

Economics

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Canadian trade (Mar); volumes as well as values

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Merchandise trade, in million (\$)	21:Q3 ¹	21:Q4 ¹	22:Q1 ¹	Jan	Feb	Mar
Merch. trade balance—Annual rate	6,752	9,890	36,150	41,651	36,971	29,828
• Monthly rate	-	-	-	3,471	3,081	2,486

Merchandise trade (period/period % chg)	21:Q3 ¹	21:Q4 ¹	22:Q1 ¹	Jan	Feb	Mar
Exports	21.6	31.1	23.8	1.0	3.9	6.3
Imports	15.6	29.0	6.9	-7.3	4.8	7.7
Export volumes (chain Fisher)	6.7	10.9	-9.7	-3.5	0.4	0.8
Import volumes (chain Fisher)	-6.1	15.5	-3.9	-7.5	3.6	6.4

Source: Statistics Canada

- The force was strong for two-way trade in March, with both exports (+6.3%) and imports (+7.7%) rising sharply on the month. And that wasn't just a reflection of higher prices this month, with volumes also up compared with February. However, with imports gaining more than exports, the trade surplus narrowed to \$2.5bn, from \$3.1bn in the prior month and against consensus expectations for a widening to \$3.9bn.
- Exports were of course aided by price increases for energy, which saw a further 12.8% increase on the month and accounted for half of the overall increase in outbound trade. However, even ex-energy exports rose by 4%, while total exports were up 0.8% in chain-Fisher volume terms. Autos saw a gain on the month, while there were also signs that increased demand for Canadian product to substitute away from Russia was also already having a positive impact in some areas. Statistics Canada noted a further 22.5% increase in potash exports in March, which followed a 30% surge in the prior month, that took trade in that area to a record high.
- For imports, the majority of the increase came from of higher volumes (+6.4%). This appeared to be partly due to trade uncertainties stemming from the war in Ukraine, with Statistics Canada noting significant gains in energy imports, mostly from the US but also from Saudi Arabia and Nigeria. However, the import surge was also a reflection of solid domestic demand, with consumer goods, and in particular clothing, seeing a big increase. There was also a strong increase in auto imports, which is potentially good news from a supply chain point of view.
- Despite a strong end to the quarter for trade volumes, and some signs of improvement on the supply chain front, it wasn't enough to offset the declines seen around the turn of the year. As such, export (-9.7% annualized) and import (-3.9% annualized) volumes were both lower in Q1 than they were during the final quarter of 2021.
- In terms of trade in services, an increase in international travel (particularly Canadian's going abroad) saw both imports and exports increase and the deficit widen to \$1.0bn in March, from \$0.6bn in the prior month. Canada's total trade surplus with the world therefore slimmed from \$2.5 billion in February to \$1.4 billion in March.

¹ Annualized.

Implications & actions

Re: Economic forecast — We may not have seen the big increase in trade surplus that was expected, but today's figures were still positive from the point of view of overall economic growth. The big gain in imports suggests that some inventories were being built in areas where future supply has become more uncertain, that spending on consumer goods has been very solid, and that supply chain issues may have been easing somewhat. Looking ahead, export volumes for manufactured goods could see some weakness as global growth decelerates, but demand for Canadian commodities globally should remain strong as developed countries look to substitute away from Russian product.

Re: Markets — The Canadian dollar was little changed after the release, as the details of today's report appeared strong enough to offset the disappointing headline surplus figure.

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