

INDIA-CANADA BILATERAL TRADE RELATION

INTRODUCTION & GENERAL ECONOMIC OVERVIEW

Canada occupying the northern part of North America (excluding Alaska and Greenland) is the second largest country in the world after Russia with a population of 38,516,736 estimated for 2023. The unit of currency is the Canadian dollar (CAD).

2. The Canadian economy is currently decelerating accompanied by a sharp decline in headline inflation. But available reports suggest that the core inflation has been stickier with short-term expectations remaining elevated against the background of still-tight labour markets. Meanwhile, the financial system appears broadly resilient, despite global banking stresses and ongoing mortgage resets at higher interest rates, and the housing market is rebounding again, partly reflecting the substantial increase in immigration.

3. A growth rate of 3.4 percent has been attained in 2022, slowing sharply at the end of the year before rebounding in Q1:2023 to 3.1%, driven primarily by strong net trade and household spending-cum-consumption. Looking ahead, the contractionary stance of monetary and fiscal policies is expected to slow activity, with growth declining to 1.7 percent this year. Headline inflation fell from its June 2022 peak of 8.1 percent to 3.4 percent by May 2023, benefiting from significant base effects associated with energy prices, while core inflation has declined more moderately, from around 6 percent last year to 3.7 percent in May 2023. With continued tight policies and slowing growth, inflation is expected to approach the 2-percent target by end-2024.

IMF'S ARTICLE IV CONSULTATION VIEWS (July 27, 2023)

“The economy is slowing, but disinflation still has a way to go. Policy tightening is feeding through to the economy. Growth is gradually slowing, although the housing market is rebounding again, while the financial sector has so far been largely resilient to the domestic cycle as well as to global financial stress. Headline inflation has come down substantially, but core inflation has been slower to move, as the labour market is still tight and near-term expectations remain elevated. The external position in 2022 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The outlook is subject to important downside risks, and shocks could tip the economy into a mild recession”.

An insight into Canada's select economic indicators is placed at [Annexure I](#)

FOREIGN TRADE

Canada is heavily dependent on foreign trade, with exports and imports equivalent to 82% of GDP. Principal trading partners of Canada during the considered period under review i.e. 2018-2022 have been USA, Japan, and United Kingdom followed by other EU countries and OECD countries. Major exportable goods include machinery and equipment, agricultural machinery, automotive products, motor vehicles parts, industrial goods and materials and major imports include office machines and equipments, automotive products, industrial goods and materials metals and metal ores.

2. **Canada's** total exports in 2018 were of the order of US\$ 450,392 million. It increased to US\$ 596,105 million in 2022. During the period from 2018 to 2022, exports, grew by (29.21%) in 2021 vis-à-vis 2020 and

fell significantly [primarily on account of Covid-19 pandemic] by (-12.83%) in 2020 vis-a-vis 2019. The annual average compound rate of growth of exports during this period stands at 5.49%.

3. **Canada's** total imports in 2018 were of the order of US\$ 459,945 million. It increased to US\$ 569,532 million in 2022. During the period from 2018 to 2022, imports, grew by (21.27%) in 2021 and fell by (-10.68%) in 2020 vis-a-vis 2020 and 2019 respectively. The annual average compound rate of growth of imports during this period stands at 7.26%.

A snapshot of Canada's overall Trade Statistics is presented in **Annexure-II [Table 1: Figure 1]**

BILATERAL TRADE WITH INDIA

Merchandise Trade

As per the Ministry of Commerce's database, in FY 2022-23, Canada was India's 35th largest trading partner overall. Indo-Canada bilateral trade in FY 2018-19 was of the order of Rs.44,591.63 crores. It increased to Rs.65,477.42 crores in FY 2022-23. The annual compound growth rate of volume of trade during the period from 2018-19 to 2022-23 has been of the order of 10.08%.

