TRADING DURING A GLOBAL PANDEM

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November 23,2020

Stephen Tapp,

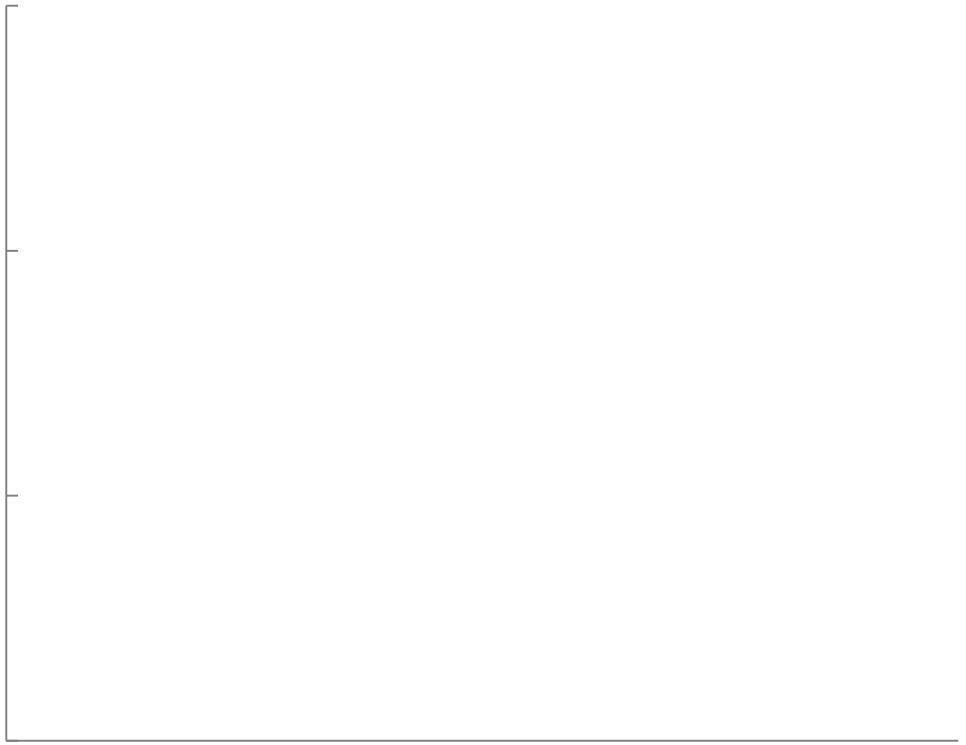
Deputy Chief Economist and
Trade Research Director

Canada

58 million cases

Note: As of Nov 22, 2020
Source: EDC Economics, W2KyXa I 2LJ]ryã / 2N2yl·ØrNdză wSăSI·NOK Center

STABILIZED FINANCIAL MARKETS

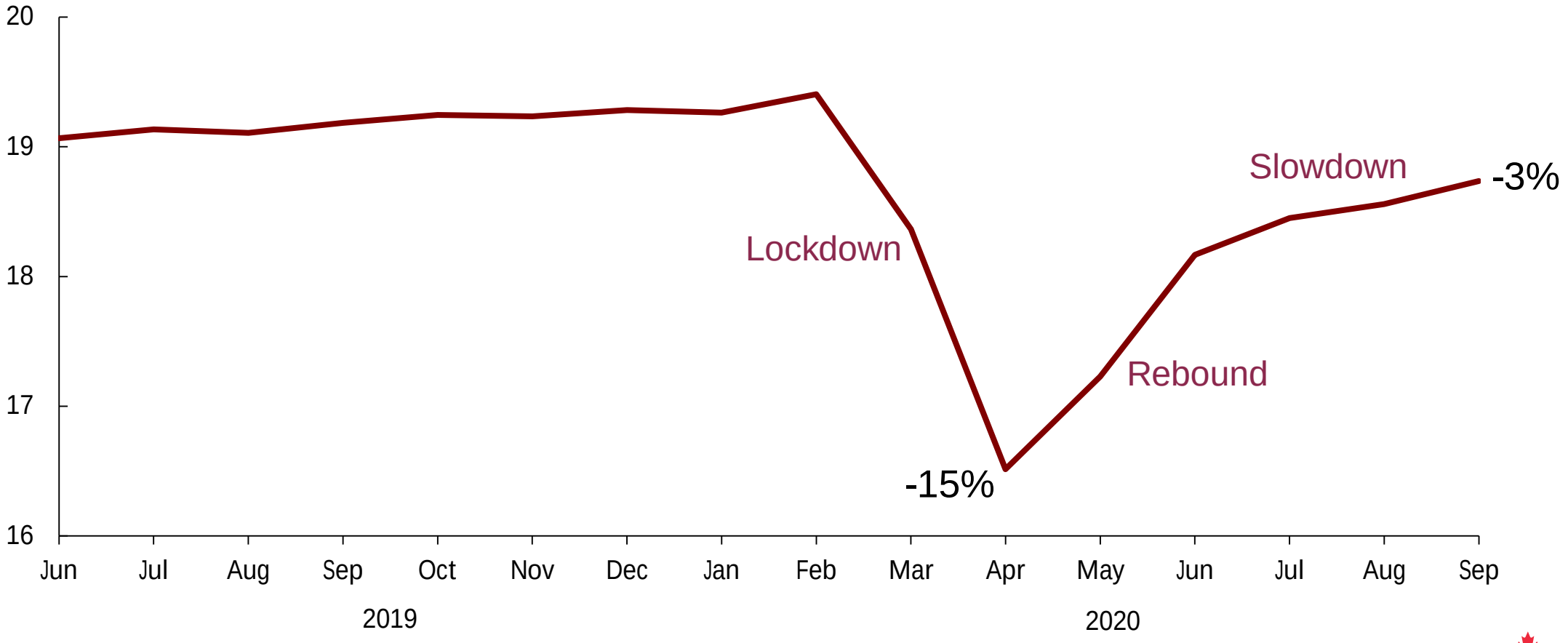


SUPPORTED CONSUMERS

ECONOMIC DYNAMICS

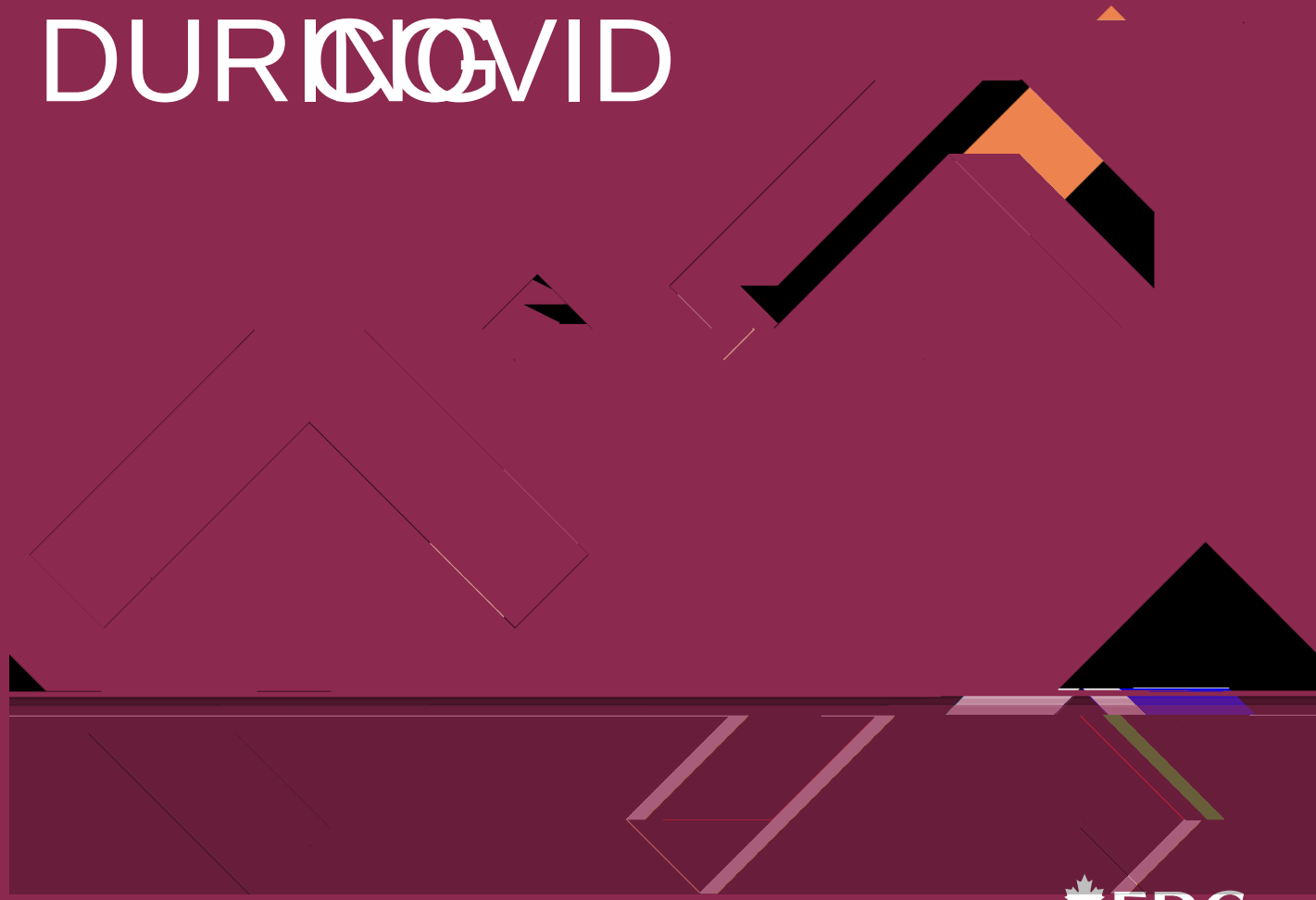
U.S. real gross domestic product

Trillions of 2012 dollars



Sources: Haver Analytics, IHS Markit

GLOBAL TRADE DURING COVID



GLOBAL TRADE

DIRE INITIAL PREDICTIONS

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

Richard Baldwin, April 7, 2020

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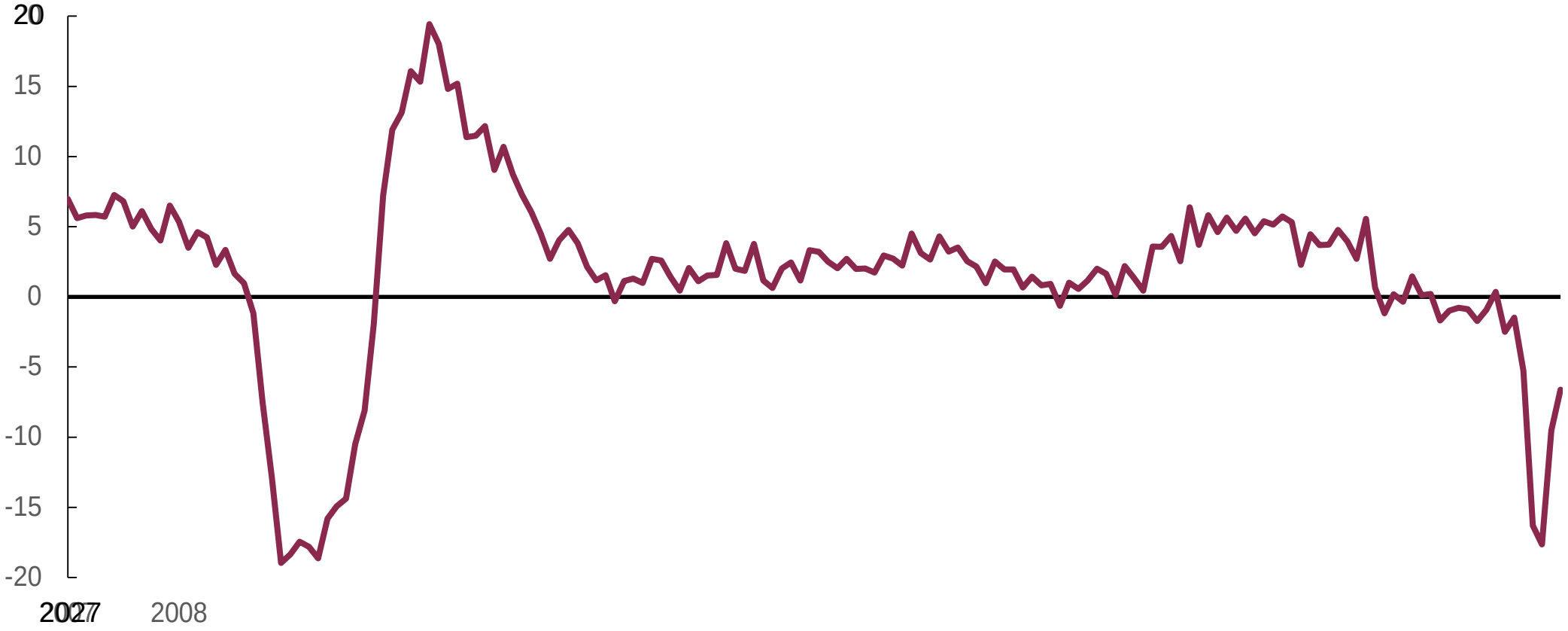
decline will likely exceed the
2008- ì õ P o } o ( ] v v

World goods trade in 2020 is
set to plummet by between
13% (optimistic scenario) and
32% (pessimistic scenario).


