

Canada: Sorry about that trade surplus last month, it's now reported as a deficit

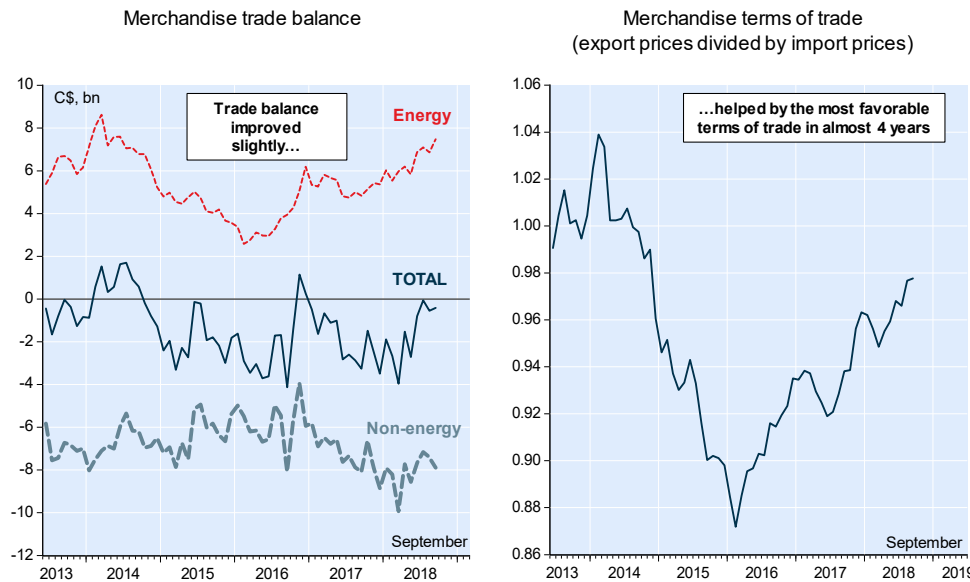
By Kyle Dahms

While the headline for the Canadian goods trade balance improved slightly in September, it does little to obfuscate some of the weaker details of this trade report. The August balance which was initially reported as being in surplus territory (+C\$0.53 bn), was downwardly revised to -C\$0.55 billion after an uncommon late shipment of high value ships. September's improvement in the trade balance stems mainly from this August blip in ship imports. Excluding that blip, imports would have risen 0.8% in September. That said, imports have now fallen in four of the last six months in volume terms, an indication that demand may be slowing in the country. Moreover, looking at the quarterly perspective, two-way trade was down (see chart on the right). Real imports declined 7.1% annualized in the third quarter while exports posted a 1.8% ann. decline. That is consistent with our call for a slowdown in GDP growth in Q3 around potential. Over the next few months, the larger WTI-WCS spread should contribute to deteriorate the trade balance. Unless terms of trade deteriorate, we see an improvement in the goods trade balance next year.

HIGHLIGHTS:

- Canada's merchandise trade balance improved slightly in September registering a deficit of C\$0.42 billion following a -C\$0.55 billion print the prior month (see chart on the left).
- Nominal exports fell 0.2% while nominal imports shrank 0.4%.
- Exports of energy products (+2.3%), metal/non-metallic products (+2.8%) and aircraft/transportation (+4.2%) improved. Alternatively, international shipments of metal ores (-8.0%), electronics (-4.8%) and consumer goods (-3.9%) weakened.
- Imports of consumer goods and motor vehicles rose 2.8% and 2.2% respectively but that was more than compensated by steep declines in aircraft/transportation equipment (-28.3%) and energy products (-11.5%).
- The energy trade surplus widened to C\$7.48 billion while the non-energy trade deficit expanded from C\$7.41 billion to C\$7.89 billion.
- The goods trade surplus with the U.S. fell slightly to C\$4.79 billion from C\$5.03 billion.
- Terms of trade continued to improve (best since November 2014).
- In real terms, imports declined 1.2% while exports retreated 1.0%.

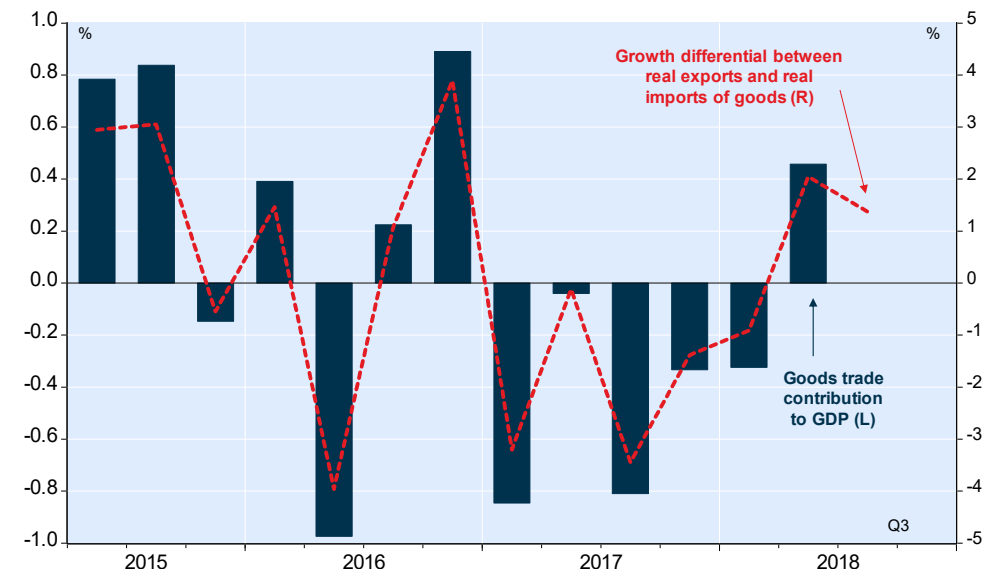
Canada: Goods trade balance improved slightly in September



NBF Economics and Strategy (data via Statistics Canada)

Canada: Goods trade may contribute less to growth in Q3

Real exports and imports of goods vs. goods trade contribution to GDP



NBF Economics and Strategy (data via Statistics Canada)

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