2. It needs to be mentioned that between 2018-19 to 2022-23 India has graduated from a negative Balance of Trade to a positive Balance of Trade with Canada. The annual compound growth rate of India's exports to Canada (13.38%) way exceeds the annual compound growth of rate of imports (7.18%) from Canada during this reference period. A snapshot of India's trade statistics w.r.t. Canada is presented in **Annexure-II [Table 2: Figure 2]**

3. Additionally, **from Tables 3 & 4 presented at Annexure-II below** the following are stated:

- a. Drugs, Formulations & Biologicals and Product of Iron and Steel consistently occupy the top 2 slots in India's exports to Canada
- b. Coal, Coke and Briquettes, etc. and Manufactured Fertilizers are the two major commodities which dominate India's imports from Canada.

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| Canada: Select Economic Indicators | | | | | | | | | |
|---|-------------|-------|-------|-------|-------|-------|------|------|------|
| (Percentage change, unless otherwise indicated) | | | | | | | | | |
| | Projections | | | | | | | | |
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Output and Demand | | | | | | | | | |
| Real GDP | -5.1 | 5.0 | 3.4 | 1.7 | 1.4 | 2.2 | 1.9 | 1.7 | 1.7 |
| Total domestic demand | -6.0 | 6.6 | 4.7 | -0.5 | 1.5 | 2.6 | 2.1 | 2.0 | 2.0 |
| Private consumption | -6.1 | 5.0 | 4.8 | 3.9 | 2.3 | 3.5 | 2.6 | 2.6 | 2.6 |
| Total investment | -7.4 | 13.9 | 7.0 | -9.5 | 0.8 | 2.5 | 2.2 | 1.8 | 1.7 |
| Net exports, contribution to growth | 0.3 | -2.1 | -1.5 | 2.2 | -0.1 | -0.4 | -0.2 | -0.3 | -0.4 |
| Unemployment and Inflation | | | | | | | | | |
| Unemployment rate (average) 2/ | 9.7 | 7.5 | 5.3 | 5.5 | 6.2 | 6.1 | 6.0 | 6.0 | 6.0 |
| CPI inflation (average) | 0.7 | 3.4 | 6.8 | 3.6 | 2.5 | 2.0 | 1.9 | 1.9 | 2.0 |
| Saving and Investment 1/ | | | | | | | | | |
| Gross national saving | 20.1 | 23.5 | 24.2 | 21.5 | 21.4 | 21.2 | 21.0 | 20.8 | 20.5 |
| General government | -6.8 | -0.7 | 2.5 | 2.5 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 |
| Private | 26.9 | 24.3 | 21.7 | 18.9 | 19.0 | 18.8 | 18.5 | 18.3 | 18.0 |
| Personal | 32.3 | 22.7 | 12.0 | 2.6 | 2.2 | -0.3 | -2.0 | -2.2 | -1.8 |
| Business | -5.5 | 1.5 | 9.7 | 16.3 | 16.7 | 19.1 | 20.5 | 20.5 | 19.8 |
| Gross domestic investment | 22.3 | 23.8 | 24.5 | 23.0 | 22.9 | 22.9 | 23.0 | 23.0 | 23.0 |
| General Government Fiscal Indicators 1/ (NA basis) | | | | | | | | | |
| Revenue | 41.8 | 41.5 | 40.6 | 40.7 | 40.6 | 40.7 | 40.7 | 40.9 | 41.0 |
| Expenditures | 52.7 | 45.9 | 41.4 | 41.4 | 41.3 | 41.2 | 41.1 | 41.1 | 41.1 |
| Overall balance | -10.9 | -4.4 | -0.8 | -0.7 | -0.7 | -0.6 | -0.4 | -0.2 | -0.2 |
| Gross Debt | 118.9 | 115.1 | 106.7 | 105.8 | 103.5 | 101.0 | 98.8 | 96.7 | 94.7 |
| Net debt | 15.7 | 15.4 | 13.9 | 14.3 | 14.4 | 14.4 | 14.2 | 14.0 | 13.6 |
| Money and Credit (Annual average) | | | | | | | | | |
| Household Credit Growth | 5.2 | 10.8 | 9.9 | 5.0 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 |
| Business Credit Growth | -0.9 | -12.7 | 6.4 | 3.4 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 |
| Balance of Payments | | | | | | | | | |
| Current account balance 1/ | -2.2 | -0.3 | -0.3 | -1.5 | -1.5 | -1.7 | -1.9 | -2.1 | -2.4 |
| Merchandise Trade balance 1/ | -1.8 | 0.2 | 0.8 | -0.2 | -0.3 | -0.7 | -0.9 | -1.1 | -1.4 |
| Export volume (percent change) | -7.9 | 1.7 | 1.9 | 5.9 | 1.2 | 2.1 | 3.4 | 3.4 | 3.1 |
| Import volume (percent change) | -7.1 | 8.7 | 6.2 | -1.7 | 1.7 | 3.8 | 4.2 | 4.6 | 4.5 |
| Terms of trade | -3.4 | 14.4 | 5.3 | -9.0 | -0.2 | 0.3 | 0.0 | 0.0 | 0.0 |
| Source: Haver Analytics and Fund staff calculations. * | | | | | | | | | |
| 1/ Percent of GDP. | | | | | | | | | |
| 2/ In percent. | | | | | | | | | |

