

Quebec: Slow volume exports in the first two months of Q1

Nominal trade balance:

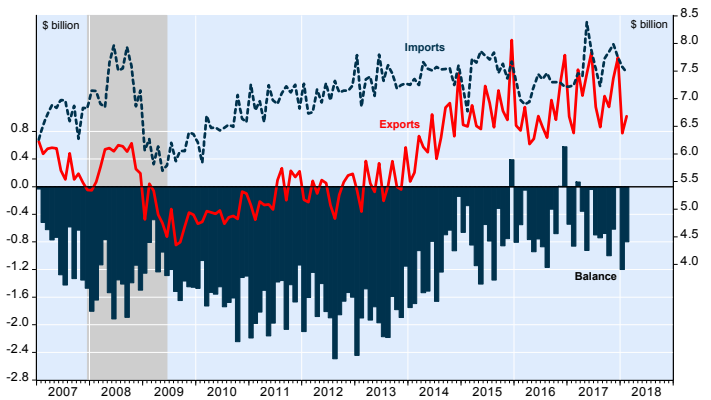
Feb.: -\$798M Jan.: -\$1.201B Dec.: -\$12M

FACTS: The Institut de la statistique du Québec (ISQ) reports that Quebec's merchandise trade deficit narrowed by \$402 million in February to \$798 billion (top chart). Exports rose \$306 billion (+4.8%; rest of Canada -1.3%) to \$6.7 billion. This increase was fairly broad-based, with gains in 22 of the 31 categories of goods accounting for 78% of all exports. Aerospace exports led the advance with a rise of \$150 million from their January low. Imports fell \$96 million (-1.3%), with decreases in 17 of 31 categories, accounting for 63% of all imports. In volume terms, the trade deficit narrowed by \$274 million to \$615 million. Exports rose \$222 million (+3.9%) and imports fell \$53 million (-0.8%). Export prices rose 0.9% while import prices fell 0.4%.

OPINION: Quebec's volume international merchandise exports in January and February were the smallest in four years for the first two months of the year. Compared to preceding years, volume exports were also smaller in the rest of Canada (middle chart). The decline of Quebec exports from a year earlier is attributable to aluminum, electricity and diesel fuel exports. Slack volume exports leave international merchandise trade on track to subtract from Quebec economic growth in Q1 for the fourth time in five quarters (bottom chart). In 2017 Quebec real GDP expanded 3.1%, at least twice as fast as potential GDP, though merchandise trade subtracted from growth (exports up 1.9%, imports up 3.9%). However, the strong growth of imports can be laid to final domestic demand (+3.4%). This year, our forecast of 2.3% Quebec economic growth assumes a respectable, though smaller, contribution from domestic demand (+2.4%) and a contribution from international trade. We therefore see the slow start of Quebec (and Canadian) merchandise exports in 2018 as a transient phenomenon unless they are braked by an unfavourable NAFTA outcome.

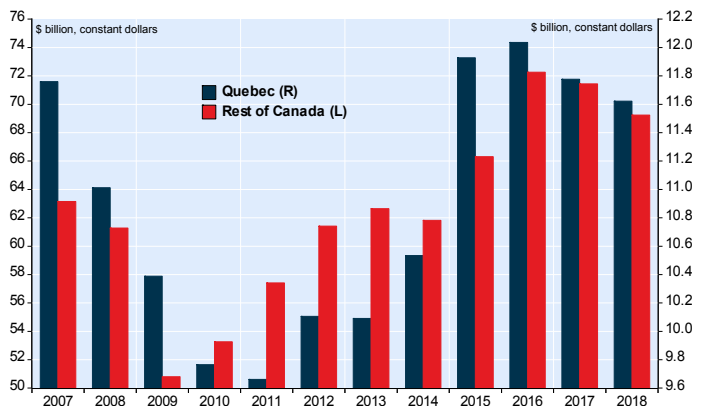
Marc Pinsonneault

Quebec: Nominal trade balance
Customs basis



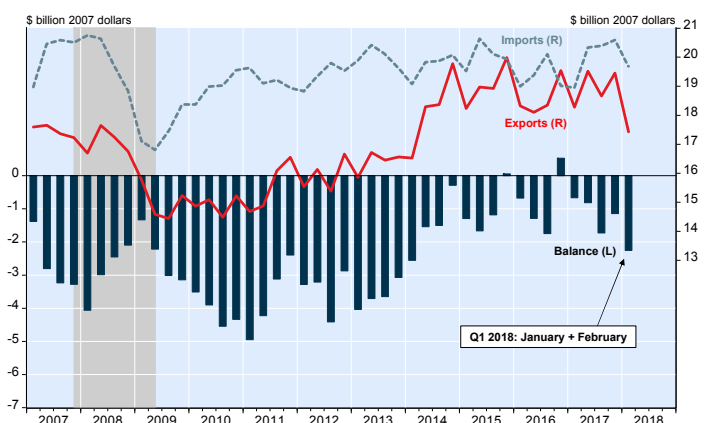
NBF Economics and Strategy, ISQ data

Quebec: Volume merchandise exports
January and February of each year, customs basis



NBF Economics and Strategy, data from ISQ and Statistics Canada

Quebec: Volume trade balance
Quarterly, customs basis



NBF Economics and Strategy, ISQ data

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