20
15
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0
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-15
-20
2007
2008

SUPPLY CHAINS LARGELY HELD UP

Global merchandise trade

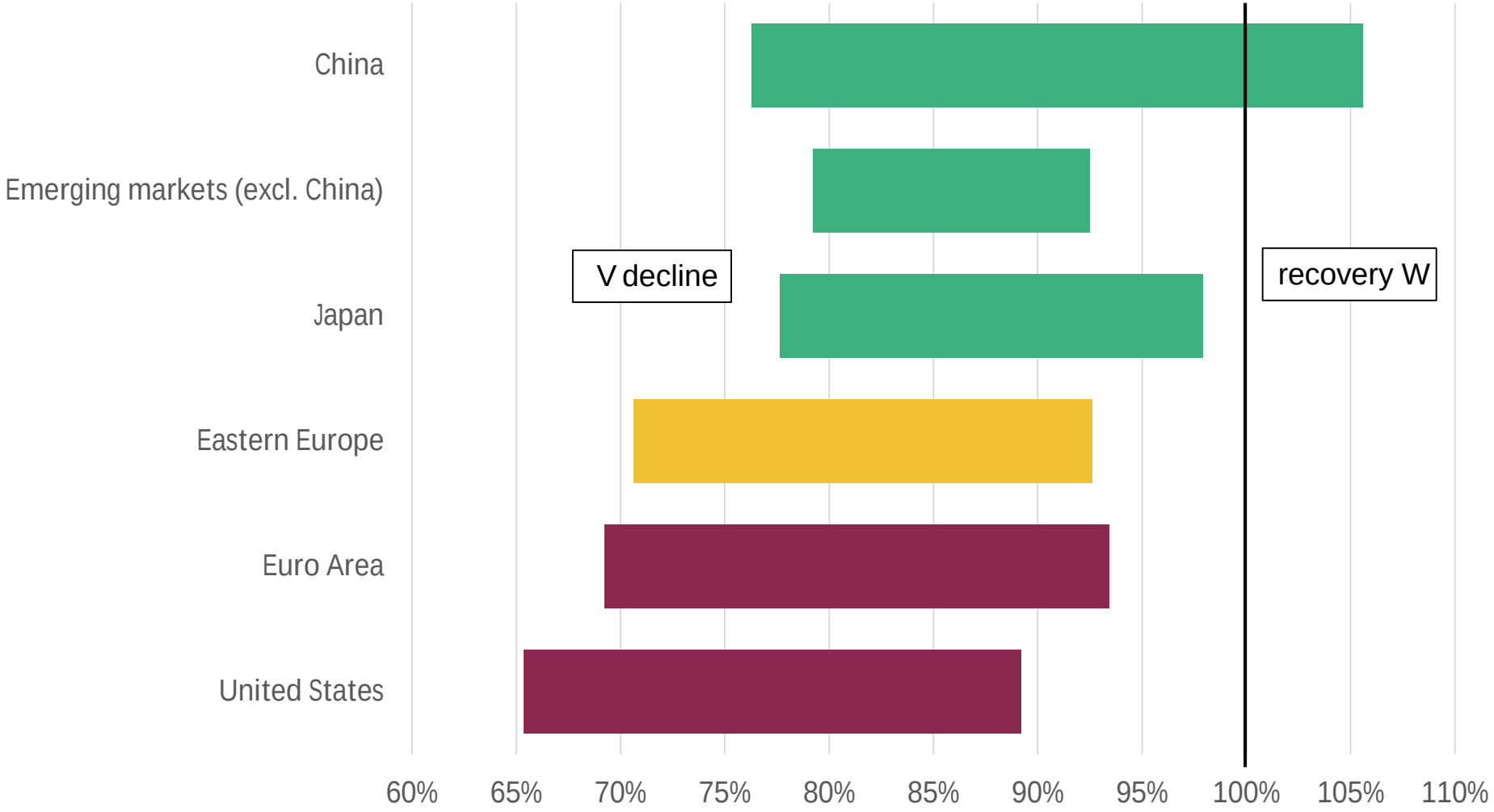
% of GDP

Sources: WTO, World Bank and IMF. 2020 EDC Economics estimat96 Td ((u)-4 (r)9 (c)3 (es:)3 (WT)278 1DE)8 (c)131313.48f 218.69 420.67 Td [(r)20.0T(09 4.3ET EMC /P <</MCID 7 >>B

