

Economics

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Canadian trade (Feb): Trying to hold on

by **Andrew Grantham** andrew.grantham@cibc.com

Merchandise trade, in million (\$)	22:Q2 ¹	22:Q3 ¹	22:Q4 ¹	Dec	Jan	Feb
Merch. trade balance—Annual rate	38,663	9,481	6,757	14,536	14,449	5,068
• Monthly rate	-	-	-	1,211	1,204	422

Merchandise trade (period/period % chg)	22:Q2 ²	22:Q3 ¹	22:Q4 ¹	Dec	Jan	Feb
Exports	50.6	-10.1	-6.1	0.5	3.5	-2.4
Imports	48.9	4.1	-4.8	-1.6	3.6	-1.3
Export volumes (chain Fisher)	14.3	5.8	-0.7	0.6	4.0	-0.6
Import volumes (chain Fisher)	27.1	-3.2	-11.4	-2.2	4.0	-1.1

Source: Statistics Canada

- Following a surge in trade volumes during January, February was about trying to hold onto those prior gains. While both import and export volumes dropped in the latest month, the declines were much more modest than the increases seen in January, suggesting that the Canadian economy is continuing to benefit from an improvement in supply chains for some items as well as global demand for natural resources.
- Canada's goods trade surplus narrowed by more than expected in February to only \$0.4bn (consensus \$1.7bn) from a downwardly revised \$1.2bn in the prior month. A 2.4% decline in exports compared to a more modest 1.3% drop in imports, with the drop in exports partly driven by lower commodity prices.
- In volume terms, exports fell by a fairly modest 0.6%, with that decline following a 4% surge in the prior month. Pullbacks in unwrought gold and auto exports, following surges in the prior month, were drivers of the overall decline. Statistics Canada noted that changing seasonal patterns may have caused the swings in auto exports seen during the past two months. They noted that for January and February combined, auto exports were 36% higher than the same two months of 2022, due to some easing in the supply chain disruptions that have hampered that sector.
- On the import side, a downshift in autos from a record level in January was also a factor behind the overall decline. There was also a drop in industrial machinery imports, with monthly volatility in that area linked to deliveries coming into the new LNG facility being constructed in BC. While consumer goods imports rose by a solid 6.9%, almost all of that was linked to pharmaceutical goods, suggesting an easing of prior supply issues in that area rather than a reacceleration in consumer demand for discretionary goods.
- The downward revision to January's trade surplus (to \$1.2bn from \$1.9bn) was roughly evenly split between higher imports and lower exports than originally recorded.

¹ Annualized.

² Annualized.

- A widening of the trade deficit in services, combined with the smaller surplus on the goods side, saw Canada's overall trade deficit widen to \$1.8bn in February, from \$0.8bn in the prior month.

Implications & actions

Re: Economic forecast — Canadian trade almost held onto the strong gains made in the prior month, and continues to benefit from some improvements in supply chain issues as well as resource demand. With the help of these factors, exports probably won't be impacted as much or as quickly by a slowing US and global economy later this year, although Canadian exports certainly won't be immune to those forces either.

Re: Markets — There was little market reaction to today's data.

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