

Quebec: Trade deficit widened in July

Nominal trade balance:

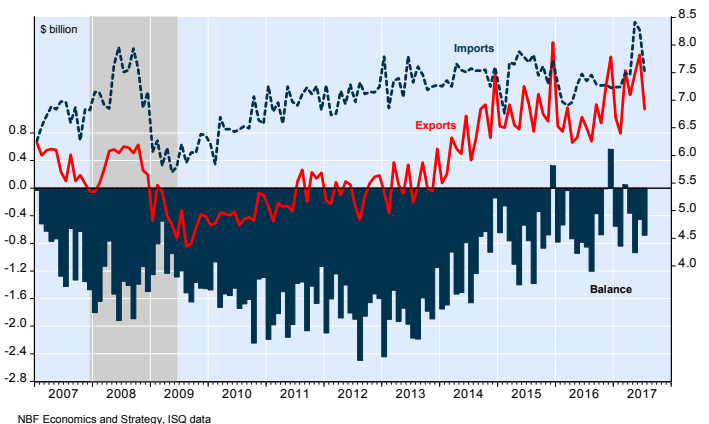
July: -\$680M June: -\$454M May: -\$937M

FACTS: The Institut de la statistique du Québec (ISQ) reports that in July Quebec ran an international merchandise trade deficit of \$680 million, \$227 million wider than in June (top chart). Exports were down \$981 million (-12.7%; rest of Canada: -5.9%) to \$6.8 billion. Exports fell in 19 of the 31 categories of goods, but most of the decrease was in aerospace products (-\$802 million) and industrial machinery, equipment and parts (-\$159 million). Imports were down \$745 million (-9.1%). There were declines in 19 of the 31 categories, but a substantial fraction of the decrease was in aerospace products (-\$391 million). In volume terms the trade deficit widened \$234 million in July to \$497 million, with exports down \$559 million (-8.2%) and imports down \$325 million (-4.6%). Export prices fell 4.7% and import prices fell 4.8%.

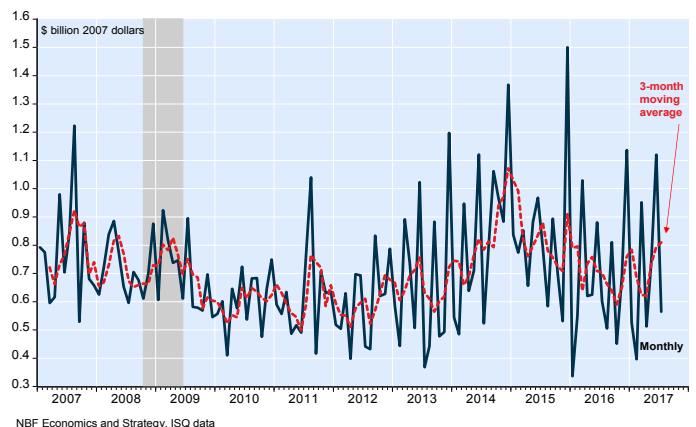
OPINION: Worry about Quebec's July trade numbers would be premature to say the least. The decline of volume exports came mostly from aerospace products, whose high volatility (middle chart) means that a monthly fluctuation does not a trend make. Measured by three-month moving average, the recent trend of aerospace exports is upward. Monthly average volume exports in the first seven months of 2017 were up 3.5% from the monthly average for 2016, versus a rise of 2.7% for volume imports. Thus international merchandise trade has so far been contributing to 2017 economic growth. In addition, the terms of trade (ratio of export prices to import prices) have been trending better (bottom chart), a good omen for exporters' profits and their ability to invest.

Marc Pinsonneault

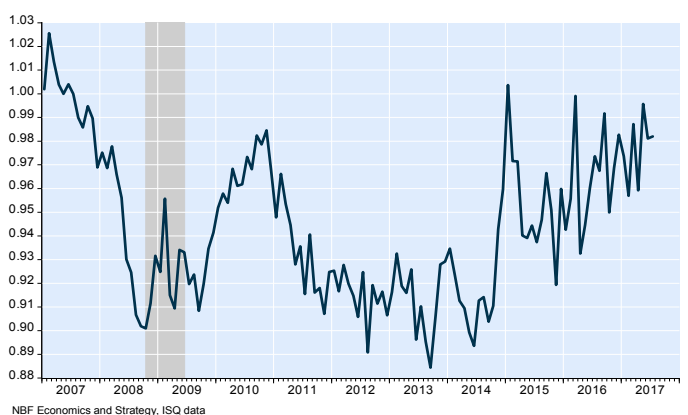
Quebec: Nominal trade balance
Customs basis



Quebec: Volume imports of aerospace products
Customs basis



Quebec: Terms of trade
Ratio of prices of international exports to prices of international imports



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