LED BY ASIA

Goods exports, dynamics by region

% relative to pre-COVID levels



Sources: EDC Economics, Haver Analytics

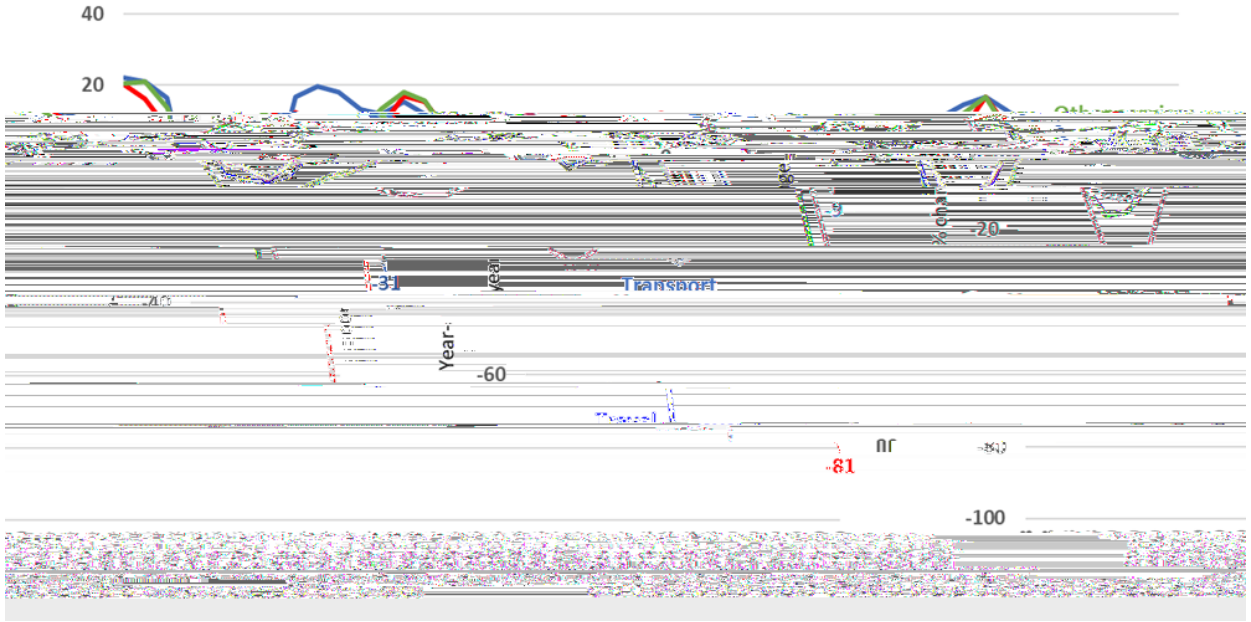
SERVICES TRADE HIT HARDEST

Globalcommercial services trade

Year-over-year, % change

Keyservices components

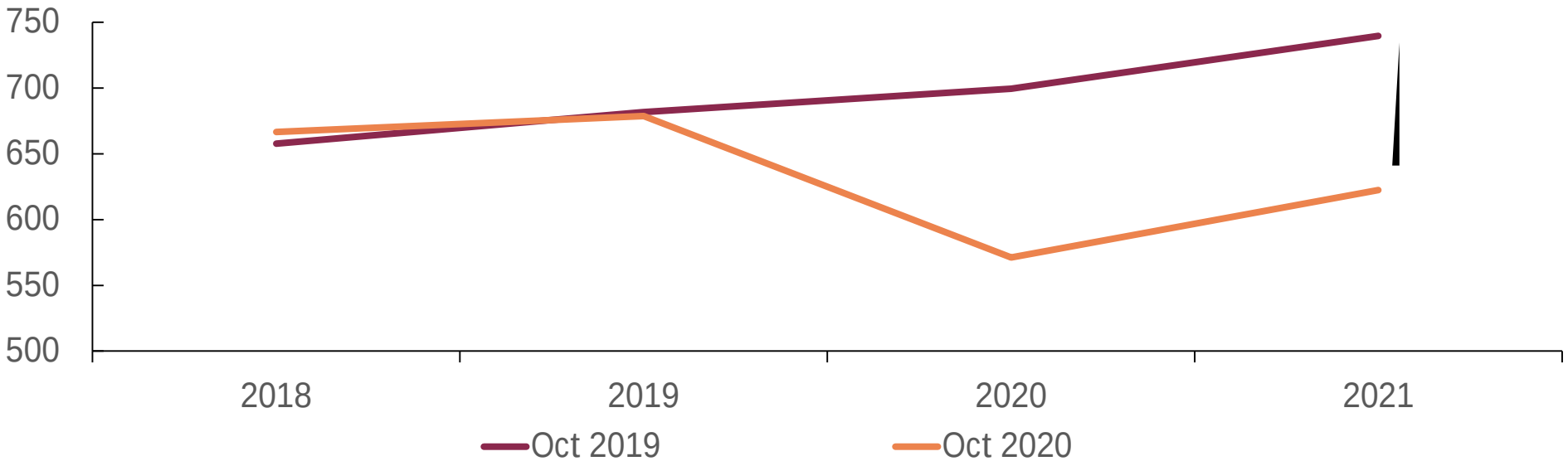
Year-over-year, %



 Source: WTO

CANADIAN TRADE DATA

Canadian export forecasts



BEST PERFORMING EXPORT SECTORS

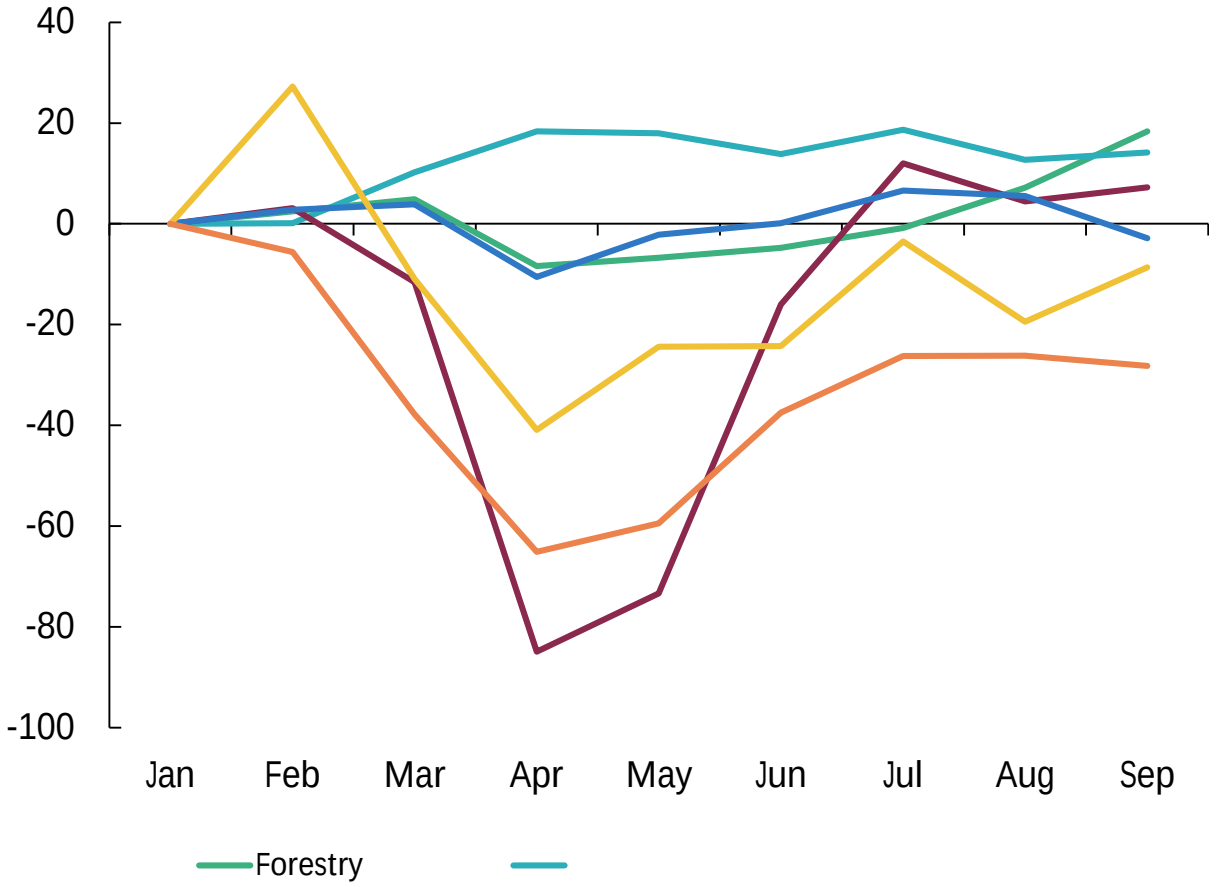
Forestry products

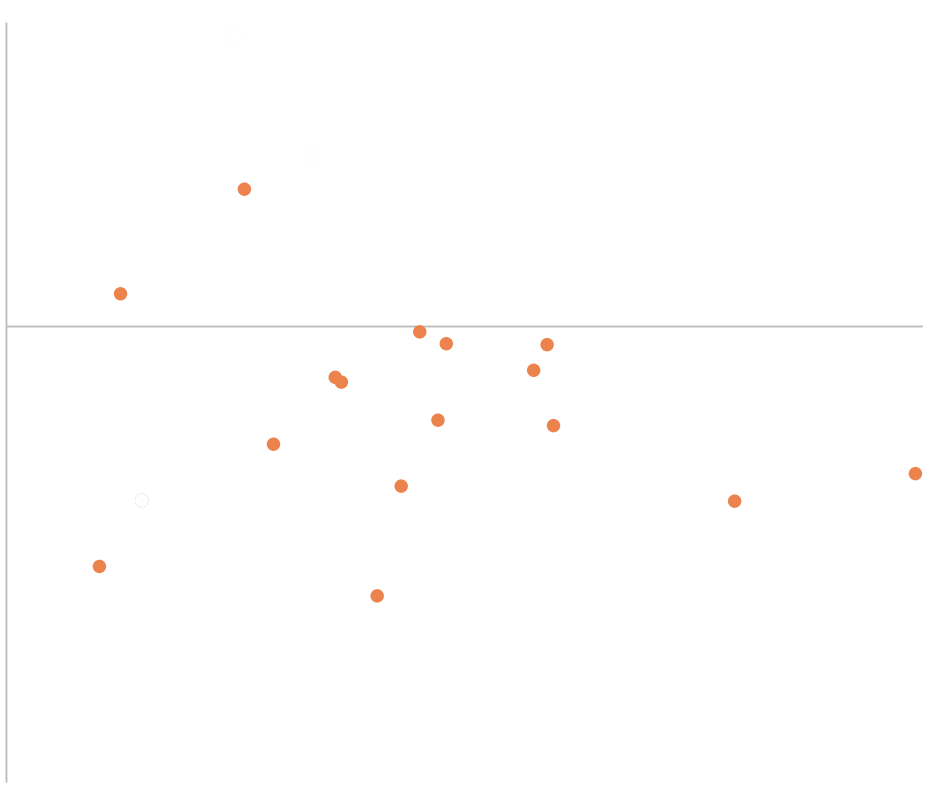
Agri-food

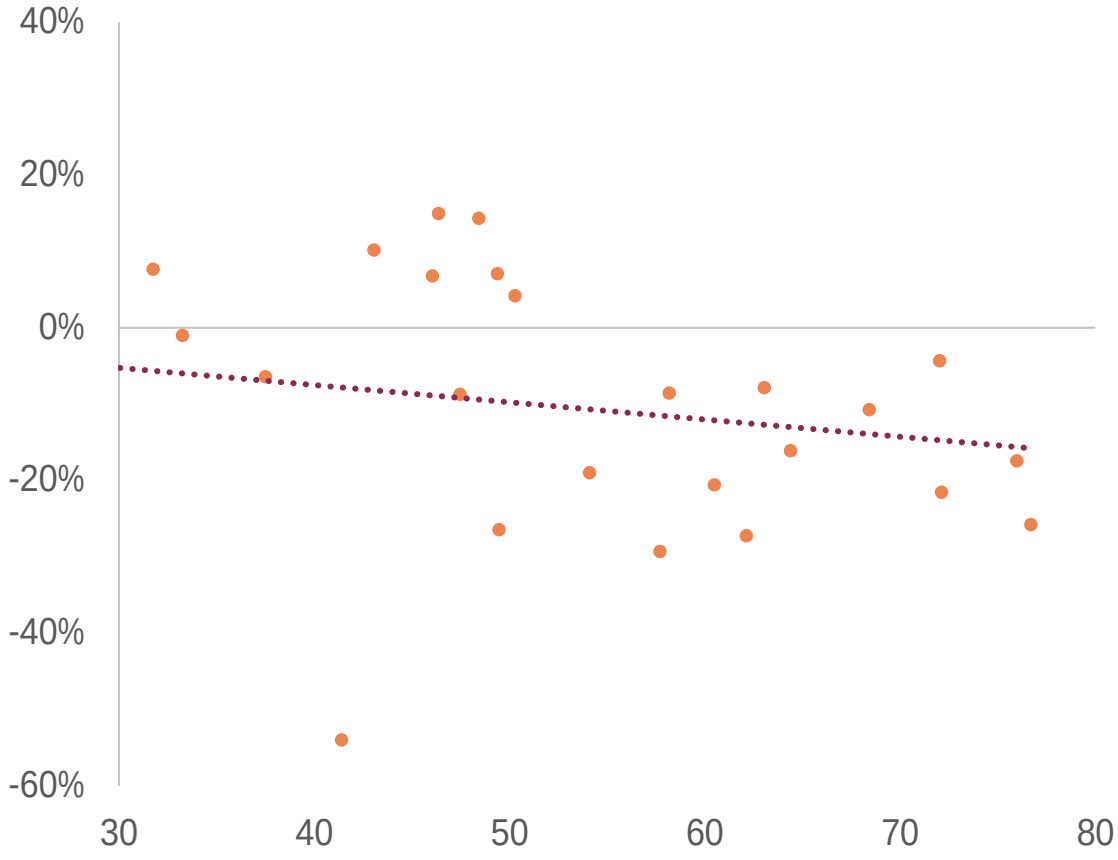
Consumer goods

Commercial services

UNEVEN SECTORS IMPACTS



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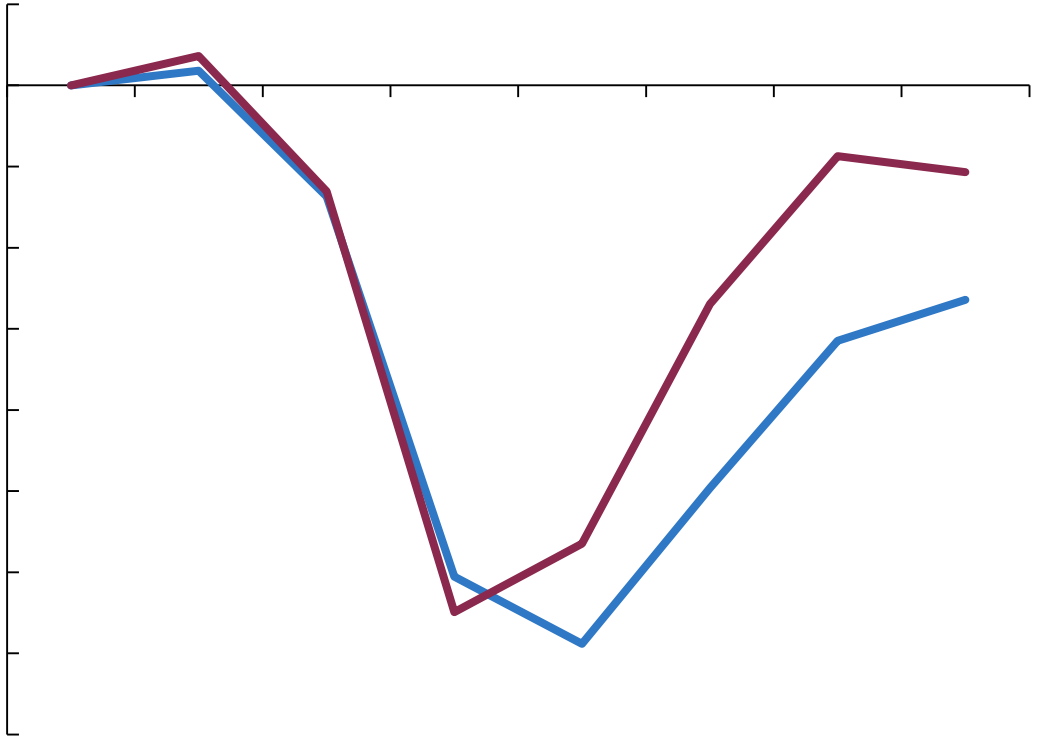
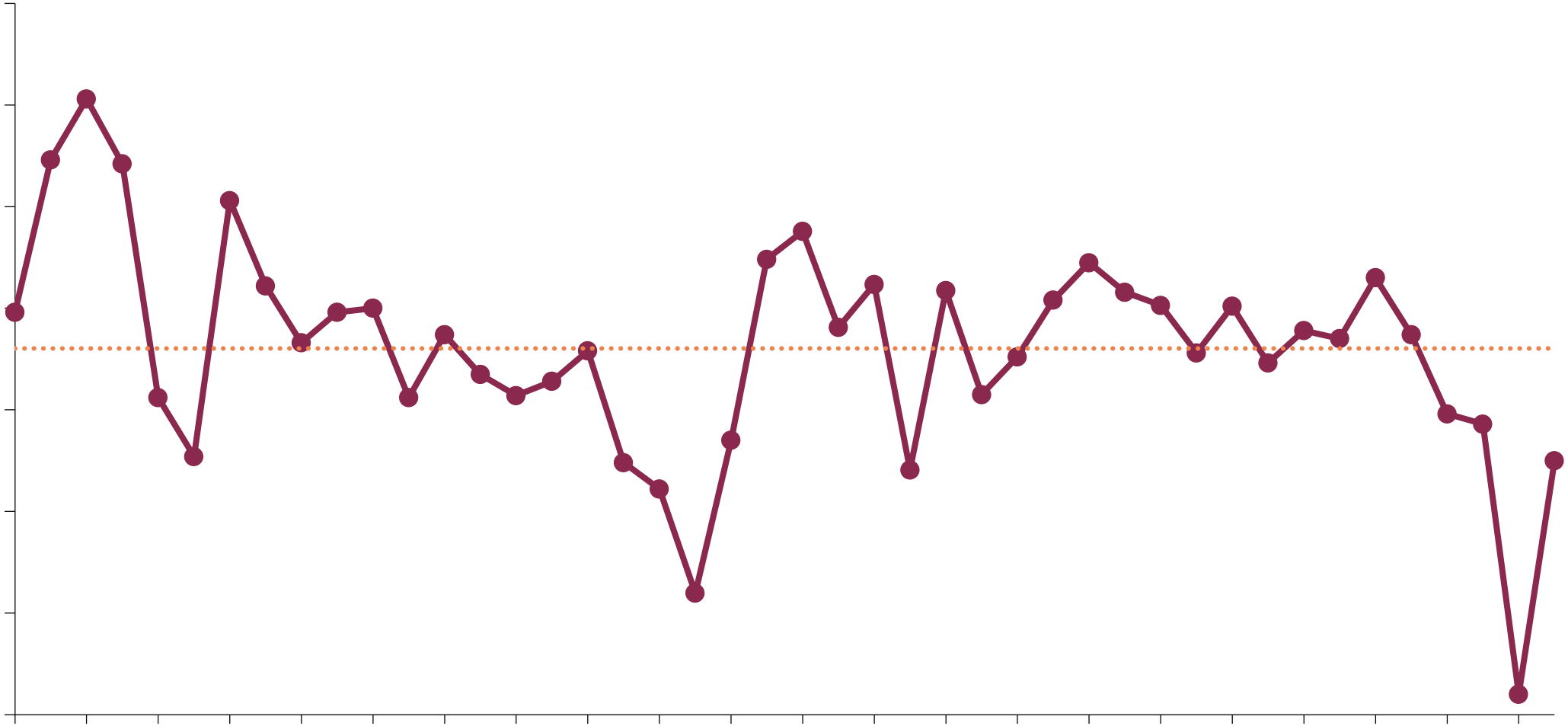


