

Quebec: Volume exports down in Q3

Nominal trade balance:

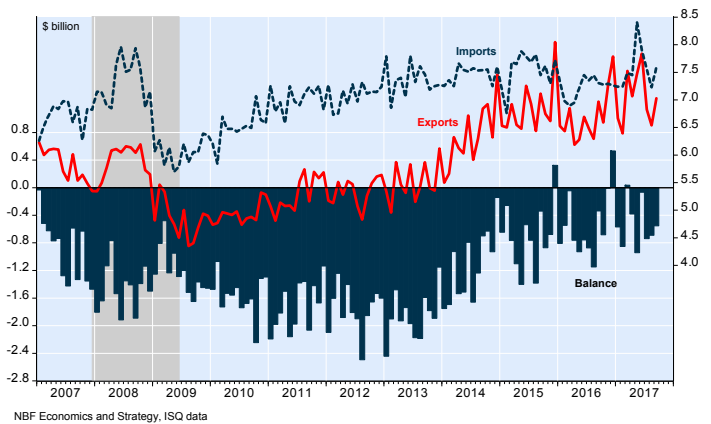
September: -\$553M August: -\$689M July: -\$738M

FACTS: The Institut de la statistique du Québec (ISQ) reports that in September Quebec ran an international merchandise trade deficit of \$553 million, an improvement of \$137 million from August (top chart). Exports increased \$491 million (+7.5%; rest of Canada -4.2%) to \$7.0 billion. Exports rose in 16 of the 31 categories of goods accounting for 65% of all exports, but the main contributor was aerospace products (+395 million). Imports rose \$354 million (+4.9%). There were increases in 16 of the 31 categories accounting for 54% of all imports, but the rise was mainly in crude oil (+\$232 million) and gasoline (+\$193 million). In volume terms the trade deficit widened \$96 million to \$580 million, with volume exports up \$459 million (+8.6%) and volume imports up \$555 million (+8.6%). Export prices edged down 0.1%. Import prices fell 3.4%, mainly because of a decrease in the share of imports of expensive goods.

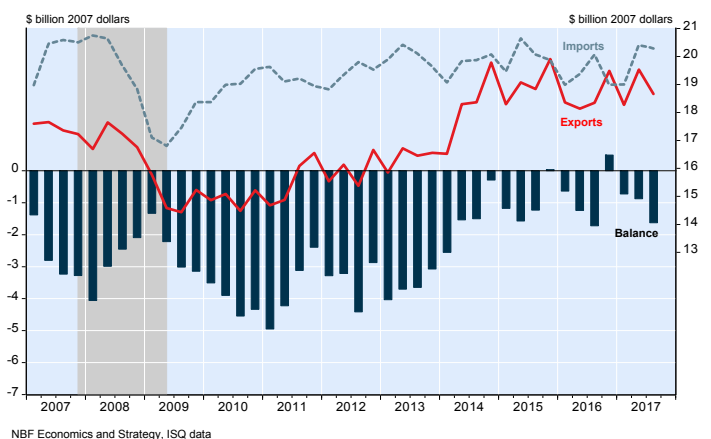
OPINION: The trade deficit adjusted for price changes widened in September and for Q3 as a whole as a result of a decline of volume exports (middle chart). That made Q3 the third consecutive quarter in which international merchandise trade subtracted from economic growth. That said, since the beginning of the year, annualized volume exports are up 1.3% from 2016. Also, for income generated in the Quebec economy, the terms of trade (ratio of export prices to import prices) matter as much as the volume trade balance, and the terms of international trade in Q3 were the best for Quebec since the recession (bottom chart). Export prices growing faster than prices for imported capital goods are good news for business investment.

Marc Pinsonneault

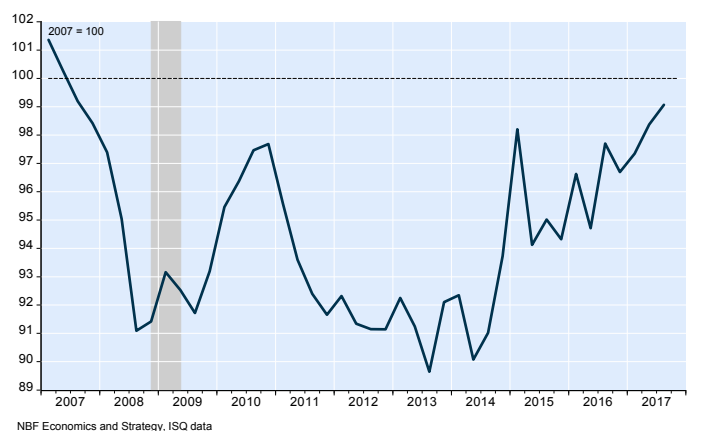
Quebec: Nominal trade balance
Customs basis



Quebec: Volume trade balance
Quarterly, customs basis



Quebec: Terms of trade at a cyclical peak
Terms of international trade



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