

Economics

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Canadian trade (Nov): Exports weighed down by gold

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Merchandise trade, in million (\$)	25:Q1	25:Q2	25:Q3	Sep	Oct	Nov
Merch. trade balance—Annual rate	1,694	-73,603	-40,014	3,086	-4,739	-26,363
• Monthly rate	-	-	-	257	-395	-2,197

Merchandise trade (period/period % chg)	25:Q1	25:Q2	25:Q3	Sep	Oct	Nov
Exports	17.7	-41.3	9.7	6.3	2.4	-2.8
Imports	18.0	-13.2	-7.9	-4.3	3.4	-0.1
Export volumes (chain Fisher)	6.4	-29.9	3.9	4.7	1.7	-3.7
Import volumes (chain Fisher)	6.4	-4.1	-10.3	-4.0	2.9	0.4

Source: Statistics Canada

- Canada's international trade deficit widened to \$2.2bn in November, from \$0.4bn in the prior month, as exports dropped off. The result was worse than the consensus expectation for a \$0.7bn shortfall. That reflected a 2.8% drop in exports against flat imports. In chain-Fisher volume terms, exports were down 3.7% and imports rose by 0.4%. This continues to suggest that net trade flipped to subtract modestly from growth in the fourth quarter, and with tariffs and trade uncertainty persisting, we don't expect to see a sustained improvement in exports until further into 2026.
- The unwrought gold category has been a source of volatility lately, and was responsible for the entire drop in exports seen in November. Lower unwrought gold shipments to the UK, US, and Hong Kong were behind that move, and excluding the metal/non-metallic mineral category would have seen exports increase by 2.5%. That reflects gains in energy product volumes as US refineries came back online following shutdowns in the prior month. Exports of autos and parts fell by 12% on the month, leaving them at the lowest level in three years. That reflects lower production activity tied to a semiconductor shortage, as well as new tariffs imposed by the US on medium/heavy trucks and buses, with that category plummeting by 54% on the month. Shipment volumes in the other categories that have been hit by US tariffs (lumber, steel, aluminum, cars) are down sharply from year-ago levels.
- Nominal imports were flat on the month, with drops in 7 of 11 groups seen including autos and energy products, against an increase in consumer goods. Weak domestic demand tied to trade uncertainty can be seen in the drop off in inbound industrial machinery equipment over the past year (-2.0% y/y), although total import volumes (-1.8% y/y) are down by only a fraction of the losses seen for export volumes (-5.7% y/y), as exporters haven't been able to fully diversify away from the US market.
- Adding services trade back into the mix showed that Canada's total trade balance with the world moved from a surplus of \$27mn in October, to a deficit of \$2.2bn in November.

Implications & actions

Re: Economic forecast — The data continues to suggest that net trade subtracted from growth slightly in the fourth quarter, as imports rebounded while exports remain subdued. We expect exports to remain under pressure in the near term due to tariffs and uncertainty around CUSMA renegotiations, with a sustainable improvement likely in the second half of the year.

Re: Markets — Bond yields initially fell slightly on the wider-than-expected deficit.

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