* Based on IMF Executive Board Concludes 2023 Article IV Consultation with Canada July 27, 2023.

TABLE - 1
CANADA'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE
BETWEEN 2018 TO 2022

(Figures in USD Million)

| <u>Year</u> | Exports | Percentage Growth in Exports | Import | Percentage Growth in Imports | Volume of Trade | Percentage Growth in Vol. of Trade | Balance of Trade |
|-------------|---------|------------------------------|--------|------------------------------|-----------------|------------------------------------|------------------|
| 2018 | 450392 | | 459945 | | 9,10,337 | | -9553 |
| 2019 | 445493 | -1.09 | 453631 | -1.37 | 8,99,124 | -1.23 | -8138 |
| 2020 | 388173 | -12.87 | 405205 | -10.68 | 7,93,378 | -11.76 | -17032 |
| 2021 | 501539 | 29.21 | 491401 | 21.27 | 9,92,940 | 25.15 | 10138 |
| 2022 | 596105 | 18.86 | 569532 | 15.90 | 11,65,637 | 17.39 | 26573 |

Annual
Compound
Growth
Rate

7.26

5.49

6.38

NOTE : Figures relate to calendar year (January to December)

SOURCE : UN COMTRADE PUBLICATION

Figure 1

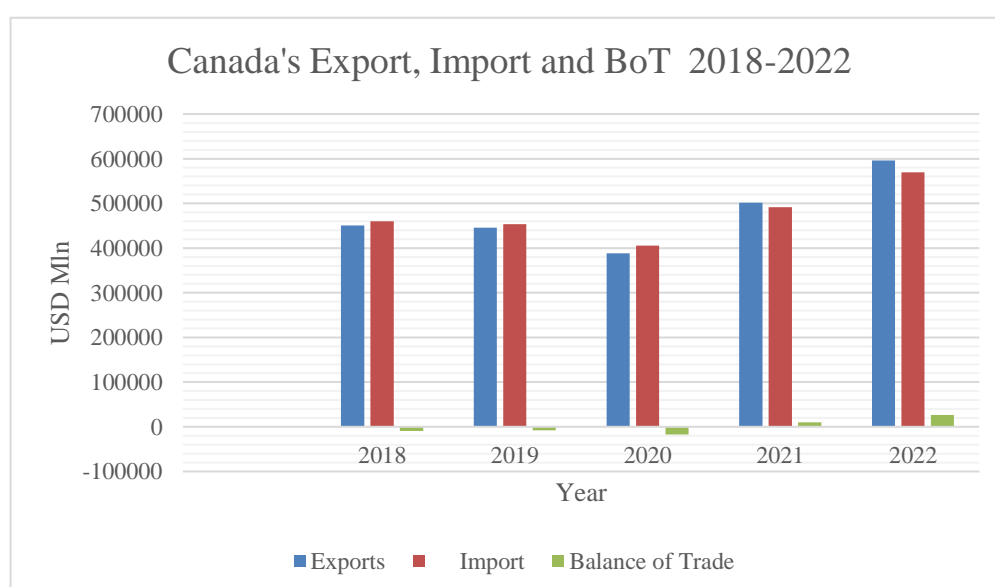


TABLE - 2

INDIA'S MERCHANDISE EXPORT & IMPORT w.r.t. Canada
FY 2018-2019 to 2022-2023

(Value in Rs. CRORES)

| Year | Exports | Percentage Growth in Exports | Imports | Percentage Growth in Imports | Volume of Trade | Percentage Growth in Vol. of Trade | Balance of Trade |
|---------|----------|------------------------------|----------|------------------------------|-----------------|------------------------------------|------------------|
| 2018-19 | 19935.86 | | 24655.77 | | 44591.63 | | -4719.91 |
| 2019-20 | 20213.40 | 1.39 | 27423.46 | 11.23 | 47636.86 | 6.83 | -7210.06 |
| 2020-21 | 21912.39 | 8.41 | 19958.51 | -27.22 | 41870.90 | -12.10 | 1953.88 |
| 2021-22 | 28070.82 | 28.10 | 23350.22 | 16.99 | 51421.04 | 22.81 | 4720.60 |
| 2022-23 | 32939.02 | 17.34 | 32538.40 | 39.35 | 65477.42 | 27.34 | 400.62 |

