

Economics

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Canadian trade (Apr); temporary weakness in exports

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Merchandise trade, in million (\$)	21:Q3 ¹	21:Q4 ¹	22:Q1 ¹	Feb	Mar	Apr
Merch. trade balance—Annual rate	6,702	9,778	32,025	30,784	27,380	18,014
• Monthly rate	-	-	-	2,565	2,282	1,501

Merchandise trade (period/period % chg)	21:Q3 ¹	21:Q4 ¹	22:Q1 ¹	Feb	Mar	Apr
Exports	21.4	31.0	24.7	3.8	7.0	0.6
Imports	15.6	29.0	10.2	5.1	7.8	1.9
Export volumes (chain Fisher)	6.4	11.8	-10.0	0.4	1.7	-1.3
Import volumes (chain Fisher)	-6.1	15.4	-1.3	3.7	6.6	0.7

Source: Statistics Canada

- Canadian trade disappointed in April with a slowdown in both exports (+0.6%) and imports (+1.9%), but there were still some encouraging details within the report. With exports slowing more than imports, the trade surplus narrowed from \$2.3bn to \$1.5bn, in contrast to consensus expectations for a slight widening (\$2.8bn). Concerning was that exports (-1.3%) were down in volume terms, though some of the details suggest that this could be temporary. Imports rose slightly (0.7%) in chain-Fisher volume terms.
- Energy exports (-0.9%) came down slightly from their all-time high, mainly due to lower volumes of crude oil exports resulting from planned shutdowns and maintenance in the Alberta oil sands. Meanwhile, higher exports of natural gas and coal provided a large offset. In addition, April saw a large decline in the often volatile aircraft and other transportation sector, as aircraft exports dropped 63.8%. These declines offset some further improvements in auto related exports, which increased 3.9% to the highest level since October 2020, in a sign that supply issues continue to ease gradually.
- Imports rose on both volumes and prices. Imports of consumer goods (+5.5%) contributed the most to the increase, with a notable gain in clothing and footwear. Statistics Canada points to increased volatility in the seasonally adjusted numbers for consumer goods as businesses try to manage inventories and adapt to production and transportation disruptions. After two months of strong growth, imports from China declined 15.3% in April likely as a result of the lockdown in Shanghai.
- As international travel continues to recover, both imports (+5.5%) and exports (+1.6%) of services grew in April. With the relaxation of requirements put on international travellers, exports of travel services rose 11.9%. However, more Canadians travelling abroad resulted in a further increase in imports of travel services (+17.0%). As a result, the deficit for trade in services widened from \$0.8bn in March to \$1.3bn in April. This leaves Canada's total trade surplus at a slim \$0.2bn in April, down from \$1.5bn in March.

¹ Annualized.

Implications & actions

Re: Economic forecast — Today's release was somewhat disappointing, though the details of the report suggest part of the weakness should be temporary, particularly for oil exports which should rebound next month. Nevertheless, for now exports look like they may not provide the boost to Q2 GDP that we and the Bank of Canada expected. Still there are encouraging signs that supply disruptions might be easing, particularly in the auto sector. With the lifting of the lockdowns in China, we should also see a rebound in imports from that country in the months ahead.

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

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