SURVEYING THE DAMAGE

TRADE CONFIDENCE REBOUND FROM ALL-TIME LOW

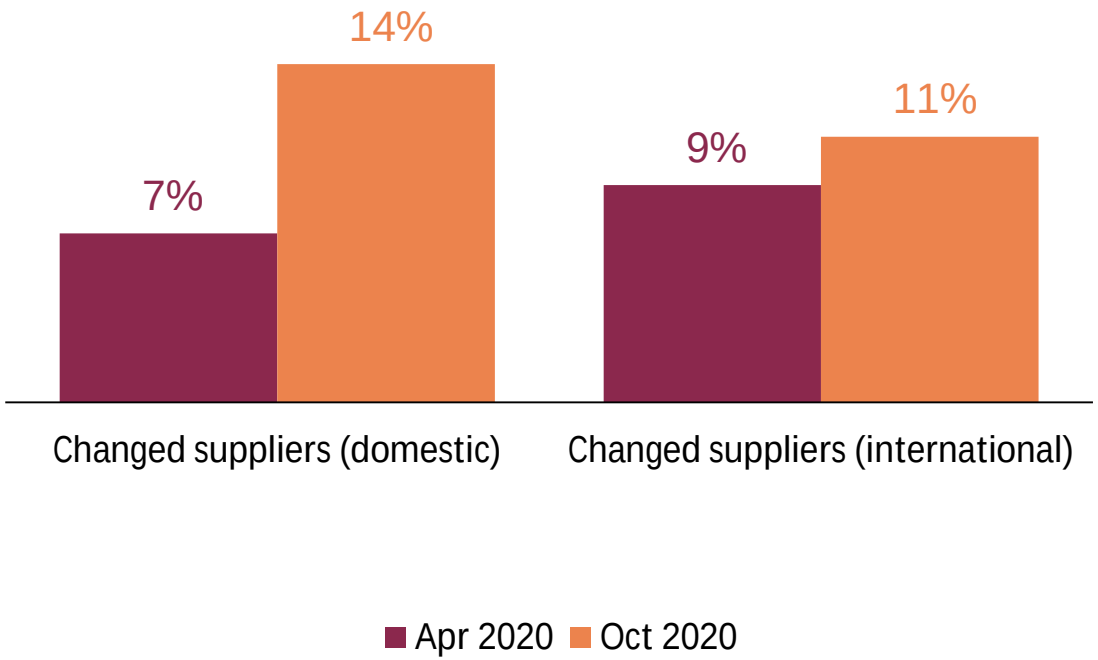


Trade Confidence Index

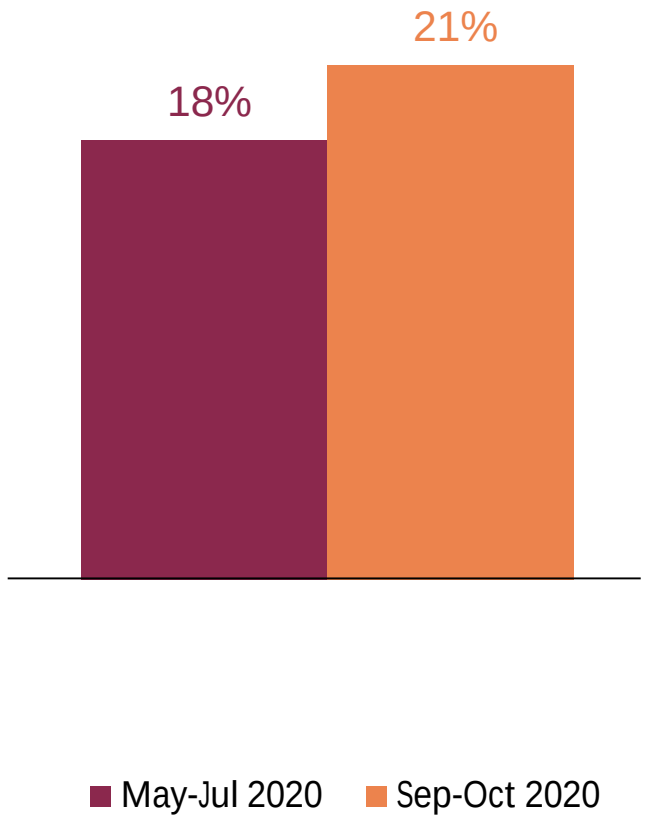
SUPPLY CHAINS ADJUSTING

Have changed suppliers

% of respondents



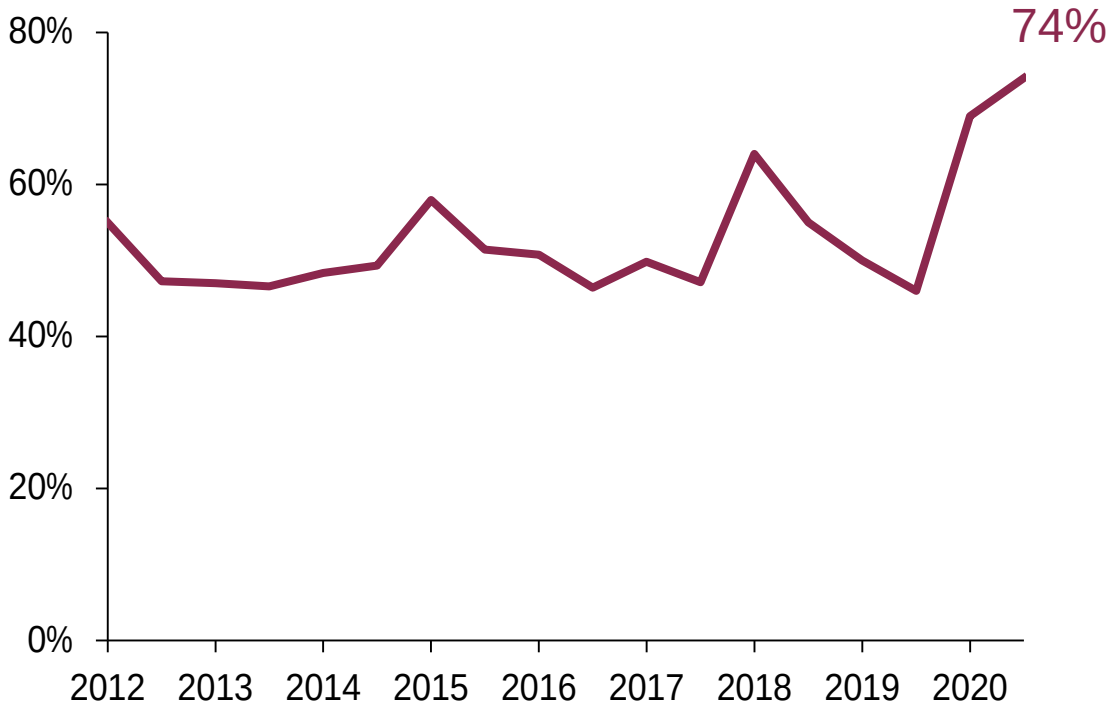
Intend to *diversify* supply chains



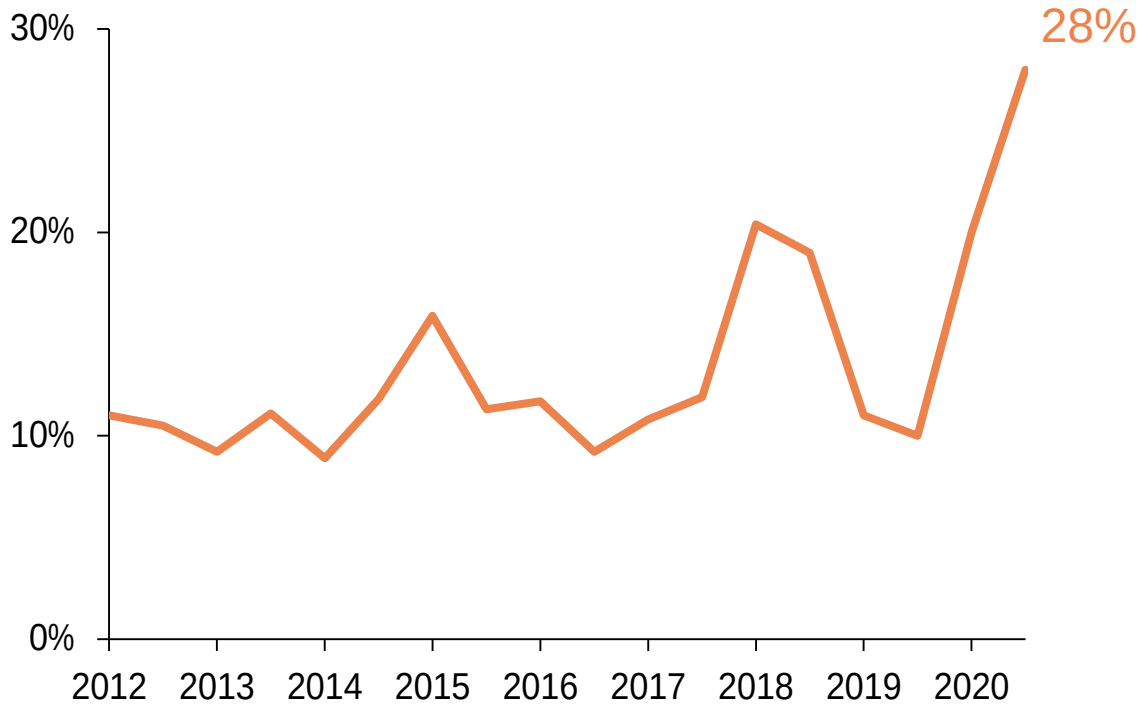
Sources: EDC COVID-19 Research Panel, Canadian Chamber of Commerce, Statistics Canada

RECORD NUMBER OF EXPORTERS PLAN TO DIVERS

Planning to exportto new countries
% of respondents



Planning to investoutside Canada
% of respondents



Source: EDC Trade Confidence Index

CONCLUSIONS

Large, unequal COVID shock

ς Winnersand losers (sectoral, online, firm size)