Annual
Compound
Growth
Rate

13.38

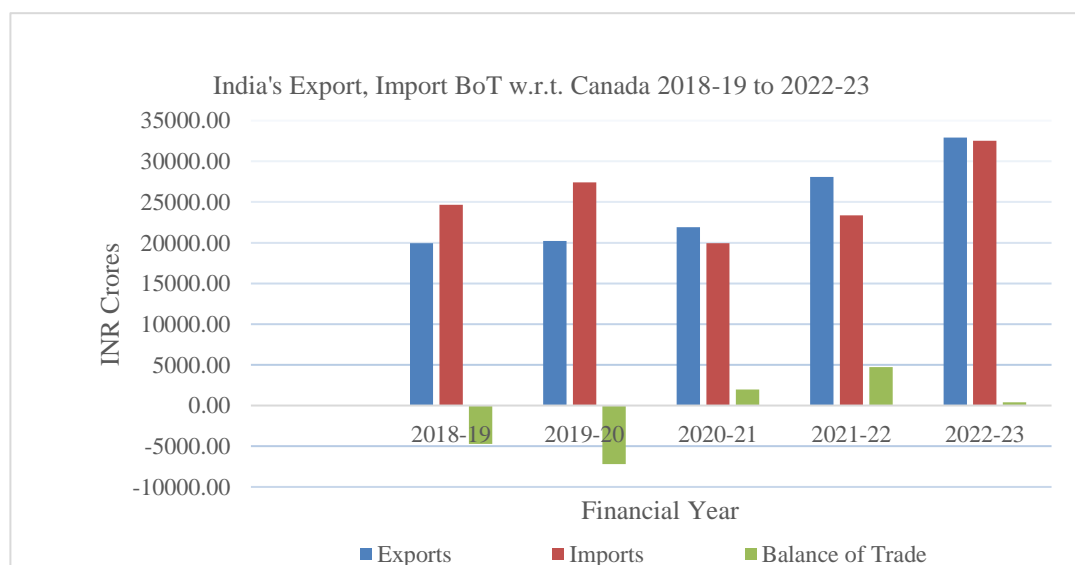
7.18

10.08

NOTE : Figures relate to Financial Year April to March

SOURCE : DGCI&S, M/o C&I

Figure 2



Annexure-II

TABLE -3

INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO CANADA

2018-2019 TO 2022-2023 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

| Sl. No. | Name of the Merchandise/Commodities | Value of Exports | | | | | Annual Growth Rates | | | |
|-----------|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 19-20 over 2018-19 | 20-21 over 2019-20 | 21-22 over 2020-21 | 22-23 over 2021-22 |
| 1 | Drugs, Formulations, Biologicals | 1831.70 | 1907.22 | 2763.78 | 2618.85 | 3471.47 | 4.12 | 44.91 | -5.24 | 32.56 |
| | Share in total export | 9.19 | 9.44 | 12.61 | 9.33 | 10.54 | | | | |
| 2 | Product Of Iron & Steel | 1905.53 | 2651.08 | 2057.78 | 1886.63 | 2504.20 | 39.13 | -22.38 | -8.32 | 32.73 |
| | Share in total export | 9.56 | 13.12 | 9.39 | 6.72 | 7.60 | | | | |
| 3 | Iron And Steel | 429.27 | 359.90 | 531.49 | 1338.39 | 1595.80 | -16.16 | 47.68 | 151.82 | 19.23 |
| | Share in total export | 2.15 | 1.78 | 2.43 | 4.77 | 4.84 | | | | |
| 4 | Marine Products | 962.33 | 932.41 | 1100.33 | 1427.78 | 1502.95 | -3.11 | 18.01 | 29.76 | 5.26 |
| | Share in total export | 4.83 | 4.61 | 5.02 | 5.09 | 4.56 | | | | |
