

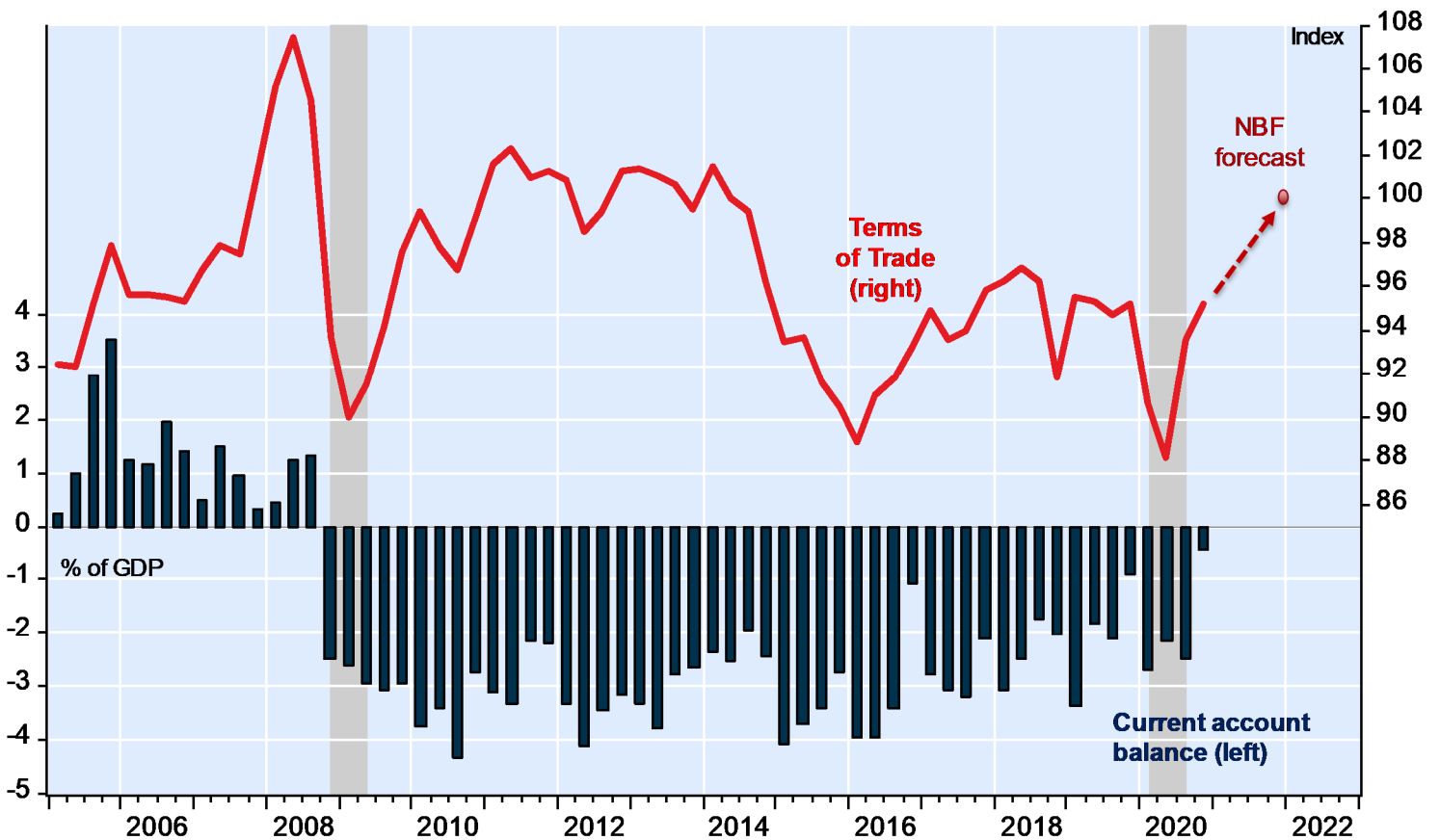
## Canada Watch

By Stéfane Marion and Kyle Dahms

The outlook remains very constructive for the Canadian dollar. The latest numbers on the current account released this week showed that the latter had narrowed to its lowest deficit since the great financial crisis: -0.5% of GDP. Recently, the current account has improved on the back of investment income and a notable surplus in travel services as Canadians are restricted from travelling abroad. Recall that Canada has traditionally had an international travel deficit, that is, the country is a net exporter of travelers and more importantly their spending. The COVID-19 pandemic has totally upended foreign travel and has limited outlays outside the country. Since we expect this situation to endure through much of 2021, the current account balance might turn from deficit to surplus with the added help from surging commodity prices. As today's Hot Chart shows, our in-house forecast estimates that Canada's terms of trade will end the year near a decade high. All told, recent developments support our view that USD/CAD should converge towards 1.20 by the end of the year.

### Canada: Current account surplus in 2021?

Current account balance as a % of GDP and Terms of Trade



NBF Economics and Strategy (data via Statistics Canada)

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