Impressive trade resilience so far

ς Firms adjusting/diversifying supply chains and markets

But slow, fragile recovery until pandemic is contain

EDC ECONOMICS RESOURCES

Weekly Commentary, Economic Insights newsletter

Global Economic Outlook

Global Export Forecast

Country Risk Quarterly

Trade Confidence Index

Top 10 Global Risks

Trackers: Canadian Recovery, Commodities, Global Markets

Research reports

@ExportDevCanada

Export Help Hub
ExportHelp@edc.ca

edc.ca/en/tag/economic-insights.html

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

CONTACT

Stephen Tapp

Deputy Chief Economist,
Export Development Canada

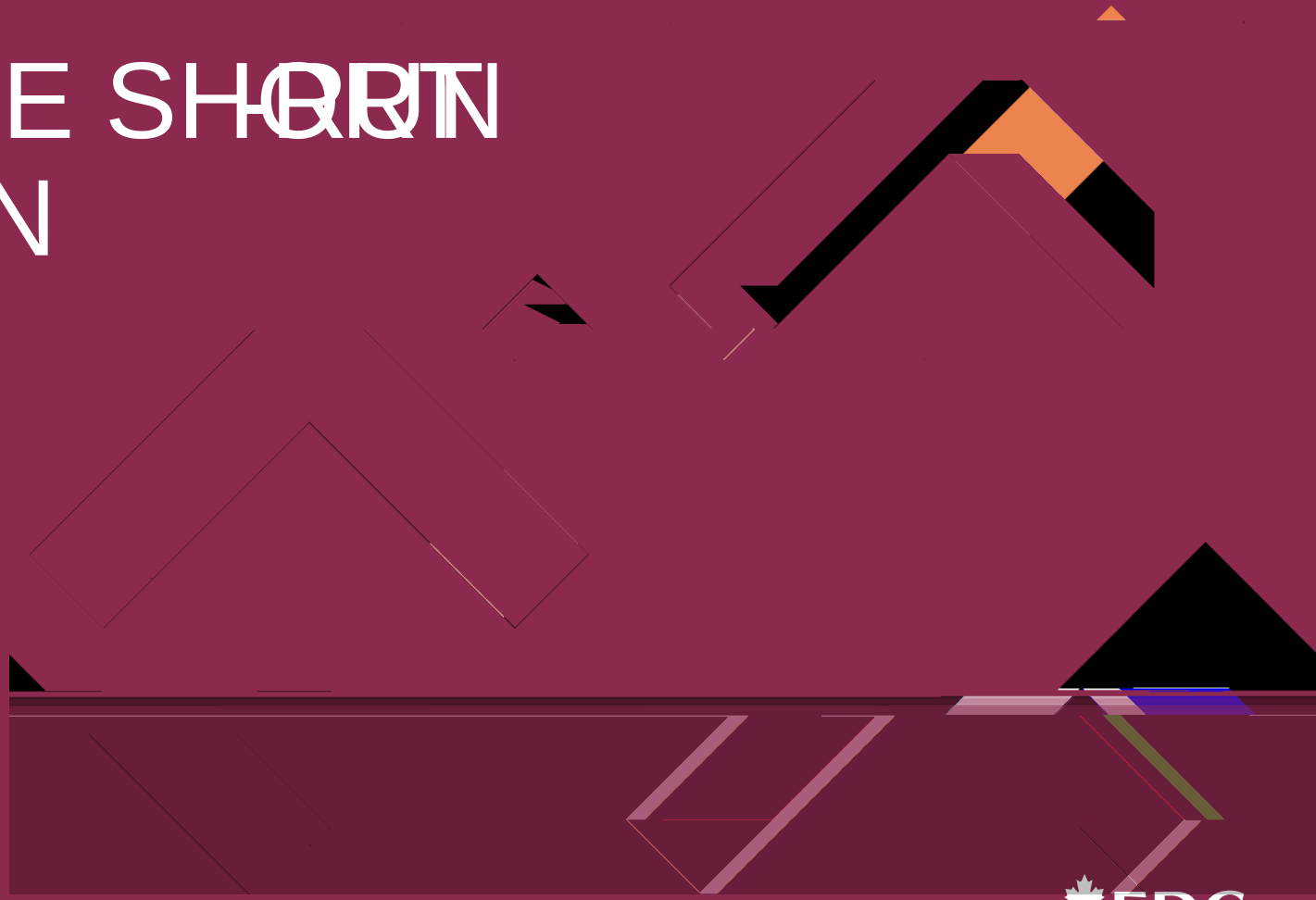
Email: STapp@edc.ca

Stephen Tapp

@Stephen_Tapp

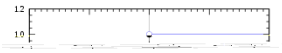
CANADIAN EXPORT FORECAST, BY SECTOR

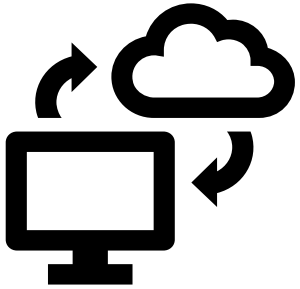
CONNECTING THE SHORT RUN AND THE LONG RUN



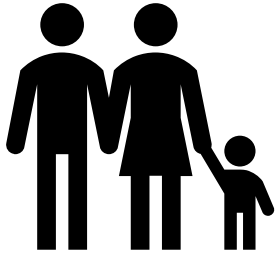
COVID-19 ACCELERATING LONG-TERM TRENDS

Step function



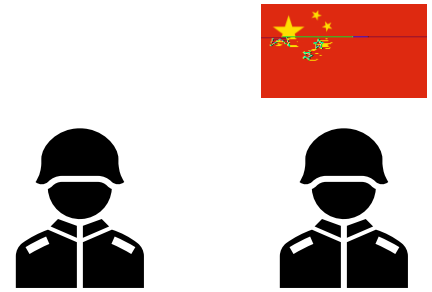


1. Digitization

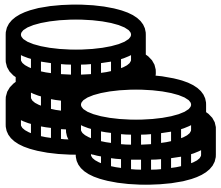


2. Inequality and inclusion

3. Protectionism(?)



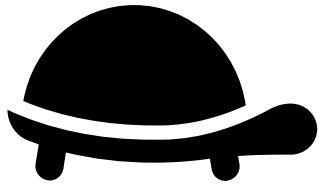
4. US-China rivalry



5. Rising debt

6. Industry concentration

7. Low interest rates

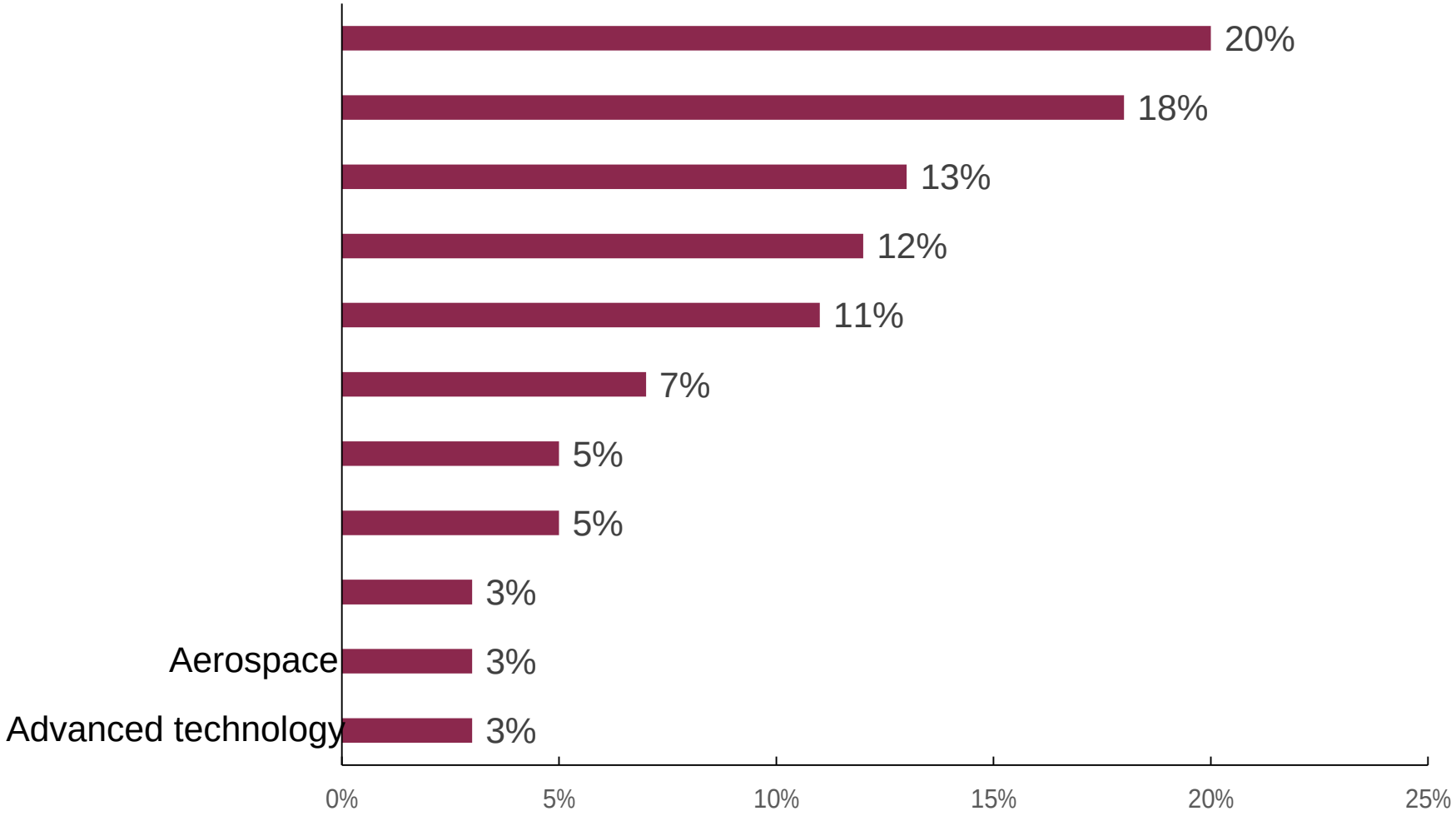


8. Slow economic growth

9. Sectoral disruptions

EDC

COVID IMPLICATIONS FOR FUTURE EXPORTS?



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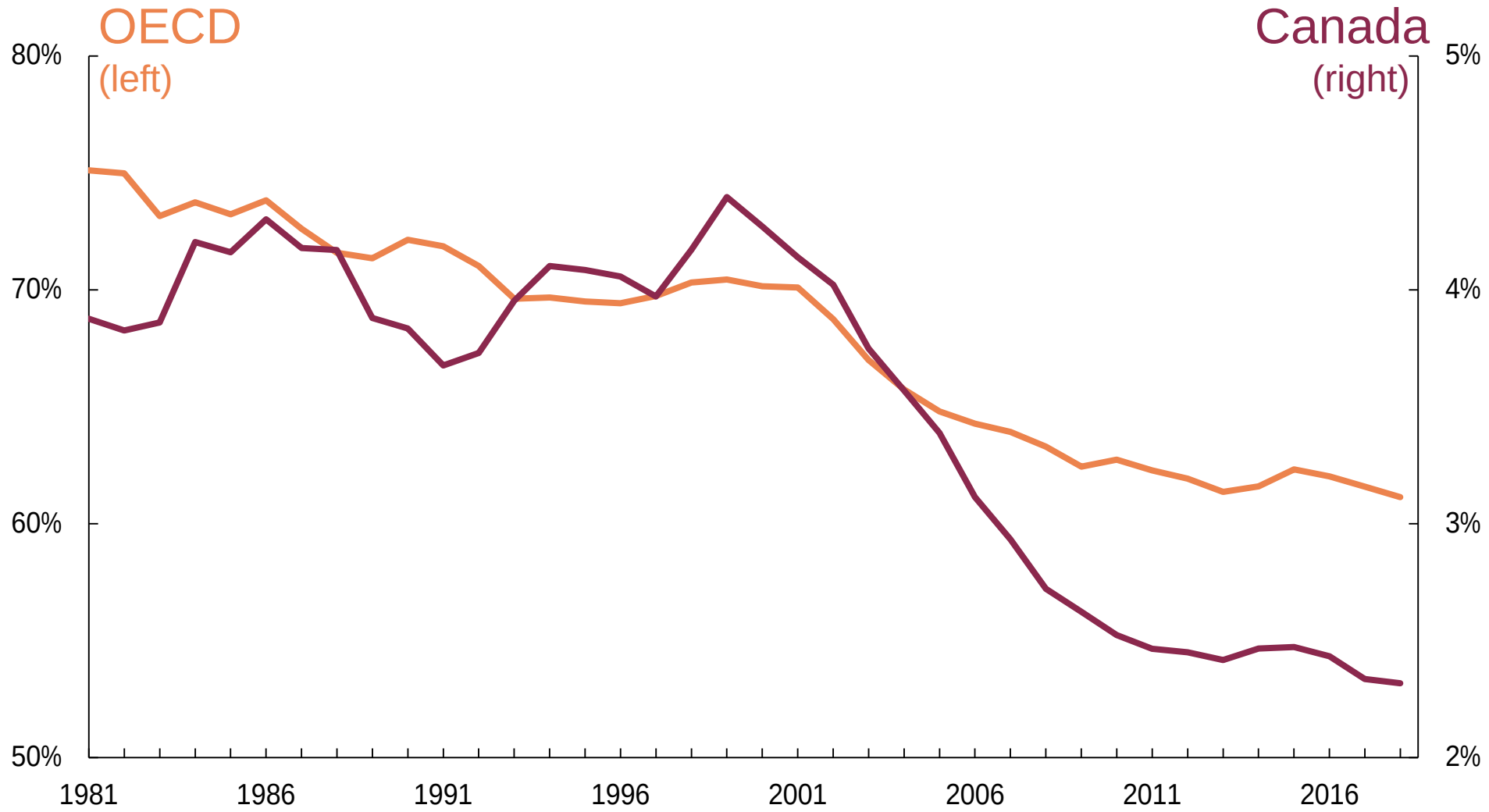
Winning

