

Canada: Energy exports the big story once more in November's trade report

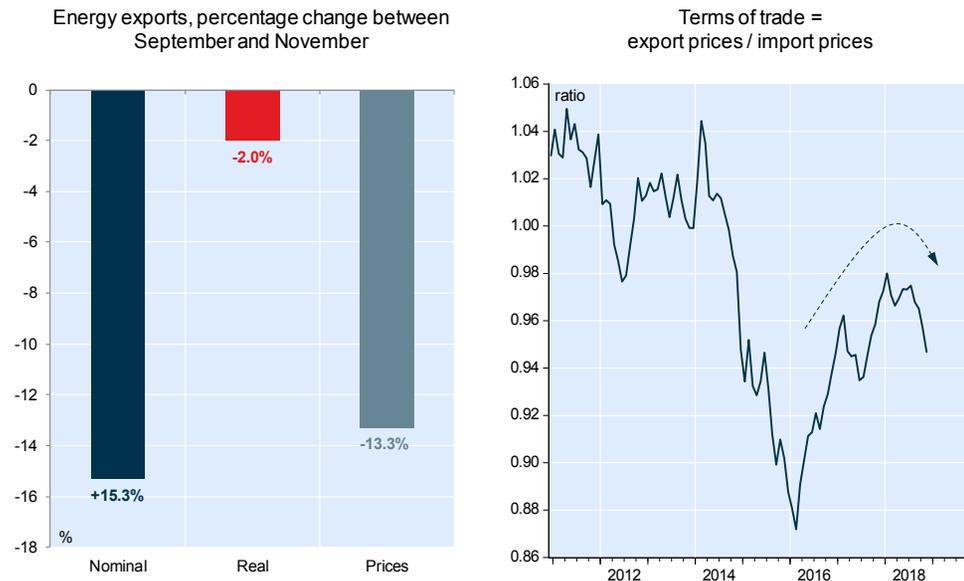
By Jocelyn Paquet

Canada's trade deficit deteriorated for a third time in four months in November, reaching its widest point since May. While imports retraced, exports slumped even more, causing the widening of the overall goods deficit. Since August, total exports are down a cumulative 4.3%. That is hardly surprising considering the plunge in oil prices over the same period which led nominal exports of crude oil to sink 27.4%. Lower prices for our energy exports are also largely responsible for less advantageous terms of trade (see chart on the left). But why is it that sinking energy prices have not affected nominal imports in the same proportion as nominal exports? The discrepancy highlights the specific problems faced by the Canadian energy sector, notably a shortage of pipeline capacity and mounting inventories. The situation is likely to get worse before it gets better as benchmark oil prices continued to slide in December. Looking further ahead, the planned cuts in oil production in Alberta, which took effect in January, are likely to weigh on Canada's trade balance. So, expect more red ink in the upcoming trade reports.

HIGHLIGHTS:

- Canada's merchandise trade deficit widened in November from a downwardly revised C\$0.82 billion (initially estimated at C\$1.17 billion) to C\$2.06 billion (see chart on the right).
- Nominal exports retreated 2.9% while nominal imports fell 0.5%.
- International shipments fell in no less than 8 of the 11 subsectors surveyed including energy products (-9.2%), motor vehicles and parts (-1.5%) and aircraft (-4.9%).
- Turning to imports, there were gains for aircraft (+21.1%) but these were more than offset by declines for motor vehicles and parts (-2.8%) and metal ores (-18.6%).
- The energy trade surplus narrowed to a 13-month low of C\$5.3 billion. Meanwhile, the non-energy trade deficit widened slightly to C\$7.3 billion.
- The goods trade surplus with the U.S. shrank the most in 17 months, dropping C\$1.4 billion and settling at C\$2.2 billion, its lowest point since September 2017.
- Terms of trade deteriorated for a fourth straight month.
- In real terms, exports retraced 1.8%, while imports edged down 0.3%.

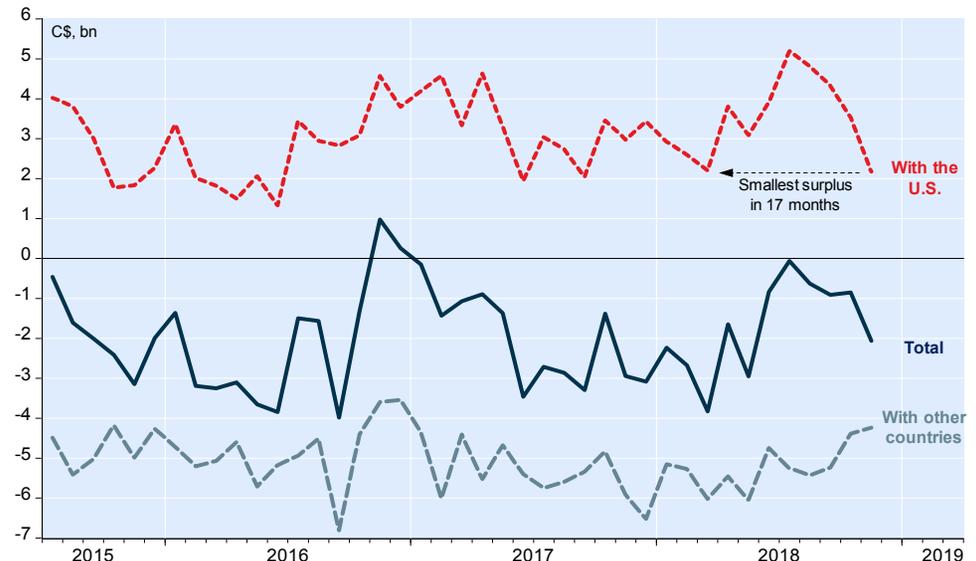
Canada: Terms of trade affected by lower prices for energy exports



NBF Economics and Strategy (data via Statistics Canada)

Canada: Trade deficit widened in November

Merchandise trade balance. Last observation: November 2018



NBF Economics and Strategy (data via Statistics Canada)

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