

Economics

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Canadian trade (Dec): All that glitters

by Andrew Grantham andrew.grantham@cibc.com

Merchandise trade, in million (\$)	25:Q2	25:Q3	25:Q4	Oct	Nov	Dec
Merch. trade balance—Annual rate	-72,041	-38,131	-18,763	-9,582	-31,015	-15,692
• Monthly rate	-	-	-	-799	-2,585	-1,308

Merchandise trade (period/period % chg)	25:Q2	25:Q3	25:Q4	Oct	Nov	Dec
Exports	-41.2	9.0	16.5	1.5	-2.2	2.6
Imports	-12.9	-8.6	5.1	3.3	0.6	0.6
Export volumes (chain Fisher)	-29.4	4.2	8.5	1.1	-3.2	3.1
Import volumes (chain Fisher)	-3.8	-11.2	1.4	2.2	0.6	1.7

Source: Statistics Canada

- All that glittered was in fact gold in December, with exports in that volatile area accounting for all of the narrowing in Canada's goods trade deficit relative to the prior month. While export volumes in some other areas have rebounded from lows seen earlier in 2025, and net trade will be a positive contributor to Q4 GDP, the level of trade remains depressed due to the impact of US tariffs and related uncertainty.
- Canada's merchandise trade deficit narrowed to \$1.3bn in December, from a revised \$2.6bn in the prior month. Exports rose 2.6% on the month, although excluding the volatility in the metal and non-metallic mineral sector, exports were actually little changed. In chain-fisher volume terms, overall exports rose by 3.1%, aided also by an increase in aircraft & other transportation exports. While trade with countries other than the US reached a record high, that was flattered somewhat by increased gold shipments to the UK.
- Export areas hit hardest by US tariffs continued to struggle, with the volume of trade in forestry products declining back in line with the low recorded in August. Despite rising from earlier lows, export volumes remained almost 5% lower on a year-over-year basis.
- Imports increased by 0.6% in December, and by a stronger 1.7% in volume terms. Imports of autos rebounded following a dip in the prior month, partly offset by a decline in consumer goods.
- For the fourth quarter as a whole, inflation-adjusted exports rose at an annualized rate of 8.5%, outpacing the 1.4% increase in imports. That suggests a further positive contribution from net trade to quarterly GDP in Q4, although that will likely be offset at least partly by slower inventory accumulation.
- On the services side, Canada's surplus with the rest of the world widened to \$0.7bn in December, from \$0.1bn in the prior month. As a result, the overall trade deficit narrowed more than that of just goods trade, from \$2.5bn in November to \$0.6bn in December.

Implications & actions

Re: Economic forecast — While net trade will be a positive for Q4 GDP, that doesn't mean that exports are recovering particularly strongly from the declines seen over the spring of 2025. There remains great divergence by sector, with exports of products hit hardest by US tariffs generally still depressed, which highlights the importance of renegotiating CUSMA and maintaining the tariff exemption for other products covered by that trade deal.

Re: Markets — Markets were largely unmoved by today's trade data.

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