CANADIAN TRADE LAGGING OECD

Goods and service export volumes, percent of global total



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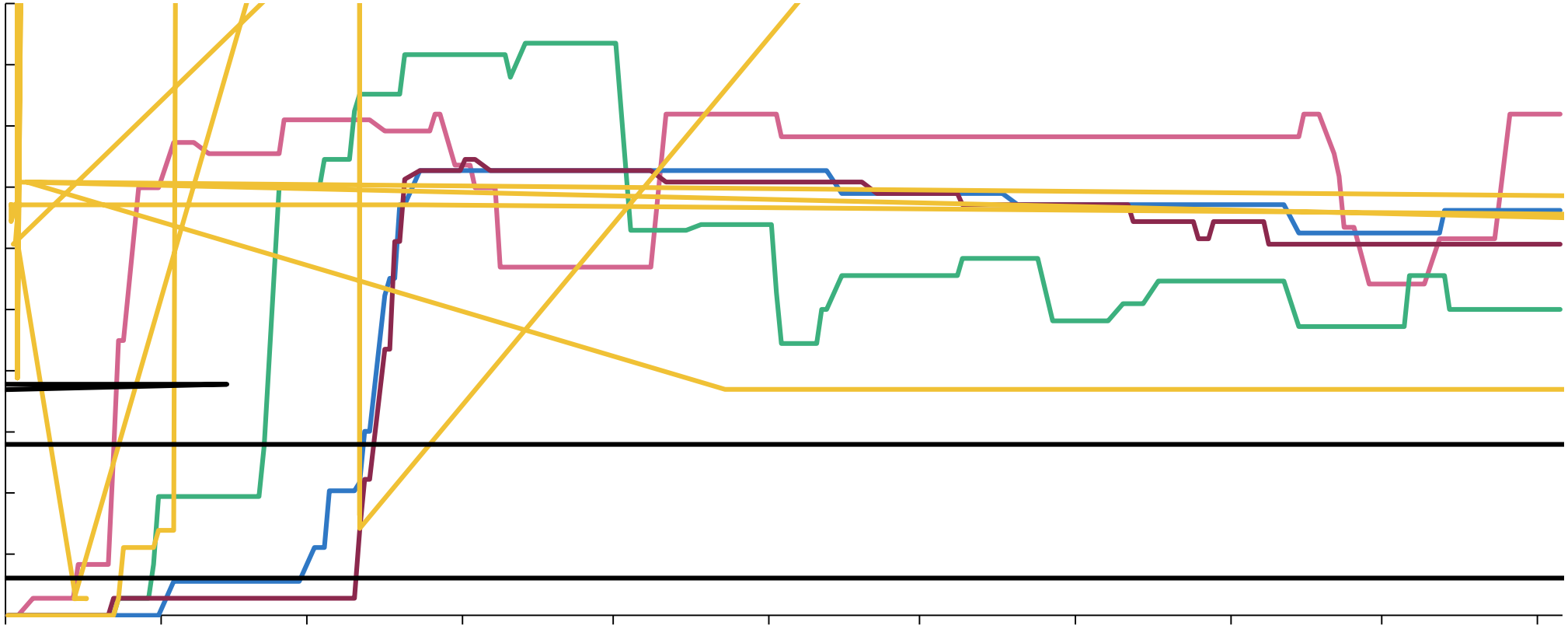
Winning?

EXTRA MATERIAL

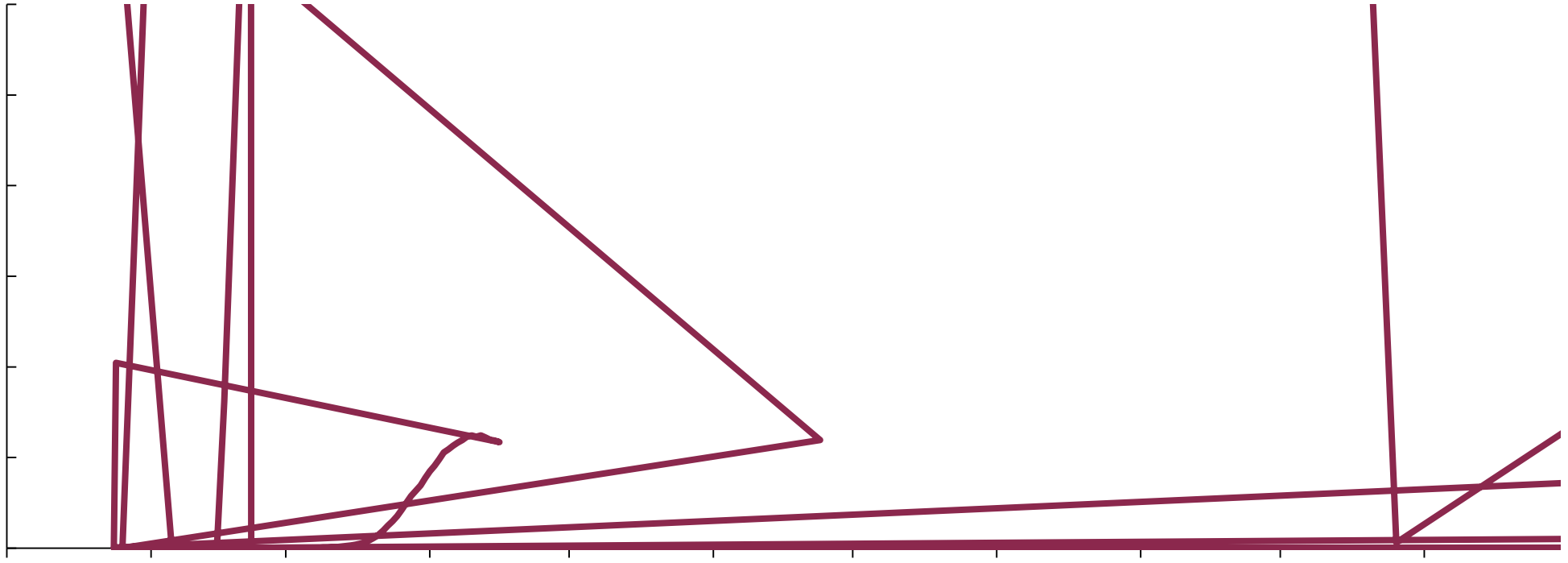
Merchandise Export 1 9 5 1 1 8

In January 2019, merchandise exports fell by 1.7% compared to January 2019.

Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct



THIRD COVID WAVE IN THE U.S.



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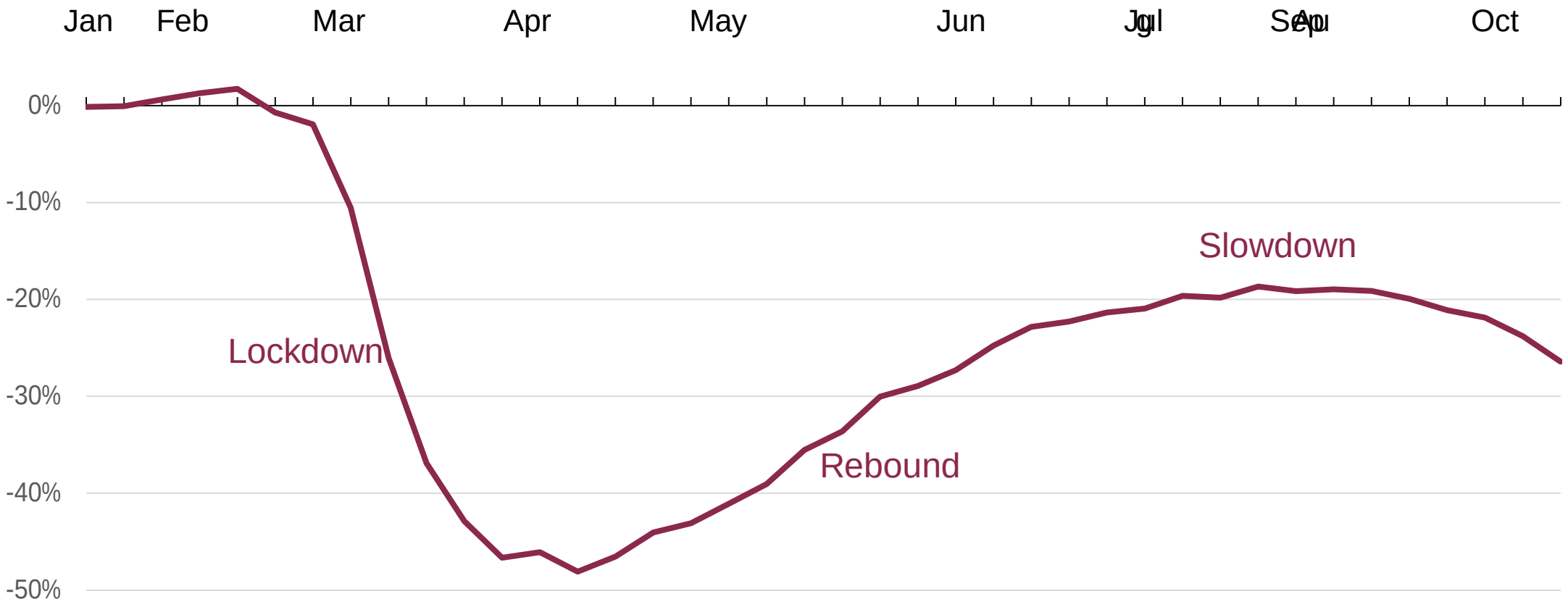
Canadian Economic Recovery Tracker

