

Economics

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June 6, 2024

Canadian trade (April): Exports spring ahead

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Merchandise trade, in million (\$)	23:Q3 ¹	23Q4 ¹	24:Q1 ¹	Feb	Mar	Apr
Merch. trade balance—Annual rate	536	8,617	-2,473	9,824	-23,815	-12,565
• Monthly rate	-	-	-	819	-1,985	-1,047

Merchandise trade (period/period % chg)	23:Q3 ¹	23:Q4 ¹	24:Q1 ¹	Feb	Mar	Apr
Exports	9.2	5.2	-4.5	5.4	-5.2	2.6
Imports	-3.4	0.9	1.1	5.0	-1.0	1.1
Export volumes (chain Fisher)	-3.5	3.4	0.6	5.8	-4.9	1.6
Import volumes (chain Fisher)	-1.8	-2.3	1.4	4.5	-0.6	-0.6

Source: Statistics Canada

- Canada's goods trade deficit narrowed to \$1.05bn in April, as exports jumped. That was in line with the consensus expectation and followed a revision to the prior month's deficit to \$2.0bn, from \$2.3bn previously. The 2.6% increase in exports in April reflected higher shipments of energy products, with both prices and volumes increasing. 8 of 11 product sections saw exports rise, and total export volumes were up by 1.6%. Nominal imports rebounded by 1.1%, but dropped off by 0.6% in volume terms, suggesting that net trade drove growth to start the second quarter.
- Higher export activity in the energy sector included natural gas shipments that rebounded following unseasonably mild weather in March in the US. Refining capacity for crude oil in the Midwest came back online in April, supporting exports of crude oil. Unwrought gold shipments increased dramatically but that was all due to higher prices. Export volumes are sitting 1.0% below year-ago levels, as the subdued global economic climate has weighed on shipments. Looking ahead, energy exports will receive a boost from the TMX pipeline, which began filling up with oil in mid-April. There is also room for gains in the auto sector where activity was recently curtailed by plants retooling.
- On the import side, cars boosted shipments, in line with the increase in US vehicle production. Canada's trade surplus with the US ticked up to \$7.3bn, which is still below the recent peaks of \$11bn, and exports to the US are 1.1% below year-ago levels. Total import volumes with the world are up 4.0% y/y, but with inventory levels now bloated relative to the pace of sales in the economy, imports could wane ahead.
- Adding services back into the mix showed that Canada's total trade deficit narrowed to \$2.2bn in April, from \$2.9bn in the prior month, with a widening in the services trade deficit only partly offsetting the narrowing on the goods side.

¹ Annualized.

Implications & actions

Re: Economic forecast — The increase in export volumes is consistent with other advanced indicators that showed a rebound in activity in April, and confirms that net trade drove growth during the month. Exports will likely see further gains in the quarter tied to higher oil pipeline capacity and one-off events in the auto sector, while imports are likely to fade given weak domestic demand and elevated inventory levels.

Re: Markets — Markets didn't pay much attention to today's data, as the deficit was in line with expectations.

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