Canada: Merchandise trade likely to have boosted GDP growth in Q3
By Jocelyn Paquet

Canada’s trade balance remained in positive territory for the fifteenth time in the past sixteen months. The rise in exports was partly attributable to a surge in the farm/fishing/food products category, with sizeable gains for both wheat (+65.2% to a new all-time high of C$1.1 billion) and canola (+99.9%). The conflict in Ukraine has certainly stimulated demand for these crops, but the massive increase in exports would not have been possible without the particularly good harvest experienced last summer (see chart on the left). Shipments of metal ores/non-metallic minerals, on the other hand, suffered from a 16.4% drop for potash. Despite this monthly decline, exports of this potassium compound used in fertilizers remained twice as high as in September 2021 following a 61.7% increase between April and August. We also noted a decline in exports in the forestry/building materials category (−4.9%), which was partly compensated by a steep decline in energy imports coinciding with maintenance work at some Canadian refineries. Looking at quarterly data, trade in goods likely contributed to GDP growth in Q3, as real exports (+3.3%) expanded and real imports (−0.8%) shrank (see chart on the right). The decline in import volumes in the machinery equipment category (−3.4%), meanwhile, suggests investment spending may have slowed in the third quarter.

HIGHLIGHTS:
• The merchandise trade surplus widened from C$0.55 billion (initially estimated at C$1.52 billion) in August to C$1.14 billion in September. Analysts expected a +C$1.20 billion print.
• Nominal exports sprang 1.3%, while nominal imports advanced 0.4%.
• On the exports side, 6 of the 11 industries saw increases in the month, notably farm/fishing/food products (+16.7%, the biggest monthly gain since 2006M07), industrial machinery/equipment (+5.2%) and electronic/electrical equipment (+4.1%). These were only partially offset by declines for metal ores/non–metallic minerals (−11.4%), chemical/plastic/rubber products (−5.3%) and forestry products/building materials (−4.9%).
• The rise in imports, meanwhile, reflected gains for industrial machinery/equipment (+4.1%) and consumer goods (+3.7%) which compensated for sharp drops in the energy products (−16.7%) and aircraft/transportation equipment (−9.6%) categories.
• Canada’s energy surplus with the world widened from C$14.0 billion to C$15.1 billion, while the non–energy deficit moved from C$13.4 billion to a new all-time high of C$13.9 billion.
• The trade surplus with the United States shrank from C$10.2 billion to C$9.8 billion.
• In real terms, exports expanded 1.7%, while imports fell 0.8%.
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