| 5 | RMG Cotton Including Accessories | 977.62 | 972.58 | 796.94 | 1238.69 | 1445.54 | -0.52 | -18.06 | 55.43 | 16.70 |
| | Share in total export | 4.90 | 4.81 | 3.64 | 4.41 | 4.39 | | | | |
| 6 | Gold & Other Precs. Metal Jewellery | 545.13 | 525.16 | 460.66 | 926.54 | 1114.12 | -3.66 | -12.28 | 101.13 | 20.25 |
| | Share in total export | 2.73 | 2.60 | 2.10 | 3.30 | 3.38 | | | | |
| 7 | Cotton Fabrics, Madeups Etc. | 662.50 | 722.27 | 823.27 | 1167.33 | 1068.75 | 9.02 | 13.98 | 41.79 | -8.44 |
| | Share in total export | 3.32 | 3.57 | 3.76 | 4.16 | 3.24 | | | | |
| 8 | Residl. Chemicals & Allied Products | 904.64 | 719.69 | 824.11 | 1412.51 | 957.63 | -20.44 | 14.51 | 71.40 | -32.20 |
| | Share in total export | 4.54 | 3.56 | 3.76 | 5.03 | 2.91 | | | | |
| 9 | Auto Components Parts | 549.53 | 567.36 | 423.84 | 689.99 | 949.13 | 3.24 | -25.30 | 62.79 | 37.56 |
| | Share in total export | 2.76 | 2.81 | 1.93 | 2.46 | 2.88 | | | | |
| 10 | Telecom Instruments | 37.80 | 56.36 | 51.36 | 39.46 | 889.90 | 49.10 | -8.87 | -23.17 | 2155.20 |
| | Share in total export | 0.19 | 0.28 | 0.23 | 0.14 | 2.70 | | | | |
| | Total export to CANADA | 19935.86 | 20213.40 | 21912.39 | 28070.82 | 32939.02 | 1.39 | 8.41 | 28.10 | 17.34 |

NOTE : Figures relate to Financial Year, April to March.

SOURCE : DGCI&S, M/oC&I

