 2020 ^r	February 2020 ^r	March 2020
	millions of dollars				
Total services, exports	11,114	11,248	11,093	11,196	10,388
Commercial services	6,447	6,469	6,446	6,592	6,650
Travel services	2,970	3,017	2,944	2,932	2,309
Transportation services	1,553	1,618	1,556	1,526	1,282
Government services	143	145	146	147	147
Total services, imports	12,891	13,057	12,867	12,855	11,381
Commercial services	6,233	6,222	6,093	6,225	6,360
Travel services	3,848	3,980	3,956	3,932	2,651
Transportation services	2,693	2,737	2,701	2,582	2,253
Government services	118	118	117	117	118
Total services, balances	-1,777	-1,809	-1,775	-1,658	-993
Commercial services	214	246	353	367	290
Travel services	-878	-962	-1,012	-1,000	-341
Transportation services	-1,140	-1,120	-1,145	-1,056	-971
Government services	26	27	29	30	29

^r revised

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

Table 2
International trade in goods and services – Seasonally adjusted

	November 2019 ^r	December 2019 ^r	January 2020 ^r	February 2020 ^r	March 2020
	millions of dollars				
Exports					
Goods	48,793	49,143	48,029	48,523	46,257
Services	11,114	11,248	11,093	11,196	10,388
Goods and services	59,907	60,391	59,122	59,719	56,645
Imports					
Goods	49,396	49,664	49,733	49,417	47,668
Services	12,891	13,057	12,867	12,855	11,381
Goods and services	62,287	62,721	62,600	62,272	59,049
Balances					
Goods	-602	-521	-1,703	-894	-1,411
Services	-1,777	-1,809	-1,775	-1,658	-993
Goods and services	-2,379	-2,330	-3,478	-2,552	-2,404

^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 (613-668-6454; alec.forbes@canada.ca), International Accounts and Trade Division.