Economics

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Canadian trade (Sep): Export volumes energized

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Merchandise trade, in million ($)	24:Q1[1]	24Q2[1]	24:Q3[1]	Jul	Aug	Sep
Merch. trade balance—Annual rate	533	-11,243	-12,092	-3,474	-17,632	-15,170
• Monthly rate	-	-	-	-290	-1,469	-1,264

Merchandise trade (period/period % chg)	24:Q1[1]	24:Q2[1]	24:Q3[1]	Jul	Aug	Sep
Exports	-3.7	1.3	-0.7	-1.4	-1.4	-0.1
Imports	0.5	7.6	-0.3	-1.5	0.5	-0.4
Export volumes (chain Fisher)	2.1	-4.5	1.3	-2.0	0.2	1.2
Import volumes (chain Fisher)	1.1	1.2	-0.8	-1.5	0.7	-0.2

Source: Statistics Canada

- Canada's export sector was energized as the third quarter came to a close, reaping a strong gain in volumes. While the international trade deficit narrowed only marginally in September, to $1.3bn from $1.5bn on a 0.1% decrease in nominal exports and a 0.4% drop in imports, things looked better in volume terms, as real exports increased by 1.2%, while real imports were roughly flat. For the quarter as a whole, export volumes increased (+1.3% ann.) on energy shipments tied to the Trans Mountain expansion pipeline, while import volumes dropped off (-0.8% ann.) on lower auto shipments, which have been hindered by production delays in the US lately, and that will leave net trade as a positive contributor to growth over the quarter.
- Lower oil prices were behind the drop in nominal exports, something that will have reversed in October, and will add to strength in crude volumes shipped via the TMX pipeline. For the quarter as a whole, energy product volumes were up by 17% annualized. A rebound in pulp and paper shipments also supported real exports, after that sector was impacted by the rail work stoppage in August. Real exports of autos are still sitting well below their 2023 peak levels due to production delays tied to plant retooling. The inventory-to-sales ratio for autos is still below pre-pandemic levels in the US, which should continue to support demand for Canadian exporters in the sector.
- On the import side, the inventory-to-sales ratio for autos in Canada is well above pre-pandemic levels, and weak domestic demand is holding back inbound shipments. That's also behind the weakness in categories tied to business investment like industrial machinery and equipment, where import volumes are hovering around lows not seen since the height of the pandemic.
- The revisions to the prior month showed a worse trade deficit in September ($1.5bn vs. $1.1bn previously reported), as exports were revised down. Adding services trade into the mix showed a slight increase in exports against a decrease in imports, which left the overall trade deficit with the world at $2.5bn, a narrowing from $2.9bn in September.

[1] Annualized.

Implications & actions

Re: Economic forecast — While the TMX will continue to support export growth ahead, and central bank rate cuts will also be a positive for demand in the coming year, there's near-term downside in two-way trade from port strikes in both Montreal and BC. The ongoing sluggishness in imports is a reflection of weak underlying demand in the economy, and the Bank of Canada will therefore remain on track to cut rates by 50bps in December.

Re: Markets — There was no material market reaction to the data.