

Economics

# ECONOMIC FLASH!

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## Canadian trade (Feb): Imports glitter more than exports

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Merchandise trade, in million (\$)	25:Q2	25:Q3	25:Q4	Dec	Jan	Feb
Merch. trade balance—Annual rate	-72,336	-38,182	-19,115	-15,790	-50,173	-68,911
• Monthly rate	-	-	-	-1,316	-4,181	-5,743

Merchandise trade (period/period % chg)	25:Q2	25:Q3	25:Q4	Dec	Jan	Feb
Exports	-40.6	9.7	16.6	2.6	-5.2	6.4
Imports	-12.9	-8.2	5.4	0.6	-0.8	8.4
Export volumes (chain Fisher)	-28.8	4.1	8.1	3.5	-6.8	5.2
Import volumes (chain Fisher)	-3.7	-10.8	1.3	1.6	-2.3	9.4

Source: Statistics Canada

- Two-way trade rebounded strongly in February but, with imports glittering more than exports partly due to trade in gold, the deficit widened unexpectedly. Net trade will likely be a negative for Q1 GDP due to the surge in imports. However, that's also likely a sign of restocking following the inventory drawdown that was a large drag on GDP in the previous quarter, and because of that we still see quarterly growth tracking between a 1.5-2.0% annualized pace which would be close to the Bank of Canada's January MPR forecast.
- The \$5.7bn shortfall for goods trade was wider than a revised \$4.2bn deficit in the prior month and came against forecasts for a narrowing to \$2.5bn. Imports surged by 8.4% and exports increased 6.4%. Trade in gold was once again influential in driving the headline figures, although excluding that area imports and exports were still up by a solid 5.8% and 5.5% respectively.
- Export growth was headed by a rebound in auto trade (+24% vs -21% in January) as prolonged retooling shutdowns negatively impacted the prior month, although the other broad categories of exports also posted increases. In volume terms exports were up by about 5% on the month, but still remain depressed relative to levels seen in 2024, showing that US tariffs and related uncertainty are still negatively impacting economic activity if you look through the monthly volatility.
- The 9% increase in import volumes during February took them to a new record high, eclipsing the previous peak in April 2022. Import growth was broad based across different categories, albeit led by gold.
- Import growth was driven largely by increased trade with the US, with the 10% increase taking the level of imports from the States back in line with their 2024 average (albeit perhaps temporarily). In contrast, export growth was primarily driven by trade with other countries, which reached another record high.
- On the services side, Canada saw a modest \$0.4bn surplus with the rest of the world in February. Combining that with the goods trade deficit, Canada's overall trade shortfall with the rest of the world widened to \$5.3bn in February, from \$4.2bn in the prior month.

## Implications & actions

**Re: Economic forecast** — Net trade looks to be a drag on GDP during Q1, although the surge in imports that is responsible for that is likely also a reflection of restocking within the economy following the drawdown seen at the end of 2025. Looking forwards, the nominal trade deficit should narrow due to higher energy prices, with the hope that some further improvement in volume terms can also be seen.

**Re: Markets** — Financial markets are focussed on headlines surrounding the Middle East conflict and movements in energy markets, and as a result showed no reaction to today's data.

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