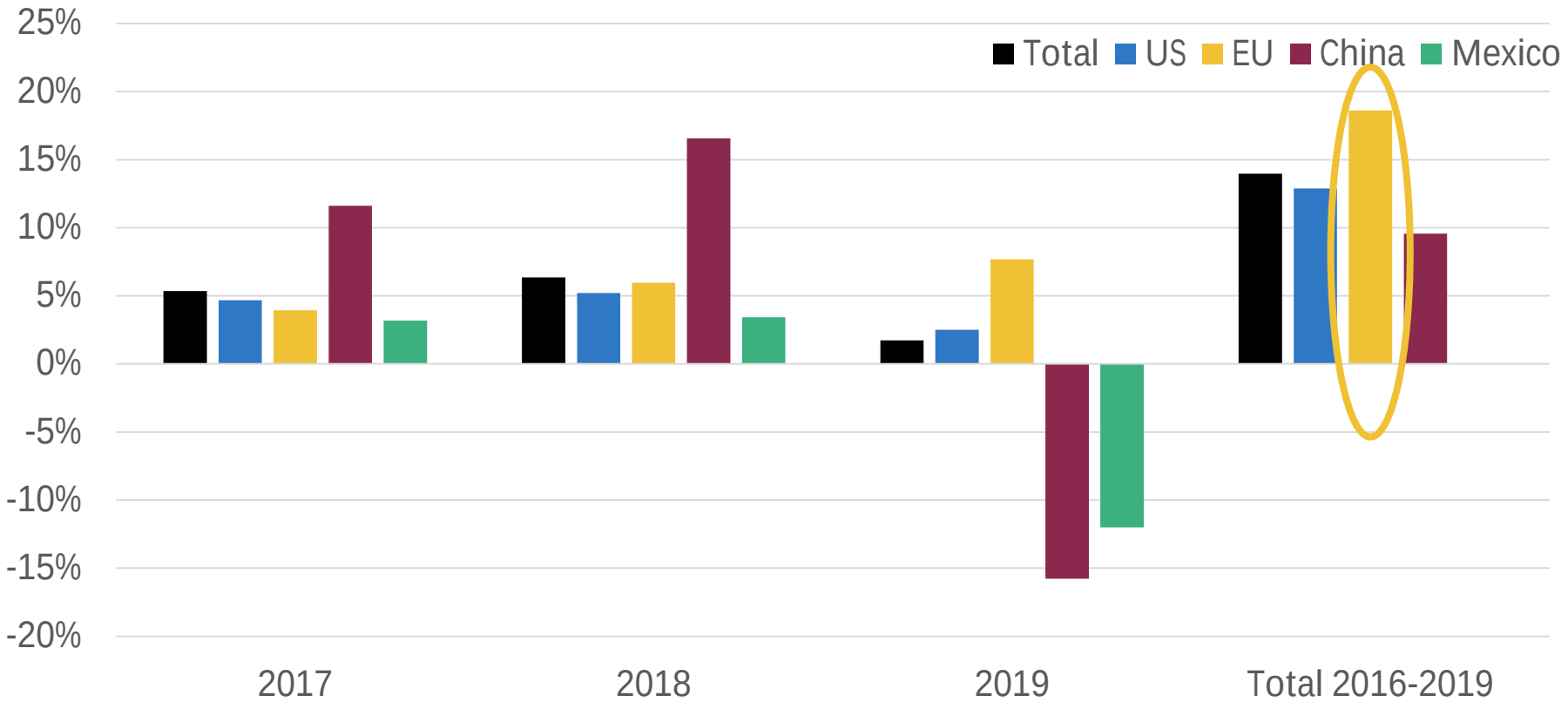
Percent change from pre-COVID baseline



Source: EDC Economics

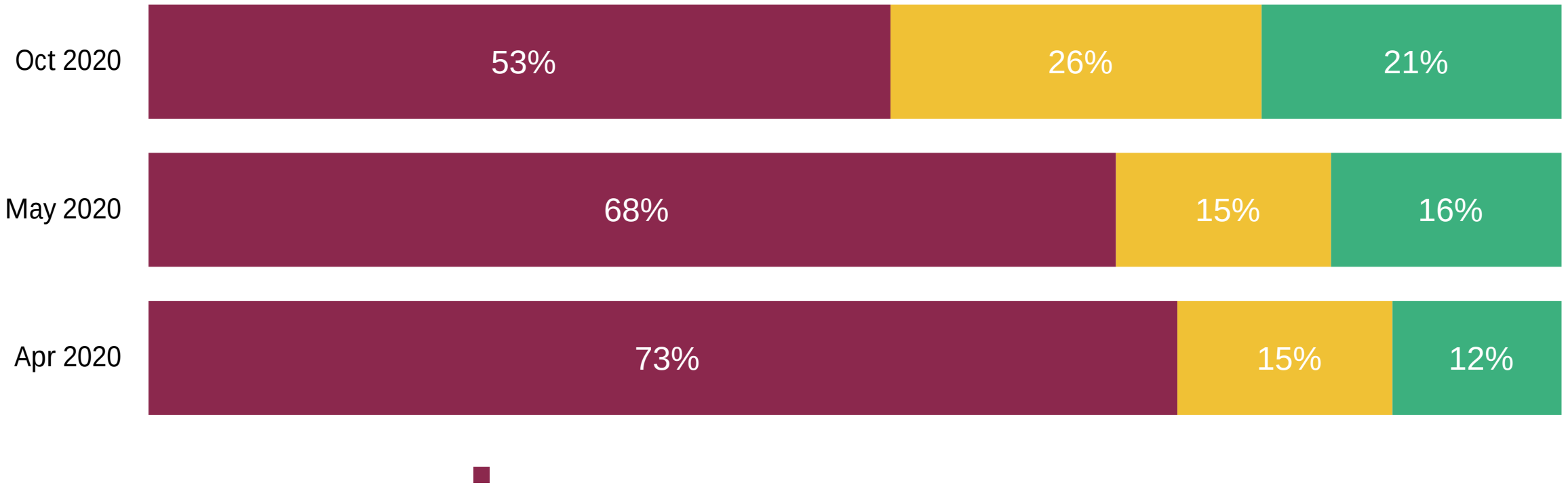
CETA SUCCESS: THE EU HAS BEEN A GROWTH, STABLE, PREDICTABLE EXPORT MARKET FOR CANADA

Annual Canadian export growth to various key destinations



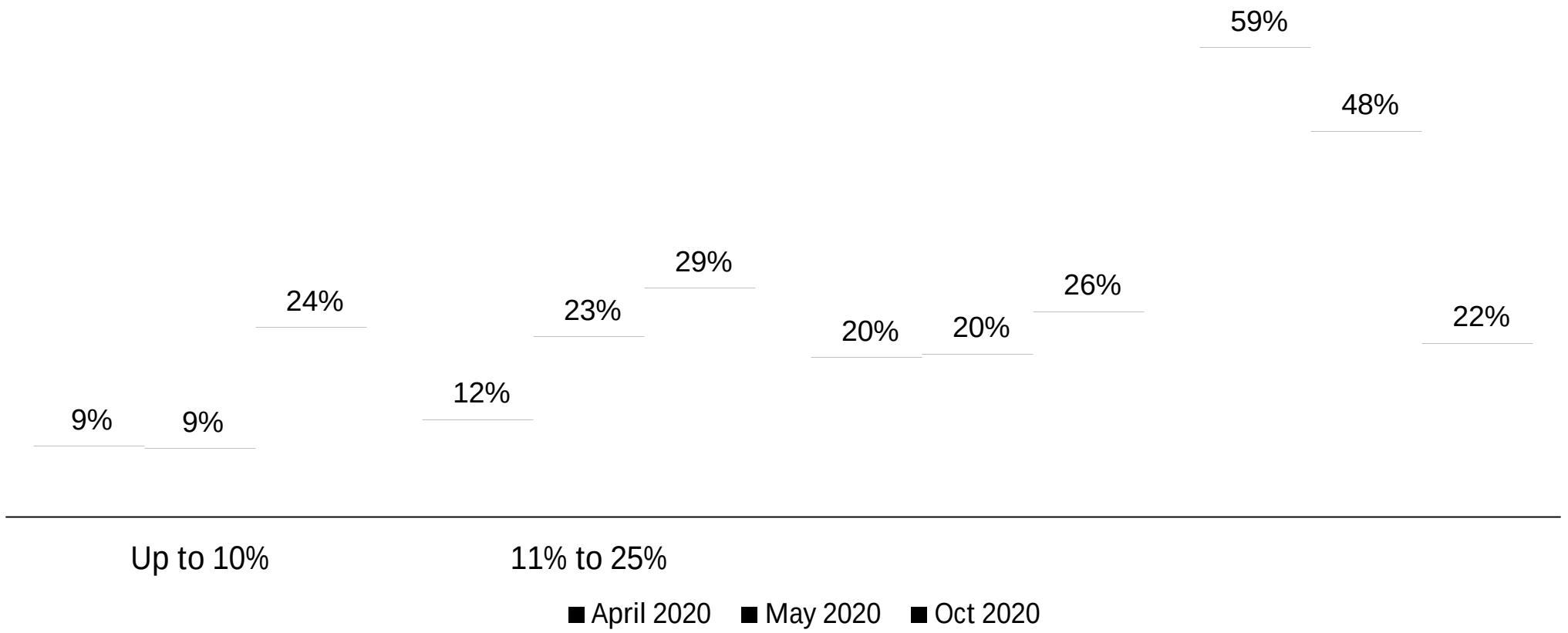
Source: EDC Economics

SIGNIFICANT NEGATIVE EXPORT SALES IMPACTS R
BUT POSITIVES ARE GROWING



OF THOSE NEGATIVELY IMPACTED, MOST REPORT HITS OF 25% OR LESS, MUCH IMPROVED FROM APR

Percent of businesses reporting a decline in export sales*
(Grouped by extent of sales decline)



2020 GROWTH OUTLOOK

CANADIAN TRADE WITH U.S. AND NON-U.S. COUNTRIES

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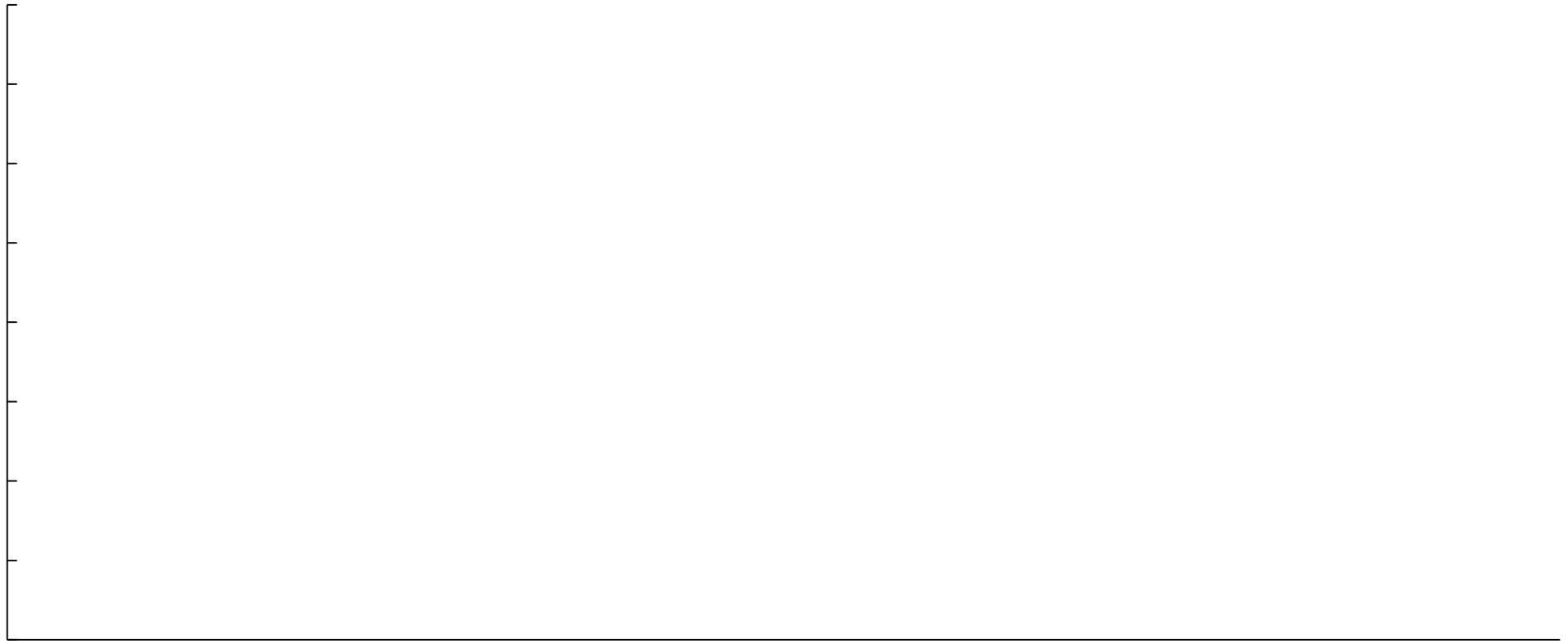
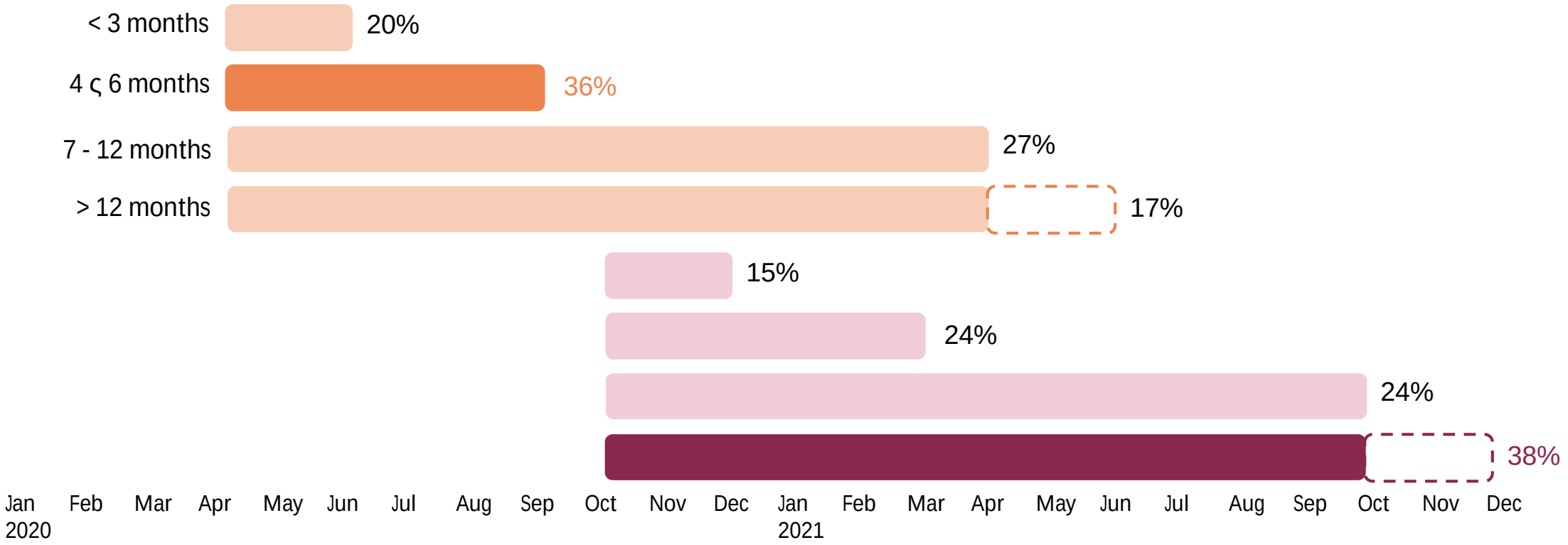
Billions of Canadian dollars



Source: Haver Analytics, Statistics Canada

LONGER IMPACTS EXPECTED

How long do you think COVID-19 will impact your export sales?
% of respondents



Duration of impact on export sales

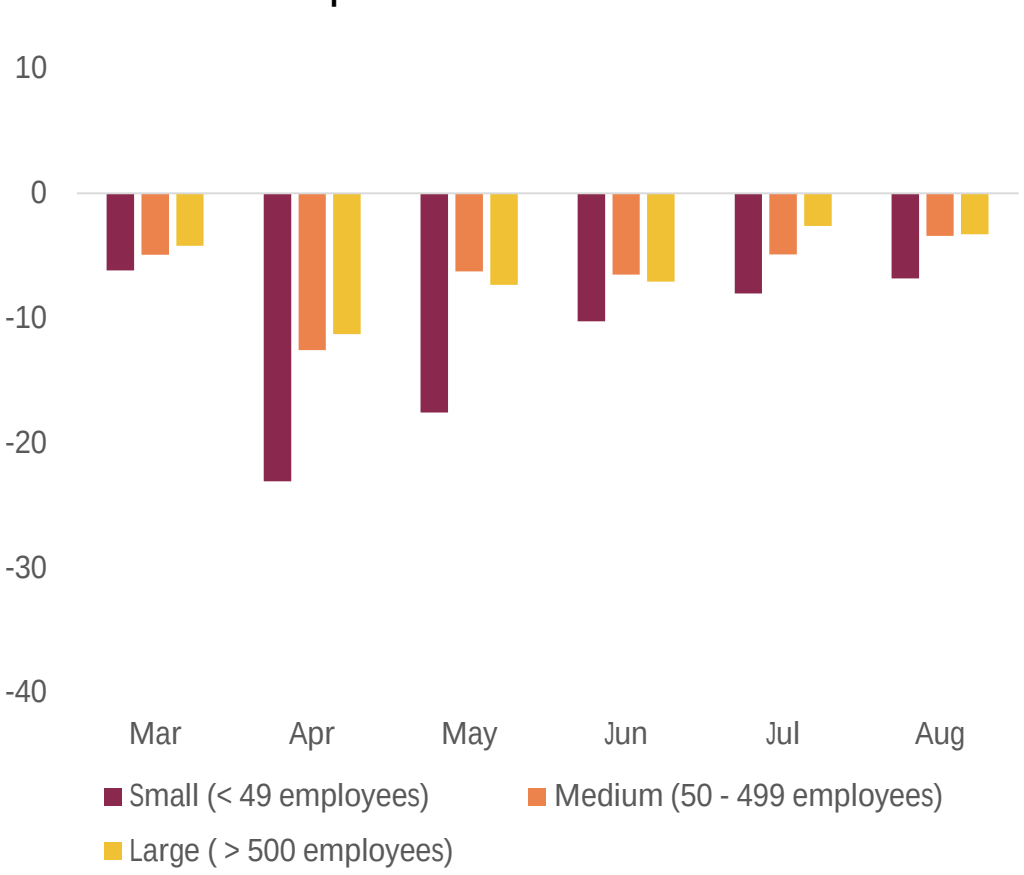
April 2020 October 2020

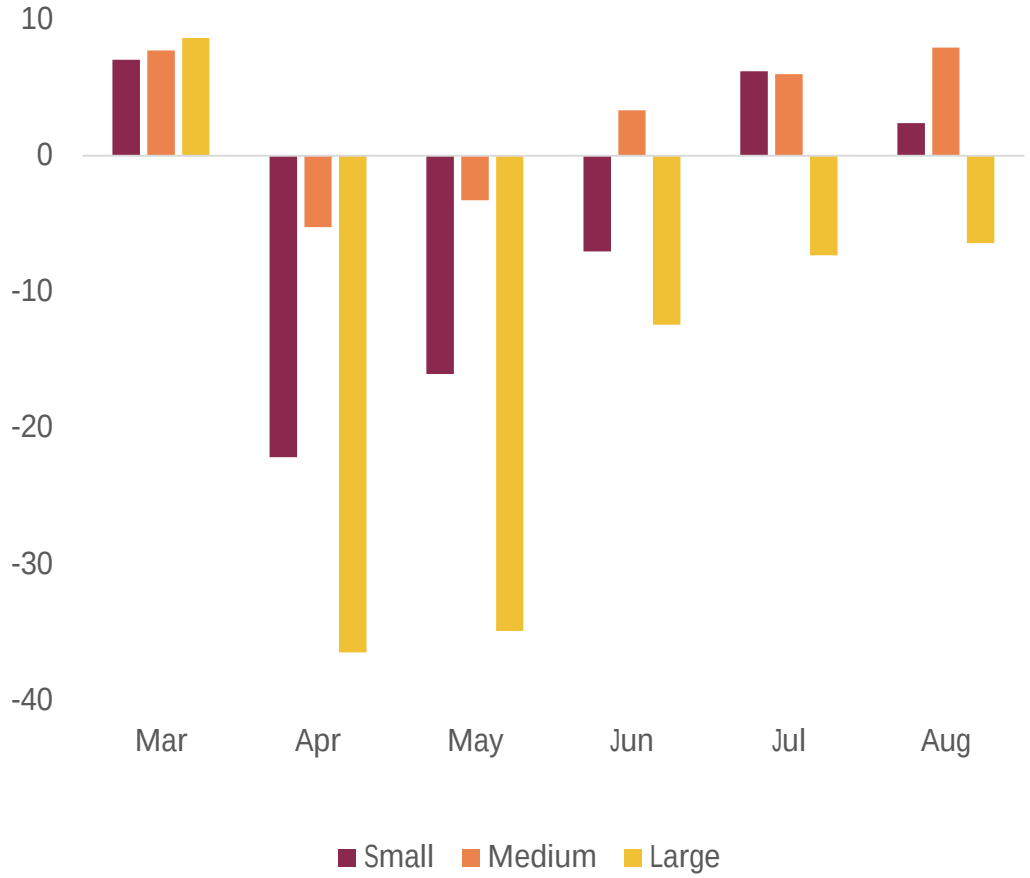
Source: EDC COVID-19 research panel

VARIATIONS BY FIRM SIZE

% change in Canadian goods exports since Feb 2020, by firm size

Number of exporters



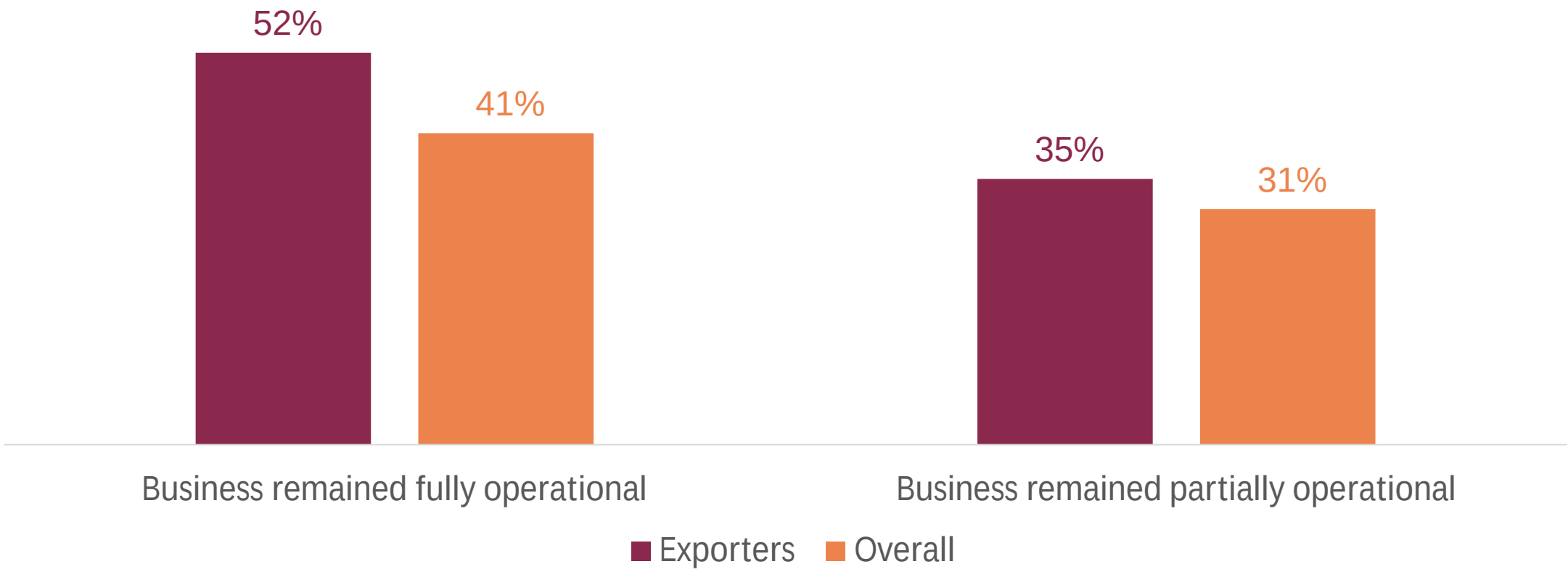


Sources: Statistics Canada, EDC Economics

EXPORTERS MORE RESILIENT

Impact of COVID-19 on business operations

% of respondents



Sources: Canadian Chamber of Commerce and Statistics Canada